# GREENVILLE ARENA DISTRICT
**GREENVILLE, SOUTH CAROLINA**

## FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

**GREENVILLE ARENA DISTRICT**
**GREENVILLE, SOUTH CAROLINA**

# TABLE OF CONTENTS

**YEARS ENDED JUNE 30, 2011 AND 2010**

**GREENVILLE ARENA DISTRICT**

Greenville, South Carolina

Established

1940

GREENE FINNEY & HORTON
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

# INDEPENDENT AUDITORS' REPORT

Board of Trustees
Greenville Arena District
Greenville, South Carolina

We have audited the accompanying statements of net assets of the Greenville Arena District, South Carolina (the "District"), for the years ended June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2011 and 2010, and its changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011 on our consideration of the District'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The accompanying management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audits were conducted for the purpose of forming opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 23, 2011

This discussion and analysis of the Greenville Arena District's ("District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011 ("FY 2011" or "2011"). Our analysis includes comparisons of 2011 information with the fiscal years ended June 30, 2010 ("FY 2010" or "2010") and 2009 ("FY 2009" or "2009") information. This discussion and analysis not only includes the District itself (known as the primary government), but also its two blended component units. See "Overview of the Financial Statements" for more details on the District's component units.

The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements, notes to the basic financial statements, and the supplementary schedules to enhance their understanding of the District's financial performance.

## FINANCIAL AND OTHER HIGHLIGHTS

- During July 2009, the District issued the General Obligation Refunding and Improvement Bonds Series 2009 C ("Series 2009 C") to refund its Series 1996 C debt. This refunding also included funds of approximately $1,698,500 for a debt service reserve fund for the Series 2009 C debt, $2,500,000 to buy-out Centerplate's management rights, $888,500 for accrued expenses payable to Centerplate, and $1,450,000 for future capital improvements and operating expenses of the BI-LO Center ("Project Fund"). Because of the delay of approximately fourteen (14) months between the refunding in July 2009 and the Centerplate buyout in September 2010, the amount actually due and paid to Centerplate in September 2010 was approximately $4,263,000. The shortfall due to Centerplate was paid out of the Project Fund, leaving a balance in Project Fund of approximately $576,000 at the settlement date (September 1, 2010).
- The District pledged revenues of the BI-LO Center to pay debt service requirements on the Series 2009 C debt. In 2011, the District made principal and interest payments on the Series 2009 C debt of approximately $1,327,000. In 2011, the District was able to make the Series 2009 C debt service payments and sufficiently cover the operating expenses of the BI-LO Center by managing its cash flows during slow periods of the business cycle and by utilizing the Project Fund. Approximately $567,000 of the Project Fund was used to cover operating expenses in 2011 resulting in an ending cash balance at June 30, 2011 of approximately $122,000 (which included interest earned on the outstanding balance and a cost of issuance adjustment totaling approximately $113,000).
- The Series 2009 C debt service requirements for 2011-2012 fiscal year ("FY 12" or "2012") are approximately $1,318,000 and the 2012 BI-LO Center operating budget reflects operating income, before depreciation, of approximately $1,603,000, compared to $1,133,000 in 2011. The increased projections for 2012 are due to a 10% revenue increase, or approximately $386,000, and a 3% expense decrease (excluding depreciation), or approximately $84,000. In order to achieve the revenue projections for 2012, the management team's plans are to increase suite and sponsor revenue by approximately $100,000 by securing new customers and to increase event income by approximately $204,000 by increasing the number of events compared to 2011 and by increasing event profitability (reducing event related expenses and increasing ticket sales).
- Cash flow management will be critical in 2012 and cash shortages are possible during the slow periods of the business cycle. The District must rely on new sponsor and suite revenues and increased event revenue to improve its cash position in 2012. If necessary, the District can use the remaining Project Fund of approximately $122,000 to cover shortfalls. However, this amount is significantly less than the amount available to the District in 2011. To the extent that District revenues and Project Fund are insufficient to meet the Series 2009 C debt service requirements, the District will have to utilize the Series 2009 C debt service reserve fund.

## FINANCIAL AND OTHER HIGHLIGHTS (CONTINUED)

- The management team has developed a Strategic Plan that focuses on increasing earned revenue at the BI-LO Center and Charter Amphitheatre, specifically suites, sponsorships, and event income, and decreasing expenses where possible in order to improve the District's operating results and cash flows. The Strategic Plan is a long-term financial plan and does not address anticipated short-term cash flow issues. Cash flow management will be critical during 2012 and 2013, but cash flows should improve dramatically if and when a new naming rights agreement becomes effective (no earlier than September 2013) and when suite and sponsor sales increase. The Strategic Plan also focuses on identifying additional public/private partnerships to provide new sources of income for the District.
- Effective September 1, 2010, the District entered into an Amendment of the Operating Agreement ("Amendment") with Volume Services, Inc. ("Centerplate") whereby the District paid $2,500,000 to buyout Centerplate's rights (intangible asset) to manage the BI-LO Center over the remaining term of the operating agreement ("Centerplate Buyout"). The District is amortizing this intangible asset over the remaining life of the operating agreement (August 31, 2013) and is included with depreciation expense. Effective with the consummation of this amendment, the District assumed all management responsibilities at the BI-LO Center and employed certain personnel previously employed by Centerplate. In connection and in consideration of the Amendment, the District entered into an agreement with Centerplate to extend the term of the concession agreement for the BI-LO Center until September 1, 2020 as well as executed a new five year agreement for the Greenville Arena District Public Facilities Management Corporation (blended component unit) for food and beverage services for Heritage Park Amphitheatre ("Charter Amphitheatre").
- The assets of the District exceeded its liabilities (net assets) at June 30, 2011, 2010 and 2009 by approximately $9,275,000, $9,597,000, and $8,821,000, respectively. The District's unrestricted net deficit was approximately $3,208,000 at June 30, 2011, compared to a net deficit of approximately $3,222,000 at June 30, 2010 and $2,820,000 at June 30, 2009.
- Net assets decreased in 2011 by approximately $322,000 compared to increases of approximately $775,000 in 2010 and approximately $254,000 in 2009.
- The District's 2011 operating revenues decreased approximately $510,000 from the prior year. Property tax revenue was flat compared to the prior year. Accommodations fees decreased approximately $173,000 due to the new agreements between the City of Greenville ("City") and Greenville County ("County") where accommodation fees received by the District in excess of the Series 2009 B debt service requirements (as defined) are refunded back to the City and County. Total Event Income (net event income plus ancillary income) decreased approximately $170,000 in 2011 primarily due to losses incurred at the Charter Amphitheatre. Suite, sponsor, and club seat income decreased $292,000 due to suite contracts that were not renewed in September 2010. The declining revenues were partially offset by higher revenue in other income which increased approximately $98,000 primarily due to the 1st full year of management fees associated with Charter Amphitheatre. For details on the changes in operating revenues in 2010 and 2009, see "2011 Results Compared to 2010 and 2009 Results" section later in this MD&A.
- The District's 2011 operating expenses increased approximately $623,000 over the prior year primarily due to amortization of the intangible asset related to the Centerplate Buyout of approximately $694,000 (which is included in depreciation expense). Increased depreciation expense was offset by decreased general and administrative expenses due to reduced management fees. For details on the changes in operating expenses in 2010 and 2009, see "2011 Results Compared to 2010 and 2009 Results" section later in this MD&A.

## FINANCIAL AND OTHER HIGHLIGHTS (CONTINUED)

- Net capital assets increased by approximately $473,000 during 2011 and decreased by approximately $1,287,000 and $1,348,000 during 2010 and 2009, respectively. The primary reason for the increase in 2011 was due to additions of approximately $2,675,000 (primarily due to the Centerplate Buyout intangible asset of $2,500,000), partially offset by depreciation expense of approximately $2,202,000 (which included amortization of the intangible asset of approximately $694,000). The primary reason for the decreases during 2010 and 2009 was due to depreciation expense of approximately $1,492,000 and $1,576,000 for 2010 and 2009, respectively. The decreases in 2010 and 2009 were partially offset by capital additions (equipment purchases) of approximately $205,000 and $228,000, respectively.
- The District's debt decreased by approximately $2,099,000 in 2011 primarily due to scheduled principal payments of approximately $2,165,000. The District's debt increased by approximately $4,880,000 in 2010 primarily due to the July 2009 debt refunding, partially offset by scheduled principal payments of approximately $1,975,000. The District's July 2009 debt refinancing not only refunded the old debt issues, but also provided new money for capital projects, debt service reserve fund, and for other manager costs. The District's debt decreased by approximately $6,711,000 for 2009. Of this amount, $2,665,000 represented regularly scheduled principal payments on debt and $4,095,000 represented an early redemption of the Series 1999 B Certificates of Participation. The remaining changes for 2011, 2010 and 2009 represent amortization of deferred items related to the District's debt**.**

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – the *introductory section*, the *financial section* (which includes management's discussion and analysis), and the *compliance section*.

The basic financial statements provide short-term and long-term information about the District's overall financial status. The basic financial statements also show the entire function of the District is intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The business-type activities of the District include operating and managing (a) the BI-LO Center, a sports and entertainment arena, and (b) the Charter Amphitheatre (through its blended component unit – Management Corporation).

The District follows governmental accounting principles generally accepted in the United States of America. We present our basic financial statements on an accrual basis of accounting that is similar to the accounting basis used by most private-sector companies. Under the accrual basis, the current year's revenues earned and expenses incurred are accounted for in the Statement of Activities regardless of when cash is received or paid. All of the District's assets and liabilities are included in the Statement of Net Assets. *Net assets* – the difference between assets and liabilities – is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net assets or deficit are one indicator of whether our financial health is improving or deteriorating. However, other factors such as changes in operating revenues (i.e. net event income, ancillary income, etc.) should be considered in order to assess the District's overall health.

The basic financial statements include not only the District itself (known as the primary government), but also component units. The component units include two legally separated nonprofit corporations, Greenville Arena District Public Facilities Corporation ("Facilities Corporation") and Greenville Arena District Public Management Corporation ("Management Corporation"), for which the District controls and is financially accountable. Financial information for the component units are included in the amounts reported for the District because the nonprofit corporations are considered "blended" component units, and as such, are included in the business-type activities of the District. The basic financial statements of the District can be found as listed in the table of contents of this report.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. A fund (or sub fund) is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are a minimum number of funds (or sub funds) maintained to keep the accounts consistent with legal and managerial requirements. The possible funds that the District can use are divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Of these categories, the District utilizes only proprietary funds.

The District maintains one type of proprietary fund – an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the basic financial statements. The District uses the Greenville Arena District enterprise fund (consisting of several sub funds) to account for its operations related to arena/facility management.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found as listed in the table of contents of this report.

The combining schedules provided as supplementary information are included to reflect the financial activity of each reporting entity and/or activity (sub fund) that makes up the District’s enterprise activities. The combining schedules can be found as listed in the table of contents of this report.

### Proprietary Fund

The primary business activity of the Greenville Arena District Fund is operating and/or managing (a) the BI-LO Center, a 15,000 seat capacity sports and entertainment venue located in Greenville, South Carolina, and (b) the Charter Amphitheatre, a 14,000 capacity outdoor entertainment venue located in Simpsonville, South Carolina.

The primary purpose of the BI-LO Center and Charter Amphitheatre is to provide quality entertainment to the residents of the Upstate of South Carolina. The District generates revenue primarily through:

- ♦ Net event income (building rental/event promotion), sale of premium seating, and sponsorship sales.
- ♦ Ancillary event income, which includes food, beverage, merchandise sales, parking fees, taxes, ticketing surcharges, and event sponsorships.
- ♦ Property tax and accommodation fee revenue.
- ♦ Other income (i.e. intergovernmental revenues, naming right revenues, management fees, etc.)

