

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, 2004 and 2003

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## 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 accompanying financial statements of the business-type activities of Peachtree City Airport Authority, a component unit of City of Peachtree City, Georgia, as of and for the years ended September 30, 2004 and 2003, which 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Peachtree City Airport Authority, as of September 30, 2004 and 2003, and the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2004, on our consideration of Peachtree City Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 7 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

Peachtree City Airport Authority  
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presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that comprise Peachtree City Airport Authority's basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of findings and questioned costs are presented for purposes of 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 are not a required part of the financial statements of Peachtree City Airport Authority. The schedule of expenditures of federal awards and schedule of findings and questioned costs have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Peachtree City, Georgia  
December 17, 2004

## 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, 2004. 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 \$1,542,018
- The Authority's total liabilities increased by \$441,759
- The Authority's operating revenues increased by \$161,050
- The Authority's operating expenses increased by \$133,953
- The Authority's Federal grant revenues increased from approximately \$1.2 million to \$1.5 million due to increased grant availability during FY 2004.

### 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 2004 compared to 2003.

**Table 1**  
**Total Liabilities and Net Assets**

<b>Assets</b>	<b>2004</b>	<b>2003</b>
Current assets	\$ 366,090	\$ 295,549
Restricted assets	311,413	11,072
Net property and equipment	11,490,268	10,325,260
Other Assets	6,128	
<b>Total Assets</b>	<b>\$12,173,899</b>	<b>\$10,631,881</b>
<b>Liabilities and Net Assets</b>		
<b>Total Liabilities</b>	<b>\$ 559,420</b>	<b>\$ 117,661</b>
Net Assets		
Invested in capital assets	\$11,156,478	\$10,325,260
Restricted	\$311,413	\$11,072
Unrestricted	\$146,588	\$177,888
<b>Total Net Assets</b>	<b>\$11,614,480</b>	<b>\$10,514,220</b>
<b>Total Liabilities and Net Assets</b>	<b>\$12,173,899</b>	<b>\$10,631,881</b>

The Authority's total liabilities and net assets increased marginally from 2003. There was an increase of \$1,542,018 from \$10,631,881 to \$12,173,899. The net increase is due in part to purchase of land.

Current assets increased by \$70,541. This is mainly due to an increase in the Tax Exempt Capital Account.

**Table 2**  
**Revenues and Expenses**

<b>Operating Revenues</b>	<b>2004</b>	<b>2003</b>
Fuel sales	\$ 938,948	\$ 794,816
Leases	\$ 367,855	\$ 326,214
Fixed base operations	\$ 36,111	\$ 60,834
<b>Total operating revenues</b>	<b>\$1,342,914</b>	<b>\$1,181,864</b>
<b>Operating Expenses</b>		
Purchases – fuel and parts	\$ 686,629	\$584,339
Professional fees	\$ 19,467	\$ 17,382
Depreciation	\$ 673,258	\$670,657
Salaries	\$ 333,410	\$293,881
Repairs and maintenance	\$ 43,693	\$ 66,355
Fuel farm maintenance & truck rental	\$ 19,593	\$ 19,639
Utilities/telephone	\$ 70,835	\$ 67,997
Payroll tax expense	\$ 29,236	\$ 22,781
Credit card processing fee	\$ 24,301	\$ 16,950
Insurance	\$ 58,503	\$ 71,719
Other	\$ 44,080	\$ 37,352
<b>Total operating expenses</b>	<b>\$2,003,005</b>	<b>\$1,869,052</b>
<b>Net operating loss</b>	<b>\$ (660,091)</b>	<b>\$ (687,188)</b>
<b>Non-operating revenues (expenses)</b>		
Other Income	\$ 125,000.	-
Interest income	\$739.	\$ 2,250
Miscellaneous income, net of expenses	\$ 4,344	\$ 6,850
<b>Total non-operating revenues</b>	<b>\$ 130,083</b>	<b>\$ 9,100</b>
<b>Capital contributions:</b>		
Federal grant income	\$ 1,500,000	\$1,159,821
State grant income	-	\$ 11,256
<b>Total capital contributions</b>	<b>\$ 1,500,000</b>	<b>\$1,171,077</b>
<b>Net income (loss) before transfers</b>	<b>\$ 969,995</b>	<b>\$ 492,989</b>
Transfers from City of Peachtree City	-	-
Hotel and motel tax revenue	\$ 130,267	\$ 18,472
Payment of outstanding debt	-	-
<b>Total transfers</b>	<b>\$ 130,267</b>	<b>\$ 118,472</b>
<b>Net Income</b>	<b>\$ 1,100,259.</b>	<b>\$ 611,461</b>
<b>Net assets – beginning of year</b>	<b>\$10,514,220</b>	<b>\$9,902,759</b>
<b>Net Assets-end of year</b>	<b>\$11,614,479</b>	<b>\$ 10,514,220</b>

