

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

TABLE OF CONTENTS

YEARS ENDED JUNE 30, 2014 AND 2013

	<u>Page Number</u>
Table of Contents	i
Listing of Principal Officials	ii
<u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITOR'S REPORT	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Net Position - Proprietary Fund	16
Statements of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	17
Statements of Cash Flows - Proprietary Fund	18
Notes to the Financial Statements	19
Supplementary Information:	
Combining Schedule of Net Position - Proprietary Sub Funds	40
Combining Schedule of Revenues, Expenses, and Changes in Net Position - Proprietary Sub Funds	42
Combining Schedule of Cash Flows - Proprietary Sub Funds	44
Combining Schedule of General and Administrative Expenses - Proprietary Sub Funds	46
<u>COMPLIANCE SECTION</u>	
Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49

GREENVILLE ARENA DISTRICT

Greenville, South Carolina

Established

1940

Board of Trustees Members

Buddy Dyer, Chairman

Dee Benedict

Michael Cashman

Barry Formanack

Jeff Gilstrap

Paul Kearns

Dante Russo

Joyce Smart



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Greenville Arena District
Greenville, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Greenville Arena District, South Carolina (the "District"), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 10, 2014

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2014 AND 2013

This management's discussion and analysis ("MD&A") 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, 2014 ("FY 2014" or "2014"). Our analysis includes comparisons of 2014 information with the fiscal years ended June 30, 2013 ("FY 2013" or "2013") and 2012 ("FY 2012" or "2012") information. This MD&A not only includes the District itself (known as the primary government), but also its two blended component units (as applicable). See "Overview of the Financial Statements" section later in this MD&A 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 financial statements, notes to the financial statements, and the supplementary information to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- ◆ The assets of the District exceeded its liabilities (net position) at June 30, 2014, 2013 and 2012 by approximately \$8,487,000, \$8,754,000, and \$9,411,000, respectively. The District's unrestricted net deficit at June 30, 2014 was approximately \$2,197,000, compared to a net deficit of \$2,369,000 at June 30, 2013, and \$2,750,000 at June 30, 2012. Net position decreased in 2014 by approximately \$266,000, compared to a decrease of approximately \$126,000 in 2013, and an increase of approximately \$136,000 in 2012.
- ◆ The District's operating revenues decreased approximately \$375,000, or 5%, in 2014 primarily due to a decrease in event income, net of approximately \$502,000, partially offset by an increase in ancillary income of approximately \$153,000. The significant decrease in event income, net was primarily due to a 20% decline in the number of concerts hosted at the Bon Secours Wellness Arena, lower average profit per concert held at the Bon Secours Wellness Arena, and higher artist guarantees at events held at Charter Amphitheatre. The increase in ancillary income in 2014 compared to 2013 was primarily due to three (3) sold-out events at Charter Amphitheatre with high per capita spending, partially offset by reduced ancillary revenue at the Bon Secours Wellness Arena due to hosting fewer events. Other operating revenue sources were consistent with prior year. For more details on the changes in operating revenues see "2014 Results Compared to 2013 and 2012 Results" section later in this MD&A.
- ◆ The District's 2014 operating expenses decreased approximately 1%, or approximately \$56,000, primarily due to lower depreciation expense of \$261,000 (as the Centerplate Buyout intangible asset became fully depreciated in August 2013), partially offset by increased general and administrative expenses of approximately \$205,000 which were primarily related to higher commissions, utilities, professional, advertising expenses, and conversion costs to implement the new Naming Rights Agreement. For more details on the changes in operating expenses see "2014 Results Compared to 2013 and 2012 Results" section later in this MD&A.
- ◆ Effective October 1, 2013, the District entered into a Naming Rights Agreement ("Agreement") with Bon Secours Health System, and the new name of the facility is Bon Secours Wellness Arena (formerly known as the BI-LO Center). The Agreement will provide additional revenue to the District's operations and therefore will be available for debt service on the Series 2009 C debt. Annual payments start at \$411,000 per year and escalate to approximately \$491,000 over the ten year term of the Agreement.
- ◆ Net capital assets increased approximately \$3,076,000 in 2014, compared to a decrease of approximately \$1,082,000 in 2013. The primary reason for the increase in 2014 was due to significant capital additions of approximately \$5,237,000 related to the Capital Improvement Plan, partially offset by depreciation expense of approximately \$2,089,000 and net disposals of approximately \$72,000. The primary reason for the decrease in 2013 was primarily due to depreciation expense of \$2,350,000, partially offset by capital additions of \$1,268,000. For more details on the changes in capital assets see "Capital Asset and Debt Administration – Capital Assets" section later in this MD&A.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2014 AND 2013

FINANCIAL HIGHLIGHTS (CONTINUED)

- ◆ The District's debt decreased in 2014 by approximately \$1,845,000 primarily due to scheduled principal payments on its debt of approximately \$2,669,000, partially offset by the issuance of the Taxable Limited Revenue Bond Series 2014 ("Series 2014") for approximately \$843,000. The District's debt increased in 2013 by approximately \$10,736,000 primarily due to the Accommodation Fee Revenue Refunding Bond Series 2012 A ("Series 2012 A"), Accommodation Fee Revenue Refunding and Improvement Bond 2012 B ("Series 2012 B"), and the Accommodations Fee Revenue Bond 2013 A ("Series 2013 A") issuances totaling \$23,995,000, partially offset by scheduled principal payments on its debt of \$1,193,000 and refunding the outstanding balances on the Refunding Certificates of Participation Series 2009 B ("Series 2009 B") of \$11,825,000. The remaining changes for 2014 and 2013 primarily represent amortization of the premiums on the District's debt.
- ◆ As noted earlier, in FY 2013 the District issued three (3) series of revenue bonds totaling \$23,995,000 for the purposes of refunding the Series 2009 B and thereby recognizing savings, and for providing funds for capital improvements to the Bon Secours Wellness Arena. Maturity dates for the Series 2012 A, 2012 B, and 2013 A bonds are March 1, 2022, March 1, 2027, and March 1, 2027, respectively. Debt service on the new debt is paid from the District's share of Accommodations Fees (2.3%) resulting from an intergovernmental agreement between the District, the City of Greenville, and Greenville County.
- ◆ The District implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*" ("GASB #65") in fiscal year 2014 and retroactively applied it to all years presented in the financial statements. The primary objective of GASB #65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB #65 supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the District in fiscal year 2013. See Note I.B in the notes to the financial statements for more details on the impact to the District of implementing GASB #65.
- ◆ In July 2014, the City of Simpsonville notified the District of its intent to terminate the Management Agreement with the District to manage the Charter Amphitheatre (See Note X "City of Simpsonville – Management Agreement" for more details). The District current contract will expire at the end of November 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – the *financial section* and the *compliance section*.

The financial statements provide short-term and long-term information about the District's overall financial status. The 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 Bon Secours Wellness Arena (sports and entertainment arena), and (b) the Charter Amphitheatre (entertainment venue) – through its blended component unit Greenville Arena District Public Management Corporation ("Management Corporation").

The District follows governmental accounting principles generally accepted in the United States of America. We present our 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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2014 AND 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

All of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources are included in the Statements of Net Position. *Net position* – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position 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 also be considered in order to assess the District's overall health.

The financial statements include not only the District itself (known as the primary government), but also its component units. The component units include two legally separated nonprofit corporations, Greenville Arena District Public Facilities Corporation ("Facilities Corporation") and 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 financial statements of the District can be found as listed in the table of contents of this report. As a result of prior year refunding, the Facilities Corporation was dissolved in in May 2013 by the Attorney General of South Carolina, upon the District's request, as the original purpose of the non-profit corporation was no longer required by the District.

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 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 financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found 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/managing (a) the Bon Secours Wellness Arena, 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 Bon Secours Wellness Arena and Charter Amphitheatre is to provide quality entertainment to the residents of the Upstate of South Carolina. The District generates revenue primarily through:

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2014 AND 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Proprietary Fund (Continued)

- ◆ 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 Bon Secours Wellness Arena's revenues consists of net event income. The Bon Secours Wellness Arena 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 Bon Secours Wellness Arena will lease the building to an act/promoter for an event for a set rental fee plus show expenses, and the Bon Secours Wellness Arena is not financially at risk. At times, the Bon Secours Wellness Arena will promote or co-promote events. This means that the Bon Secours Wellness Arena is responsible for all aspects of the show and that the Bon Secours Wellness Arena is at risk financially. The management of the Bon Secours Wellness Arena evaluates each event and pursues the financial model that is believed to enhance revenue for the building.

Ancillary event income directly correlates with the number and quality of events the Bon Secours Wellness Arena 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 Bon Secours Wellness Arena also engages in the selling of premium seating at the venue by means of club seats and suites. The Bon Secours Wellness Arena 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 Bon Secours Wellness Arena 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 Bon Secours Wellness Arena 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, operates and manages the Charter Amphitheatre located within Heritage Park in Simpsonville, South Carolina.

2014 RESULTS COMPARED TO 2013 AND 2012 RESULTS

The Bon Secours Wellness Arena hosted 105 events for 2014, compared to 102 events for 2013, and 104 events for 2012. Charter Amphitheatre hosted seven events for 2014, 2013, and 2012. Net event income for 2014, 2013, and 2012 was approximately (\$670,000), (\$168,000), and \$165,000, respectively. Net event income decreased approximately \$502,000, or 298%, in 2014 due to decreases at the Bon Secours Wellness Arena and Charter Amphitheatre of approximately \$225,000 and \$278,000, respectively. Decreases at the Bon Secours Wellness Arena are primarily due to hosting 17% fewer concerts in 2014 and due to significant loss incurred on a comedy show in the second quarter. Decreases in net event income at Charter Amphitheatre are primarily due to higher artist guarantees.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2014 AND 2013

2014 RESULTS COMPARED TO 2013 AND 2012 RESULTS (CONTINUED)

Net event income decreased approximately \$333,000, or 202%, in 2013 due to decreases at the Bon Secours Wellness Arena and Charter Amphitheatre of approximately \$152,000 and \$181,000, respectively. Net event income increased approximately \$263,000, or 269%, in 2012 due to increases at the Bon Secours Wellness Arena and Charter Amphitheatre of approximately \$69,000 and \$194,000, respectively.