A portion of the BI-LO Center’s revenues consists of Direct Event Income. The BI-LO Center generates net event income by renting the building to acts and/or promoters for events and through its own event promotion. Under the rental scenario, the BI-LO Center will lease the building to an act/promoter for an event for a set rental fee plus show expenses, and the BI-LO Center is not financially at risk. At times, the BI-LO Center will promote or co-promote events. This means that the BI-LO Center is responsible for all aspects of the show and that the BI-LO Center is at risk financially. The management of the BI-LO Center evaluates each event and pursues the financial model that is believed to enhance revenue for the building.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Proprietary Fund (Continued)

Ancillary Event income directly correlates with the number and quality of events the BI-LO Center holds each year. Generally, the higher attendance at each event translates into increased ancillary income, especially in the areas of food, beverage, merchandise, and ticketing surcharges.

The BI-LO Center also engages in the selling of premium seating at the venue by means of club seats and suites. The BI-LO Center enters into sales agreements with patrons and businesses for these club seats and suites and the terms of these agreements are anywhere from one (1) to seven (7) years. Also, the BI-LO Center generates revenue through the selling of sponsorships to local, regional, and national businesses. Sponsorship sales can range from the right to advertise via signage in the building to being an exclusive provider of food and beverage products for the building during events.

The operating expenses of the BI-LO Center consist primarily of payroll and benefits, utilities and communications, repairs and maintenance, and insurance. Many of the expenses of the building are non-discretionary and are subject to an annual budget process that is performed each fiscal year and is subject to approval by the District's Board of Trustees.

The District, through its blended component unit Management Corporation, will operate and manage the Charter Amphitheatre located within Heritage Park in Simpsonville, South Carolina.

## 2011 RESULTS COMPARED TO 2010 AND 2009 RESULTS

The BI-LO Center hosted 106 events for the year ended June 30, 2011. The BI-LO Center hosted 83 events in 2010 and 85 events in 2009. Charter Amphitheatre hosted seven (7) events in 2011 and two (2) events (concerts) in 2010, as the Management Corporation was not engaged to operate and manage the Charter Amphitheatre until February 2010. Net event income for the years ended June 30, 2011, 2010, and 2009 was approximately ($98,000), $331,000 and $349,000, respectively. Net event income decreased approximately $428,000, or 130%, in 2011 due to decreases at the BI-LO Center and Charter Amphitheatre of approximately $157,000 and $271,000, respectively. Net event income decreased approximately $18,000, or 6%, in 2010, due to an approximately $46,000 increase at the BI-LO Center, offset by an approximately $60,000 loss at Charter Amphitheatre.

Ancillary income has a direct correlation to the number and type of events held at the BI-LO Center and Charter Amphitheatre. Total ancillary income in 2011, 2010 and 2009 was approximately $2,022,000, $1,763,000, and $1,516,000, respectively. For 2011, ancillary income at the Charter Amphitheatre increased approximately $140,000 due to five (5) more events in 2011 compared to the prior year. Ancillary income at the BI-LO Center increased approximately $119,000 due to higher revenue generated at 43 hockey games (offset by a decline in concerts, family shows, and sporting events). In 2010, increased Ticketmaster royalties, a more favorable event mix at the BI-LO Center, and the first few months of operations at the Charter Amphitheatre are the primary components of the 16% increase in ancillary income. A $1.00 additional Ticketmaster fee was added in 2010 after the BI-LO Center converted to "paperless" ticketing. Also, twelve (12) family shows were held in 2010 that had service chargeable tickets due to the promoters' relationship with Ticketmaster. Normally, the BI-LO Center is not entitled to ticket surcharges for family shows.

## 2011 RESULTS COMPARED TO 2010 AND 2009 RESULTS (CONTINUED)

The County collects the District's accommodation fees and the property tax revenues. Accommodation fees for the years ended June 30, 2011, 2010 and 2009 were approximately $1,661,000, $1,834,000 and $2,193,000, respectively. Accommodation fees decreased in 2011 and 2010 due to the new agreements between the City County where accommodation fees received by the District in excess of the Series 2009 B debt service requirements (as defined) are refunded back to the City and County. In addition, the decrease in accommodation taxes for 2010 was also due to reduced occupancy rates and poor economic conditions. As of June 30, 2011 and 2010, the District had excess accommodations fees owed to the City and County (in excess of debt service requirements) of approximately $845,000 and $315,000, respectively. Property tax revenues for the years ended June 30, 2011, 2010 and 2009 were approximately $667,000, $640,000, and $635,000 respectively. Property tax revenues are fairly consistent for all years due to no change to the millage rate. Increases each year were due to higher assessed values. The millage rate is adjusted periodically by the County to provide funds sufficient to meet the debt service requirements on the Series A debt.

Club seats, suites, and sponsor fees for the BI-LO Center was approximately $1,801,000 (not including $19,000 from the Charter amphitheatre) for year ended June 30, 2011 compared to approximately $2,106,000 (not including $5,000 from the Charter Amphitheatre) and $1,946,000 for years ended June 30, 2010 and 2009, respectively. The approximately 14% decrease in 2011 is primarily due to twelve (12) suite clients who did not renew their multiple year contracts in September 2010. The approximately 8% or $160,000 increase in 2010 is primarily due to two (2) new annual suite licenses, one (1) new entrance sponsorship, and reduced commission expense payable to Centerplate effective January 23, 2010. New sponsor and suite sales and reduced commissions were offset by reduced club seat fees. Suite, sponsor, and club revenue for Charter Amphitheatre was insignificant in 2010.

Other income was approximately $647,000, $550,000, and $512,000 for the years ended June 30, 2011, 2010, and 2009, respectively. The 18% increase in 2011 was primarily due to a full year of management fees earned by the Management Corporation in operating and managing the Charter Amphitheatre. The 7% increase in 2010 was also due to the management fees earned by the Management Corporation at Charter Amphitheatre as it began its management function in February 2010.

The District's operating expenses were approximately $5,266,000 in 2011, $4,643,000 in 2010, and $5,294,000 in 2009. General and administrative expenses decreased in 2011 by approximately $87,000, or 3%, due to reduced management fees at the BI-LO Center, offset by increased expenses for the Management Corporation due to a full year of operations. Depreciation expense increased approximately $709,000, or 48%, in 2011. Effective September 2010, the District bought the current arena manager's rights to manage the BI-LO Center for $2,500,000 (intangible asset). The District is amortizing the intangible asset over the remaining life of the Operating Agreement (August 31, 2013). Amortization expense in 2011 was approximately $694,000 and is included with depreciation, and there are no prior year comparisons. The decrease in operating expenses in 2010 was primarily due to reduced management fees and bank fees. In 2009, bank fees were approximately $351,000; however in 2010, after the debt restructuring, annual bank fees decreased approximately 87%, or $305,000, to $46,000. Also, in 2009 management fees to Centerplate were approximately $929,000, however in 2010, after the Centerplate buy-out terms were negotiated, management fees decreased approximately 42%, or $397,000, to $532,000 for the year. Please note that the agreement to buyout Centerplate was not effective until September 1, 2010, however the reduced management fees were effective back to January 23, 2010. Legal fees incurred during Centerplate negotiations and hockey negotiations, and consulting fees incurred during the transition phase offset savings by approximately $47,000. Also, general and administrative expenses at Charter Amphitheatre offset savings.

## 2011 RESULTS COMPARED TO 2010 AND 2009 RESULTS (CONTINUED)

Net non-operating expenses decreased by approximately $36,000 in 2011 primarily due to lower interest expense on the Series 2009 A and 2009 B bonds in 2011. Net non-operating expenses increased by approximately $208,000 in 2010 to $1,812,000, compared to $1,603,000 in 2009. Interest expense increased $254,000 in 2010 due to a 5% fixed interest rate on the Series 2009 C debt compared to a variable rate (between 1.00% - 8.25%) on the Series 1996 C debt. Additionally, the outstanding principal balance on the Series 2009 C debt is higher than the outstanding principal on the Series 1996 C debt in 2009. The increased interest rate was offset by decreased amortization expense.

## FINANCIAL ANALYSIS OF THE DISTRICT

During the year ended June 30, 2011, the District's net assets decreased by approximately $322,000 to approximately $9,275,000. During the year ended June 30, 2010, the District's net assets increased by approximately $775,000 to $9,597,000. During the year ended June 30, 2009, the District's net assets increased by approximately $254,000 to $8,821,000.

See Table 1 below for more details.

**Table 1**
**Net Assets (Deficit)**

| | Business-Type Activities | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| **Assets** | | | |
| Current and other assets | $ 7,736,596 | 11,906,750 | $ 6,179,906 |
| Capital assets, net | 41,329,056 | 40,855,753 | 42,142,820 |
| Total Assets | 49,065,652 | 52,762,503 | 48,322,726 |
| **Liabilities** | | | |
| Long-term liabilities | 33,905,237 | 36,323,361 | 23,413,624 |
| Other liabilities | 5,885,911 | 6,842,628 | 16,087,796 |
| Total Liabilities | 39,791,148 | 43,165,989 | 39,501,420 |
| **Net Assets** | | | |
| Invested in capital assets, net of related debt | 10,285,941 | 10,434,590 | 9,351,104 |
| Restricted | 2,196,963 | 2,383,879 | 2,289,756 |
| Unrestricted | (3,208,400) | (3,221,955) | (2,819,554) |
| Total Net Assets | $ 9,274,504 | 9,596,514 | $ 8,821,306 |

The decrease in total assets in 2011 is primarily due to using unspent bond proceeds from the July 2009 refunding of the District's debt for costs related to the Centerplate Buyout and for other general operating expenses. The increase in total assets in 2010 is primarily due to unspent bond proceeds from the July 2009 refunding of the District's debt, partially offset by current year depreciation on the District's capital assets. The decrease in total assets in 2009 was primarily related to depreciation expense.

## FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

Long-term liabilities generally consist of deferred income and the District's Series A, B, and C debt. Total liabilities decreased by approximately $3,375,000 in 2011 primarily due to scheduled principal payments and the payments made at the closing of the Centerplate Buyout related to outstanding management fees and other operating costs. Total liabilities increased in 2010 by approximately $3,665,000 primarily due to the refunding in July 2009, partially offset by scheduled principal payments. The Series 2009 C debt not only refunded the Series 1996 C debt, but contained new money for (a) a debt service reserve fund, (b) payment of management fees and other costs of the manager, and (c) a construction fund. Total liabilities decreased by approximately $6,000,000 at June 30, 2009. The District paid down its debt in the amount of $2,165,000, $1,975,000, and $6,760,000 during the years ended June 30, 2011, 2010 and 2009, respectively, of which all amounts represented regularly scheduled principal payments except for the early redemption of a portion of the Series 1999 B Certificates of Participation for $4,095,000 in 2009.

In 2005, the District entered into a capital lease for approximately $127,000 to finance the purchase of a new marquee. Principal payments made towards the capital lease were approximately $14,000 and $28,000 during 2010 and 2009, respectively. In addition, the District in 2011, 2010 and 2009 recognized approximately $66,000, $66,000, and $49,000, respectively, in amortization expense related to deferred items (i.e. discounts, premiums, and deferred losses) on its debt and had other changes in deferred income of approximately $229,000, $480,000, and $257,000 for each year, respectively.

Governmental accounting principles require the District to classify its net assets in three categories as follows:

- Invested in capital assets, net of related debt – This represents amounts invested in capital assets, less accumulated depreciation and amortization on those assets, bond issue costs (net), and less any liabilities that are attributable to the construction, acquisition, and/or improvement of those assets. At June 30, 2011, 2010, and 2009, the amount invested in capital assets, net of related debt was approximately $10,286,000, $10,435,000, and $9,351,000, respectively. The decrease for 2011 was primarily due to depreciation expense, partially offset by capital asset additions and scheduled principal payments. The increase for 2010 was primarily due to the scheduled principal payments and capital asset additions, partially offset by depreciation expense. The increase in 2009 was primarily due to the scheduled and early redemption principal payments and capital asset additions, partially offset by depreciation expense. In general, as the debt related to the District's capital assets is paid down and current year debt payments exceed current year depreciation, then the amount invested in capital assets, net of related debt will increase.
- Restricted – This represents the portion of net assets with attached constraints on the use of assets. The constraints are externally imposed by such means or parties, such as debt covenants, laws, agreements, and the District's Board of Trustees. The District's restricted net assets as of June 30, 2011, 2010, and 2009 were approximately $2,197,000, $2,384,000, and $2,290,000, respectively. Of the restricted net assets for all years, all were restricted for debt service except for $201,000 as of June 30, 2009 which was restricted for capital improvements. In 2009, the District elected to early redeem $4,095,000 of the Series 1999 B Certificates of Participation resulting in the significant decrease in amounts restricted for debt service.
- Unrestricted – This represents the portion of net assets that can be used to finance the daily operations of the District and on which no restrictions are imposed. The balance of unrestricted net assets as of June 30, 2011, 2010, and 2009 was a deficit of approximately ($3,208,000), ($3,222,000), and ($2,820,000), respectively. See "2011 Results Compared to 2010 and 2009 Results" for more details on each year's change in net assets.

## FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

**Table 2**
**Changes in Net Assets**

| | Business-Type Activities | | |
|---|---|---|---|
| **Revenues** | **2011** | **2010** | **2009 *** |
| Revenues: | | | |
| Operating revenues | $ 6,719,435 | 7,229,919 | $ 7,150,798 |
| Nonoperating revenues | 53,845 | 88,281 | 97,723 |
| Total revenues | 6,773,280 | 7,318,200 | 7,248,521 |
| **Expenses** | | | |
| Expenses: | | | |
| Operating expenses | 5,265,557 | 4,642,798 | 5,293,769 |
| Nonoperating expenses | 1,829,733 | 1,900,194 | 1,701,160 |
| Total expenses | 7,095,290 | 6,542,992 | 6,994,929 |
| Change in net assets | (322,010) | 775,208 | 253,592 |
| Total net assets, beginning of year | 9,596,514 | 8,821,306 | 8,567,714 |
| Total net assets, end of year | $ 9,274,504 | 9,596,514 | $ 8,821,306 |

* Certain amounts have been reclassified to agree to the current year presentation.

See "2011 Results Compared to 2010 and 2009 Results" for details on the District's change in net assets for 2011, 2010 and 2009.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

Capital assets consist of land, intangible assets, buildings, improvements, vehicles and equipment. The District had approximately $41,329,000 invested in capital assets as of June 30, 2011, compared to approximately $40,856,000 and $42,143,000 as of June 30, 2010 and 2009, respectively. See Table 3 below for details of the District's capital assets as of June 30, 2011, 2010 and 2009:

**Table 3**
**Capital Assets at June 30,**

| | Business-Type Activities | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| Land | $ 2,420,017 | 2,420,017 | $ 2,420,017 |
| Intangible asset | 2,500,000 | - | - |
| Buildings and improvements | 58,272,158 | 58,234,964 | 58,109,597 |
| Vehicles and equipment | 1,185,320 | 1,047,552 | 967,619 |
| | 64,377,495 | 61,702,533 | 61,497,233 |
| Less: accumulated depreciation | (23,048,439) | (20,846,780) | (19,354,413) |
| Capital assets, net | $ 41,329,056 | 40,855,753 | $ 42,142,820 |

## CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

### Capital Assets (Continued)

Net capital assets increased by approximately $473,000 during 2011 and decreased by approximately $1,287,000 and $1,348,000 during 2010 and 2009, respectively. The primary reason for the increase in 2011 was due to additions of approximately $2,675,000 (primarily due to the Centerplate Buyout intangible asset of $2,500,000), partially offset by depreciation expense of approximately $2,202,000 (which included amortization of the intangible asset of approximately $694,000). The District is amortizing the intangible asset over the remaining life of the operating agreement (August 31, 2013) and is included with depreciation expense. The primary reason for the decreases in capital assets during 2010 and 2009 was due to depreciation expense of approximately $1,492,000 and $1,576,000 for 2010 and 2009, respectively. The decreases in 2010 and 2009 were partially offset by capital additions (equipment purchases) of approximately $205,000 and $228,000, respectively.

More detailed information about the District's capital assets is presented in the notes to the basic financial statements.

### Debt Administration

The District’s long-term debt consists of General Obligation Refunding Bonds (“GORB”), General Obligation Refunding and Improvement Bonds (“GORIB”), Certificates of Participation (“COP”), and Refunding Certificates of Participation (“RCOP”) that were issued for the original purpose of constructing the BI-LO Center. As of June 30, 2011, 2010, and 2009, the District’s outstanding balance on its long-term debt (including current portion) was approximately $35,663,000, $37,762,000, and $32,883,000, respectively.

Table 4 shows the components of the District’s debt as of June 30, 2011, 2010, and 2009:

**Table 4**
**Outstanding Debt, at June 30,**

| | Business-Type Activities | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Debt: | | | |
| Series 1999 A - GORB | $ - | - | $ 8,125,000 |
| Series 2009 A - GORB | 6,985,000 | 7,680,000 | - |
| Series 1999 B - COP | - | - | 15,835,000 |
| Series 2009 B - COP | 12,960,000 | 14,035,000 | - |
| Series 1996 C - COP | - | - | 9,235,000 |
| Series 1998 C - COP | - | - | - |
| Series 2009 C - GORIB | 16,200,000 | 16,595,000 | - |
| Total gross debt | 36,145,000 | 38,310,000 | 33,195,000 |
| Less: deferred items | (481,531) | (547,685) | (312,342) |
| Total net debt | $ 35,663,469 | 37,762,315 | $ 32,882,658 |

## CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

### Debt Administration (Continued)

The outstanding balance on the District's debt decreased by approximately $2,099,000 in 2011. This decrease was primarily due to scheduled principal payments of approximately $2,165,000. The outstanding balance on the District's debt increased by approximately $4,880,000 in 2010. This increase was due to the District refunding all of its outstanding debt of approximately $33,195,000 with new debt for approximately $40,285,000 (excluding deferred items) which had new money for additional items as noted below. In addition, the District made regularly scheduled principal payments of $1,975,000 in 2010. The outstanding balance on the District's debt decreased by approximately $6,711,000 in 2009. This decrease in 2009 was primarily due to the District making scheduled principal payments of approximately $2,665,000 and a $4,095,000 early redemption payment on the Series 1999 B Certificates of Participation. The remaining changes for 2011, 2010 and 2009 represent amortization of deferred items on the District's debt.

#### *2010 Debt Refunding*

In July 2009, the District was able to successfully refund all of its outstanding debt with the following issuances – $8,315,000 Series 2009 A General Obligation Refunding Bonds ("Series 2009 A"), $14,985,000 Series 2009 B Refunding Certificates of Participation ("Series 2009 B"), and $16,985,000 Series 2009 C General Obligation Refunding and Improvement Bonds ("Series 2009 C"). Standard & Poor's Rating Services assigned its "AA+" rating to the District's Series 2009 A and Series 2009 C debt. The Series 2009 B debt was privately placed.

The proceeds from the bonds were used primarily (a) to current refund all of the District's outstanding debt, (b) to pay cost of issuance of the new debt, and (c) to establish various reserve funds for debt service, construction, and manager costs. The total proceeds received on the debt issuances also included premiums of approximately $275,000. In addition, the District incurred approximately $803,000 in debt issuance costs.

The reacquisition price of the refunded debt exceeded the net carrying value of the debt (deferred loss) by approximately $888,000. This deferred loss is being netted against the new debt and amortized over the shorter of the life of the refunded debt or the new debt.

Due to the refunding, the District was not only able to favorably restructure its future debt service payments and fees, but to establish various reserve funds for debt service, construction, and manager costs as well as eliminate various restrictive covenants of the refunded debt (which the District had been in default in previous years).

## OPERATING OUTLOOK FOR 2012 AND CURRENT EVENTS

The District approved an operating budget for FY 12 for the BI-LO Center consisting of 99 events. BI-LO Center operating revenues are projected to increase 10%, or $387,000, to $4,418,000.

Net event income is expected to increase approximately 10%, or $204,000, due to a projected increase in number of concerts, increased attendance for hockey, and increased family show revenue (based on confirmed events). Sponsor, suite and club seat income is projected to increase approximately 5%, or $97,000, due to new leadership in the department and revised sales and marketing plans.

## OPERATING OUTLOOK FOR 2012 AND CURRENT EVENTS (CONTINUED)

The approved budget projects operating expenses to decrease approximately 3.5%, or $107,000, to $2,931,000 annually.

The change in net assets before debt service and depreciation for 2012 is projected to be approximately $1,603,000. The management team has developed a Strategic Plan that focuses on increasing earned revenue at the BI-LO Center and Charter Amphitheatre, specifically suites, sponsorships, and event income, and decreasing expenses where possible in order to improve the District's operating results and cash flows. The Strategic Plan contains long-term financial goals and does not address anticipated short-term cash flow issues. Cash flow management will be critical during 2012 and 2013, but cash flows should improve dramatically if and when a new naming rights agreement becomes effective (no earlier than September 2013) and when suite and sponsor sales increase. The Strategic Plan also focuses on identifying additional public/private partnerships to provide new sources of income. If necessary, the District can use the remaining Project Fund of approximately $122,000 to cover shortfalls. However, this amount is significantly less than the amount available to the District in 2011. To the extent that District revenues and the Project Fund are insufficient to meet the Series 2009 C debt service requirements, the District will have to utilize the Series 2009 C debt service reserve fund.

Charter Amphitheatre operating and non-operating revenue budget for the 2012 is approximately $445,000 and operating expenses (excluding non-cash expenses of depreciation and amortization) are budgeted at approximately $188,000, yielding a change in net assets of approximately $258,000. Management will monitor the revenues and expenses during 2012 and will work to exceed budget expectations. Management Corporation's management budgeted eight (8) total event days for 2012.

The approved 2012 budget only includes revenues and expenses generated from BI-LO Center operations and Charter Amphitheatre (each a sub fund of the District).

The District's Board of Trustees ("Board") approved the 2012 BI-LO Center Operations budget at the June 2011 Board meeting.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, patrons, and interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District's Finance Office at (864) 241-3800.

# BASIC FINANCIAL STATEMENTS

**GREENVILLE ARENA DISTRICT**
**GREENVILLE, SOUTH CAROLINA**

**STATEMENTS OF NET ASSETS - PROPRIETARY FUND**

**JUNE 30, 2011 AND 2010**

| | Business-Type Activities - Enterprise Fund | |
|---|---|---|
| **ASSETS** | **2011** | **2010** |
| Current assets: | | |
| Cash and cash equivalents | $ 756,233 | $ 560,122 |
| Restricted cash and cash equivalents | 2,984,574 | 2,464,034 |
| Cash and investments held by county treasurer | 1,113,026 | 6,098,032 |
| Taxes receivable, net | 37,750 | 36,636 |
| Accounts receivable | 712,526 | 565,716 |
| Accommodations fees receivable | 254,392 | 236,857 |
| Prepaid expenses | 1,166,658 | 1,188,063 |
| Total current assets | 7,025,159 | 11,149,460 |
| Noncurrent assets: | | |
| Capital assets, net | 41,329,056 | 40,855,753 |
| Debt issuance costs, net | 711,437 | 757,290 |
| Total noncurrent assets | 42,040,493 | 41,613,043 |
| **Total Assets** | 49,065,652 | 52,762,503 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | 72,246 | 745,354 |
| Current portion of long-term debt | 2,255,000 | 2,165,000 |
| Accrued expenses | 1,493,272 | 2,169,977 |
| Deferred premium seat income and deposits | 1,108,478 | 1,377,518 |
| Deferred sponsor income | 271,961 | 173,707 |
| Advance show and sales deposits | 684,954 | 211,072 |
| Total current liabilities | 5,885,911 | 6,842,628 |
| Long-term liabilities: | | |
| Deferred income | 496,768 | 726,046 |
| Long-term debt, less current portion | 33,408,469 | 35,597,315 |
| Total long-term liabilities | 33,905,237 | 36,323,361 |
| **Total Liabilities** | 39,791,148 | 43,165,989 |
| **NET ASSETS** | | |
| Net assets: | | |
| Invested in capital assets, net of related debt | 10,285,941 | 10,434,590 |
| Restricted for: | | |
| Debt service | 2,196,963 | 2,383,879 |
| Unrestricted | (3,208,400) | (3,221,955) |
| **Total Net Assets** | $ 9,274,504 | $ 9,596,514 |

The notes to the basic financial statements are an integral part of these statements.
See accompanying independent auditors' report.

