

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, 2003 and 2002

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Peachtree City Airport Authority's financial performance provides an overall review of the Authority's financial activities for the fiscal year ending September 30, 2003. Please read it in conjunction with the Authority's financial statements, which begin on page 8. The intent of this discussion is to enhance the reader's understanding of the Authority's financial performance.

Financial Highlights

- The Authority's total assets increased by \$573,663.
- The Authority's total liabilities decreased by \$37,798.
- The Authority's operating revenues increased \$144,044.
- The Authority's operating expenses increased \$153,341.
- The Authority's Federal grant revenues increased from \$0.4 million to \$1.2 million due to increased grant availability during FY2003.

Using this Financial Report

This annual report consists of the management's discussion and analysis and the financial statements. The financial statements include statements of net assets; statements of revenues, expenses and changes in fund net assets; and statements of cash flows. In addition, the notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes begin on page 12.

Table 1 provides a summary of the Authority's total assets for 2003 compared to 2002.

Table 1
Total Liabilities and Net Assets

Assets	<u>2003</u>	<u>2002</u>
Current assets	\$ 295,549	\$ 260,132
Restricted assets	11,072	9,759
Net property and equipment	<u>10,325,260</u>	<u>9,788,327</u>
Total Assets	<u>\$10,631,881</u>	<u>\$10,058,218</u>
Liabilities and Net Assets		
Total Liabilities	<u>\$ 117,661</u>	<u>\$ 155,459</u>
Net Assets		
Invested in capital assets	10,325,260	9,788,327
Restricted	11,072	9,759
Unrestricted	<u>177,888</u>	<u>104,673</u>
Total Net Assets	<u>10,514,220</u>	<u>9,902,759</u>
Total Liabilities and Net Assets	<u>\$10,631,881</u>	<u>\$10,058,218</u>

The Authority's total liabilities and net assets increased marginally from 2002. There was an increase from \$10,058,218 to \$10,631,881, or an increase of \$573,663. The net increase is due in part to purchase of land.

Current assets increased by \$35,417. This is mainly due to cash and cash equivalents increasing by \$37,446.

Table 2 shows the changes in net assets for the fiscal year ended September 30, 2003 as well as revenue and expense comparisons to 2002.

Table 2
Revenues and Expenses

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Fuel sales	\$ 794,816	\$ 672,471
Leases	326,214	320,462
Fixed base operations	<u>60,834</u>	<u>44,887</u>
Total operating revenues	<u>1,181,864</u>	<u>1,037,820</u>
Operating Expenses		
Purchases – fuel and parts	584,339	464,439
Professional fees	17,382	15,758
Depreciation	670,657	671,219
Salaries	293,881	279,530
Repairs and maintenance	66,355	59,337
Fuel farm maintenance & truck rental	19,639	18,600
Utilities/telephone	67,997	70,740
Payroll tax expense	22,781	22,001
Credit card processing fee	16,950	13,378
Insurance	71,719	68,763
Other	<u>37,352</u>	<u>31,946</u>
Total operating expenses	<u>1,869,052</u>	<u>1,715,711</u>
Net operating loss	<u>(687,188)</u>	<u>(677,891)</u>
Non-operating revenues (expenses)		
Interest expense	-	(43,434)
Interest income	2,250	3,631
Miscellaneous income	<u>6,850</u>	<u>1,927</u>
Total non-operating revenues	<u>9,100</u>	<u>(37,876)</u>
Capital contributions:		
Federal grant income	1,159,821	405,075
State grant income	<u>11,256</u>	<u>28,220</u>
Total capital contributions	<u>1,171,077</u>	<u>433,295</u>
Net income (loss) before transfers	492,989	(282,472)
Transfers from City of Peachtree City		
Hotel and motel tax revenue	118,472	232,717
Payment of outstanding debt	<u>-</u>	<u>1,509,310</u>
Total transfers	<u>118,472</u>	<u>1,742,027</u>
Net Income	611,461	1,459,555
Net assets – beginning of year	<u>9,902,759</u>	<u>8,443,204</u>
Net assets – end of year	<u>\$10,514,220</u>	<u>\$ 9,902,759</u>

Analysis of Overall Financial Positions and Results of Operations

The financial position of the Authority improved over the past year. The net assets increased by \$611,461. The Authority received more federal grant income in the fiscal year 2003 than in the previous year. This was used for land acquisition and capital improvements. Also, the Authority did not have any debt obligations in fiscal year 2003.

