



Yuma County Airport Authority, Inc.
Basic Financial Statements

Year Ended September 30, 2007

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Independent Auditor's Report

To the Board of Directors
Yuma County Airport Authority, Inc.

We have audited the accompanying financial statements of the business-type activities and each major fund of Yuma County Airport Authority, Inc., (the Authority) as of and for the year ended September 30, 2007, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Yuma County Airport Authority, Inc.'s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of Yuma County Airport Authority, Inc., as of September 30, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis (MD&A) on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2008, on our consideration of Yuma County Airport Authority, Inc.'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Walker & Armstrong LLP

Phoenix, Arizona
January 18, 2008

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2007

As management of the Yuma County Airport Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with the following financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$27,676,298 (net assets).
- The Authority's cash balance at September 30, 2007 was \$941,369 representing an increase of \$90,507 from September 30, 2006.
- The Authority had intergovernmental revenues of \$2,878,685, operating revenues (charges for services) of \$2,303,399 and operating expenses of the enterprise funds totaling \$3,098,164 for the year ended September 30, 2007.
- The Authority's capital outlays for the year ended September 30, 2007 totaled \$2,500,609 which includes costs of \$2,290,390 in construction in progress.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority operates using only enterprise funds and has no governmental fund reporting activities.

The *fund financial statements* focus on individual parts of the government and reporting the Authority's operations. Fund financial statements include the following funds:

- Enterprise funds which are used to account for the Authority's business-type activities.

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 20 of this report.

FUND FINANCIAL ANALYSIS

The following is a discussion of the Authority's completed and capitalized projects and significant changes in operations from the prior year:

Significant capital outlays included in construction in progress for the year included

1. **40th Street Air Cargo Apron.** Capital outlays of \$2,080,848 towards the construction of a large aircraft apron and related taxiway extension was underway during the year. This project is expected to be completed in December of 2007 with an estimated total cost of \$2,129,337. The apron will be used for the loading and unloading of domestic cargo aircraft.
2. **Passenger Terminal Expansion and Remodel.** Capital outlays of \$194,119 towards the expansion and remodel of the passenger terminal was also underway during the year. This project is designed to provide space for TSA representatives to process passenger checked baggage behind closed doors, as well as to provide space for Customs and Border Protection to process international passengers inside the terminal building. The project is estimated to be completed by February of 2008 at a total cost of \$1,300,000.

Capital grants and contributions of \$2,878,675 which are reported as intergovernmental revenue increased by \$157,263 due to an increase in capital construction activity.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$27,676,298 at the close of the most recent fiscal year.

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2007

FUND FINANCIAL ANALYSIS – CONTINUED

By far the largest portion of the Authority's net assets (97%) reflects its investment in capital assets (e.g., land, construction in progress, improvements, buildings, furniture, fixtures, and equipment). The Authority uses these capital assets to provide the means to create and maintain facilities necessary to support the continued growth of civil aviation in Yuma, Arizona; consequently, these assets are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide services.

The following is a summary analysis of the net assets and changes in net assets of the Authority:

Net Assets		
September 30, 2007 and 2006		
	2007	2006
Assets:		
Current and other assets	\$ 1,703,710	\$ 1,133,335
Capital assets	29,267,375	27,880,212
Total assets	30,971,085	29,013,547
Liabilities:		
Current	1,091,008	241,308
Non-current	2,203,779	3,074,979
Total liabilities	3,294,787	3,316,287
Net assets:		
Invested in capital assets, Net of related debt	26,740,788	24,684,322
Unrestricted	935,510	1,012,938
Total net assets	\$ 27,676,298	\$ 25,697,260

