

**Fiscal  
Year  
2018**

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

**Audit  
Report**

For the Fiscal Year  
Ended June 30, 2018

**Department of  
Audits and Accounts**

**Greg S. Griffin  
State Auditor**



GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY

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SECTION I

FINANCIAL



# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

November 2, 2018

## Independent Auditor's Report

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

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

We have audited the accompanying financial statements of the Georgia International and Maritime Trade Center Authority (Authority), a component unit of the State of Georgia, as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2018 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,

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

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GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

**INTRODUCTION**

The following is a discussion and analysis of the Georgia International and Maritime Trade Center Authority's (Authority) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2018 and comparing them to fiscal year ended June 30, 2017. 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 International Trade & Convention Center (SITCC) for which these revenues are used.

**HIGHLIGHTS**

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2018 are as follows:

- During the last fiscal year, the Authority's campus welcomed over 200,000 guests to conventions, trade shows, sporting events, consumer shows and corporate events. These guests generated more than \$83 million in economic impact to the local economy and the State.
- The Authority's net position increased by \$6 million (43.5%) in 2018. This improvement was chiefly the result of solid event sales for the year and investment in facility expansion plans.
- Total lodging tax revenues increased \$107 thousand (2.6%) compared to 2017 primarily due to the strong tourist and local business economy.
- The Authority received \$3 million from the OneGeorgia Authority to begin design work to expand the SITCC.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018

**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, 2018 and June 30, 2017 is as follows:

	Fiscal Year 2018	Fiscal Year 2017 *	Increase/ (Decrease)	Total % Change
Other Assets	\$ 18,001,973	\$ 14,115,352	\$ 3,886,621	27.5%
Noncurrent Assets (Net of Depreciation)	4,646,198	1,194,331	3,451,867	289.0%
<b>Total Assets</b>	<b>22,648,171</b>	<b>15,309,683</b>	<b>7,338,488</b>	<b>47.9%</b>
Other Liabilities	2,865,781	1,483,838	1,381,943	93.1%
Noncurrent Liabilities	79,211	91,510	(12,299)	-13.4%
<b>Total Liabilities</b>	<b>2,944,992</b>	<b>1,575,348</b>	<b>1,369,644</b>	<b>86.9%</b>
<b>Net Position</b>				
Investment in Capital Assets	4,556,552	1,105,172	3,451,380	312.3%
Restricted	89,646	89,159	487	0.5%
Unrestricted	15,056,981	12,540,004	2,516,977	20.1%
<b>Total Net Position</b>	<b>\$ 19,703,179</b>	<b>\$ 13,734,335</b>	<b>\$ 5,968,844</b>	<b>43.5%</b>

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

Other assets increased by \$3.9 million when compared to the prior year due to an increase in cash balances from greater hotel/motel tax collections, lower funding required for the building operations and funds due from the OneGeorgia Authority. Net capital assets increased by \$523 thousand primarily due to the addition of a new dock in Slip 3, which was funded through a grant for HUD. Additionally, noncurrent assets includes SITCC expansion/design cost of \$2.9 million which were funded through the OneGeorgia Authority.

Total other liabilities increased by \$1.4 million over the previous year due primarily to an increase in accounts payable related to the Authority's obligation for vendor provided services.

GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018

Total net position for the Authority increased during the fiscal year to \$19.7 million, or 43.5%. The Authority's 43.4% increase in unrestricted net position of was due primarily to grant revenue, an increase in event services and higher lodging tax collections. Restricted net position represents SPLOST proceeds to complete the slip 3 river walk and dock project.

The following is a summary of the Revenues, Expenses and Changes in Net Position for fiscal years 2018 and 2017:

	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Total % Change
Operating Revenue	\$ 5,996,712	\$ 5,105,952	\$ 890,760	17.4%
Operating Expenses	8,261,008	7,787,301	473,707	6.1%
Operating Income (Loss)	(2,264,296)	(2,681,349)	417,053	-15.6%
Non-operating Revenue	8,233,140	4,050,502	4,182,638	103.3%
Change in Net Position	5,968,844	1,369,153	4,599,691	336.0%
Net Position July 1	13,734,335	12,365,182	1,369,153	11.1%
Net Position June 30	<u>\$ 19,703,179</u>	<u>\$ 13,734,335</u>	<u>\$ 5,968,844</u>	<u>43.5%</u>

Revenues

Operating revenues were \$6.0 million for the fiscal year ended June 30, 2018, which was an increase of \$900 thousand or 17.4% over the previous year. This increase is due to increased facility operating revenue. The Authority funded water ferry operations under its commitment to the 2006 Savannah Mobility Plan. The agreement includes a fixed fee from the Westin, an occupancy-based fee from the hotels in the Historic District, and a property tax levied against certain property located on Hutchinson Island. Nonoperating revenue consists primarily of lodging taxes - improved \$107 thousand or 2.6% over the previous year due to strong countywide tourism and business travel; grant revenue including \$624 thousand from HUD for a new dock; \$3 million from the OneGeorgia Authority for SITCC expansion design work; and insurance recovery funds related to hurricane Irma.