**GREENVILLE ARENA DISTRICT**
**GREENVILLE, SOUTH CAROLINA**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUND**

**YEARS ENDED JUNE 30, 2011 AND 2010**

| | Business-Type Activities - Enterprise Fund | |
|---|---|---|
| **OPERATING REVENUES** | **2011** | **2010** |
| Event income, net | $ (97,654) | $ 330,784 |
| Ancillary income | 2,021,991 | 1,763,382 |
| Accommodation fees | 1,661,144 | 1,834,050 |
| Property and merchandise inventory tax | 666,735 | 640,462 |
| Club seats, suites and sponsor fees, net | 1,819,784 | 2,111,335 |
| Other income | 647,435 | 549,906 |
| **Total Operating Revenues** | 6,719,435 | 7,229,919 |
| **OPERATING EXPENSES** | | |
| General and administrative | 3,063,899 | 3,150,431 |
| Depreciation | 2,201,658 | 1,492,367 |
| **Total Operating Expenses** | 5,265,557 | 4,642,798 |
| Operating income | 1,453,878 | 2,587,121 |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Interest income | 53,845 | 88,281 |
| Interest expense | (1,717,725) | (1,788,178) |
| Amortization expense | (112,008) | (112,016) |
| **Total nonoperating revenues (expenses)** | (1,775,888) | (1,811,913) |
| Change in net assets | (322,010) | 775,208 |
| Net assets, beginning of year | 9,596,514 | 8,821,306 |
| Total net assets, end of year | $ 9,274,504 | $ 9,596,514 |

The notes to the basic financial statements are an integral part of these statements.
See accompanying independent auditors' report.

**GREENVILLE ARENA DISTRICT**
**GREENVILLE, SOUTH CAROLINA**

**STATEMENTS OF CASH FLOWS - PROPRIETARY FUND**

**YEARS ENDED JUNE 30, 2011 AND 2010**

| | Business-Type Activities - Enterprise Fund | |
|---|---|---|
| | **2011** | **2010** |
| **Cash flows from operating activities** | | |
| Cash received from customers | $ 4,318,564 | $ 3,796,362 |
| Cash received from accommodations tax authority | 1,643,609 | 1,792,817 |
| Cash received from property tax authority | 665,621 | 634,053 |
| Cash payments to suppliers for goods and services | (3,168,737) | (1,493,506) |
| Cash payments to employees | (1,199,490) | (1,034,970) |
| Net cash provided by operating activities | 2,259,567 | 3,694,756 |
| **Cash flows from non-capital financing activities** | | |
| Principal paid on short-term debt and bonds | - | (640,000) |
| Interest paid on short-term debt and bonds | - | (17,071) |
| Net cash used in non-capital financing activities | - | (657,071) |
| **Cash flows from capital and related financing activities** | | |
| Acquisition and/or construction of capital assets | (2,674,962) | (205,300) |
| Proceeds from issuance of bonds, notes, and lease obligations | - | 40,559,613 |
| Principal and premium paid on refunded/defeased bonds | - | (33,276,250) |
| Principal paid on bonds, notes, and lease obligations | (2,165,000) | (1,989,562) |
| Interest paid on bonds, notes, and lease obligations | (1,741,805) | (1,656,868) |
| Bond issuance costs | - | (803,152) |
| Net cash provided by (used in) capital and related financing activities | (6,581,767) | 2,628,481 |
| **Cash flows from investing activities** | | |
| Short term investments and amounts held by county treasurer, net | 4,985,006 | (4,858,952) |
| Investment income | 53,845 | 88,281 |
| Net cash provided by (used in) investing activities | 5,038,851 | (4,770,671) |
| **Net increase in restricted and unrestricted cash and cash equivalents** | 716,651 | 895,495 |
| Restricted and unrestricted cash and cash equivalents, beginning of year | 3,024,156 | 2,128,661 |
| **Restricted and unrestricted cash and cash equivalents, end of year** | $ 3,740,807 | $ 3,024,156 |
| **Reconciliation of operating income to net cash provided by operating activities:** | | |
| Operating income | $ 1,453,878 | $ 2,587,121 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | 2,201,658 | 1,492,367 |
| Changes in assets and liabilities: | | |
| Taxes receivable, net | (1,114) | (6,409) |
| Accounts receivable | (146,810) | 103,102 |
| Accommodations fees receivable | (17,535) | (41,233) |
| Prepaid expenses | 21,405 | (16,071) |
| Accounts payable | (673,108) | 54,284 |
| Accrued expenses | (652,625) | 583,742 |
| Deferred premium seat income and deposits | (269,040) | (649,338) |
| Deferred sponsor income | 98,254 | 25,491 |
| Advance show and sales deposits | 473,882 | (209,024) |
| Deferred income | (229,278) | (229,276) |
| Net cash provided by operating activities | $ 2,259,567 | $ 3,694,756 |
| **Supplemental disclosures of cash flow information** | | |
| Noncash items: | | |
| Deferred loss from writeoff of refunded bonds issuance costs, discounts, and deferred income | $ - | $ 745,504 |

The notes to the basic financial statements are an integral part of these statements.
See accompanying independent auditors' report.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. The Reporting Entity

The Greenville Arena District ("District") is a special purpose district created by the General Assembly of the State of South Carolina in 1940. The District is governed by a Board of Trustees ("Board") consisting of nine members who are appointed by the Governor upon recommendation by Greenville County Council. The District's function is to oversee the management of its facilities in providing an educational, cultural, athletic, and convention center to serve the citizens of the District (the "BI-LO Center").

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America, ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described later in this note.

As required by GAAP, these basic financial statements present the District and its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity as a component unit is financial accountability, which is presumed to exist if the District both appoints a voting majority of the entity's governing body, and either 1) the District is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on, the District. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the District. In order to be considered fiscally independent, an entity must have the authority to do all three of the following: (a) Determine its budget without the District having the authority to approve or modify that budget; (b) Levy taxes or set rates or charges without approval by the District; and (c) Issue bonded debt without approval by the District.

Finally, an entity could be a component unit even if it met all the conditions described above for fiscal independence if excluding it would cause the District's basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize they are legally separate from the District. Based on the criteria above, the District has two blended component units.

### Blended Component Units

The Greenville Arena District Public Facilities Corporation (the "Facilities Corporation") is a South Carolina non-profit corporation organized in May 1996 exclusively for the benefit of, to perform the functions of and to carry out the purpose of holding title, owning, leasing, financing, constructing, acquiring and operating land, buildings, equipment, and facilities functionally related to the District and to perform any other lawful purpose related to the furtherance of the governmental powers of the District, that is not inconsistent with the Facilities Corporation's non-profit status; provided that all property owned and leased by the Facilities Corporation shall be used for public purpose (i.e. the BI-LO Center). The Facilities Corporation is governed by a Board of Directors consisting of five members of the nine member Board of Trustees of the District.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### A. The Reporting Entity (Continued)

**Blended Component Units (Continued)**

The Greenville Arena District Public Facilities Management Corporation (the "Management Corporation") is a South Carolina non-profit corporation organized in December 2009 exclusively for the benefit of, to perform the functions of and to carry out the purpose of (i) operating and managing land, buildings, equipment, and facilities and (ii) performing any other lawful purpose related to the furtherance of the governmental powers of the District that is not inconsistent with the Management Corporation's nonprofit status; provided that all property operated and managed by the Management Corporation shall be used for a valid public purpose (See Note XII "City of Simpsonville – Management Agreement" for more details). The Management Corporation is governed by a Board of Directors consisting of five members of the seven member Board of Trustees of the District.

The Facilities Corporation and Management Corporation (collectively known as the "Corporations") have been included as a blended enterprise component units of the District because five members of the District's Board of Trustees serve as the Board of Directors for the Corporations and the District, receives all benefits and burdens of its activities and is fiscally responsible for its operation. Blended component units, although legally separate entities, are in substance, part of the government's operations; therefore, data from these Corporations are combined with data from the primary government. Separate financial statements for the Corporations are not issued.

### B. Measurement Focus, Basis of Accounting, and Basis of Presentation

Since the District is a special purpose government engaged in only business-type activities (activities which rely to a significant extent on fees and charges for support), it is required to only present basic financial statement information as required for enterprise funds (see following sections for more details on enterprise funds). Due to the District's unique focus (only business-type activities), government-wide basic financial statements have not been included in this report as they are not permitted or allowed.

The combining schedules provided as supplementary information are included to reflect the financial activity of each reporting entity (sub fund) that makes up the arena operations enterprise segment.

The accounts of the government are organized and operated on the basis of funds (or sub funds). A fund (or sub fund) is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are a minimum number of funds (or sub funds) maintained to keep the accounts consistent with legal and managerial requirements. The District uses only the following fund type.

***Proprietary fund types*** are accounted for based on the flow of economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District applies all applicable Governmental Accounting Standards Board ("GASB") pronouncements, as well as the requirements of Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs"), issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The District has elected not to follow the aforementioned guidance issued after November 30, 1989 as allowed by GAAP. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The District does not have any internal service funds and has one enterprise fund (with several sub funds).

***Enterprise Funds*** are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District has one major Enterprise Fund:

> The **Greenville Arena District Fund** is used to account for all of the operations of the District and its blended component units. All activities to provide such services are accounted for in this fund (with the use of sub funds).

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District's basic financial statements and notes to the basic financial statements have included the amounts from the Corporations (its blended enterprise component units).

### C. Assets, Liabilities, and Equity

#### Cash, Cash Equivalents, and Investments

***Cash and Cash Equivalents***

The District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

***Investments***

The District's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types and component units within the State of South Carolina) that authorize the District to invest in the following:

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, and Equity (Continued)

**Cash, Cash Equivalents, and Investments (Continued)**

***Investments (Continued)***

(a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

(b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.

(e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

(f) Repurchase agreements when collateralized by securities as set forth in this section.

(g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, and Equity (Continued)

**Cash, Cash Equivalents, and Investments (Continued)**

***Investments (Continued)***

The District's cash investment objectives are preservation of capital, liquidity and yield. The District reports its cash and investments, as well as its blended component units, at fair value which is normally determined by quoted market prices. The District currently or in the past two years has used the following investments:

- Open ended treasury money market funds which are primarily invested in short term obligations of the United States and related agencies.

- Treasury notes, treasury bills and other agency securities are debt obligations of the U.S. government (you are lending money to the federal government for a specified period of time). These debt obligations are backed by the "full faith and credit" of the government, and thus by its ability to raise tax revenues and print currency, U.S. Treasury securities are considered the safest of all investments. They are viewed in the market as having no "credit risk," meaning that it is virtually certain your interest and principal will be paid on time.

- Cash and Investments held by the County Treasurer are either property taxes collected to service the District's bonded debt or proceeds received from bond issuances that are restricted for specified purposes (in accordance with the bond documents). The County Treasurer serves as the District's fiscal agent in these matters. The County Treasurer invests these funds in investments authorized by state statute as outlined above. All interest and other earnings gained are added back to the District's account.

***Capital Assets***

All capital assets are capitalized at cost (or estimated historical cost) and are updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000 for land, buildings and improvements, vehicles and equipment, and intangible assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is capitalized.

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are complete and placed in service, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for the District's business-type activities:

| Description | Estimated Lives |
|---|---|
| Buildings and improvements | 10-40 years |
| Vehicles and equipment | 3-15 years |
| Intangible assets | 3 years |

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, and Equity (Continued)

***Amortization of Debt Issuance Costs***

Legal and accounting fees, printing costs, and other expenses associated with the issuance of the various debts are being amortized on the straight-line method over the term of the debt.

***Discounts/Premiums on Debt***

A portion of the District's long-term debt was issued at a discount or premium to its par or stated value. These deferred charges are being amortized on the straight-line method over the term of the debt.

