ATHENS AREA FACILITIES CORPORATION

Financial Statements

For The Fiscal Years Ended
June 30, 2012 and 2011

crace | galvis | mcgrath

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Athens Area Facilities Corporation

We have audited the accompanying balance sheets of the Athens Area Facilities Corporation as of June 30, 2012 and 2011 and the related statements of revenues, expenses, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Athens Area Facilities Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

The Athens Area Facilities Corporation has not presented a management's discussion and analysis that is necessary to supplement, although not required to be part of the basic financial statements in accordance with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Athens Area Facilities Corporation as of June 30, 2012, and 2011 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Crace Galvis McGrath

Crace Galvis McGrath, LLC

February 25, 2013

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ATHENS AREA FACILITIES CORPORATION
COMPARATIVE BALANCE SHEET
June 30, 2012 and 2011

ASSETS	2012	2011
Current assets:		
Cash	$ 105,650	$ 77,796
Restricted cash	-	51,097
Total current assets	105,650	128,893
Noncurrent assets:		
Property and equipment:		
Land	1,200,000	1,200,000
Building and improvements	9,578,651	9,578,651
Accumulated depreciation	(1,353,330)	(1,113,864)
Net property and equipment	9,425,321	9,664,787
Restricted investments	1,103,554	1,103,554
Unamortized costs	1,035,720	1,077,288
Total noncurrent assets	11,564,595	11,845,629
Total assets	$11,670,245	$11,974,522
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 28,870	$ 35,315
Certificates of participation, current portion	20,000	-
Total current liabilities	48,870	35,315
Long-term liabilities:		
Certificates of participation, net	13,536,477	13,562,357
Total liabilities	13,585,347	13,597,672
Net assets:		
Invested in capital assets, net of related debt	(4,131,156)	(3,897,570)
Restricted for debt service	1,103,554	1,154,651
Unrestricted	1,112,500	1,119,769
Total net assets	(1,915,102)	(1,623,150)
Total liabilities and net assets	$11,670,245	$11,974,522

See accompanying notes to the financial statements.

ATHENS AREA FACILITIES CORPORATION
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
Revenues	$ 774,916	$ 752,371
Operating expenses:		
Operating and administrative expenses	71,839	74,470
Depreciation	239,466	239,466
Total operating expenses	311,305	313,936
Operating income	463,611	438,435
Nonoperating revenues and (expenses):		
Investment earnings	51,117	51,147
Interest and fiscal charges	(806,680)	(806,413)
Total nonoperating revenues and (expenses)	(755,563)	(755,266)
Change in net assets	(291,952)	(316,831)
Net assets, beginning of year	(1,623,150)	(1,306,319)
Net assets, end of year	$ (1,915,102)	$(1,623,150)

See accompanying notes to the financial statements.

ATHENS AREA FACILITIES CORPORATION
COMPARATIVE STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Cash received from tenants	$ 774,916	$ 752,371
Cash payments for goods and services	(78,284)	(39,155)
Net cash from (to) operating activities	696,632	713,216
Cash flows from capital and related financing activities:		
Interest and fiscal charges	(770,992)	(770,725)
Net cash from (to) capital and related financing activities	(770,992)	(770,725)
Cash flows from investing activities:		
Investment income	51,117	51,147
Net cash from (to) investing activities	51,117	51,147
Net increase (decrease) in cash and cash equivalents	(23,243)	(6,362)
Cash at the beginning of the year	128,893	135,255
Cash at the end of the year	$ 105,650	$ 128,893
Reconciliation of operating income to net cash from operating activities:		
Operating income	$ 463,611	$ 438,435
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	239,466	239,466
Increase (decrease) in operating liabilities:		
Accounts payable	(6,445)	35,315
Net cash from (to) operating activities	$ 696,632	$ 713,216
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 670,500	$ 670,500

See accompanying notes to the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Activities

The Athens Area Facilities Corporation (the "Corporation") is a non-profit organization created in September 2005 with the purpose of acquiring property and constructing an office building located in Athens, Georgia. The Corporation leases the office building to the Department of Labor of the State of Georgia.

The Corporation is a not-for-profit entity subject to limitations of Section 115 of the Internal Revenue Code. The Corporation is exempt from income taxes. In the event of dissolution or final liquidation of the Corporation, the assets of the Corporation revert to the City of Braselton, Georgia. Due to the nature of the entity, the Corporation is considered a *governmental nonprofit entity* for financial reporting purposes, and, as such, adheres to generally accepted accounting principles (GAAP) as applied to governmental entities. The Corporation is considered a proprietary fund.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The Corporation also has the *option* of following subsequent private-sector guidance subject to this same limitation. The Corporation has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Corporation's equity is reported in three parts - invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets. The Corporation first utilizes restricted resources to finance qualifying activities.