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2007

FUND FINANCIAL ANALYSIS – CONTINUED

Changes in Net Assets		
September 30, 2007 and 2006		
	2007	2006
Program revenues:		
Charges for services	\$ 2,303,399	\$ 2,000,556
Capital grants and contributions	2,878,685	2,732,643
General revenues:		
Passenger facility charges	177,080	231,060
Interest income	28,542	17,715
Total revenues	5,387,706	4,981,974
Expenses:		
Airport operations	2,933,254	2,708,757
Restaurant	229,101	185,491
Gift shop	28,922	83,299
Capital projects	-	12,479
Other	-	19,935
Interest expense	217,391	231,532
Total expenses	3,408,668	3,241,493
Increase in net assets	1,979,038	1,740,481
Net assets, beginning of year	25,697,260	23,956,779
Net assets, end of year	\$ 27,676,298	\$ 25,697,260

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2007 the Authority's investment in capital assets was \$26,740,788 (net of accumulated depreciation and related debt). This investment in capital assets includes land, construction in progress, buildings, improvements, furniture, fixtures and equipment.

Major capital asset additions include the completion of a new aircraft storage facility on the West side of the airport.

- Capital expenditures of \$203,719 were made to purchase equipment and furniture for the Authority's operations.
- Capital expenditures of \$6,500 were made for the purchase of vehicles.
- There were no capital expenditures for the purchase of land.

Additional information on the Authority's capital assets can be found in Note 5 on pages 16 and 17 of this report.

Long-Term Debt

The Authority has two notes payable. The details of these notes are discussed in Note 6 on pages 17 and 18 of this report.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 2191 E. 32nd Street, Suite 218, Yuma, AZ 85365 or call (928) 726-5882.

Yuma County Airport Authority
Statement of Net Assets - Enterprise Funds
September 30, 2007

	Airport Operations
Assets	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 941,369
Accounts receivable, net	120,902
Intergovernmental receivable	549,702
Prepaid items	25,337
Deposits	6,924
Total current assets	1,644,234
<i>Noncurrent assets:</i>	
Restricted cash	59,476
Capital assets:	
Capital assets, not being depreciated	8,807,279
Capital assets, being depreciated, net	20,460,096
Total noncurrent assets	29,326,851
Total assets	30,971,085
Liabilities	
<i>Current liabilities:</i>	
Accounts payable	618,530
Accrued expenses	115,597
Other liabilities	240
Refundable deposits	33,833
Current portion of long-term liabilities	322,808
Total current liabilities	1,091,008
<i>Noncurrent liabilities:</i>	
Noncurrent portion of long-term liabilities	2,203,779
Total noncurrent liabilities	2,203,779
Total liabilities	3,294,787
Net Assets	
Invested in capital assets, net of related debt	26,740,788
Unrestricted (deficit)	935,510
Total net assets (deficit)	\$ 27,676,298

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

Yuma County Airport Authority
Statement of Revenues, Expenses and Changes in Net Assets
Enterprise Funds
Year ended September 30, 2007

	<u>Airport Operations</u>	<u>Restaurant</u>	<u>Gift Shop</u>	<u>Total</u>
Operating revenues:				
Aeronautical	\$ 1,341,113	\$ -	\$ -	\$ 1,341,113
Non-aeronautical	839,249	-	-	839,249
Food and beverage sales	-	116,701	-	116,701
Retail sales	-	-	6,336	6,336
Total operating revenues	<u>2,180,362</u>	<u>116,701</u>	<u>6,336</u>	<u>2,303,399</u>
Less: Cost of sales	-	(78,751)	(14,362)	(93,113)
Gross profit (loss) on sales	<u>2,180,362</u>	<u>37,950</u>	<u>(8,026)</u>	<u>2,210,286</u>
Operating expenses:				
Personnel expenses	1,074,622	109,731	5,241	1,189,594
Operating expenses	802,315	19,842	7,391	829,548
Depreciation	1,054,947	20,715	1,928	1,077,590
Amortization	1,370	62	-	1,432
Total operating expenses	<u>2,933,254</u>	<u>150,350</u>	<u>14,560</u>	<u>3,098,164</u>
Operating loss	(752,892)	(112,400)	(22,586)	(887,878)
Nonoperating revenues (expenses):				
Interest income	28,542	-	-	28,542
Intergovernmental	2,878,685	-	-	2,878,685
Passenger facility charges	177,080	-	-	177,080
Interest expense	(217,391)	-	-	(217,391)
Total nonoperating revenues (expenses)	<u>2,866,916</u>	<u>-</u>	<u>-</u>	<u>2,866,916</u>
Income (loss) before transfers and capital contributions	2,114,024	(112,400)	(22,586)	1,979,038
Transfers in	-	83,725	-	83,725
Transfers out	(83,725)	-	-	(83,725)
Changes in net assets	2,030,299	(28,675)	(22,586)	1,979,038
Total net assets (deficit) - beginning of year	24,943,705	849,976	(96,421)	25,697,260
Net assets transferred upon fund closing	702,294	(821,301)	119,007	-
Total net assets (deficit) - end of year	<u>\$ 27,676,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,676,298</u>