***Deferred Losses on Refunding of Debt***

The District's reacquisition price on the refunded debt exceeded its net carrying value which resulted in a deferred loss on refunding. Deferred losses are being amortized on the straight-line method over the shorter of the term of the refunded debt or the new debt.

***Deferred Income/Revenue***

Deferred premium seat income and deferred sponsor income represent advance payments or billings from the respective parties. Income from these arrangements is recognized over the life of the respective agreement.

Advance show sales and deposits are recognized as income upon the completion of the respective event.

***Deferred Naming Rights***

The District has sold the naming rights of the BI-LO Center for 15 years with payments occurring only during the first 10 years of the agreement (See Note XII "License and Naming Rights" for more details). The District is recognizing income in accordance with GAAP. The District calculated the income to be received during the first ten years of the agreement and straight-lines the income over the 15 year life of the agreement.

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt, which has not been spent, is included in the same net assets component as the unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, and Equity (Continued)

***Revenues***

The District's ancillary income is comprised primarily of food, beverage and merchandise sales, parking fees, ticketing surcharges, taxes, and event sponsorships. The District's other income is comprised primarily of intergovernmental revenues, naming right revenues, and management fees.

***Accounting Estimates***

The preparation of basic financial statements in accordance with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## II. DEPOSITS AND INVESTMENTS

***Deposits***

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2011, none of the District's bank balances of approximately $764,000 (with a carrying value of approximately $756,000) were exposed to custodial credit risk. As of June 30, 2010, none of the District's bank balances of approximately $578,000 (with a carrying value of approximately $560,000) were exposed to custodial credit risk.

***Investments***

As of June 30, 2011, the District had the following investments as defined by GASB:

| Investment Type | Credit Rating ^ | Fair Value | Percentage of Total Investments | Weighted Average Maturity < 1 Year | Weighted Average Maturity 1 - 3 Years |
|---|---|---|---|---|---|
| Cash and investments held by county treasurer | NR, NR, NR | $1,113,026 | 27.2% | - | $ 1,113,026 |
| Open ended treasury money market fund | AAAm, Aaa, AAAmmf | 2,427,917 | 59.2% | 2,427,917 | - |
| U.S. treasury notes | * | 138,215 | 3.4% | 138,215 | - |
| U.S. treasury bills | * | 418,442 | 10.2% | 418,442 | - |
| Total | | $ 4,097,600 | | 2,984,574 | $ 1,113,026 |

* Obligations of the U.S. government or obligations guaranteed by the U.S. government are not considered to have credit risk and therefore the credit rating for these investments have not been disclosed.

^ If available, credit ratings are for Standard & Poor's, Moody's Investors Service and Fitch Ratings.

NR – Not rated.

## II. DEPOSITS AND INVESTMENTS (CONTINUED)

***Investments (Continued)***

As of June 30, 2010, the District had the following investments as defined by GASB:

| Investment Type | Credit Rating ^ | Fair Value | Percentage of Total Investments | Weighted Average Maturity < 1 Year | Weighted Average Maturity 1 - 3 Years |
|---|---|---|---|---|---|
| Cash and investments held by county treasurer | NR, NR, NR | $6,098,032 | 71.2% | - | $ 6,098,032 |
| Open ended treasury money market fund | AAAm, Aaa, AAAmmf | 1,914,596 | 22.4% | 1,914,596 | - |
| U.S. treasury notes | * | 549,438 | 6.4% | 549,438 | - |
| Total | | $ 8,562,066 | | 2,464,034 | $ 6,098,032 |

* Obligations of the U.S. government or obligations guaranteed by the U.S. government are not considered to have credit risk and therefore the credit rating for these investments have not been disclosed.

^ If available, credit ratings are for Standard & Poor's, Moody's Investors Service and Fitch Ratings.

NR – Not rated.

**Interest Rate Risk:** The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2011 and 2010, none of the District's investments were exposed to custodial credit risk.

**Credit Risk for Investments***:* Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a policy for investment credit risk but follows the investment policy statutes of the State of South Carolina.

**Concentration of Credit Risk for Investments***:* The District places no limit on the amount the District may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from concentration of credit risk disclosures.

## II. DEPOSITS AND INVESTMENTS (CONTINUED)

***Cash and Cash Equivalents***

Cash and cash equivalents consisted of the following at June 30, 2011 and 2010:

| | 2011 | 2010 |
|---|---|---|
| Unrestricted: | | |
| Operating and petty cash accounts | $ 756,233 | $ 547,314 |
| Overnight repurchase accounts | - | 12,808 |
| | 756,233 | 560,122 |
| Restricted: | | |
| Bond and certificate sinking funds | 2,984,574 | 2,464,034 |
| Total unrestricted and restricted cash and cash equivalents | $ 3,740,807 | $ 3,024,156 |

The County Treasurer serves as the District's fiscal agent related to bonded debt (general obligation debt) and the proceeds received from the bonded debt refunded in July 2009 (See Note VII "2010 Debt Refunding" for more details). Cash and investments held by the County Treasurer consisted of the following at June 30, 2011 and 2010:

| | 2011 | 2010 |
|---|---|---|
| Restricted for debt service | $ 990,871 | $ 1,212,670 |
| Restricted for payment of management fees and other costs to the manager | - | 3,388,500 |
| Restricted for construction and other costs | 122,155 | 1,496,862 |
| | $ 1,113,026 | $ 6,098,032 |

## III. PROPERTY TAXES AND OTHER RECEIVABLES

Greenville County, South Carolina (the "County") is responsible for levying and collecting sufficient property taxes to meet funding obligations for the District's general obligation refunding bonds. This obligation is established each year by the District Council and does not necessarily represent actual taxes levied or collected. Property taxes are levied and billed by the County on real and personal properties on October 1 based on a millage rate of .4 mills for 2011 and 2010. These taxes are due without penalty through January 15. Penalties are added to taxes depending on the date paid as follows:

| | | |
|---|---|---|
| January 16 through February 1 | - | 3% of tax |
| February 2 through March 15 | - | 10% of tax |
| After March 15 | - | 15% of tax plus collection cost |

Current year real and personal property taxes become delinquent on March 16. Unpaid property taxes become a lien against the property as of June 1 of the calendar year following the levy date. The levy date for motor vehicles is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

Property taxes receivable includes an allowance for uncollectibles of approximately $38,000 and $37,000 at June 30, 2011 and 2010, respectively. Allowance for uncollectibles was not necessary for the other receivable accounts.

## IV. CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2011, was as follows:

| **Business-Type Activities:** | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 2,420,017 | - | - | $ 2,420,017 |
| Total capital assets, not being depreciated | 2,420,017 | - | - | 2,420,017 |
| Capital assets, being depreciated: | | | | |
| Intangible asset | - | 2,500,000 | - | 2,500,000 |
| Buildings and improvements | 58,234,964 | 37,194 | - | 58,272,158 |
| Vehicles and equipment | 1,047,552 | 137,768 | - | 1,185,320 |
| Total capital assets being depreciated | 59,282,516 | 2,674,962 | - | 61,957,478 |
| Less: accumulated depreciation for: | | | | |
| Intangible asset | - | 694,444 | | 694,444 |
| Buildings and improvements | 20,128,368 | 1,398,651 | - | 21,527,019 |
| Vehicles and equipment | 718,412 | 108,564 | - | 826,976 |
| Total accumulated depreciation | 20,846,780 | 2,201,659 | - | 23,048,439 |
| Total capital assets, being depreciated, net | 38,435,736 | 473,303 | - | 38,909,039 |
| Total business-type activities, net | $ 40,855,753 | 473,303 | - | $ 41,329,056 |

Capital asset activity for the District for the year ended June 30, 2010, was as follows:

| **Business-Type Activities:** | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 2,420,017 | - | - | $ 2,420,017 |
| Total capital assets, not being depreciated | 2,420,017 | - | - | 2,420,017 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 58,109,597 | 125,367 | - | 58,234,964 |
| Vehicles and equipment | 967,619 | 79,933 | - | 1,047,552 |
| Total capital assets being depreciated | 59,077,216 | 205,300 | - | 59,282,516 |
| Less: accumulated depreciation for: | | | | |
| Buildings and improvements | 18,730,714 | 1,397,654 | - | 20,128,368 |
| Vehicles and equipment | 623,699 | 94,713 | - | 718,412 |
| Total accumulated depreciation | 19,354,413 | 1,492,367 | - | 20,846,780 |
| Total capital assets, being depreciated, net | 39,722,803 | (1,287,067) | - | 38,435,736 |
| Total business-type activities, net | $ 42,142,820 | (1,287,067) | - | $ 40,855,753 |

## IV. CAPITAL ASSETS (CONTINUED)

Effective September 1, 2010, the District bought the current arena manager's rights (intangible asset) to manage the BI-LO Center for the remaining term of the Operating Agreement (See Note XI "Arena Operating Agreement") for $2,500,000. The District is amortizing this intangible asset over the remaining life (three years) of the Operating Agreement (August 31, 2013). Amortization expense was approximately $694,000 in 2011 and is included with depreciation expense.

In prior years, the District capitalized interest in connection with the construction of the BI-LO Center. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Total capitalized interest included in the cost of Buildings and Improvements (since inception) was approximately $1,564,000 at June 30, 2011 and 2010. No interest was capitalized in 2011 or 2010.

Depreciation expense of approximately $2,202,000 (including amortization of the intangible asset) and $1,492,000 was charged to the business-type operations of the District in 2011 and 2010, respectively.

## V. DEBT ISSUANCE COSTS

Debt issuance costs consisted of the following at June 30, 2011 and 2010:

| | 2011 | 2010 |
|---|---|---|
| Debt issuance costs | $ 803,152 | $ 803,152 |
| Less: accumulated amortization | (91,715) | (45,862) |
| | $ 711,437 | $ 757,290 |

Amortization expense was approximately $46,000 for the years ended June 30, 2011 and 2010.

## VI. SHORT-TERM OBLIGATIONS

The District did not have any short-term obligation activity during 2011.

During July 2009, the District refinanced its debt and used some of the proceeds to repay the outstanding balance under the Letter of Credit Agreement ("LOCA") of $640,000 along with interest of approximately $17,000 (See Note VII "2010 Debt Refunding" for more details). Changes in the District's short-term obligations for the year ended June 30, 2010, were as follows:

| Short-Term Obligations | June 30, 2009 | Additions | Reductions | June 30, 2010 |
|---|---|---|---|---|
| **Business-Type Activities:** | | | | |
| Short-term debt | $ 640,000 | - | 640,000 | $ - |
| Total business-type activities | $ 640,000 | - | 640,000 | $ - |

## VII. LONG-TERM OBLIGATIONS

The District issued various bonds and certificates of participation to provide funds for the acquisition and construction of the BI-LO Center facilities. General Obligation Bonds ("GOB"), General Obligation Refunding Bonds ("GORB"), and General Obligation Refunding and Improvement Bonds ("GORIB") are direct obligations and pledge the full faith and credit of the District. The Certificates of Participation ("COP"), Refunding Certificates of Participation ("RCOP"), and Capital Lease Obligation are considered special obligations of the District. The full faith, credit, and taxing powers of the District are not pledged for the payment of COP or capital lease obligations nor the interest thereon. Long-term debt of the District at June 30, 2011, consisted of the following:

Series 2009 A – $8,315,000 GORB issued by the District in July 2009 were used to refund the Series 1999 A GORB. Interest, ranging from 2.0% - 3.5% per annum, is payable semi-annually on April 1 and October 1 of each year and the bonds will mature in successive annual installments on April 1st of each year through April 2020 ranging from $320,000 to $970,000.

The bonds are collateralized by the full faith, credit, and taxing power of the District. A sinking fund has been established/maintained at the County Treasurer to aid in the retirement and payment of the principal and interest with ad valorem property taxes. At June 30, 2011 and 2010, the sinking fund maintained by the County had a balance of approximately $991,000 and $1,213,000, respectively.

A premium of approximately $154,000 was received and bond issuance costs of approximately $127,000 were paid related to the issuance. The District's reacquisition price on the refunded debt (Series 1999 A) exceeded its net carrying value which resulted in a deferred loss on refunding of approximately $22,000.

Series 2009 B – $14,985,000 RCOP issued by the Facilities Corporation in July 2009 were used to refund the Series 1999 B COP. An interest, rate of 4.13% per annum, is payable semi-annually on March 1 and September 1 of each year and the COP will mature in successive annual installments on March 1st of each year through March 2022 ranging from $950,000 to $1,300,000.

The District has assigned its rights to receive city and county accommodations fees to the trustee to satisfy the obligations of these certificates. Any accommodations fees received from the City and County in a fiscal year in excess of the annual debt service requirement (as defined) must be refunded to the City and County in July of the following year. The District had approximately $1,286,000 and $765,000 in restricted cash and cash equivalents (remaining accommodation taxes available to be refunded to the City and County or for future debt service) at June 30, 2011 and 2010, respectively.

Bond issuance costs of approximately $174,000 were paid related to the issuance. The District's reacquisition price on the refunded debt (Series 1999 B) exceeded its net carrying value which resulted in a deferred loss on refunding of approximately $383,000.

## VII. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2009 C – $16,985,000 GORIB issued by the District in July 2009 were used to refund the Series 1996 C COP and to fund various other projects/costs. Interest, ranging from 5.0% - 6.0% per annum, is payable semi-annually on April 1 and October 1 of each year and the bonds will mature in successive annual installments (including mandatory sinking fund redemption) on April 1st in each year through April 2033 ranging from $390,000 to $1,270,000.

The District has pledged the revenues of the BI-LO Center to pay the debt service of these bonds. To the extent that such revenues are insufficient to meet the debt service payments, the District will next use the debt service reserve fund which was funded during closing for $1,698,500 (and is still available) and once that is depleted will use a tax levy to provide ad valorem taxes sufficient to cover any remaining debt service shortfall (as the full faith, credit, and taxing power of the District has been pledged).

A premium of approximately $121,000 was received and bond issuance costs of approximately $502,000 were paid related to the issuance. The District's reacquisition price on the refunded debt (Series 1996 C) exceeded its net carrying value which resulted in a deferred loss on refunding of approximately $483,000.

The State limits the amount of general obligation debt that the District can issue to 8% of the assessed value of all taxable property within the District's corporate limits. The District is allowed by state statute to exceed the legal debt margin of 8% if citizens of the District approve such additional debt. The District's outstanding general obligation debt is below this state-imposed limit.

All long-term obligations of the District are paid from the enterprise fund of the District (which includes the District's blended component units).

Changes in the District's long-term obligations for the year ended June 30, 2011, were as follows:

| Long-Term Obligations | June 30, 2010 | Additions | Reductions | June 30, 2011 | Due Within One Year |
|---|---|---|---|---|---|
| **Business-Type Activities:** | | | | | |
| Debt: | | | | | |
| Series 2009 A - GORB | $ 7,680,000 | - | 695,000 | 6,985,000 | $ 715,000 |
| Series 2009 B - COP | 14,035,000 | - | 1,075,000 | 12,960,000 | 1,135,000 |
| Series 2009 C - GORIB | 16,595,000 | - | 395,000 | 16,200,000 | 405,000 |
| Total gross debt | 38,310,000 | - | 2,165,000 | 36,145,000 | 2,255,000 |
| Plus: premiums | 255,601 | - | 19,011 | 236,590 | - |
| Less: deferred loss from refunding | (803,286) | 85,165 | - | (718,121) | - |
| Total net debt | 37,762,315 | 85,165 | 2,184,011 | 35,663,469 | 2,255,000 |
| Deferred income | 726,046 | - | 229,278 | 496,768 | - |
| Total business-type activities | $38,488,361 | 85,165 | 2,413,289 | 36,160,237 | $ 2,255,000 |

## VII. LONG-TERM OBLIGATIONS (CONTINUED)

Changes in the District's long-term obligations for the year ended June 30, 2010, were as follows:

| Long-Term Obligations | June 30, 2009 | Additions | Reductions | June 30, 2010 | Due Within One Year |
|---|---|---|---|---|---|
| **Business-Type Activities:** | | | | | |
| Debt: | | | | | |
| Series 1999 A - GORB | $ 8,125,000 | - | 8,125,000 | - | $ - |
| Series 2009 A - GORB | - | 8,315,000 | 635,000 | 7,680,000 | 695,000 |
| Series 1999 B - COP | 15,835,000 | - | 15,835,000 | - | - |
| Series 2009 B - COP | - | 14,985,000 | 950,000 | 14,035,000 | 1,075,000 |
| Series 1996 C - COP | 9,235,000 | - | 9,235,000 | - | - |
| Series 2009 C - GORIB | - | 16,985,000 | 390,000 | 16,595,000 | 395,000 |
| Total gross debt | 33,195,000 | 40,285,000 | 35,170,000 | 38,310,000 | 2,165,000 |
| Plus: premiums | | 274,613 | 19,012 | 255,601 | |
| Less: discounts | (312,342) | 312,342 | - | - | - |
| Less: deferred loss from refunding | - | 85,166 | 888,452 | (803,286) | - |
| Total net debt | 32,882,658 | 40,957,121 | 36,077,464 | 37,762,315 | 2,165,000 |
| Capital lease | 14,562 | - | 14,562 | - | - |
| Deferred income | 1,205,966 | - | 479,920 | 726,046 | - |
| Total business-type activities | $34,103,186 | 40,957,121 | 36,571,946 | 38,488,361 | $ 2,165,000 |

The District's maturities for long-term debt (including mandatory sinking fund redemption payments on the 2009 C COPS) of the business-type activities of the District at June 30, 2011, are as follows:

| Year Ending June 30, | Debt Principal | Debt Interest | Totals |
|---|---|---|---|
| 2012 | $ 2,255,000 | 1,660,283 | $ 3,915,283 |
| 2013 | 2,370,000 | 1,578,858 | 3,948,858 |
| 2014 | 2,485,000 | 1,489,466 | 3,974,466 |
| 2015 | 2,285,000 | 1,395,684 | 3,680,684 |
| 2016 | 2,400,000 | 1,306,395 | 3,706,395 |
| 2017-2021 | 11,865,000 | 5,010,134 | 16,875,134 |
| 2022-2026 | 5,025,000 | 2,951,664 | 7,976,664 |
| 2027-2031 | 4,995,000 | 1,666,512 | 6,661,512 |
| 2032-2033 | 2,465,000 | 224,100 | 2,689,100 |
| Totals | $ 36,145,000 | 17,283,096 | $ 53,428,096 |

## VII. LONG-TERM OBLIGATIONS (CONTINUED)

***2010 Debt Refunding***

In July 2009, the District issued $8,315,000 in General Obligation Refunding Bonds, $14,985,000 in Certificates of Participation, and $16,985,000 in General Obligation Refunding and Improvement Bonds to primarily (a) current refund all of the District's outstanding short-term and long-term debt, (b) to pay cost of issuance of the new debt, and (c) to establish various reserve funds for debt service, construction, and manager costs. The total proceeds received on the debt issuances also included premiums of approximately $275,000. In addition, the District incurred approximately $803,000 in debt issuance costs.

The reacquisition price of the refunded debt exceeded the net carrying value of the debt (deferred loss) by approximately $888,000. This deferred loss is being netted against the new debt and amortized over the shorter of the life of the refunded debt or the new debt.

As a result of the above, all of the District's refunded debt is considered defeased and the liability has been removed from the District's statement of net assets. This current refunding decreased total future debt service payments on its Series 2009 A and Series 2009 B debt by approximately $3,273,000 and resulted in an economic gain of approximately $1,439,000. The Series 2009 C debt was refunded not only to restructure its future debt service payments and fees, but to establish various reserve funds for debt service, construction, and manager costs as well as eliminate various restrictive covenants of the refunded debt (which the District had been in default in previous years).

## VIII. ACCRUED EXPENSES

Accrued expenses consisted of the following at June 30, 2011 and 2010:

| | 2011 | 2010 |
|---|---|---|
| Accrued interest and loc fees | $ 459,675 | $ 483,755 |
| Accrued admission tax | 67,986 | 69,851 |
| Accrued management fee | - | 1,014,701 |
| Accrued payroll | 35,635 | - |
| Excess accommodation taxes payable | 844,604 | 315,066 |
| Miscellaneous accruals | 85,372 | 286,604 |
| | $ 1,493,272 | $ 2,169,977 |

## IX. UNUSED LETTERS OF CREDIT

The District paid off the outstanding letter of credit amounts (See Note VI "Short-Term Obligations" for more details) in 2010 with the proceeds from the 2010 debt refunding which also terminated the LOCA.

## X. AGREEMENTS BETWEEN AFFILIATED ENTITIES

### *Facilities Lease*

The District and the Facilities Corporation entered into a Facilities Lease, pursuant to which the Facilities Corporation has agreed to lease the land, as improved by the BI-LO Center to the District in consideration for the District's payment of rent. The base rent under the lease is the amount which, together with other monies available to the Trustee, will enable the Trustee to pay the principal and interest on the Series 2009 B Certificates of Participation.

### *Ground Lease*

The District and the Facilities Corporation entered into a Ground Lease Agreement dated July 15, 1996, pursuant to which the District conveyed to the Facilities Corporation a leasehold interest in the land, together with all buildings, improvements, and personal property located or to be located thereon, including the BI-LO Center. The lease term began July 1, 1996 and will end thirty years from the date the BI-LO Center is placed in service. Pursuant to the Trust Agreement, the Facilities Corporation will assign all its rights, title, and interest in the Ground Lease to the Trustee.

### *Installment Purchase Agreement*

The BI-LO Center will be sold by the Facilities Corporation to the District, at the acquisition cost, under an Installment Purchase Agreement. The agreement provides for payment by the District of installment payments and additional payments including amounts required to pay all taxes, trustee fees and expenses, fees and expenses of the Facilities Corporation and its members, directors and officers, amounts required to maintain the Primary Reserve Requirement and any amounts for the payment of arbitrage rebate, which payments are subject to appropriation. The District is required to pay installment payments to the trustee each month through July, 2027.

## XI. VOLUME SERVICES, INC./CENTERPLATE CONTRACTS

### *Concession Agreements*

Volume Services, Inc./Centerplate ("VSI") will provide concession services at the BI-LO Center pursuant to a concessions agreement that was executed in July 1996. In connection with the Centerplate Buyout in September 2010, the District extended the term of the concessions agreement for the BI-LO Center until September 1, 2020 (as the original term was for only the first 15 years of operation of the BI-LO Center). Under the agreement, VSI provided to the District up to $1,600,000 of concessions equipment for use in the BI-LO Center and will retain graduated percentages of concessions, catering, lounge, and novelties receipts based on the amount of concessions paid to the District in a given year.

In consideration and in connection with the Centerplate Buyout, the Management Corporation executed a food and beverage service agreement with Centerplate in June 2010 for Heritage Park Amphitheatre for an initial term of five years (with an automatic extension of up to five years based on certain conditions). The Management Corporation will retain graduated percentages of food and beverage receipts based on the amount of concessions paid to the Management Corporation in a given year.

## XI. VOLUME SERVICES, INC./CENTERPLATE CONTRACTS (CONTINUED)

### *Arena Operating Agreement*

The District, along with the City of Greenville and the County of Greenville, entered into an operating agreement ("Operating Agreement") with Volume Services, Inc./Centerplate ("Arena Manager"). Pursuant to the agreement, the Arena Manager was appointed the sole and exclusive manager of the BI-LO Center for an initial term equal to 15 years beginning in September 1998. The Greenville Arena District will have management rights to the BI-LO Center when the initial term of the Arena Operating Agreement has expired.

