

PEACHTREE CITY AIRPORT AUTHORITY
(A Component Unit of the
City of Peachtree City)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended September 30, 2002 and 2001

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Authority
Peachtree City Airport Authority
Peachtree City, Georgia

We have audited the accompanying financial statements of the Peachtree City Airport Authority, a component unit of the City of Peachtree City, Georgia, as of and for the years ended September 30, 2002 and 2001. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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 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 opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Peachtree City Airport Authority as of September 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2002 on our consideration of Peachtree City Airport Authority's internal control over financial reporting and our tests of its provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements of Peachtree City Airport Authority. Other financial information listed as supplementary information in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Both the schedule of expenditures of federal awards and the supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note 10 to the financial statements, certain errors resulting in understatement of previously reported income and overstatement of previously reported contributed capital as of September 30, 2002, were discovered during the current year. Accordingly, the September 30, 2002 financial statements have been restated to correct the error.

GEESLIN, CORDLE, JOHNSON & WETHERINGTON, LLP

A handwritten signature in cursive script that reads "Geeslin, Cordle, Johnson & Wetherington, LLP". The signature is written in dark ink and is positioned below the firm's name.

Peachtree City, Georgia

December 19, 2002, except for Note 10, as to which the date is March 24, 2003

LIABILITIES AND EQUITY

| | <u>2002</u> | <u>2001</u> |
|--------------------------------------|-----------------------------|----------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 27,896 | \$ 39,271 |
| Contracts payable | 48,059 | - |
| Accrued liabilities | 10,082 | 10,999 |
| Unearned revenue | 69,422 | 41,849 |
| Lease obligations, current portion | - | 15,633 |
| Notes payable, current portion | - | 110,740 |
| Total current liabilities | <u>155,459</u> | <u>218,492</u> |
| Long-term liabilities | | |
| Lease obligations, long-term portion | - | 25,253 |
| Notes payable, long-term portion | - | 1,242,830 |
| Total long-term liabilities | <u>-</u> | <u>1,268,083</u> |
| TOTAL LIABILITIES | 155,459 | 1,486,575 |
| EQUITY | | |
| Contributed capital-grant | 10,768,370 | 10,768,370 |
| Contributed capital-donated | 2,125,000 | 2,125,000 |
| Total contributed capital | <u>12,893,370</u> | <u>12,893,370</u> |
| Retained earnings | <u>(2,990,611)</u> | <u>(4,450,166)</u> |
| TOTAL EQUITY | <u>9,902,759</u> | <u>8,443,204</u> |
| TOTAL LIABILITIES AND EQUITY | <u><u>\$ 10,058,218</u></u> | <u><u>\$ 9,929,779</u></u> |

The accompanying notes are an integral part of these statements.

| | <u>2002</u> | <u>2001</u> |
|--|------------------------------|------------------------------|
| Nonoperating revenues (expenses) | | |
| Debt service - interest | (43,434) | (102,291) |
| Interest income | 3,631 | 3,694 |
| Hotel and motel tax | 232,717 | 184,743 |
| Federal grant income | 405,075 | 259,079 |
| State grant income | 28,220 | 146 |
| Payments from primary government | 1,509,310 | - |
| Miscellaneous income (expense) | <u>1,927</u> | <u>4,415</u> |
| Total nonoperating revenues (expenses) | <u>2,137,446</u> | <u>349,786</u> |
| Net (loss) | 1,459,555 | (297,419) |
| Retained earnings - beginning of year | <u>(4,450,166)</u> | <u>(4,152,747)</u> |
| Retained earnings - end of year | <u><u>\$ (2,990,611)</u></u> | <u><u>\$ (4,450,166)</u></u> |

The accompanying notes are an integral part of these statements.

| | <u>2002</u> | <u>2001</u> |
|---|---------------------|------------------|
| Cash flows from investing activities: | | |
| Interest on investments | <u>3,631</u> | <u>3,694</u> |
| Net increase (decrease) in cash and cash equivalents | 101,108 | (22,339) |
| Cash and cash equivalents at beginning of year | <u>67,526</u> | <u>89,865</u> |
| Cash and cash equivalents at end of year | <u>\$ 168,634</u> | <u>\$ 67,526</u> |
| Non-cash Investing, Capital and Financing Activities | | |
| Capital assets acquired by increases in contracts payable | <u>\$ 48,059</u> | <u>\$ -</u> |
| Payments from primary government to pay off debt | <u>\$ 1,509,310</u> | <u>\$ -</u> |
| Increase in capital from recognition of a grant receivable | <u>\$ 25,067.00</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these statements.