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

Yuma County Airport Authority
Statement of Cash Flows - Enterprise Funds
Year ended September 30, 2007

	<u>Airport Operations</u>	<u>Restaurant</u>	<u>Gift Shop</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,203,297	\$ 116,701	\$ 6,336	\$ 2,326,334
Payments to suppliers	(908,776)	(104,438)	(13,846)	(1,027,060)
Payments to employees	(422,781)	(104,262)	(5,103)	(532,146)
Interfund receipts	-	-	5,154	5,154
Interfund disbursements	(5,154)	-	-	(5,154)
Net cash provided by (used for) operating activities	866,586	(91,999)	(7,459)	767,128
Cash flows from noncapital financing activities:				
Transfers to other funds	(83,725)	-	-	(83,725)
Transfers from other funds	-	83,725	-	83,725
Net cash provided by (used for) noncapital financing activities	(83,725)	83,725	-	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(2,500,610)	-	-	(2,500,610)
Sale or disposal of capital assets	27,529	6,924	6,959	41,412
Receipts of passenger facilities charges	177,080	-	-	177,080
Capital grants received	2,420,292	-	-	2,420,292
Increase in restricted assets	43,358	-	-	43,358
Principal paid on long-term debt	(669,304)	-	-	(669,304)
Interest paid on long-term debt	(217,391)	-	-	(217,391)
Net cash provided by (used for) capital and related financing activities	(719,046)	6,924	6,959	(705,163)
Cash flows from investing activities:				
Interest and dividends	28,542	-	-	28,542
Net increase (decrease) in cash and cash equivalents	92,357	(1,350)	(500)	90,507
Cash and cash equivalents, beginning of year	849,012	1,350	500	850,862
Cash and cash equivalents, end of year	<u>\$ 941,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 941,369</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating loss	\$ (752,892)	\$ (112,400)	\$ (22,586)	\$ (887,878)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation and amortization	1,054,947	20,175	1,928	1,077,050
Changes in assets and liabilities:				
Decrease in accounts receivable	19,189	-	-	19,189
Decrease (increase) in inventories	-	5,722	11,489	17,211
Decrease in prepaid items	2,617	-	-	2,617
Increase in accounts payable	468,507	-	-	468,507
Increase in accrued expenses	70,472	(5,496)	-	64,976
Increase in refundable deposits	3,746	-	-	3,746
Increase in other accruals	-	-	1,710	1,710
Net cash provided by (used for) operating activities	<u>\$ 866,586</u>	<u>\$ (91,999)</u>	<u>\$ (7,459)</u>	<u>\$ 767,128</u>

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

Yuma County Airport Authority, Inc.
Notes to the Financial Statements
September 30, 2007

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

Yuma County Airport Authority, Inc. is a validly organized and existing body politic incorporated in the State of Arizona. Yuma County Airport Authority, Inc. (the Authority) was formed to operate the Yuma International Airport located in Yuma, Arizona under a lease authorized by Arizona Revised Statute Section 28-8411, et seq, which provides for tax exempt status of the Authority. Accordingly, no provision is made for Federal or Arizona income taxes.

