

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

PEACHTREE CITY, GEORGIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2007

PEACHTREE CITY AIRPORT AUTHORITY

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FINANCIAL SECTION

J. K. BOATWRIGHT & CO., P. C.
CERTIFIED PUBLIC ACCOUNTANTS
PEACHTREE CITY, GEORGIA 30269

January 23, 2008

Independent Auditors' Report

To the Board of Directors
Peachtree City Airport Authority:

We have audited the accompanying statement of net assets of Peachtree City Airport Authority, a component unit of City of Peachtree City, Georgia (Authority) as of September 30, 2007, and the related statement of revenues, expenses and changes in net assets, and cash flows for the year then ended. 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 audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2007, and the changes in its financial position and its cash flows for the year 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 a report dated January 23, 2008 on our consideration of the Authority's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 6 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.

Our audit was made for the purpose of forming opinions on the financial statements that comprise Peachtree City Airport Authority's 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.

Yours truly,

J. K. Boatwright & Co., P. C.

J. K. BOATWRIGHT & CO., P. C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Peachtree City Airport Authority's (PCAA) financial performance provides an overall review of the Authority's financial activities for the fiscal year ending September 30, 2007. 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 \$168,389.
- The Authority's total liabilities decreased by \$1,886,520.
- The Authority's operating revenues decreased by \$215,207.
- The Authority's operating expenses decreased by \$146,011.

Using this Financial Report

This annual report consists of the management's discussion and analysis and the financial statements. The financial statements include statement of net assets; statement of revenues, expenses and changes in net assets; and statement 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 11.

Financial Analysis

Table 1 provides a summary of the Authority's Net Assets for 2007 compared to 2006.

Table 1
Net Assets as of September 30, 2007 and 2006

Assets	<u>2007</u>	<u>2006</u>
Current Assets	\$ 823,215	\$ 654,826
Restricted Assets	157,036	2,071,697
Capital Assets, Net of Accumulated Depreciation	12,337,602	10,708,424
Other Assets	<u>3,125</u>	<u>6,312</u>
Total Assets	<u>\$ 13,320,978</u>	<u>\$ 13,441,259</u>
Liabilities and Net Assets		
Total Liabilities	\$ 563,914	\$ 2,450,434
Net Assets		
Invested in Capital Assets	12,096,027	10,433,367
Restricted	157,036	2,071,697
Unrestricted	<u>504,001</u>	<u>(1,514,239)</u>
Total Net Assets	<u>12,757,064</u>	<u>10,990,825</u>
Total Liabilities and Net Assets	<u>\$ 13,320,978</u>	<u>\$ 13,441,259</u>

Table 2 provides a summary of the Authority's Changes in Net Assets for 2007 compared to 2006.

Table 2
Changes in Net Assets for the Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Sales	\$ 1,485,153	\$ 1,741,964
Rental Income	454,667	450,070
Rental Car Commissions	3,904	2,912
Miscellaneous Revenue	61,059	25,044
Total Operating Revenues	<u>2,004,783</u>	<u>2,219,990</u>
Operating Expenses:		
Purchases	1,171,035	1,260,530
Salaries	414,893	395,528
Payroll Taxes	30,227	33,487
Utilities and Telephone	91,774	77,022
Insurance	70,326	61,563
Terminal and Grounds Upkeep	42,966	53,224
Credit Card Processing Fees	40,474	51,277
Fuel Farm Maintenance & Truck Rental	19,200	19,567
Professional Fees	15,883	104,909
Other	67,407	53,285
Total Operating Expenses Before Amortization/Depreciation	<u>1,964,185</u>	<u>2,110,392</u>
Operating Income Before Amortization/Depreciation	40,598	109,598
Amortization/Depreciation Expense	(692,156)	(691,960)
Nonoperating Revenues (Expenses)	89,756	131,654
Capital Contributions - Federal and State	2,328,041	387,393
Increase (Decrease) in Net Assets	1,766,239	(63,315)
Net Assets, Beginning of Year	<u>10,990,825</u>	<u>11,054,140</u>
Net Assets, End of Year	<u>\$ 12,757,064</u>	<u>\$ 10,990,825</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 2007 in the amount of \$1,680,398 which was used for the Taxiway "F" Site Preparation and NAV AIDS project.