PEACHTREE CITY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

| <u>Federal Grantor</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---------------------------------|
| U.S. Department of Transportation: | | |
| Federal Aviation Administration: | | |
| Airport Improvement Program | | |
| Federal Identifier FAA AIP 03-13-0146-12 | 20.106 | \$ <u>405,075</u> |
| Total U.S. Department of Transportation | | \$ <u><u>405,075</u></u> |

See accompanying notes to schedule of expenditures of federal awards.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2002 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On March 26, 1984 the General Assembly of the State of Georgia approved enabling legislation to create the Peachtree City Airport Authority (Authority).

The Authority was created to acquire, construct, equip, maintain, operate, own and improve airports and landing fields for the use of aircraft. On September 20, 1988, the Authority became the owner of Falcon Field Airport in Peachtree City, Georgia.

The accompanying financial statements report on the financial activities of the Peachtree City Airport Authority. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the GASB's Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting, the Authority applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. In addition, the Authority applies all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

The Authority is considered to be a component unit of the City of Peachtree City, Georgia, as defined by GASB Statement No. 14, The Financial Reporting Entity. The City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City appoints all board members of the Authority. The Authority and the City of Peachtree City have entered into an agreement whereby the City is obligated to make periodic payments to the Authority to assist in the payment of debt obligations and some operating costs.

Method of Accounting

As a proprietary type fund, the Peachtree City Airport Authority uses the flow of economic resources measurement focus and the accrual method of accounting for revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents include money on hand and demand deposits.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2002 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fair Value of Financial Instruments

The carrying value of cash, receivables and accounts payable approximates fair value due to the short maturity of these instruments. The carrying value of short and long-term debt approximates fair value based on discounting the projected cash flows using market rates available for similar maturities.

Inventory

Inventory is valued at the lower of cost or market. Cost is determined on the first in, first out (FIFO) basis.

Receivables

All receivables are reported at their gross value and are reduced by the estimated portion that is expected to be uncollectible. Uncollectible amounts were estimated to be \$2,000 and \$1,580 for the years ended September 30, 2002 and 2001, respectively. Unbilled revenues are recognized at the end of each fiscal year based on billings during the month following the close of the fiscal year.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Gains and losses on disposal of property, plant and equipment are reflected in current income. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

The estimated useful lives for each major class of depreciable fixed assets are as follows:

| | |
|----------------------------|-------------|
| Equipment | 5 years |
| Land improvements | 15-20 years |
| Buildings and improvements | 15-20 years |
| Furniture and fixtures | 10 years |

Interest is capitalized on constructed fixed assets during the period of construction, if it is material. No interest was capitalized in the years ended September 30, 2002 and 2001.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2002 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Management's Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management's estimates. Actual results could differ from these estimates

Change in Accounting Principle

During the year ended September 30, 2001, the Authority adopted Governmental Accounting Standards Board No. 33, Accounting and Financial Reporting for Nonexchange Transactions. Statement No. 33 establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources.

Prior to the issuance of Statement No. 33, the Authority treated resources provided through Federal and state grants as contributed capital and not as revenue, if the resources were provided to finance capital expenditures only.

Statement No. 33 requires revenue recognition once the time requirements and purpose restrictions are met. In the case of the Federal and state grants, these resources are considered voluntary nonexchange transactions. Once the Authority was awarded the contract and costs eligible for reimbursement were recorded, the time and purpose requirements were met, and revenue was recognized.

