

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

For the Years Ended September 30, 2006 and 2005

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INDEPENDENT AUDITORS' 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, 2006 and 2005, 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 opinions 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, 2006 and 2005, 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 January 23, 2007, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Tidwell DeWitt LLC

Tidwell DeWitt LLC

Peachtree City, Georgia
January 23, 2007

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, 2006. 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 current assets increased by \$105,305.
- The Authority's total assets increased by \$1,843,119.
- The Authority's total liabilities increased by \$1,906,434.
- The Authority's operating revenues increased by \$483,921.
- The Authority's operating expenses increased by \$482,291.

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 14.

Table 1
Total Liabilities and Net Assets

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets	\$654,826	\$ 549,521
Restricted assets	2,071,697	261,291
Net property and equipment	10,708,424	10,781,361
Other Assets	<u>6,312</u>	<u>5,967</u>
Total Assets	<u>\$13,441,259</u>	<u>\$11,598,140</u>
 Liabilities and Net Assets		
Total Liabilities	<u>\$ 2,450,435</u>	<u>\$ 544,001</u>
Net Assets		
Invested in capital assets	\$ 10,433,367	\$10,477,979
Restricted	2,071,697	261,291
Unrestricted	<u>(1,514,240)</u>	<u>314,869</u>
Total Net Assets	<u>\$10,990,824</u>	<u>\$11,054,139</u>
Total Liabilities and Net Assets	<u>\$13,441,259</u>	<u>\$11,598,140</u>

The Authority's current assets increased by \$105,305 in fiscal year 2006 and the total assets increased by \$1,843,119.

**Table 2
Revenues and Expenses**

<u>Operating Revenues</u>	<u>2006</u>	<u>2005</u>
Fuel sales	\$1,715,194	\$ 1,238,309
Leases	450,070	433,773
Fixed base operations	<u>29,682</u>	<u>38,943</u>
Total operating revenues	<u>\$2,194,946</u>	<u>\$1,711,025</u>
Operating Expenses		
Purchases – fuel and parts	\$ 1,260,530	\$941,067
Professional fees	104,909	15,242
Depreciation	691,960	682,797
Salaries	395,528	359,068
Repairs and maintenance	53,224	54,384
Fuel farm maintenance & truck rental	19,567	19,232
Utilities/telephone	77,022	70,757
Payroll tax expense	33,487	28,648
Credit card processing fee	51,277	35,756
Insurance	61,563	57,232
Other	<u>53,285</u>	<u>55,878</u>
Total operating expenses	<u>\$2,802,352</u>	<u>\$2,320,061</u>
Net operating loss	<u>\$ (607,406)</u>	<u>\$ (609,036)</u>
Non-operating revenues (expenses)		
Interest income	\$ 5,542	\$ 1,227
Miscellaneous income, net of expenses	<u>13,339</u>	<u>70</u>
Total non-operating revenues	<u>\$ 18,881</u>	<u>\$ 2,197</u>
Capital contributions:		
Federal grant income	\$ 387,393	\$ 66,962
State grant income	-	14,444
Capital contributions	-	25,000
Capital contribution to primary government	<u>-</u>	<u>(194,064)</u>
Total capital contributions	<u>\$ 387,393</u>	<u>\$ (87,658)</u>
Net income (loss) before transfers	<u>\$ (74,502)</u>	<u>\$ (676,530)</u>
Transfers from Peachtree City Tourism Association, Inc.	-	-
Hotel and motel tax revenue	<u>\$ 137,817</u>	<u>\$ 134,157</u>
Total transfers	<u>\$ 137,817</u>	<u>\$ 134,157</u>
Net Loss	<u>\$ (63,315)</u>	<u>\$ (560,340)</u>
Net assets – beginning of year	<u>11,054,139</u>	<u>11,614,479</u>
Net Assets-end of year	<u>\$10,990,824</u>	<u>\$ 11,054,139</u>

Analysis of Overall Financial Positions and Results of Operations

The financial position of the Authority improved over the past year. The Authority received additional federal and state grants income in the fiscal year 2006. This was used for Geotechnical and environmental surveys.