Ancillary income has a direct correlation to the number and type of events held at the Bon Secours Wellness Arena and Charter Amphitheatre. Total ancillary income in 2014, 2013, and 2012 was approximately \$2,042,000, \$1,889,000, and \$1,983,000, respectively. Ancillary income increased 8% in 2014 primarily due to higher attendance at Charter Amphitheatre due to three (3) sold out concerts. The increase in ancillary revenue generated at the Charter Amphitheatre was partially offset by reduced ancillary revenue at Bon Secours Wellness Arena due to fewer concerts and other events with high per capita spending.

In 2014, the District Seat Tax was increased to \$2.00 per ticket and therefore District Seat Tax revenue (included in "Ancillary Revenue" calculation) was 92%, or \$227,000, higher in 2014 compared to 2013. Also in 2014, the District stopped collecting ACCED grant revenue which resulted in a \$193,000 decrease in Admission Tax Rebate revenue, also included in "Ancillary Revenue" calculation. The net impact of these two (2) changes is minimal, however it is important to note the changes.

In 2013, ancillary income decreased 5% in 2013 primarily due to lower attendance at both facilities. In 2012, ancillary income at the Charter Amphitheatre decreased approximately \$105,000 due to lower attendance and lower per capita spending. Ancillary income at the Bon Secours Wellness Arena increased approximately \$66,000 due to higher per capita spending and slightly higher attendance.

The County collects the District's accommodation fees and the property tax revenues. Accommodation fees for the years ended June 30, 2014, 2013, and 2012 were approximately \$2,097,000, \$2,124,000, and \$1,679,000, respectively. Accommodations fees decreased slightly in 2014 by approximately \$27,000 as the amount retained by the District is only those amounts that are sufficient to cover the debt service required for the Series 2012 A, 2012 B, and 2013 A debt (with all remaining amounts being annually refunded back to the County and City). Accommodations fees increased in 2013 by \$445,000 in order to have sufficient revenues to cover additional debt service required for the Series 2012 A, 2012 B, and 2013 A debt. Accommodation fees increased in 2012 by an amount sufficient enough to cover the increased 2009 B debt service requirements. As of June 30, 2014, 2013 and 2012, the District had excess accommodations fees owed to the City and County (in excess of debt service requirements) of approximately \$372,000, \$566,000 and \$1,113,000, respectively. The 2014 and 2013 excess accommodations fee payable is significantly less than the 2012 balance due to the new financing structure and the timing of the annual payment due to the City and County; payments are made to the City and County in March under the new structure, compared to July under the previous structure. Property tax revenues for the years ended June 30, 2014, 2013, and 2012 were approximately \$689,000, \$674,000, and \$647,000, respectively. Property tax revenues are fairly consistent for the past three (3) years due to no change to the millage rate. The millage rate (.4 mills for all years presented) is adjusted periodically by the County to provide funds sufficient to meet the debt service requirements on the General Obligation Refunding Bond Series 2009 A ("Series 2009 A").

Club seats, suites, and sponsor fees for the Bon Secours Wellness Arena were approximately \$1,514,000, \$1,597,000, and \$1,612,000 for 2014, 2013 and 2012, respectively. The decrease in 2014 is primarily due to losing \$80,000 in sponsor revenue due to losing a major sponsor in October 2013 and due to a \$96,000, or 65%, decrease in individual event suite rentals – as these individual suite rental revenues decreased due to hosting fewer concerts. The decrease is offset by \$109,000, or 11%, increase in annual suite revenue due to new sales contracts. The decrease in 2013 is primarily due to losing two (2) suite clients who did not renew their contracts in September 2012.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2014 AND 2013

2014 RESULTS COMPARED TO 2013 AND 2012 RESULTS (CONTINUED)

Other income was approximately \$939,000, \$869,000, and \$848,000, for the years ended June 30, 2014, 2013, and 2012, respectively. The increase in 2014 is primarily due to securing the Bon Secours Health System ("Bon Secours") as the new naming rights partner in October 2013. Naming rights revenue in 2014 was \$117,000, or 51%, higher than the prior year due to the new Naming Rights Agreement with Bon Secours (see "Financial Highlights" section earlier in the MD&A for more details). The increase in other revenue in 2013 is due to reclassifying Ticketmaster marketing revenue from sponsorship to other income.

The District's operating expenses were approximately \$5,131,000 in 2014, \$5,187,000 in 2013, and \$5,066,000 in 2012. General and administrative expenses increased 7%, or \$205,000 in 2014 primarily due to an 11%, or \$45,000, increase to utilities due to hockey playoffs, and due to an increase of 124%, or \$189,000 for professional fees, commissions, rebranding/advertising expenses, and conversion costs associated with the new naming rights. The increased expenses listed above were offset by savings in maintenance and repairs. Depreciation expense decreased 11%, or \$261,000, in 2014 as the Centerplate Buyout ("Buyout") amortization expense (which is included in depreciation expense) decreased 83%, or \$694,000, due to fully amortizing the Buyout in September 2013, partially offset by increased depreciation expense due to new capital assets added in 2014 through the Capital Improvement Plan. Depreciation expense and maintenance and repairs expenses increased in 2013 due to new capital assets and incurring expenses for deferred maintenance programs. General and administrative expenses decreased in 2012 by approximately \$319,000, or 10%, due to eliminating management fees at the Bon Secours Wellness Arena. Depreciation expense increased approximately \$119,000, or 5%, in 2012 primarily due to a full year of amortization expense on the Centerplate Buyout intangible asset.

Net non-operating expenses decreased approximately \$179,000 in 2014, compared to an increase of approximately \$192,000 in 2013 and a decrease of approximately \$44,000 in 2012. The decrease in 2014 and the increase in 2013, was primarily due to bond issuance costs of approximately \$198,000 related to the three bond issuances in FY 2013 which were expensed as incurred in accordance with the implementation of GASB #65 (see Note I.B in the notes to the financial statements for more details). The decrease in 2012 was primarily due to lower interest expense which was due to lower outstanding balances on the District's debt.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2014 AND 2013

FINANCIAL ANALYSIS OF THE DISTRICT

As of June 30, 2014, 2013, and 2012, the District's net position was approximately \$8,487,000, \$8,754,000 and \$9,411,000, respectively. See Table 1 below for more details.

Table 1 - Net Position (Deficit)

	Business-Type Activities		
	2014	2013 [^]	2012 [^]
Assets and Deferred Outflows of Resources			
Current and other assets and deferred outflows of resources	\$ 14,511,061	19,818,566	\$ 7,815,482
Capital assets, net	41,132,750	38,056,930	39,138,665
Total Assets and Deferred Outflows of Resources	<u>55,643,811</u>	<u>57,875,496</u>	<u>46,954,147</u>
Liabilities			
Long-term liabilities	40,100,034	42,460,900	31,408,351
Other liabilities	7,056,523	6,661,060	6,135,008
Total Liabilities	<u>47,156,557</u>	<u>49,121,960</u>	<u>37,543,359</u>
Net Position (Deficit)			
Net investment in capital assets	8,555,893	9,104,974	10,178,230
Restricted	2,128,154	2,017,679	1,982,753
Unrestricted	(2,196,793)	(2,369,117)	(2,750,195)
Total Net Position (Deficit)	<u>\$ 8,487,254</u>	<u>8,753,536</u>	<u>\$ 9,410,788</u>

[^] The 2013 amounts have been restated due to the implementation of GASB #65. The 2012 amounts have not been restated due to the implementation of GASB #65 (as there was no requirement to restate years beyond those presented in the financial statements). See Note I.B in the financial statements for more information.

The decrease in total assets and deferred outflows of resources of approximately \$2,232,000 in 2014 was primarily due to lower current and other assets and deferred outflows of resources as unspent bond proceeds on the FY 2013 debt were used for capital assets, offset by an increase in capital assets for current year additions in excess of depreciation expense. The increase in total assets and deferred outflows of resources of approximately \$10,921,000 in 2013 was primarily due to unspent bond proceeds on the new debt, partially offset by a decrease in capital assets due to depreciation expense.

Long-term liabilities generally consist of the District's debt. Total liabilities decreased by approximately \$1,965,000 in 2014 primarily due to scheduled principal payments on its debt of approximately \$2,669,000, partially offset by the issuance of the Series 2014 bond for approximately \$843,000. Total liabilities increased by approximately \$11,579,000 in 2013 primarily due to three new debt issues for approximately \$23,995,000, partially offset by regularly scheduled principal payments on its debt of approximately \$1,193,000.

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

- ◆ Net Investment in Capital Assets – 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, 2014, 2013, and 2012, the amount of net investment in capital assets was approximately \$8,556,000, \$9,105,000, and \$10,178,000, respectively. The decreases for the past three years are primarily due to depreciation expense exceeding non-debt capital asset additions and principal payments.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2014 AND 2013

FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

- ◆ Restricted – This represents the portion of net position 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 position as of June 30, 2014, 2013, and 2012 was approximately \$2,128,000, \$2,018,000, and \$1,983,000, respectively. This restricted net position for all years was for debt service.
- ◆ Unrestricted – This represents the portion of net position that can be used to finance the daily operations of the District and on which no restrictions are imposed. The balance of unrestricted net position as of June 30, 2014, 2013, and 2012 was a deficit of approximately (\$2,197,000), (\$2,369,000), and (\$2,750,000), respectively. See “2014 Results Compared to 2013 and 2012 Results” section earlier in this MD&A for details on the District’s change in net position for 2014, 2013 and 2012.