C. Cash and Investments

For the purpose of the statement of cash flows, cash and cash equivalents include restricted and unrestricted amounts in demand deposits and all highly liquid investments in money market mutual funds.

Investments are stated at fair value. The Corporation is authorized to invest in certain direct obligations of the United States of America, obligations of certain federal agencies, U.S dollar denominated deposit accounts, certain federal funds and bankers' acceptances with domestic commercial banks, commercial paper, money market funds, public sector investment pools, pre-refunded municipal obligations, and general obligations of states.

D. Restricted Assets

Certain resources set aside for debt repayment are classified as restricted assets on the financial statements because their use is restricted for debt service expenses.

E. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The capitalization threshold for capital assets is $1,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on an estimated useful life as follows:

Buildings and improvements	40 years

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) DEPOSITS AND INVESTMENTS

<u>Custodial credit risk - deposits</u>
Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation reduces its exposure to custodial credit risk by having deposits insured by the Federal Deposit Insurance Corporation.

At June 30, 2012 and 2011, the Corporation's uninsured cash balances, including certificates of deposit, classified as investments, were $853,554 and $853,554, respectively.

Credit and interest rate risk - investments
In accordance with its investment policy, the Corporation manages its exposure to the risk of declines in fair values by limiting the maturities of its investments to dates on or prior to the dates the moneys invested therein will be needed for debt service. To mitigate credit risk, the Corporation's investment policy is to limit investments to the safest types of securities.

Investments of the Corporation as of June 30, 2012 and 2011 were comprised of certificates of deposit and money market mutual funds. The certificates of deposit were purchased in 2006 and mature in June 2037. All money market mutual funds mature within one year and the ratings are not available.

See also Note 1 for disclosure of the types of authorized investments.

(3) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated				
Land	$ 1,200,000	$ -	$ -	$ 1,200,000
Capital assets being depreciated				
Buildings and improvements	9,578,651	-	-	9,578,651
Accumulated depreciation	(1,113,864)	(239,466)	-	(1,353,330)
	8,464,787	(239,466)	-	8,225,321
Total capital assets, net	$ 9,664,787	$ (239,466)	$ -	$ 9,425,321

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated				
Land	$ 1,200,000	$ -	$ -	$ 1,200,000
Capital assets being depreciated				
Buildings and improvements	9,578,651	-	-	9,578,651
Accumulated depreciation	(874,398)	(239,466)	-	(1,113,864)
	8,704,253	(239,466)	-	8,464,787
Total capital assets, net	$ 9,904,253	$ (239,466)	$ -	$ 9,664,787

(4) LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Certificates of participation	$ 13,410,000	$ -	$ -	$ 13,410,000	$ 20,000
Premium	152,357	-	(5,880)	146,477	-
	$ 13,562,357	$ -	$ (5,880)	$ 13,556,477	$ 20,000

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Certificates of participation	$ 13,410,000	$ -	$ -	$ 13,410,000	$ -
Premium	158,237	-	(5,880)	152,357	-
	$ 13,568,237	$ -	$ (5,880)	$ 13,562,357	$ -

Certificates of Participation

In February 2006, the Corporation issued Certificates of Participation (COPs) in the amount of $13,410,000 for the purpose of providing financing for the purchase of land and the construction of an office building. The COPs are secured by rental payments received from the office building. Also, the COPs are secured by a letter of credit. The COPs are due in annual installments commencing in June 2013 of $20,000 to $2,145,000 through June 2037; interest rate at 5%. Total debt service paid and total rent revenue received during the year ending June 30, 2012 were $670,500 and $774,916, respectively.

Certificates of participation debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 20,000	$ 670,500	$ 690,500
2014	45,000	669,500	714,500
2015	70,000	667,250	737,250
2016	100,000	663,750	763,750
2017	130,000	658,750	788,750
2018-2022	1,210,000	3,161,000	4,371,000
2023-2027	2,440,000	2,744,250	5,184,250
2028-2032	3,590,000	2,009,250	5,599,250
2033-2037	5,805,000	1,006,250	6,811,250
	$ 13,410,000	$ 12,250,500	$ 25,660,500

(5) OPERATING LEASE

The Corporation leases the office building to a state organization under an operating lease agreement. The lease provides for annual renewals through June 30, 2037.

(6) CONCENTRATIONS

The Corporation's sole source of operating revenue is obtained from one tenant.

(7) MANAGEMENT AGREEMENT

The Corporation has entered into an agreement with a company to provide management services and maintenance to the office building. The agreement commenced in February 2006. The following is a schedule of future payments required under the agreement for the year ending June 30th:

Year Ending June 30,	
2013	$ 12,989
2014	13,249
2015	13,514
2016	13,784
	$ 53,536