Capital Assets

	<u>2006</u>	<u>2005</u>
Land	\$ 5,130,519	\$ 5,130,519
Construction in progress	355,735	78,962
Land improvements	11,349,721	11,096,824
Buildings and improvements	2,485,480	2,433,714
Furniture and equipment	<u>364,513</u>	<u>326,926</u>
Total	\$19,685,968	\$19,066,945
Less accumulated depreciation	<u>8,977,544</u>	<u>8,285,584</u>
Net property and equipment	<u>\$10,708,424</u>	<u>\$10,781,361</u>

Current Issues

In fiscal year ended September 30, 2006 all available land in Hangar Area B has been leased and all lot owners have constructed hangars. Phase II paving of Aviation Way was completed in late 2006 and was jointly funded by the Peachtree City Airport Authority and the Peachtree City Water and Sewer Authority. The new roadway allows access to 60 plus acres of new development area known as Area "C." The Authority purchased the land in FY04.

Engineering design efforts for new hangar development are currently underway for Area "C". Geotechnical and environmental surveys have begun so the property will be ready for future construction anticipated to occur in 2008. The Authority has secured funding through state and federal resources to fund taxiway and apron construction for this area. Once completed, this area will provide the Authority with additional income in land lease and hangar rental.

In late 2006, the Authority completed negotiations and purchased property on the Planterra Ridge Golf Club that is located on the northern boundary of the Airport. Federal and state funds were used to secure this property in an effort to protect the existing runway's Runway Safety Area (RSA) per federal guidelines.

The Authority continues to pursue Federal and State assistance in upgrading the instrument landing system (ILS) at Falcon Field. Efforts are ongoing at all levels to upgrade from a localizer to a precision Category I ILS with glide slope guidance and Medium Intensity Approach Light System with Runway Alignment Indicator Lights.

The City of Peachtree City is once again indirectly funding the hotel motel tax in which the airport is receives a percentage of the local tourism revenues as a passthrough the Peachtree City Tourism Association, Inc.

Contacting the Peachtree City Airport Authority

This report is 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.

PEACHTREE CITY AIRPORT AUTHORITY

Statements of Net Assets
September 30, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
Current assets		
Cash and cash equivalents	\$ 582,454	\$ 434,879
Accounts receivable, net of allowance for uncollectible accounts of \$-0- and \$6,900 respectively	18,044	33,947
Inventory	54,328	80,695
Total current assets	<u>654,826</u>	<u>549,521</u>
Restricted assets		
Cash and cash equivalents restricted for Federal grant expenditures	1,989,643	66,941
restricted for road improvements	-	194,350
Receivable from other government	82,054	-
Total restricted assets	<u>2,071,697</u>	<u>261,291</u>
Property, plant and equipment		
Land	5,130,519	5,130,519
Land improvements	11,349,721	11,096,824
Buildings and improvements	2,485,480	2,433,714
Furniture and equipment	364,513	326,926
Construction in progress	355,735	78,962
	<u>19,685,968</u>	<u>19,066,945</u>
Accumulated depreciation	8,977,544	8,285,584
Net property, plant and equipment	<u>10,708,424</u>	<u>10,781,361</u>
Other assets		
Deposits	2,687	1,842
Debt issue costs, net of accumulated amortization of \$1,375 and \$875, respectively	3,625	4,125
Total other assets	<u>6,312</u>	<u>5,967</u>
TOTAL ASSETS	<u><u>\$ 13,441,259</u></u>	<u><u>\$ 11,598,140</u></u>

The accompanying notes are an integral part of these statements.