Statement No. 33 goes on to say that "governments should not restate contributed capital arising from periods prior to implementation of this Statement." Therefore, grants received during the year ended September 30, 2000 are recorded as contributions to capital.

2. CASH

Cash and cash equivalents include money on hand and demand deposits. The book balance and bank balance of the Peachtree City Airport Authority's deposits, including money market accounts, are detailed below. The amount of the total book and bank balances are classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the Authority or by its agent in the Authority's name, 2) cash collateralized with securities held by the pledging financial institution's agent in the Authority's name, and 3) uncollateralized bank accounts.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2002 and 2001

2. CASH - continued

The Authority's deposits are classified as follows at September 30, 2002 and 2001:

| <u>Category</u> | <u>Book Balance</u> | | <u>Bank Balance</u> | |
|-----------------|---------------------|-----------------|---------------------|-----------------|
| | <u>2002</u> | <u>2001</u> | <u>2002</u> | <u>2001</u> |
| 1 | \$100,000 | \$67,256 | \$100,000 | \$77,493 |
| 2 | - | - | - | - |
| 3 | 68,634 | - | 85,008 | - |
| Total | <u>\$168,634</u> | <u>\$89,865</u> | <u>\$185,008</u> | <u>\$99,748</u> |

3. PROPERTY AND EQUIPMENT

Activity for property and equipment capitalized by the Authority is summarized below:

| | <u>9/30/01</u> <u>Balances</u> | <u>Additions</u> | <u>Deductions</u> | <u>9/30/02</u> <u>Balances</u> |
|------------------------------|-----------------------------------|------------------|-------------------|-----------------------------------|
| Land and Improvements | \$12,867,694 | 661,859 | - | \$13,529,553 |
| Building and Improvements | 2,225,114 | - | - | 2,225,114 |
| Equipment | 272,244 | 11,340 | - | 283,584 |
| Total | <u>\$15,365,052</u> | <u>673,199</u> | <u>-</u> | <u>\$16,038,251</u> |

Property and equipment is normally stated at cost. However, assets acquired by gift or donation are recorded at their fair market value at the date of transfer.

Depreciation of exhaustible fixed assets is charged as an expense against operations, and accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method of depreciation. Depreciation expense for the years ended September 30, 2002 and 2001 was \$671,218 and \$661,897, respectively.

4. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

On September 20, 1988, the Authority entered into a grant agreement with the Federal Aviation Administration (FAA) (Project No. 3-13-0146-02) enabling the Authority to obtain title to Falcon Field Airport (Airport) and fund improvements to the Airport. The tentative allocation of \$7,680,000 was made under the Fiscal Year 1988 Airport Improvement Program. Grant offers for the approved project must meet the requirements of the Airport and Airway Improvement Act of

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2002 and 2001

4. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS - continued

1982 (as amended by the Airport and Airway Safety and Capacity Expansion Act of 1987) and is subject to the limits of obligational authority for the current fiscal year. In a Letter of Intent dated May 19, 1988, the FAA outlined its intention to obligate additional amounts in Fiscal Years 1989-1991 for payment of its share of the cost for the remaining development. The FAA allocation represents ninety (90%) percent of the cost of the project. The remaining ten (10%) percent is to be funded by the State of Georgia and the Authority. The Authority portion will be provided by the land donated to it.

FAA Grant No. 2

The initial grant offer (identified as FAA Grant No. 02 and received by the Authority in 1988) was for the following items of development with a total estimated cost of \$1,444,444 (\$1,300,000 Federal share):

Acquire land for future development; prepare construction plans and specifications for replacement of Runway 13-31 and associated taxiways; and credit for land donation.

At September 30, 2002, the first stage in the development and improvement of the Airport was complete with actual expenses incurred of \$1,221,311. The State of Georgia did not participate in this portion of the project. The expenses in this first stage are included in Land and Improvements category on the balance sheet since the runway and taxiway are complete.

