

**Fiscal
Year
2021**

Savannah - Georgia Convention Center Authority

A Component Unit of the State of Georgia

Audit Report

**For the Fiscal Year
Ended June 30, 2021**

**Department of
Audits and Accounts**

**Greg S. Griffin
State Auditor**



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SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY

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SECTION I

FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
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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 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, 2021, 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 Authority'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 Authority'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, 2021, 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 8, 2021 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 and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

October 8, 2021

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SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

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, 2021 and comparing them to fiscal year ended June 30, 2020. 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, 2021 are as follows:

- The COVID-19 pandemic continued to have a significant impact on the operations of the Authority. Event cancellations resulted in reduced revenues across the board.
- During the last fiscal year, the Authority's campus welcomed over 60,000 guests to conventions, trade shows, sporting events, consumer shows and corporate events.
- The Authority's net position increased by \$548 thousand (1.9%) in 2021.
- Total lodging tax revenues increased \$668 thousand (19.8%) compared to 2020 due to a steady increase in the tourist and local business economy.
- The Authority was authorized \$90.0 million in State general obligation bond revenue to continue the 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, 2021

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 - 25 of this report.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority's net position at June 30, 2021 and June 30, 2020 is as follows:

	Fiscal Year 2021	Fiscal Year 2020	Increase/ (Decrease)	Total % Change
Other Assets	\$ 19,088,435	\$ 18,261,954	\$ 826,481	4.5%
Capital Assets (Net of Depreciation)	12,341,306	12,147,246	194,060	1.6%
Total Assets	31,429,741	30,409,200	1,020,541	3.4%
Other Liabilities	1,261,181	789,010	472,171	59.8%
Total Liabilities	1,261,181	789,010	472,171	59.8%
Net Position:				
Investment in Capital Assets	12,341,305	12,136,489	204,816	1.7%
Prior Year Restricted	-	10,757	(10,757)	-100.0%
Unrestricted	17,827,255	17,472,944	354,311	2.0%
Total Net Position	\$ 30,168,560	\$ 29,620,190	\$ 548,370	1.9%

When compared to the prior year, other assets and noncurrent assets increased from unspent cash from hotel/motel tax and capital contributions and capital assets increased from construction activity.

Total other liabilities increased by \$472 thousand over the previous year due primarily to an increase in contract liability related to the services agreement with GWCC.

Total net position for the Authority increased during the fiscal year to \$30.2 million, or 1.9%. Prior year restricted net position represents SPLOST proceeds used to complete the slip 3 river walk and dock project.

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

The following is a summary of the Revenues, Expenses and Changes in Net Position for fiscal years 2021 and 2020:

	Fiscal Year 2021	Fiscal Year 2020	Increase/ (Decrease)	Total % Change
Operating Revenue	\$ 1,957,619	\$ 6,903,678	\$ (4,946,059)	-71.6%
Operating Expenses	6,537,995	9,907,991	(3,369,996)	-34.0%
Operating Income (Loss)	(4,580,376)	(3,004,313)	(1,576,063)	52.5%
Non-operating Revenue	4,112,868	3,585,073	527,795	14.7%
Capital Contributions	396,334	6,877,292	(6,480,958)	-94.2%
Extraordinary Item	619,544	-	619,544	100.0%
Change in Net Position	548,370	7,458,052	(6,909,682)	-92.6%
Net Position July 1	29,620,190	22,162,138	7,458,052	33.7%
Net Position June 30	<u>\$ 30,168,560</u>	<u>\$ 29,620,190</u>	<u>\$ 548,370</u>	<u>1.9%</u>

Revenues

Operating revenues were \$2.0 million for the fiscal year ended June 30, 2021, which was a decrease of \$4.9 million or -71.6% over the previous year. This decrease is due to events which cancelled or rescheduled for another year because of the COVID-19 pandemic. Non-operating revenue consists primarily of lodging taxes, which increased by \$528 thousand or 14.7% over the previous year due to the slow rebound in countywide tourism and business travel. Capital Contributions decreased due to the majority of the expansion project having been turned over to GSFIC to manage.

