

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

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GREENVILLE ARENA DISTRICT

Greenville, South Carolina

Established

1940

Board of Trustees

Dante Russo, Chairperson

Rebecca Rodgers

Brittany Moore

Amber Drummond

Buddy Dyer

Barry Formanack

Neetu Patel

James Pittman, Jr.

Neal Smith



INDEPENDENT AUDITOR’S REPORT

Board of Trustees
 Greenville Arena District
 Greenville, South Carolina

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“GAAS”) and the standards applicable to financial audits contained in *Government Auditing Standards* (“*Government Auditing Standards*”), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules of general and administrative expenses – Proprietary Fund and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 schedule of general and administrative expenses – Proprietary Fund and the schedule of expenditures of federal awards are 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 August 31, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
August 31, 2022

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 ("FY 2022" or "2022"). Our analysis includes comparisons of 2022 information with the years ended June 30, 2021 ("FY 2021" or "2021") and 2020 ("FY 2020" or "2020") information.

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, 2022, 2021, and 2020 by approximately \$25,832,000, \$17,700,000, and \$17,606,000, respectively. The District's unrestricted net position at June 30, 2022 was approximately \$8,613,000, compared to approximately \$1,155,000 at June 30, 2021, and approximately \$1,539,000 at June 30, 2020. Net position increased in 2022 by approximately \$8,132,000, compared to an increase of approximately \$94,000 in 2021, and an increase of approximately \$1,631,000 in 2020.
- ◆ The District's operating revenues increased approximately \$8,951,000, or 142%, in 2022 primarily due to an increase in net event income of approximately \$6,370,000 and an increase in club seats, suites and sponsor fees of approximately \$2,195,000. The increase in net event income is due to the District hosting a pre-pandemic level of events including a full slate of concerts, sporting events, and family shows in 2022. The District was limited both in the number of events and in event capacities for events in 2021. The District hosted the first full capacity, post pandemic, event in late July 2021. The increase in club seats, suites and sponsor fees of approximately \$2,195,000 is primarily due to the District postponing the majority of invoicing and revenue recognition for suite, sponsor, and club seat owners for approximately sixteen months during the COVID-19 pandemic. For more details on the changes in operating revenues see "2022 Results Compared to 2021 and 2020 Results" section later in this MD&A.
- ◆ The District received approximately \$3,505,000 in nonoperating revenue through the Shuttered Venue Operators Grant program.
- ◆ The District's 2022 operating expenses increased approximately \$3,138,000, or 47% primarily due to increases in general and administrative expenses of approximately \$2,892,000 and depreciation expense of approximately \$245,000. For more details on the changes in operating expenses see "2022 Results Compared to 2021 and 2020 Results" section later in this MD&A as well as Note VIII in the Notes to the Financial Statements.
- ◆ Net capital assets decreased approximately \$1,652,000 in 2022, compared to a decrease of approximately \$1,771,000 in 2021. The primary reason for the decrease in 2022 was due to depreciation expense of approximately \$3,348,000, partially offset by capital additions of approximately \$1,696,000. The primary reason for the decrease in 2021 was due to depreciation expense of approximately \$3,103,000, partially offset by capital additions of approximately \$1,332,000. 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 2022 by approximately \$2,654,000 due to scheduled principal payments. The District's debt decreased in 2021 by approximately \$2,684,000 primarily due to scheduled principal payments.

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 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, 2022 AND 2021

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, 2022 AND 2021

2022 RESULTS COMPARED TO 2021 AND 2020 RESULTS

The Arena hosted 121 events for 2022, compared to 70 events for 2021, and 102 events for 2020. Net event income for 2022, 2021, and 2020 was approximately \$8,081,000, \$1,711,000, and \$3,002,000, respectively. Net event income increased approximately \$6,370,000, or 372%, in 2022 primarily due to the District returning to a full year of pre-pandemic level of events after the effect of the COVID-19 pandemic. The District hosted more concerts, sporting events, and family shows and had higher attendance per event as the District was functioning with limited capacities in 2021. Net event income decreased approximately \$1,291,000, or 43%, in 2021 primarily due to the effect of the COVID-19 pandemic.

The County collects the District's accommodation fees and the property tax revenues. Net accommodation fees for the years ended June 30, 2022, 2021, and 2020, were approximately \$2,077,000, \$2,079,000, and \$2,062,000, respectively. Net accommodations fees decreased in 2022 by approximately \$2,000 and increased in 2021 by approximately \$17,000 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, 2022, 2021 and 2020, the District had excess accommodations fees owed to the City and County (in excess of debt service requirements) of approximately \$1,557,000, \$845,000, and \$199,000, 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 2022, 2021, and 2020:

	Excess Accommodations Fees Paid Back by the District		
	2022	2021	2020
City	\$ 1,814,683	429,357	\$ 2,092,834
County	501,954	55,685	651,701
Total	\$ 2,316,637	485,042	\$ 2,744,535

Property tax revenues for the years ended June 30, 2022, 2021, and 2020, were approximately \$1,008,000, \$919,000, and \$1,066,000, respectively. Property tax revenues increased slightly in 2022 due to higher assessed values and collections by the County. Property tax revenues decreased in 2021 due to a decrease in millage rate. 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 \$2,656,000, \$461,000, and \$1,613,000, for 2022, 2021, and 2020, respectively. The increase in 2022 is due to the District resuming billing and revenue recognition in 2022 after suspending the billing of all club seat, suite, and sponsor fees for the large majority of the year in 2021 due to COVID-19. The decrease in 2021 is due to the District suspending the billing of all club seat, suite, and sponsor fees for part of the year due to COVID-19 and slowly starting to recognize revenue as agreements are renegotiated later in the year.

