



AUDIT REPORT • FISCAL YEAR 2023

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

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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
Mr. Stephen Hall, Interim General Manager and Director of Finance

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, 2023, 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, 2023, 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 December 8, 2023 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,



Greg S. Griffin
State Auditor

December 8, 2023

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SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

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, 2023, and comparing them to fiscal year ended June 30, 2022. 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, 2023, are as follows:

- The Authority had its second 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 195,000 guests to conventions, trade shows, sporting events, consumer shows and corporate events. These guests generated more than \$187.0 million in economic impact to the local economy and the State.
- The Authority's net position increased by \$4.5 million (12.4%) in 2023. This improvement was the result of record high event revenue coupled with strong investment returns.
- Total lodging tax revenues increased 2.2% compared to 2022 due to post-COVID stabilization in the tourism and local business economy.
- The Authority was authorized \$8.0 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, 2023

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, 2023 and June 30, 2022 is as follows:

	Fiscal Year 2023	Fiscal Year 2022	Increase/ (Decrease)	Total % Change
Other Assets	\$ 25,057,530	\$ 25,693,372	\$ (635,842)	(2.5%)
Capital Assets (Net of Depreciation)	19,770,715	12,517,114	7,253,601	57.9%
Total Assets	44,828,245	38,210,486	6,617,759	17.3%
Other Liabilities	4,242,172	2,089,253	2,152,919	103.0%
Total Liabilities	4,242,172	2,089,253	2,152,919	103.0%
Net Position:				
Investment in Capital Assets	19,770,715	12,517,114	7,253,601	58.0%
Unrestricted	20,815,358	23,604,119	(2,788,761)	(11.8%)
Total Net Position	<u>\$ 40,586,073</u>	<u>\$ 36,121,233</u>	<u>\$ 4,464,840</u>	<u>12.4%</u>

When compared to the prior year, other assets decreased and capital assets increased due to a significant increase in capital asset additions and from construction activity.

Total other liabilities increased by \$2.2 million over the previous year due primarily to a commitment to Chatham Area Transit Authority to support the purchase of two new ferry vessels and increased customer deposits for future events.

Total net position for the Authority increased during the fiscal year to \$40.6 million, or 12.4%. This was primarily due to higher revenues across the board related to the rebound in travel and tourism and a significant investment in capital assets.

SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The following is a summary of the Revenues, Expenses and Changes in Net Position for fiscal years 2023 and 2022:

	Fiscal Year 2023	Fiscal Year 2022	Increase/ (Decrease)	Total % Change
Operating Revenue	\$ 9,537,814	\$ 8,994,480	\$ 543,334	6.0%
Operating Expenses	13,755,620	10,089,044	3,666,576	36.3%
Operating Income (Loss)	(4,217,806)	(1,094,564)	(3,123,242)	285.3%
Non-operating Revenue	7,739,187	6,725,796	1,013,391	15.1%
Capital Contributions	943,459	321,441	622,018	193.5%
Change in Net Position	4,464,840	5,952,673	(1,487,833)	(25.0%)
Net Position July 1	36,121,233	30,168,560	5,952,673	19.7%
Net Position June 30	\$ 40,586,073	\$ 36,121,233	\$ 4,464,840	12.4%

Revenues

Operating revenues were \$9.5 million for the fiscal year ended June 30, 2023, which was an increase of \$543 thousand or 6.0% over the previous year. This increase is primarily due to the record year in event revenue. Non-operating revenue consists primarily of lodging taxes, which increased by \$146 thousand or 2.2% over the previous year and interest income which increased by \$821 thousand or 1015% over the previous year. Both Operating and Non-operating revenues set all-time high records in 2023.

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, 2023, were \$13.8 million, which was an increase of \$3.7 million or 36.3% 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 and investments in facility improvements.

CAPITAL ASSETS

The Authority's capital assets as of June 30, 2023, totaled \$25.6 million with accumulated depreciation of \$5.8 million for a net book value of \$19.8 million, a \$7.3 million increase in net book value from fiscal year 2022. The increase was principally due to replacing the roof, current year facility expansion work and investments in other 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 \$477 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, 2023

ECONOMIC FACTORS

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. The City of Savannah approved an increase in the hotel/motel tax from 6% to 8% beginning in September 2023 and an increase in the Authority's share of the tax from 12% to 14%. This change will result in approximately \$2.0 million in additional revenue per year.