Expenses

Operating expenses include building operations (operating, contract personal services, and utilities), event labor, property & liability insurance, professional fees and various other operational expenditures. Operating expenses for the fiscal year ended June 30, 2018, were \$8.3 million, which was an increase of \$474 thousand or 6.1% over the prior year. This increase was mainly the result of event service activity, increased contractual service obligations due to GWCCA and increased projects and expendable equipment. Finally, ferry transportation expenses increased by \$93 thousand or 11.2%. The Authority entered into an intergovernmental agreement with Chatham Area Transit Authority (CAT), which stated CAT would operate a public water ferry operation in exchange for the Authority's financial support of that operation. While this agreement remains in effect, no Federal matching funds were made available this year to help defray operating costs.

GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

**CAPITAL ASSETS**

The Authority's capital assets as of June 30, 2018 totaled \$8.4 million with accumulated depreciation of \$3.9 million for a net book value of \$4.6 million, a \$3.5 million increase in net book value from fiscal year 2017. The increase was principally due to current year additions of the slip 3 dock and 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 \$346 thousand. It should be noted that the land and building for the SITCC are owned by the State's Department of Economic Development and are therefore reflected on the State's financial statements.

**ECONOMIC FACTORS**

Locally diversified industries including tourism (Historic Savannah), shipping (Port of Savannah), aerospace (Gulfstream), paper manufacturing (International Paper), and others experienced moderate growth during 2018. Indicators point to a continued moderate growth trend of tourism, shipping and aerospace in 2019. The continued stable growth in hotel/motel tax revenue, coupled with the intergovernmental agreements for the distribution of this tax revenue, provides a strong basis of financial support for the Authority. The stability inherent in these agreements helps to shore up the Authority's ability to maintain cash flows and meet contractual obligations.

**REQUESTS FOR INFORMATION**

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

## BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS

Current

Cash and cash equivalents	\$ 13,386,315
Accounts receivable	2,397,175
Due from other governments - lodging taxes	813,844
Due from other governments - grants	1,261,825
Advances to other governments	20,327
Prepaid items	122,487

Total current assets	<u>18,001,973</u>
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Non-current assets

Restricted

Cash and cash equivalents - SPLOST	89,646
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Capital assets

Nondepreciable capital assets	2,919,371
Depreciable capital assets, net of accumulated depreciation	1,637,181

Total non-current assets	<u>4,646,198</u>
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Total assets	<u>22,648,171</u>
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LIABILITIES

Current:

Accounts payable	2,396,446
Contract liability	221,511
Unearned Revenue	247,824

Total current liabilities	<u>2,865,781</u>
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Non-current:

Contract liability	79,211
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Total non-current liabilities	<u>79,211</u>
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Total liabilities	<u>2,944,992</u>
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NET POSITION

Investment in capital assets	4,556,552
Restricted net position	89,646
Unrestricted net position	15,056,981

Total net position	<u>\$ 19,703,179</u>
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The notes to the financial statements are an integral part of this statement.

GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

EXHIBIT "B"

OPERATING REVENUES:	
Space rental	\$ 1,215,785
Catering	1,722,186
Ancillary services	1,930,067
Ferry transportation services	843,200
Other operating	285,474
Total operating revenues	5,996,712
OPERATING EXPENSES:	
Contract services - GWCCA	2,917,083
Regular operating	3,108,692
Ferry transportation services	923,492
Professional services	142,567
Projects & expendable equipment	823,564
Depreciation	345,610
Total operating expenses	8,261,008
OPERATING LOSS	(2,264,296)
NON-OPERATING REVENUES (EXPENSES):	
Lodging taxes	4,132,179
Interest income	80,019
Insurance Recovery	396,642
Grant Revenue - Housing and Urban Development	624,300
Grant Revenue - OneGeorgia Authority	3,000,000
Total non-operating revenues	8,233,140
CHANGE IN NET POSITION	5,968,844
TOTAL NET POSITION, BEGINNING OF YEAR	13,734,335
TOTAL NET POSITION, END OF YEAR	\$ 19,703,179

