

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

TABLE OF CONTENTS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>Page Number</u>
Table of Contents	i
Board of Trustees	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	12
Statements of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	13
Statements of Cash Flows - Proprietary Fund	14
Notes to the Financial Statements	15
Supplementary Information:	
Schedule of General and Administrative Expenses - Proprietary Fund	32
<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>	35

GREENVILLE ARENA DISTRICT

Greenville, South Carolina

Established

1940

Board of Trustees

Dante Russo, Chairperson

Michael Allen

Dee Benedict

Amber Drummond

Buddy Dyer

Barry Formanack

Neetu Patel

James Pittman, Jr.

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, 2020 and 2019, 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 Greenville Arena District, South Carolina, as of June 30, 2020 and 2019, 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 an opinion 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 3, 2020 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, LLP

Greene Finney, LLP
Mauldin, South Carolina
September 3, 2020

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2020 AND 2019

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 year ended June 30, 2020 ("FY 2020" or "2020"). Our analysis includes comparisons of 2020 information with the years ended June 30, 2019 ("FY 2019" or "2019") and 2018 ("FY 2018" or "2018") information. See "Overview of the Financial Statements" section later in this MD&A for more details on the District's component unit.

The intent of this MD&A 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 and deferred outflows of resources of the District exceeded its liabilities (net position) at June 30, 2020, 2019, and 2018 by approximately \$17,606,000, \$15,975,000, and \$12,983,000, respectively. The District's unrestricted net position at June 30, 2020 was approximately \$1,539,000, compared to approximately \$1,870,000 at June 30, 2019, and approximately \$247,000 at June 30, 2018. Net position increased in 2020 by approximately \$1,631,000, compared to an increase of approximately \$2,991,000 in 2019, and an increase of approximately \$1,493,000 in 2018.
- ◆ The District's operating revenues decreased approximately \$2,080,000, or 19%, in 2020 primarily due to a decrease in net event income of approximately \$1,295,000. The decrease in net event income was primarily due to the COVID-19 pandemic and the cancellation and postponements of events. For more details on the changes in operating revenues see "2020 Results Compared to 2019 and 2018 Results" section later in this MD&A.
- ◆ The District's 2020 operating expenses decreased approximately \$623,000, or 9%. Due to the COVID-19 pandemic and the reduction in revenues, the District took every possible measure to reduce operating expenses to preserve liquid assets. For more details on the changes in operating expenses see "2020 Results Compared to 2019 and 2018 Results" section later in this MD&A.
- ◆ Net capital assets decreased approximately \$428,000 in 2020, compared to a decrease of approximately \$1,823,000 in 2019. The primary reason for the decrease in 2020 was due to depreciation expense of approximately \$2,731,000, partially offset by capital additions of approximately \$2,303,000. The primary reason for the decrease in 2019 was due to depreciation expense of approximately \$2,689,000, partially offset by capital additions of approximately \$866,000. For more details on the changes in capital assets see "Capital Asset and Debt Administration – Capital Assets" section later in this MD&A.
- ◆ The District's debt decreased in 2020 by approximately \$2,963,000 primarily due to scheduled principal payments on its debt of approximately \$2,949,000. The District's debt decreased in 2019 by approximately \$3,569,000 primarily due to scheduled principal payments on its debt of approximately \$3,555,000. Remaining changes to the District's debt for 2020 and 2019 represent amortization of the premiums on the District's debt.

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).

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.

All of the District's assets, deferred outflows of resources, 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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2020 AND 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. A 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 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 to account for all of the operations of the District.

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 schedules of general and administrative expenses provided as supplementary information are included to reflect the financial activity of the District's enterprise activities. The 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 the Bon Secours Wellness Arena (the "Arena"), a 15,000 seat capacity sports and entertainment venue located in Greenville, South Carolina. The primary purpose of the Arena is to provide quality entertainment to the residents of the Upstate of South Carolina. The District generates revenue primarily through:

- ◆ Building rental/event promotion, food, beverage, merchandise sales, parking fees, taxes, ticketing surcharges, and event sponsorships (event income, net).
- ◆ Property tax and accommodation fee revenue.
- ◆ Premium seating and sponsorship sales.
- ◆ Other income (i.e. intergovernmental revenues, naming right revenues, management fees, etc.)

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

The Arena also engages in the selling of premium seating at the venue by means of club seats and suites. The 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 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 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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2020 AND 2019

2020 RESULTS COMPARED TO 2019 AND 2018 RESULTS

The Arena hosted 102 events for 2020, compared to 125 events for 2019, and 112 events for 2018. Net event income for 2020, 2019, and 2018 was approximately \$3,002,000, \$4,297,000, and \$2,927,000, respectively. Net event income decreased approximately \$1,295,000, or 30%, in 2020 primarily due to the effect of the COVID-19 pandemic.

Net event income increased approximately \$1,370,000, or 47%, in 2019 primarily due to an increase in concerts combined with shows that have higher TicketMaster fees.

The County collects the District's accommodation fees and the property tax revenues. Net accommodation fees for the years ended June 30, 2020, 2019, and 2018, were approximately \$2,062,000, \$2,073,000, and \$2,079,000, respectively. Net accommodations fees decreased in 2020 and increased in 2019 by approximately \$11,000 and \$6,000 respectively, 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). As of June 30, 2020, 2019 and 2018, the District had excess accommodations fees owed to the City and County (in excess of debt service requirements) of approximately \$199,000, \$1,310,000, and \$1,253,000, respectively.