PEACHTREE CITY AIRPORT AUTHORITY

Statements of Net Assets - continued

September 30, 2006 and 2005

LIABILITIES AND NET ASSETS	<u>2006</u>	<u>2005</u>
LIABILITIES		
Current liabilities		
Accounts payable	127,998	68,885
Due to primary government	-	10,000
Accrued liabilities	45,900	66,226
Unearned revenue	2,004,807	95,508
Current portion of long-term debt	32,992	31,700
Total current liabilities	<u>2,211,697</u>	<u>272,319</u>
Long-term liabilities, net of current portion	<u>238,738</u>	<u>271,682</u>
 TOTAL LIABILITIES	 <u>2,450,435</u>	 <u>544,001</u>
NET ASSETS		
Invested in capital assets, net of related debt	10,433,367	10,477,979
Restricted	2,071,697	261,291
Unrestricted deficit	<u>(1,514,240)</u>	<u>314,869</u>
 TOTAL NET ASSETS	 <u>10,990,824</u>	 <u>11,054,139</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 13,441,259</u></u>	 <u><u>\$ 11,598,140</u></u>

The accompanying notes are an integral part of these statements.

PEACHTREE CITY AIRPORT AUTHORITY
 Statements of Revenues, Expenses and Changes in Fund Net Assets
 For the Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Fuel sales	\$ 1,715,194	\$ 1,238,309
Leases	450,070	433,773
Fixed base operations	29,682	38,943
Total operating revenues	<u>2,194,946</u>	<u>1,711,025</u>
Operating expenses:		
Purchases - fuel and parts	1,260,530	941,067
Professional fees	104,909	15,242
Advertising	5,285	12,819
Amortization	500	500
Depreciation	691,960	682,797
Salaries	395,528	359,068
Insurance	61,563	57,232
Office expense and postage	12,522	14,561
Payroll tax expense	33,487	28,648
Utilities	70,860	60,077
Auto expenses	10,996	15,009
Dues and subscriptions	509	454
Meals and entertainment	519	1,603
Repairs and maintenance	53,224	54,384
Telephone	6,162	10,680
Travel	11,720	4,583
Supplies	4,163	4,340
Credit card processing fee	51,277	35,756
Uniforms	3,104	2,122
Bad debt expense (recovery)	451	(300)
Miscellaneous	3,516	187
Fuel farm maintenance and truck rental	19,567	19,232
Total operating expenses	<u>2,802,352</u>	<u>2,320,061</u>
Net operating loss	<u>(607,406)</u>	<u>(609,036)</u>

The accompanying notes are an integral part of these statements.

PEACHTREE CITY AIRPORT AUTHORITY
 Statements of Revenues, Expenses and Changes in Fund Net Assets - continued
 For the Years Ended September 30, 2006 and 2005

	2006	2005
Non-operating revenues (expenses):		
Interest income	5,542	1,227
Miscellaneous income	25,044	13,919
Interest expense	(11,705)	(12,949)
Total non-operating revenues (expenses)	18,881	2,197
Net loss before contributions and transfers	(588,525)	(606,839)
Capital contributions		
Federal and state grant contributions	387,393	81,406
Capital contributions from developers	-	25,000
Capital contribution to primary government	-	(194,064)
Total contributions	387,393	(87,658)
Transfers indirectly from primary government and a component unit of the primary government		
Hotel and motel tax revenue	137,817	134,157
Decrease in net assets	(63,315)	(560,340)
Net assets - beginning of year	11,054,139	11,614,479
Net assets - end of year	\$ 10,990,824	\$ 11,054,139

The accompanying notes are an integral part of these statements.

PEACHTREE CITY AIRPORT AUTHORITY
 Statements of Cash Flows
 For the Years Ended September 30, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 2,136,033	\$ 1,710,851
Payments to suppliers	(1,604,776)	(1,335,355)
Payments to employees	(449,962)	(347,639)
	81,295	27,857
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Hotel and motel tax	138,292	132,488
Miscellaneous income	25,045	13,919
	163,337	146,407
NET CASH PROVIDED BY NONCAPITAL FINANCING		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Repayment of debt	(31,652)	(30,408)
Interest paid on debt	(11,705)	(12,949)
Federal and state grants	2,288,132	135,333
Capital contributions from developers	-	75,000
Payments for capital acquisitions	(619,022)	(167,954)
	1,625,753	(978)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	5,542	1,227
	5,542	1,227
NET CASH PROVIDED BY INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,875,927	174,513
Cash and cash equivalents at beginning of year	696,170	521,657
Cash and cash equivalents at end of year	\$ 2,572,097	\$ 696,170
Unrestricted cash and cash equivalents	\$ 582,454	\$ 434,879
Cash and cash equivalents restricted for:		
Federal grant expenditures	1,989,643	66,941
Road improvements	-	194,350
Total cash and cash equivalents	\$ 2,572,097	\$ 696,170

The accompanying notes are an integral part of these statements.