## **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 \$1,100,259. The Authority received more federal grant income in the fiscal year 2004 than in the previous year. This was used for land acquisition and capital improvements. The Authority has debt obligations of \$ 337,790 for paving of Stallings Road in fiscal year 2004.

### **Capital Assets**

The fiscal year-ending balance of capital assets shows an increase of \$ 1,171,137. This increase is due to additions to capital assets exceeding accumulated depreciation.

	<u>2004</u>	<u>2003</u>
Land and improvements	\$ 5,130,519	\$ 3,619,196
Construction in progress	\$ 238,058	\$ 124,856
Land improvements	\$ 11,004,933	\$ 11,003,092
Buildings and improvements	\$ 2,433,715	\$ 2,227,814
Furniture and equipment	\$ 289,583	\$ 283,583
Other assets	\$ 6,128	-
<b>Total</b>	<b>\$ 19,102,935</b>	<b>\$ 17,258,541</b>
<b>Less accumulated depreciation</b>	<b>\$ 7,606,539</b>	<b>\$ 6,933,281</b>
<b>Net property and equipment</b>	<b>\$ 11,496,397</b>	<b>\$ 10,325,260</b>

### **Current Issues**

In fiscal year ended September 30, 2004, construction continued in Hangar Area B that began in the FY 2004. Currently 4 of the 5 available sites have completed hangars constructed, with the final site in preliminary stages of construction. The access road Stallings, was eventually renamed Aviation Way; this area was completed in fall of 2004. The roof repair was completed in summer of 2004. Both projects were completed under budget. Monies left over from the \$ 350,000 loan for initial construction will be used toward funding further pavement of Aviation Way to additional acreage on the East side of the airport, in a joint project with the Peachtree City Water and Sewer Authority. An intergovernmental agreement is in the drafting and approval stage.

The Authority acquired approximately 60 acres on the eastern boundary of the airport adjacent to the Coweta County border. This acreage was purchased with a grant from the Federal Aviation Administration. The Authority is seeking additional Federal funds for taxiway construction for this area and the 24 acres previously purchased.

The Authority is also seeking Federal assistance in upgrading the instrument landing system (ILS) at Falcon Field. Efforts are underway with FAA and congressional supporters to upgrade from a



localizer only to a precision Category I ILS with glide slope guidance and Medium Intensity Approach Light System with Runway Alignment Indicator Lights (MALSR).

The City of Peachtree City is once again funding the hotel motel tax in which the airport is receiving approximately twenty (20) percent of taxes collected by the City. All funds held back by the City have been paid in full.

### **Contacting the Peachtree City Airport 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 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 by calling (770) 487-2225.

LIABILITIES AND NET ASSETS	<u>2004</u>	<u>2003</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 72,883	\$ 35,845
Due to primary government	77,091	-
Accrued liabilities	23,073	21,579
Unearned revenue	52,583	60,237
Current portion of long-term debt	30,459	-
Total current liabilities	<u>256,089</u>	<u>117,661</u>
Long-term liabilities, net of current portion	<u>303,331</u>	<u>-</u>
TOTAL LIABILITIES	<u>559,420</u>	<u>117,661</u>
NET ASSETS		
Invested in capital assets, net of related debt	11,156,478	10,325,260
Restricted	311,413	11,072
Unrestricted	<u>146,588</u>	<u>177,888</u>
TOTAL NET ASSETS	<u>11,614,479</u>	<u>10,514,220</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 12,173,899</u></u>	<u><u>\$ 10,631,881</u></u>

The accompanying notes are an integral part of these statements.