The District’s change in net position for the years ended June 30, 2014, 2013, and 2012, was approximately \$266,000, \$126,000, and \$136,000, respectively. See Table 2 below for more details.

Table 2 - Changes in Net Position

	Revenues	Business-Type Activities		
		2014	2013 ^	2012 ^
Revenues:				
Operating revenues		\$ 6,610,254	6,985,413	\$ 6,934,591
Nonoperating revenues		3,890	8,405	17,343
Total revenues		<u>6,614,144</u>	<u>6,993,818</u>	<u>6,951,934</u>
	Expenses			
Expenses:				
Operating expenses		5,130,739	5,186,922	5,066,257
Nonoperating expenses		1,749,687	1,932,740	1,749,393
Total expenses		<u>6,880,426</u>	<u>7,119,662</u>	<u>6,815,650</u>
Changes in net position		(266,282)	(125,844)	136,284
Total net position, beginning of year - as previously reported		8,753,536	9,410,788	9,274,504
Cumulative change in accounting principle - GASB #65		-	(531,408)	-
Total net position, beginning of year - as restated		<u>8,753,536</u>	<u>8,879,380</u>	<u>9,274,504</u>
Total net position, end of year		<u>\$ 8,487,254</u>	<u>8,753,536</u>	<u>\$ 9,410,788</u>

^ The 2013 amounts have been restated due to the implementation of GASB #65. The 2012 amounts have not been restated due to the implementation of GASB #65 (as there was no requirement to restate years beyond those presented in the financial statements). See Note I.B in the financial statements for more information.

See “2014 Results Compared to 2013 and 2012 Results” section earlier in this MD&A for details on the District’s change in net position for 2014, 2013 and 2012.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2014 AND 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets consist of land, intangible assets, buildings, improvements, vehicles and equipment. The District had approximately \$41,133,000 in capital assets as of June 30, 2014, compared to approximately \$38,057,000 and \$39,139,000 as of June 30, 2013 and 2012, respectively. See Table 3 below for details of the District's capital assets as of June 30, 2014, 2013 and 2012:

Table 3 - Capital Assets at June 30,

	Business-Type Activities		
	2014	2013	2012
Land	\$ 2,420,017	2,420,017	\$ 2,420,017
Construction in progress	313,671	774,081	-
Intangible asset	-	2,500,000	2,500,000
Buildings and improvements	57,297,627	58,340,607	58,313,916
Vehicles and equipment	5,382,188	1,741,630	1,274,187
	<u>65,413,503</u>	<u>65,776,335</u>	<u>64,508,120</u>
Less: accumulated depreciation	(24,280,753)	(27,719,405)	(25,369,455)
Capital assets, net	<u>\$ 41,132,750</u>	<u>38,056,930</u>	<u>\$ 39,138,665</u>

Net capital assets for the District changed as follows over the past three years:

- Capital assets increased by approximately \$3,076,000 during 2014. The primary reason for the increase in 2014 was due to significant capital additions (i.e. suite renovations, scoreboard and related video equipment, curtain system, staging and risers, etc.) of approximately \$5,237,000 related to the Capital Improvement Plan, partially offset by depreciation expense of approximately \$2,089,000 (which included amortization of the intangible asset of approximately \$139,000) and net disposals of approximately \$72,000.
- Capital assets decreased by approximately \$1,082,000 during 2013. The primary reason for the decrease in 2013 was depreciation expense of approximately \$2,350,000 (which included amortization of the intangible asset of approximately \$833,000), partially offset by additions (i.e. ice floor, spotlights, portable seating, scoreboard, etc.) of approximately \$1,268,000.

The District amortized the intangible asset over the remaining life of the operating agreement (August 31, 2013) and this amortization is included with depreciation expense.

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

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2014 AND 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration

The District has issued various debt to provide funds for the acquisition and construction of the Bon Secours Wellness Arena facilities. The District's long-term debt consists of General Obligation Refunding Bonds ("GORB"), Refunding Certificates of Participation ("RCOP"), General Obligation Refunding and Improvement Bonds ("GORIB"), Accommodations Fee Revenue Refunding Bond ("AFRRB"), Accommodations Fee Revenue Refunding and Improvement Bond ("AFRRIB"), Accommodations Fee Revenue Bond ("AFRB"), Taxable Limited Revenue Bond ("TLRB") and Lease Purchase ("LP") obligations. As of June 30, 2014, 2013, and 2012, the District's outstanding balance on its long-term debt (including current portion) was approximately \$43,285,000, \$45,130,000, and \$34,172,000, respectively. Table 4 shows the components of the District's debt as of June 30, 2014, 2013, and 2012:

Table 4 - Outstanding Debt, at June 30,

	Business-Type Activities		
	2014	2013 *	2012 *
Debt:			
Series 2009 A - GORB	\$ 4,750,000	5,525,000	\$ 6,270,000
Series 2009 B - RCOP	-	-	11,825,000
Series 2009 C - GORIB	14,940,000	15,375,000	15,795,000
Series 2012 A - AFRRB	8,740,000	9,995,000	-
Series 2012 B - AFRRIB	9,915,000	9,995,000	-
Series 2013 A - AFRB	3,910,000	4,005,000	-
Series 2014 - TLRB	843,256	-	-
LP - 2011	7,331	36,237	64,481
Total gross debt	<u>43,105,587</u>	<u>44,931,237</u>	<u>33,954,481</u>
Plus: premiums on bonds	179,556	198,568	217,579
Total net debt	<u>\$ 43,285,143</u>	<u>45,129,805</u>	<u>\$ 34,172,060</u>

* Certain amounts have been omitted due to the implementation of GASB #65. See Note I.B in the financial statements for more information.

The outstanding balance on the District's debt changed as follows over the past three years:

- The outstanding balance on the District's debt decreased by approximately \$1,845,000 in 2014. This decrease was primarily due to scheduled principal payments of approximately \$2,669,000 and the change in premiums on bonds of approximately \$19,000, partially offset by a new Series 2014 revenue bond of approximately \$843,000.
- The outstanding balance on the District's debt increased by approximately \$10,958,000 in 2013. This increase was primarily due to three new debt issuances for approximately \$23,995,000 which was used to (a) currently refund the District's Series 2009 B – RCOP for approximately \$11,825,000, (b) to pay a premium to refund the bonds, (c) to pay the costs of issuance of the new debt, and (d) to provide funding for the District's Capital Improvement Plan. In addition, the District made regularly scheduled principal payments of \$1,193,000 in 2013.

More detailed information about the District's long-term obligations is presented in the notes to the financial statements.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2014 AND 2013

OPERATING OUTLOOK FOR 2015 AND CURRENT EVENTS

The District approved an operating budget for the year ended June 30, 2015 (“FY 2015” or “2015”) for the Bon Secours Wellness Arena consisting of 107 events. Bon Secours Wellness Arena operating revenues are projected to increase 27%, or \$972,000, to \$4,494,000. Operating expenses are projected to increase 3%, or \$86,000, to \$2,894,000. Operating income is projected to be \$1,600,000 in 2015, compared to \$774,230 in 2014 and \$956,000 in 2013. Series 2009C debt service in FY 2015 is \$1,305,000, so projections indicate there will be sufficient cash to cover debt obligations.

Total Event Income (Direct, plus Ancillary) is expected to increase approximately 50%, or \$661,000, due to projecting five (5) additional concerts, three (3) additional family and sporting events, and three (3) additional miscellaneous type events compared to FY 2014. Sponsor, suite and club seat income is projected to increase 12%, or \$185,000 in FY 2015 and is supported by an aggressive sales strategy and additional sales resources. Naming rights revenue is projected to increase \$107,000, or 35% due to recognizing one (1) full year of revenue, compared to ten (10) months in FY 2014. Projections for other revenue in FY 2015 are consistent with actual results from the prior year. All revenue streams are available for the Series 2009 C debt service payments.

The approved Operating Budget for Bon Secours Wellness Arena projects operating expenses to increase 3%, or \$86,000 compared to prior year. Increases to personnel and maintenance and repairs will be offset by savings due to non-recurring conversion and professional fees associated with naming rights in FY 2014.

The District responded to an RFP issued by the City of Simpsonville to continue to manage the Charter Amphitheatre, however the contract was not awarded to GADPFMC, therefore the District is not projecting revenue for that entity in FY 2015. The current management contract with City of Simpsonville expires November 30, 2014. The District will maintain the blended component unit for future business opportunities; however results for FY 2015 will be minimal.

The management team continues to implement components of the Strategic Plan that focus on increasing revenue at the Bon Secours Wellness Arena, specifically suites, sponsorships, and event income. Additional revenue opportunities are available in 2015 with the installation of a modern LED technology scoreboard, concourse displays, and ribbon boards. Additional improvements in FY 2015, including renovated meeting space, two (2) exterior marquees, and other new sponsor amenities will also improve sales opportunities.

Cash flow management continues to be critical in 2015; however, the proceeds from the Series 2014 Revenue Bond improved cash available to the District for operations and for the Series 2009 C debt service.

The approved 2015 budget only includes revenues and expenses generated from the Bon Secours Wellness Arena and does not include revenues from accommodations fees or property taxes (since these revenues are restricted for debt service for the District’s general obligation and accommodation revenue bonds).

The District’s Board of Trustees (“Board”) approved the 2015 operating budget at the June 2014 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) 250-4936.

