

STONE MOUNTAIN MEMORIAL ASSOCIATION
DEVELOPMENT AND FINANCE COMMITTEES MEETING
March 16, 2009

A joint meeting of the Development and Finance Committees of the Stone Mountain Memorial Association was held at 11:00 a.m. on Monday, March 16, 2009, at the Evergreen Conference Center at Stone Mountain Park.

FINANCE COMMITTEE MEMBERS PRESENT

Bill Chappell, Chairman Finance Committee
Brent Brown
Greer Johnson
Mike Pentecost

DEVELOPMENT COMMITTEE MEMBERS PRESENT

Carolyn Meadows
Ray S. Smith III, Chairman Development Committee
Joan Thomas

MEMBERS ABSENT

Mark Baxter
Noel Holcomb

OTHERS PRESENT

Curtis Branscome, C.E.O.
Bob Cowhig, Director of Planning and Construction
Gail Durham, Director of Finance and Secretary
Meredith Lipson, Partner, Mauldin & Jenkins CPA's, LLC

Call to Order

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

Discussion of Capital Budget

Mr. Branscome stated that the SMMA had agreed in principal to fund up to \$13 million in maintenance and preservation of SMMA assets within the leased area of the Park. Proposed projects are presented as part of a revised capital budget. A cash flow analysis that includes SMMA capital projects and leased area infrastructure projects is included in the agenda materials. This analysis reflects that in the year 2011 cash will fall below one year's operating expenses or about \$5 million. Some of the capital projects can be shifted to another year should cash needs increase.

The water and sewer project has been reduced from \$10 million to \$5 million based on engineering studies and more detailed estimates. Mr. Branscome and Mr. Cowhig are comfortable with the \$5 million estimate. The services complex is now budgeted at \$3.3 million and site work has been bid and the construction of the building is ready for bids.

The three bridges in the Park with concrete decks need to be resealed and \$450,000 has been included in the capital budget for this purpose. This is a new item for 2009.

A new item for 2010 is \$2 million for the demolition of the Tennis Stadium. The 2012 budget includes \$2.8 million for the improvement of Old Hugh Howell Road and \$450,000 for Indian Island drainage, erosion control, and other improvements.

Leased area infrastructure improvements include a new roof and repair to the Exterior Foam Insulation System at Evergreen and will cost approximately \$2.8 million.

An emergency generator for the aerial tramway will benefit Public Safety operations and be a service to our guests when there are power failures. This generator allows for the safe movement of people from the top of the mountain back down to the station. An allocation of \$400,000 has been included for the generator.

Memorial Lawn or the "Laser Lawn" is the focal point in the center of the Park. The terraces and the lawn need to be reworked. We would like to restore the lawn to its original state. We have included \$2.5 million in the budget for this project. Mr. Brown asked if we were including elements presented at the September retreat by HFEC. Mr. Branscome said the work would only be to restore and rehabilitate, but not to add additional features. Mr. Smith said that SMMA should investigate a type of grass that could handle a great deal of traffic. Mr. Cowhig said the original grass was emerald zoysia.

The railroad equipment upgrade and rebuild of the railroad shop area is proposed over a two year period for a cost of \$2.6 million.

A new roof for the Stone Mountain Inn and a rebuild of the Yellow Daisy Parking Lot will cost \$1.5 million and \$1.7 million respectively.

The total cost of infrastructure improvements over a five year period is \$11.7 million and will be a major factor in preserving and maintaining the assets of SMMA.

The committees agreed to recommend approval of the capital budget to the SMMA Board at its afternoon meeting.

Update on Stone Mountain Tennis Facility

Mr. Branscome said that Gwinnett County had agreed at the staff level, the Chair and Commissioners on an informal basis to take over the Stone Mountain tennis facility as long as SMMA would demolish the stadium. Gwinnett County would operate the tennis courts as part of the Parks and Recreation Department for the next fifty years. Ms. Johnson asked if they had presented any details about the operation and if they would utilize the airport property. Mr. Branscome said the airport property would not be included.

Ms. Meadows asked about the meaning of an intergovernmental agreement. Mr. Branscome said it was a legal term. There is a limitation on the contract period with a private party, but with two governmental agencies you can contract for up to fifty years. Ms. Thomas asked if the entire facility was in Gwinnett County, and Mr. Branscome responded affirmatively. Mr. Branscome said this would benefit SMMA because we are not active in organized public recreation such as baseball, soccer, etc. and this is typically the function of departments of parks and recreation. Ms. Thomas asked about the access into the Park from the tennis facility. Mr. Branscome stated that the facility is separate and fenced off from the rest of Stone Mountain Park. The funds were not approved in Gwinnett County's current budget, but probably will be available later this year.

Ms. Meadows asked if SMMA had the ability to terminate the contract. Mr. Branscome said that we would review the agreement and add a clause for a one year notice of termination if the current draft of the agreement does not reflect this. We will also

ask for details of plans for any development or improvements and include SMMA's right to approve these plans.