Each year in March, the District remits the excess accommodations fees back to the City and County. The following table represents the amounts remitted back to the City and County in 2020, 2019, and 2018:

	Excess Accommodations Fees Paid Back by the District		
	2020	2019	2018
City	\$ 2,092,834	1,911,043	\$ 1,886,805
County	651,701	785,144	829,989
Total	<u>\$ 2,744,535</u>	<u>2,696,187</u>	<u>\$ 2,716,794</u>

Property tax revenues for the years ended June 30, 2020, 2019, and 2018, were approximately \$1,066,000, \$1,031,000, and \$1,010,000, respectively. Property tax revenues increased slightly in 2020 and 2019 due to higher assessed values and collections by the County. The millage rate is adjusted periodically by the County to provide funds sufficient to meet the debt service requirements on the Arena's general obligation debt.

Club seats, suites, and sponsor fees for the Arena were approximately \$1,613,000, \$2,468,000, and \$2,366,000, for 2020, 2019, and 2018, respectively. The decrease in 2020 is due to the District suspending the billing of all club seat, suite, and sponsor fees due to COVID-19.

The increase in 2019 was primarily due to increased single event suite rentals of approximately \$87,000.

Other income was approximately \$1,180,000, \$1,135,000, and \$888,000 for the years ended June 30, 2020, 2019, and 2018, respectively. Other income slightly increased in 2020 primarily due to City of Greenville contributions related to exterior design work and exterior landscape work around the Arena. In 2019, the increase was due to a timing difference regarding a contribution from the City of Greenville related to a new operating agreement as well as increased interest income earned on a money market investment account.

The District's operating expenses were approximately \$6,371,000 in 2020, \$6,994,000 in 2019, and \$6,630,000 in 2018. General and administrative expenses decreased 15%, or approximately \$665,000 in 2020 primarily due to a decrease in wages expense of approximately \$198,000 combined with a decrease in repairs and maintenance expense of approximately \$278,000 combined with other cost saving measures once COVID-19 began to cancel and postpone events. Depreciation expense increased 2%, or \$42,000, in 2020. General and administrative expenses increased 10%, or approximately \$381,000 in 2019 primarily due to an increase in wages expense of approximately \$282,000 combined with technology upgrades and reinvestment into the building. Depreciation expense decreased 1%, or \$16,000, in 2019.

Net non-operating revenues and expenses decreased approximately \$96,000 in 2020 compared to a decrease of approximately \$130,000 in 2019. The increase in 2020 was due to a decrease in interest expense of approximately \$104,000. The decrease in 2019 was due to a decrease in interest expense of approximately \$110,000.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2020 AND 2019

FINANCIAL ANALYSIS OF THE DISTRICT

As of June 30, 2020, 2019, and 2018, the District's net position was approximately \$17,606,000, \$15,975,000, and \$12,983,000, respectively. See Table 1 below for more details.

Table 1 - Net Position (Deficit)

	Business-Type Activities		
	2020	2019	2018
Assets and Deferred Outflows of Resources			
Current and other assets and deferred outflows of resources	\$ 12,202,254	15,797,514	\$ 14,184,712
Capital assets, net	36,293,650	36,721,852	38,544,806
Total Assets and Deferred Outflows of Resources	<u>48,495,904</u>	<u>52,519,366</u>	<u>52,729,518</u>
Liabilities			
Long-term liabilities	22,944,057	25,641,803	28,605,178
Other liabilities	7,946,085	10,902,930	11,140,971
Total Liabilities	<u>30,890,142</u>	<u>36,544,733</u>	<u>39,746,149</u>
Net Position (Deficit)			
Net investment in capital assets	14,512,398	12,256,593	10,951,850
Restricted	1,554,733	1,847,996	1,784,402
Unrestricted	1,538,631	1,870,044	247,117
Total Net Position (Deficit)	<u>\$ 17,605,762</u>	<u>15,974,633</u>	<u>\$ 12,983,369</u>

The decrease in total assets and deferred outflows of resources of approximately \$4,023,000 in 2020 was primarily due to a decrease in capital assets as depreciation expense exceeded current year additions, a decrease in cash and cash equivalents, a decrease in District accounts receivable, and a decrease in prepaid expenses for 2020. The decrease in total assets and deferred outflows of resources of approximately \$210,000 in 2019 was primarily due to a decrease in capital assets as depreciation expense exceeded current year additions, partially offset by an increase in cash and cash equivalents stemming from the District having an increase in its net position of approximately \$2,991,000 for 2019.

Long-term liabilities generally consist of the District's debt. Total liabilities decreased by approximately \$5,655,000 in 2020 primarily due to decreases in long term obligations as the District made regularly scheduled principal payments, combined with a decrease in advance show and sales as events cancelled and postponed due to COVID-19. Total liabilities decreased by approximately \$3,201,000 in 2019 primarily due to decreases in long term obligations as the District made regularly scheduled principal payments, partially offset by an increase in advance show and sales deposits due to large shows taking place shortly after year-end.