The Authority has no governmental funds. All activity of the Authority is reported in enterprise funds.

B. Fund Financial Statements

Financial statements are provided for proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements. All funds of the Authority have been determined by management to be important to the readers of the financial statements and accordingly all of the funds of the Authority are presented as major funds.

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

The financial statements are reported using 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.

Fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Under the terms of grant agreements, the Authority funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Authority applies grant resources to such programs before using general revenues.

The Authority follows FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The Authority has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies – Continued

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

The Authority reports the following major enterprise funds:

The *Airport Operations Fund* accounts for the general operations of the Yuma International Airport.

The *Restaurant Fund* accounts for the activities of a restaurant located in the Yuma International Airport that was operated and managed by the Authority.

The *Gift Shop Fund* accounts for the activities of a gift shop located in the Yuma International Airport that was operated and managed by the Authority.

During the year ended September 30, 2007, the restaurant and gift shop funds were closed and the remaining net assets (deficits) were transferred to the airport operations fund.

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 an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are charges to customers for sales and service. Operating expenses of the Authority's enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets

1. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Concentration of credit risk - the Authority's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable. The Authority places its cash with high credit worthy institutions. At times such cash may be in excess of the FDIC insurance limit. All amounts in excess of FDIC coverage are fully collateralized in accordance with State Law. The Authority routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable credit risk exposure is limited

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies – Continued

D. Assets, Liabilities and Net Assets - Continued

2. Receivables and Payables

All trade receivables are shown net of an allowance for uncollectibles.

Federal and state grants and contracts are recorded as intergovernmental receivables and revenues when the related expenditures are incurred. That portion of reimbursement in excess of expenditures is offset in the deferred revenue account.

3. Inventory and Prepaid Items

Inventories are stated at the lower of cost or market using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects as constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed.

Property and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	5 to 40 years
Furniture, fixtures and equipment	3 to 50 years
Vehicles	5 to 7 years

5. Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Upon termination of employment, all unused vacation and sick leave benefits are paid to employees with more than six months length of employment. Accordingly, vacation and sick leave benefits are accrued as a liability in the financial statements.

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies – Continued

D. Assets, Liabilities and Net Assets - Continued

6. Estimates

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

Note 2 – Cash and Investments

At September 30, 2007, the Authority's cash consisted of the following:

Cash on hand	\$ 350
Cash in bank	<u>1,000,495</u>
Total	<u>\$ 1,000,845</u>

At September 30, 2007, the carrying amount of the Authority's total cash in bank was \$1,000,495 and the bank balance was \$1,063,777. Of the bank balance, \$100,000 was covered by federal depository insurance and \$963,777 was covered by collateral held by the pledging institution's trust department.

At September 30, 2007, the Authority's cash consisted of the following:

<u>Cash and Cash Equivalents</u>	<u>Restricted Cash</u>	<u>Total</u>
\$ 941,369	\$ 59,476	\$ 1,000,845

Restricted Cash

The restricted cash held on September 30, 2007 included a demand deposit bank account in the amount of \$59,476. This account represents passenger facility charges that have been collected by the Authority. These funds are restricted in that they can only be used for projects authorized by the Federal Aviation Administration.