FAA Grant No. 3

The second grant offer (identified as FAA Grant No. 03 and received during 1989) was for the following items of development with a total estimated cost of \$2,362,962 (\$2,126,666 Federal share):

Construction administration, inspection, quality control and construction of site preparation for new 5200 linear feet runway including clearing, earthwork, drainage, erosion control, power line relocation and associated work.

At September 30, 2002, the second stage in the development and improvement of the Airport was complete with actual expenses incurred of \$2,247,830. The expenses in this stage are included in the Land and Improvements category on the balance sheet since the runway and taxiway are complete.

FAA Grant No. 4

The third grant offer (identified as FAA Grant No. 04 and received during 1990) was for the following items of development with a total estimated cost of \$2,362,963 (\$2,126,667 Federal share):

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2002 and 2001

4. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS - continued

Construct runway, taxiway and apron; construct drainage; install lighting; acquire land for development; relocate utilities.

At September 30, 2002, the third stage in the development and improvement of the Airport was complete with actual expenses incurred of \$2,230,666. The expenses in this stage are included in the Land and Improvements category on the balance sheet since the runway and taxiway are complete.

FAA Grant No. 5

The fourth and final phase of the multi-year project (identified as FAA Grant No. 05 and received in 1991) is for the following items of development with a total estimated cost of \$2,372,480 (\$2,135,230 Federal share):

Reconstruction of all major aprons and relocation of existing "T-hangars" to a new apron area.

At September 30, 2002, the fourth stage in the development and improvement of the Airport was complete with actual expenses incurred of \$2,202,320.

FAA Grant No. 6

During 1991, the Authority began working on two additional projects not funded by the original multi-year grant. The first of these projects (identified as FAA Grant No. 06 and received in 1991) is for the following items of development with a total estimated cost of \$216,608 (\$194,950 Federal share).

The installation of a deer control fence around the perimeter of the airport.

At September 30, 2002, this project was complete with actual expenses incurred of \$199,194.

State of Georgia Grant No. C-2501-9200

The second of these projects (identified as State of Georgia Grant #C-3-2501-9200) is for the following items of development.

The installation of electronic navigational aids to enhance the safe operation of the airport during inclement weather. The aids include: localizer/DME approach equipment located on the airport, a non-directional radio beacon located on the center line of the runway some six miles southeast of the airport, and an omni-directional approach lighting system.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2002 and 2001

4. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS - continued

At September 30, 2002, this project was complete with actual expenses incurred of \$453,619.

FAA Grant No. 7

During 1992, the Authority received an additional FAA Grant (No. 7). The grant is for construction of apron expansion and construction of connecting taxiway.

At September 30, 2002, this project was complete with actual expenses incurred of \$794,776.

FAA Grant No. 8

During 1993, the Authority received an additional FAA Grant (No.8). The grant is for costs incurred to complete the administration, inspection, quality control and construction of the runway.

At September 30, 2002, this project was complete with actual expenses incurred of \$675,190.

FAA Grant No. 9

During 1996, the Authority received FAA Grant No. 9. The Grant is for the expansion of the airport apron.

At September 30, 2002 the project was complete with actual expenses incurred of \$390,320.

FAA Grant No. 10

During 1999, the Authority received FAA Grant No. 10. This grant was for the following items of development:

Construction of taxiway, Phase I.

Actual expenses incurred for Phase I were \$190,236 (\$184,412 Federal share, \$5,698 Georgia State share). At September 30, 2002, Phase I construction was complete.

FAA Grant No. 11

During 1999, the Authority also received FAA Grant offer No. 11. This grant was for the following items of development:

Phase II of the taxiway construction project, including paving and grading.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2002 and 2001

4. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS - continued

Actual expenses incurred for Phase II were \$534,614 (\$531,035 Federal share). At September 30, 2002, Phase II construction was complete.

FAA Grant No. 12

During 2001, the Authority also received FAA Grant offer No. 12. This grant was for the following items of development:

Phase III of the taxiway construction project, including design, paving and grading.

Actual expenses incurred for Phase III were \$450,083 (\$405,075 Federal share and \$15,495 State Share). At September 30, 2002, construction was complete.