Capital Assets

The fiscal year-ending balance of capital assets shows an increase of \$424,777. This increase is due to additions to capital assets exceeding accumulated depreciation.

	<u>2003</u>	<u>2002</u>
Land and improvements	\$ 3,619,196	\$ 2,526,461
Construction in progress	124,856	12,700
Land improvements	11,003,092	11,003,092
Buildings and improvements	2,227,814	2,225,114
Furniture and equipment	<u>283,583</u>	<u>283,584</u>
	17,258,541	16,050,951
Less accumulated depreciation	<u>6,933,281</u>	<u>6,262,624</u>
Net property and equipment	<u>\$10,325,260</u>	<u>\$ 9,788,327</u>

Debt

The Authority had no debt obligations for the fiscal year ending 2003.

Current Issues

In fiscal year ended September 30, 2003, construction began on a new hangar area at the Authority. Currently, two hangars are complete and three remain to be built. The access road to this new hangar area is scheduled to be paved in April 2004. Also, we are currently replacing the Aviation Center roof, as it has been leaking for some time. The Authority has secured a \$350,000 loan from a financial institution to fund these two projects.

The Authority acquired 24 acres of land with a grant from the Federal Aviation Administration and now has a FAA grant to design the taxiway for this new area. Construction of the taxiway will most likely begin during the fiscal year ended September 30, 2005.

The Authority is in the process of selecting a new Authority manager. A new manager should be in place by April 2004.

The Authority for the past fiscal year received 13.3% of the hotel/motel taxes collected by the City of Peachtree City to fund capital improvements of the Authority. These payments were received on a monthly basis. In December 2003, the City had stopped paying the hotel/motel tax to the Authority. The City is pursuing a new mechanism to distribute the hotel/motel tax funds and is holding the Authority's payments until this new mechanism is established. The Authority anticipates a lump sum payment of the withheld hotel/motel tax payments in approximately June 2004.

Contacting the Peachtree City Authority

This report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives for those with an interest in this information. Questions concerning any of the information found in this report or requests for additional information, should be directed to the Chairman of the Peachtree City Airport Authority, 7 Falcon Drive, Peachtree City, GA 30269 or at phone number (770) 487-2225.

INDEPENDENT AUDITOR'S REPORT

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

Offices:
Alabama
Birmingham
Tuscaloosa
Georgia
Atlanta
Newnan
Peachtree City

We have audited the business-type activities 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, 2003 and 2002, which collectively comprise the Authority's basic financial statements as listed in the table of contents. 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Peachtree City Airport Authority as of September 30, 2003 and 2002, and the respective changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basis Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of September 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2004 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*

Peachtree City Airport Authority
Page two

Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 1 through 5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Peachtree City Airport Authority basic financial statements. The supplementary grant schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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. The schedule of expenditures of federal awards 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. The supplementary grant schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Peachtree City, Georgia
January 8, 2004

LIABILITIES AND NET ASSETS	<u>2003</u>	<u>2002</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 35,845	\$ 27,896
Contracts payable	-	48,059
Accrued liabilities	21,579	10,082
Unearned revenue	<u>60,237</u>	<u>69,422</u>
Total current liabilities	<u>117,661</u>	<u>155,459</u>
TOTAL LIABILITIES	<u>117,661</u>	<u>155,459</u>
NET ASSETS		
Invested in capital assets	10,325,260	9,788,327
Restricted for Federal grant expenditures	11,072	9,759
Unrestricted	<u>177,888</u>	<u>104,673</u>
TOTAL NET ASSETS	<u>10,514,220</u>	<u>9,902,759</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,631,881</u>	<u>\$ 10,058,218</u>

The accompanying notes are an integral part of these statements.