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 2023. Indicators point to a stabilized growth trend in tourism, shipping and aerospace in 2024. The ongoing construction of a Hyundai mega plant in the Savannah area will bring upwards of 25,000 people to the area and many new companies which will further improve the outlook for 2024.

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, 2023

EXHIBIT "A"

ASSETS

Current

Cash and Cash equivalents	\$	22,214,760
Accounts Receivable		1,450,989
Due From Other Governments - Lodging Taxes		1,187,319
Advances to Other Governments		11,403
Inventory - Food and Beverage		52,364
Prepaid Items		140,695
Total Current Assets		25,057,530

Capital Assets

Nondepreciable Capital assets		17,138,624
Depreciable Capital Assets, Net of Accumulated Depreciation		2,632,091
Total Capital Assets		19,770,715
Total Assets		44,828,245

LIABILITIES

Current:

Accounts Payable		2,715,459
Contract Liability		285,121
Customer Deposits		1,241,592
Total Liabilities		4,242,172

NET POSITION

Investment in Capital Assets		19,770,715
Unrestricted Net Position		20,815,358
Total Net Position	\$	40,586,073

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, 2023

EXHIBIT "B"

OPERATING REVENUES:

Space Rental	\$	1,684,816
Catering		5,960,389
Ancillary Services		1,666,889
Other Operating		225,720
Total Operating Revenues		9,537,814

OPERATING EXPENSES:

Contract Services - GWCCA		4,513,126
Regular Operating		4,803,524
Cost of Sales - Food and Beverage		1,222,799
Professional Services		158,196
Projects and Expendable Equipment		2,580,916
Depreciation		477,059
Total Operating Expenses		13,755,620
Operating Loss		(4,217,806)

NON-OPERATING REVENUES:

Lodging Taxes		6,837,587
Interest Income		901,600
Total Non-Operating Revenues		7,739,187

CAPITAL CONTRIBUTIONS

Grant Revenue - GO Bonds		943,459
Change in Net Position		4,464,840
Total Net Position, Beginning of Year		36,121,233
Total Net Position, End of Year	\$	40,586,073

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, 2023

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 10,026,225
Cash paid for contract personnel services	(4,082,413)
Cash paid for goods and services	(7,431,107)
Net cash used by operating activities	<u>(1,487,295)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Lodging taxes received	<u>6,966,797</u>
Net cash provided by noncapital financing activities	<u>6,966,797</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Reimbursement from grant projects	943,459
Acquisition and construction of capital assets	(7,730,660)
Net cash used by capital and related financing activities	<u>(6,787,201)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>901,600</u>
Net cash provided by investing activities	<u>901,600</u>
Increase (decrease) in cash and cash equivalents	(406,099)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>22,620,859</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 22,214,760</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating (loss)	<u>\$ (4,217,806)</u>
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	477,059
Change in assets and liabilities:	
Decrease in accounts receivable	174,481
Increase in F&B inventory items	(13,026)
Increase in prepaid items	(60,922)
Increase in accounts payable	1,851,637
Decrease in accrued contract personal services	(12,648)
Increase in customer deposits payable	<u>313,930</u>
Net cash used by operating activities	<u>\$ (1,487,295)</u>

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

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SAVANNAH - GEORGIA CONVENTION CENTER AUTHORITY EXHIBIT "D"
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2023NOTE 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Receivables

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

Due from Other Governments

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, 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 complete, 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.

NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2023**Net Position**

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

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

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

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

Net Position Flow Assumption

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023, the Authority recorded the following shared revenues:

Chatham County	\$	418,770
City of Savannah		4,593,817
City of Pooler		483,848
City of Tybee Island		999,987
City of Port Wentworth		259,333
City of Garden City		81,832
Total Hotel and Motel Tax Revenue	\$	6,837,587

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 2023, the Authority considered implementation of the following GASB Statements:

- **GASB Statement 91**, objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross collateralized with other debt of the issuer.

NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2023

- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

While the Authority is required to implement the provisions of Statement No. 91 for the current fiscal year, the implementation of Statement No. 91 did not have any impact on the Authority's financial reporting.

