



AUDIT REPORT • FISCAL YEAR 2022

Savannah – Georgia Convention Center Authority

A Component Unit of the State of Georgia

Greg S. Griffin | State Auditor



DOAA

Georgia Department
of Audits & Accounts

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
Independent Auditor's Report	1
Management's Discussion and Analysis	5
BASIC FINANCIAL STATEMENTS	
EXHIBITS	
A – Statement of Net Position	10
B – Statement of Revenues, Expenses and Changes in Net Position	11
C – Statement of Cash Flows	13
D – Notes to the Financial Statements	15
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>	26

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Section I

Financial

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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 Audit of the Financial Statements

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 is the responsibility of management and, 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 GAAS, 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 appropriate 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 21, 2022 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". The signature is fluid and cursive, with a long horizontal stroke at the end.

Greg S. Griffin
State Auditor

October 21, 2022

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SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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, 2022, and comparing them to fiscal year ended June 30, 2021. 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, 2022, are as follows:

- The Authority had its best year financially since the Convention Center opened in 2001, experiencing record results for both the Center and hotel/motel tax receipts.
- During the last fiscal year, the Authority's campus welcomed over 162,000 guests to conventions, trade shows, sporting events, consumer shows and corporate events. These guests generated more than \$178.0 million in economic impact to the local economy and the State.
- The Authority's net position increased by \$6.0 million (19.7%) in 2022. This improvement was directly related to the post-COVID-19 rebound in travel.
- Total lodging tax revenues increased \$2.7 million (65.6%) compared to 2021 due to a significant increase in the tourism and local business economy.
- The Authority was authorized \$83.0 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, 2022

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, 2022 and June 30, 2021 is as follows:

	Fiscal Year 2022	Fiscal Year 2021	Increase/ (Decrease)	Total % Change
Other Assets	\$ 25,693,372	\$ 19,088,435	\$ 6,604,937	34.6%
Capital Assets (Net of Depreciation)	12,517,114	12,341,306	175,808	1.4%
Total Assets	38,210,486	31,429,741	6,780,745	21.6%
Other Liabilities	2,089,253	1,261,181	828,072	65.7%
Total Liabilities	2,089,253	1,261,181	828,072	65.7%
Net Position:				
Investment in Capital Assets	12,517,114	12,341,305	175,809	1.4%
Unrestricted	23,604,119	17,827,255	5,776,864	32.4%
Total Net Position	\$ 36,121,233	\$ 30,168,560	\$ 5,952,673	19.7%

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

Total liabilities increased by \$828 thousand over the previous year due primarily to an increase in contract liability related to the services agreement with GWCCA and increased customer deposits for future events.

Total net position for the Authority increased during the fiscal year to \$36.1 million, or 19.7%. This was primarily due to higher revenues across the board related to the rebound in travel and tourism.

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

The following is a summary of the Revenues, Expenses and Changes in Net Position for fiscal years 2022 and 2021:

	Fiscal Year 2022	Fiscal Year 2021	Increase/ (Decrease)	Total % Change
Operating Revenue	\$ 8,994,480	\$ 1,957,619	\$ 7,036,861	359.5%
Operating Expenses	10,089,044	6,537,995	3,551,049	54.3%
Operating Income (Loss)	(1,094,564)	(4,580,376)	3,485,812	76.1%
Non-operating Revenue	6,725,796	4,112,868	2,612,928	63.5%
Capital Contributions	321,441	396,334	(74,893)	-18.9%
Extraordinary Item	-	619,544	(619,544)	-100.0%
Change in Net Position	5,952,673	548,370	5,404,303	985.5%
Net Position July 1	30,168,560	29,620,190	548,370	1.9%
Net Position June 30	\$ 36,121,233	\$ 30,168,560	\$ 5,952,673	19.7%

Revenues

Operating revenues were \$9.0 million for the fiscal year ended June 30, 2022, which was an increase of \$7.0 million or 359.5% over the previous year. This increase is primarily due to the dramatic rebound in the local travel and tourism economy. Non-operating revenue consists primarily of lodging taxes, which increased by \$2.6 million or 63.5% over the previous year due to the rebound in countywide tourism and business travel. Both Operating and Non-operating revenues set all-time high records in 2022.

