

**Fiscal  
Year  
2020**

# **Savannah - Georgia Convention Center Authority**

**A Component Unit of the State of Georgia**

## **Audit Report**

**For the Fiscal Year  
Ended June 30, 2020**

**Department of  
Audits and Accounts**

**Greg S. Griffin  
State Auditor**



(This page intentionally left blank)

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	4
BASIC FINANCIAL STATEMENTS	
EXHIBITS	
A – Statement of Net Position .....	9
B – Statement of Revenues, Expenses and Changes in Net Position .....	10
C – Statement of Cash Flows .....	11
D – Notes to the Financial Statements .....	13
SECTION II	
INTERNAL CONTROL AND COMPLIANCE REPORT	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	24

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

## **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 the Savannah-Georgia Convention Center Authority  
and  
Ms. Sherrie Spinks, General Manager

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

We have audited the accompanying financial statements of the Savannah-Georgia Convention Center Authority (Authority), a component unit of the State of Georgia, as of and for the year ended June 30, 2020, 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, 2020, 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 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 7, 2020 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

October 7, 2020

(This page intentionally left blank)

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

**INTRODUCTION**

The following is a discussion and analysis of the Savannah - Georgia Convention Center Authority's (Authority) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2020 and comparing them to fiscal year ended June 30, 2019. 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, 2020 are as follows:

- The COVID-19 pandemic had a significant impact on the operations of the Authority. All events scheduled for April through June were cancelled resulting in reduced revenues across the board.
- During the last fiscal year, the Authority's campus welcomed over 105,000 guests to conventions, trade shows, sporting events, consumer shows and corporate events.
- The Authority's net position increased by \$7.5 million (33.7%) in 2020. This improvement was chiefly the result of solid event sales for most of the year and investment in facility expansion plans.
- Total lodging tax revenues decreased \$918 thousand (-21.4%) compared to 2019 primarily due to the effects of COVID-19 on the tourist and local business economy.
- The Authority was authorized \$70 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.



SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

**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 11 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 14 - 21 of this report.

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

The Authority's net position at June 30, 2020 and June 30, 2019 is as follows:

	Fiscal Year 2020	Fiscal Year 2019	Increase/ (Decrease)	Total % Change
Other Assets	\$ 18,261,954	\$ 13,987,202	\$ 4,274,752	30.6%
Noncurrent Assets (Net of Depreciation)	12,147,246	10,637,081	1,510,165	14.2%
<b>Total Assets</b>	<b>30,409,200</b>	<b>24,624,283</b>	<b>5,784,917</b>	<b>23.5%</b>
Other Liabilities	789,010	2,462,145	(1,673,135)	-68.0%
<b>Total Liabilities</b>	<b>789,010</b>	<b>2,462,145</b>	<b>(1,673,135)</b>	<b>-68.0%</b>
<b>Net Position:</b>				
Investment in Capital Assets	12,136,489	10,626,475	1,510,014	14.2%
Restricted	10,757	10,606	151	1.4%
Unrestricted	17,472,944	11,525,057	5,947,887	51.6%
<b>Total Net Position</b>	<b>\$ 29,620,190</b>	<b>\$ 22,162,138</b>	<b>\$ 7,458,052</b>	<b>33.7%</b>

When compared to the prior year, the increase in other assets and in noncurrent assets were due primarily to funds received in the current year related to the SCC facility expansion/design project.

Total other liabilities decreased by \$1,673 thousand over the previous year due primarily to a decrease in accounts payable related to the Authority's obligation for vendor provided services.

Total net position for the Authority increased during the fiscal year to \$29.6 million, a change of 33.7%. This was due primarily to bond revenue received for the facility expansion. Restricted net position represents SPLOST proceeds to complete the slip 3 river walk and dock project.

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

The following is a summary of the Revenues, Expenses and Changes in Net Position for fiscal years 2020 and 2019:

	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Increase/(Decrease)</u>	<u>Total % Change</u>
Operating Revenue	\$ 6,903,678	\$ 9,057,698	\$ (2,154,020)	-23.8%
Operating Expenses	<u>9,907,991</u>	<u>11,366,832</u>	<u>(1,458,841)</u>	<u>-12.8%</u>
Operating (Loss)	(3,004,313)	(2,309,134)	(695,179)	30.1%
Non-Operating Revenue	3,585,073	4,656,529	(1,071,456)	-23.0%
Capital Contribution	<u>6,877,292</u>	<u>-</u>	<u>6,877,292</u>	<u>100.0%</u>
Change in Net Position	7,458,052	2,347,395	5,110,657	217.7%
Net Position July 1	<u>22,162,138</u>	<u>19,814,743</u>	<u>2,347,395</u>	<u>11.8%</u>
Net Position June 30	\$ <u>29,620,190</u>	\$ <u>22,162,138</u>	\$ <u>7,458,052</u>	<u>33.7%</u>

Revenues

Operating revenues were \$6.9 million for the fiscal year ended June 30, 2020, which was a decrease of \$2.2 million or -23.8% over the previous year. This decrease is primarily due to events which were cancelled or rescheduled for another year because of the COVID-19 pandemic. Non-operating revenue consists primarily of lodging taxes and bond revenue of \$6.9 million received to fund the facility expansion project. Lodging taxes decreased by \$918 thousand or -21.4% over the previous year due to the effect of the COVID-19 pandemic on 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, 2020, were \$9.9 million, which was a decrease of \$1.5 million or -12.8% over the prior year. This decrease was mainly the result of reduced operating and personnel cost due to COVID-19 related event cancellations.