Mr. Branscome will present the agreement for approval at the next meeting.

Presentation of 2008 Audit and Annual Financial Report

Mr. Branscome said the Meredith Lipson, a partner with Mauldin & Jenkins, CPA's, was in attendance today to present the 2008 Audit Report.

Ms. Lipson reviewed the financial report for the year ended December 31, 2008. She stated that pages 1 and 2 of the report contained the independent auditor's report and that this reflected a clean opinion. The financial statements are a responsibility of management and the auditor's responsibility is to express an opinion on the financial statements. Pages 3-8 are the management's discussion and analysis and the committees were encouraged to read this section of the report. Ms. Lipson stated that this discussion provides a good overview of the year as a whole.

Total assets were \$98.1 million at December 31, 2008. A large portion of this is capital assets at \$78.9 million. Cash and investments at year end were about \$19 million. These two assets categories provide a sound base in which to go forward with future operations.

Current liabilities of about \$518,000 include accounts payable and accrued expenses and are all related to general operations. There is no debt or long-term obligations. Ms. Lipson said that SMMA has a strong balance sheet.

Operating revenues for the year were \$10.3 million. Operating expenses were \$6.3 million and about \$250,000 more than the prior year. Operating income for 2008 was \$386,000. Interest and investment income was \$923,000 in 2008 or about \$500,000 less than the prior year due to a decrease in rates. Change in net assets for the year was \$1.3 million.

The statement of cash flows reflects net cash provided by operating activities of \$3.8 million. Lease revenues provide more than enough cash to cover operating expenses. This along with \$13.4 million in cash on hand at the beginning of the year provided enough to invest about \$10.7 million in capital projects and the purchase of property and equipment. The net decrease in cash and cash equivalents for the year was \$6.7 million due to the planned capital outlay for Park improvements. The balance of cash and cash equivalents at the end of the year was \$6.8 million.

Pages 13-21 of the audit report are the notes to the financial statements. The content and format of these footnotes has not changed significantly from the previous year. The nature of the business and significant accounting policies is discussed in Note 1. The investments were discussed highlighting the local government investment pool or Georgia Fund 1 and the Georgia Extended Asset Pool (GEAP) which has longer maturities.

The capital asset activity for the year is detailed in footnote 3 and the 401(k) defined contribution employee benefit plan is discussed in footnote 4. Footnote 5 discusses transactions with the State of Georgia. The SMMA uses services such as forestry, casual inmate labor, legal, engineering, and other services from the state and is charged appropriately for these services. SMMA is in a self-insurance pool with other agencies and authorities. This insurance plan is administered by the Department of Administrative Services (DOAS) and premiums vary based on claims incurred. The Association has set aside investments of \$500,000 to provide a source of funds in the event the insurance fund incurs a deficit.

The auditor's report on internal control is where the auditor reports on any significant weaknesses or control deficiencies. This year there were no material weaknesses or failures to follow established procedures. Ms. Lipson stated that this was a great achievement and not the norm for most entities that are audited. She said the Ms. Durham and her staff do an incredible job. Ms. Lipson said that the current audit standards now requiring disclosure for something as simple as an audit adjustment journal entry. The standards have been written to hold companies and governmental entities more accountable for their books and records.

The separately bound Audit Agenda that was distributed to the committee members discusses the required communications under Government Auditing Standards. Ms. Lipson encouraged any member to contact her with questions or comments at any time.

Mr. Chappell stated that he does receive a call from Ms. Lipson each year to inquire whether he has any input regarding the financial affairs of the Association or any problems with management. He responded that the staff was reporting regularly and he had confidence in their abilities.

The Finance Committee recommended the approval of the audit report by the full Board and that it be accepted for the record.

Old Business

Mr. Brown stated that he had reviewed contract documents and the lease with HFEC. He stated that HFEC was not interested in furthering the Southern History of the Park. He stated that HFEC is doing an adequate job of managing the Park and the committees agreed. Mr. Brown believes the areas of historical significance such as the Plantation and Railroad will require involvement from SMMA to preserve and maintain them as a viable working part of the Park. He thinks the Board should be prepared to assume responsibility with a plan of action. He is pleased that we are setting aside funds in the capital budget for train equipment and a rebuild of the railroad shop. Southern History should be a focus for SMMA.

Mr. Smith said that some of the educational programs including the new driving tour were important in meeting this objective.

Mr. Branscome said that Cindy Horton's presentation at the last meeting indicated that HFEC may be able to generate some revenue with historical programming. The HFEC educational staff has opened a dialog with the DeKalb County schools to present field trips that are historical. Ms. Thomas said she was impressed with their presentation at the last meeting and was not aware that they offered as much historical education.

New Business

Mr. Branscome stated that Mr. Baxter wanted him to announce that at 1:00 p.m. on April 4, 2009 there would be a Confederate Memorial Commemoration on the lawn for those who wish to attend. This service is usually organized by the Sons of Confederate Veterans.

Meeting adjourned at 12:00 p.m.

Notes taken by
Gail Durham, Secretary