The Authority has entered into several additional contracts relating to the Airport acquisition and development. All Authority obligations under these contracts were current at the end of the year.

All costs incurred by the Authority through September 30, 2002 have been included in these financial statements.

5. LONG-TERM OBLIGATIONS

At September 30, 2002 and 2001, notes payable consists of the following:

| | <u>2002</u> | <u>2001</u> |
|---|-------------|--------------------|
| Installment loan (dated September, 1999) with a floating interest rate of 85 percent of prime rate, payable in 180 monthly payments of \$12,186 due and payable on September 1, 2014. Secured as described below. | \$ - | \$1,245,619 |
| Installment loan (dated September 1999) with a floating interest rate at 85 percent of prime interest rate. Payable in 84 monthly payments of \$2,120. Secured as described below. | - | 107,951 |
| | - | 1,353,570 |
| Less Current Portion | - | 110,740 |
| | <u>\$ -</u> | <u>\$1,242,830</u> |

Airplane hangar/office building, aviation center building, T-hangars, and various equipment and inventory secure the debt at September 30, 2001.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2002 and 2001

5. LONG-TERM OBLIGATIONS - continued

The above debt has a floating interest rate of 85 percent of prime rate. At October 3, 2001, the interest rate on the loans was 4.675%.

The primary government paid off all of Peachtree City Airport Authority's debt during the fiscal year ended September 30, 2002 as part of an intergovernmental agreement signed in 2002. This agreement reduced the portion of the hotel/motel tax revenues received by the primary government that were passed through to the Authority.

Capital Leases

The Authority has financed the acquisition of aviation fuel storage and dispensing equipment by means of a lease. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. Amortization of equipment leased under capital leases is included in depreciation expense.

The following is an analysis of equipment leased under capital leases as of September 30, 2001.

| | |
|-----------|------------------|
| Equipment | <u>\$120,000</u> |
|-----------|------------------|

The capital lease agreement was also paid off by the primary government as part of the intergovernmental agreement signed in 2002.

6. CLAIMS AND JUDGMENTS

The Authority is the recipient of Federal, State and Local grants. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. As of September 30, 2001, significant amounts of grant expenditures have not been audited but the Authority believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Authority.

Significant amounts of grant expenditures in fiscal year ended September 30, 2002, were audited as part of the Single Audit. There were no expenditures noted that were considered disallowed expenditures.

7. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

a. Litigation

At September 30, 2002, the Authority was not involved in any lawsuits.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2002 and 2001

8. SUBSEQUENT EVENTS

Purchase of land after year-ended September 30, 2002

Peachtree City Airport Authority received an FAA grant in the amount of \$1,125,146 for the purchase of land. The land purchase (23.93 acres) closed on October 21, 2002 for \$1,080,846, which included closing costs.

9. HOTEL/MOTEL TAX

The City of Peachtree City collects a lodging tax. A portion of this tax is distributed to the Peachtree City Airport Authority for the promotion of tourism and to facilitate trade shows and conventions as required by O.C.G.A. 48-13-54. The City and Authority agreed in 1993 that proceeds from the lodging tax would be used to assist in servicing debt incurred to pay for the airport improvements and expansions as such improvements and expansions have been designed to promote tourism and trade. There was some controversy regarding the agreement signed on June 7, 2001, which was later amended. The controversy concerned the length of time the City would provide these funds and whether the City could terminate the funding at their discretion. The funding continued at 26.67% of the total revenues received by the City through June of 2001. It changed to varying percentages ranging from 32% to 81% until May of 2002, when the City paid off the debt of the Authority and then began to pay \$10,000 per month to the Airport Authority in order to offset some operating costs. The last agreement signed on November 7, 2002, provides the Authority with 13.3% of the total Hotel/Motel tax collected by the City. During the years ended September 30, 2002 and 2001, the Authority received \$232,717 and \$184,743 respectively. Additionally, the Authority had receivable balances from the City of Peachtree City of \$10,000 and \$25,864 at September 30, 2002 and 2001, respectively.