Capital Assets

Table 3
Capital Assets

	<u>2007</u>	<u>2006</u>
Land	\$ 7,246,268	\$ 5,130,519
Construction in Progress	589,700	355,735
Land Improvements	11,284,332	11,349,721
Buildings and Improvements	2,468,711	2,485,480
Furniture and Equipment	<u>275,151</u>	<u>364,513</u>
Total	21,864,162	19,685,968
Less Accumulated Depreciation	<u>9,526,560</u>	<u>8,977,544</u>
Net Property and Equipment	<u>\$ 12,337,602</u>	<u>\$ 10,708,424</u>

Current Issues

Peachtree City-Falcon Field is an active and growing state classified Level III general aviation airport serving business and charter jet traffic in the south Atlanta metro area. The Airport serves business communities in Peachtree City and surrounding region as well as many recreational aviation enthusiasts. The 5,220' runway can accommodate aircraft up to 60,000 pounds and is capable of handling large corporate and military jet aircraft. PCAA also serves as the fixed base operator (FBO) providing numerous customer service amenities and is considered one of the premier airports in the southeast. Peachtree City-Falcon Field is located at 7 Falcon Drive in Peachtree City's Industrial Park. The airport hosts The Great Georgia Airshow annually. In 2007, over 30,000 participants attended this special event exceeding prior year attendance records.

The PCAA continues to work with aviation consultants and engineers in the design and development of Areas B & C which encompasses approximately 85 acres of developable airport land purchased by the PCAA in FY04. In fiscal year ending September 30, 2007, all lease-able land and hangars at Peachtree City-Falcon Field were occupied. The PCAA continues to secure funding through the Federal Aviation Administration (FAA) and the Georgia Department of Transportation (GDOT) for aviation-related capital improvement projects. These capital improvements are depicted on the Airport Layout Plan (ALP) which was in the process of being updated in 2007 with final approval anticipated in 2008. The ALP depicts Areas B, C and other defined parcels that show new hangar development and other capital improvements.

Area C which encompasses approximately 60 acres of land on the southwestern boundary of the airport has completed all environmental assessments allowing the FAA to issue a final report indicating Findings of No Significant Impact (FONSI) thereby allowing funding for the first phase of construction for taxiway "F" and navigational aids (NAVAIDS) installation. In August 2007, contractors began clearing and grading portions of Area C for site preparation of taxiway "F". The airport's newest taxiway will provide access to all future hangar and apron areas as part of the continued development of Area C. These projects are 95% funded through federal and state grant programs. This project also includes a complete pavement rejuvenation for the main runway, parallel taxiway and transient ramp areas.

NAVAIDS include a new glideslope antenna as part of a full Instrument Landing System (ILS) installation providing precision instrument approach capabilities for Runway 31. In late 2007, the FAA established Localizer Performance and Vertical (LPV) instrument approaches for Runways 13 and 31. The Wide Area Augmentation System (WAAS) is a very precise navigational system that provides the additional accuracy, availability, continuity, and integrity necessary to enable pilots to rely on the Global Positioning System (GPS) for all phases of flight. The aircraft use the WAAS signal, in addition to the GPS service to fly area navigation and LPV instrument approaches,

equivalent to the legacy ILS system. The Airport's Automated Surface Observation System (ASOS), an automated weather station maintained by the National Weather Service (NWS), will be moved from its current location and co-located with the glideslope antenna installation.

