

**Fiscal  
Year  
2019**

**Georgia International  
and Maritime Trade  
Center Authority**  
**A Component Unit of the State of Georgia**

**Audit  
Report**

For the Fiscal Year  
Ended June 30, 2019

**Department of  
Audits and Accounts**

**Greg S. Griffin  
State Auditor**



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GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY

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SECTION I

FINANCIAL



# DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156

Atlanta, Georgia 30334-8400

**GREG S. GRIFFIN**  
STATE AUDITOR  
(404) 656-2174

October 4, 2019

## Independent Auditor's Report

The Honorable Brian P. Kemp, Governor of Georgia  
Members of the General Assembly of the State of Georgia  
Members of the Board of Georgia International and Maritime Trade Center Authority  
and  
Ms. Sherrie Spinks, General Manager

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Georgia International and Maritime Trade Center Authority (Authority), a component unit of the State of Georgia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 respective financial position of the Authority as of June 30, 2019, and the respective 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***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5 through 8 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Greg S. Griffin  
State Auditor

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GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

**INTRODUCTION**

The following is a discussion and analysis of the Georgia International and Maritime Trade Center Authority's (Authority) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2019 and comparing them to fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. Readers should read it in conjunction with the Authority's basic financial statements, which follow this section, including the notes to the financial statements to enhance their understanding of the Authority's financial performance.

The Authority is a partnership between the State of Georgia (State) and Chatham County (County) whose mission is to attract, develop and produce events of significant economic benefit to Savannah, the County and State, such as conventions, trade shows, public shows, expositions, meetings, banquets and conferences; and secondly, to facilitate local events promoting civic and community pride and quality of life within a sound financial context. Revenue for the Authority is primarily generated from a combination of event services and lodging taxes. Lodging tax receipts are derived from a percentage of the hotel/motel taxes collected and distributed by six local governments. The Authority's primary mission is the oversight of the Savannah Convention Center (SCC) for which these revenues are used.

**HIGHLIGHTS**

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2019 are as follows:

- During the last fiscal year, the Authority's campus welcomed over 170,000 guests to conventions, trade shows, sporting events, consumer shows and corporate events. These guests generated more than \$120 million in economic impact to the local economy and the State.
- The Authority's net position increased by \$2.3 million (11.89%) in 2019. This improvement was chiefly the result of solid event sales for the year.
- Total lodging tax revenues increased \$159 thousand (3.8%) compared to 2018 primarily due to the strong tourist and local business economy.
- The Authority was authorized \$20 million in State general obligation bond revenue for design work to expand the SCC.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are reported as a special purpose governmental entity (component unit of the State) engaged in business-type activities and are comprised of financial statements for proprietary (enterprise) funds which provide both a short-term and long-term view of the Authority's financial activities and financial position. The Authority uses fund accounting to reflect results of operations and to ensure and demonstrate compliance with financial-related legal requirements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

**Proprietary Fund**

The Authority uses an enterprise fund, a type of proprietary fund, to account for activities of the Authority. Enterprise funds utilize accrual accounting, the same method used by private sector businesses, and report activities that provide supplies and services to the general public. The basic proprietary fund financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The Statement of Net Position provides information about the financial position of the Authority as a whole, including long-term liabilities on the full accrual basis. The Statement of Revenues, Expenses and Changes in Net Position provides information about all revenues and expenses. The Statement of Cash Flows provides information about cash activities for the period. This statement can be found on page 13 of this report.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15 - 24 of this report.

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

The Authority's net position at June 30, 2019 and June 30, 2018 is as follows:

	Fiscal Year 2019	(Restated) Fiscal Year 2018*	Increase/ (Decrease)	Total % Change
Other Assets	\$ 13,987,202	\$ 18,001,973	\$ (4,014,771)	-22.3%
Noncurrent Assets (Net of Depreciation)	10,637,081	4,646,198	5,990,883	128.9%
<b>Total Assets</b>	<b>24,624,283</b>	<b>22,648,171</b>	<b>1,976,112</b>	<b>8.7%</b>
Other Liabilities	2,462,145	2,833,428	(371,283)	-13.10%
<b>Total Liabilities</b>	<b>2,462,145</b>	<b>2,833,428</b>	<b>(371,283)</b>	<b>-13.1%</b>
<b>Net Position:</b>				
Investment in Capital Assets	10,626,475	4,556,552	6,069,923	133.2%
Restricted	10,606	89,646	(79,040)	-88.2%
Unrestricted	11,525,057	15,168,545	(3,643,488)	-24.0%
<b>Total Net Position</b>	<b>\$ 22,162,138</b>	<b>\$ 19,814,743</b>	<b>\$ 2,347,395</b>	<b>11.8%</b>

\* Certain prior year amounts have been restated and/or reclassified to conform to current year presentation.

When compared to the prior year, the decrease in other assets and the increase in noncurrent assets were due primarily to funds expended in the current year related to the SCC facility expansion/design project. We expect to be reimbursed for these costs in fiscal year 2020 through the sale of state bonds.

Total other liabilities decreased by \$371 thousand over the previous year due primarily to a decrease in accounts payable related to the Authority's obligation for vendor provided services.

GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

Total net position for the Authority increased during the fiscal year to \$22.2 million, or 11.8%. This was due primarily to bond revenue, an increase in catering, event services and higher lodging tax collections. Restricted net position represents SPLOST proceeds to complete the slip 3 river walk and dock project.

The following is a summary of the Revenues, Expenses and Changes in Net Position for fiscal years 2019 and 2018:

	Fiscal Year 2019	(Restated) Fiscal Year 2018*	Increase/ (Decrease)	Total % Change
Operating Revenue	\$ 9,057,698	\$ 5,996,712	\$ 3,060,986	51.0%
Operating Expenses	11,366,832	8,149,444	3,217,388	39.5%
Operating Loss	(2,309,134)	(2,152,732)	(156,402)	7.3%
Non-operating Revenue	4,656,529	8,233,140	(3,576,611)	-43.4%
Change in Net Position	2,347,395	6,080,408	(3,733,013)	-61.4%
Net Position July 1	19,814,743	13,734,335	6,080,408	44.3%
Net Position June 30	<u>\$ 22,162,138</u>	<u>\$ 19,814,743</u>	<u>\$ 2,347,395</u>	<u>11.8%</u>

\* Certain prior year amounts have been reclassified to conform to current year presentation.

Revenues

Operating revenues were \$9.1 million for the fiscal year ended June 30, 2019, which was an increase of \$3.1 million or 51.0% over the previous year. This increase is primarily due to a change in the food & beverage services agreement which resulted in 100% of F&B revenue being reported in FY19. The Authority funded water ferry operations for only a portion of the year under its commitment to the 2006 Savannah Mobility Plan. The agreement includes a fixed fee from the Westin, an occupancy-based fee from the hotels in the Historic District, and a property tax levied against certain property located on Hutchinson Island. Under a new agreement dated January 1, 2019, the Authority no longer receives any of these revenues, and is responsible for cost not to exceed \$50 thousand per year. Non-operating revenue consists primarily of lodging taxes. Lodging taxes improved \$159 thousand or 3.8% over the previous year due to strong countywide tourism and business travel.

Expenses

Operating expenses include building operations, food & beverage, event labor, property & liability insurance, professional fees and various other operational expenditures. Operating expenses for the fiscal year ended June 30, 2019, were \$11.4 million, which was an increase of \$3.2 million or 39.5% over the prior year. This increase was mainly the result of transitioning the food & beverage operations to an in-house function, event service activity and increased contractual service obligations due to GWCCA. Additionally, ferry transportation expenses decreased by \$716 thousand or 77.5%. The Authority entered into an intergovernmental agreement with Chatham Area Transit Authority (CAT), which stated CAT would operate a public water ferry operation in exchange for the Authority's financial support of that operation. This agreement was updated in January 2019 resulting in lower expenses for the year.

GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

**CAPITAL ASSETS**

The Authority's capital assets as of June 30, 2019 totaled \$14.9 million with accumulated depreciation of \$4.3 million for a net book value of \$10.6 million, a \$6.1 million increase in net book value from fiscal year 2018. The increase was principally due to current year facility expansion work. Investments in capital assets include construction in progress, building and building improvements as well as machinery and equipment. Depreciation charges related to the capital assets for the year totaled \$441 thousand. It should be noted that the land and building for the SCC are owned by the State's Department of Economic Development and are therefore reflected on the State's financial statements.

**ECONOMIC FACTORS**

Locally diversified industries including tourism (Historic Savannah), shipping (Port of Savannah), aerospace (Gulfstream), paper manufacturing (International Paper), and others experienced moderate growth during 2019. Indicators point to a continued moderate growth trend of tourism, shipping and aerospace in 2020. The continued stable growth in hotel/motel tax revenue, coupled with the intergovernmental agreements for the distribution of this tax revenue, provides a strong basis of financial support for the Authority. The stability inherent in these agreements helps to shore up the Authority's ability to maintain cash flows and meet contractual obligations.

**REQUESTS FOR INFORMATION**

The Authority's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Savannah Convention Center, One International Drive, P.O. Box 248, Savannah, Georgia 31402.

## BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

JUNE 30, 2019

<b>ASSETS</b>	
Current	
Cash and cash equivalents	\$ 12,155,723
Accounts receivable	846,706
Due from other governments - lodging taxes	858,739
Advances to other governments	20,328
Inventory - food & beverage	70,552
Prepaid items	<u>35,154</u>
Total current assets	<u>13,987,202</u>
Non-current assets	
Restricted	
Cash and cash equivalents - SPLOST	<u>10,606</u>
Total restricted assets	<u>10,606</u>
Capital assets	
Nondepreciable capital assets	8,352,160
Depreciable capital assets, net of accumulated depreciation	<u>2,274,315</u>
Total non-current assets	<u>10,637,081</u>
Total Assets	<u>24,624,283</u>
<b>LIABILITIES</b>	
Current:	
Accounts payable	1,387,492
Contract liability	674,899
Customer deposits payable and unearned revenue	<u>399,754</u>
Total current liabilities	<u>2,462,145</u>
<b>NET POSITION</b>	
Investment in capital assets	10,626,475
Restricted net position	10,606
Unrestricted net position	<u>11,525,057</u>
Total net position	<u>\$ 22,162,138</u>

The notes to the financial statements are an integral part of this statement

GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

EXHIBIT "B"

OPERATING REVENUES:	
Space rental	\$ 1,317,010
Catering	5,707,045
Ancillary services	1,746,220
Ferry transportation services	160,682
Other operating	126,741
Total operating revenues	<u>9,057,698</u>
OPERATING EXPENSES:	
Contract services - GWCCA	4,293,009
Regular operating	4,417,864
Cost of sales - food & beverage	1,003,757
Ferry transportation services	207,922
Professional services	293,704
Projects & expendable equipment	709,259
Depreciation	441,317
Total operating expenses	<u>11,366,832</u>
OPERATING LOSS	<u>(2,309,134)</u>
NON-OPERATING REVENUES (EXPENSES):	
Lodging taxes	4,290,741
Interest income	321,717
Insurance recovery	44,071
Total non-operating revenues	<u>4,656,529</u>
CHANGE IN NET POSITION	2,347,395
TOTAL NET POSITION, BEGINNING OF YEAR - RESTATED	<u>19,814,743</u>
TOTAL NET POSITION, END OF YEAR	<u><u>\$ 22,162,138</u></u>

The notes to the financial statements are an integral part of this statement.

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STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 10,760,098
Cash paid for contract personnel services	(3,413,340)
Cash paid for goods and services	(8,018,606)
Net cash used in operating activities	<u>(671,848)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Lodging taxes received	4,245,844
Insurance recovery	44,071
Net cash provided by non-capital financing activities	<u>4,289,915</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Reimbursement from grant projects	1,261,824
Acquisition and construction of capital assets	(6,511,240)
Net cash used in capital and related financing activities	<u>(5,249,416)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>321,717</u>
Net cash provided by investing activities	<u>321,717</u>
Decrease in cash and cash equivalents	(1,309,632)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,475,961</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 12,166,329</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating loss	<u>\$ (2,309,134)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	441,317
Change in assets and liabilities:	
Decrease in accounts receivable	1,550,469
Increase in F&B inventory items	(70,552)
Decrease in prepaid items	87,333
Decrease in accounts payable	(1,008,954)
Increase in accrued contract personal services	374,178
Prior year adjustment decrease in accrued contract services	111,564
Increase in customer deposits payable and unearned revenue	151,931
Net cash used in operating activities	<u>\$ (671,848)</u>

The notes to the financial statements are an integral part of this statement.