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, 2022, were \$10.1 million, which was an increase of \$3.6 million or 54.3% over the prior year. This increase was mainly the result of increased operating and personnel cost due to the increased business experienced by the Center.

CAPITAL ASSETS

The Authority's capital assets as of June 30, 2022, totaled \$17.9 million with accumulated depreciation of \$5.4 million for a net book value of \$12.5 million, a \$176 thousand increase in net book value from fiscal year 2021. 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 \$510 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, 2022

ECONOMIC FACTORS

The Authority has been significantly impacted by the resurgence in business and leisure travel in 2022. The Convention Center experienced a milestone year, achieving a net operating profit for only the second time in its history. Additionally, hotel / motel tax revenues were at an all-time high. While 2022 was a record year, the outlook for 2023 remains uncertain. We believe the lingering effects of COVID-19, the economic pressures brought on by raising interest rates and continued slow employment growth will combine to make 2023 more of a "normal" year for the Authority.

The 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 to high growth in 2022. Indicators point to a slower growth trend in 2023.

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, 2022

EXHIBIT "A"

ASSETS

Current

Cash and Cash Equivalents	\$ 22,620,859
Accounts Receivable	1,625,470
Due From Other Governments - Lodging Taxes	1,316,529
Advances to Other Governments	11,403
Inventory - Food and Beverage	39,338
Prepaid Items	79,773
Total Current Assets	<u>25,693,372</u>

Capital Assets

Nondepreciable Capital Assets	10,356,990
Depreciable Capital Assets, Net of Accumulated Depreciation	2,160,124
Total Capital Assets	<u>12,517,114</u>
Total Assets	<u>38,210,486</u>

LIABILITIES

Current:

Accounts Payable	863,822
Contract Liability	297,769
Customer Deposits	927,662
Total Liabilities	<u>2,089,253</u>

NET POSITION

Investment in Capital Assets	12,517,114
Unrestricted Net Position	<u>23,604,119</u>
Total Net Position	<u>\$ 36,121,233</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, 2022

EXHIBIT "B"

OPERATING REVENUES:

Space Rental	\$ 1,352,992
Catering	5,607,482
Ancillary Services	1,782,326
Other Operating	251,680
Total Operating Revenues	<u>8,994,480</u>

OPERATING EXPENSES:

Contract Services - GWCCA	3,555,415
Regular Operating	3,930,265
Cost of Sales - Food and Beverage	1,128,723
Professional Services	158,893
Projects and Expendable Equipment	806,088
Depreciation	509,660
Total Operating Expenses	<u>10,089,044</u>

Operating Loss	<u>(1,094,564)</u>
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NON-OPERATING REVENUES:

Lodging Taxes	6,691,819
Loss on Disposal of Fixed Assets	(46,893)
Interest Income	80,870
Total Non-Operating Revenues	<u>6,725,796</u>

CAPITAL CONTRIBUTIONS

Grant Revenue - GO Bonds	<u>321,441</u>
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Change in Net Position	5,952,673
Total Net Position, Beginning of Year	<u>30,168,560</u>

Total Net Position, End of Year	<u>\$ 36,121,233</u>
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The notes to the financial statements are an integral part of this statement.

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SAVANNAH – GEORGIA CONVENTION CENTER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 8,193,217
Cash paid for contract personnel services	(3,124,548)
Cash paid for goods and services	(6,136,100)
Net cash used by operating activities	<u>(1,067,431)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Lodging taxes received	6,537,502
Net cash provided by noncapital financing activities	<u>6,537,502</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceed from sale of capital assets	6,485
Reimbursement from grant projects	321,441
Acquisition and construction of capital assets	(738,846)
Net cash used by capital and related financing activities	<u>(410,920)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	80,870
Net cash provided by investing activities	<u>80,870</u>
Increase (decrease) in cash and cash equivalents	5,140,020
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>17,480,838</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 22,620,859</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating (loss)	\$ <u>(1,094,564)</u>
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	509,660
Change in assets and liabilities:	
Increase in accounts receivable	(1,312,713)
Increase in F&B inventory items	(6,837)
Decrease in prepaid items	8,951
Increase in accounts payable	316,202
Increase in accrued contract personal services	420
Increase in customer deposits payable	<u>511,450</u>
Net cash used by operating activities	<u>\$ (1,067,431)</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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT "D"