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, and less any liabilities that are attributable to the construction, acquisition, and/or improvement of those assets. At June 30, 2020, 2019, and 2018, the amount of net investment in capital assets was approximately \$14,512,000, \$12,257,000, and \$10,952,000, respectively. The increase in the current year and prior year was primarily due to non-debt capital asset additions and principal payments exceeding depreciation expense.
- ◆ 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, 2020, 2019, and 2018 was approximately \$1,555,000, \$1,848,000, and \$1,784,000, 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 daily operations of the District and on which no restrictions are imposed. Unrestricted net position (net deficit) as of June 30, 2020, 2019, and 2018, was approximately \$1,539,000, \$1,870,000, and \$247,000, respectively. See "2020 Results Compared to 2019 and 2018 Results" section earlier in this MD&A for details on the District's change in net position for 2020, 2019, and 2018.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2020 AND 2019

FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

The District's change in net position for the years ended June 30, 2020, 2019, and 2018, was approximately \$1,631,000, \$2,991,000, and \$1,493,000, respectively. See Table 2 below for more details.

Table 2 - Changes in Net Position

	Revenues	Business-Type Activities		
		2020	2019	2018
Revenues:				
Operating revenues		\$ 8,923,469	11,003,056	\$ 9,269,749
Nonoperating revenues		18,727	26,562	6,079
Total revenues		<u>8,942,196</u>	<u>11,029,618</u>	<u>9,275,828</u>
	Expenses			
Expenses:				
Operating expenses		6,371,152	6,994,170	6,629,545
Nonoperating expenses		939,915	1,044,184	1,153,687
Total expenses		<u>7,311,067</u>	<u>8,038,354</u>	<u>7,783,232</u>
Changes in net position		1,631,129	2,991,264	1,492,596
Total net position, beginning of year		<u>15,974,633</u>	<u>12,983,369</u>	<u>11,490,773</u>
Total net position, end of year		<u>\$ 17,605,762</u>	<u>15,974,633</u>	<u>\$ 12,983,369</u>

See "2020 Results Compared to 2019 and 2018 Results" section earlier in this MD&A for details on the District's change in net position for 2020, 2019, and 2018.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets consist of land, buildings, improvements, vehicles and equipment. The District had approximately \$36,294,000 in capital assets as of June 30, 2020, compared to approximately \$36,722,000 and \$38,545,000 as of June 30, 2019 and 2018, respectively. See Table 3 below for details of the District's capital assets as of June 30, 2020, 2019, and 2018:

Table 3 - Capital Assets at June 30,

	Business-Type Activities		
	2020	2019	2018
Land	\$ 2,420,017	2,420,017	\$ 2,420,017
Construction in progress	75,337	221,980	162,935
Buildings and improvements	65,696,328	63,794,336	63,655,961
Vehicles and equipment	7,484,449	7,546,171	6,877,338
	<u>75,676,131</u>	<u>73,982,504</u>	<u>73,116,251</u>
Less: accumulated depreciation	(39,382,481)	(37,260,652)	(34,571,445)
Capital assets, net	<u>\$ 36,293,650</u>	<u>36,721,852</u>	<u>\$ 38,544,806</u>

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2020 AND 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Net capital assets for the District changed as follows:

- Capital assets decreased by approximately \$428,000 during 2020. The primary reason for the decrease in 2020 was due to depreciation expense of approximately \$2,731,000, partially offset by capital asset additions (i.e. bathroom renovations, creation of the Harley Davidson Lounge, exterior landscaping, and arena concept design, etc.) related to the Capital Improvement Plan of approximately \$2,303,000.
- Capital assets decreased by approximately \$1,823,000 during 2019. The primary reason for the decrease in 2019 was due to depreciation expense of approximately \$2,689,000, partially offset by capital asset additions (i.e. zamboni, ice chiller, parking lot lights, minor building improvements, computer/hardware, construction in progress on the chiller project, arena design, and landscaping design, etc.) related to the Capital Improvement Plan of approximately \$866,000.

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

Debt Administration

The District has issued various debt to provide funds for the acquisition and construction of the Arena facilities. The District's long-term debt consists of General Obligation Refunding Bonds ("GORB"), 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"), and Lease Purchase ("LP") obligations. As of June 30, 2020, 2019, and 2018, the District's outstanding balance on its long-term debt (including current portion) was approximately \$25,628,000, \$28,591,000, and \$32,160,000, respectively. Table 4 shows the components of the District's debt as of June 30, 2020, 2019, and 2018:

Table 4 - Outstanding Debt, at June 30,

	Business-Type Activities		
	2020	2019	2018
Debt:			
Series 2009 A - GORB	\$ -	320,000	\$ 1,290,000
Series 2009 C - GORIB	-	-	560,000
Series 2012 A - AFRRB	2,265,000	3,390,000	4,495,000
Series 2012 B - AFRRIB	8,615,000	8,850,000	9,085,000
Series 2013 - AFRB	2,120,000	2,450,000	2,760,000
Series 2016 C - GORB	12,400,000	13,185,000	13,410,000
LP - 2016	227,830	382,231	532,423
Total gross debt/lease purchase	<u>25,627,830</u>	<u>28,577,231</u>	<u>32,132,423</u>
Plus: premiums on bonds	-	13,974	27,947
Total net debt/lease purchase	<u>\$ 25,627,830</u>	<u>28,591,205</u>	<u>\$ 32,160,370</u>

The outstanding balance on the District's debt changed as follows:

- The outstanding balance on the District's debt decreased by approximately \$2,963,000 in 2020. This decrease was primarily due to scheduled principal payments of approximately \$2,949,000, and the change in premiums on the bonds of approximately \$14,000.
- The outstanding balance on the District's debt decreased by approximately \$3,569,000 in 2019. This decrease was primarily due to scheduled principal payments of approximately \$3,555,000 and the change in premiums on the bonds of approximately \$14,000.