A summary of the transactions for the years ending September 30, 2002 and 2001 follows:

| | <u>2002</u> | <u>2001</u> |
|--|----------------|--------------|
| Revenues | \$232,717 | \$184,743 |
| Principal and interest payments on debt | 125,580 | 179,296 |
| Other operating costs | <u>107,137</u> | <u>5,447</u> |
| Balance of lodging tax funds on hand at year end | \$ <u>0</u> | \$ <u>0</u> |

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2002 and 2001

10. CORRECTION OF ERROR

During the year ended September 30, 2002, the Authority entered into an intergovernmental agreement with the Primary government in which the Primary government agreed to pay off all of the Authority's debt. This agreement reduced the portion of the hotel/motel tax revenues received by the Primary government that were passed through to the Authority and is considered a voluntary nonexchange transaction. Once the Authority approved this agreement and debt was retired, the time and purpose requirements were met, and revenue should have been recognized.

Originally, this was recorded as an addition to contributed capital, but this was later determined to be a mistake in the application of an accounting principle. According to GASB statement No. 33 (See note 1), this transaction is a nonoperating revenue. Therefore, the error has been corrected and the financial statements restated. The effect of the restatement is that contributed capital has been reduced by \$1,509,310 for the year ended September 30, 2002 and nonoperating revenues have increased by \$1,509,310 for the year ended September 30, 2002.

Peachtree City Airport Authority
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2002

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Peachtree City Airport Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - MATCHING FUNDS

The matching funds for this project (AIP 03-13-0146-12) are \$15,495 from the state of Georgia Department of Transportation and \$29,513 from the Peachtree City Airport Authority as a contribution of land.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Authority
Peachtree City Airport Authority
Peachtree City, Georgia

We have audited the financial statements of the Peachtree City Airport Authority as of September 30, 2002 and for the year then ended, and have issued our report thereon dated December 19, 2002. We conducted our audit in accordance with 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.

Compliance

As part of obtaining reasonable assurance about whether Peachtree City Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

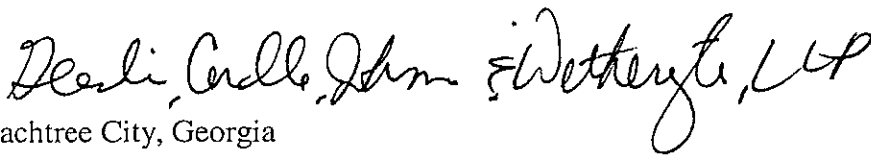
In planning and performing our audit, we considered Peachtree City Airport Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Internal Control Over Compliance

The management of Peachtree City Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Peachtree City Airport Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Peachtree City, Georgia
December 19, 2002



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROLS OVER COMPLIANCE WITH OMB CIRCULAR A-133

To the Members of the Authority
Peachtree City Airport Authority
Peachtree City, Georgia

We have audited the compliance of the Peachtree City Airport Authority with types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2002. Peachtree City Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Peachtree City Airport Authority's management. Our responsibility is to express an opinion on Peachtree City Airport Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Peachtree City Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Peachtree City Airport Authority's compliance with those requirements.

In our opinion, Peachtree City Airport Authority, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2002.

Peachtree City Airport Authority
Page two

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Dee Li, Carl G. Johnson, Westgate, LLP

Peachtree City, Georgia
December 19, 2002

PEACHTREE CITY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2002

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|---|---------------|
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Reportable condition(s) identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Reportable condition(s) identified that are not considered to be material weaknesses? | None reported |
| Type of auditor's report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |
| Identification of major programs: | |
| <u>CFDA Number</u> <u>Name of Federal Program</u> | |
| 20.106 Airport Improvement Program | |

| | |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$600,000 |
|--|-----------|

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SUPPLEMENTARY INFORMATION

Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 02 EXPENSES
Cumulative through September 30, 2002

| | |
|--|--------------------|
| Administrative | \$ 6,507 |
| Preliminary expenses | 19,096 |
| Land, structures, right-of-way | 826,027 |
| Architectural & engineering basic fees | 207,376 |
| Other architectural & engineering fees | <u>162,305</u> |
| | <u>\$1,221,311</u> |

Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 03 EXPENSES
Cumulative through September 30, 2002

| | |
|--|--------------------|
| Administrative | \$ 1,647 |
| Utility relocation | 15,313 |
| Architectural & engineering basic fees | 72,048 |
| Other architectural & engineering basic fees | 90,030 |
| Project inspection fees | 115,471 |
| Construction and project improvement cost | <u>1,953,321</u> |
| | <u>\$2,247,830</u> |

Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 04 EXPENSES
Cumulative through September 30, 2002

| | |
|---|--------------------|
| Administrative | \$ 18,048 |
| Utility relocation | 19,907 |
| Preliminary expenses | 25,372 |
| Architectural & engineering basic fees | 71,498 |
| Other architectural & engineering fees | 76,186 |
| Project inspection fees | 157,170 |
| Construction and project improvement cost | <u>1,862,485</u> |
| | <u>\$2,230,666</u> |

Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 05 EXPENSES
Cumulative through September 30, 2002

| | |
|---|--------------------|
| Administrative | \$ 22,972 |
| Preliminary expenses | 26,752 |
| Architectural & engineering basic fees | 152,422 |
| Other architectural & engineering fees | 140,211 |
| Project inspection fees | 186,201 |
| Construction and project improvement cost | <u>1,673,762</u> |
| | <u>\$2,202,320</u> |

Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 06 EXPENSES
Cumulative through September 30, 2002

| | |
|---|-------------------|
| Administrative expense | \$ 4,403 |
| Architectural & engineering basic fees | 19,789 |
| Other architectural & engineering fees | 9,380 |
| Project inspection fees | 16,909 |
| Construction and project improvement cost | <u>148,713</u> |
| | \$ <u>199,194</u> |

Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 07 EXPENSES
Cumulative through September 30, 2002

| | |
|---|-------------------|
| Administrative | \$ 5,364 |
| Architectural & engineering basic fees | 72,423 |
| Other architectural & engineering fees | 30,988 |
| Project inspection fees | 93,213 |
| Construction and project improvement cost | <u>592,788</u> |
| | \$ <u>794,776</u> |

Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 08 EXPENSES
Cumulative through September 30, 2002

| | |
|---|-------------------|
| Administrative | \$ 2,322 |
| Preliminary expenses | 3,600 |
| Architectural & engineering basic fees | 4,743 |
| Other architectural & engineering fees | 3,164 |
| Project inspection fees | 22,893 |
| Construction and project improvement cost | <u>638,468</u> |
| | <u>\$ 675,190</u> |

Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 09 EXPENSES
Cumulative through September 30, 2002

| | |
|--------------------------------|-------------------|
| Construction and related costs | \$ <u>390,320</u> |
|--------------------------------|-------------------|

Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 10 EXPENSES
Cumulative through September 30, 2002

| | |
|------------------------------------|------------------|
| Administrative | \$ 1,635 |
| Architectural and engineering fees | 66,067 |
| Construction costs | <u>122,534</u> |
| | <u>\$190,236</u> |

Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 11 EXPENSES
Cumulative through September 30, 2002

| | |
|--|------------------|
| Administrative | \$ 13,580 |
| Project inspection fees | 42,819 |
| Construction and project improvement costs | 357,085 |
| Architectural and engineering fees | <u>121,130</u> |
| | <u>\$534,614</u> |

Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 12 EXPENSES
Cumulative through September 30, 2002

| | |
|---|------------------|
| Administrative | \$ 5,000 |
| Design, survey and bidding | 28,370 |
| Construction, administration and project closeout | 17,850 |
| CEI | 75,130 |
| Testing | 12,500 |
| Construction (Cline) | 272,369 |
| Change order - lift station | 5,351 |
| Relocation (Georgia Power) | 3,000 |
| Lift station (PCWSA) | 1,000 |
| Land reimbursement | <u>29,513</u> |
| | <u>\$450,083</u> |