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

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STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,581,658
Cash paid for contract personnel services	(2,525,986)
Cash paid for goods and services	(4,056,575)
Net cash used in operating activities	<u>(2,000,903)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Lodging taxes received	4,120,844
Insurance Recovery	396,642
Net cash provided by non-capital financing activities	<u>4,517,486</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contribution from Housing and Urban Development	624,300
Reimbursement of grant projects (net)	1,738,175
Acquisition and construction of capital assets	(3,796,991)
Net cash provided by (used in) capital and related financing activities	<u>(1,434,516)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	80,019
Short term investments	505,766
Net cash provided by investing activities	<u>585,785</u>
Increase in cash and cash equivalents	1,667,852
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,808,109
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 13,475,961</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating (loss)	<u>\$ (2,264,296)</u>
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:	
Depreciation	345,610
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(1,353,341)
Decrease (increase) in advances to other governments	1
Decrease (increase) in prepaid items	(98,520)
(Decrease) increase in accounts payable	1,422,719
(Decrease) increase in accrued contract personal services	8,637
(Decrease) increase in unearned revenue	(61,713)
Net cash provided by (used in) operating activities	<u>\$ (2,000,903)</u>

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

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GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

EXHIBIT "D"

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NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2018

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## A. Reporting Entity

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

## 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. Shared revenue from lodging taxes are recognized as revenues in the year for which they are earned.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Investments

Investments are defined as those financial instruments with terms in excess of three months from the date of purchase. Investments are stated at cost. Accounting principles generally accepted in the United States of America require that investments be reported at fair value; however, the variance in cost and fair value is deemed immaterial to the financial statements.

The Authority adopted an internal policy in 2017 that stipulates it may invest regular funds in the State Local Government Investment Pool (Georgia Fund 1), direct obligations of the U.S. Treasury; repurchase agreements; and certificates of deposit.

As of June 30, 2018, the Authority reported no investments.

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. Additionally, at June 30, 2018 there was an outstanding receivable from the OneGeorgia Authority for reimbursements related to a grant.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, 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

NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2018

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

Contract Liability

Contract liability represents obligations of the Authority relating to its agreement to reimburse the GWCCA for employees' rights to receive compensation for future absences based upon services already rendered. This obligation relates to vesting of annual leave, compensated leave and banked holiday leave. Compensated leave is recorded as an expense as earned. Cost of compensated leave of terminated employees is covered by operations of the Authority.

GWCCA employees earn annual leave ranging from ten to fourteen hours each month depending upon the employees' length of continuous State service with a maximum accumulation of forty-five days. Employees are paid for unused accumulated annual leave by the Authority upon retirement or termination of employment.

Unearned Revenue

Unearned revenue 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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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, catering, parking services 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.

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, 2018, the Authority recorded the following shared revenues:

Chatham County	\$ 301,253
City of Savannah	2,866,335
City of Pooler	221,498
City of Tybee Island	523,022
City of Port Wentworth	153,383
City of Garden City	66,689
Total Hotel and Motel Tax Revenue	<u>\$ 4,132,179</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 2018, the Authority considered implementation of the following:

GASB Statement No. 75 *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*

GASB Statement No. 81 *"Irrevocable Split Interest Agreements"*

GASB Statement No. 85 *"Omnibus 2017"*

GASB Statement No. 86 *"Certain Debt Extinguishment Issues"*

The objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for OPEB. It improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement had no impact on the Authority financial statements.

The objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement had no impact on the Authority financial statements.

The objective of Statement No. 85 is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). This statement had no impact on the Authority financial statements.

The objective of Statement No. 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement had no impact on the Authority financial statements.

In fiscal year 2019, the Authority will consider implementation of the following:

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

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

NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2018

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

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

There are no known financial impacts as a result of implementation of GASB Statement Nos. 83 or 88.

**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.

GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

EXHIBIT "D"

NOTE 5: DEPOSITS AND INVESTMENTS

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, 2018, the Authority's bank balances totaled \$13,640,847. Of these deposits, \$13,390,847 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>\$ 13,390,847</u>
Total	<u><u>\$ 13,390,847</u></u>

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:				
Construction in process	\$ -	\$ 2,919,371	\$ -	\$ 2,919,371
Capital Assets:				
Building and Building Improvements	983,860		-	983,860
Infrastructure	-	627,533		627,533
Machinery and Equipment	3,701,073	250,087	(41,277)	3,909,883
Total Capital Assets	<u>4,684,933</u>	<u>877,620</u>	<u>(41,277)</u>	<u>5,521,276</u>
Less: Accumulated Depreciation:				
Building and Building Improvements	(722,191)	(70,834)		(793,025)
Infrastructure	-	(5,229)		(5,229)
Machinery and Equipment	(2,857,570)	(269,547)	41,277	(3,085,840)
Total Accumulated Depreciation	<u>(3,579,761)</u>	<u>(345,610)</u>	<u>41,277</u>	<u>(3,884,094)</u>
Total Capital Assets Being Depreciated, Net	1,105,172	532,009	-	1,637,181
Total Capital Assets, Net	<u>\$ 1,105,172</u>	<u>\$ 3,451,380</u>	<u>\$ -</u>	<u>\$ 4,556,552</u>

NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2018

## 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 SITCC and consequently lease it to the Authority in consideration of the Authority's agreement to operate, manage, and maintain the SITCC. 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 SITCC. The following sale of these bonds in 1998 by the State eventually funded the existing SITCC. On December 31, 2001 the State and County entered into a purchase option agreement effectively conveying title of the SITCC property to the State and also establishing a "Use Agreement" whereby the State granted the County sole and exclusive right to use the SITCC and also consented to the County's assignment of certain rights to the Authority. The use agreement has a maximum term to December 31, 2051. In addition, on September 29, 2006 the County and Authority executed an amendment to the original intergovernmental lease agreement to: (1) extend the term to December 31, 2051 to coincide with the State's use agreement and (2) add the properties known as Parcel 7 and the Parking Facilities to the leased property. Finally, on October 13, 2010 the State, County and the Authority agreed to amend the 1996 and 2001 agreements to include improvements to the Riverwalk consisting of a passenger intermodal and docking facility.

## NOTE 8: RISK MANAGEMENT

During 2018, the SITCC 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, 2018, the Authority had obtained insurance coverage in accordance with its lease agreement with the County. Property coverage was obtained through the State's self-insurance program and was paid by the Authority through the Department of Economic Development. Additional commercial insurance was purchased by the Authority to provide general liability coverage and also provide coverage for risks of loss related to directors and officers liability.

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

## NOTE 9: LITIGATION, CONTINGENCIES AND COMMITMENTS

Litigation

The Authority is not currently a defendant in any legal proceedings pertaining to matters incidental to the performance of its routine governmental operations.

NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2018Contractual 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 2018 was \$191,227. An incentive fee was accrued for fiscal year 2018 in the amount of \$191,227.

On March 25, 2014, the GWCCA, as agent for the Authority, entered into a Food and Beverage Services Agreement with SMG Food and Beverage, LLC (SMG). The term of the agreement commenced on April 1, 2014 and continues for three (3) years and three (3) months. During 2016, GWCCA amended this agreement adding one (1) additional year to the term. GWCCA may, in its sole discretion, elect to terminate this agreement without cause or penalty, effective at the end of any year of the contracted service term, by giving written notice of not less than 180 days prior to the end of such year. In consideration of the services provided, GWCCA agreed to pay SMG 15% of the net operating income from food and beverage activities at the Center on an annual basis. However, this is provided that in any event the GWCCA's net operating income share shall not be less than \$850 thousand per contract year, so long as gross sales for such contract year equal or exceed \$2.5 million and do not materially deviate from the current sales mix. This agreement expired on June 30, 2018 and was not renewed. GWCCA plans to absorb food and beverage services into its normal operations.

On February 21, 2003, the Authority entered an intergovernmental services agreement with 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. Fees expensed to CAT during fiscal year 2018 totaled \$923 thousand.

On May 21, 2011, the Authority entered into a Grant agreement with the Department of Housing and Urban Development (HUD) under which HUD agreed to make grant funds of \$900 thousand available for the planning, preparation, design and construction of a floating dock system in slip 3. During the reporting period, the Authority received reimbursements totaling \$624,300 for this project. There were no funds received in prior periods from this grant. The scope of work to be funded by this grant was completed, and no further drawdown from the grant will be made.

On August 17, 2017, the Authority entered into an agreement with the Georgia Department of Community Affairs as the recipient of a OneGeorgia Authority Special Purpose Award. The \$3 million award was for the design of a new phase of development at SITCC.

GEORGIA INTERNATIONAL AND MARITIME TRADE CENTER AUTHORITY  
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EXHIBIT "D"

Schedule of expenditures of award as of June 30, 2018, is as follows:

Engineering & Geotechnical	\$ 109,373
Conceptual Design	240,800
Schematic Design	1,781,380
Design Development	868,447
	<u>\$ 3,000,000</u>

The Authority recorded an outstanding receivable from the OneGeorgia Authority of \$1,261,825 as of June 30, 2018.

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SECTION II

INTERNAL CONTROL AND COMPLIANCE REPORT

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# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

November 2, 2018

## **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 Nathan Deal, Governor of Georgia  
Members of the General Assembly of the State of Georgia  
Members of the Board of Georgia International and Maritime Trade Center Authority  
and  
Ms. Sherrie Spinks, General Manager

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Georgia International and Maritime Trade Center Authority (Authority), a component unit of the State of Georgia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 2, 2018.

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

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor