

ATHENS AREA FACILITIES CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

ATHENS AREA FACILITIES CORPORATION

June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Athens Area Facilities Corporation

We have audited the accompanying financial statements of Athens Area Facilities Corporation as of and for the year ended June 30, 2015, 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 audit. We conducted our audit 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 2015 financial statements referred to above present fairly, in all material respects, the financial position of the Athens Area Facilities Corporation as of June 30, 2015 and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The financial statements of Athens Area Facilities Corporation as of June 30, 2014, were audited by other auditors whose report dated February 10, 2015, expressed an unmodified opinion on those statements.

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.

Nichols, Cauley & Associates, LLC

Nichols, Cauley & Associates, LLC
Kennesaw, Georgia
April 27, 2016

FINANCIAL STATEMENTS

ATHENS AREA FACILITIES CORPORATION

Statements of Net Position June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 21,986	\$ 19,768
Total current assets	<u>21,986</u>	<u>19,768</u>
Noncurrent assets:		
Property:		
Land	1,200,000	1,200,000
Building and improvements	9,578,651	9,578,651
Accumulated depreciation	<u>(2,071,728)</u>	<u>(1,832,262)</u>
Net property	8,706,923	8,946,389
Restricted investments	<u>1,103,554</u>	<u>1,103,554</u>
Total noncurrent assets	<u>9,810,477</u>	<u>10,049,943</u>
Total assets	<u>9,832,463</u>	<u>10,069,711</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	30,191	6,770
Certificates of participation, current portion	<u>100,000</u>	<u>70,000</u>
Total current liabilities	<u>130,191</u>	<u>76,770</u>
Long-term liabilities:		
Certificates of participation, net	<u>13,303,837</u>	<u>13,409,717</u>
Total liabilities	<u>13,434,028</u>	<u>13,486,487</u>
Net position:		
Net investment in capital assets	(4,696,914)	(4,533,328)
Restricted for debt service	1,103,554	1,103,554
Unrestricted	<u>(8,205)</u>	<u>12,998</u>
Total net position	<u>\$ (3,601,565)</u>	<u>\$ (3,416,776)</u>

See accompanying notes to the financial statements.

ATHENS AREA FACILITIES CORPORATION

Statements of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues	\$ 846,917	\$ 822,190
Operating expenses:		
Operating and administrative expenses	81,343	61,241
Depreciation	<u>239,466</u>	<u>239,466</u>
Total operating expenses	<u>320,809</u>	<u>300,707</u>
Operating income	526,108	521,483
Nonoperating revenues and (expenses):		
Investment earnings	50,202	51,096
Interest and fiscal charges	<u>(761,099)</u>	<u>(767,285)</u>
Total nonoperating revenues and (expenses)	<u>(710,897)</u>	<u>(716,189)</u>
Change in net position	(184,789)	(194,706)
Net position, beginning of year	<u>(3,416,776)</u>	<u>(3,222,070)</u>
Net position, end of year	<u><u>\$ (3,601,565)</u></u>	<u><u>\$ (3,416,776)</u></u>

See accompanying notes to the financial statements.

ATHENS AREA FACILITIES CORPORATION

Statements of Cash Flows For the Fiscal Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from (to) operating activities:		
Cash received from tenants	\$ 846,917	\$ 822,190
Cash payments for goods and services	(57,922)	(96,372)
Net cash from (to) operating activities	<u>788,995</u>	<u>725,818</u>
Cash flows from (to) capital and related financing activities:		
Certificate of participation principal payments	(70,000)	(45,000)
Interest and fiscal charges	(766,979)	(773,165)
Net cash from (to) capital and related financing activities	<u>(836,979)</u>	<u>(818,165)</u>
Cash flows from (to) investing activities:		
Investment income	50,202	51,096
Net cash from (to) investing activities	<u>50,202</u>	<u>51,096</u>
Net increase (decrease) in cash	2,218	(41,251)
Cash at the beginning of the year	<u>19,768</u>	<u>61,019</u>
Cash at the end of the year	<u><u>\$ 21,986</u></u>	<u><u>\$ 19,768</u></u>
Reconciliation of operating income to net cash from (to) operating activities:		
Operating income	\$ 526,108	\$ 521,483
Adjustments to reconcile operating income to net cash provided (used) in operating activities:		
Depreciation	239,466	239,466
Increase (decrease) in accounts payable	23,421	(35,131)
Net cash from (to) operating activities	<u><u>\$ 788,995</u></u>	<u><u>\$ 725,818</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 667,250</u></u>	<u><u>\$ 669,500</u></u>

See accompanying notes to the financial statements.

ATHENS AREA FACILITIES CORPORATION

Notes to Financial Statements June 30, 2015 and 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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, 2015 and 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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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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, 2015 and 2014, the Corporation's uninsured cash balances, including certificates of deposit, classified as investments, were \$840,221 and \$853,554, respectively.

ATHENS AREA FACILITIES CORPORATION

Notes to Financial Statements June 30, 2015 and 2014

(2) DEPOSITS AND INVESTMENTS

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, 2015 and 2014 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, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
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	(1,832,262)	(239,466)	-	(2,071,728)
	<u>7,746,389</u>	<u>(239,466)</u>	<u>-</u>	<u>7,506,923</u>
Total capital assets, net	<u>\$ 8,946,389</u>	<u>\$ (239,466)</u>	<u>\$ -</u>	<u>\$ 8,706,923</u>

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	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
Capital assets being depreciated:				
Buildings and improvements	9,578,651	-	-	9,578,651
Accumulated depreciation	(1,592,796)	(239,466)	-	(1,832,262)
	<u>7,985,855</u>	<u>(239,466)</u>	<u>-</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>

ATHENS AREA FACILITIES CORPORATION

Notes to Financial Statements June 30, 2015 and 2014

(4) LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Certificates of participation	\$ 13,345,000	\$ -	\$ (70,000)	\$ 13,275,000	\$ 100,000
Premium	134,717	-	(5,880)	128,837	-
	<u>\$ 13,479,717</u>	<u>\$ -</u>	<u>\$ (75,880)</u>	<u>\$ 13,403,837</u>	<u>\$ 100,000</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Certificates of participation	\$ 13,390,000	\$ -	\$ (45,000)	\$ 13,345,000	\$ 70,000
Premium	140,597	-	(5,880)	134,717	-
	<u>\$ 13,530,597</u>	<u>\$ -</u>	<u>\$ (50,880)</u>	<u>\$ 13,479,717</u>	<u>\$ 70,000</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. Prior to October 5, 2015, the COPs were secured by a letter of credit. The initial letter of credit expired on February 28, 2011 and was extended through October 5, 2015. The letter of credit was not renewed or extended subsequent to October 5, 2015. 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, 2015 the Corporation received total rent revenue of \$846,917 and paid total debt service of \$737,250. 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:

Year Ending June 30,	Principal	Interest	Total
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	240,000	634,250	874,250
2021-2025	1,895,000	2,946,750	4,841,750
2026-2030	3,190,000	2,339,000	5,529,000
2031-2035	4,225,000	1,440,250	5,665,250
2036-2037	3,135,000	264,000	3,399,000
	<u>\$ 13,275,000</u>	<u>\$ 10,243,250</u>	<u>\$ 23,518,250</u>

ATHENS AREA FACILITIES CORPORATION

Notes to Financial Statements June 30, 2015 and 2014

(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</u> <u>June 30,</u>	<u>Payments</u>
2016	<u>\$ 13,784</u>