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GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

EXHIBIT "D"

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Authority is a political subdivision of the State created in 1995 to construct, operate and maintain the Savannah Convention Center (SCC). The management of the business and affairs of the Authority is vested in a 12 member Board of Directors, which consists of one member appointed by each member of the Georgia General Assembly representing a portion of the County; one member appointed by the majority vote of the Board of Commissioners of the County; one member appointed by the majority vote of the mayor and aldermen of the City of Savannah; and the President of the Savannah Area Convention and Visitors' Bureau. While the Authority was created through local legislation passed by the General Assembly and is regarded to be a local authority, the Authority is considered a component unit of the State for financial reporting purposes because of the significance of its legal, operational and financial relationships with the State. These reporting entity relationships are defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

During the 2019 session, the Georgia General Assembly passed, and the Governor signed new legislation which dissolved the Georgia International and Maritime Trade Center Authority and created the Savannah-Georgia Convention Center Authority, a state Authority, effective July 1, 2019. The new Board of Directors will consist of 11 members: six members appointed by the Governor; three members appointed by the members of the Georgia General Assembly representing Chatham County; the President of the Savannah Area Convention and Visitors' Bureau; and the President of the Savannah Economic Development Authority.

B. Basis of Presentation

The Authority reports its financial position and the results of its operations under accounting principles generally accepted in the United States of America for a special purpose government (component unit of the State) engaged in business-type activities.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

The Authority accounts for all financial activity in an enterprise fund. This fund accounts for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

D. Assets, Liabilities and Net Position

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments with maturity dates within three months of the date acquired, such as certificates of deposit. The aforementioned definitions were applied in the preparation of the Statement of Cash Flows.

Receivables

Accounts receivable arising from operations are reported at gross value and comprise the majority of Authority's receivables. Based on management's evaluation, amounts uncollectible are not material, no provision has been made for such amounts.

Due from Other Governments

Due from other governments represents a portion of excise taxes levied and collected by local municipalities on rooms, lodgings, and accommodations which are owed to the Authority.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items.

Capital Assets

Capital assets, which include property, machinery and equipment, are reported in the Statement of Net Position at historical cost. Donated capital assets are recorded at acquisition value on the date donated and disposals are deleted at recorded cost. Buildings and Building Improvements are capitalized when the cost of individual items or projects exceeds \$100,000. Equipment is capitalized when the cost of individual items exceeds \$5,000. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Building and Building Improvements	5 to 60 years
Infrastructure	10 to 100 years
Machinery and Equipment	3 to 20 years

The State currently owns the buildings and underlying land of the SCC. Accordingly, those assets are not reflected in the accompanying financial statements.

Contract Liability

Contract liability represents obligations of the Authority relating to its agreement to reimburse the GWCCA for employee compensation.

NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2019Customer Deposits Payable and Unearned Revenue

Customer deposits payable primarily includes deposits and payments received by the Authority in advance for future events, including space rental, utility services, internet and telecommunications, equipment rental, and event labor services related to event license contracts.

Net Position

The sum of assets less the sum of liabilities is reported as net position. Net position may be reported in three categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances for debt that is attributed to the acquisition, construction, or improvement of those assets.

Restricted amounts result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted amounts consist of net position that does not meet the definition of the preceding category. Unrestricted net position is often designated, indicating it is not available for general operations. Such designations have internally imposed constraints on resources, but can be removed or modified.

Net Position Flow Assumption

Sometimes an entity will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to use restricted-net position before unrestricted-net position if the expense is incurred for purposes for which both restricted and unrestricted net position are available.

## E. Revenues and Expenses

Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the Authority are charges to customers for space rental, utility services, audio visual, catering, parking and ferry transportation services. Operating expenses include regular operating expenses, equipment, contractual expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Advance payments related to event contracts are recorded as unearned revenue at the time the payments are received and recorded as income when the related event occurs.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Shared Revenues

Pursuant to the Hotel and Motel Tax Act as enacted and amended by the General Assembly of the State, the County and the cities of Savannah, Tybee Island, Pooler, Port Wentworth, and Garden City have agreed to levy and collect an excise tax in the amount of six percent on rooms, lodgings and accommodations within the special district defined in the Hotel and Motel Tax Act. Counties and municipal authorities must expend an amount equal to 33 1/3 percent of the total taxes collected for the purpose of promoting tourism, conventions, and trade shows and must expend an amount equal to 16 2/3 percent of the total taxes collected for the purpose of either marketing or operating trade and convention facilities. For the fiscal year ended June 30, 2019, the Authority recorded the following shared revenues:

Chatham County	\$ 249,777
City of Savannah	2,945,674
City of Pooler	270,179
City of Tybee Island	609,159
City of Port Wentworth	149,850
City of Garden City	66,102
Total Hotel and Motel Tax Revenue	<u>\$ 4,290,741</u>

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and the related notes. Accordingly, actual results could differ from these estimates.