(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

STATEMENTS OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2014 AND 2013

	Business-Type Activities - Enterprise Fund	
	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,067,577	\$ 1,292,416
Restricted cash and cash equivalents	9,444,013	14,993,527
Cash and investments held by county treasurer	243,922	518,382
Taxes receivable, net	23,680	23,680
Accounts receivable	427,649	711,396
Accommodations fees receivable	323,736	265,147
Prepaid expenses	1,244,119	1,159,569
Total current assets	13,774,696	18,964,117
Noncurrent assets:		
Capital assets, net	41,132,750	38,056,930
TOTAL ASSETS	54,907,446	57,021,047
DEFERRED OUTFLOWS OF RESOURCES		
Deferred losses on refunding debt	736,365	854,449
LIABILITIES		
Current liabilities:		
Accounts payable	32,041	46,073
Current portion of long-term debt	3,185,109	2,668,905
Accrued expenses	973,745	1,348,840
Unearned premium seat income and deposits	1,066,198	1,223,513
Unearned sponsor income	200,679	199,984
Unearned naming rights	102,750	38,213
Advance show and sales deposits	1,496,001	1,135,532
Total current liabilities	7,056,523	6,661,060
Long-term liabilities:		
Long-term debt, less current portion	40,100,034	42,460,900
TOTAL LIABILITIES	47,156,557	49,121,960
NET POSITION		
Net investment in capital assets	8,555,893	9,104,974
Restricted for debt service	2,128,154	2,017,679
Unrestricted	(2,196,793)	(2,369,117)
TOTAL NET POSITION	\$ 8,487,254	\$ 8,753,536

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

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

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

YEARS ENDED JUNE 30, 2014 AND 2013

	Business-Type Activities - Enterprise Fund	
	2014	2013
OPERATING REVENUES		
Event income, net	\$ (670,625)	\$ (168,377)
Ancillary income	2,042,159	1,889,064
Accommodation fees	2,097,047	2,124,413
Property and merchandise inventory tax	688,826	674,081
Club seats, suites and sponsor fees, net	1,514,126	1,597,489
Other income	938,721	868,743
TOTAL OPERATING REVENUES	6,610,254	6,985,413
OPERATING EXPENSES		
General and administrative	3,042,083	2,836,972
Depreciation	2,088,656	2,349,950
TOTAL OPERATING EXPENSES	5,130,739	5,186,922
Operating income	1,479,515	1,798,491
NONOPERATING REVENUES (EXPENSES)		
Interest income	3,890	8,405
Interest expense	(1,634,176)	(1,636,945)
Bond issuance expenses	-	(198,250)
Amortization expense	(99,072)	(97,545)
Loss on sale of capital assets	(16,439)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,745,797)	(1,924,335)
Change in net position	(266,282)	(125,844)
Net position, beginning of year - as previously reported	8,753,536	9,410,788
Cumulative change in accounting principle - GASB #65	-	(531,408)
Net position, beginning of year - as restated	8,753,536	8,879,380
Total net position, end of year	\$ 8,487,254	\$ 8,753,536

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

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

YEARS ENDED JUNE 30, 2014 AND 2013

	Business-Type Activities - Enterprise Fund	
	2014	2013
Cash flows from operating activities		
Cash received from customers	\$ 4,376,514	\$ 4,628,374
Cash received from accommodations tax authority	2,038,458	2,157,626
Cash received from property tax authority	688,826	674,081
Cash payments to suppliers for goods and services	(2,255,166)	(2,027,838)
Cash payments to employees	(1,260,594)	(1,283,361)
Net cash provided by operating activities	<u>3,588,038</u>	<u>4,148,882</u>
Cash flows from capital and related financing activities		
Acquisition and/or construction of capital assets	(5,237,066)	(1,268,215)
Proceeds from the sale of assets	56,151	-
Proceeds from issuance of bonds, notes, and lease obligations	843,256	23,995,000
Principal and premium paid on refunded/defeased bonds	-	(11,931,200)
Principal paid on bonds, notes, and lease obligations	(2,668,906)	(1,193,244)
Interest paid on bonds, notes, and lease obligations	(1,634,176)	(1,580,109)
Bond issuance costs	-	(198,250)
Net cash provided by (used in) capital and related financing activities	<u>(8,640,741)</u>	<u>7,823,982</u>
Cash flows from investing activities		
Short term investments and amounts held by county treasurer, net	274,460	350,664
Investment income	3,890	8,405
Net cash provided by investing activities	<u>278,350</u>	<u>359,069</u>
Net increase (decrease) in restricted and unrestricted cash and cash equivalents	(4,774,353)	12,331,933
Restricted and unrestricted cash and cash equivalents, beginning of year	<u>16,285,943</u>	<u>3,954,010</u>
Restricted and unrestricted cash and cash equivalents, end of year	<u>\$ 11,511,590</u>	<u>\$ 16,285,943</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,479,515	\$ 1,798,491
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,088,656	2,349,950
Changes in assets and liabilities:		
Accounts receivable	283,747	37,746
Accommodations fees receivable	(58,589)	33,213
Prepaid expenses	(84,550)	96,092
Accounts payable	(14,032)	27,759
Accrued expenses	(375,095)	(598,078)
Deferred premium seat income and deposits	(157,315)	107,646
Deferred sponsor income	695	(57,707)
Advance show and sales deposits	360,469	583,047
Deferred income	64,537	(229,277)
Net cash provided by operating activities	<u>\$ 3,588,038</u>	<u>\$ 4,148,882</u>
Supplemental disclosures of cash flow information		
<u>Investing, capital, and financing noncash items:</u>		
Deferred loss from writeoff of refunded bonds issuance costs and deferred losses	\$ -	\$ 407,563

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

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

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 primary 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 “Bon Secours Wellness Arena” or “BSWA”).

The 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 below.

The District implemented GASB Statement No. 61, *“The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”* (“GASB #61”) in fiscal year 2013. The objective of GASB #61 was to improve financial reporting for the governmental financial reporting entity. As required by GAAP, the financial statements must present the District’s financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (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 and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the District.

In order to be considered fiscally independent, an entity must have the authority to do all 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. An entity has a financial benefit or burden relationship with the District if, for example, any one of the following conditions exists: (a) the District is legally entitled to or can otherwise access the entity’s resources, (b) the District is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the District is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the fiscally independent conditions described above if excluding it would cause the District’s financial statements to be misleading.

Blended component units, although legally separate entities, are combined with data of the primary government in the financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the District. Based on the criteria above, the District has two blended component units.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Blended Component Units

The Greenville Arena District Public Facilities Corporation (the “Facilities Corporation”) was 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 was not inconsistent with the Facilities Corporation’s non-profit status; provided that all property owned and leased by the Facilities Corporation was used for public purpose (i.e. the Bon Secours Wellness Arena). The Facilities Corporation was governed by a Board of Directors consisting of five members of the nine member Board of Trustees of the District. Due to recent changes in the overall organization and the structure of the District’s debt, the Facilities Corporation was dissolved in May 2013 by the Attorney General of South Carolina, upon the District’s request, as the original purpose of the non-profit corporation was no longer required by the District.

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 X. Other Significant Contracts – City of Simpsonville – Management Agreement” for more details). The Management Corporation is governed by a Board of Directors consisting of five members of the nine member Board of Trustees of the District.

The Facilities Corporation and Management Corporation (collectively known as the “Corporations”) have been included as blended enterprise component units of the District because five members of the District’s Board of Trustees also 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. Separate financial statements for the Corporations are not issued.

GASB #61 modified certain reporting and disclosure requirements for governments engaged only in business-type activities that had previously used a single column approach for financial statement presentation. These governments can either (a) continue to report a single column for financial statement reporting purposes but include condensed combining information in the notes to the financial statements on its blended component units or (b) the funds of a blended component unit should be presented by including them with the primary government’s other funds in the appropriate fund financial statements. The District has elected to continue to report a single column for financial statement presentation and has provided a note in the financial statements (“Note VIII. Blended Component Units Condensed Financial Information”) identifying where the condensed financial information can be located.

Since the District is a special purpose government engaged only in business-type activities (activities which rely to a significant extent on fees and charges for support), it is required to only present 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 financial statements have not been included in this report as they are not permitted or allowed.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District implemented Governmental Accounting Standards Board Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” (“GASB #63”) in 2013. GASB #63 establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB’s 2007 Concepts Statement No. 4, “*Elements of Financial Statements*”. In Concepts Statement No. 4, the GASB defines a *deferred outflow of resources* as a consumption of net assets by a government that is applicable to a future reporting period; a *deferred inflow of resources* as an acquisition of net assets by a government that is applicable to a future reporting period; and *net position* as the residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that the GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net position rather than as net assets in a statement of financial position.

The District implemented GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*” (“GASB #65”) in fiscal year 2014 and retroactively applied it to all years presented. The primary objective of GASB #65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB #65 supplements and extends the reach of GASB #63 (see above), which was adopted by the District in fiscal year 2013.

In particular, GASB #65 requires that bond issuance costs (as defined) should be recognized as an expense in the period incurred. The District has written off its bond issuance costs of approximately \$531,000 as an adjustment (cumulative change in accounting principle) to beginning net position for fiscal year 2013. The District has also restated its 2013 financial statements to eliminate the amortization of bond issuance costs of approximately \$42,000 and to expense bond issuance costs incurred in that year of approximately \$198,000 related to the issuance of the Accommodation Fee Revenue Bonds (see “Note VI. Long-Term Obligations” for more details). In addition, the District reclassified its deferred losses on refunding debt (contra-liability) in its statements of net position from a liability (component of debt) to a component of deferred outflows of resources.

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/activity 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 combining schedules provided as supplementary information are included to reflect the financial activity of each entity (sub fund) that makes up the enterprise fund activity of the District.

The District uses only the following fund type:

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. 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 financial statements and notes to the financial statements have included the amounts from the Corporations (its blended enterprise component units).

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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:

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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 (if material).

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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

Capital Assets (Continued)

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 asset	3 years

Amortization of Debt Issuance Costs

Legal and accounting fees, printing costs, and other expenses associated with the issuance of debt are expensed when incurred.

