

**STONE MOUNTAIN MEMORIAL ASSOCIATION
JOINT MEETING OF THE
DEVELOPMENT COMMITTEE
AND
FINANCE COMMITTEE**

EVERGREEN CONFERENCE CENTER

**March 19, 2007
11:00 a.m.**

AGENDA

1. Call to Order.
2. Presentation of Water Park Concept.
3. Presentation of Audit Results.
4. Adjourn.

STONE MOUNTAIN MEMORIAL ASSOCIATION
DEVELOPMENT AND FINANCE COMMITTEE MEETING
March 19, 2007

A meeting of the Development and Finance Committees of the Stone Mountain Memorial Association was held at 11:00 a.m. on Monday, March 19, 2007, at the Evergreen Conference Center at Stone Mountain Park.

FINANCE COMMITTEE MEMBERS PRESENT

Bill Chappell, Chairman
Brent Brown
Greer Johnson
Mike Pentecost

DEVELOPMENT COMMITTEE MEMBERS PRESENT

Mark Baxter, Chairman (by telephone)
Ray S. Smith III
Joan Thomas

ABSENT

Noel Holcomb

OTHERS PRESENT

Tom Gilliland, Chairman SMMA
Curtis Branscome, C.E.O.
Bob Cowhig, Director of Planning and Construction
Gail Durham, Director of Finance and Secretary
Gerald Rakestraw, HFEC
Meredith Lipson, Mauldin & Jenkins CPA's, LLC
Alison Spencer, Assistant Attorney General
Other SMMA and HFEC personnel

Call to Order

The meeting was called to order by the Finance Committee Chairman Bill Chappell.

Presentation of Water Park Concept

Mr. Rakestraw presented a plan for a water park that would be located at the old beach site near the campground. He stated that HFEC was committed to this venture and was now ready to fund a major new capital improvement at Stone Mountain Park. This project is consistent with SMMA's master plan and speaks directly to the HFEC mission to continually improve Stone Mountain Park as Atlanta's place for family fun in the great outdoors. The "Big Rock Waterpark" will include water slides, a group area, a children's activities area, a family raft area, resorts lounging area, a bathhouse and dining area and parking facilities.

The project will be designed with natural colors and will not tower above the natural tree line. The initial investment is projected at \$10 million for phase one and opening date is forecasted as May 24, 2008. This new facility will create 80 new jobs and targeted

attendance is 200,000. Families with children under 14 years of age are the market for this attraction. In a market test, this concept rated 8.4 in intent to visit, making it one of the strongest concepts ever tested by HFEC.

Mr. Rakestraw stated that they are excited about the possibilities for this concept and are seeking approval of the concept from the SMMA Development Committee.

Mr. Pentecost stated that he had visited the current water slide at that location previously and it is outdated and lacks proper bathhouse facilities. Mr. Branscome stated that the existing facility in that area is tired and old.

Mr. Branscome stated that the project must be approved in concept first, and then the design would be approved prior to any construction. The Development Committee will review the concept and make a recommendation to the SMMA Board prior to the next Board meeting.

Presentation of Audit Results

Ms. Meredith Lipson of Mauldin & Jenkins CPA's presented the audit results to the committees. She provided the members with an "Audit Agenda" report that explained the purpose of an audit. This report contained information about the audit firm and its members. Ms. Lipson explained that the financial statements are the responsibility of the Association's management and the auditor's responsibility is to express an opinion on these statements. A "clean opinion" was issued for the year ended December 31, 2006. This means that the financial statements of the Association present fairly the financial position and results of operations for the year.

Ms. Lipson reviewed certain auditing standards and an overview of the financial statements. The balance sheet is heavy with capital assets, cash and investments. Total assets as of December 31, 2006 were about \$95.2 million.

Total liabilities are \$657 thousand and relate entirely to ongoing operations. There is no debt reflected in the balance sheet.

The Association's net worth was approximately \$94.5 million at year-end.

Operating revenues increased \$291 thousand compared to the prior year primarily due to \$244 thousand of additional lease revenue from HFEC. Operating expenses decreased \$825 thousand due to the prior year nonrecurring payment of \$1 million that the Association paid to the Department of Economic Development to support the advancement of tourism in Georgia.

Depreciation expense decreased \$390 thousand and the increase in net assets was \$1.1 million compared to the prior year decrease of \$870,000.

The Statement of Cash Flows reflects \$3.9 million in operating cash flows for the year. The Association used this cash to invest in the GEAP and various capital projects of approximately \$3.2 million. The net increase in cash and cash equivalents was \$1.4 million.

Ms. Lipson stated that the footnotes to the financial statements explain the nature of business of the Association and significant accounting policies, discuss cash and investments in GEAP and Georgia Fund 1, capital assets with details, pension plan, 401(k) plan, and related party transactions with the State of Georgia.

The report also contains required communications that the auditor must convey under auditing standards generally accepted in the USA. Government Auditing Standards require a supplemental report on internal control. During the audit several adjustments were recorded and discussed with management. Five audit adjustments were passed on due to the immateriality of the amounts.

Accounting policies and new standards were reported. New standards for the treatment of impaired assets and reporting for post employment benefit plans were discussed. The American Institute of CPAs has issued several new auditing standards dealing with audit documentation, risk assessment, and communicating internal control related matters.

Ms. Lipson stated that each year the audit reflects that the Association has several functions that would benefit from a segregation of duties. However, this would require additional staffing and the Association would need to weigh the cost of additional staff versus the internal control benefits provided by that additional segregation of duties. Ms. Lipson did recommend that recurring monthly bills for utilities, health insurance and employee benefits be reviewed and approved by someone in addition to the accounts payable staff person.

Ms. Lipson stated that no disagreements or difficulties were encountered in dealing with management related to the performance of the audit. She stated that the staff was cooperative and a pleasure to work with.

The Association has operated as a sales tax exempt entity since its inception. However, management understands the Georgia Department of Revenue has determined that certain Georgia instrumentalities and other component units are subject to sales and use taxes. This matter has not been formally addressed by the Georgia Department of Revenue with the management of the Association and no provision has been for prospects of this possibility. Ms. Lipson recommends that the Association address this matter with the respective State of Georgia officials and determine its applicability, and any other actions that may be warranted.

Ms. Lipson thanked the Committees for the opportunity to serve the Association and stated that they could contact her at any time with questions.

Meeting adjourned at 12:00 p.m.

Notes taken by
Gail Durham, Secretary