	<u>2003</u>	<u>2002</u>
Nonoperating revenues (expenses):		
Interest expense	\$ -	\$ (43,434)
Interest income	2,250	3,631
Miscellaneous income	<u>6,850</u>	<u>1,927</u>
Total nonoperating revenues (expenses)	<u>9,100</u>	<u>(37,876)</u>
Net loss before contributions and transfers	(678,088)	(715,767)
Capital contributions	1,171,077	433,295
Transfers from city of Peachtree City:		
Hotel and motel tax revenue	118,472	232,717
Payment of outstanding debt obligations	<u>-</u>	<u>1,509,310</u>
Total transfers	<u>118,472</u>	<u>1,742,027</u>
Increases in net assets	611,461	1,459,555
Net assets - beginning of year	<u>9,902,759</u>	<u>8,443,204</u>
Net assets - end of year	<u><u>\$ 10,514,220</u></u>	<u><u>\$ 9,902,759</u></u>

The accompanying notes are an integral part of these statements.

	<u>2003</u>	<u>2002</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	\$ (687,188)	\$ (677,891)
Adjustments to reconcile net (loss) to net cash flows provided by (used in) operating activities:		
Depreciation	670,657	671,218
(Increase) decrease in:		
Accounts receivable	(4,220)	(10,168)
Inventory	4,632	721
Due from primary government	(490)	15,864
Increase (decrease) in:		
Accounts payable	7,949	(11,375)
Accrued liabilities	11,497	(917)
Unearned revenues	(9,185)	27,573
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (6,348)</u>	<u>\$ 15,025</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital assets acquired by increases in contracts payable	<u>\$ -</u>	<u>\$ 48,059</u>
Payments from primary government to pay off debt	<u>\$ -</u>	<u>\$ 1,509,310</u>
Increase in capital from recognition of a grant receivable	<u>\$ 22,960</u>	<u>\$ 25,067</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, 2003

<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 03-13-0146-11	20.106	\$ 523
Federal Identifier FAA AIP 03-13-0146-12	20.106	19,315
Federal Identifier FAA AIP 03-13-0146-13	20.106	1,126,596
Federal Identifier FAA AIP 03-13-0146-14	20.106	<u> 22,960</u>
 Total U.S. Department of Transportation		 <u><u>\$ 1,169,394</u></u>

See accompanying notes to schedule of expenditures of federal awards.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2003 and 2002

NOTE 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, 2003 and 2002

NOTE 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 \$4,300 and \$2,000 for the years ended September 30, 2003 and 2002, 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, 2003 and 2002.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of property, plant and equipment, net of accumulated depreciation these assets. Net assets are reported as restricted when there are limitations imposed on their use either through

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2003 and 2002

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Reclassifications

Certain reclassifications were made to the 2002 financial statement presentation in order to conform to the 2003 financial statement presentation. In particular, there has been a reclassification of net assets.

Implementation of New GASB Pronouncements

During the year ended September 30, 2003, the Authority adopted the following new accounting standards included in the following Governmental Accounting Standards Board Statements:

GASB Statement No. 34, *Basis Financial Statements and Management's Discussion and Analysis for State and Local Governments*, is a new financial reporting requirement for local governments in the United States. The Authority has implemented this pronouncement and has restricted some of the information that it has presented in the past. The main goal is to make the reports more comprehensive and easier to understand and use.

GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, addresses selected issues and amends GASB Statement No. 34. This statement makes selective changes including management's discussion and analysis, capitalization of construction-period interest and program revenues.

GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, establishes and modifies disclosure requirements related to the summary of significant accounting policies, actions taken to address violations of significant finance-related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2003 and 2002

NOTE 2 – CASH AND CASH EQUIVALENTS

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.

The Authority's deposits are classified as follows at September 30, 2003 and 2002:

<u>Category</u>	<u>Book Balance</u>		<u>Bank Balance</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
1	\$100,000	\$100,000	\$100,000	\$100,000
2	107,393	68,634	136,649	85,008
3	-	-	-	-
Total	<u>\$207,393</u>	<u>\$168,634</u>	<u>\$236,649</u>	<u>\$185,008</u>

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2003 and 2002

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2003 was as follows:

	9/30/2002 Balances	Increases	Decreases	9/30/2003 Balances
Capital assets not being depreciated:				
Land	2,526,461	1,092,735		3,619,196
Construction in Progress	12,700	124,856	(12,700)	124,856
Total capital assets not being depreciated	<u>2,539,161</u>	<u>1,217,591</u>	<u>(12,700)</u>	<u>3,744,052</u>
Other capital assets:				
Land Improvements	11,003,092	-	-	11,003,092
Building & Improvements	2,225,114	2,699	-	2,227,813
Equipment	283,584	-	-	283,584
Total other capital assets at historical cost	<u>13,511,790</u>	<u>2,699</u>	<u>-</u>	<u>13,514,489</u>
Less accumulated depreciation for:				
Land Improvements	(5,027,607)	(526,590)	-	(5,554,197)
Building & Improvements	(1,046,578)	(128,294)	-	(1,174,872)
Equipment	(188,439)	(15,773)	-	(204,212)
Total accumulated depreciation	<u>(6,262,624)</u>	<u>(670,657)</u>	<u>-</u>	<u>(6,933,281)</u>
Other capital assets, net	<u>7,249,166</u>	<u>(667,958)</u>	<u>-</u>	<u>6,581,209</u>
Total capital assets, net	<u><u>\$9,788,327</u></u>	<u><u>\$ 549,633</u></u>	<u><u>\$(12,700)</u></u>	<u><u>\$10,325,260</u></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, 2003 and 2002 was \$670,657 and \$671,218, respectively.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2003 and 2002

NOTE 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

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, 2003, 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, 2003, 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.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2003 and 2002

NOTE 4 -- CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS - continued

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):

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

At September 30, 2003, 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, 2003, 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, 2003, this project was complete with actual expenses incurred of \$199,194.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2003 and 2002

NOTE 4 -- CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS - continued

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.

At September 30, 2003, 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, 2003, 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, 2003, 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, 2003 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, 2003, Phase I construction was complete.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2003 and 2002

NOTE 4 -- CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS - continued

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 taxilane construction project, including paving and grading.

Actual expenses incurred for Phase II were \$534,614 (\$531,558 Federal share). At September 30, 2003, 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 taxilane construction project, including design, paving and grading.

Actual expenses incurred for Phase III were \$499,566 (\$424,390 Federal share and \$30,695 State share). At September 30, 2003, construction was complete.

FAA Grant No. 13

During 2002, the Authority received FAA Grant offer No. 13. This grant was for the following items of development:

Acquisition of approximately 24 acres on land for Hangar Area "C".

Actual expenses incurred for this project were \$1,251,773. (\$1,126,596 Federal share and Authority share \$125,177). At September 30, 2003, this project was complete.

FAA Grant No. 14

During 2002, the Authority received FAA Grant offer No. 14. This grant was for the following items of development:

Design and building of taxiway for Hangar Area "B" and related work.

Actual expenses incurred for this project to date are \$22,960. The grant was for \$697,000, (\$627,300 Federal share and \$34,850 State share and \$34,850 Authority share). The authority received \$22,960 from FAA in October, 2003, which was recorded as a grant receivable.

This project is ongoing at September 30, 2003.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2003 and 2002

NOTE 4-- CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS - continued

State Department of Transportation Grant

During 2003, the Authority received a grant offer from the State of Georgia for \$11,550 in State money, with the Authority paying a 25% match of \$3,850 for a total of \$15,400 project expenditure. This grant was a project to seal cracks in the apron area at Falcon Field. The state funds were received in November of 2002 and project complete by September 30, 2003.

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

All costs incurred by the Authority through September 30, 2003 have been included in these financial statements.

NOTE 5 -- LONG-TERM OBLIGATIONS

At September 30, 2003 and 2002, there were no notes payable or other long-term obligations. 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 was passed through to the Authority.

NOTE 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.

Significant amounts of grant expenditures in fiscal year ended September 30, 2003 and 2002, were audited as part of the Single Audit. There were no expenditures noted that were considered disallowed expenditures.

NOTE 7 -- SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

At September 30, 2003, the Authority was not involved in any lawsuits. There had been an issue over the FAA 12 grant with a subcontractor, but that was resolved in year ended September 30, 2003. There were no other litigation issues noted.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2003 and 2002

NOTE 8 -- SUBSEQUENT EVENTS

The airport manager's contract with the Authority was terminated. He was given a benefit package with the option to receive \$10,000 per year for four years. He received the \$40,000 severance payment in December 2003. The money was taken from the Authority's reserve account.

The Authority's terminal building requires repairs and maintenance to its roof. To accomplish this, they have entered into an intergovernmental agreement with the City to approve and secure a \$355,000 loan. The loan is a 10-year loan at 4% interest rate. No other capital improvements will be approved by the City until this loan has been funded. The contract with the City, which approves up to \$660,000 in debt, serves as security for the loan with a local bank.