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 refunded debt exceeded its net carrying value which resulted in deferred losses on refunding debt. Deferred losses are being amortized on the straight-line method over the shorter of the term of the refunded debt or the new debt.

Unearned Income/Revenue

Unearned premium seat income and unearned 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.

Unearned Naming Rights

On October 1, 2013, the District entered into a new 10 year naming rights agreement for the BSWA arena (formerly known as the BI-LO Center) with graduating naming right payments of approximately \$411,000 to \$491,000. The District recognizes naming right income each year related to the period of time for which each naming right payment covers in accordance with GAAP.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The District has only one type of deferred outflows of resources that qualifies for reporting in this category. Accordingly, the item, *deferred losses on refunding debt*, is deferred and recognized/amortized as an outflow of resources (expense) over the life of the debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District does not currently have any deferred inflows of resources.

Net Position

Net position represents the difference between assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any). Net investment in capital assets 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 position component as the unspent proceeds. Net position is 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.

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, signing bonuses, and management fees.

Accounting Estimates

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

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, 2014, none of the District's bank balances of approximately \$2,079,000 (with a carrying value of approximately \$2,068,000) were exposed to custodial credit risk. As of June 30, 2013, none of the District's bank balances of approximately \$1,233,000 (with a carrying value of approximately \$1,292,000) were exposed to custodial credit risk.

Investments

As of June 30, 2014, the District had the following investments as defined by GASB:

Investment Type	Credit Rating ^	Fair Value	Percentage of Total Investments	Weighted Average < 1 Year
Cash and investments held by county treasure	NR, NR, NR	\$ 243,922	2.5%	\$ 243,922
Open ended treasury money market funds	AAAm, Aaa, AAAMmf	9,279,249	95.8%	9,279,249
U.S. treasury notes	*	164,449	1.8%	164,449
Total		\$ 9,687,620		\$ 9,687,620

* 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.

As of June 30, 2013, the District had the following investments as defined by GASB:

Investment Type	Credit Rating ^	Fair Value	Percentage of Total Investments	Weighted Average < 1 Year
Cash and investments held by county treasure	NR, NR, NR	\$ 518,382	3.3%	\$ 518,382
Open ended treasury money market funds	AAAm, Aaa, AAAMmf	14,425,113	93.0%	14,425,113
U.S. treasury notes	*	284,418	1.9%	284,418
U.S. treasury bills	*	283,996	1.8%	283,996
Total		\$ 15,511,909		\$ 15,511,909

* 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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

II. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2014 and 2013, 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.

Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2014 and 2013:

	2014	2013
Unrestricted:		
Operating and petty cash accounts	\$ 2,067,577	\$ 1,292,416
Restricted:		
Construction and other capital costs	6,620,152	11,857,042
Excess accommodation fees and debt sinking funds	2,823,861	3,136,485
Total restricted cash and cash equivalents	9,444,013	14,993,527
Total unrestricted and restricted cash and cash equivalents	\$ 11,511,590	\$ 16,285,943

The County Treasurer serves as the District's fiscal agent related to bonded debt (general obligation debt). Cash and investments held by the County Treasurer consisted of the following at June 30, 2014 and 2013:

	2014	2013
Restricted for debt service	\$ 243,871	\$ 490,753
Restricted for construction and other costs	51	27,629
Total cash and investments held by the County Treasurer	\$ 243,922	\$ 518,382

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

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 2014 and 2013. 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 \$24,000 as of June 30, 2014 and 2013. 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, 2014, was as follows:

Business-Type Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,420,017	-	-	\$ 2,420,017
Construction in progress	774,081	1,536,549	1,996,959	313,671
Total capital assets, not being depreciated	<u>3,194,098</u>	<u>1,536,549</u>	<u>1,996,959</u>	<u>2,733,688</u>
Capital assets, being depreciated:				
Intangible asset	2,500,000	-	2,500,000	-
Buildings and improvements	58,340,607	1,544,084	2,587,064	57,297,627
Vehicles and equipment	1,741,630	4,153,392	512,834	5,382,188
Total capital assets being depreciated	<u>62,582,237</u>	<u>5,697,476</u>	<u>5,599,898</u>	<u>62,679,815</u>
Less: accumulated depreciation for:				
Intangible asset	2,361,110	138,890	2,500,000	-
Buildings and improvements	24,256,483	1,459,453	2,587,064	23,128,872
Vehicles and equipment	1,101,812	490,313	440,244	1,151,881
Total accumulated depreciation	<u>27,719,405</u>	<u>2,088,656</u>	<u>5,527,308</u>	<u>24,280,753</u>
Total capital assets, being depreciated, net	<u>34,862,832</u>	<u>3,608,820</u>	<u>72,590</u>	<u>38,399,062</u>
Total business-type activities, net	<u>\$ 38,056,930</u>	<u>5,145,369</u>	<u>2,069,549</u>	<u>\$ 41,132,750</u>

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

IV. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the District for the year ended June 30, 2013, was as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,420,017	-	-	\$ 2,420,017
Construction in progress	-	774,081	-	774,081
Total capital assets, not being depreciated	<u>2,420,017</u>	<u>774,081</u>	<u>-</u>	<u>3,194,098</u>
Capital assets, being depreciated:				
Intangible asset	2,500,000	-	-	2,500,000
Buildings and improvements	58,313,916	26,691	-	58,340,607
Vehicles and equipment	1,274,187	467,443	-	1,741,630
Total capital assets being depreciated	<u>62,088,103</u>	<u>494,134</u>	<u>-</u>	<u>62,582,237</u>
Less: accumulated depreciation for:				
Intangible asset	1,527,777	833,333	-	2,361,110
Buildings and improvements	22,889,826	1,366,657	-	24,256,483
Vehicles and equipment	951,852	149,960	-	1,101,812
Total accumulated depreciation	<u>25,369,455</u>	<u>2,349,950</u>	<u>-</u>	<u>27,719,405</u>
Total capital assets, being depreciated, net	<u>36,718,648</u>	<u>(1,855,816)</u>	<u>-</u>	<u>34,862,832</u>
Total business-type activities, net	<u>\$ 39,138,665</u>	<u>(1,081,735)</u>	<u>-</u>	<u>\$ 38,056,930</u>

Effective September 1, 2010, the District bought the current arena manager's rights (intangible asset) to manage the BSWA for the remaining term of the Operating Agreement for \$2,500,000 (See "Note IX. Centerplate Contracts – Arena Operating Agreement" for more details). The District amortized the intangible asset over the remaining life (three years) of the Operating Agreement (August 31, 2013) and wrote the intangible asset off once the agreement expired. Amortization expense was approximately \$139,000 in 2014 and \$833,000 in 2013, 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, 2014 and 2013. No interest was capitalized in 2014 or 2013.

Depreciation expense of approximately \$2,089,000 (including amortization of the intangible asset) and \$2,350,000 was charged to the business-type operations of the District in 2014 and 2013, respectively.

The District had purchase commitments outstanding of approximately \$363,000 as of June 30, 2014 primarily related to HVAC improvements, electronic marquee, and other equipment.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

V. DEFERRED LOSSES ON REFUNDING DEBT

Deferred losses on refunding debt consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Deferred losses on refunding debt	\$ 1,116,600	\$ 1,116,600
Less: accumulated amortization	(380,235)	(262,151)
Deferred losses on refunding debt, net	<u>\$ 736,365</u>	<u>\$ 854,449</u>

Amortization expense was approximately \$118,000 and \$110,000 for the years ended June 30, 2014 and 2013.

VI. LONG-TERM OBLIGATIONS

The District issued various bonds and certificates of participation to provide funds for the acquisition and construction of the Bon Secours Wellness Arena facilities. 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 Refunding Certificates of Participation (“RCOP”), Accommodations Fee Revenue Refunding Bond (“AFRRB”), Accommodations Fee Revenue Refunding and Improvement Bond (“AFRRIB”), Accommodations Fee Revenue Bond (“AFRB”), Taxable Limited Revenue Bond (“TLRB”), and Lease Purchase (“LP”) obligations are considered special obligations of the District. The full faith, credit, and taxing powers of the District are not pledged for the payment of these obligations nor the interest thereon.

Long-term debt and lease purchase obligations of the District at June 30, 2014, 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 1st and October 1st 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, 2014 and 2013, the sinking fund maintained by the County had a balance of approximately \$244,000 and \$491,000, respectively.

A premium of approximately \$154,000 was received and 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 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 1st and October 1st 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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

VI. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2009 C: (Continued)

The District has pledged the revenues of the Bon Secours Wellness Arena 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 (“DSRF”) 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). Should the District use any portion of the DSRF, the District must replenish the DSRF and further, if the DSRF is not replenished at the time the County Auditor levies annual ad valorem taxes, then an ad valorem tax would have to be levied to replenish the DSRF. The DSRF for the Series 2009 C was approximately \$1,699,000 at June 30, 2014 and 2013.

A premium of approximately \$121,000 was received and 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.

Series 2012 A: \$9,995,000 AFRRB issued by the District in December 2012 were used to currently refund the Series 2009 B RCOP and to pay the related costs of issuance. The interest rate is 2.19% per annum and is payable semi-annually on March 1st and September 1st of each year and the AFRRB will mature in successive annual installments on March 1st of each year through March 2022 ranging from \$1,035,000 to \$1,255,000.

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 \$611,000.

Series 2012 B: \$9,995,000 AFRRIB issued by the District in December 2012 were used to (i) currently refund a small portion of the remaining balance on the Series 2009 B RCOP; (ii) finance (a) the acquisition, construction, renovation, installation, furnishing and equipping of capital improvements to the Arena and related facilities and (b) the acquisition of various items of equipment related thereto; and (iii) pay for related costs of issuance. The interest rate is 2.81% per annum and is payable semi-annually on March 1st and September 1st of each year and the AFFRIB will mature in successive annual installments on March 1st of each year through March 2027 ranging from \$80,000 to \$1,720,000.