Area B which encompasses approximately 25 acres of land on the southeastern boundary of the airport has completed all environmental assessments allowing the FAA to issue a final report indicating Findings of No Significant Impact (FONSI) thereby allowing funding for design and construction. Design for Area B has been completed and funding for development is being pursued through state and federal resources. Corporate and private hangar development, with expansion of commercial aeronautical services, will provide the PCAA with additional and future revenue enhancement opportunities.

The Airport develops and implements a five (5) year capital improvement program with representatives from FAA and GDOT. Future improvements include, but are not limited to: Hangar Areas B&C Development, Land Acquisition, Security Improvements, Runway 13/31 Overruns, Taxiway development, Terminal Ramp Expansion, Airport Lighting and Signage Upgrades, Expand Terminal Building & Auto Parking Lot, Air Traffic Control Tower Site, Area E Site and Ramp Development.

The Peachtree City Tourism Association continues to provide economic development support through the hotel motel tax generated by tourism and business related activities in Peachtree City. Through an intergovernmental agreement, the Airport receives approximately 20% percent of the taxes received by the Tourism Association, which equates to approximately 6% of the Airport's total income. Airport revenues are primarily derived from fuel sales and leasable income from land and hangars. In 2007, the Airport reported approximately 105,000 takeoffs and/or landings. We project substantial increases in aeronautical activity in the future. Past economic benefit studies show that the total economic impact generated by activities/businesses associated with Peachtree City-Falcon Field equates to approximately \$30 million dollars annually to the surrounding region.

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 funding 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 during normal office hours Monday through Friday.

Peachtree City Airport Authority
STATEMENT OF NET ASSETS
September 30, 2007

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 738,467
Accounts Receivable	29,790
Inventories	52,542
Prepaid Expenses	<u>2,416</u>
Total Current Assets	<u>823,215</u>
Restricted Assets:	
Cash and Cash Equivalents	70,015
Receivable from Governmental Units	<u>87,021</u>
Total Restricted Assets	<u>157,036</u>
Capital Assets, Net of Accumulated Depreciation	<u>12,337,602</u>
Other Assets:	
Debt Issue Costs, Net of Accumulated Amortization	<u>3,125</u>
Total Assets	<u>\$ 13,320,978</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	\$ 212,795
Accrued Liabilities	66,163
Notes Payable, Current Portion	34,336
Unearned Revenue	<u>43,381</u>
Total Current Liabilities	356,675
Noncurrent Liabilities:	
Notes Payable, Long-Term Portion	<u>207,239</u>
Total Liabilities	<u>563,914</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	12,096,027
Restricted	157,036
Unrestricted	<u>504,001</u>
Total Net Assets	<u>12,757,064</u>
Total Liabilities and Net Assets	<u>\$ 13,320,978</u>

See accompanying notes to financial statements.

Peachtree City Airport Authority
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 For The Year Ended September 30, 2007

Operating Revenues:	
Sales - Fuel	1,464,506
Sales - Other	20,647
Rental Income	454,667
Rental Car Commissions	3,904
Miscellaneous Revenue	<u>61,059</u>
Total Operating Revenues	<u>2,004,783</u>
Operating Expenses:	
Purchases - Fuel	1,153,933
Purchases - Other	17,101
Salaries	414,893
Fringe Benefits	30,227
Airport Promotions	13,249
Bank and Credit Card Fees	40,474
Dues and Subscriptions	757
Fuel Farm Maintenance and Truck Rental	19,200
Insurance	70,326
Meals and Entertainment	818
Miscellaneous	9,057
Office Expenses	12,601
Professional Expenses	15,883
Supplies	4,624
Telephone	7,451
Terminal and Grounds Upkeep	42,966
Travel and Training	11,894
Uniforms	1,237
Utilities	84,323
Vehicle Expense	<u>13,171</u>
Total Operating Expenses Before Depreciation	<u>1,964,185</u>
Operating Income Before Amortization and Depreciation - Carried Forward	\$ 40,598

See accompanying notes to financial statements.