- **GASB Statement 94**, objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which:
 - the operator collects and is compensated by fees from third parties;
 - the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and
 - the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

While the Authority is required to implement the provisions of Statement No. 94 for the current fiscal year, the implementation of Statement No. 94 did not have any impact on the Authority's financial reporting.

- **GASB Statement 96**, A subscription-based information technology arrangement (SBITA) is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. SBITAs provide governments with access to vendors' IT software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets.

While the Authority is required to implement the provisions of Statement No. 96 for the current fiscal year, the implementation of Statement No. 96 did not have any impact on the Authority's financial reporting.

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- **GASB Statement 99**, Omnibus 2022, objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:
 - Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
 - Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
 - Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

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 O.C.G.A Section 50-17-59:

- (1) Bonds, bills, certificates of indebtedness, notes, or other direct obligations of the United States or of the State.
- (2) Bonds, bills, certificates of indebtedness, notes, or other obligations of the counties or municipalities of the State.
- (3) Bonds of any public authority created by the laws of the State, providing that the statute that created the authority authorized the use of the bonds for this purpose.
- (4) Industrial revenue bonds and bonds of development authorities created by the laws of the State.

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- (5) Bonds, bills, certificates of indebtedness, notes, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest, or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Corporation, or the Federal National Mortgage Association.
- (6) Letters of credit issued by a Federal Home Loan Bank.
- (7) Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

NOTE 5: DEPOSITS

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, 2023, the Authority's bank balances totaled \$22,626,973. Of these deposits, \$22,376,973 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	\$ 22,376,973
Total	\$ 22,376,973

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NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Deletions	Balance June 30, 2023
Capital Assets, Not Being Depreciated:				
Construction in process	\$ 10,356,990	\$ 6,781,634	\$ -	\$ 17,138,624
Capital Assets:				
Building and Land Improvements	1,201,541	366,866	-	1,568,407
Infrastructure	709,620	-	-	709,620
Machinery and Equipment	5,612,738	582,160	-	6,194,898
Total Capital Assets	7,523,899	949,026	-	8,472,925
Less Accumulated Depreciation:				
Building and Land Improvements	(1,133,360)	(59,444)	-	(1,192,804)
Infrastructure	(283,605)	(70,962)	-	(354,567)
Machinery and Equipment	(3,946,810)	(346,653)	-	(4,293,463)
Total Accumulated Depreciation	5,363,775	(477,059)	-	(5,840,834)
Total Capital Assets Being Depreciated, Net	2,160,124	471,967	-	2,632,091
Total Capital Assets, Net	\$ 12,517,114	\$ 7,253,601	\$ -	\$ 19,770,715

NOTE 7: AGREEMENTS

Subsequent to the formation of the Authority in 1995, the County and Authority entered into the original intergovernmental 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 agreement to: (1) extend the term to December 31, 2051, to coincide

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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 2023, 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 agreement with the Authority, the Authority is responsible for indemnification of the building and contents, and other risks. At June 30, 2023, the Authority had obtained insurance coverage in accordance with its agreement with the County. Property coverage was obtained through the State's self-insurance program and was paid by the Authority through the Department of Economic Development. Additional insurance was obtained through the Department of Administrative Services to provide general and other liability coverages.

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

NOTE 9: LITIGATION, CONTINGENCIES AND COMMITMENTS**Litigation**

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

Contractual Commitments

On March 25, 2014, the Authority entered into an agreement with the GWCCA. The agreement engages GWCCA to promote, operate and manage the facility during the management term. The management term of the agreement commenced on April 1, 2014 and continued for three (3) years and three (3) months. During 2022 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 2023 was \$221,685. An incentive fee was accrued for fiscal year 2023 in the amount of \$221,676.

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.

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NOTE 10: SUBSEQUENT EVENTS

The Savannah-Georgia Convention Center Authority has authorized plans to build a 400-room hotel adjacent to the convention center. The Authority estimates the cost will be more than \$200 million, with plans to issue tax-exempt bonds to fund the project. The timeline for the construction project is still undetermined.

SECTION II

INTERNAL CONTROL AND COMPLIANCE REPORT

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**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
Mr. Stephen Hall, Interim General Manager and Director of Finance

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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 8, 2023. 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,



Greg S. Griffin
State Auditor

December 8, 2023