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, 2020 AND 2019

OPERATING OUTLOOK FOR 2021 AND CURRENT EVENTS

The District approved an operating budget for the year ended June 30, 2021 (“FY 2021” or “2021”) for the Arena consisting of 91 events. The Arena’s operating revenues are projected to decrease 39%, or \$2,986,000, to \$4,693,000 compared to FY 2020 actual results while expenditures are projected to decrease 11%, or \$3,807,000. Operating income is projected to be \$886,000. Series 2016 C debt service in FY 2021 is \$1,166,000, with projections indicating there will be sufficient cash to cover debt obligations.

Total event income (direct, plus ancillary) is projected to decrease approximately 12%, or \$350,000, due to a decrease in the number of events due to COVID-19. Sponsor, suite and club seat income is projected to decrease as well as the District has suspended all billing until events can resume. Renewals and retention will be a focus supported by an aggressive strategy to retain our partners. Naming rights revenue is projected to stay relatively flat for FY 2021. Projections for other revenue in FY 2021 are slightly lower than actual results from the prior year due to timing and one-time contributions in 2019 and 2020, respectively. All revenue streams are available for the Series 2016 C debt service payments.

The approved Operating Budget for the Arena projects operating expenses to decrease 13%, or \$578,000 compared to prior year. The overall number of events for 2021 is lower than 2020, therefore, repairs and maintenance and conversion costs are projected to decrease along with cost saving measures. Arena management will continue to heavily focus on expenditures as well as preparing the building to be ready and capable to hold events once government restrictions are lifted due to COVID-19.

Cash flow management will continue to be a focus in 2021 after great years in 2020, 2019, and 2018 which has improved cash available to the District for operations and for the Series 2016 C debt service. Arena management will continue to focus on capital investment to further the Arena’s aesthetic appeal and relevancy within the industry, as well as focusing on preparation for events during and after the COVID-19 pandemic.

The decrease in events and revenues is due to the COVID-19 pandemic facing our nation and world. The District has taken drastic steps to decrease expenses while keeping a minimum level of maintenance. The District was well positioned when the pandemic began to affect the entertainment industry in March 2020. The District intends to be vigilant in making financial decisions to preserve the liquid assets of the District to withstand the pandemic.

The approved 2021 budget only includes revenues and expenses generated from the 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 2021 operating budget at the July 2020 Board meeting which includes \$1,692,000 in Capital Projects. These projects will be completed with funds generated from operating profit earned in previous years as well as federal COVID-19 grant funds.

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) 250-4918.

(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

STATEMENTS OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2020 AND 2019

	Business-Type Activities - Enterprise Fund	
	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,002,078	\$ 8,668,907
Restricted cash and cash equivalents	2,055,526	2,925,104
Cash and investments held by county treasurer	835,825	889,428
Taxes receivable, net	25,310	25,310
Accounts receivable	344,623	673,433
Accommodations fees receivable	260,615	488,587
Prepaid expenses	175,582	459,573
Total current assets	10,699,559	14,130,342
Noncurrent assets:		
Capital assets, net	36,293,650	36,721,852
TOTAL ASSETS	46,993,209	50,852,194
DEFERRED OUTFLOWS OF RESOURCES		
Deferred losses on refunding debt	1,502,695	1,667,172
LIABILITIES		
Current liabilities:		
Accounts payable	98,793	177,831
Current portion of long-term debt	2,683,773	2,949,402
Accrued expenses	516,695	1,876,673
Unearned premium seat income and deposits	1,086,825	920,928
Unearned sponsor income	424,430	523,616
Unearned naming rights	231,427	113,444
Advance show and sales deposits	2,904,142	4,341,036
Total current liabilities	7,946,085	10,902,930
Long-term liabilities:		
Long-term debt, less current portion	22,944,057	25,641,803
TOTAL LIABILITIES	30,890,142	36,544,733
NET POSITION		
Net investment in capital assets	14,512,398	12,256,593
Restricted for debt service	1,554,733	1,847,996
Unrestricted	1,538,631	1,870,044
TOTAL NET POSITION	\$ 17,605,762	\$ 15,974,633

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, 2020 AND 2019

	Business-Type Activities - Enterprise Fund	
	2020	2019
OPERATING REVENUES		
Event income, net	\$ 3,001,957	\$ 4,296,849
Accommodation fees, net	2,062,215	2,072,527
Property and merchandise inventory tax	1,066,465	1,030,629
Club seats, suites and sponsor fees, net	1,612,851	2,467,927
Other income	1,179,981	1,135,124
TOTAL OPERATING REVENUES	8,923,469	11,003,056
OPERATING EXPENSES		
General and administrative	3,640,431	4,304,963
Depreciation	2,730,721	2,689,207
TOTAL OPERATING EXPENSES	6,371,152	6,994,170
Operating income	2,552,317	4,008,886
NONOPERATING REVENUES (EXPENSES)		
Interest income	18,727	26,562
Interest expense	(789,413)	(893,682)
Amortization expense	(150,502)	(150,502)
TOTAL NONOPERATING REVENUES (EXPENSES)	(921,188)	(1,017,622)
Change in net position	1,631,129	2,991,264
Net position, beginning of year	15,974,633	12,983,369
Net position, end of year	\$ 17,605,762	\$ 15,974,633