Other income was approximately \$1,454,000, \$1,156,000, and \$1,180,000 for the years ended June 30, 2022, 2021, and 2020, respectively. Other income increased in 2022 primarily due to an increase in revenue from the food and beverage contract with Levy as well as an increase in ticket royalties and parking passes as the District had a full year of events in 2022. In 2021, the decrease was due to a decrease in contributions from the City of Greenville partially offset by an increase in naming rights.

The District's operating expenses were approximately \$9,826,000 in 2022, \$6,688,000 in 2021, and \$6,371,000 in 2020. General and administrative expenses increased 81%, or approximately \$2,892,000 in 2022 primarily due to an increase in wages and benefits expense of approximately \$936,000, an increase in utilities expense of approximately \$131,000, an increase in repairs and maintenance of approximately \$601,000, an increase in communications expense of approximately \$112,000, an increase in food and beverage expense associated with a new concessions agreement with Levy of approximately \$956,000 and an increase in other expenses of approximately \$425,000, offset by a decrease in noncapitalizable federal grant expenses of approximately \$267,000. Depreciation expense increased 8%, or \$245,000, in 2022. General and administrative expenses decreased 1%, or approximately \$55,000 in 2021 primarily due to a decrease in wages and benefits expense of approximately \$535,000 combined with a decrease in utilities expense of approximately \$79,000, a decrease in repairs and maintenance of approximately \$74,000 and a decrease in various other expenses of approximately \$133,000, partially offset by an increase in food and beverage expense associated with a new concessions agreement with Levy of approximately \$499,000 and increase in noncapitalizable federal grant expenses of approximately \$267,000. Depreciation expense increased 14%, or \$372,000, in 2021.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2022 AND 2021

2022 RESULTS COMPARED TO 2021 AND 2020 RESULTS (CONTINUED)

Net non-operating revenues and expenses increased approximately \$2,226,000 in 2022 compared to an increase of approximately \$1,378,000 in 2021. The increase in 2022 was primarily due to an increase in federal grant revenue of approximately \$2,180,000. The increase in 2021 was primarily due to an increase in federal grant revenue of approximately \$1,325,000.

FINANCIAL ANALYSIS OF THE DISTRICT

As of June 30, 2022, 2021, and 2020, the District's net position was approximately \$25,832,000, \$17,700,000, and \$17,606,000, respectively. See Table 1 below for more details.

Table 1 - Net Position

	Business-Type Activities		
	2022	2021	2020
Assets and Deferred Outflows of Resources			
Current and other assets and deferred outflows of resources	\$ 23,338,721	17,375,679	\$ 12,202,254
Capital assets, net	32,871,105	34,523,158	36,293,650
Total Assets and Deferred Outflows of Resources	<u>56,209,826</u>	<u>51,898,837</u>	<u>48,495,904</u>
Liabilities			
Long-term liabilities	17,660,000	20,290,000	22,944,057
Other liabilities	12,717,811	13,909,195	7,946,085
Total Liabilities	<u>30,377,811</u>	<u>34,199,195</u>	<u>30,890,142</u>
Net Position			
Net investment in capital assets	15,918,338	15,176,206	14,512,398
Restricted	1,300,656	1,368,676	1,554,733
Unrestricted	8,613,021	1,154,760	1,538,631
Total Net Position	<u>\$ 25,832,015</u>	<u>17,699,642</u>	<u>\$ 17,605,762</u>

The increase in total assets and deferred outflows of resources of approximately \$4,311,000 in 2022 was primarily due to increases in cash and cash equivalents combined with an increase in accounts receivable and other assets, partially offset by a decrease in prepaid expenses and a decrease in capital assets as depreciation expense exceeded current year additions for 2022. The increase in total assets and deferred outflows of resources of approximately \$3,403,000 in 2021 was primarily due to increases in cash and cash equivalents combined with an increase in accounts receivable, partially offset by a decrease in capital assets as depreciation expense exceeded current year additions for 2021.

Long-term liabilities generally consist of the District's debt. Total liabilities decreased by approximately \$3,821,000 in 2022 primarily due to a decrease in long term obligations, as the District made regularly scheduled principal payments, and advance show and sales deposits, partially offset by increases in accounts payable, accrued expenses, unearned premium seat income, and deposits as well as unearned sponsor income. Total liabilities increased by approximately \$3,309,000 in 2021 primarily due to an increase in accrued expenses, unearned concessions agreement, and advance show and sales deposits, partially offset by a decreases in long term obligations as the District made regularly scheduled principal payments.