	<u>2004</u>	<u>2003</u>
Non-operating revenues (expenses):		
Interest income	\$ 739	\$ 2,250
Miscellaneous income	15,651	6,850
Interest expense	(11,307)	-
Total non-operating revenues (expenses)	<u>5,083</u>	<u>9,100</u>
Net loss before contributions and transfers	(655,008)	(678,088)
Federal and state grant contributions	1,500,000	1,171,077
Capital contributions from developers	75,000	-
Capital contributions from other governments	50,000	-
Total contributions	<u>1,625,000</u>	<u>1,171,077</u>
Transfers directly and indirectly from primary government		
Hotel and motel tax revenue	<u>130,267</u>	<u>118,472</u>
Increases in net assets	1,100,259	611,461
Net assets - beginning of year	<u>10,514,220</u>	<u>9,902,759</u>
Net assets - end of year	<u><u>\$ 11,614,479</u></u>	<u><u>\$ 10,514,220</u></u>

The accompanying notes are an integral part of these statements.

	<u>2004</u>	<u>2003</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	\$ (660,091)	\$ (687,188)
Adjustments to reconcile net (loss) to net cash flows provided by (used in) operating activities:		
Amortization	375	-
Depreciation	673,258	670,657
(Increase) decrease in:		
Accounts receivable	(1,393)	(4,220)
Deposits	(1,503)	-
Inventory	(28,308)	4,632
Increase (decrease) in:		
Accounts payable	37,038	7,949
Due to primary government	77,091	-
Accrued liabilities	1,494	11,497
Unearned revenues	(7,654)	(9,185)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 90,307</u>	<u>\$ (5,858)</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Increase in capital from recognition of a receivable	<u>\$ 50,000</u>	<u>\$ 22,960</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, 2004

<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 03-13-0146-16	20.106	\$ <u>1,468,528</u> *
 Total U.S. Department of Transportation		 \$ <u>1,468,528</u>

See accompanying notes to schedule of expenditures of federal awards.

Peachtree City Airport Authority  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004 and 2003

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

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.

**Financial Reporting Entity**

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.

Peachtree City Airport Authority  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004 and 2003

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Measurement focus and basis 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.

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

**Concentration of Credit Risk**

The Authority receives 40 - 45% of its revenue from fuel sales and hangar rentals to local customers and pilots. A downturn in the economy could adversely affect fuel sales and hangar rentals used for its basic operations. The Authority carefully monitors credit lines extended to customers to minimize credit risks. The Authority also receives 45 - 50% of its total revenue from Federal and state grants and intergovernmental contributions for airport expansion, growth, and nonoperating expenditures. Since these funds are used for expansion, a decline in these revenues would not appear to be detrimental to the current year operations of the Authority.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority defines cash and cash equivalents as all cash in checking and savings accounts, money on hand and all highly liquid short-term debt instruments purchased with a maturity of ninety days or less.

**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.

**Inventories**

Inventories are stated at the lower of cost or market, determined on the first in, first out (FIFO) method.

**Accounts Receivable**

The allowance for doubtful accounts is recorded in amounts required to provide adequate reserves to cover anticipated losses based on historical bad debt experience and a periodic evaluation of aging of accounts. Uncollectible accounts are charged to expense using the allowance method.

Peachtree City Airport Authority  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004 and 2003

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Property and Depreciation**

Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred whereas major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in net income. Depreciation expense charged to operations was approximately \$673,000 and \$671,000 for the years ended September 30, 2004 and 2003, respectively.

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, 2004 and 2003.

**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 on these assets. Net assets are reported as restricted when there are limitations imposed on their use either through 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 conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Advertising**

The Authority follows the policy of charging the costs of advertising to expenses as incurred. Advertising expense was approximately \$3,950 and \$0 for the years ended September 30, 2004 and 2003, respectively.



Peachtree City Airport Authority  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004 and 2003

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Supplemental Disclosure of Cash Flow Information**

During the years ended September 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Cash paid for interest	<u>\$11,307</u>	<u>\$ -0-</u>

**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, 2004 and 2003:

<u>Category</u>	<u>Book Balance</u>		<u>Bank Balance</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
1	\$100,000	\$100,000	\$100,000	\$100,000
2	421,657	68,634	418,060	68,634
3	-	-	-	-
Total	<u>\$521,657</u>	<u>\$168,634</u>	<u>\$518,060</u>	<u>\$168,634</u>

**NOTE 3 - INVENTORY**

The components of inventories at September 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Jet A Fuel	\$15,816	\$ 9,175
AvGas Fuel	35,535	13,001
Aircraft Oil	2,034	2,147
Pilot supplies and charts	<u>9,016</u>	<u>9,770</u>
	<u>\$62,401</u>	<u>\$34,093</u>