Peachtree City Airport Authority
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 For The Year Ended September 30, 2007

Operating Income Before Amortization and Depreciation - Brought Forward	<u>\$ 40,598</u>
Amortization	500
Depreciation	<u>691,656</u>
	<u>692,156</u>
Operating Income (Loss)	(651,558)
Nonoperating Revenues (Expenses):	
Hotel/Motel Tax	124,382
Interest Income	7,641
Interest Expense	(9,589)
Loss on Disposals	<u>(32,678)</u>
Income (Loss) Before Capital Contributions	(561,802)
Federal and State Capital Grant Contributions	<u>2,328,041</u>
Change in Net Assets	1,766,239
Net Assets, Beginning of Year	<u>10,990,825</u>
Net Assets, End of Year	<u>\$ 12,757,064</u>

See accompanying notes to financial statements.

Peachtree City Airport Authority
STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2007

Cash Flows from Operating Activities:	
Cash Received from Customers and Tenants	\$ 1,893,280
Cash Received from Hotel/Motel Tax	125,137
Cash Received from Special Events	61,059
Cash Paid to Suppliers	(1,463,432)
Cash Paid to Employees for Services	(393,904)
Net Cash Provided by Operating Activities	<u>222,140</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Paid on Capital and Operating Debt - Net	(30,155)
Interest Paid on Capital and Operating Debt	(9,589)
Payments for Capital Acquisitions	(2,353,513)
Capital Contributions Received	379,214
Net Cash (Used in) Capital and Related Financing Activities	<u>(2,014,043)</u>
Cash Flows from Investing Activities:	
Interest on Investments	7,641
Net Decrease in Cash	(1,784,262)
Cash, Beginning of Year	<u>2,572,097</u>
Cash, End of Year	<u>\$ 787,835</u>
Unrestricted Cash and Cash Equivalents	\$ 738,467
Cash and Cash Equivalents Restricted for:	
Federal Grant Expenditures	<u>70,015</u>
	<u>\$ 808,482</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Loss	\$ (651,558)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Amortization and Depreciation	692,156
(Increase) Decrease in Assets:	
Accounts Receivable	(23,306)
Due from Governmental Units	755
Inventories	1,788
Prepaid Expenses	268
Increase (Decrease) in Liabilities:	
Accounts Payable	84,798
Accrued Liabilities	20,263
Unearned Revenues	(6,759)
Net Cash Provided by Operating Activities	<u>\$ 118,405</u>

See accompanying notes to financial statements.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - ORGANIZATION AND PURPOSE:

The Peachtree City Airport Authority (Authority) was created by the General Assembly of the State of Georgia on March 26, 1984 as a public body corporate and politic. The purpose of the Authority is to acquire, construct, equip, maintain, operate, own, lease, protect and improve the existing Falcon Field Airport in Peachtree City, Georgia and to promote trade, commerce, industry and employment opportunities. On September 20, 1988, the Authority became the owner of Falcon Field Airport in Peachtree City, Georgia. The Authority is necessary and essential to insure the welfare, safety and convenience of citizens of the State of Georgia and City of Peachtree City and to insure the proper economic development of said State and County.

NOTE 2 - 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.

In defining the Authority for financial reporting purposes, Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, establishes the basis for the reporting entity and whether it is considered a component unit of another entity and whether other entities are component units. The definition is based primarily on the concept of financial accountability, which occurs when an entity appoints a voting majority of the board and (1) is able to impose its will on the potential component unit and/or (2) is in a relationship of financial benefit or burden with the potential component unit. An entity would also be considered financially accountable if the potential component unit is fiscally dependent, regardless of whether the entity appoints the voting majority of the potential component unit's board. Careful review of the above criteria has resulted in the conclusion that the Authority is a component unit of Peachtree City, Georgia, since the City exercises significant influence 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.

There are no entities that are considered to be component units of the Authority.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting and Measurement Focus

The Authority's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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.

Basis of Presentation

The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements and only Financial Accounting Standards Board Statements (FASB) and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with GASB pronouncements.