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, 2022, 2021, and 2020, the amount of net investment in capital assets was approximately \$15,918,000, \$15,176,000, and \$14,512,000, 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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2022 AND 2021

FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

- ◆ Restricted – This represents the portion of net position with attached constraints on the use of assets. The constraints are externally imposed by such means or parties, such as debt covenants, laws, agreements, and the District’s Board of Trustees. The District’s restricted net position as of June 30, 2022, 2021, and 2020 was approximately \$1,301,000, \$1,369,000, and \$1,555,000, 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 as of June 30, 2022, 2021, and 2020, was approximately \$8,613,000, \$1,155,000, and \$1,539,000, respectively. See “2022 Results Compared to 2021 and 2020 Results” section earlier in this MD&A for details on the District’s change in net position for 2022, 2021, and 2020.

The District’s change in net position for the years ended June 30, 2022, 2021, and 2020, was approximately \$8,132,000, \$94,000, and \$1,631,000, respectively. See Table 2 below for more details.

Table 2 - Changes in Net Position

	Revenues	Business-Type Activities		
		2022	2021	2020
Revenues:				
Operating revenues		\$ 15,276,046	6,325,439	\$ 8,923,469
Nonoperating revenues		3,509,297	1,331,483	18,727
Total revenues		<u>18,785,343</u>	<u>7,656,922</u>	<u>8,942,196</u>
	Expenses			
Expenses:				
Operating expenses		9,826,073	6,688,451	6,371,152
Nonoperating expenses		826,897	874,591	939,915
Total expenses		<u>10,652,970</u>	<u>7,563,042</u>	<u>7,311,067</u>
Changes in net position		8,132,373	93,880	1,631,129
Total net position, beginning of year		<u>17,699,642</u>	<u>17,605,762</u>	<u>15,974,633</u>
Total net position, end of year		<u>\$ 25,832,015</u>	<u>17,699,642</u>	<u>\$ 17,605,762</u>

See “2022 Results Compared to 2021 and 2020 Results” section earlier in this MD&A for details on the District’s change in net position for 2022, 2021, and 2020.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets consist of land, buildings, improvements, vehicles and equipment. The District had approximately \$32,871,000 in capital assets as of June 30, 2022, compared to approximately \$34,523,000 and \$36,294,000 as of June 30, 2021 and 2020, respectively. See Table 3 below for details of the District’s capital assets as of June 30, 2022, 2021, and 2020:

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2022 AND 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Table 3 - Capital Assets at June 30,

	Business-Type Activities		
	2022	2021	2020
Land	\$ 2,420,017	2,420,017	\$ 2,420,017
Construction in progress	231,009	-	75,337
Buildings and improvements	66,555,962	65,930,277	65,696,328
Vehicles and equipment	9,000,852	8,393,635	7,484,449
	<u>78,207,840</u>	<u>76,743,929</u>	<u>75,676,131</u>
Less: accumulated depreciation	(45,336,735)	(42,220,771)	(39,382,481)
Capital assets, net	<u>\$ 32,871,105</u>	<u>34,523,158</u>	<u>\$ 36,293,650</u>

Net capital assets for the District changed as follows:

- Capital assets decreased by approximately \$1,652,000 during 2022. The primary reason for the decrease in 2022 was due to depreciation expense of approximately \$3,348,000, partially offset by capital asset additions (i.e. computer systems, office renovations, chillers, etc.) related to the Capital Improvement Plan of approximately \$1,696,000.
- Capital assets decreased by approximately \$1,771,000 during 2021. The primary reason for the decrease in 2021 was due to depreciation expense of approximately \$3,103,000, partially offset by capital asset additions (i.e. touchless weapons detectors, grab and go concessions, etc.) related to the Capital Improvement Plan of approximately \$1,332,000.

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"), 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, 2022, 2021, and 2020, the District's outstanding balance on its long-term debt (including current portion) was approximately \$20,290,000, \$22,944,000, and \$25,628,000, respectively. Table 4 shows the components of the District's debt as of June 30, 2022, 2021, and 2020:

Table 4 - Outstanding Debt, at June 30,

	Business-Type Activities		
	2022	2021	2020
Debt:			
Series 2012 A - AFRRB	\$ -	1,135,000	\$ 2,265,000
Series 2012 B - AFRRIB	8,105,000	8,365,000	8,615,000
Series 2013 - AFRB	1,385,000	1,765,000	2,120,000
Series 2016 C - GORB	10,800,000	11,610,000	12,400,000
LP - 2016	-	69,057	227,830
Total debt/lease purchase	<u>\$ 20,290,000</u>	<u>22,944,057</u>	<u>\$ 25,627,830</u>

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2022 AND 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration (Continued)

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

- The outstanding balance on the District's debt decreased by approximately \$2,654,000 in 2022, which was due to scheduled principal payments.
- The outstanding balance on the District's debt decreased by approximately \$2,684,000 in 2021, which was due to scheduled principal payments.