Notes to Financial Statements – Continued

Note 3 – Receivables

Accounts receivable consisted of the following at September 30, 2007:

Accounts receivable	\$ 121,402
Less allowance for uncollectibles	<u>(500)</u>
Net total receivables	<u>\$ 120,902</u>

Intergovernmental receivables consisted of the following at September 30, 2007:

Grant Receivables:

Federal Aviation Administration	\$ 518,449
Arizona Department of Transportation	<u>31,253</u>
Total grant receivables	<u>\$ 549,702</u>

Note 4 – Interfund Balances

Interfund transfers during 2007 were as follows:

<u>Transfer Out:</u>	<u>Transfers In:</u>
<u>Operations Fund</u>	<u>Restaurant</u>
Airport Operations	<u>\$ 83,725</u>

Notes to Financial Statements – Continued

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2007 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital assets, not being depreciated:</i>				
Land and easements	\$ 6,485,651	\$ -	\$ -	\$ 6,485,651
Construction in progress	31,238	2,290,390	-	2,321,628
Total capital assets, not being depreciated	<u>6,516,889</u>	<u>2,290,390</u>	<u>-</u>	<u>8,807,279</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	28,215,366	-	-	28,215,366
Furniture, fixtures and equipment	857,148	203,719	(119,446)	941,421
Vehicles	271,009	6,500	-	277,509
Total capital assets, being depreciated	<u>29,343,523</u>	<u>210,219</u>	<u>(119,446)</u>	<u>29,434,296</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(7,637,886)	(931,667)	-	(8,569,553)
Furniture, fixtures and equipment	(202,947)	(99,498)	83,590	(218,855)
Vehicles	(139,367)	(46,425)	-	(185,792)
Total accumulated depreciation	<u>(7,980,200)</u>	<u>(1,077,590)</u>	<u>83,590</u>	<u>(8,974,200)</u>
Total capital assets, being depreciated, net	<u>21,363,323</u>	<u>(867,371)</u>	<u>(35,856)</u>	<u>20,460,096</u>
Business-type activities capital assets, net	<u>\$ 27,880,212</u>	<u>\$ 1,423,019</u>	<u>\$(35,856)</u>	<u>\$ 29,267,375</u>

Depreciation Expense

Depreciation expense was charged as follows:

Airport Operations	\$ 1,054,947
Restaurant	20,715
Gift Shop	<u>1,928</u>
Total depreciation expense	<u>\$ 1,077,590</u>

Notes to Financial Statements – Continued

Note 5 – Capital Assets - Continued

Construction in Progress

At September 30, 2007, the Authority had the following projects still in progress:

<u>Project</u>	<u>Balance, Oct. 1, 2006</u>	<u>Additions</u>	<u>Completed Projects</u>	<u>Balance, Sept. 30, 2007</u>
Land Acquisition	\$ 13,500	\$ 13,264	\$ -	\$ 26,764
40 th Street Cargo Apron Passenger Terminal	17,738	2,080,848	-	2,098,586
Expansion & Re-model	-	194,119	-	194,119
Taxiway F	-	2,161	-	2,161
Total	<u>\$ 31,238</u>	<u>\$ 2,290,392</u>	<u>\$ -</u>	<u>\$ 2,321,630</u>

Note 6 – Long Term Debt

The notes payable of the Authority at September 30, 2007, consists of two notes payable as follows:

Note payable to 1st Bank Yuma, unsecured with fixed monthly payments of \$14,000 including interest. The interest rate is variable based on 100% of the prime rate (7.75% at September 30, 2007). The note has a no negative amortization clause and matures on December 19, 2008. \$ 617,019

Note payable to 1st Bank Yuma, with fixed monthly payments of \$12,901 including interest. The interest rate is variable based on 87.50% of the prime rate (6.78125% at September 30, 2007). The note has a no negative amortization clause and matures on August 1, 2028. The Authority has pledged revenue sources, from the West GA Hangar Facility which was constructed with the proceeds, as collateral for the note. 1,909,568