Peachtree City Airport Authority  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004 and 2003

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2004 was as follows:

	9/30/2003 Balances	Increases	Decreases	9/30/2004 Balances
Capital assets not being depreciated:				
Land	3,619,196	1,511,323		5,130,519
Construction in Progress	124,856	363,739	(250,537)	238,058
Total capital assets not being depreciated	3,744,052	1,875,062	(250,537)	5,368,577
Other capital assets:				
Land Improvements	11,003,092	1,841	-	11,004,933
Building & Improvements	2,227,813	205,901	-	2,433,714
Equipment	283,584	5,999	-	289,583
Total other capital assets at historical cost	13,514,489	213,741	-	13,728,230
Less accumulated depreciation for:				
Land Improvements	(5,554,197)	(528,076)	-	(6,082,273)
Building & Improvements	(1,174,872)	(131,607)	-	(1,306,479)
Equipment	(204,212)	(13,575)	-	(217,787)
Total accumulated depreciation	(6,933,281)	(673,258)	-	(7,606,539)
Other capital assets, net	6,581,208	(459,517)	-	6,121,691
Total capital assets, net	\$ 10,325,260	\$ 1,415,545	\$(250,537)	\$11,490,268

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.

**NOTE 5 - GRANTS AND CONSTRUCTION COMMITMENTS**

**FAA Grant No. 15**

During 2004, the Authority received FAA Grant offer No. 15. This is a reimbursable agreement to relocate automated surface observation system for a grant in the amount of \$66,500. No expenditures have been made and no grant received at September 30, 2004.

Peachtree City Airport Authority  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004 and 2003

**NOTE 5 - GRANTS AND CONSTRUCTION COMMITMENTS (continued)**

**FAA Grant No. 16**

During 2004, the Authority received FAA Grant offer No. 16. This is a grant for the acquisition of land for development and can be used for land, land development and planning. The total of the grant received was \$1,500,000. Total expenditures incurred for the project for the period ending September 30, 2004, was \$1,468,528.

**State Department of Transportation Grant No. AP050-9002-16(113) Fayette**

During 2004, the Authority received a grant offer from the State of Georgia for \$38,053 for additional land acquisition. At September 30, 2004, the Authority had not received or expended any of these funds.

**NOTE 6 - LONG-TERM DEBT**

Long-term debt at September 30, 2004 and 2003, consists of the following:

	<u>2004</u>	<u>2003</u>
Note-payable for the repairs on the Authority's roof and for paving Stallings Way, which was renamed Aviation Way. Total loan amount \$355,000 on December 12, 2003. Payable in 120 payments of \$3,613 per month and financed at 4% per annum. Collateral is an intergovernmental agreement with the City to provide payments sufficient to cover any payments that the Authority has insufficient funds available to cover. This note is a qualified tax-exempt obligation.	\$333,790	\$ -
Less current maturities	<u>30,459</u>	<u>-</u>
	<u>\$303,331</u>	<u>\$ -</u>

Future debt service payments are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 30,459	\$12,898	\$43,357
2006	31,700	11,657	43,357
2007	32,992	10,365	43,357
2008	34,336	9,021	43,357
2009	35,735	7,622	43,357
2010-2014	<u>168,568</u>	<u>15,418</u>	<u>183,986</u>
	<u>\$333,790</u>	<u>\$66,981</u>	<u>\$400,771</u>

Peachtree City Airport Authority  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004 and 2003

**NOTE 7 - 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, 2004 and 2003 were audited as part of the Single Audit. There were no expenditures noted that were considered disallowed expenditures.

**NOTE 8 - CONTINGENCIES, COMMITMENTS AND SUBSEQUENT EVENTS**

Subsequent to September 30, 2004, the Authority has committed \$150,000 to assist in construction of Phase II of Aviation Way. They are being assisted by other intergovernmental agencies in this project. Also, the Authority has offered to pay \$10,000 to assist in the redesign of the TDK Boulevard extension. This is to cover the engineering redesign of the road, which is necessary to keep the road extension out of the Authority's runway safety area.