A new bank account, called the Tax Exempt Capital Account has been opened for the purpose of the new 10-year Capital Budget, which was approved by the board members. This account was funded by the new loan for the roofing project.

The Authority applied for another Federal and State grant in October, 2003 for a total of approximately \$2,500,000 including the Authority's match of approximately \$220,000. This grant is for land acquisition of \$1,835,000 and hangar area "B" design fees.

NOTE 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 hotel/motel tax 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 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, 2003 and 2002, the Authority received \$118,472 and \$232,717, respectively.

Additionally, the Authority had receivable balances from the City of Peachtree City of \$10,490 and \$10,000 at September 30, 2003 and 2002, respectively.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2003 and 2002

NOTE 9 -- HOTEL/MOTEL TAX - continued

A summary of the hotel/motel tax transactions for the years ending September 30, 2003 and 2002 follows:

	<u>2003</u>	<u>2002</u>
Revenues	\$118,472	\$232,717
Principal and interest payments on debt	-	125,580
Other operating costs	<u>118,472</u>	<u>107,137</u>
Balance of lodging tax funds on hand at year end	\$ <u>0</u>	\$ <u>0</u>

NOTE 10 -- RESTATEMENT OF NET ASSETS

Previously reported contributed capital is no longer required with the implementation of GASB Statement No. 34 and has been reclassified as net assets.

Peachtree City Airport Authority
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2003

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 Project AIP 03-13-0146-13 are \$183,500 from the Authority. Project AIP 03-13-0146-14 requires matching funds of \$34,850 from the state of Georgia Department of Transportation and \$34,850 from the Authority.

NOTE C -- CLOSED PROJECTS

Project AIP-03-13-0146-11 has already been closed; however, the Authority received additional funds from FAA in the amount of \$523 to reimburse the Authority for funds already expended.

Project AIP-03-13-0146-12 was considered closed. However, one of the subcontractors has filed a suit for non payment of bills by the Authority. An agreement was reached without going to court. The Authority settled for a total of \$47,247 to the subcontractor. FAA reimbursed the Authority \$19,315 of these costs.

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

Offices:
Alabama
Birmingham
Tuscaloosa
Georgia
Atlanta
Newnan
Peachtree City

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, 2003 and for the year then ended, and have issued our report thereon dated January 8, 2004. 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.

Peachtree City Airport Authority
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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.

Indwell DeWitt LLC

Peachtree City, Georgia
January 8, 2004

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

Offices:
Alabama
Birmingham
Tuscaloosa
Georgia
Atlanta
Newnan
Peachtree City

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, 2003. 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, 2003.

Peachtree City Airport Authority

Page two

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.

Lidwell DeWitt LLC

Peachtree City, Georgia

January 8, 2004

PEACHTREE CITY AIRPORT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

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:					
<table><tbody><tr><td><u>CFDA Number</u></td><td><u>Name of Federal Program</u></td></tr><tr><td>20.106</td><td>Airport Improvement Program</td></tr></tbody></table>	<u>CFDA Number</u>	<u>Name of Federal Program</u>	20.106	Airport Improvement Program	
<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, 2003

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, 2003

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, 2003

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, 2003

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, 2003

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, 2003

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, 2003

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, 2003

Construction and related costs	\$ <u>390,320</u>
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Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 10 EXPENSES
Cumulative through September 30, 2003

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, 2003

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, 2003

Administrative	\$ 5,000
Design, survey and bidding	28,370
Construction, administration and project closeout	17,850
CEI	75,130
Testing	12,500
Construction	320,406
Change order - lift station	5,351
Relocation (Georgia Power and Atlanta Gas Light)	4,446
Lift station (PCWSA)	1,000
Land reimbursement	<u>29,513</u>
	<u>\$499,566</u>

Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 13 EXPENSES
Cumulative through September 30, 2003

Administrative and legal costs	\$ 17,001
Appraisals	2,700
Property surveys, plats, land acquisition assistance	27,395
Property acquisition costs	1,079,500
Land reimbursement	<u>125,177</u>
	<u>\$1,251,773</u>

Peachtree City Airport Authority
SCHEDULE OF FAA GRANT NO. 14 EXPENSES
Cumulative through September 30, 2003

Consulting fees	<u>\$22,960</u>
	<u>\$22,960</u>