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, 2020 AND 2019

	Business-Type Activities - Enterprise Fund	
	2020	2019
Cash flows from operating activities		
Cash received from customers	\$ 4,871,399	\$ 8,228,742
Cash received from accommodations tax authority	2,290,187	1,901,325
Cash received from property tax authority	1,066,465	1,028,999
Cash payments to suppliers for goods and services	(3,125,572)	(1,724,158)
Cash payments to employees	(1,647,692)	(1,845,240)
Net cash provided by operating activities	<u>3,454,787</u>	<u>7,589,668</u>
Cash flows from capital and related financing activities		
Acquisition and/or construction of capital assets	(2,302,519)	(866,253)
Principal paid on bonds, notes, and lease obligations	(2,949,401)	(3,555,192)
Interest paid on bonds, notes, and lease obligations	(811,604)	(924,028)
Net cash used in capital and related financing activities	<u>(6,063,524)</u>	<u>(5,345,473)</u>
Cash flows from investing activities		
Short term investments and amounts held by county treasurer, net	53,603	(749,469)
Investment income	18,727	26,562
Net cash provided by (used in) investing activities	<u>72,330</u>	<u>(722,907)</u>
Net increase (decrease) in restricted and unrestricted cash and cash equivalents	(2,536,407)	1,521,288
Restricted and unrestricted cash and cash equivalents, beginning of year	11,594,011	10,072,723
Restricted and unrestricted cash and cash equivalents, end of year	<u>\$ 9,057,604</u>	<u>\$ 11,594,011</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,552,317	\$ 4,008,886
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,730,721	2,689,207
Changes in assets and liabilities:		
Taxes receivable, net	-	(1,630)
Accounts receivable	328,810	(64,986)
Accommodations fees receivable	227,972	(171,202)
Prepaid expenses	283,991	731,298
Accounts payable	(79,038)	(139,083)
Accrued expenses	(1,337,786)	143,350
Deferred premium seat income and deposits	165,897	(9,021)
Deferred sponsor income	(99,186)	(27,272)
Advance show and sales deposits	(1,436,894)	427,897
Deferred income	117,983	2,224
Net cash provided by operating activities	<u>\$ 3,454,787</u>	<u>\$ 7,589,668</u>

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, 2020 AND 2019

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.

As required by GAAP, the District’s financial statements must present its 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 did not have any component units for the years ended June 30, 2020 and 2019.

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

The accounts of the government are organized and operated on the basis of funds. A 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. The minimum number of funds is maintained to keep the accounts consistent with legal and managerial requirements. The District uses only the following fund type:

Proprietary fund types are accounted for based on the flow of economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. 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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. All activities to provide such services are accounted for in this fund.

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.

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

- (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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash, Cash Equivalents, and Investments (Continued)

Investments (Continued)

- (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.

The District's cash investment objectives are preservation of capital, liquidity and yield. The District reports its cash and investments 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.
- 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 and are carried at either amortized cost or fair value (as applicable). This is a pooled account and all interest and other earnings gained are added back to the District's account based on its outstanding balance (as a percentage of all balances).

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 acquisition 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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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

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

Premiums on Debt

A portion of the District's long-term debt was issued at a premium to its par or stated value. These premiums 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 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 (as this amount approximates the straight-line basis). Due to the closure of the District during the fourth quarter of 2020, only 9 months of naming rights revenue was recognized in 2020. Three months will be added to the end of the naming rights agreement.

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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows/Inflows of Resources

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, 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 net event income is comprised of (a) direct ticket sales and event rental revenue less direct event expenses and (b) ancillary income which 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.

Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District can access at the measurement date.
- Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:
 - Quoted prices for similar assets and liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted market prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:
 - Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fair Value (Continued)

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The District believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of these balances 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.

Reclassifications

Certain components of net position have been reclassified to reflect amounts restricted for debt service.

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, 2020, none of the District's bank balances of approximately \$9,963,000 (with a carrying value of approximately \$7,002,000) were exposed to custodial credit risk. As of June 30, 2019, none of the District's bank balances of approximately \$8,659,000 (with a carrying value of approximately \$8,669,000) were exposed to custodial credit risk.

As of June 30, 2020, the District had the following investments as defined by GASB:

Investment Type	Credit Rating ^	Fair Value Level (1)	Fair Value	Percentage of Total Investments	Weighted Average Maturity < 1 Year
Cash and investments held by county treasurer	NR	N/A	\$ 835,825	28.9%	\$ 835,825
Open ended treasury money market funds	AAAm, Aaa-mf, AAmmf	Level 1	2,055,526	71.1%	2,055,526
Total			\$ 2,891,351		\$ 2,891,351

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

(1) See Note I.C for details of the District's fair value hierarchy.

NR – Not rated.