Series 2013 A: \$4,005,000 AFRB issued by the District in January 2013 were used to (i) finance (a) the acquisition, construction, renovation, installation, furnishing and equipping of capital improvements to the Arena and related facilities and (b) the acquisition of various items of equipment related thereto and (ii) pay for related costs of issuance. The interest rate is 2.81% per annum and is payable semi-annually on March 1st and September 1st of each year and the AFRB will mature in successive annual installments on March 1st of each year through March 2027 ranging from \$95,000 to \$380,000.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

VI. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2014: \$843,256 TLRB issued by the District in May 2014 were used to (i) reimburse the District for (a) the acquisition and construction of various capital improvements and (b) the acquisition of various items of equipment and (ii) pay for costs of issuance. The interest rate is 0.50% per annum and is payable annually on October 3rd of each year and TLRB will mature in successive annual installment on October 3rd of each year through October 2015 ranging from \$417,778 to \$425,478.

LP – 2011: \$85,000 three year lease purchase agreement was entered into by the District in July 2011 for the purpose of acquiring technology equipment and a lighting control system for the Bon Secours Wellness Arena. The lease purchase has an 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.

The District has assigned its rights to receive the City of Greenville (“City”) and Greenville County’s (“County”) accommodations fees to the trustee to satisfy the debt service related to the accommodation fee bonds (i.e. AFRRB, AFRRIB, and AFRB). Any accommodations fees received from the City and County in a given year in excess of the annual debt service requirement (as defined) must be refunded to the City and County each year within twenty days after March 1st. The District had approximately \$1,125,000 and \$1,438,000 in restricted cash and cash equivalents (remaining accommodation fees available to be either (a) refunded to the City and County or (b) for the payment of future debt service) at June 30, 2014 and 2013, respectively.

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

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.

Changes in the District’s long-term obligations for the year ended June 30, 2014, were as follows:

Business-Type Activities:	June 30, 2013 ^	Additions	Reductions	June 30, 2014	Due Within One Year
Debt/Lease purchase:					
Series 2009 A - GORB	\$ 5,525,000	-	775,000	4,750,000	\$ 800,000
Series 2009 C - GORIB	15,375,000	-	435,000	14,940,000	455,000
Series 2012 A - AFRRB	9,995,000	-	1,255,000	8,740,000	1,035,000
Series 2012 B - AFRRIB	9,995,000	-	80,000	9,915,000	200,000
Series 2013 A - AFRB	4,005,000	-	95,000	3,910,000	270,000
Series 2014 - TLRB	-	843,256	-	843,256	417,778
LP - 2011	36,237	-	28,906	7,331	7,331
Total debt/lease purchase	44,931,237	843,256	2,668,906	43,105,587	3,185,109
Plus: premiums	198,568	-	19,012	179,556	-
Total business-type activities	<u>\$ 45,129,805</u>	<u>843,256</u>	<u>2,687,918</u>	<u>43,285,143</u>	<u>\$ 3,185,109</u>

^ Certain prior year amounts have been omitted from the above presentation due to the implementation of GASB #65. See "Note I.B Measurement Focus, Basis of Accounting, and Basis of Presentation" for more details.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

VI. LONG-TERM OBLIGATIONS (CONTINUED)

Changes in the District's long-term obligations for the year ended June 30, 2013, were as follows:

Business-Type Activities:	June 30, 2012 ^	Additions	Reductions	June 30, 2013 ^	Due Within One Year
Debt/Lease purchase:					
Series 2009 A - GORB	\$ 6,270,000	-	745,000	5,525,000	\$ 775,000
Series 2009 B - RCOP	11,825,000	-	11,825,000	-	-
Series 2009 C - GORIB	15,795,000	-	420,000	15,375,000	435,000
Series 2012 A - AFRRB	-	9,995,000	-	9,995,000	1,255,000
Series 2012 B - AFRRIB	-	9,995,000	-	9,995,000	80,000
Series 2013 A - AFRB	-	4,005,000	-	4,005,000	95,000
LP - 2011	64,481	-	28,244	36,237	28,905
Total debt/lease purchase	33,954,481	23,995,000	13,018,244	44,931,237	2,668,905
Plus: premiums	217,579	-	19,011	198,568	-
Total business-type activities	<u>\$ 34,172,060</u>	<u>23,995,000</u>	<u>13,037,255</u>	<u>45,129,805</u>	<u>\$ 2,668,905</u>

^ Certain prior year amounts have been omitted from the above presentation due to the implementation of GASB #65. See "Note I.B Measurement Focus, Basis of Accounting, and Basis of Presentation" for more details.

The District's maturities for long-term debt (including mandatory sinking fund redemption payments on the Series 2009 C GORIB) of the business-type activities of the District at June 30, 2014, are as follows:

Year Ending June 30,	Debt		Lease Purchase		Totals
	Principal	Interest	Principal	Interest	
2015	\$ 3,177,778	1,591,065	7,331	43	\$ 4,776,217
2016	3,295,478	1,509,128	-	-	4,804,606
2017	2,960,000	1,418,612	-	-	4,378,612
2018	3,070,000	1,324,872	-	-	4,394,872
2019	3,180,000	1,227,296	-	-	4,407,296
2020-2024	12,495,000	4,827,171	-	-	17,322,171
2025-2029	10,280,000	2,536,694	-	-	12,816,694
2030-2033	4,640,000	717,600	-	-	5,357,600
Totals	<u>\$ 43,098,256</u>	<u>15,152,438</u>	<u>7,331</u>	<u>43</u>	<u>\$ 58,258,068</u>

2013 Debt Refunding

In December 2012 and January 2013, the District issued approximately \$23,995,000 in accommodation fee bonds to (i) currently refund the outstanding balance on the Series 2009 B RCOP; (ii) finance (a) the acquisition, construction, renovation, installation, furnishing and equipping of capital improvements to the Arena and related facilities and (b) the acquisition of various items of equipment related thereto; and (iii) pay for related costs of issuance.

The District incurred approximately \$198,000 and \$106,000 in bond issuance costs and prepayment premiums, respectively, related to these issues.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

VI. LONG-TERM OBLIGATIONS (CONTINUED)

2013 Debt Refunding (Continued)

The reacquisition price of the refunded debt exceeded the net carrying value of the debt (deferred loss) by approximately \$611,000. 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, the District's Series 2009 B RCOP is considered defeased and the liability has been removed from the District's statement of net position. This current refunding decreased total future debt service payments on its new debt by approximately \$799,000 and resulted in an economic gain of approximately \$714,000.

VII. ACCRUED EXPENSES

Accrued expenses consisted of the following at June 30, 2014 and 2013:

	2014	2013
Accrued interest	\$ 445,852	\$ 589,922
Accrued admission tax	62,176	45,736
Accrued payroll	47,359	78,265
Excess accommodation fees payable	371,928	566,290
Miscellaneous accruals	46,430	68,627
	<u>\$ 973,745</u>	<u>\$ 1,348,840</u>

VIII. BLENDED COMPONENT UNIT CONDENSED FINANCIAL INFORMATION

Due to the size and complexity of including condensed financial information for the District's blended component unit (Management Corporation) in the notes to the financial statements as required by GASB #61, management has elected to include this information as supplementary information to the financial statements as noted in the table of contents.

IX. CENTERPLATE CONTRACTS

Arena Operating Agreement

The District, along with the City and County, entered into an operating agreement ("Operating Agreement") with Centerplate ("Arena Manager"). Pursuant to the agreement, the Arena Manager was appointed the sole and exclusive manager of the BSWA (formerly 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 Bon Secours Wellness Arena when the initial term of the Arena Operating Agreement has expired.

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 BSWA 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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

IX. CENTERPLATE CONTRACTS (CONTINUED)

Arena Operating Agreement (Continued)

As additional consideration for this Amendment, the District entered into an agreement to extend the term of the concession agreement for the Bon Secours Wellness Arena and Management Corporation executed a new agreement for food and beverage services for Heritage Park Amphitheatre (see below for details).

During 2011 (effective September 1, 2012), the Operating Agreement was amended to provide that the City Manager and County Administrator are entitled to serve as ex officio, non-voting representatives of the District's Board of Trustees. The District is also required to provide operating and capital improvement budgets to the City and County before the beginning of each year as well as provide ongoing financial information on a quarterly basis.

Concession Agreements

Centerplate will provide concession services at the Bon Secours Wellness Arena 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 BSWA until September 1, 2020 (as the original term was for only the first 15 years of operation of the BSWA. Under the agreement, Centerplate provided to the District up to \$1,600,000 of concessions equipment for use in the BSWA and will pay to the District graduated percentages of concessions, catering, lounge, and novelties receipts in a given year.

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). Centerplate will pay to the Management Corporation graduated percentages of food and beverage receipts in a given year.

X. 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 (through August 31, 2013). 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 had unearned naming rights income related to this agreement at June 30, 2013 of approximately \$38,000.

Effective October 1, 2013, the District entered into a new 10 year naming rights agreement with Bon Secours St. Francis Health System, Inc. with graduating naming right payments of approximately \$411,000 to \$491,000. The District recognizes naming rights income each year related to the period of time for which each naming right payment covers. The District has unearned naming rights income at June 30, 2014 of approximately \$103,000.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

X. 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 District (through the Management Corporation) received manager costs of approximately \$200,000 for both 2014 and 2013.

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.

XI. 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 \$17,500, 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 years ended June 30, 2014 and 2013, employee contributions of approximately \$55,000 and \$51,000 with employer matching contributions of approximately \$18,000 and \$18,000, respectively. 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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

XI. RETIREMENT PLAN, RISK MANAGEMENT, AND LITIGATION (CONTINUED)

Risk Management (Continued)

In addition, the District provides a health insurance program for its employees. The District pays a monthly premium to the insurer for its health coverage (insured plan) with the insurer being responsible for claims.