Under these standards, the Authority follows the reporting requirements for special purpose governments involved in business-type activities, which provide an entity-wide perspective in the financial statement presentation. These standards require presentation of management's discussion and analysis, as required supplementary information and presentation of a statement of net assets, statement of revenues, expenses and changes in net assets using a specified format which distinguishes between operating and nonoperating revenues and expenses, and statement of cash flows using the direct method.

Operating revenues and expenses generally result from the sale of fuel, car rentals, and leasing hangar space. Operating expenses include costs of maintaining and promoting the airport facilities including administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Therefore, transactions, which are capital, financing or investing related, are reported as non-operating revenues and interest expense and financing costs are reported as non-operating expenses.

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.

Accounts Receivable

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Amounts due from customers are considered past due after 30 days. Interest is accrued monthly and recognized as income on balances past due. If a receivable becomes uncollectible it is written off using the direct write off method thus no allowance for doubtful accounts is deemed necessary.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market and consist primarily of Jet-A and 100LL AvGas fuel.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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.

Capital Assets

Capital assets purchased by the Authority are stated at historical cost. Assets acquired by gift are recorded at their fair market value at the date of transfer. Depreciation is computed over the estimated useful lives using the straight-line method of depreciation. Maintenance and repairs are charged to expense as incurred whereas major renewals and betterments are capitalized. When items of property or equipment are sold, retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in net income.

The estimated lives by general classification are as follows:

Land Improvements	15 - 40 years
Building Improvements	15 - 30 years
Furniture, Equipment, and Vehicles	5 - 20 years

Interest is capitalized on constructed fixed assets during the period of construction, if it is material. No interest was capitalized in the year ended September 30, 2007.

Net Assets

The Authority recognizes the difference between its assets and liabilities as net assets. Net assets categories for the Authority include the following:

Invested in Capital Assets, Net of Related Debt – comprised of the Authority's capital assets less any related outstanding debt used to acquire those assets.

Restricted – the remaining balance of unspent grant revenues and receivables from grants. These funds are 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 and regulations of other governments.

Unrestricted – the remaining balance of net assets.

Advertising

The Authority expenses advertising as incurred.

Estimates

The preparation of these 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.

Peachtree City Airport Authority
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2007

NOTE 4 – CASH AND CUSTODIAL CREDIT RISK:

Cash consists of cash on hand and on deposit in a checking account with a local commercial bank. At year-end, the carrying amount of the Authority's cash was \$738,467 and the bank balance was \$791,036. All of the bank balance was covered by federal depository insurance or by collateral held by the Authority's custodial bank in the Authority's name. The Authority does not have a deposit policy for custodial credit risk, which is the risk that in the event of bank failure, the government's cash deposits may not be returned to it.

NOTE 5 - ACCOUNTS RECEIVABLE:

Accounts receivable at September 30, 2007 consists of payments and due from customers and tenants for space rental and fuel charges and credit card charges due from banks. All amounts at year end are considered fully collectible.

NOTE 6 - DUE FROM GOVERNMENTAL UNITS:

Hotel/Motel Tax Revenues due from Peachtree City Tourism Association	\$ 10,806
Federal Grant for NAVAID and Airport Taxiway F - due from FAA	<u>76,215</u>
	<u>\$ 87,021</u>

NOTE 7 - INVENTORY

Inventories are valued at the lower of cost (first-in, first-out) or market. The components of inventory at September 30, 2007 are as follows:

Jet-A Fuel	\$ 34,237
AvGas Fuel	15,094
Aircraft Oil	2,269
Pilot Supplies and Charts	<u>942</u>
	<u>\$ 52,542</u>

NOTE 8 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the year ended September 30, 2007, cash paid for interest was \$9,589.

NOTE 9 – ADVERTISING EXPENSE

Advertising expense was approximately \$13,200 for the year ended September 30, 2007.