N/A – Not applicable.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

II. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

As of June 30, 2019, the District had the following investments as defined by GASB:

Investment Type	Credit Rating ^	Fair Value Level (1)	Fair Value	Percentage of Total Investments	Weighted Average Maturity < 1 Year
Cash and investments held by county treasurer	NR	N/A	\$ 889,428	23.3%	\$ 889,428
Open ended treasury money market funds	AAAm, Aaa-mf, AAAMmf	Level 1	2,925,104	76.7%	2,925,104
Total			\$ 3,814,532		\$ 3,814,532

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

(1) See Note I.C for details of the District's fair value hierarchy.

NR – Not rated.

N/A – Not applicable.

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, 2020 and 2019, 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, 2020 and 2019:

	2020	2019
Unrestricted:		
Operating and petty cash accounts	\$ 7,001,822	\$ 6,432,411
Reserve account	256	2,236,496
Total unrestricted cash and cash equivalents	7,002,078	8,668,907
Restricted:		
Excess accommodation fees and debt sinking funds	2,055,526	2,925,104
Total restricted cash and cash equivalents	2,055,526	2,925,104
Total unrestricted and restricted cash and cash equivalents	\$ 9,057,604	\$ 11,594,011

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

II. DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents (Continued)

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, 2020 and 2019:

	2020	2019
Restricted for debt service	\$ 835,825	\$ 861,545
Restricted for construction and other costs	-	27,883
Total cash and investments held by the County Treasurer	<u>\$ 835,825</u>	<u>\$ 889,428</u>

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 .5 mills for 2020 and .5 mills for 2019. 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.

Other receivables primarily consists of amounts due from events, premium seating, accommodation taxes, etc.

Property taxes receivable includes an allowance for uncollectibles of approximately \$22,000 and \$22,000 as of June 30, 2020 and 2019, respectively. Allowance for uncollectibles was not necessary for the other receivable accounts.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

IV. CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2020, was as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, non-depreciable:					
Land	\$ 2,420,017	-	-	-	\$ 2,420,017
Construction in progress	221,980	839,923	-	(986,566)	75,337
Total capital assets, non-depreciable	<u>2,641,997</u>	<u>839,923</u>	<u>-</u>	<u>(986,566)</u>	<u>2,495,354</u>
Capital assets, depreciable:					
Buildings and improvements	63,794,336	1,064,419	148,993	986,566	65,696,328
Vehicles and equipment	7,546,171	398,177	459,899	-	7,484,449
Total capital assets, depreciable	<u>71,340,507</u>	<u>1,462,596</u>	<u>608,892</u>	<u>986,566</u>	<u>73,180,777</u>
Less: accumulated depreciation for:					
Buildings and improvements	32,719,109	2,039,048	148,993	-	34,609,164
Vehicles and equipment	4,541,543	691,673	459,899	-	4,773,317
Total accumulated depreciation	<u>37,260,652</u>	<u>2,730,721</u>	<u>608,892</u>	<u>-</u>	<u>39,382,481</u>
Total capital assets, depreciable, net	<u>34,079,855</u>	<u>(1,268,125)</u>	<u>-</u>	<u>986,566</u>	<u>33,798,296</u>
Total business-type activities, net	<u>\$ 36,721,852</u>	<u>(428,202)</u>	<u>-</u>	<u>-</u>	<u>\$ 36,293,650</u>

Capital asset activity for the District for the year ended June 30, 2019, was as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, non-depreciable:					
Land	\$ 2,420,017	-	-	-	\$ 2,420,017
Construction in progress	162,935	583,737	-	(524,692)	221,980
Total capital assets, non-depreciable	<u>2,582,952</u>	<u>583,737</u>	<u>-</u>	<u>(524,692)</u>	<u>2,641,997</u>
Capital assets, depreciable:					
Buildings and improvements	63,655,961	138,375	-	-	63,794,336
Vehicles and equipment	6,877,338	144,141	-	524,692	7,546,171
Total capital assets, depreciable	<u>70,533,299</u>	<u>282,516</u>	<u>-</u>	<u>524,692</u>	<u>71,340,507</u>
Less: accumulated depreciation for:					
Buildings and improvements	30,715,557	2,003,552	-	-	32,719,109
Vehicles and equipment	3,855,888	685,655	-	-	4,541,543
Total accumulated depreciation	<u>34,571,445</u>	<u>2,689,207</u>	<u>-</u>	<u>-</u>	<u>37,260,652</u>
Total capital assets, depreciable, net	<u>35,961,854</u>	<u>(2,406,691)</u>	<u>-</u>	<u>524,692</u>	<u>34,079,855</u>
Total business-type activities, net	<u>\$ 38,544,806</u>	<u>(1,822,954)</u>	<u>-</u>	<u>-</u>	<u>\$ 36,721,852</u>

Depreciation expense of approximately \$2,731,000 and \$2,689,000 was charged to the business-type operations of the District in 2020 and 2019, respectively.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

V. DEFERRED LOSSES ON REFUNDING DEBT

Deferred losses on refunding debt consisted of the following at June 30, 2020 and 2019:

	2020	2019
Deferred losses on refunding debt	\$ 2,395,249	\$ 2,395,249
Less: accumulated amortization	(892,554)	(728,077)
Deferred losses on refunding debt, net	\$ 1,502,695	\$ 1,667,172

Amortization expense was approximately \$164,000 and \$164,000 for the years ended June 30, 2020 and 2019, respectively.