INDEX	PAGE
Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	16
Note 2. CHANGES IN FINANCIAL ACCOUNTING AND REPORTING.....	19
Note 3. BUDGETS	23
Note 4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	23
Note 5. DEPOSITS	24
Note 6. CAPITAL ASSETS.....	25
Note 7. AGREEMENTS	25
Note 8. RISK MANAGEMENT	26
Note 9. LITIGATION, CONTINGENCIES AND COMMITMENTS	26

SAVANNAH – GEORGIA CONVENTION CENTER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT "D"

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's 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.

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.

SAVANNAH – GEORGIA CONVENTION CENTER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT "D"

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, 2022, 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

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 owning state entity when complete. For projects managed by the Authority, the Authority retains construction in progress on their books and are reimbursed by GSFIC. Once these projects are completed, the assets will transfer to the State.

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

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.

Net Position

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

1. **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.

SAVANNAH – GEORGIA CONVENTION CENTER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT "D"

2. **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.
3. **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.

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 and parking 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022, the Authority recorded the following shared revenues:

Chatham County	\$	393,798
City of Savannah		4,477,456
City of Pooler		403,563
City of Tybee Island		1,123,377
City of Port Wentworth		217,124
City of Garden City		76,501
		<hr/>
Total Hotel and Motel Tax Revenue	\$	<u><u>6,691,819</u></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

Implementation of New Accounting Standards

In fiscal year 2022, the Authority implemented the following GASB Statements:

1. GASB Statement No. 87, Leases

The objective of Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 87 establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a

SAVANNAH – GEORGIA CONVENTION CENTER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT "D"

deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The adoption of this Statement did not have an impact to the Authority's 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT "D"

NOTE 5: DEPOSITS

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, 2022, the Authority's bank balances totaled \$23,712,356. Of these deposits, \$23,462,356 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	\$ 23,462,356
Total	\$ 23,462,356

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Deletions	Balance June 30, 2022
Capital Assets, Not Being Depreciated:				
Construction in process	\$ 10,035,549	\$ 321,441	\$ -	\$ 10,356,990
Capital Assets:				
Building and Land Improvements	1,201,541	-	-	1,201,541
Infrastructure	709,620	-	-	709,620
Machinery and Equipment	5,725,752	417,405	(530,419)	5,612,738
Total Capital Assets	7,636,913	417,405	(530,419)	7,523,899
Less Accumulated Depreciation:				
Building and Land Improvements	(1,035,590)	(97,770)		(1,133,360)
Infrastructure	(212,643)	(70,962)		(283,605)
Machinery and Equipment	(4,082,923)	(340,928)	477,041	(3,946,810)
Total Accumulated Depreciation	(5,331,156)	(509,660)	477,041	(5,363,775)
Total Capital Assets Being Depreciated, Net	2,305,757	(92,255)	(53,378)	2,160,124
Total Capital Assets, Net	\$ 12,341,306	\$ 229,186	\$ (53,378)	\$ 12,517,114

SAVANNAH – GEORGIA CONVENTION CENTER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT "D"

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 2022, 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, 2022, 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)

SAVANNAH – GEORGIA CONVENTION CENTER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT "D"

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 2022 was \$215,220. An incentive fee was accrued for fiscal year 2022 in the amount of \$215,220.

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.

The following is an analysis of significant outstanding construction or renovation contracts executed by the Authority as of June 30, 2022:

Project	Unearned Executed Contracts (1)	Payments Through June 30, 2022
Savannah Convention Center Expansion	\$ 602,270	\$ 227,730

(1) The amounts described are not reflected in the basic financial statements.

Section II

Compliance and Internal Control Reports

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DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

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

We have audited 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, 2022, 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 21, 2022. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Report on 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 basic 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 Authority'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 or significant deficiencies may exist that were not identified.

Report on 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".

Greg S. Griffin
State Auditor

October 21, 2022