The Arena Manager will have all the District's rights and powers to manage, maintain, and improve the BI-LO Center. Assets, liabilities, and net assets related to the Arena Manager's activities in managing the BI-LO Center on behalf of the District are included in the basic financial statements and as "BI-LO Center Operations" in the supplementary information. As compensation for its services, the Arena Manager will receive a base management fee equal to approximately $500,000 and an incentive management fee equal to approximately $200,000, both of which will be indexed for inflation starting in 2009, plus a percentage of suite premium seat and advertising revenues. The base and incentive management fee for the District for 2011 was approximately $62,000 and $21,000, respectively. The base and incentive management fee for the District for 2010 was approximately $516,000 and $16,000, respectively. The management fee amounts for 2011 and 2010 were different than those prescribed in the original Operating Agreement as these fees were negotiated and settled in different amounts as a result of the Centerplate Buyout (as described below).

Effective September 1, 2010, the District entered into the 2010 Amendment of the Operating Agreement ("Amendment") with Centerplate whereby the District paid $2,500,000 to buyout Centerplate's rights to manage the BI-LO Center for the remaining term of Operating Agreement ("Centerplate Buyout"). The District also paid approximately $1,763,000 in accrued past management fees (as the management fees were settled at a lower amount) and other operating costs funded by the arena manager. As additional consideration for this Amendment, the District entered into an agreement to extend the term of the concession agreement for the BI-LO Center and Management Corporation executed a new agreement for food and beverage services for Heritage Park Amphitheatre.

## XII. OTHER SIGNIFICANT CONTRACTS

### *License and Naming Rights*

The District and the Facilities Corporation entered into a license and naming agreement in 1996 whereby it sold the naming rights of the arena for the first 15 years (commencing with the arena opening date) of the BI-LO Center. Payments under the agreement were received annually by the Facilities Corporation for the first ten years of the agreement. The District calculated the income to be received during the first ten years of the agreement and straight-lines the income over the 15 year life of the agreement. The District has deferred/unearned income related to arena naming rights at June 30, 2011 and 2010 of approximately $497,000 and $726,000, respectively.

## XII. OTHER SIGNIFICANT CONTRACTS (CONTINUED)

***City of Simpsonville – Management Agreement***

In February 2010, the City of Simpsonville ("Owner") and the Management Corporation ("Manager") entered into a five year management agreement for an annual management fee of $50,000 per year plus reimbursement of operating expenses (as defined) up to $150,000, provided that the sum of the two amounts ("Manager Costs") shall never exceed $200,000. The annual Manager Costs are subject to a consumer price index adjustment in years two through five.

The Manager will be responsible for managing, ticketing, sales and marketing, premium seating programs, parking, security, food and beverage, artist and promoter relations, operations and everything else related to non-owner events at the amphitheatre located within Heritage Park in Simpsonville, South Carolina ("Facility"). The Owner and Manager will split various direct event revenues and ancillary income associated with events held at the Facility based on customary rates as outlined in the management agreement.

## XIII. RETIREMENT PLAN, RISK MANAGEMENT, AND LITIGATION

***Retirement Plan***

In 2011, the District established the Greenville Arena District Eligible 457 Plan ("Plan") for the benefit of its employees. The Plan is an eligible deferred compensation plan described under §457(b) of the Internal Revenue Code with the District serving as its Plan Sponsor. The investment Trust for the plan is with BB&T, who is a non-discretionary Trustee and provides third-party administrative services to the District. The District has established the Greenville Arena District Retirement Committee to make all decisions regarding the Plan, Trust and investment design and administration.

In accordance with provisions of the Plan, participants make tax-deferred salary reduction contributions, through payroll deduction. The Plan allows for the IRS maximum basic salary deferral limit of 100% of participants includible compensation or $15,500, whichever is less. Participants age 50 or over may contribute an additional $5,500. Employees are eligible to participate in the Plan immediately if employed prior to the effective date of the Plan. If employed after the effective date of the Plan, employees are eligible to participate after completing 90 days of continuous service. Participation is open to employees who are anticipated to work over 1000 hours per year.

The Plan permits discretionary matching contributions currently set at 50% of an employee's contributions, up to 6% of pay, to the extent allowed by IRS regulations. For the year ended June 30, 2011, employee contributions totaled approximately $43,000 with employer matching contributions of approximately $13,000. All contributions are allocated to the investment Trust following each pay date.

***Risk Management***

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District purchases commercial insurance to cover these liabilities and to cover employee health insurance benefits (insured plans). There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

## XIII. RETIREMENT PLAN, RISK MANAGEMENT, AND LITIGATION (CONTINUED)

***Litigation***

Various lawsuits, claims, and proceedings have been or may be instituted or asserted against the District, including those pertaining to environmental, product liability, illegal acts, and safety and health matters. However, based on facts currently available, management believes that the disposition of matters that are pending or asserted will not have a materially adverse effect on the financial position of the District.

## XIV. RELATED PARTY TRANSACTIONS

The Management Corporation co-promoted the JAMZ Family Reunion event at Charter Amphitheatre in August 2010 with Cox Radio. One of the members of the Board is the Vice President and General Manager of Cox Radio. The original co-promotion agreement between Cox Radio and the Management Corporation split equally the profits or losses of the event. The event was extremely unsuccessful and lost approximately $93,000. During the settlement process, it was agreed by both parties that the Management Corporation would assume more than 50% of the loss due to increased expenses that were determined to be under its' control (and not under Cox Radios' control). The Management Corporation's and Cox Radio's loss was approximately $55,000 and $38,000, respectively, for this event in 2011.

Promoters for the BI-LO Center and Charter Amphitheatre buy paid advertising directly from Cox Radio. The District and Management Corporation also buy paid advertising from Cox Radio group on behalf of promoters. Excluding amounts paid directly by event promoters, the District and Management Corporation paid approximately $5,000 for advertising with Cox Radio in 2011.

## XV. UNRESTRICTED NET DEFICIT

The unrestricted net deficit was approximately ($3,208,000) and ($3,222,000) at June 30, 2011 and 2010, respectively. The District plans to eliminate this deficit through future operations of the BI-LO Center and Charter Amphitheatre and by implementing key financial components of the Strategic Plan. The management team has developed a Strategic Plan that focuses on increasing earned revenue at the BI-LO Center, specifically suites, sponsorships, and event income, and decreasing expenses where possible in order to improve the District's operating results and cash flows. The Strategic Plan contains long-term financial goals and does not address anticipated short-term cash flow issues. Cash flow management will be critical during 2012 and 2013, but cash flows should improve dramatically if and when a new naming rights agreement becomes effective (no earlier than September 2013) and when suite and sponsor sales increase. The Strategic Plan also focuses on identifying additional public/private partnerships to provide new sources of income. If necessary, the District can use the remaining Project Fund of approximately $122,000 to cover shortfalls. However, this amount is significantly less than the amount available to the District in 2011. To the extent that District revenues and the Project Fund are insufficient to meet the Series 2009 C debt service requirements, the District will have to utilize the Series 2009 C debt service reserve fund.

## XVI. SUBSEQUENT EVENT

In July 2011, the District entered into a three year equipment lease agreement to acquire information technology equipment and a lighting control system for the BI-LO Center for approximately $85,000. The lease has an annual interest rate of 2.32% and is due in quarterly installments of principal and interest of $7,374 beginning October 2011 and continuing through July 2014.

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# SUPPLEMENTARY INFORMATION

**GREENVILLE ARENA DISTRICT**
**GREENVILLE, SOUTH CAROLINA**

**COMBINING SCHEDULE OF NET ASSETS - PROPRIETARY SUB FUNDS**

**JUNE 30, 2011**

| | **Business-Type Activities - Enterprise Sub Funds** | | | | |
|---|---|---|---|---|---|
| **ASSETS** | Greenville Arena District | BI-LO Center Operations | Greenville Arena District Public Facilities Corporation | Greenville Arena District Public Facilities Management Corporation | Total |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 28,837 | 338,130 | - | 389,266 | $ 756,233 |
| Restricted cash and cash equivalents | 1,698,517 | - | 1,286,057 | - | 2,984,574 |
| Cash and investments held by county treasurer | 1,113,026 | - | - | - | 1,113,026 |
| Taxes receivable, net | 37,750 | - | - | - | 37,750 |
| Internal balances | 934,104 | 157,797 | (934,104) | (157,797) | - |
| Accounts receivable | - | 540,861 | - | 171,665 | 712,526 |
| Accommodations fees receivable | 254,392 | - | - | - | 254,392 |
| Prepaid expenses | 927,425 | 230,501 | 4,748 | 3,984 | 1,166,658 |
| Total current assets | 4,994,051 | 1,267,289 | 356,701 | 407,118 | 7,025,159 |
| Noncurrent assets: | | | | | |
| Capital assets, net | 15,838,315 | 541,466 | 24,949,275 | - | 41,329,056 |
| Debt issuance costs, net | 563,844 | - | 147,593 | - | 711,437 |
| Total noncurrent assets | 16,402,159 | 541,466 | 25,096,868 | - | 42,040,493 |
| **Total Assets** | 21,396,210 | 1,808,755 | 25,453,569 | 407,118 | 49,065,652 |
| **LIABILITIES** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 876 | 71,370 | - | - | 72,246 |
| Current portion of long-term debt | 1,120,000 | - | 1,135,000 | - | 2,255,000 |
| Accrued expenses | 1,125,863 | 108,818 | 178,416 | 80,175 | 1,493,272 |
| Deferred premium seat income and deposits | - | 1,108,478 | - | - | 1,108,478 |
| Deferred other income | - | 241,678 | - | 30,283 | 271,961 |
| Advance show and sales deposits | - | 401,864 | - | 283,090 | 684,954 |
| Total current liabilities | 2,246,739 | 1,932,208 | 1,313,416 | 393,548 | 5,885,911 |
| Long-term liabilities: | | | | | |
| Deferred income | - | - | 496,768 | - | 496,768 |
| Long-term debt, less current portion | 21,907,791 | - | 11,500,678 | - | 33,408,469 |
| Total long-term liabilities | 21,907,791 | - | 11,997,446 | - | 33,905,237 |
| **Total Liabilities** | 24,154,530 | 1,932,208 | 13,310,862 | 393,548 | 39,791,148 |
| **NET ASSETS** | | | | | |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | (2,716,715) | 541,466 | 12,461,190 | - | 10,285,941 |
| Restricted for: | | | | | |
| Debt service | 1,084,574 | - | 1,112,389 | - | 2,196,963 |
| Unrestricted | (1,126,179) | (664,919) | (1,430,872) | 13,570 | (3,208,400) |
| **Total Net Assets** | $ (2,758,320) | (123,453) | 12,142,707 | 13,570 | $ 9,274,504 |

**GREENVILLE ARENA DISTRICT**
**GREENVILLE, SOUTH CAROLINA**

**COMBINING SCHEDULE OF NET ASSETS - PROPRIETARY SUB FUNDS**

**JUNE 30, 2010**

| | **Business-Type Activities - Enterprise Sub Funds** | | | | |
|---|---|---|---|---|---|
| **ASSETS** | Greenville Arena District | BI-LO Center Operations | Greenville Arena District Public Facilities Corporation | Greenville Arena District Public Facilities Management Corporation | Total |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 61,752 | 420,164 | - | 78,206 | $ 560,122 |
| Restricted cash and cash equivalents | 1,698,500 | - | 765,534 | - | 2,464,034 |
| Cash and investments held by county treasurer | 6,098,032 | - | - | - | 6,098,032 |
| Taxes receivable, net | 36,636 | - | - | - | 36,636 |
| Internal balances | 404,566 | 109,687 | (514,253) | - | - |
| Accounts receivable | - | 526,830 | - | 38,886 | 565,716 |
| Accommodations fees receivable | 236,857 | - | - | - | 236,857 |
| Prepaid expenses | 924,800 | 225,073 | 6,203 | 31,987 | 1,188,063 |
| Total current assets | 9,461,143 | 1,281,754 | 257,484 | 149,079 | 11,149,460 |
| Noncurrent assets: | | | | | |
| Capital assets, net | 14,455,367 | 507,191 | 25,893,195 | - | 40,855,753 |
| Debt issuance costs, net | 596,280 | - | 161,010 | - | 757,290 |
| Total noncurrent assets | 15,051,647 | 507,191 | 26,054,205 | - | 41,613,043 |
| **Total Assets** | 24,512,790 | 1,788,945 | 26,311,689 | 149,079 | 52,762,503 |
| **LIABILITIES** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 463 | 716,889 | - | 28,002 | 745,354 |
| Current portion of long-term debt | 1,090,000 | - | 1,075,000 | - | 2,165,000 |
| Accrued expenses | 605,606 | 1,347,135 | 150,094 | 67,142 | 2,169,977 |
| Deferred premium seat income and deposits | - | 1,377,518 | - | - | 1,377,518 |
| Deferred other income | - | 163,007 | - | 10,700 | 173,707 |
| Advance show and sales deposits | - | 202,406 | - | 8,666 | 211,072 |
| Total current liabilities | 1,696,069 | 3,806,955 | 1,225,094 | 114,510 | 6,842,628 |
| Long-term liabilities: | | | | | |
| Deferred income | - | - | 726,046 | - | 726,046 |
| Long-term debt, less current portion | 22,991,121 | - | 12,606,194 | - | 35,597,315 |
| Total long-term liabilities | 22,991,121 | - | 13,332,240 | - | 36,323,361 |
| **Total Liabilities** | 24,687,190 | 3,806,955 | 14,557,334 | 114,510 | 43,165,989 |
| **NET ASSETS** | | | | | |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | (2,445,612) | 507,191 | 12,373,011 | - | 10,434,590 |
| Restricted for: | | | | | |
| Debt service | 1,805,357 | - | 578,522 | - | 2,383,879 |
| Unrestricted | 465,855 | (2,525,201) | (1,197,178) | 34,569 | (3,221,955) |
| **Total Net Assets** | $ (174,400) | (2,018,010) | 11,754,355 | 34,569 | $ 9,596,514 |

Note: Certain amounts above have been reclassified to agree to the current year presentation.