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

OPERATING OUTLOOK FOR 2023 AND CURRENT EVENTS

The District anticipates profitable financial results for the year ending June 30, 2023 ("FY 2023" or "2023"). The District saw unprecedented demand in FY 2022 from artists and shows going back out on the road post-pandemic, as well as demand from patrons both from ticket buying and ancillary spending. The District will continue to have a diverse lineup of events in FY 2023 and consumer confidence continues to be strong. Given the current economic conditions with high inflation, the District is continuing to monitor all revenue streams and continues to be mindful from an expenditure standpoint. The District is in an advantageous financial position as they enter FY 2023 with a healthy cash balance and a solid schedule of events that will continue to increase as the year progresses.

The District approved an operating budget FY 2023 for the Arena consisting of 111 events. The Arena's operating revenues are projected to decrease 29%, or \$3,495,000, to \$8,696,000 compared to FY 2022 actual results, excluding accommodations fees, property and merchandise inventory tax, and federal grants, while expenditures are projected to decrease 1%, or \$61,000 to \$6,418,000, excluding depreciation, amortization, and interest expense. Operating income is projected to be \$2,278,000. Series 2016 C debt service requirement in FY 2023 is \$1,158,000, with projections indicating there will be sufficient cash to cover debt obligations.

Total event income (direct, plus ancillary) is projected to decrease approximately 37%, or \$2,982,000, due to a more normalized pre-pandemic year in regards to the number and type of events. Sponsor, suite and club seat income is projected to increase as well as the District has resumed billing and recognition for those revenue streams. 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 2023. Projections for other revenue in FY 2023 are relatively flat compared to the prior year. All revenue streams are available for the Series 2016 C debt service payments.

Cash flow management will continue to be a focus in 2023 after great years in 2022, 2021, 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 post-COVID.

The approved 2023 operating 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 2023 operating budget at the June 2022 Board meeting which includes \$2,199,500 in Capital Projects. These projects will be completed with funds generated from operating profit earned in previous years as well as the current fiscal year.

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.

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BASIC FINANCIAL STATEMENTS

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

STATEMENTS OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2022 AND 2021

	Business-Type Activities - Enterprise Fund	
	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,844,059	\$ 11,307,488
Restricted cash and cash equivalents	3,143,154	2,523,208
Cash and investments held by county treasurer	552,674	633,783
Taxes receivable, net	25,310	25,310
Accounts receivable - other	1,480,243	322,331
Accounts receivable - concessions agreement	476,832	622,781
Accommodations fees receivable	519,658	434,842
Prepaid expenses	70,683	165,703
Other assets	58,733	-
Total current assets	22,171,346	16,035,446
Noncurrent assets:		
Capital assets, net	32,871,105	34,523,158
TOTAL ASSETS	55,042,451	50,558,604
DEFERRED OUTFLOWS OF RESOURCES		
Deferred losses on refunding debt	1,167,375	1,340,233
LIABILITIES		
Current liabilities:		
Accounts payable	362,459	205,498
Current portion of long-term debt	2,630,000	2,654,057
Accrued expenses	2,237,044	1,280,295
Unearned premium seat income and deposits	1,237,815	941,483
Unearned sponsor income	353,940	225,517
Unearned naming rights	120,388	118,028
Unearned concessions agreement	615,385	692,308
Advance show and sales deposits	5,160,780	7,792,009
Total current liabilities	12,717,811	13,909,195
Long-term liabilities:		
Long-term debt, less current portion	17,660,000	20,290,000
TOTAL LIABILITIES	30,377,811	34,199,195
NET POSITION		
Net investment in capital assets	15,918,338	15,176,206
Restricted for debt service	1,300,656	1,368,676
Unrestricted	8,613,021	1,154,760
TOTAL NET POSITION	\$ 25,832,015	\$ 17,699,642

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, 2022 AND 2021

	Business-Type Activities - Enterprise Fund	
	2022	2021
OPERATING REVENUES		
Event income, net	\$ 8,080,829	\$ 1,710,591
Accommodation fees, net	2,076,660	2,079,292
Property and merchandise inventory tax	1,008,405	918,743
Club seats, suites and sponsor fees, net	2,655,829	461,170
Other income	1,454,323	1,155,643
TOTAL OPERATING REVENUES	15,276,046	6,325,439
OPERATING EXPENSES		
General and administrative	6,478,239	3,585,873
Depreciation	3,347,834	3,102,578
TOTAL OPERATING EXPENSES	9,826,073	6,688,451
Operating income	5,449,973	(363,012)
NONOPERATING REVENUES (EXPENSES)		
Federal grants	3,505,207	1,325,216
Interest income	4,090	6,267
Interest expense	(654,036)	(712,129)
Amortization expense	(172,861)	(162,462)
TOTAL NONOPERATING REVENUES (EXPENSES)	2,682,400	456,892
Change in net position	8,132,373	93,880
Net position, beginning of year	17,699,642	17,605,762
Net position, end of year	<u>\$ 25,832,015</u>	<u>\$ 17,699,642</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**