Expenses

Operating expenses include building operations, food and beverage, event labor, property and liability insurance, professional fees and various other operational expenditures. Operating expenses for the fiscal year ended June 30, 2021, were \$6.5 million, which was a decrease of \$3.4 million or -34.0% over the prior year. This decrease was mainly the result of reduced operating and personnel cost due to COVID-19 related event cancellations.

Extraordinary Item

The Authority received insurance proceeds of \$619,544 during the year. This represents recovery from the Business Interruption policy for COVID-19 related event cancellations.

CAPITAL ASSETS

The Authority's capital assets as of June 30, 2021 totaled \$17.6 million with accumulated depreciation of \$5.3 million for a net book value of \$12.3 million, a \$205 thousand increase in net book value from fiscal year 2020. The increase was principally due to current year facility expansion work and investments in capital assets. 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 \$577 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, 2021

ECONOMIC FACTORS

The Authority has been significantly impacted by the COVID-19 pandemic. Although the Convention Center experienced significant event cancellations during the early portion of the year, late year bookings helped to reduce the effects. Hotel/motel tax revenues were also down from pre-pandemic levels due to the reduction on travel and tourism. The last six months of the fiscal year saw a steady increase in hotel occupancy resulting in improvements in the tax revenue from fiscal year 2020.

In considering the Authority's budget for fiscal year 2022, 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 2022 have again been limited to only necessary and essential expenses.

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), aerospace (Gulfstream), paper manufacturing (International Paper), and others experienced moderate to slow growth in 2021 due to the COVID-19 pandemic. Indicators point to a moderate growth trend in 2022.

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, 2021

EXHIBIT "A"

ASSETS

Current:

Cash and cash equivalents	\$ 17,480,838
Accounts receivable	312,757
Due from other governments - lodging taxes	1,162,212
Advances to other governments	11,403
Inventory - food and beverage	32,501
Prepaid items	88,724

Total current assets	<u>19,088,435</u>
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Capital assets

Nondepreciable capital assets	10,035,549
Depreciable capital assets, net of accumulated depreciation	<u>2,305,757</u>

Total capital assets	<u>12,341,306</u>
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Total Assets	<u>31,429,741</u>
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LIABILITIES

Current:

Accounts payable	547,620
Contract liability	297,349
Customer deposits	<u>416,212</u>

Total current liabilities	<u>1,261,181</u>
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NET POSITION

Investment in capital assets	12,341,305
Unrestricted net position	<u>17,827,255</u>

Total net position	<u>\$ 30,168,560</u>
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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 FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

EXHIBIT "B"

OPERATING REVENUES:	
Space rental	\$ 584,770
Catering	470,491
Ancillary services	548,930
Other operating	353,428
Total operating revenues	<u>1,957,619</u>
OPERATING EXPENSES:	
Contract services - GWCCA	2,416,299
Regular operating	2,127,606
Cost of sales - food and beverage	157,291
Professional services	95,123
Projects and expendable equipment	1,164,625
Depreciation	577,051
Total operating expenses	<u>6,537,995</u>
OPERATING LOSS	<u>(4,580,376)</u>
NON-OPERATING REVENUES:	
Lodging taxes	4,040,953
Gain on disposal of fixed assets	5,189
Interest income	34,813
Grant revenue - COVID 19 Relief	31,913
Total non-operating revenues	<u>4,112,868</u>
CAPITAL CONTRIBUTIONS	
Grant Revenue - GO Bonds	<u>396,334</u>
EXTRAORDINARY ITEM	
Insurance Recovery	<u>619,544</u>
CHANGE IN NET POSITION	548,370
TOTAL NET POSITION, BEGINNING OF YEAR	29,620,190
TOTAL NET POSITION, END OF YEAR	<u><u>\$ 30,168,560</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, 2021