VI. LONG-TERM OBLIGATIONS

The District issued various bonds and certificates of participation to provide funds for the acquisition and construction of the BSWA 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 Accommodations Fee Revenue Refunding Bond (“AFRRB”), Accommodations Fee Revenue Refunding and Improvement Bond (“AFRRIB”), Accommodations Fee Revenue Bond (“AFRB”), 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. The District’s long-term debt obligations outstanding at June 30, 2020, consisted of the following:

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 AFRRIB 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: \$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.

Series 2016 C: \$13,830,000 GORB (taxable) issued by the District in March 2016 were used to (i) advance refund all or a portion of the callable maturities of the Series 2009 C GORIB, including accrued interest, (ii) establish a debt service reserve fund, and (iii) pay for costs of issuance. Interest ranging from 2.60% to 3.40% per annum is payable semi-annually on April 1st and October 1st of each year and the bonds will mature in successive annual installment on April 1st of each year through April 2033 ranging from \$195,000 to \$1,185,000.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

VI. LONG-TERM OBLIGATIONS (CONTINUED)

The District has pledged the revenues of the BSWA 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 2016 C was approximately \$1,213,000 at June 30, 2020 and at June 30, 2019.

The District’s reacquisition price on the refunded debt (Series 2009 C) exceeded its net carrying value which resulted in a deferred loss on refunding of approximately \$1,801,000.

LP - 2016: \$750,000 five year lease purchase agreement was entered into by the District in September 2016 for the purpose of financing the purchase of a multi-purpose artificial ice floor for the BSWA. The lease purchase has an interest rate of 2.75% and is due in quarterly installments of principal and interest of \$40,953 beginning January 2017 and continuing through October 2021.

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 \$843,000 and \$1,712,000 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, 2020 and 2019, respectively. All accommodation fee bonds are direct placements and contain an event of default that could change the timing of repayment of outstanding amounts to become immediately due if the District is unable to make payment.

Changes in the District’s long-term obligations for the year ended June 30, 2020, were as follows:

	June 30, 2019	Additions	Reductions	June 30, 2020	Due Within One Year
Business-Type Activities:					
General Obligation Bonds:					
Series 2009 A - GORB	\$ 320,000	-	320,000	-	\$ -
Series 2016 C- GORB	13,185,000	-	785,000	12,400,000	790,000
Total General Obligation Bonds	<u>13,505,000</u>	<u>-</u>	<u>1,105,000</u>	<u>12,400,000</u>	<u>790,000</u>
Debt from direct borrowings and direct placements:					
Series 2012 A - AFRRB	3,390,000	-	1,125,000	2,265,000	1,130,000
Series 2012 B - AFRRIB	8,850,000	-	235,000	8,615,000	250,000
Series 2013 - AFRB	2,450,000	-	330,000	2,120,000	355,000
LP - 2016	382,231	-	154,401	227,830	158,773
Total Debt from direct borrowings and direct placements	<u>15,072,231</u>	<u>-</u>	<u>1,844,401</u>	<u>13,227,830</u>	<u>1,893,773</u>
Total debt	28,577,231	-	2,949,401	25,627,830	2,683,773
Plus: premiums	13,974	-	13,974	-	-
Total business-type activities	<u>\$ 28,591,205</u>	<u>-</u>	<u>2,963,375</u>	<u>25,627,830</u>	<u>\$ 2,683,773</u>

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

VI. LONG-TERM OBLIGATIONS (CONTINUED)

Changes in the District's long-term obligations for the year ended June 30, 2019, were as follows:

Business-Type Activities:	June 30, 2018	Additions	Reductions	June 30, 2019	Due Within One Year
General Obligation Bonds:					
Series 2009 A - GORB	\$ 1,290,000	-	970,000	320,000	\$ 320,000
Series 2009 C - GORIB	560,000	-	560,000	-	-
Series 2016 C - GORB	13,410,000	-	225,000	13,185,000	785,000
Total General Obligation Bonds	15,260,000	-	1,755,000	13,505,000	1,105,000
Debt from direct borrowings and direct placements:					
Series 2012 A - AFRRB	4,495,000	-	1,105,000	3,390,000	1,125,000
Series 2012 B - AFRRIB	9,085,000	-	235,000	8,850,000	235,000
Series 2013 - AFRB	2,760,000	-	310,000	2,450,000	330,000
LP - 2016	532,423	-	150,192	382,231	154,402
Total Debt from direct borrowings and direct placements	16,872,423	-	1,800,192	15,072,231	1,844,402
Total debt	32,132,423	-	3,555,192	28,577,231	2,949,402
Plus: premiums	27,947	-	13,973	13,974	-
Total business-type activities	\$ 32,160,370	-	3,569,165	28,591,205	\$ 2,949,402

The District's maturities for long-term debt of the business-type activities of the District at June 30, 2020, are as follows:

Year Ended June 30,	General Obligation Bonds		Debt from direct borrowings and direct placements		Totals
	Principal	Interest	Principal	Interest	
2021	\$ 790,000	375,673	1,893,773	356,298	\$ 3,415,744
2022	810,000	351,973	1,844,057	310,360	3,316,390
2023	830,000	327,673	1,800,000	266,670	3,224,343
2024	850,000	302,773	1,850,000	216,090	3,218,863
2025	875,000	277,273	1,895,000	164,105	3,211,378
2026-2030	4,845,000	991,509	3,945,000	167,196	9,948,705
2031-2033	3,400,000	230,334	-	-	3,630,334
Totals	\$ 12,400,000	2,857,208	13,227,830	1,480,719	\$ 29,965,757

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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

VII. ACCRUED EXPENSES

Accrued expenses consisted of the following at June 30, 2020 and 2019:

	2020	2019
Accrued interest	\$ 211,004	\$ 233,196
Accrued admission tax	-	123,373
Accrued payroll	44,509	122,527
Excess accommodation fees payable	198,794	1,309,926
Miscellaneous accruals	62,388	87,651
	<u>\$ 516,695</u>	<u>\$ 1,876,673</u>

VIII. 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 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.

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 BSWA 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.