**GREENVILLE ARENA DISTRICT**
**GREENVILLE, SOUTH CAROLINA**

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY SUB FUNDS**

**YEAR ENDED JUNE 30, 2011**

| | Business-Type Activities - Enterprise Sub Funds | | | | |
|---|---|---|---|---|---|
| **OPERATING REVENUES** | Greenville Arena District | BI-LO Center Operations | Greenville Arena District Public Facilities Corporation | Greenville Arena District Public Facilities Management Corporation | Total |
| Event income, net | $ - | 234,098 | - | (331,752) | $ (97,654) |
| Ancillary income | - | 1,799,464 | - | 222,527 | 2,021,991 |
| Accommodation fees | 1,661,144 | - | - | - | 1,661,144 |
| Property and merchandise inventory tax | 666,735 | - | - | - | 666,735 |
| Club seats, suites and sponsor fees, net | - | 1,800,867 | - | 18,917 | 1,819,784 |
| Other income | 21,212 | 196,651 | 229,278 | 200,294 | 647,435 |
| **Total Operating Revenues** | 2,349,091 | 4,031,080 | 229,278 | 109,986 | 6,719,435 |
| **OPERATING EXPENSES** | | | | | |
| General and administrative | 33,355 | 2,898,104 | 1,455 | 130,985 | 3,063,899 |
| Depreciation | 1,117,052 | 140,686 | 943,920 | - | 2,201,658 |
| **Total Operating Expenses** | 1,150,407 | 3,038,790 | 945,375 | 130,985 | 5,265,557 |
| Operating income (loss) | 1,198,684 | 992,290 | (716,097) | (20,999) | 1,453,878 |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | |
| Interest income | 51,826 | - | 2,019 | - | 53,845 |
| Interest expense | (1,152,879) | - | (564,846) | - | (1,717,725) |
| Amortization expense | (69,107) | - | (42,901) | - | (112,008) |
| **Total nonoperating revenues (expenses)** | (1,170,160) | - | (605,728) | - | (1,775,888) |
| Income (loss) before transfers | 28,524 | 992,290 | (1,321,825) | (20,999) | (322,010) |
| Transfers in (out) | (2,612,444) | 902,267 | 1,710,177 | - | - |
| Change in net assets | (2,583,920) | 1,894,557 | 388,352 | (20,999) | (322,010) |
| Net assets, beginning of year | (174,400) | (2,018,010) | 11,754,355 | 34,569 | 9,596,514 |
| Net assets, end of year | $ (2,758,320) | (123,453) | 12,142,707 | 13,570 | $ 9,274,504 |

**GREENVILLE ARENA DISTRICT**
**GREENVILLE, SOUTH CAROLINA**

## COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY SUB FUNDS

**YEAR ENDED JUNE 30, 2010**

| | Business-Type Activities - Enterprise Sub Funds | | | | |
|---|---|---|---|---|---|
| **OPERATING REVENUES** | Greenville Arena District | BI-LO Center Operations | Greenville Arena District Public Facilities Corporation | Greenville Arena District Public Facilities Management Corporation | Total |
| Event income, net | $ - | 391,340 | - | (60,556) | $ 330,784 |
| Ancillary income | - | 1,681,089 | - | 82,293 | 1,763,382 |
| Accommodation fees | 1,834,050 | - | - | - | 1,834,050 |
| Property and merchandise inventory tax | 640,462 | - | - | - | 640,462 |
| Club seats, suites and sponsor fees, net | - | 2,106,035 | - | 5,300 | 2,111,335 |
| Other income | 52,218 | 201,665 | 229,278 | 66,745 | 549,906 |
| **Total Operating Revenues** | 2,526,730 | 4,380,129 | 229,278 | 93,782 | 7,229,919 |
| **OPERATING EXPENSES** | | | | | |
| General and administrative | 38,841 | 3,025,180 | 27,197 | 59,213 | 3,150,431 |
| Depreciation | 413,804 | 131,756 | 946,807 | - | 1,492,367 |
| **Total Operating Expenses** | 452,645 | 3,156,936 | 974,004 | 59,213 | 4,642,798 |
| Operating income (loss) | 2,074,085 | 1,223,193 | (744,726) | 34,569 | 2,587,121 |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | |
| Interest income | 85,438 | 497 | 2,346 | - | 88,281 |
| Interest expense | (1,165,713) | - | (622,465) | - | (1,788,178) |
| Amortization expense | (69,115) | - | (42,901) | - | (112,016) |
| **Total nonoperating revenues (expenses)** | (1,149,390) | 497 | (663,020) | - | (1,811,913) |
| Income (loss) before transfers | 924,695 | 1,223,690 | (1,407,746) | 34,569 | 775,208 |
| Transfers in (out) | (10,035,740) | (1,086,156) | 11,121,896 | - | - |
| Change in net assets | (9,111,045) | 137,534 | 9,714,150 | 34,569 | 775,208 |
| Net assets, beginning of year | 8,936,645 | (2,155,544) | 2,040,205 | - | 8,821,306 |
| Net assets, end of year | $ (174,400) | (2,018,010) | 11,754,355 | 34,569 | $ 9,596,514 |

Note: Certain amounts above have been reclassified to agree to the current year presentation.

**GREENVILLE ARENA DISTRICT**
**GREENVILLE, SOUTH CAROLINA**

**COMBINING SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES - PROPRIETARY SUB FUNDS**

**YEAR ENDED JUNE 30, 2011**

| | Business-Type Activities - Enterprise Sub Funds | | | | |
|---|---|---|---|---|---|
| | Greenville Arena District | BI-LO Center Operations | Greenville Arena District Public Facilities Corporation | Greenville Arena District Public Facilities Management Corporation | Total |
| Wages | $ - | 1,163,920 | - | 35,570 | $ 1,199,490 |
| Contract labor | - | 113,935 | - | - | 113,935 |
| Workers compensation | - | 19,359 | - | - | 19,359 |
| Employee benefits | - | 127,682 | - | 3,507 | 131,189 |
| Payroll taxes | - | 92,588 | - | - | 92,588 |
| Insurance | - | 162,901 | - | 13,171 | 176,072 |
| Repairs and maintenance | - | 270,304 | - | 4,667 | 274,971 |
| Equipment rental | - | 16,373 | - | 22,722 | 39,095 |
| Meals and entertainment | - | 16,036 | - | 430 | 16,466 |
| Travel | - | 11,066 | - | 3,284 | 14,350 |
| Supplies | - | 44,597 | - | - | 44,597 |
| Postage | - | 1,280 | - | 63 | 1,343 |
| Communications | - | 54,234 | - | 13,158 | 67,392 |
| Dues and subscriptions | - | 25,820 | - | 280 | 26,100 |
| Commissions | - | 36,721 | - | - | 36,721 |
| Utilities | - | 422,745 | - | - | 422,745 |
| Management fees | - | 83,513 | - | - | 83,513 |
| Legal, accounting, and professional fees | 29,850 | 116,893 | - | 12,625 | 159,368 |
| Training and development | - | 13,851 | - | 500 | 14,351 |
| Advertising | - | 56,708 | - | 12,482 | 69,190 |
| Premium seat and sponsors | - | 10,082 | - | - | 10,082 |
| Bank charges | 3,130 | 7,162 | 1,455 | 1,510 | 13,257 |
| Miscellaneous | 375 | 30,334 | - | 6,284 | 36,993 |
| Bad debt | - | - | - | 732 | 732 |
| Total general and administrative expenses | $ 33,355 | 2,898,104 | 1,455 | 130,985 | $ 3,063,899 |

**GREENVILLE ARENA DISTRICT**
**GREENVILLE, SOUTH CAROLINA**

**COMBINING SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES - PROPRIETARY SUB FUNDS**

**YEAR ENDED JUNE 30, 2010**

| | **Business-Type Activities - Enterprise Sub Funds** | | | | |
|---|---|---|---|---|---|
| | Greenville Arena District | BI-LO Center Operations | Greenville Arena District Public Facilities Corporation | Greenville Arena District Public Facilities Management Corporation | Total |
| Wages | $ - | 1,020,387 | - | 14,583 | $ 1,034,970 |
| Contract labor | - | 103,608 | - | - | 103,608 |
| Workers compensation | - | 43,494 | - | - | 43,494 |
| Employee benefits | - | 111,936 | - | 4,388 | 116,324 |
| Payroll taxes | - | 78,566 | - | - | 78,566 |
| Insurance | 292 | 164,730 | - | 7,411 | 172,433 |
| Repairs and maintenance | - | 217,440 | - | 4,019 | 221,459 |
| Equipment rental | - | 41,165 | - | 3,810 | 44,975 |
| Meals and entertainment | - | 10,521 | - | - | 10,521 |
| Travel | - | 12,722 | - | - | 12,722 |
| Supplies | - | 31,805 | - | - | 31,805 |
| Postage | - | 640 | - | - | 640 |
| Communications | - | 78,244 | - | 7,083 | 85,327 |
| Dues and subscriptions | - | 39,760 | - | 165 | 39,925 |
| Utilities | - | 360,422 | - | - | 360,422 |
| Management fees | - | 531,850 | - | - | 531,850 |
| Legal, accounting, and professional fees | 37,745 | 58,932 | - | 12,914 | 109,591 |
| Training and development | - | 17,062 | - | - | 17,062 |
| Advertising | - | 45,023 | - | 1,935 | 46,958 |
| Premium seat and sponsors | - | 3,624 | - | - | 3,624 |
| Printing | - | 1,220 | - | - | 1,220 |
| Bank charges | 281 | 18,315 | 27,197 | 269 | 46,062 |
| Miscellaneous | 523 | 32,424 | - | 2,781 | 35,728 |
| Bad debt | - | 1,290 | - | (145) | 1,145 |
| Total general and administrative expenses | $ 38,841 | 3,025,180 | 27,197 | 59,213 | $ 3,150,431 |

Note: Certain amounts above have been reclassified to agree to the current year presentation.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Greenville Arena District
Greenville, South Carolina

We have audited the accompanying statement of net assets of the Greenville Arena District, South Carolina (the "District"), for the year ended June 30, 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 23, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 basic 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*

We noted a certain matter that we reported to management of the District in a separate letter dated September 23, 2011.

This report is intended solely for the information and use of management, the Board of Trustees, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 23, 2011