

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended September 30, 2005 and 2004

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INDEPENDENT AUDITOR'S REPORT

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 City of Peachtree City, Georgia, as of and for the years ended September 30, 2005 and 2004, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Peachtree City Airport Authority, as of September 30, 2005 and 2004, 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 6, 2006, 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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally

Peachtree City Airport Authority
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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.

A handwritten signature in black ink that reads "Edward J. Witt, LLC". The signature is written in a cursive style with a large initial 'E' and 'J'.

Peachtree City, Georgia
January 6, 2006

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, 2005. 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 \$183,431
- The Authority's total liabilities decreased by \$15,419
- The Authority's operating revenues increased by \$368,111
- The Authority's operating expenses increased by \$317,056

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 11.

Table 1 provides a summary of the Authority's Total Assets, Liabilities and Net Assets for 2005 and 2004.

Table 1
Total Assets, Liabilities and Net Assets

<u>Assets</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 549,521	\$ 366,090
Restricted assets	261,291	311,413
Net property and equipment	10,781,361	11,490,268
Other Assets	5,967	6,128
Total Assets	\$11,598,140	\$12,173,899
 Liabilities and Net Assets 		
Total Liabilities	\$ 544,001	\$ 559,420
 Net Assets		
Invested in capital assets	\$10,477,979	\$11,156,478
Restricted	\$261,291	\$311,413
Unrestricted	\$314,869	\$146,588
 Total Net Assets	 \$11,054,139	 \$11,614,479
 Total Liabilities and Net Assets	 \$11,598,140	 \$12,173,899

Table 2
Revenues and Expenses

Operating Revenues	2005	2004
Fuel sales	\$ 1,238,309	\$ 938,948
Leases	433,773	\$ 367,855
Fixed base operations	38,943	\$ 36,111
Total operating revenues	\$1,711,025	\$1,342,914
 Operating Expenses		
Purchases – fuel and parts	\$ 941,067	\$686,629
Professional fees	15,242	19,467
Depreciation	682,797	673,258
Salaries	359,068	333,410
Repairs and maintenance	54,384	43,693
Fuel farm maintenance & truck rental	19,232	19,593
Utilities/telephone	70,757	70,835
Payroll tax expense	28,648	29,236
Credit card processing fee	35,756	24,301
Insurance	57,232	58,503
Other	55,878	44,080
Total operating expenses	\$2,320,061	\$2,003,005
Net operating loss	\$ (609,036)	\$ (660,091)
 Non-operating revenues (expenses)		
Interest income	\$1,227	739
Miscellaneous income, net of expenses	970	4,344
Total non-operating revenues	\$ 2,197	\$ 5,083
 Capital contributions:		
Federal grant income	\$ 66,962	\$1,500,000
State grant income	14,444	-
Other capital contributions	25,000	125,000
Capital contribution to primary government	(194,064)	-
Total capital contributions	\$ (87,658)	\$1,725,000
Net income (loss) before transfers	\$(676,530)	\$ 969,995
Transfers from City of Peachtree City	-	
Hotel and motel tax revenue	\$ 134,157	\$ 130,267
Total transfers	\$ 134,157	\$ 130,267
Change in Net Assets	\$(560,340)	\$ 1,100,259
Net assets – beginning of year	\$11,614,479	\$10,514,220
Net Assets-end of year	\$11,054,139	\$ 11,614,479

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 2005. This was used for Geotechnical and environmental surveys.

Capital Assets

	<u>2005</u>	<u>2004</u>
Land and improvements	\$ 5,130,519	\$ 5,130,519
Construction in progress	78,962	238,058
Land improvements	11,096,284	11,004,933
Buildings and improvements	2,433,714	2,433,715
Furniture and equipment	326,926	289,583
Total	\$ 19,066,945	\$ 19,102,935
Less accumulated depreciation	\$ 8,285,584	\$ 7,606,539
Net property and equipment	\$ 10,781,361	\$ 11,490,268

Current Issues

In fiscal year ended September 30, 2005 all leaseable land in Hangar Area B has been leased and all lot owners have constructed hangars except for one lot. Phase II of Aviation Way paving began in a joint effort with the Peachtree City Water and Sewer Authority, to gain access to 60 plus acres, labeled Hangar Area C, purchased by the Authority in FY04.

Geotechnical and Environmental surveys have begun in Hangar Area C. These are the preliminary surveys to be undertaken before the property can be made ready for clearing and construction. The Airport Authority will attempt to secure funding through state and federal resources to fund taxiway and apron construction for this area. Once complete, this area will provide the Authority with additional income in land lease and hangar rental.

The Authority is in negotiations with local and state officials in the relocation of the TDK Boulevard extension. Additional funds are needed to secure property to move the proposed extension out of the airport's Runway Safety Area (RSA). Funding will be pursued at the state and federal level.