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,020,667
Cash received from insurance recovery	619,544
Cash paid for contract personnel services	(1,889,098)
Cash paid for goods and services	(3,707,582)
Net cash used by operating activities	<u>(2,956,469)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Lodging taxes received	3,347,108
Grant Revenue - COVID 19 Relief	31,913
Net cash provided by noncapital financing activities	<u>3,379,021</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceed from sale of capital assets	5,189
Reimbursement from grant projects	396,334
Acquisition and construction of capital assets	(781,867)
Net cash used by capital and related financing activities	<u>(380,344)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	34,813
Net cash provided by investing activities	<u>34,813</u>
Increase in cash and cash equivalents	77,021
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,403,817
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 17,480,838</u></u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating (loss)	\$ (4,580,376)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	577,051
Cash received from insurance recovery	619,544
Change in assets and liabilities:	
Increase in accounts receivable	(81,385)
Decrease in F&B inventory items	15,373
Decrease in advances to other governments	8,924
Decrease in prepaid items	12,229
Increase in accounts payable	30,388
Increase in accrued contract personal services	297,349
Increase in customer deposits payable	144,434
Net cash used by operating activities	<u><u>\$ (2,956,469)</u></u>

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

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SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT "D"

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SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT "D"

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, 2021

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, 2021, 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.

For projects managed by GSFIC, GSFIC retains construction in progress in its accounting records throughout the construction period and transfers the entire project to the State when complete. For projects managed by the Authority, the Authority retains construction in progress on their books and are reimbursed by GSFIC.

Customer Deposits

Customer deposits 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.

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT "D"

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 customer deposits 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, 2021

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, 2021, the Authority recorded the following shared revenues:

Chatham County	\$ 198,735
City of Savannah	2,630,956
City of Pooler	266,771
City of Tybee Island	760,234
City of Port Wentworth	131,881
City of Garden City	<u>52,376</u>
Total Hotel and Motel Tax Revenue	<u>\$ 4,040,953</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 2021, the Authority considered implementation of the following GASB Statements:

GASB Statement No. 84 "Fiduciary Activities."

GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period."

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

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. The Authority implemented the provisions of Statement No. 84 during the current fiscal year. The implementation of Statement No. 84 did not have an impact on the Authority's reporting of its fiduciary activities.

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT "D"

The objectives of Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. While the Authority elected early implementation of the provisions of Statement No. 89 for the current fiscal year, the implementation of Statement No. 89 did not have any impact on the Authority's financial reporting.

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. The implementation of Statement No. 90 did not have any impact on the Authority's financial reporting.

B. Extraordinary item

During the year, the Authority received payment of insurance proceeds totaling \$619,544 for lost business due to the COVID-19 pandemic.

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.

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- (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, 2021, the Authority's bank balances totaled \$17,774,587. Of these deposits, \$17,524,587 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 institutions	\$ 17,524,587
Total	\$ 17,524,587

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Capital assets, not being depreciated:				
Construction in process	\$ 9,633,714	\$ 401,835	\$ -	\$ 10,035,549
Capital Assets:				
Building and Land Improvements	1,137,036	64,505	-	1,201,541
Infrastructure	709,620	-	-	709,620
Machinery and Equipment	5,443,039	315,528	(32,815)	5,725,752
Total Capital Assets	7,289,695	380,033	(32,815)	7,636,913
Less: Accumulated Depreciation:				
Building and Land Improvements	(937,819)	(97,771)	-	(1,035,590)
Infrastructure	(141,681)	(70,962)	-	(212,643)
Machinery and Equipment	(3,707,420)	(408,318)	32,815	(4,082,923)
Total Accumulated Depreciation	(4,786,920)	(577,051)	32,815	(5,331,156)
Total Capital Assets Being Depreciated, Net	2,502,775	(197,018)	-	2,305,757
Total Capital Assets, Net	\$ 12,136,489	\$ 204,817	\$ -	\$ 12,341,306

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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 River Walk consisting of a passenger intermodal and docking facility.

NOTE 8: RISK MANAGEMENT

During 2021, 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, 2021, 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.

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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 2021 was \$208,956. An incentive fee was accrued for fiscal year 2021 in the amount of \$20,896.

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 Authority's exposure related to operating expense to \$50,000 per calendar year.

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SECTION II

INTERNAL CONTROL AND COMPLIANCE REPORT



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

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

Independent Auditor's 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

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, 2021, 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 8, 2021.

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 opinion 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 a 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 fluid and cursive, with the first and last names being more prominent.

Greg S. Griffin
State Auditor

October 8, 2021