Peachtree City Airport Authority
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2007

NOTE 10 - CAPITAL ASSETS:

A summary of changes in capital assets for the year ended September 30, 2007 is as follows:

	2007			Ending Balance 9/30/2007
	Beginning Balance 09/30/06	Transfers and Additions	Transfers and Disposals	
Capital Assets not Being Depreciated:				
Land	\$ 5,130,519	\$ 2,115,749	\$ -	\$ 7,246,268
Construction in Progress	355,735	233,965	-	589,700
Total Assets not Being Depreciated	<u>5,486,254</u>	<u>2,349,714</u>	<u>-</u>	<u>7,835,968</u>
Other Capital Assets:				
Land Improvements	11,349,721	-	65,389	11,284,332
Building and Improvements	2,485,480	-	16,769	2,468,711
Equipment	364,513	3,800	93,162	275,151
Total Other Capital Assets	<u>14,199,714</u>	<u>3,800</u>	<u>175,320</u>	<u>14,028,194</u>
Less Accumulated Depreciation for:				
Land Improvements	(7,145,258)	(537,615)	41,182	(7,641,691)
Building and Improvements	(1,577,369)	(133,813)	9,413	(1,701,769)
Equipment	(254,917)	(20,228)	92,045	(183,100)
Total Accumulated Depreciation	<u>(8,977,544)</u>	<u>(691,656)</u>	<u>142,640</u>	<u>(9,526,560)</u>
Other Capital Assets, Net	<u>5,222,170</u>	<u>(687,856)</u>	<u>(32,680)</u>	<u>4,501,634</u>
Net Capital Assets	<u>\$10,708,424</u>	<u>\$ 1,661,858</u>	<u>\$ (32,680)</u>	<u>\$12,337,602</u>

Depreciation expense charge to operations was \$691,656 for the year ended September 30, 2007.

Peachtree City Airport Authority
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2007

NOTE 11 - NOTES PAYABLE:

Notes payable at September 30, 2007 consist of the following:

Bank of North Georgia:

\$355,000 dated December 12, 2003, interest at 4.00%.

Payments are \$3,613 per month with maturity at December 12, 2013. Secured by intergovernmental agreement with City of Peachtree City, primary government.

Note is a qualified tax-exempt obligation.

\$ 241,575

Less Current Maturities

34,336

\$ 207,239

Debt service requirements to maturity for debt of the Authority at September 30, 2007 are as follows:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	40,283	3,074	43,357
Thereafter	<u>55,324</u>	<u>1,526</u>	<u>56,850</u>
	<u>\$ 241,575</u>	<u>\$ 32,060</u>	<u>\$ 273,635</u>

The following is a summary of the note payable transactions with Bank of North Georgia for the year ended September 30, 2007:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
\$ 271,730	\$ -	\$ 30,155	\$ 241,575	\$ 34,336	\$ 207,239
<u>\$ 271,730</u>	<u>\$ -</u>	<u>\$ 30,155</u>	<u>\$ 241,575</u>	<u>\$ 34,336</u>	<u>\$ 207,239</u>

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 12 - RENTALS UNDER OPERATING LEASES:

The Authority has long-term operating lease agreements with lessees to occupy private hangar space. Some of the hangars are built and owned by tenants, who are only leasing the land. There are also several "Through the Fence" agreements, which lease access to the airport areas. The carrying value of leased assets of \$15,350 (cost of \$170,356 less accumulated depreciation of \$155,007) is included in the capital assets in the financial statements. All T-Hangar (except area C), Port-a-Port, Tie Downs, Shade Ports and FBO hangar rentals are on one year or less rental agreements. The projections of the non-cancelable future minimum rentals under leases that have remaining terms in excess of one year are as follows:

<u>Year Ended</u>	
2008	\$ 145,540
2009	145,540
2010	145,540
2011	145,540
2012	145,540

NOTE 13 - PENSION CONTRIBUTIONS:

The Authority adopted a Savings Incentive Match Plan for Employees (SIMPLE) on April 1, 2007, whereby up to 3% of a participating employee's salary contributed to the SIMPLE Plan is matched by the Authority, with a maximum match of \$10,500 for 2007. For the year ended September 30, 2007, \$4,748 was contributed by the Authority.