**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. An intergovernmental agreement with the City was signed on November 7, 2002; this agreement provided the Authority with 13.3% of the total Hotel/Motel tax collected by the City and was effective through October 31, 2003. On July 14, 2004, another intergovernmental agreement was signed between Peachtree City Tourism Association and the Authority. This agreement provides for the Authority to receive 20% of the hotel/motel tax received by the Tourism Association from the City and was effective retroactive to November 1, 2003. During the years ended September 30, 2004 and 2003, the Authority received \$130,267 and \$118,472, respectively from the hotel/motel tax.

Additionally, the Authority had a receivable balance from the City of Peachtree City in the amount of \$10,490 at September 30, 2003. The Authority also had a receivable balance due to them from the Peachtree City Tourism Association at September 30, 2004 in the amount of \$10,367, which was included in the accounts receivable.

Peachtree City Airport Authority  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004 and 2003

**NOTE 9 - HOTEL/MOTEL TAX (continued)**

A summary of the hotel/motel tax transactions for the years ending September 30, 2004 and 2003 follows:

	<u>2004</u>	<u>2003</u>
Revenues from Peachtree City	\$ 12,044	\$118,472
Revenues from Tourism Association	118,223	-
Other operating costs	(130,267)	(118,472)
Balance of lodging tax funds on hand at year end	\$ _____ -	\$ _____ -

**NOTE 10 - INTERGOVERNMENTAL AND RELATED PARTY TRANSACTIONS**

The intergovernmental contract with the city of Peachtree City is collateral on the Authority's note payable. The amounts due to and from intergovernmental entities at September 30, 2004 are as follows:

	<u>2004</u>	<u>2003</u>
Due from Peachtree City	\$ -	\$10,490
Due from Water & Sewer Authority	50,000	-
Due to Peachtree City	77,091	-
Due from Tourism Association	10,367	-

Peachtree City Water and Sewer Authority is assisting the Authority with Phase I and Phase II of the Aviation Way projects. They have contributed \$50,000 to the Authority in October of 2004 toward the Phase I project and are committed to contribute another \$150,000 to the Phase II project.

**NOTE 11 - OPERATING LEASES**

**Rental Revenues**

The Authority leases hangars, land and building space to corporations and individual pilots under non-cancelable long-term, renewable and month-to-month leases. Some of the hangars are built and owned by tenants, who are only leasing the land. The carrying value of leased assets of \$44,072 (cost of \$170,234 less accumulated depreciation of \$126,162) is included in the capital assets in the financial statements. Certain leases contain provisions for future increased revenues based upon changes in the Consumer Price Index. A rental company lease has provisions to pay the Authority a percentage of time and mile charges on the rental cars they lease at the Airport. The projection of these revenues over a five-year period is as follows:

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>\$200,035</u>	<u>\$177,830</u>	<u>\$115,498</u>	<u>\$109,884</u>	<u>\$109,884</u>

Peachtree City Airport Authority  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
September 30, 2004 and 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 03-13-0146-15 are \$10,000 from the Authority. Also, \$2,600 in administrative overhead may be charged to this project, if not waived by the FAA

**NOTE C - OPEN PROJECTS**

Project AIP-03-13-0146-15 in the amount of \$66,500 was signed and accepted by FAA in August, 2004. This agreement is in effect for approximately two years and will be considered complete when the final bill has been paid. At September 30, 2004, no grant monies had been received or spent by the Authority. The Authority's matching portion of the grant is estimated to be \$10,000. Also, the Authority may have to pay \$2,600 to the FAA for administrative costs, unless the FAA waives the fee.

Project AIP 3-13-0146-16 in the amount of \$1,500,000 was received in 2004; however, only \$1,468,528 had been expended for purchase of approximately 60 acres of land and attorney fees. The additional monies held will be retained for land, land improvement or planning as deemed allowable by the FAA.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS 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 business-type activities of Peachtree City Airport Authority, a component unit of the City of Peachtree City, as of and for the year ended, September 30, 2004, and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Peachtree City Airport Authority  
Page two

This report is intended for the information and use of the audit committee, management, the Authority, City Council of Peachtree City 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.

A handwritten signature in black ink, appearing to read "Fiducel LLC". The signature is written in a cursive, flowing style.

Peachtree City, Georgia  
December 17, 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

**Compliance**

We have audited the compliance of 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, 2004. 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, 2004.

**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.

A handwritten signature in black ink, appearing to read "David D. Witt". The signature is fluid and cursive, with a stylized "D" and "W".

Peachtree City, Georgia  
December 17, 2004

PEACHTREE CITY AIRPORT AUTHORITY  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2004

**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
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**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.