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.

XII. UNRESTRICTED NET DEFICIT

The unrestricted net deficit was approximately (\$2,197,000) and (\$2,901,000) at June 30, 2014 and 2013, respectively. The District plans to eliminate this deficit through future operations of the Bon Secours Wellness Arena 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 Bon Secours Wellness Arena, 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 any potential short-term cash flow issues. Cash flow management will continue to be important during 2015 and should improve dramatically when suite and sponsor sales increase. The Strategic Plan also focuses on identifying additional public/private partnerships to provide new sources of income. To the extent that District revenues are insufficient to meet the Series 2009 C debt service requirements, the District will have to utilize the Series 2009 C DSRF.

XIII. SUBSEQUENT EVENT

In July 2014, the City of Simpsonville notified the District of its intent to terminate the Management Agreement with the District to manage its Facility (See Note X "City of Simpsonville – Management Agreement" for more details). The District's current contract will expire at the end of November 2014.

SUPPLEMENTARY INFORMATION

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

COMBINING SCHEDULE OF NET POSITION - PROPRIETARY SUB FUNDS

JUNE 30, 2014

	Business-Type Activities - Enterprise Sub Funds			
	Greenville			Total
	Greenville Arena District	Greenville Arena District Public Facilities Corporation	Greenville Arena District Public Facilities Management Corporation	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,863,388	-	204,189	\$ 2,067,577
Restricted cash and cash equivalents	9,444,013	-	-	9,444,013
Cash and investments held by county treasurer	243,922	-	-	243,922
Taxes receivable, net	23,680	-	-	23,680
Internal balances	26,198	-	(26,198)	-
Accounts receivable	413,016	-	14,633	427,649
Accommodations fees receivable	323,736	-	-	323,736
Prepaid expenses	1,241,886	-	2,233	1,244,119
Total current assets	13,579,839	-	194,857	13,774,696
Noncurrent assets:				
Capital assets, net	41,132,750	-	-	41,132,750
TOTAL ASSETS	54,712,589	-	194,857	54,907,446
DEFERRED OUTFLOWS OF RESOURCES				
Deferred losses on refunding debt	736,365	-	-	736,365
LIABILITIES				
Current liabilities:				
Accounts payable	31,851	-	190	32,041
Current portion of long-term debt	3,185,109	-	-	3,185,109
Accrued expenses	973,745	-	-	973,745
Unearned premium seat income and deposits	1,066,198	-	-	1,066,198
Unearned other income	185,679	-	15,000	200,679
Unearned naming rights	102,750	-	-	102,750
Advance show and sales deposits	1,320,687	-	175,314	1,496,001
Total current liabilities	6,866,019	-	190,504	7,056,523
Long-term liabilities:				
Long-term debt, less current portion	40,100,034	-	-	40,100,034
TOTAL LIABILITIES	46,966,053	-	190,504	47,156,557
NET POSITION				
Net investment in capital assets	8,555,893	-	-	8,555,893
Restricted for debt service	2,128,154	-	-	2,128,154
Unrestricted	(2,201,146)	-	4,353	(2,196,793)
TOTAL NET POSITION	\$ 8,482,901	-	4,353	\$ 8,487,254

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

COMBINING SCHEDULE OF NET POSITION - PROPRIETARY SUB FUNDS

JUNE 30, 2013

	Business-Type Activities - Enterprise Sub Funds			
	Greenville			Total
	Greenville	Greenville	Greenville	
	Arena	Arena District	Arena District	
District	Public Facilities	Public Facilities		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 460,979	-	831,437	\$ 1,292,416
Restricted cash and cash equivalents	14,993,527	-	-	14,993,527
Cash and investments held by county treasurer	518,382	-	-	518,382
Taxes receivable, net	23,680	-	-	23,680
Internal balances	87,474	-	(87,474)	-
Accounts receivable	612,611	-	98,785	711,396
Accommodations fees receivable	265,147	-	-	265,147
Prepaid expenses	1,148,727	-	10,842	1,159,569
Total current assets	18,110,527	-	853,590	18,964,117
Noncurrent assets:				
Capital assets, net	38,056,930	-	-	38,056,930
TOTAL ASSETS	56,167,457	-	853,590	57,021,047
DEFERRED OUTFLOWS OF RESOURCES				
Deferred losses on refunding debt	854,449	-	-	854,449
LIABILITIES				
Current liabilities:				
Accounts payable	46,073	-	-	46,073
Current portion of long-term debt	2,668,905	-	-	2,668,905
Accrued expenses	1,317,807	-	31,033	1,348,840
Unearned premium seat income and deposits	1,223,513	-	-	1,223,513
Unearned other income	199,984	-	-	199,984
Unearned naming rights	38,213	-	-	38,213
Advance show and sales deposits	374,260	-	761,272	1,135,532
Total current liabilities	5,868,755	-	792,305	6,661,060
Long-term liabilities:				
Long-term debt, less current portion	42,460,900	-	-	42,460,900
TOTAL LIABILITIES	48,329,655	-	792,305	49,121,960
NET POSITION				
Net investment in capital assets	9,104,974	-	-	9,104,974
Restricted for debt service	2,017,679	-	-	2,017,679
Unrestricted	(2,430,402)	-	61,285	(2,369,117)
TOTAL NET POSITION	\$ 8,692,251	-	61,285	\$ 8,753,536

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

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

YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Sub Funds			
	Greenville			Total
	Greenville	Greenville	Greenville	
	Arena	Arena District	Arena District	
District	Public Facilities	Public Facilities		
	Corporation	Corporation	Management Corporation	
OPERATING REVENUES				
Event income, net	\$ (73,657)	-	(596,968)	\$ (670,625)
Ancillary income	1,415,216	-	626,943	2,042,159
Accommodation fees	2,097,047	-	-	2,097,047
Property and merchandise inventory tax	688,826	-	-	688,826
Club seats, suites and sponsor fees, net	1,505,785	-	8,341	1,514,126
Other income	734,594	-	204,127	938,721
TOTAL OPERATING REVENUES	6,367,811	-	242,443	6,610,254
OPERATING EXPENSES				
General and administrative	2,807,708	-	234,375	3,042,083
Depreciation	2,088,656	-	-	2,088,656
TOTAL OPERATING EXPENSES	4,896,364	-	234,375	5,130,739
Operating income (loss)	1,471,447	-	8,068	1,479,515
NONOPERATING REVENUES (EXPENSES)				
Interest income	3,890	-	-	3,890
Interest expense	(1,634,176)	-	-	(1,634,176)
Amortization expense	(99,072)	-	-	(99,072)
Gain (loss) on sale of capital assets	(16,439)	-	-	(16,439)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,745,797)	-	-	(1,745,797)
Income (loss) before transfers	(274,350)	-	8,068	(266,282)
Transfers in (out)	65,000	-	(65,000)	-
Change in net position	(209,350)	-	(56,932)	(266,282)
Net position, beginning of year	8,692,251	-	61,285	8,753,536
Net position, end of year	\$ 8,482,901	-	4,353	\$ 8,487,254

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

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

YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Sub Funds			Total
	Greenville Arena District	Greenville Arena District Public Facilities Corporation	Greenville Arena District Public Facilities Management Corporation	
OPERATING REVENUES				
Event income, net	\$ 151,014	-	(319,391)	\$ (168,377)
Ancillary income	1,613,810	-	275,254	1,889,064
Accommodation fees	2,124,413	-	-	2,124,413
Property and merchandise inventory tax	674,081	-	-	674,081
Club seats, suites and sponsor fees, net	1,584,147	-	13,342	1,597,489
Other income	436,440	229,278	203,025	868,743
TOTAL OPERATING REVENUES	6,583,905	229,278	172,230	6,985,413
OPERATING EXPENSES				
General and administrative	2,646,929	4,240	185,803	2,836,972
Depreciation	1,435,234	914,716	-	2,349,950
TOTAL OPERATING EXPENSES	4,082,163	918,956	185,803	5,186,922
Operating income (loss)	2,501,742	(689,678)	(13,573)	1,798,491
NONOPERATING REVENUES (EXPENSES)				
Interest income	8,405	-	-	8,405
Interest expense	(1,409,038)	(227,907)	-	(1,636,945)
Bond issuance expenses	(198,250)	-	-	(198,250)
Amortization expense	(76,094)	(21,451)	-	(97,545)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,674,977)	(249,358)	-	(1,924,335)
Income (loss) before transfers	826,765	(939,036)	(13,573)	(125,844)
Transfers in (out)	11,712,249	(11,744,345)	32,096	-
Change in net position	12,539,014	(12,683,381)	18,523	(125,844)
Net position, beginning of year - as previously reported	(3,315,355)	12,683,381	42,762	9,410,788
Cumulative change in accounting principle - GASB #65	(531,408)	-	-	(531,408)
Net position, beginning of year - as restated	(3,846,763)	12,683,381	42,762	8,879,380
Net position, end of year	8,692,251	-	61,285	\$ 8,753,536