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

YEARS ENDED JUNE 30, 2022 AND 2021

	Business-Type Activities - Enterprise Fund	
	2022	2021
Cash flows from operating activities		
Cash received from customers	\$ 8,839,248	\$ 7,849,436
Cash received from accommodations tax authority	1,991,844	1,905,065
Cash received from property tax authority	1,008,405	918,743
Cash payments to suppliers for goods and services	(3,121,144)	(1,493,292)
Cash payments to employees	(2,126,173)	(1,190,205)
Net cash provided by operating activities	<u>6,592,180</u>	<u>7,989,747</u>
Cash flows from capital and related financing activities		
Acquisition and/or construction of capital assets	(1,695,781)	(1,332,086)
Principal paid on bonds, notes, and lease obligations	(2,654,057)	(2,683,773)
Interest paid on bonds, notes, and lease obligations	(676,231)	(734,321)
Proceeds from federal grants	3,505,207	1,325,216
Net cash used in capital and related financing activities	<u>(1,520,862)</u>	<u>(3,424,964)</u>
Cash flows from investing activities		
Short term investments and amounts held by county treasurer, net	81,109	202,042
Investment income	4,090	6,267
Net cash provided by investing activities	<u>85,199</u>	<u>208,309</u>
Net increase in restricted and unrestricted cash and cash equivalents	5,156,517	4,773,092
Restricted and unrestricted cash and cash equivalents, beginning of year	<u>13,830,696</u>	<u>9,057,604</u>
Restricted and unrestricted cash and cash equivalents, end of year	<u>\$ 18,987,213</u>	<u>\$ 13,830,696</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 5,449,973	\$ (363,012)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	3,347,834	3,102,578
Changes in assets and liabilities:		
Accounts receivable - other	(1,157,912)	22,292
Accounts receivable - concessions agreement	145,949	(622,781)
Accommodations fees receivable	(84,816)	(174,227)
Prepaid expenses	95,020	9,879
Other assets	(58,733)	-
Accounts payable	156,961	106,705
Accrued expenses	978,941	785,792
Unearned premium seat income and deposits	296,332	(145,342)
Unearned sponsor income	128,423	(198,913)
Advance show and sales deposits	(2,631,229)	4,887,867
Unearned naming rights	2,360	(113,399)
Unearned concessions agreement	(76,923)	692,308
Net cash provided by operating activities	<u>\$ 6,592,180</u>	<u>\$ 7,989,747</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, 2022 AND 2021

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, 2022 and 2021.

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, 2022 AND 2021

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.
- (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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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)

- (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.

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

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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). The District recognized 15 months of revenue in 2021 to include the 3 months not recognized in 2020 due to the closure of the District during the fourth quarter of 2020. The District recognized 12 months of revenue in 2022.

Unearned Concessions Agreement

On September 1, 2020, the District entered into a new 10-year concessions service agreement with Levy Premium Foodservice Limited Partnership ("Levy"). In this agreement, Levy has agreed to invest \$750,000 for development, design, construction, fixturing, equipping and finishing of Foodservice Facilities and to generate incremental revenue at the Arena. Unearned concessions agreement revenue represents revenue over the life of the agreement with Levy. The District recognized an unearned revenue in the amount of \$750,000 for the full amount of the agreement and recognizes revenue on a straight-line basis over the life of the agreement. For the years ended June 30, 2022 and June 30, 2021, the District recognized approximately \$77,000 and \$58,000 in concessions revenue, respectively. See Note VIII for further details.

Deferred Outflows/Inflows of Resources

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

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, 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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022, none of the District's bank balances of approximately \$15,760,000 (with a carrying value of approximately \$15,844,000) were exposed to custodial credit risk. As of June 30, 2021, none of the District's bank balances of approximately \$10,969,000 (with a carrying value of approximately \$11,307,000) were exposed to custodial credit risk.

Investments

As of June 30, 2022, 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 < 1 Year
Cash and investments held by county treasurer	NR	N/A	\$ 552,674	15.0%	\$ 552,674
Open ended treasury money market funds	AAAm, Aaa-mf, AAAMmf	Level 1	3,143,154	85.0%	3,143,154
Total			<u>\$ 3,695,828</u>		<u>\$ 3,695,828</u>

^ 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.

As of June 30, 2021, 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	\$ 633,783	20.1%	\$ 633,783
Open ended treasury money market funds	AAAm, Aaa-mf, AAAMmf	Level 1	2,523,208	79.9%	2,523,208
Total			<u>\$ 3,156,991</u>		<u>\$ 3,156,991</u>

^ 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, 2022 and 2021, none of the District's investments were exposed to custodial credit risk.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

II. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2022 and 2021:

	2022	2021
Unrestricted:		
Operating and petty cash accounts	\$ 15,843,753	\$ 11,307,182
Reserve account	306	306
Total unrestricted cash and cash equivalents	15,844,059	11,307,488
Restricted:		
Excess accommodation fees and debt sinking funds	3,143,154	2,523,208
Total restricted cash and cash equivalents	3,143,154	2,523,208
Total unrestricted and restricted cash and cash equivalents	\$ 18,987,213	\$ 13,830,696

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, 2022 and 2021:

	2022	2021
Restricted for debt service	\$ 552,674	\$ 633,783
Total cash and investments held by the County Treasurer	\$ 552,674	\$ 633,783

III. PROPERTY TAXES AND OTHER RECEIVABLES

Greenville County, South Carolina (the “County”) is responsible for levying and collecting sufficient property taxes to meet funding obligations for the District’s general obligation refunding bonds. This obligation is established each year by the District Council and does not necessarily represent actual taxes levied or collected. Property taxes are levied and billed by the County on real and personal properties on October 1 based on a millage rate of .4 mills for 2022 and .4 mills for 2021. 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 of approximately \$1,060,000, premium seating of approximately \$363,000, and accommodation taxes of approximately \$520,000.