IX. OTHER SIGNIFICANT CONTRACTS

License and Naming Rights

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 of approximately \$231,000 and \$113,000 at June 30, 2020 and June 30, 2019, respectively.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

IX. OTHER SIGNIFICANT CONTRACTS (CONTINUED)

Hockey Team

In March 2015, the District entered into a five year agreement with Chestnut Street Sports, LLC (“Team”) for the continued use of the Bon Secours Wellness Arena for their minor league hockey team (this agreement became effective September 1, 2015). Some of the key terms of this agreement are (a) the Team will pay a user fee of the higher of \$2,500 per game or \$1.50 per paid admission less a credit (which will apply to the user fee) equal to \$1 per paid admission sold per game, (b) the District will receive 40% - 50% of food and beverage sales depending on paid attendance, (c) the Team will receive all merchandise sales and 50% of suite and parking revenue related to games, and (d) the District will provide \$50,000 towards promotions and advertising each year. In March 2020, the Team was purchased by Spire Sports and Entertainment (“Spire”) under the same agreement terms. This agreement expired in September 2020, and an addendum was signed to extend the expiration date to August 2021 with Spire.

X. RETIREMENT PLAN, RISK MANAGEMENT, LITIGATION, AND COVID-19 PANDEMIC

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, the lesser of 100% of participants’ includible compensation, or the elective deferral limit of \$19,500 for the year ended June 30, 2020 and \$19,000 in 2019. Participants age 50 or over may contribute an additional \$6,500. 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 1,000 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, 2020 and 2019, employee contributions were approximately \$74,000 and \$68,000, respectively, and employer matching contributions were approximately \$30,000 and \$27,000, respectively. All contributions are allocated to the investment trust following each pay date. Due to the COVID-19 pandemic, the District has suspended the employer match for retirement.

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.

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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

X. RETIREMENT PLAN, RISK MANAGEMENT, LITIGATION, AND COVID-19 PANDEMIC (CONTINUED)

COVID-19 Pandemic

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. Management is actively monitoring the impact from this health crisis on its financial condition, liquidity, operations, and workforce.

XI. SUBSEQUENT EVENT

New Concession Agreement

In August 2020, the District entered into a concessions agreement with Levy Premium Foodservice Limited Partnership (“Levy”), commencing September 1, 2020 and expiring on June 30, 2030. Both Levy and the District will invest in capital improvements of the foodservice facilities in the arena at a rate established by the agreement. Under the terms of the agreement, the District will retain 94% of the net receipts from concession operations with Levy receiving the remaining 6%.

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2020

	Greenville Arena District
Wages	\$ 1,647,692
Employee benefits	231,902
Payroll taxes	151,725
Insurance	312,649
Repairs and maintenance	249,011
Equipment rental	1,642
Meals and entertainment	12,113
Travel	10,376
Supplies	49,813
Postage	404
Communications	58,008
Dues and subscriptions	32,880
Commissions	12,021
Utilities	536,153
Legal, accounting, and professional fees	175,645
Training and development	11,716
Advertising	41,047
Premium seat and sponsors	29,011
Printing	5,525
Bank charges	1,401
Miscellaneous	69,697
	<hr/>
Total general and administrative expenses	<u><u>\$ 3,640,431</u></u>

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2019

	Greenville Arena District
Wages	\$ 1,845,240
Contract labor	2,435
Workers compensation	3,409
Employee benefits	197,677
Payroll taxes	135,952
Insurance	282,263
Repairs and maintenance	527,419
Equipment rental	985
Meals and entertainment	14,680
Travel	15,035
Supplies	88,430
Postage	3,145
Communications	82,370
Dues and subscriptions	29,240
Commissions	1,398
Utilities	599,198
Legal, accounting, and professional fees	209,062
Training and development	18,933
Advertising	94,021
Premium seat and sponsors	34,272
Printing	6,901
Bank charges	7,430
Miscellaneous	105,468
	<hr/>
Total general and administrative expenses	\$ 4,304,963

(This page intentionally left blank.)



Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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, South Carolina (the "District"), as of and for the year ended June 30, 2020, 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 3, 2020.

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*.

GREENEFINNEY.COM · INFO@GREENEFINNEY.COM

MAULDIN, SC
864.232.5204

CHARLESTON, SC
843.735.5805

SPARTANBURG, SC
864.232.5204

ASHEVILLE, NC
828.771.0847
OPEN BY APPOINTMENT ONLY

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.

A handwritten signature in cursive script that reads "Greene Finney, LLP".

Greene Finney, LLP
Mauldin, South Carolina
September 3, 2020