PEACHTREE CITY AIRPORT AUTHORITY
 Statements of Cash Flows - continued
 For the Years Ended September 30, 2006 and 2005

	2006	2005
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating (loss)	\$ (607,406)	\$ (609,036)
Adjustments to reconcile net (loss) to net cash flows provided by (used in) operating activities:		
Amortization	500	500
Depreciation	691,960	682,797
(Increase) decrease in:		
Accounts receivable	15,427	11,167
Deposits	(845)	(339)
Inventory	26,367	(18,294)
Receivable from other governments	(82,054)	-
Increase (decrease) in:		
Accounts payable	59,113	(3,998)
Due to primary government	(10,000)	(67,091)
Accrued liabilities	(20,326)	43,153
Unearned revenues	8,559	(11,002)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 81,295	\$ 27,857
 NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Cash paid for interest	\$ 11,705	\$ 12,949
Cost of road improvements transferred to primary government	\$ -	\$ (194,064)

The accompanying notes are an integral part of these statements.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

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, the City of Peachtree City, and Peachtree City Tourism Association have entered into agreements whereby the City is obligated to make periodic payments to the Tourism Association, who then remits 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, 2006 and 2005

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 60 - 65% of its revenue from fuel sales and 100% of its hangar rentals from 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 a portion of its total revenue from Federal and state grants and intergovernmental contributions for airport expansion, growth, and nonoperating expenditures. For the years ended September 30, 2006 and 2005, these percentages were approximately 14% and 4%, respectively. 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.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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.

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 \$692,000 and \$683,000 for the years ended September 30, 2006 and 2005, 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, 2006 and 2005.

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 and related debt 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.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 \$5,285 and \$12,819 for the years ended September 30, 2006 and 2005, respectively.

NOTE 2 – CUSTODIAL CREDIT RISK - DEPOSITS

As of September 30, 2006, the Authority had the following deposits:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 100,000
Collateralized and insured by FDIC:	
Collateral held by pledging bank's trust department in the Authority's name	1,192,950
Uninsured and uncollateralized	<u>1,260,756</u>
Total deposits	<u>\$ 2,553,706</u>

Due to the late September receipt of a Federal grant in the amount of \$1,964,000, these additional monies were not collateralized at end of the year. This condition was remedied two days after the end of the year.

Custodial credit risk – Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 3 - INVENTORY

The components of inventories at September 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Jet A Fuel	\$18,039	\$23,682
AvGas Fuel	27,536	48,956
Aircraft Oil	2,323	2,246
Pilot supplies and charts	<u>6,430</u>	<u>5,811</u>
	<u>\$54,328</u>	<u>\$80,695</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

	<u>9/30/2005</u>			<u>Reclass-</u>	<u>9/30/2006</u>
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>ifications</u>	<u>Balances</u>
Capital assets not being depreciated:					
Land	\$ 5,130,519	\$ -	\$ -	\$ -	\$ 5,130,519
Construction in Progress	<u>78,962</u>	<u>367,012</u>	<u>-</u>	<u>(90,239)</u>	<u>355,735</u>
Total assets not being depreciated	<u>5,209,481</u>	<u>367,012</u>	<u>-</u>	<u>(90,239)</u>	<u>5,486,254</u>
Other capital assets:					
Land Improvements	11,096,824	194,778	-	58,119	11,349,721
Building and Improvements	2,433,714	19,646	-	32,120	2,485,480
Equipment	<u>326,926</u>	<u>37,587</u>	<u>-</u>	<u>-</u>	<u>364,513</u>
Total other capital assets at historical cost	<u>13,857,464</u>	<u>252,011</u>	<u>-</u>	<u>90,239</u>	<u>14,199,714</u>
Less accumulated depreciation for:					
Land Improvements	(6,612,073)	(533,185)	-	-	(7,145,258)
Building and Improvements	(1,441,386)	(135,983)	-	-	(1,577,369)
Equipment	<u>(232,125)</u>	<u>(22,792)</u>	<u>-</u>	<u>-</u>	<u>(254,917)</u>
Total accumulated depreciation	<u>(8,285,584)</u>	<u>(691,960)</u>	<u>-</u>	<u>-</u>	<u>(8,977,544)</u>
Other capital assets, net	<u>5,571,880</u>	<u>(439,949)</u>	<u>-</u>	<u>90,239</u>	<u>5,222,170</u>
Total capital assets, net	<u>\$10,781,361</u>	<u>\$ (72,937)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,708,424</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.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 5 - GRANTS AND CONSTRUCTION COMMITMENTS