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

The Authority is once again receiving funding from the hotel motel tax which is collected by the City of Peachtree City. The City remits a portion to the Peachtree City Tourism Association, who in turn, transfers to the Authority approximately twenty (20) percent of taxes the Association has received from the City. This was effective retroactive to November 1, 2003.

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, 2005 and 2004

ASSETS	<u>2005</u>	<u>2004</u>
Current assets		
Cash and cash equivalents	\$ 434,879	\$ 260,244
Accounts receivable, net of allowance for uncollectible accounts of \$6,600 and \$6,900 respectively	33,947	43,445
Inventory	<u>80,695</u>	<u>62,401</u>
Total current assets	<u>549,521</u>	<u>366,090</u>
Restricted assets		
Cash and cash equivalents restricted for Federal grant expenditures	66,941	33,136
restricted for road improvements	194,350	228,277
Receivable from other government	<u>-</u>	<u>50,000</u>
Total restricted assets	<u>261,291</u>	<u>311,413</u>
Property, plant and equipment		
Land	5,130,519	5,130,519
Land improvements	11,096,824	11,004,933
Buildings and improvements	2,433,714	2,433,714
Furniture and equipment	326,926	289,583
Construction in progress	<u>78,962</u>	<u>238,058</u>
	19,066,945	19,096,807
Accumulated depreciation	<u>8,285,584</u>	<u>7,606,539</u>
Net property, plant and equipment	<u>10,781,361</u>	<u>11,490,268</u>
Other assets		
Deposits	1,842	1,503
Debt issue costs, net of accumulated amortization of \$875 and \$375, respectively	4,125	4,625
Total other assets	<u>5,967</u>	<u>6,128</u>
TOTAL ASSETS	<u><u>\$ 11,598,140</u></u>	<u><u>\$ 12,173,899</u></u>

LIABILITIES AND NET ASSETS	<u>2005</u>	<u>2004</u>
LIABILITIES		
Current liabilities		
Accounts payable	68,885	72,883
Due to primary government	10,000	77,091
Accrued liabilities	66,226	23,073
Unearned revenue	95,508	52,583
Current portion of long-term debt	31,700	30,459
Total current liabilities	<u>272,319</u>	<u>256,089</u>
Long-term liabilities, net of current portion	<u>271,682</u>	<u>303,331</u>
TOTAL LIABILITIES	<u>544,001</u>	<u>559,420</u>
NET ASSETS		
Invested in capital assets, net of related debt	10,477,979	11,156,478
Restricted	261,291	311,413
Unrestricted	<u>314,869</u>	<u>146,588</u>
TOTAL NET ASSETS	<u>11,054,139</u>	<u>11,614,479</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,598,140</u>	<u>\$ 12,173,899</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, 2005 and 2004

	2005	2004
Operating revenues:		
Fuel sales	\$ 1,238,309	\$ 938,948
Leases	433,773	367,855
Fixed base operations	38,943	36,111
Total operating revenues	1,711,025	1,342,914
Operating expenses:		
Purchases - fuel and parts	941,067	686,629
Professional fees	15,242	19,467
Advertising	12,819	3,950
Amortization	500	375
Depreciation	682,797	673,258
Salaries	359,068	333,410
Insurance	57,232	58,503
Office expense and postage	14,561	11,754
Payroll tax expense	28,648	29,236
Utilities	60,077	61,184
Auto expenses	15,009	11,932
Dues and subscriptions	454	712
Meals and entertainment	1,603	573
Repairs and maintenance	54,384	43,693
Telephone	10,680	9,651
Travel	4,583	2,644
Supplies	4,340	3,105
Credit card processing fee	35,756	24,301
Uniforms	2,122	1,716
Bad debt expense (recovery)	(300)	2,600
Miscellaneous	187	4,719
Fuel farm maintenance and truck rental	19,232	19,593
Total operating expenses	2,320,061	2,003,005
Net operating loss	(609,036)	(660,091)

	<u>2005</u>	<u>2004</u>
Non-operating revenues (expenses):		
Interest income	1,227	739
Miscellaneous income	13,919	15,651
Interest expense	(12,949)	(11,307)
Total non-operating revenues (expenses)	<u>2,197</u>	<u>5,083</u>
Net loss before contributions and transfers	(606,839)	(655,008)
Capital contributions		
Federal and state grant contributions	81,406	1,500,000
Capital contributions from developers	25,000	75,000
Capital contributions from other governments	-	50,000
Capital contribution to primary government	(194,064)	-
Total contributions	<u>(87,658)</u>	<u>1,625,000</u>
Transfers directly and indirectly from primary government and a component unit of the primary government		
Hotel and motel tax revenue	<u>134,157</u>	<u>130,267</u>
Increase (Decrease) in net assets	(560,340)	1,100,259
Net assets - beginning of year	<u>11,614,479</u>	<u>10,514,220</u>
Net assets - end of year	<u>\$ 11,054,139</u>	<u>\$ 11,614,479</u>

The accompanying notes are an integral part of these statements.