Property taxes receivable includes an allowance for uncollectibles of approximately \$22,000 and \$22,000 as of June 30, 2022 and 2021, 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, 2022 AND 2021

IV. CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2022, 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	-	231,009	-	-	231,009
Total capital assets, non-depreciable	<u>2,420,017</u>	<u>231,009</u>	<u>-</u>	<u>-</u>	<u>2,651,026</u>
Capital assets, depreciable:					
Buildings and improvements	65,930,277	638,017	12,332	-	66,555,962
Vehicles and equipment	8,393,635	826,755	219,538	-	9,000,852
Total capital assets, depreciable	<u>74,323,912</u>	<u>1,464,772</u>	<u>231,870</u>	<u>-</u>	<u>75,556,814</u>
Less: accumulated depreciation for:					
Buildings and improvements	36,788,134	2,260,085	12,332	-	39,035,887
Vehicles and equipment	5,432,637	1,087,749	219,538	-	6,300,848
Total accumulated depreciation	<u>42,220,771</u>	<u>3,347,834</u>	<u>231,870</u>	<u>-</u>	<u>45,336,735</u>
Total capital assets, depreciable, net	<u>32,103,141</u>	<u>(1,883,062)</u>	<u>-</u>	<u>-</u>	<u>30,220,079</u>
Total business-type activities, net	<u>\$ 34,523,158</u>	<u>(1,652,053)</u>	<u>-</u>	<u>-</u>	<u>\$ 32,871,105</u>

Capital asset activity for the District for the year ended June 30, 2021, 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	75,337	47,472	-	(122,809)	-
Total capital assets, non-depreciable	<u>2,495,354</u>	<u>47,472</u>	<u>-</u>	<u>(122,809)</u>	<u>2,420,017</u>
Capital assets, depreciable:					
Buildings and improvements	65,696,328	277,616	43,667	-	65,930,277
Vehicles and equipment	7,484,449	1,006,998	220,621	122,809	8,393,635
Total capital assets, depreciable	<u>73,180,777</u>	<u>1,284,614</u>	<u>264,288</u>	<u>122,809</u>	<u>74,323,912</u>
Less: accumulated depreciation for:					
Buildings and improvements	34,609,164	2,222,637	43,667	-	36,788,134
Vehicles and equipment	4,773,317	879,941	220,621	-	5,432,637
Total accumulated depreciation	<u>39,382,481</u>	<u>3,102,578</u>	<u>264,288</u>	<u>-</u>	<u>42,220,771</u>
Total capital assets, depreciable, net	<u>33,798,296</u>	<u>(1,817,964)</u>	<u>-</u>	<u>122,809</u>	<u>32,103,141</u>
Total business-type activities, net	<u>\$ 36,293,650</u>	<u>(1,770,492)</u>	<u>-</u>	<u>-</u>	<u>\$ 34,523,158</u>

Depreciation expense of approximately \$3,348,000 and \$3,103,000 was charged to the business-type operations of the District in 2022 and 2021, respectively.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

V. DEFERRED LOSSES ON REFUNDING DEBT

Deferred losses on refunding debt consisted of the following at June 30, 2022 and 2021:

	2022	2021
Deferred losses on refunding debt	\$ 1,801,088	\$ 2,373,102
Less: accumulated amortization	(633,716)	(1,032,869)
Deferred losses on refunding debt, net	<u>\$ 1,167,372</u>	<u>\$ 1,340,233</u>

Amortization expense was approximately \$173,000 and \$162,000 for the years ended June 30, 2022 and 2021, 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, 2022, consisted of the following:

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.

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, 2022 and at June 30, 2021.

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.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

VI. LONG-TERM OBLIGATIONS (CONTINUED)

The District has assigned its rights to receive the City of Greenville (“City”) and Greenville County’s (“County”) accommodations fees to the trustee to satisfy the debt service related to the accommodation fee bonds (i.e. AFRRB, AFRRIB, and AFRB). Any accommodations fees received from the City and County in a given year in excess of the annual debt service requirement (as defined) must be refunded to the City and County each year within twenty days after March 1st. The District had approximately \$1,930,000 and \$1,310,000 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, 2022 and 2021, 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, 2022, were as follows:

Business-Type Activities:	June 30, 2021	Additions	Reductions	June 30, 2022	Due Within One Year
General Obligation Bonds:					
Series 2016 C- GORB	\$ 11,610,000	-	810,000	10,800,000	\$ 830,000
Total General Obligation Bonds	11,610,000	-	810,000	10,800,000	830,000
Debt from direct borrowings and direct placements:					
Series 2012 A - AFRRB	1,135,000	-	1,135,000	-	-
Series 2012 B - AFRRIB	8,365,000	-	260,000	8,105,000	1,500,000
Series 2013 - AFRB	1,765,000	-	380,000	1,385,000	300,000
LP - 2016	69,057	-	69,057	-	-
Total Debt from direct borrowings and direct placements	11,334,057	-	1,844,057	9,490,000	1,800,000
Total debt	22,944,057	-	2,654,057	20,290,000	2,630,000
Total business-type activities	\$ 22,944,057	-	2,654,057	20,290,000	\$ 2,630,000

Changes in the District’s long-term obligations for the year ended June 30, 2021, were as follows:

Business-Type Activities:	June 30, 2020	Additions	Reductions	June 30, 2021	Due Within One Year
General Obligation Bonds:					
Series 2016 C- GORB	\$ 12,400,000	-	790,000	11,610,000	\$ 810,000
Total General Obligation Bonds	12,400,000	-	790,000	11,610,000	810,000
Debt from direct borrowings and direct placements:					
Series 2012 A - AFRRB	2,265,000	-	1,130,000	1,135,000	1,135,000
Series 2012 B - AFRRIB	8,615,000	-	250,000	8,365,000	260,000
Series 2013 - AFRB	2,120,000	-	355,000	1,765,000	380,000
LP - 2016	227,830	-	158,773	69,057	69,057
Total Debt from direct borrowings and direct placements	13,227,830	-	1,893,773	11,334,057	1,844,057
Total debt	25,627,830	-	2,683,773	22,944,057	2,654,057
Total business-type activities	\$ 25,627,830	-	2,683,773	22,944,057	\$ 2,654,057

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

VI. LONG-TERM OBLIGATIONS (CONTINUED)

The District's maturities for long-term debt of the business-type activities of the District at June 30, 2022, are as follows:

Year Ended June 30,	General Obligation Bonds		Debt from direct borrowings and direct placements		Totals
	Principal	Interest	Principal	Interest	
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	905,000	251,023	1,940,000	110,855	3,206,878
2027	935,000	223,873	2,005,000	56,341	3,220,214
2028-2032	5,220,000	706,663	-	-	5,926,663
2033	1,185,000	40,284	-	-	1,225,284
Totals	<u>\$ 10,800,000</u>	<u>2,129,562</u>	<u>9,490,000</u>	<u>814,061</u>	<u>\$ 23,233,623</u>

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.

VII. ACCRUED EXPENSES

Accrued expenses consisted of the following at June 30, 2022 and 2021:

	2022	2021
Accrued interest	\$ 170,808	\$ 191,163
Accrued admission tax	109,011	10,155
Accrued payroll	36,847	167,675
Excess accommodation fees payable	1,556,587	844,559
Miscellaneous accruals	363,791	66,743
	<u>\$ 2,237,044</u>	<u>\$ 1,280,295</u>

VIII. LEVY CONCESSIONS AGREEMENT

On September 1, 2020, the District entered into a new 10-year concession service agreement with Levy, whereby Levy has agreed to invest \$750,000 for development, design, construction, fixturing, equipping and finishing of Foodservice Facilities and to generate incremental revenue at the Arena. Under the terms of the agreement, the District will retain 94% of the net receipts from concession operations with Levy receiving the remaining 6%. Of the 94%, Levy withholds 1% on behalf of the District as a capital reserve. As of June 30, 2022, this capital reserve of approximately \$59,000 has been recorded as an other asset on the Statement of Net Position.

In addition to the concession operations net receipts split with Levy noted above, over the life of this agreement, the District will recognize revenue using the straight-line method over 10-years. As of June 30, 2022 and June 30, 2021, the District's unearned concessions agreement revenue balances were approximately \$615,000 and \$692,000, respectively. The District is also showing a receivable for the total amount of the contracted agreement less any proceeds spent by Levy on behalf of the agreement. As of June 30, 2022 and June 30, 2021, the District's accounts receivable concessions agreement balances were approximately \$477,000 and \$623,000, respectively. Any amount spent by Levy on behalf of the agreement is expensed as if the District spent this amount since the District would have to make these purchases if there was no concessions agreement with Levy.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

VIII. LEVY CONCESSIONS AGREEMENT (CONTINUED)

In the contract, Levy has agreed to pay \$750,000 over the course of 10-years. If for any reason the contract is terminated, Levy will have to pay the District for any amount of revenue recognized over the amount that Levy has actually paid, or the District will have to pay back Levy for any amount that Levy has paid over the amount of revenue that has been recognized.

IX. OTHER SIGNIFICANT CONTRACTS

License and Naming Rights

Effective October 1, 2013, the District entered into a 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 \$120,000 and \$118,000 at June 30, 2022 and June 30, 2021, respectively.