Total notes payable \$ 2,526,587

Notes to Financial Statements – Continued

Note 6 – Long Term Debt - Continued

The debt service requirements on the notes payable (at current interest rates) are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 150,830	\$ 171,990	\$ 322,820
2009	520,443	136,183	656,626
2010	29,925	124,895	154,820
2011	32,019	122,801	154,820
2012	34,259	120,561	154,820
2013-2017	210,778	563,320	774,098
2018-2022	295,572	478,526	774,098
2023-2027	414,478	359,620	774,098
2028	838,283	45,407	883,690
	<u>\$ 2,526,587</u>	<u>\$2,123,303</u>	<u>\$ 4,649,890</u>

Changes in long-term debt for the year ended September 30, 2007, were as follows:

	<u>Balance October 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2007</u>	<u>Due Within One Year</u>
Notes payable	<u>\$ 3,195,890</u>	<u>\$ -</u>	<u>\$ 669,303</u>	<u>\$ 2,526,587</u>	<u>\$ 150,830</u>

Note 7 – Commitments and Contingency

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

On January 17, 1966 the Yuma County Airport Authority, Inc. entered into an agreement with the County of Yuma, whereby the Authority would lease all buildings, structures, improvements and personal property of the Yuma International Airport for one dollar per year. The term of the lease, as amended on May 19, 1986 is from January 15, 1996 through January 14, 2036, with the Authority having an option to renew the lease for another ten years. The consideration for the lease is one dollar per year, payable on or before January 15th of each year through January 14, 2036. At September 30, 2007 this lease is prepaid for the next 27 years.

Notes to Financial Statements – Continued

Note 7 – Commitments and Contingency - Continued

Title to all real property acquired by the Yuma County Airport Authority, Inc. vests in the County of Yuma. During the term of the lease agreement, the Authority will operate and manage the property. All personal property acquired belongs to the Authority and may be sold or traded by it. However, upon termination of the lease agreement, the personal property passes to the County of Yuma.

Note 8 – Rental Revenues and Landing Fees

The Authority derives revenue from the leasing of property and equipment. A schedule of minimum future rentals under non-cancelable operating leases as of the end of the last fiscal year is as follows:

<u>Year Ending September 30,</u>	
2008	\$ 1,019,302
2009	618,810
2010	305,018
2011	312,035
2012	<u>330,963</u>
Total	<u>\$ 2,586,128</u>

Landing fees received by the Authority are a contingent rental based on a charge per thousand pounds of certified gross weight of the aircraft for each landing. The Authority is also receiving contingent rental revenue from various car rental agencies and Republic Parking Systems, based on a percentage of gross revenue.

The amount of contingent rentals for the past four fiscal years follows:

	<u>Year Ended September 30,</u>			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Aircraft landing fees	\$ 197,203	\$ 117,400	\$ 158,219	\$ 129,239
Car rental and parking fees	<u>767,644</u>	<u>600,260</u>	<u>565,789</u>	<u>458,089</u>
Total	<u>\$ 964,847</u>	<u>\$ 717,660</u>	<u>\$ 724,008</u>	<u>\$ 587,328</u>

Notes to Financial Statements – Continued

Note 9 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all such risks of loss, including workers' compensations and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10 – Pension Plan

Plan Description - the Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the Authority. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the plan.

ASRS

3300 N. Central Avenue
P.O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or (800) 621-3778

Funding Policy - The Arizona State Legislature establishes and may amend active Plan members' and the Authority's contribution rates.

Cost-sharing plans - For the year ended September 30, 2007, active ASRS members and the Authority were each required by statute to contribute at the actuarially determined rate of 9.60 percent (9.1 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The Authority's contributions to ASRS for the years ended September 2007, 2006, and 2005 were \$72,934, \$62,652, and \$36,852 respectively, which were equal to the required contributions for the year. Contributions came from equal amounts of employee withholdings and operating resources of the Authority.

Note 11 – Related Party Transactions

A board member of the Authority is a principal of the insurance agency which assists the Authority in contracting its property and liability insurance from various underwriters. This insurance agency collects fees in various ways in relation to this service. The amount of insurance expense incurred during the year ended September 30, 2007 totaled \$99,215.