PEACHTREE CITY AIRPORT AUTHORITY
 Statements of Cash Flows
 For the Years Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 1,710,851	\$ 1,332,364
Payments to suppliers and employees	<u>(1,682,994)</u>	<u>(1,242,057)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>27,857</u>	<u>90,307</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Hotel and motel tax	132,488	130,390
Federal and state grants	135,333	1,522,960
Miscellaneous income	<u>13,919</u>	<u>15,651</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING	<u>281,740</u>	<u>1,669,001</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Repayment of debt	(30,408)	(21,210)
Loan costs	-	(5,000)
Interest paid on debt	(12,949)	(11,307)
Proceeds from debt	-	355,000
Capital contributions from developers	75,000	75,000
Payments for capital acquisitions	<u>(167,954)</u>	<u>(1,838,266)</u>
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(136,311)</u>	<u>(1,445,783)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	<u>1,227</u>	<u>739</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,227</u>	<u>739</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	174,513	314,264
Cash and cash equivalents at beginning of year	<u>521,657</u>	<u>207,393</u>
Cash and cash equivalents at end of year	<u>\$ 696,170</u>	<u>\$ 521,657</u>

	<u>2005</u>	<u>2004</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating (loss)	\$ (609,036)	\$ (660,091)
Adjustments to reconcile net (loss) to net cash flows provided by (used in) operating activities:		
Amortization	500	375
Depreciation	682,797	673,258
(Increase) decrease in:		
Accounts receivable	11,167	(1,393)
Deposits	(339)	(1,503)
Inventory	(18,294)	(28,308)
Increase (decrease) in:		
Accounts payable	(3,998)	37,038
Due to primary government	(67,091)	77,091
Accrued liabilities	43,153	1,494
Unearned revenues	(11,002)	(7,654)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 27,857</u></u>	<u><u>\$ 90,307</u></u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Increase in capital from recognition of a receivable	<u><u>\$ -</u></u>	<u><u>\$ 50,000</u></u>
Cash paid for interest	<u><u>\$ 12,949</u></u>	<u><u>\$ 11,307</u></u>
Cost of road improvements transferred to primary government	<u><u>\$ (194,064)</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

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, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement focus and basis of accounting.

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

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

Concentration of Credit Risk

The Authority receives 40 - 45% of its revenue from fuel sales and 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, 2005 and 2004, these percentages were approximately 6% and 42%, 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, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 \$683,000 and \$673,000 for the years ended September 30, 2005 and 2004, 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, 2005 and 2004.

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.

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.

Peachtree City Airport Authority
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Advertising

The Authority follows the policy of charging the costs of advertising to expenses as incurred. Advertising expense was \$12,819 and \$3,950 for the years ended September 30, 2005 and 2004, respectively.

NOTE 2 – CUSTODIAL CREDIT RISK - DEPOSITS

As of September 30, 2005, the Authority had the following deposits:

<u>Depository Account</u>	<u>Bank Balance</u>
Collateralized:	
Collateral held by pledging bank's trust department in the Authority's name	<u>\$ 693,642</u>
Total deposits	<u>\$ 693,642</u>

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

NOTE 3 - INVENTORY

The components of inventories at September 30, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Jet A Fuel	\$23,682	\$15,816
AvGas Fuel	48,956	35,535
Aircraft Oil	2,246	2,034
Pilot supplies and charts	<u>5,811</u>	<u>9,016</u>
	<u>\$80,695</u>	<u>\$62,401</u>

Peachtree City Airport Authority
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005 and 2004

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

	9/30/2004 Balances	Increases	Decreases	Reclass- ifications	9/30/2005 Balances
Capital assets not being depreciated:					
Land	\$ 5,130,519	\$ -	\$ -	\$ -	\$ 5,130,519
Construction in Progress	238,058	80,943	(194,064)	(45,975)	78,962
Total assets not being depreciated	5,368,577	80,943	(194,064)	(45,975)	5,209,481
Other capital assets:					
Land Improvements	11,004,933	45,916	-	45,975	11,096,824
Building and Improvements	2,433,714	-	-	-	2,433,714
Equipment	289,583	41,095	(3,752)	-	326,926
Total other capital assets at historical cost	13,728,230	87,011	(3,752)	45,975	13,857,464
Less accumulated depreciation for:					
Land Improvements	(6,082,273)	(529,800)			(6,612,073)
Building and Improvements	(1,306,479)	(134,907)			(1,441,386)
Equipment	(217,787)	(18,090)	3,752		(232,125)
Total accumulated depreciation	(7,606,539)	(682,797)	3,752	-	(8,285,584)
Other capital assets, net	6,121,691	(595,786)	-	45,975	5,571,880
Total capital assets, net	\$11,490,268	\$(514,843)	\$ (194,064)	\$ (1)	\$ 10,781,361

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

NOTE 5 - GRANTS AND CONSTRUCTION COMMITMENTS

FAA Grant No. 15

During 2004 the Authority received FAA Grant offer No. 15. This is a reimbursable agreement to relocate automated surface observation system for a grant in the amount of \$66,500. The grant was received during the year ended September 30, 2005 and expenditures in the amount of \$62,462. have been made for this project.