NOTE 2: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

A. Implementation of New Accounting Standards

In fiscal year 2019, the Authority considered implementation of the following:

GASB Statement No. 83 "*Certain Asset Retirement Obligations*"

GASB Statement No. 88 "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*"

The objective of Statement No. 83 is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The objective of Statement No. 88 is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2019

There was no financial impact as a result of implementation of GASB Statement Nos. 83 or 88.

In fiscal year 2020, the Authority will consider implementation of the following:

GASB Statement No. 84 "*Fiduciary Activities*"

The objectives of Statement No. 84 are to:

- Establish criteria for identifying fiduciary activities of all state and local governments.
- Focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.
- Describes four fiduciary funds that should be reported, if applicable:
  - Pension (and other employee benefit) trust funds
  - Investment trust funds
  - Private-purpose trust funds
  - Custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.
- Note that Agency funds have been replaced by Custodial funds.
- All governments, even business-type activities, with fiduciary activities should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

There are no known financial impacts as a result of implementation of GASB Statement No. 84.

B. Restatement of Beginning Balances

During prior years, the Authority operated under a policy of recording expense relating to its agreement to reimburse the GWCCA for employees' rights to receive compensation for future absences based upon services already rendered. This obligation related to vesting of annual leave, compensated leave and banked holiday leave. It was determined that such earned, but unpaid compensated absences should remain the obligation of the GWCCA. As a result, the Authority recorded an entry adjusting beginning net position totaling an increase of \$111,564.

NOTE 3: BUDGETS

An internal operations budget for management purposes is prepared by the Authority. The budget is not subject to review or approval by the General Assembly of the State and therefore, is a non-appropriated budget.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 4: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State Collateralization Statutes and Policies

Funds of the State cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the OCGA Section 50-17-59:

- (1) Bonds, bills, certificates of indebtedness, notes, or other direct obligations of the United States or of the State.
- (2) Bonds, bills, certificates of indebtedness, notes, or other obligations of the counties or municipalities of the State.
- (3) Bonds of any public authority created by the laws of the State, providing that the statute that created the authority authorized the use of the bonds for this purpose.
- (4) Industrial revenue bonds and bonds of development authorities created by the laws of the State.
- (5) Bonds, bills, certificates of indebtedness, notes, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest, or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Corporation, or the Federal National Mortgage Association.
- (6) Letters of credit issued by a Federal Home Loan Bank.
- (7) Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

NOTE 5: DEPOSITS

A. Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. As of June 30, 2019, the Authority's bank balances totaled \$12,167,674. Of these deposits, \$11,917,674 were exposed to custodial credit risk as follows:

<u>Type of Custodial Credit Risk</u>	<u>Bank Balances</u>
Uninsured and collateralized with securities held by the pledging financial institution	<u>\$ 11,917,674</u>

GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

EXHIBIT "D"

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Balance June 30, 2019
Capital assets, not Being Depreciated:				
Construction in process	\$ 2,919,370	\$ 5,432,790	\$ -	\$ 8,352,160
Capital Assets, Being Depreciated				
Building and Land Improvements	983,860	-	(15,216)	968,644
Infrastructure	627,533	82,087		709,620
Machinery and Equipment	3,909,883	996,363	(47,760)	4,858,486
Total Capital Assets, Being Depreciated	5,521,276	1,078,450	(62,976)	6,536,750
Less: Accumulated Depreciation:				
Building and Land Improvements	(793,025)	(64,728)	15,216	(842,537)
Infrastructure	(5,229)	(65,490)	-	(70,719)
Machinery and Equipment	(3,085,840)	(311,099)	47,760	(3,349,179)
Total Accumulated Depreciation	(3,884,094)	(441,317)	62,976	(4,262,435)
Total Capital Assets Being Depreciated, Net	1,637,182	637,133	-	2,274,315
Total Capital Assets, Net	\$ 4,556,552	\$ 6,069,923	\$ -	\$ 10,626,475