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

COMBINING SCHEDULE OF CASH FLOWS - PROPRIETARY SUB FUNDS

YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Sub Funds			
	Greenville			Total
	Greenville	Arena District	Arena District	
	Arena	Public Facilities	Public Facilities	
District	Corporation	Corporation		
Cash flows from operating activities				
Cash received from customers	\$ 4,620,877	-	(244,363)	\$ 4,376,514
Cash received from accommodations tax authority	2,038,458	-	-	2,038,458
Cash received from property tax authority	688,826	-	-	688,826
Cash payments to suppliers for goods and services	(2,076,836)	-	(178,330)	(2,255,166)
Cash payments to employees	(1,182,315)	-	(78,279)	(1,260,594)
Net cash provided by (used in) operating activities	<u>4,089,010</u>	<u>-</u>	<u>(500,972)</u>	<u>3,588,038</u>
Cash flows from non-capital financing activities				
Transfers to Other Sub Funds	126,276	-	(126,276)	-
Net cash provided by (used in) non-capital financing activities	<u>126,276</u>	<u>-</u>	<u>(126,276)</u>	<u>-</u>
Cash flows from capital and related financing activities				
Acquisition and/or construction of capital assets	(5,237,066)	-	-	(5,237,066)
Proceeds from the sale of assets	56,151	-	-	56,151
Proceeds from issuance of bonds, notes, and lease obligations	843,256	-	-	843,256
Principal paid on bonds, notes, and lease obligations	(2,668,906)	-	-	(2,668,906)
Interest paid on bonds, notes, and lease obligations	(1,634,176)	-	-	(1,634,176)
Net cash used in capital and related financing activities	<u>(8,640,741)</u>	<u>-</u>	<u>-</u>	<u>(8,640,741)</u>
Cash flows from investing activities				
Short term investments and amounts held by county treasurer, net	274,460	-	-	274,460
Investment income	3,890	-	-	3,890
Net cash provided by investing activities	<u>278,350</u>	<u>-</u>	<u>-</u>	<u>278,350</u>
Net increase (decrease) in restricted and unrestricted cash and cash equivalents	<u>(4,147,105)</u>	<u>-</u>	<u>(627,248)</u>	<u>(4,774,353)</u>
Restricted and unrestricted cash and cash equivalents, beginning of year	<u>15,454,506</u>	<u>-</u>	<u>831,437</u>	<u>16,285,943</u>
Restricted and unrestricted cash and cash equivalents, end of year	<u>\$ 11,307,401</u>	<u>-</u>	<u>204,189</u>	<u>\$ 11,511,590</u>
Reconciliation of operating income to net cash from operating activities:				
Operating income	\$ 1,471,447	-	8,068	\$ 1,479,515
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	2,088,656	-	-	2,088,656
Changes in assets and liabilities:				
Accounts receivable	199,595	-	84,152	283,747
Accommodations fees receivable	(58,589)	-	-	(58,589)
Prepaid expenses	(93,159)	-	8,609	(84,550)
Accounts payable	(14,222)	-	190	(14,032)
Accrued expenses	(344,062)	-	(31,033)	(375,095)
Unearned premium seat income and deposits	(157,315)	-	-	(157,315)
Unearned sponsor income	(14,305)	-	15,000	695
Advance show and sales deposits	946,427	-	(585,958)	360,469
Unearned naming rights	64,537	-	-	64,537
Net cash provided by operating activities	<u>\$ 4,089,010</u>	<u>-</u>	<u>(500,972)</u>	<u>\$ 3,588,038</u>

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

COMBINING SCHEDULE OF CASH FLOWS - PROPRIETARY SUB FUNDS

YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Sub Funds			Total
	Greenville Arena District	Greenville Arena District Public Facilities Corporation	Greenville Arena District Public Facilities Management Corporation	
Cash flows from operating activities				
Cash received from customers	\$ 3,849,769	1	778,604	\$ 4,628,374
Cash received from accommodations tax authority	2,157,626	-	-	2,157,626
Cash received from property tax authority	674,081	-	-	674,081
Cash payments to suppliers for goods and services	(1,894,082)	(2,786)	(130,970)	(2,027,838)
Cash payments to employees	(1,201,507)	-	(81,854)	(1,283,361)
Net cash provided by (used in) operating activities	<u>3,585,887</u>	<u>(2,785)</u>	<u>565,780</u>	<u>4,148,882</u>
Cash flows from non-capital financing activities				
Transfers to Other Sub Funds	(11,010,706)	10,901,790	108,916	-
Net cash provided by (used in) non-capital financing activities	<u>(11,010,706)</u>	<u>10,901,790</u>	<u>108,916</u>	<u>-</u>
Cash flows from capital and related financing activities				
Acquisition and/or construction of capital assets	(1,268,215)	-	-	(1,268,215)
Proceeds from issuance of bonds, notes, and lease obligations	23,995,000	-	-	23,995,000
Principal paid on bonds, notes, and lease obligations	(1,193,244)	(11,931,200)	-	(13,124,444)
Interest paid on bonds, notes, and lease obligations	(1,091,735)	(488,374)	-	(1,580,109)
Bond issuance costs	(198,250)	-	-	(198,250)
Net cash provided by (used in) capital and related financing activities	<u>20,243,556</u>	<u>(12,419,574)</u>	<u>-</u>	<u>7,823,982</u>
Cash flows from investing activities				
Short term investments and amounts held by county treasurer, net	350,664	-	-	350,664
Investment income	8,405	-	-	8,405
Net cash provided by investing activities	<u>359,069</u>	<u>-</u>	<u>-</u>	<u>359,069</u>
Net increase (decrease) in restricted and unrestricted cash and cash equivalents	13,177,806	(1,520,569)	674,696	12,331,933
Restricted and unrestricted cash and cash equivalents, beginning of year	<u>2,276,700</u>	<u>1,520,569</u>	<u>156,741</u>	<u>3,954,010</u>
Restricted and unrestricted cash and cash equivalents, end of year	\$ 15,454,506	-	831,437	\$ 16,285,943
Reconciliation of operating income to net cash from operating activities:				
Operating income (loss)	\$ 2,501,742	(689,678)	(13,573)	\$ 1,798,491
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	1,435,234	914,716	-	2,349,950
Changes in assets and liabilities:				
Accounts receivable	(27,762)	-	65,508	37,746
Accommodations fees receivable	33,213	-	-	33,213
Prepaid expenses	98,653	1,455	(4,016)	96,092
Accounts payable	27,759	-	-	27,759
Accrued expenses	(575,072)	(1)	(23,005)	(598,078)
Unearned premium seat income and deposits	107,646	-	-	107,646
Unearned sponsor income	(52,374)	-	(5,333)	(57,707)
Advance show and sales deposits	36,848	-	546,199	583,047
Unearned naming rights	-	(229,277)	-	(229,277)
Net cash provided by (used in) operating activities	<u>\$ 3,585,887</u>	<u>(2,785)</u>	<u>565,780</u>	<u>\$ 4,148,882</u>
Supplemental disclosures of cash flow information				
Investing, capital, and financing noncash items:				
Deferred loss from writeoff of refunded bonds issuance costs and deferred losses	\$ -	407,563	-	\$ 407,563

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

COMBINING SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES - PROPRIETARY SUB FUNDS

YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Sub Funds			
	Greenville			Total
	Greenville	Greenville	Greenville	
	Arena	Arena District	Arena District	
District	Public Facilities	Public Facilities		
	Corporation	Management	Corporation	
Wages	\$ 1,182,315	-	78,279	\$ 1,260,594
Contract labor	11,692	-	-	11,692
Employee benefits	136,079	-	14,596	150,675
Payroll taxes	92,276	-	-	92,276
Insurance	188,484	-	20,711	209,195
Repairs and maintenance	186,465	-	34,181	220,646
Equipment rental	11,511	-	9,744	21,255
Meals and entertainment	13,701	-	1,899	15,600
Travel	4,800	-	2,907	7,707
Supplies	45,824	-	-	45,824
Postage	2,076	-	123	2,199
Communications	52,034	-	8,514	60,548
Dues and subscriptions	30,430	-	6,430	36,860
Commissions	72,953	-	-	72,953
Utilities	438,848	-	13,212	452,060
Naming rights conversion	83,208	-	-	83,208
Legal, accounting, and professional fees	113,456	-	21,615	135,071
Training and development	6,934	-	-	6,934
Advertising	70,502	-	11,485	81,987
Premium seat and sponsors	2,854	-	-	2,854
Printing	12,051	-	-	12,051
Bank charges	16,641	-	2,017	18,658
Miscellaneous	32,574	-	7,783	40,357
Bad debt	-	-	879	879
Total general and administrative expenses	\$ 2,807,708	-	234,375	\$ 3,042,083

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

COMBINING SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES - PROPRIETARY SUB FUNDS

YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Sub Funds			
	Greenville			Total
	Greenville	Greenville	Greenville	
	Arena	Arena District	Arena District	
District	Public Facilities	Public Facilities		
	Corporation	Management	Corporation	
Wages	\$ 1,201,507	-	81,854	\$ 1,283,361
Contract labor	13,576	-	-	13,576
Employee benefits	130,216	-	14,354	144,570
Payroll taxes	88,844	-	-	88,844
Insurance	187,006	-	20,711	207,717
Repairs and maintenance	276,639	-	20,282	296,921
Equipment rental	17,536	-	3,509	21,045
Meals and entertainment	11,626	-	1,935	13,561
Travel	6,163	-	2,232	8,395
Supplies	41,771	-	-	41,771
Postage	1,396	-	120	1,516
Communications	52,046	-	7,320	59,366
Dues and subscriptions	24,679	-	10,500	35,179
Commissions	30,964	-	-	30,964
Utilities	394,255	-	10,440	404,695
Legal, accounting, and professional fees	99,306	-	3,000	102,306
Training and development	4,488	-	-	4,488
Advertising	21,154	-	4,662	25,816
Premium seat and sponsors	5,556	-	787	6,343
Printing	6,041	-	-	6,041
Bank charges	6,855	4,200	1,428	12,483
Miscellaneous	25,305	40	2,424	27,769
Bad debt	-	-	245	245
	<u>\$ 2,646,929</u>	<u>4,240</u>	<u>185,803</u>	<u>\$ 2,836,972</u>

(This page intentionally left blank.)

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Greenville Arena District
Greenville, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Greenville Arena District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 10, 2014