ATHENS AREA FACILITIES CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

ATHENS AREA FACILITIES CORPORATION

June 30, 2016 and 2015

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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 years ended June 30, 2016 and 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 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, 2016 and 2015, 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.

Nichols, Cauley + Associates, LLC

Kennesaw, Georgia
July 12, 2017

FINANCIAL STATEMENTS

ATHENS AREA FACILITIES CORPORATION

Statements of Net Position

June 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 58,476	$ 21,986
Total current assets	58,476	21,986
Noncurrent assets:		
Property:		
Land	1,200,000	1,200,000
Building and improvements	9,578,651	9,578,651
Accumulated depreciation	(2,311,194)	(2,071,728)
Net property	8,467,457	8,706,923
Restricted cash and cash equivalents	38,000	38,000
Restricted investments	1,065,554	1,065,554
Total noncurrent assets	9,571,011	9,810,477
Total assets	9,629,487	9,832,463
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	13,958	30,191
Certificates of participation, current portion	130,000	100,000
Total current liabilities	143,958	130,191
Long-term liabilities:		
Certificates of participation, net	13,167,957	13,303,837
Total liabilities	13,311,915	13,434,028
Net position:		
Net investment in capital assets	(4,830,500)	(4,696,914)
Restricted for debt service	1,103,554	1,103,554
Unrestricted	44,518	(8,205)
Total net position	$ (3,682,428)	$ (3,601,565)

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, 2016 and 2015

	2016	2015
Revenues	$ 872,372	$ 846,917
Operating expenses:		
Operating and administrative expenses	78,547	81,343
Depreciation	239,466	239,466
Total operating expenses	318,013	320,809
Operating income	554,359	526,108
Nonoperating revenues and (expenses):		
Investment earnings	49,338	50,202
Interest and fiscal charges	(684,560)	(761,099)
Total nonoperating revenues and (expenses)	(635,222)	(710,897)
Change in net position	(80,863)	(184,789)
Net position, beginning of year	(3,601,565)	(3,416,776)
Net position, end of year	$ (3,682,428)	$ (3,601,565)

See accompanying notes to the financial statements.

ATHENS AREA FACILITIES CORPORATION

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from (to) operating activities:		
Cash received from tenants	$ 872,372	$ 846,917
Cash payments for goods and services	(94,780)	(57,922)
Net cash from (to) operating activities	777,592	788,995
Cash flows from (to) capital and related financing activities:		
Certificate of participation principal payments	(100,000)	(70,000)
Interest and fiscal charges	(690,440)	(766,979)
Net cash from (to) capital and related financing activities	(790,440)	(836,979)
Cash flows from (to) investing activities:		
Investment income	49,338	50,202
Investment sales (purchases)	-	38,000
Net cash from (to) investing activities	49,338	88,202
Net increase (decrease) in cash	36,490	40,218
Cash at the beginning of the year	59,986	19,768
Cash at the end of the year	$ 96,476	$ 59,986
Reconciliation of operating income to net cash from (to) operating activities:		
Operating income	$ 554,359	$ 526,108
Adjustments to reconcile operating income to net cash provided (used) in operating activities:		
Depreciation	239,466	239,466
Increase (decrease) in accounts payable	(16,233)	23,421
Net cash from (to) operating activities	$ 777,592	$ 788,995
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 663,751	$ 667,250

See accompanying notes to the financial statements.

(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) in the United States of America 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 with a maturity of three months or less when purchased.

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.

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

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financials statements.

(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, 2016 and 2015, the Corporation's uninsured cash balances, including certificates of deposit, classified as investments, were $815,554.

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

Investments of the Corporation as of June 30, 2016 and 2015 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.

(3) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 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	(2,071,728)	(239,466)	-	(2,311,194)
	7,506,923	(239,466)	-	7,267,457
Total capital assets, net	$ 8,706,923	$ (239,466)	$ -	$ 8,467,457

Capital asset activity for the year ended June 30, 2015 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	(1,832,262)	(239,466)	-	(2,071,728)
	7,746,389	(239,466)	-	7,506,923
Total capital assets, net	$ 8,946,389	$ (239,466)	$ -	$ 8,706,923

(4) LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Certificates of participation	$ 13,275,000	$ -	$ (100,000)	$ 13,175,000	$ 130,000
Premium	128,837	-	(5,880)	122,957	-
	$ 13,403,837	$ -	$ (105,880)	$ 13,297,957	$ 130,000

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	-
	$ 13,479,717	$ -	$ (75,880)	$ 13,403,837	$ 100,000

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, 2016 the Corporation received total rent revenue of $872,372 and paid total debt service of $763,751. During the year ending June 30, 2015 the Corporation received total rent revenue of $846,917 and paid total debt service of $737,250.

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

Year Ending June 30,	Principal	Interest	Total
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	285,000	622,250	907,250
2022-2026	2,155,000	2,852,000	5,007,000
2027-2031	3,405,000	2,179,500	5,584,500
2032-2036	4,455,000	1,229,000	5,684,000
2037	2,145,000	107,250	2,252,250
	$ 13,175,000	$ 9,579,500	$ 22,754,500

(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:

Year Ending June 30,	
2017	$ 14,060
2018	14,341
2019	14,628
2020	14,920
2021	15,219
	$ 73,168