NOTE 7: AGREEMENTS

Subsequent to the formation of the Authority in 1995, the County and Authority entered into the original intergovernmental lease agreement dated December 20, 1996, whereby the County agreed to acquire, construct and equip the SCC and consequently lease it to the Authority in consideration of the Authority's agreement to operate, manage, and maintain the SCC. During its 1993-1994 Session, the State General Assembly authorized the sale of \$17.7 million in general obligation bonds for the purpose of financing the SCC. The following sale of these bonds in 1998 by the State eventually funded the existing SCC. On December 31, 2001, the State and County entered into a purchase option agreement effectively conveying title of the SCC property to the State and also establishing a "Use Agreement" whereby the State granted the County sole and exclusive right to use the SCC and also consented to the County's assignment of certain rights to the Authority. The use agreement has a maximum term to December 31, 2051. In addition, on September 29, 2006, the County and Authority executed an amendment to the original intergovernmental lease agreement to: (1) extend the term to December 31, 2051, to coincide with the State's use agreement and (2) add the properties known as Parcel 7 and the Parking Facilities to the leased property. Finally, on October 13, 2010, the State, County and the Authority agreed to amend the 1996 and 2001 agreements to include improvements to the Riverwalk consisting of a passenger intermodal and docking facility.

NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2019

## NOTE 8: RISK MANAGEMENT

During 2019, the Authority was exposed to various risks of loss related to torts; errors and omissions; and theft of, damage to, and destruction of assets.

Under the County's lease agreement with the Authority, the Authority is responsible for indemnification of the building and contents, and other risks. At June 30, 2019, the Authority had obtained insurance coverage in accordance with its lease agreement with the County. Property coverage was obtained through the State's self-insurance program and was paid by the Authority through the Department of Economic Development. Additional commercial insurance was purchased by the Authority to provide general liability coverage and also provide coverage for risks of loss related to directors and officers liability.

There have been no significant reductions in coverage from the prior year and settlements have not exceeded insurance coverage for each of the past four fiscal years.

## NOTE 9: LITIGATION, CONTINGENCIES AND COMMITMENTS

Litigation

The Authority is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations. The ultimate disposition of these proceedings is not presently determinable. However, it is not believed that the ultimate disposition of these proceedings would have a material adverse effect on the financial condition of the Authority.

Contractual Commitments

On March 25, 2014, the Authority entered into an agreement with the GWCCA. The agreement engages GWCCA to promote, operate and manage the facility during the management term. The management term of the agreement commenced on April 1, 2014, and continued for three (3) years and three (3) months. During 2016 the Authority exercised its option to renew the agreement for three (3) additional years. The agreement and renewal provides for certain incentive payments based on county-wide room night generation, a third party measurement of customer satisfaction and financial performance, but in no case will the payment exceed 100% of the base fee. The base fee paid to GWCCA for fiscal year 2019 was \$196,963. An incentive fee was accrued for fiscal year 2019 in the amount of \$196,963.

On February 21, 2003, the Authority entered an intergovernmental services agreement with Chatham Area Transit Authority (CAT). The agreement stipulated that CAT would operate a public water ferry service. In exchange, the Authority agreed to provide landside maintenance facilities and to provide financial support for the water ferry operation. The agreement automatically renews month to month and it may be cancelled any time after 30 days written notice. On January 1, 2019, the Authority entered a new agreement with CAT that limits the Authorities exposure related to operating expense to \$50,000 per calendar year. Fees expensed to CAT during fiscal year 2019 totaled \$208 thousand.

SECTION II

INTERNAL CONTROL AND COMPLIANCE REPORT

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# DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156  
Atlanta, Georgia 30334-8400

**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

October 4, 2019

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

### INDEPENDENT AUDITOR'S REPORT

The Honorable Brian P. Kemp, Governor of Georgia  
Members of the General Assembly of the State of Georgia  
Members of the Board of Georgia International and Maritime Trade Center Authority  
and  
Ms. Sherrie Spinks, General Manager

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Georgia International and Maritime Trade Center Authority (Authority), a component unit of the State of Georgia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 4, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive, flowing style.

Greg S. Griffin  
State Auditor