NOTE 14 - GRANTS, COMMITMENTS AND CONTINGENCIES:

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 had matching state and participant portions of approximately \$12,000 each. Expenditures in year ended September 30, 2007 were \$96,446, while revenues from FAA were \$76,418. Total expenditures exceeded revenues by approximately \$20,000. No state funds were available to assist with the excess expenditures.

FAA Grant No. 18 and State Matching Grant

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, and purchased land in November 2006 in the amount of \$1,898,898. Additional attorney and consulting fees and administration costs resulted in total land costs of \$1,968,397 and grant reimbursements from FAA to equal expenditures. The state approved and submitted additional funding for this project for its part of the required matching on the grant in the amount of \$49,613.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

FAA Grant No. 19

In March 2007, a grant of \$93,420 was received from FAA to be used by the Authority for an environmental permit and assessment in preparation for Area A, Taxiway F project. Expenditures for this project equaled the grant revenues of \$93,420.

FAA Grant No. 20

In September, a grant of \$1,496,477 was approved by FAA for the purpose of updating the Master Plan Study and construction of Taxiway – Area B design and AOS relation and Taxiway F. \$134,693 was reported as revenue, with a receivable of \$76,215. Expenditures of \$137,208 were made during the year ended September 30, 2007. \$2,516 had not been requested as reimbursement as of September 30, 2007.

STATE Grant No. 16

During 2004 the Authority received a grant offer from the State of Georgia for \$38,053 for additional land acquisition costs. The Authority had received \$36,713 and incurred expenditures of \$14,444 as of September 30, 2006. During 2007 the Authority applied and allowed \$5,500 in administration costs to the grant, but is liable to the State to refund the unexpended balance of \$16,769, which is shown as a liability as of September 30, 2007.

NOTE 15 - CONCENTRATION OF CREDIT RISK

The Authority receives 40 – 45 % of its operating 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 most of 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.

NOTE 16 - 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 the grant program regulations, the Authority may be required to reimburse the grantor government.

Significant amounts of grant expenditures in fiscal year ended September 30, 2007 were audited as part of the Single Audit Act. There were no expenditures that were considered disallowed expenditures.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 17 - HOTEL/MOTEL TAX

The City of Peachtree City collects a lodging tax, which was authorized by O.C.G.A. 48-13-54 for the promotion of tourism and to facilitate trade shows and conventions. On July 14, 2004, an 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 retroactive to November 1, 2003. This agreement is ongoing to date.

The Authority received \$124,382 during the year ended September 30, 2007 from the Tourism Association for the Authority's portion of the hotel/motel tax.

NOTE 18 - INTERGOVERNMENTAL AND RELATED PARTY TRANSACTIONS

As noted above, the Authority receives money from the Tourism Association for hotel/motel taxes. Additionally, there is an intergovernmental contract with the City of Peachtree City, which provides the collateral on the Authority's debt. See note 6 for balance due from the Tourism Association.

COMPLIANCE SECTION

J. K. BOATWRIGHT & CO., P. C.
CERTIFIED PUBLIC ACCOUNTANTS
PEACHTREE CITY, GEORGIA 30269

January 23, 2008

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 Board of Directors
Peachtree City Airport Authority

We have audited the financial statements of Peachtree City Airport Authority as of and for the year ended September 30, 2007, and have issued our report thereon dated January 23, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Peachtree City Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Peachtree City Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Peachtree City Airport Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Peachtree City Airport Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Peachtree City Airport Authority's financial statements that is more than inconsequential will not be prevented or detected by Peachtree City Airport Authority's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting as finding 2007-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Peachtree City Airport Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant

deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

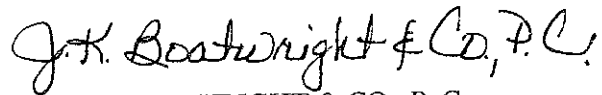
As part of obtaining reasonable assurance about whether Peachtree City Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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*.