**CAPITAL ASSETS**

The Authority's capital assets as of June 30, 2020 totaled \$16.9 million with accumulated depreciation of \$4.8 million for a net book value of \$12.1 million, a \$1.5 million increase in net book value from fiscal year 2019. 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 \$587 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.

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

**ECONOMIC FACTORS**

The Authority has been significantly impacted by the COVID-19 pandemic. The Convention Center was forced to close in mid-March 2020 due to stay-at-home orders issued by the Governor. Upon reopening in June 2020, The Center hosted only two events for the entire month. Between mid-March 2020 and June 2020, the Center saw 48 of the 50 booked events cancel and a 59% reduction in hotel/motel tax revenues as compared to 2019 for the same period. In considering the Authority's budget for fiscal year 2021, the Authority Board and staff were considerate of the significant uncertainty as to when travel and tourism will return to pre-pandemic levels. As a result, budgeted expenses for fiscal year 2021 have been limited to only necessary and essential expenses. The fiscal year 2021 budget is approximately 95% lower than the fiscal year 2020 budget. A return to 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. Locally diversified industries including tourism (Historic Savannah), shipping (Port of Savannah), aerospace (Gulfstream), paper manufacturing (International Paper), and others experienced moderate growth in 2020 prior to the COVID-19 pandemic. Indicators point to a moderate growth trend of shipping and aerospace in 2021.

**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

**SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

EXHIBIT "A"

---

ASSETS	
Current	
Cash and cash equivalents	\$ 17,393,060
Accounts receivable	231,372
Due from other governments - lodging taxes	468,368
Advances to other governments	20,327
Inventory - food & beverage	47,874
Prepaid items	100,953
Total current assets	<u>18,261,954</u>
Noncurrent assets	
Restricted	
Cash and cash equivalents - SPLOST	10,757
Total restricted assets	<u>10,757</u>
Capital assets	
Nondepreciable capital assets	9,633,714
Depreciable capital assets, net of accumulated depreciation	2,502,775
Total capital assets	<u>12,136,489</u>
Total non-current assets	<u>12,147,246</u>
Total Assets	<u>30,409,200</u>
LIABILITIES	
Current:	
Accounts payable	517,232
Customer deposits payable	271,778
Total liabilities	<u>789,010</u>
NET POSITION	
Investment in capital assets	12,136,489
Restricted net position	10,757
Unrestricted net position	17,472,944
Total net position	<u>\$ 29,620,190</u>

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

**SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

EXHIBIT "B"

<b>OPERATING REVENUES:</b>	
Space rental	\$ 1,022,388
Catering	4,560,411
Ancillary services	1,174,474
Other operating	146,405
Total operating revenues	<u>6,903,678</u>
<b>OPERATING EXPENSES:</b>	
Contract services - GWCCA	3,657,297
Regular operating	3,891,681
Cost of sales - food & beverage	831,460
Ferry transportation services	50,000
Professional services	126,445
Projects & expendable equipment	764,565
Depreciation	586,543
Total operating expenses	<u>9,907,991</u>
<b>OPERATING LOSS</b>	<u>(3,004,313)</u>
<b>NON-OPERATING REVENUES:</b>	
Lodging taxes	3,372,930
Gain on disposal of fixed assets	3,470
Interest income	208,673
Total non-operating revenues	<u>3,585,073</u>
<b>CAPITAL CONTRIBUTIONS</b>	
Grant Revenue - Go Bonds	<u>6,877,292</u>
<b>CHANGE IN NET POSITION</b>	<u>7,458,052</u>
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<u>22,162,138</u>
<b>TOTAL NET POSITION, END OF YEAR</b>	<u><u>\$ 29,620,190</u></u>

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

**SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

EXHIBIT "C"

