

Athens Area Facilities Corporation

Financial Statements

**For the Fiscal Years Ended
June 30, 2014 and 2013**

crace | galvis | mcgrath

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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ATHENS AREA FACILITIES CORPORATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Athens Area Facilities Corporation

Report on Financial Statements

We have audited the accompanying financial statements of Athens Area Facility Corporation as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Athens Area Facilities Corporation has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Crace Galvis McGrath, LLC
Kennesaw, GA

February 10, 2015

FINANCIAL STATEMENTS

ATHENS AREA FACILITIES CORPORATION
STATEMENT OF NET POSITION
June 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash	\$ 19,768	\$ 61,019
Total current assets	<u>19,768</u>	<u>61,019</u>
Noncurrent assets:		
Property and equipment:		
Land	1,200,000	1,200,000
Building and improvements	9,578,651	9,578,651
Accumulated depreciation	(1,832,262)	(1,592,796)
Net property and equipment	<u>8,946,389</u>	<u>9,185,855</u>
Restricted investments	<u>1,103,554</u>	<u>1,103,554</u>
Total noncurrent assets	<u>10,049,943</u>	<u>10,289,409</u>
Total assets	<u>10,069,711</u>	<u>10,350,428</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	6,770	41,901
Certificates of participation, current portion	<u>70,000</u>	<u>45,000</u>
Total current liabilities	<u>76,770</u>	<u>86,901</u>
Long-term liabilities:		
Certificates of participation, net	<u>13,409,717</u>	<u>13,485,597</u>
Total liabilities	<u>13,486,487</u>	<u>13,572,498</u>
Net position:		
Net investment in capital assets	(4,533,328)	(4,344,742)
Restricted for debt service	1,103,554	1,103,554
Unrestricted	<u>12,998</u>	<u>19,118</u>
Total net position	<u>\$ (3,416,776)</u>	<u>\$ (3,222,070)</u>

See accompanying notes to the financial statements.

ATHENS AREA FACILITIES CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013
Revenues	\$ 822,190	\$ 798,190
Operating expenses:		
Operating and administrative expenses	61,241	116,238
Depreciation	239,466	239,466
Total operating expenses	300,707	355,704
Operating income	521,483	442,486
Nonoperating revenues and (expenses):		
Investment earnings	51,096	51,105
Interest and fiscal charges	(767,285)	(764,839)
Total nonoperating revenues and (expenses)	(716,189)	(713,734)
Change in net position	(194,706)	(271,248)
Net position, beginning of year	(3,222,070)	(2,950,822)
Net position, end of year	<u>\$ (3,416,776)</u>	<u>\$(3,222,070)</u>

See accompanying notes to the financial statements.

ATHENS AREA FACILITIES CORPORATION
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from tenants	\$ 822,190	\$ 798,190
Cash payments for goods and services	(96,372)	(103,207)
Net cash from (to) operating activities	725,818	694,983
Cash flows from capital and related financing activities:		
Certificate of participation principal payments	(45,000)	(20,000)
Interest and fiscal charges	(773,165)	(770,719)
Net cash from (to) capital and related financing activities	(818,165)	(790,719)
Cash flows from investing activities:		
Investment income	51,096	51,105
Net cash from (to) investing activities	51,096	51,105
Net increase (decrease) in cash	(41,251)	(44,631)
Cash at the beginning of the year	61,019	105,650
Cash at the end of the year	\$ 19,768	\$ 61,019
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 521,483	\$ 442,486
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	239,466	239,466
Increase (decrease) in operating liabilities:		
Accounts payable	(35,131)	13,031
Net cash from (to) operating activities	\$ 725,818	\$ 694,983
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 669,500	\$ 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.

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 - net investment in capital assets, restricted net position, and unrestricted net position. 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.

ATHENS AREA FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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
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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

Custodial credit risk – deposits

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, 2014 and 2013, the Corporation's uninsured cash balances, including certificates of deposit, classified as investments, were \$853,554 and \$853,554, respectively.

ATHENS AREA FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
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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, 2014 and 2013 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, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>
Capital assets being depreciated				
Buildings and improvements	9,578,651	-	-	9,578,651
Accumulated depreciation	<u>(1,592,796)</u>	<u>(239,466)</u>	-	<u>(1,832,262)</u>
	<u>7,985,855</u>	<u>(239,466)</u>	-	<u>7,746,389</u>
Total capital assets, net	<u>\$ 9,185,855</u>	<u>\$ (239,466)</u>	<u>\$ -</u>	<u>\$ 8,946,389</u>

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>
Capital assets being depreciated				
Buildings and improvements	9,578,651	-	-	9,578,651
Accumulated depreciation	<u>(1,353,330)</u>	<u>(239,466)</u>	-	<u>(1,592,796)</u>
	<u>8,225,321</u>	<u>(239,466)</u>	-	<u>7,985,855</u>
Total capital assets, net	<u>\$ 9,425,321</u>	<u>\$ (239,466)</u>	<u>\$ -</u>	<u>\$ 9,185,855</u>

ATHENS AREA FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
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(4) LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Certificates of participation	\$ 13,390,000	\$ -	\$ (45,000)	\$ 13,345,000	\$ 70,000
Premium	<u>140,597</u>	<u>-</u>	<u>(5,880)</u>	<u>134,717</u>	<u>-</u>
	<u>\$ 13,530,597</u>	<u>\$ -</u>	<u>\$ (50,880)</u>	<u>\$ 13,479,717</u>	<u>\$ 70,000</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Certificates of participation	\$ 13,390,000	\$ -	\$ -	\$ 13,390,000	\$ 45,000
Premium	<u>146,477</u>	<u>-</u>	<u>(5,880)</u>	<u>140,597</u>	<u>-</u>
	<u>\$ 13,536,477</u>	<u>\$ -</u>	<u>\$ (5,880)</u>	<u>\$ 13,530,597</u>	<u>\$ 45,000</u>

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 of \$45,000 to \$2,145,000 through June 2037; interest rate at 5%. During the year ending June 30, 2014 the Corporation received total rent revenue of \$822,190 and paid total debt service of \$714,500.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 70,000	667,250	\$ 737,250
2016	100,000	663,750	763,750
2017	130,000	658,750	788,750
2018	160,000	652,250	812,250
2019	200,000	644,250	844,250
2020-2024	1,650,000	3,029,250	4,679,250
2025-2029	2,960,000	2,487,000	5,447,000
2030-2034	4,000,000	1,640,250	5,640,250
2035-2037	<u>4,075,000</u>	<u>467,750</u>	<u>4,542,750</u>
	<u>\$ 13,345,000</u>	<u>\$ 10,910,500</u>	<u>\$ 24,255,500</u>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

(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:

<u>Year Ending June 30,</u>	<u>Payments</u>
2015	\$ 13,514
2016	<u>13,784</u>
Total	<u>\$ 27,298</u>