Hockey Team

In March 2015, the District entered into a five-year agreement with Chestnut Street Sports, LLC for the continued use of the Bon Secours Wellness Arena for their minor league hockey team (“Team”) tenant. 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. In June 2021, an addendum was signed to extend the expiration date to August 2022 with Spire. In April 2022, an addendum was signed to extend the expiration date of the agreement to August 2024 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 First Citizens, 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 \$20,500 for the year ended June 30, 2022 and \$19,500 in 2021. 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, 2022 and 2021, employee contributions were approximately \$80,000 and \$48,000, respectively, and employer matching contributions were approximately \$21,000 and \$3,000, respectively. All contributions are allocated to the investment trust following each pay date. Due to the COVID-19 pandemic, the District suspended the employer match for retirement in 2021.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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

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.

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. Management continues to actively monitor the impact from this health crisis on its financial condition, liquidity, operations, and workforce. If the COVID-19 outbreak continues or strengthens due to new variants resulting in state, local, and federal governments recommending or mandating restrictions on business and travel in an effort to curb the COVID-19 outbreak (by changing consumer behavior), the District expects such restrictions may negatively impact the District's operations.

XI. RELATED PARTY TRANSACTIONS

From time to time, the District receives funds from VisitGreenvilleSC ("VGSC"), a not-for-profit, accredited Destination Marketing Organization serving the City and County of Greenville, South Carolina. The General Manager of the BSWA is on the Board at VGSC. The District received approximately \$296,000 from VGSC during the year ended June 30, 2022 for two events held at the BSWA.

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SUPPLEMENTARY INFORMATION

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2022

	Greenville Arena District
Wages	\$ 2,126,173
Contract labor	7,404
Employee benefits	220,560
Payroll taxes	159,080
Insurance	338,750
Repairs and maintenance	776,175
Equipment rental	1,314
Meals and entertainment	24,189
Travel	7,818
Supplies	117,169
Postage	44
Communications	183,436
Dues and subscriptions	31,757
Utilities	588,198
Legal, accounting, and professional fees	212,632
Training and development	43,329
Advertising	65,369
Premium seat and sponsors	24,943
Printing	5,966
Bank charges	2,003
Miscellaneous	86,118
Food and beverage management - Levy	793,168
Food and beverage operations - Levy	490,668
Food and beverage repairs and maintenance - Levy	26,027
Food and beverage concessions agreement - Levy	145,949
	<hr/>
Total general and administrative expenses	<u>\$ 6,478,239</u>

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2021

	Greenville Arena District
Wages	\$ 1,190,205
Employee benefits	220,601
Payroll taxes	135,651
Insurance	262,564
Repairs and maintenance	175,006
Equipment rental	985
Meals and entertainment	7,968
Travel	1,023
Supplies	33,417
Postage	50
Communications	71,524
Dues and subscriptions	36,105
Utilities	457,009
Legal, accounting, and professional fees	126,242
Training and development	5,629
Advertising	16,219
Premium seat and sponsors	23,511
Printing	4,326
Bank charges	6,848
Miscellaneous	44,538
Federal grant (PPE and signage)	267,072
Food and beverage management - Levy	236,477
Food and beverage operations - Levy	128,281
Food and beverage repairs and maintenance - Levy	7,403
Food and beverage concessions agreement - Levy	127,219
	<hr/>
Total general and administrative expenses	<u><u>\$ 3,585,873</u></u>

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COMPLIANCE SECTION

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Program	Assistance Listing Number	Grant / Contract Number	Expenditures
US SMALL BUSINESS ADMINISTRATION			
Direct Program:			
COVID-19: Shuttered Venue Operators Grant	59.075	SBAHQ21SV008384	\$ 3,505,207
TOTAL US SMALL BUSINESS ADMINISTRATION			3,505,207
TOTAL FEDERAL ASSISTANCE EXPENDED			\$ 3,505,207

There were no expenditures to subrecipients for the year ended June 30, 2022.

See accompanying notes to the schedule of expenditures of federal awards.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

A – General

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of Greenville Arena District, South Carolina (the “District”) for the year ended June 30, 2022. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B – Basis of Accounting

The accompanying Schedule is presented using the economic resources measurement focus and accrual basis of accounting, which is described in the notes to the District’s financial statements.

C – Relationship to Financial Statements

Federal award expenditures are reported in the District’s financial statements generally as expenses in the Enterprise Fund.

D – Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports except for timing differences relating to expenditures made subsequent to the filing of the federal financial reports.

E – Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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**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, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated August 31, 2022.

Report on 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”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
August 31, 2022



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR’S REPORT

Board of Trustees
 Greenville Arena District
 Greenville, South Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Greenville Arena District, South Carolina’s (the “District”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2022. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (“GAAS”); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (“*Government Auditing Standards*”); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
August 31, 2022

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

There were no audit findings in the prior year.

**GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ X _____ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ X _____ None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X _____ No

Federal Awards

Internal control over major federal programs

Material weakness(es) identified?	_____ Yes	_____ X _____ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ X _____ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (Uniform Guidance)?	_____ Yes	_____ X _____ No
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Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
59.075	Shuttered Venue Operators Grant

Dollar threshold used to distinguish between type A and type B programs:	\$ _____	750,000
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Auditee qualified as low-risk auditee?	_____ Yes	_____ X _____ No
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Section II - Financial Statement Findings

NONE

Section III - Federal Awards Findings and Questioned Costs

NONE