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 7,391,036
Cash paid for contract personnel services	(4,092,130)
Cash paid for goods and services	(6,817,598)
Net cash used by operating activities	<u>(3,518,692)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Lodging taxes received	3,763,302
Net cash provided by non capital financing activities	<u>3,763,302</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceed from sale of capital assets	3,470
Reimbursement from grant projects	6,877,292
Acquisition and construction of capital assets	(2,096,557)
Net cash provided by capital and related financing activities	<u>4,784,205</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	208,673
Net cash provided by investing activities	<u>208,673</u>
Increase in cash and cash equivalents	5,237,488
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,166,329
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 17,403,817</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (3,004,313)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	586,543
Change in assets and liabilities:	
Decrease in accounts receivable	615,334
Decrease in F&B inventory items	22,678
Increase in prepaid items	(65,799)
Decrease in accounts payable	(870,260)
Decrease in accrued contract personal services	(674,899)
Decrease in customer deposits payable	(127,976)
Net cash used by operating activities	<u>\$ (3,518,692)</u>

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

(This page intentionally left blank)



SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

EXHIBIT "D"

INDEX	PAGE
Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	14
Note 2. CHANGES IN FINANCIAL ACCOUNTING AND REPORTING .....	17
Note 3. BUDGETS .....	18
Note 4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY .....	18
Note 5. DEPOSITS .....	19
Note 6. CAPITAL ASSETS .....	19
Note 7. AGREEMENTS .....	19
Note 8. RISK MANAGEMENT.....	20
Note 9. LITIGATION, CONTINGENCIES AND COMMITMENTS.....	20

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Authority is an instrumentality of the State initially created in 1995 to construct, operate and maintain the Savannah Convention Center (SCC). 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 management of the business and affairs of the Authority is vested in a Board of Directors. The new Board of Directors consists 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. 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.

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.

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.

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

EXHIBIT "D"

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, 2020, 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.

Customer 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.

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

EXHIBIT "D"

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, 2020, the Authority recorded the following shared revenues:

Chatham County	\$ 197,056
City of Savannah	2,273,496
City of Pooler	231,168
City of Tybee Island	515,114
City of Port Wentworth	105,743
City of Garden City	50,353
Total Hotel and Motel Tax Revenue	<u>\$ 3,372,930</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 2020, the Authority considered implementation of the following GASB Statements:

GASB Statement No. 84 "Fiduciary Activities."

GASB Statement No. 90 "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61."

GASB Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance."

The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement will not be implemented based on guidance under Statement No. 95.

The objectives of Statement No. 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial information for certain component units. This statement will not be implemented based on guidance under Statement No. 95.

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

EXHIBIT "D"

The objective of Statement No. 95 is to provide governments with sufficient time to apply the authoritative guidance addressed in this Statement which will help to safeguard the reliability of their financial statements, which in turn will benefit the users of those financial statements.

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.

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.

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

EXHIBIT "D"

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, 2020, the Authority's bank balances totaled \$17,388,899. Of these deposits, \$17,138,899 were exposed to custodial credit risk as follows:

Type of Custodial Credit Risk	Bank Balances
Uninsured and collateralized with securities held by the pledging financial institutions	<u>\$ 17,138,899</u>

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated				
Construction in process	\$ 8,352,160	\$ 1,281,554	\$ -	\$ 9,633,714
Capital Assets				
Building and Land Improvements	968,644	168,392	-	1,137,036
Infrastructure	709,620	-	-	709,620
Machinery and Equipment	<u>4,858,486</u>	<u>646,611</u>	<u>(62,058)</u>	<u>5,443,039</u>
Total Capital Assets	<u>6,536,750</u>	<u>815,003</u>	<u>(62,058)</u>	<u>7,289,695</u>
Less: Accumulated Depreciation:				
Building and Land Improvements	(842,537)	(95,282)	-	(937,819)
Infrastructure	(70,719)	(70,962)	-	(141,681)
Machinery and Equipment	<u>(3,349,179)</u>	<u>(420,299)</u>	<u>62,058</u>	<u>(3,707,420)</u>
Total Accumulated Depreciation	(4,262,435)	(586,543)	62,058	(4,786,920)
Total Capital Assets Being Depreciated, Net	<u>2,274,315</u>	<u>228,460</u>	<u>-</u>	<u>2,502,775</u>
Total Capital Assets, Net	<u>\$ 10,626,475</u>	<u>\$ 1,510,014</u>	<u>\$ -</u>	<u>\$ 12,136,489</u>

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

NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2020

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 River Walk consisting of a passenger intermodal and docking facility.

## NOTE 8: RISK MANAGEMENT

During 2020, 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, 2020, 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 insurance was obtained through the Department of Administrative Services to provide general and other liability coverages.

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 2020 was \$202,873. An incentive fee was accrued for fiscal year 2020 in the amount of \$37,193.



SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

EXHIBIT "D"

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.

(This page intentionally left blank)

SECTION II

INTERNAL CONTROL AND COMPLIANCE REPORT



# 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

## 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 Savannah-Georgia Convention 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 Savannah-Georgia Convention Center Authority (Authority), a component unit of the State of Georgia, as of and for the year ended June 30, 2020, 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 7, 2020.

### **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) as a basis for designing 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 financial statements. 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 style with a horizontal line at the end.

Greg S. Griffin  
State Auditor

October 7, 2020