We noted certain other matters that we reported to management of Peachtree City Airport Authority in a separate letter dated January 23, 2008.

Peachtree City Airport Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Peachtree City Airport Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, Federal Aviation Administration, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,



J. K. BOATWRIGHT & CO., P. C.

Certified Public Accountants

J. K. BOATWRIGHT & CO., P. C.
CERTIFIED PUBLIC ACCOUNTANTS
PEACHTREE CITY, GEORGIA 30269

January 23, 2008

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

To the Board of Directors
Peachtree City Airport Authority

Compliance

We have audited the compliance of Peachtree City Airport Authority with the 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, 2007. 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 of 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, 2007.

Internal Control Over Compliance

The management of Peachtree City Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Peachtree City Airport Authority's internal control over compliance.

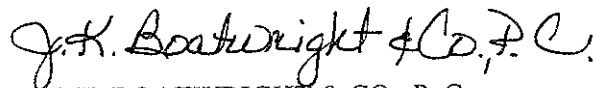
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, board of directors, others within the entity, Federal Aviation Administration, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,



J. K. BOATWRIGHT & CO., P. C.
Certified Public Accountants

PEACHTREE CITY AIRPORT AUTHORITY
 Schedule of Expenditures of Federal Awards
 September 30, 2007

Federal Grantor	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Transportation			
Direct:			
Federal Aviation Administration			
Airport Improvement Programs:			
	20.106	AIP-03-13-0146-17	\$ 76,418
	20.106	AIP-03-13-0146-18	1,968,397
	20.106	AIP-03-13-0146-19	93,420
	20.106	AIP-03-13-0146-20	<u>137,207</u>
			<u>\$ 2,275,442</u>

NOTES TO SCHEDULE

NOTE A – BASIS OF PRESENTATION:

The Authority follows the accrual basis of accounting in preparing this schedule. This method is consistent with the method used in the preparation of the Authority's financial statements. 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 – SUBRECIPIENTS:

The Authority did not have any non-cash awards or subrecipients during the fiscal year.

NOTE C – MATCHING FUNDS:

Generally there is a 5% to 15% match depending upon the individual grant specification.

NOTE D – OPEN PROJECTS:

Project AIP-03-13-0146-20 in the amount of \$1,496,477 was approved in 2007. Federal funds revenue in 2007 was \$134,693, which includes a receivable of \$76,215. Total expenditures were \$137,208. The purpose of this grant is for Navaid Study and Taxiway F, which will begin in February 2008. Additional FAA funds of approximately \$470,000 were received after year ended September 30, 2007.

Peachtree City Airport Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2007

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Peachtree City Airport Authority.
2. One significant deficiency disclosed during the audit of the financial statements is reported in this Schedule.
3. No instance of noncompliance material to the financial statements of Peachtree City Airport Authority, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for Peachtree City Airport Authority expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 501(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included AIP-03-13-0146-18.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Peachtree City Airport Authority does not qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2007-1 Reporting expenses and revenues in the proper period

Condition and Criteria: Expenses incurred during the fiscal year were not recorded as liabilities and revenues earned during the fiscal year were not recorded as revenues and receivables as required by generally accepted accounting principles.

Effect: Accounts payable, expenditures, receivables and accounts receivable had to be recorded. Because the expenditures were capitalized there was a significant increase to total assets.

Cause: Procedures in place to properly record accounts payable were not sufficient to discover the payable.

Auditors' Recommendation: Procedures should be established to ensure that all expenditures that are incurred are recorded in the proper period. The authority needs to make their accounting consultant aware of the issue so that he can assure a similar finding does not occur in the future.

Grantee's Response: The authority agrees with the finding and the auditor's recommendations have been adopted.