FAA Grant No. 15

During 2004 the Authority received FAA Grant offer No. 15. This is not a reimbursable grant. The grant agreement in the amount of \$66,500 was received during the year ended September 30, 2005 for relocation of the automated surface observation. Expenditures in the amount of \$66,500 were made in the two years ended September 31, 2006, closing this grant project.

FAA Grant No. 14B

During 2005 the Authority received FAA Grant offer No. 14B. This is a grant to be used for the layout of Hangar area B. The total of the grant received was \$32,120. Total expenditures incurred for the project for the two year period ending September 30, 2006, was \$32,120, closing this grant project.

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 costs. At September 30, 2005, the Authority had received \$ 36,713 and had made expenditures in the amount of \$14,444. The unspent balance of \$22,268 is being held to apply allowed administration costs of 15%. Any remaining unspent funds will be reimbursed to the State.

FAA Grant No. 17

During 2006 the Authority received FAA Grant offer No. 17. This is a reimbursable grant for Areas B & C Environmental Assessment and Parallel Taxiway Design. The original grant of \$446,246 was amended to be \$400,551. It has matching state and participant portions of approximately \$12,000 each. The net amount received in fiscal year September 30, 2006 from the FAA is \$242,078. Expenditures including accruals are \$324,133, with a corresponding receivable of \$82,054.

FAA Grant No. 18

During 2006 the Authority received FAA Grant offer No. 18 for a maximum of \$2,000,000 to improve the runway safety area by acquiring land for runway safety area 13 and relocating and or modifying three golf holes). The Authority received \$1,964,000 in advance funding in September of 2006. The state has approved additional funding for this project of approximately \$51,500. Expenditures during fiscal year ended September 30, 2006 were \$31,603. Unearned revenue on the grant at September 30, 2006 is \$1,932,398. The properties for the runway safety area and golf course land were purchased subsequent to year-end for approximately \$1.9 million.

Peachtree City Airport Authority
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2006 and 2005

NOTE 5 - GRANTS AND CONSTRUCTION COMMITMENTS (continued)

State Department of Transportation Grant for Nav aids and Crack Sealing

In June of 2006, the Authority received a grant offer of \$818,000 for installation of glide slope and localizer and crack sealing of apron. Funding is to consist of 75% state funds and 25% local funds. State funds estimated for the project in the amount of \$613,500 was to be available by July, 2006, leaving a required matching from the Airport in the amount of \$204,500. The selection of this project for state funding assistance was based on the Authority's certification of ownership of related land upon which the project will be constructed. This project has not begun as of October 30, 2006.

Aviation Way/TDK Boulevard

The Authority paid \$10,000 to the primary government to assist in the redesign of the TDK Boulevard extension. This was to cover the engineering redesign of the road, which is necessary to keep the road extension out of the Authority's runway safety area and as such is part of the FAA Grant No. 18 project.

Phase II of Aviation Way has been completed. The intergovernmental agreement with another governmental agency, a component unit of the primary government, to assist in construction was paid in the amount of \$180,690, which was one-half of its total cost.