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

NOTE 5 - GRANTS AND CONSTRUCTION COMMITMENTS (continued)

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 period ending September 30, 2005, was \$4,500.

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

NOTE 6 - LONG-TERM DEBT

Long-term debt at September 30, 2005 and 2004, consists of the following:

	<u>2005</u>	<u>2004</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.	\$303,382	\$333,790
Less current maturities	<u>31,700</u>	<u>30,459</u>
	<u>\$271,682</u>	<u>\$303,331</u>

Future debt service payments are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 31,700	\$11,657	\$43,357
2007	32,992	10,365	43,357
2008	34,336	9,021	43,357
2009	35,735	7,622	43,357
2010	37,191	6,166	43,357
2011-2014	<u>131,428</u>	<u>9,201</u>	<u>140,629</u>
	<u>\$303,382</u>	<u>\$54,032</u>	<u>\$357,414</u>

Peachtree City Airport Authority
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

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

On March 29, 2005, the Authority signed an intergovernmental agreement with another governmental agency to commit \$150,000 to assist in construction of Phase II of Aviation Way. This project is due to begin during January, 2006. Also, the Authority has agreed to pay \$10,000 to assist in the redesign of the TDK Boulevard extension. This is to cover the engineering redesign of the road, which is necessary to keep the road extension out of the Authority's runway safety area.

NOTE 9 - HOTEL/MOTEL TAX

The City of Peachtree City collects a lodging tax. A portion of this tax is distributed to the Peachtree City Airport Authority for the promotion of tourism and to facilitate trade shows and conventions as required by O.C.G.A. 48-13-54. The City and Authority agreed in 1993 that proceeds from the lodging tax would be used to assist in servicing debt incurred to pay for the airport improvements and expansions as such improvements and expansions have been designed to promote tourism and trade. An intergovernmental agreement with the City was signed on November 7, 2002; this agreement provided the Authority with 13.3% of the total Hotel/Motel tax collected by the City and was effective through October 31, 2003. On July 14, 2004, another intergovernmental agreement was signed between Peachtree City Tourism Association and the Authority. This agreement provides for the Authority to receive 20% of the hotel/motel tax received by the Tourism Association from the City and was effective retroactive to November 1, 2003. During the years ended September 30, 2005 and 2004, the Authority received \$134,157 and \$130,267, respectively from the hotel/motel tax.

The Authority has a receivable balance from the Peachtree City Tourism Association at September 30, 2005 and 2004 in the amount of \$12,036 and 10,367, respectively. These balances are included in the accounts receivable.

Peachtree City Airport Authority
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005 and 2004

NOTE 9 - HOTEL/MOTEL TAX (continued)

A summary of the hotel/motel tax transactions for the years ending September 30, 2005 and 2004:

	2005	2004
Revenues from Peachtree City	\$	\$ 12,044
Revenues from Tourism Association	134,157	118,223
Other operating costs	(134,157)	(130,267)
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, 2005 are as follows:

	2005	2004
Due to Peachtree City	\$10,000	\$77,091
Due from Tourism Association	12,036	10,367

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 are committed to contribute another \$150,000 to the Phase II project.

NOTE 11 - OPERATING LEASES

Rental Revenues

The Authority leases hangars, land and building space to corporations and individual pilots under non-cancelable long-term, renewable and month-to-month leases. Some of the hangars are built and owned by tenants, who are only leasing the land. The carrying value of leased assets of \$34,461 (cost of \$170,234 less accumulated depreciation of \$135,773) is included in the capital assets in the financial statements. Certain leases contain provisions for future increased revenues based upon changes in the Consumer Price Index. A rental company lease has provisions to pay the Authority a percentage of time and mile charges on the rental cars they lease at the Airport. The projection of these revenues over a five-year period is as follows:

2006	2007	2008	2009	2010
\$187,692	\$177,252	\$115,498	\$109,884	\$ 95,141

**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 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, 2005, and have issued our report thereon dated January 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Sidwell A. Witt LLC". The signature is written in a cursive, flowing style.

Peachtree City, Georgia

January 6, 2006