NOTE 6 - LONG-TERM DEBT

Long-term debt at September 30, 2006 and 2005, consists of the following:

	<u>2006</u>	<u>2005</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.	\$271,730	\$303,382
Less current maturities	<u>32,992</u>	<u>31,700</u>
	<u>\$238,738</u>	<u>\$271,682</u>

Peachtree City Airport Authority
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2006 and 2005

NOTE 6 - LONG-TERM DEBT - continued

Future debt service payments are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 32,992	\$10,365	\$43,357
2008	34,336	9,021	43,357
2009	35,735	7,622	43,357
2010	37,191	6,166	43,357
2011	38,706	4,651	43,357
2012-2014	<u>92,770</u>	<u>4,600</u>	<u>97,370</u>
	<u>\$271,730</u>	<u>\$42,425</u>	<u>\$314,155</u>

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.

NOTE 8 - CONTINGENCIES, COMMITMENTS AND SUBSEQUENT EVENTS

FAA Grant No. 19 in the amount of \$500,000 for the purchase of a building was received and accepted prior to end of fiscal year; however, there has been no activity and it is not known whether the offer for the land purchase will be accepted by the seller. Whereas the Authority asked for approximately \$3 million, only \$500,000 was approved by the FAA

Litigation was filed against the Authority by one of its lessees in dispute with an access agreement contract. The Authority filed an appeal on whether it has the power to deny the transfer of the agreement from one company to another, but the Georgia Supreme Court declined to hear the appeal. The outcome of the case may have an effect on all access agreements with the Authority; therefore the Authority has decided to withhold consideration of all agreements until the lawsuit is completed. The effect of an unfavorable outcome is uncertain at this time, but it is not thought to have a material effect on future operations of the Authority.

Peachtree City Airport Authority
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2006 and 2005

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, 2006 and 2005, the Authority received \$137,817 and \$134,157, respectively from the hotel/motel tax.

The Authority has a receivable balance from the Peachtree City Tourism Association at September 30, 2006 and 2005 in the amount of \$11,561 and 12,036, respectively. These balances are included in the accounts receivable.

A summary of the hotel/motel tax transactions for the years ending September 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Revenues from Tourism Association	\$137,817	\$134,157
Other operating costs	<u>(137,817)</u>	<u>(134,157)</u>
Balance of lodging tax funds on hand at year end	\$ <u> -</u>	\$ <u> -</u>

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, 2006 are as follows:

	<u>2006</u>	<u>2005</u>
Due to Peachtree City	\$ <u> -</u>	\$10,000
Due from Tourism Association	11,561	12,036

Peachtree City Water and Sewer Authority is assisting the Authority with Phase I and Phase II of the Aviation Way projects. They contributed \$50,000 to the Authority in October of 2004 toward the Phase I project and contributed another \$180,690 to the Phase II project, which has not been completed.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

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 \$24,969 (cost of \$170,356 less accumulated depreciation of \$145,387) 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 the non-cancelable lease revenues over a five-year period is as follows:

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>\$107,052</u>	<u>\$107,052</u>	<u>\$107,052</u>	<u>\$107,052</u>	<u>\$107,052</u>

**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***

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 accompanying 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, 2006, and have issued our report thereon dated January 23, 2007. 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 opinions 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as Item 06-1.

We also noted certain additional matters that we reported to management of Peachtree City Airport Authority in a separate letter dated January 23, 2007.

This report is intended solely 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 that reads "Tidwell DeWitt LLC". The signature is written in a cursive, flowing style.

Tidwell DeWitt LLC

Peachtree City, Georgia
January 23, 2007

PEACHTREE CITY AIRPORT AUTHORITY
Schedule of Findings and Responses
Years Ended October 30, 2006 and 2005

SUMMARY OF AUDITOR'S RESULTS

FINDINGS - COMPLIANCE AND OTHER MATTERS

Reportable Conditions

Item 06-1 Collateral on Deposits

Condition: Cash deposits received during the fiscal year was not collateralized by the bank at the end of the year.

Criteria: Cash deposits in the banks are required to be collateralized by securities held in the name of the Authority at all times during the year and at the end of the year.

Effect: The cash deposits are exposed to risks that have the potential to result in losses.

Recommendation: Cash deposits need to be monitored and compared to statements of collateral issued by the depository on a regular basis.

Response: This situation was remedied two days after the end of the year. The Authority is aware of the risk and has plans to monitor in the future.