GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA

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YEARS ENDED JUNE 30, 2019 AND 2018

GREENVILLE ARENA DISTRICT

Greenville, South Carolina

Established

1940

Greene Finney, LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Greenville Arena District
Greenville, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Greenville Arena District, South Carolina (the "District"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greenville Arena District, South Carolina, as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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MAULDIN, SC 864.232.5204
CHARLESTON, SC 843.735.5805
SPARTANBURG, SC 864.232.5204
ASHEVILLE, NC 828.771.0847 OPEN BY APPOINTMENT ONLY

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
September 3, 2019

This management's discussion and analysis ("MD&A") of the Greenville Arena District's ("District") financial performance provides an overview of the District's financial activities for the year ended June 30, 2019 ("FY 2019" or "2019"). Our analysis includes comparisons of 2019 information with the years ended June 30, 2018 ("FY 2018" or "2018") and 2017 ("FY 2017" or "2017") information. This MD&A not only includes the District itself (known as the primary government), but also its blended component unit (as applicable). See "Overview of the Financial Statements" section later in this MD&A for more details on the District's component unit.

The intent of this MD&A is to look at the District's financial performance as a whole; readers should also review the financial statements, notes to the financial statements, and the supplementary information to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities (net position) at June 30, 2019, 2018, and 2017 by approximately $15,975,000, $12,983,000, and $11,491,000, respectively. The District's unrestricted net position at June 30, 2019 was approximately $2,732,000, compared to approximately $247,000 at June 30, 2018, and a net deficit of approximately $514,000 at June 30, 2017. Net position increased in 2019 by approximately $2,991,000, compared to an increase of approximately $1,493,000 in 2018, and an increase of approximately $1,583,000 in 2017.
- The District's operating revenues increased approximately $1,733,000, or 19%, in 2019 primarily due to an increase in net event income of approximately $1,370,000. The increase in net event income was primarily due to the number of events and profitability of all events. For more details on the changes in operating revenues see "2019 Results Compared to 2018 and 2017 Results" section later in this MD&A.
- The District's 2019 operating expenses increased approximately $365,000, or 5%, primarily due to increased personnel costs combined with reinvestment back into the building. For more details on the changes in operating expenses see "2019 Results Compared to 2018 and 2017 Results" section later in this MD&A.
- Net capital assets decreased approximately $1,823,000 in 2019, compared to a decrease of approximately $2,363,000 in 2018. The primary reason for the decrease in 2019 was due to depreciation expense of approximately $2,689,000, partially offset by capital additions of approximately $866,000. The primary reason for the decrease in 2018 was due to depreciation expense of approximately $2,705,000, partially offset by capital additions of approximately $342,000. 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 2019 by approximately $3,569,000 primarily due to scheduled principal payments on its debt of approximately $3,555,000. The District's debt decreased in 2018 by approximately $3,455,000 primarily due to scheduled principal payments on its debt of approximately $3,441,000. Remaining changes to the District's debt for 2019 and 2018 primarily represent adjustments and amortization of the premiums on the District's debt.

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

The financial statements provide short-term and long-term information about the District's overall financial status. The financial statements also show the entire function of the District is intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The business-type activities of the District include operating and managing (a) the Bon Secours Wellness Arena (sports and entertainment arena).

The District follows governmental accounting principles generally accepted in the United States of America. We present our financial statements on an accrual basis of accounting that is similar to the accounting basis used by most private-sector companies. Under the accrual basis, the current year's revenues earned and expenses incurred are accounted for in the Statement of Activities regardless of when cash is received or paid.

All of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the Statements of Net Position. Net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether our financial health is improving or deteriorating. However, other factors such as changes in operating revenues (i.e. net event income, ancillary income, etc.) should also be considered in order to assess the District's overall health.

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 its operations related to arena/facility management.

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

The 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.

2019 RESULTS COMPARED TO 2018 AND 2017 RESULTS

The Arena hosted 125 events for 2019, compared to 112 events for 2018, and 124 events for 2017. Net event income for 2019, 2018, and 2017 was approximately $4,297,000, $2,927,000, and $3,106,000, respectively. Net event income increased approximately $1,370,000, or 47%, in 2019 primarily by increasing profitability due to the increase in the facility fee on tickets, ticketing fees, and volume increase in events.

Net event income decreased approximately $180,000, or 6%, in 2018 primarily due to the Men's NCAA and Women's SEC basketball tournaments not returning in 2018; however, the District mitigated this loss by increasing profitability from other events and by securing a long-term agreement regarding ticketing.

The County collects the District's accommodation fees and the property tax revenues. Net accommodation fees for the years ended June 30, 2019, 2018, and 2017, were approximately $2,073,000, $2,079,000, and $2,055,000, respectively. Net accommodations fees decreased in 2019 and increased in 2018 by approximately $6,000 and $24,000 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, 2019, 2018 and 2017, the District had excess accommodations fees owed to the City and County (in excess of debt service requirements) of approximately $1,310,000, $1,253,000, and $1,085,000, 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 2019, 2018, and 2017:

	Excess Accommodations Fees Paid Back by the District		
	2019	2018	2017
City	$ 1,911,043	1,886,805	$ 1,631,658
County	785,144	829,989	709,929
Total	$ 2,696,187	2,716,794	$ 2,341,587

Property tax revenues for the years ended June 30, 2019, 2018, and 2017, were approximately $1,031,000, $1,010,000, and $954,000, respectively. Property tax revenues increased slightly in 2019 and 2018 due to higher assessed values and collections by the County. The millage rate is adjusted periodically by the County to provide funds sufficient to meet the debt service requirements on the Arena's general obligation debt.

Club seats, suites, and sponsor fees for the Arena were approximately $2,468,000, $2,366,000, and $2,449,000, for 2019, 2018, and 2017, respectively. The increase in 2019 is primarily due to increased single event suite rentals of approximately $87,000.

The decrease in 2018 was primarily due to decreased suite sales of approximately $62,000 from NCAA and other single event rentals.

Other income was approximately $1,135,000, $888,000, and $916,000 for the years ended June 30, 2019, 2018, and 2017, respectively. Other income increased in 2019 primarily due to a timing difference regarding a contribution from the City of Greenville, increased interest income earned on a money market investment account, and includes a Naming Rights Agreement revenue with Bon Secours.

The District's operating expenses were approximately $6,994,000 in 2019, $6,630,000 in 2018, and $6,675,000 in 2017. General and administrative expenses increased 10%, or approximately $381,000 in 2019 primarily due to an increase in wages expense of approximately $282,000 combined with technology upgrades and reinvestment into the building. Depreciation expense decreased 1%, or $16,000, in 2019. General and administrative expenses decreased 2%, or approximately $100,000 in 2018 primarily due to a decrease in marketing expense of approximately $128,000. Depreciation expense increased 2%, or $54,000, in 2018 due to increased depreciation expense due to new capital assets added in 2018 and 2017 through the Capital Improvement Plan.

Net non-operating revenues and expenses decreased approximately $130,000 in 2019 compared to a decrease of approximately $70,000 in 2018. The decrease in 2019 was due to a decrease in interest expense of approximately $110,000. The decrease in 2018 was due to a decrease in interest expense of approximately $70,000.

FINANCIAL ANALYSIS OF THE DISTRICT

As of June 30, 2019, 2018, and 2017, the District's net position was approximately $15,975,000, $12,983,000, and $11,491,000, respectively. See Table 1 below for more details.

Table 1 - Net Position (Deficit)

	Business-Type Activities		
	2019	**2018**	**2017**
Assets and Deferred Outflows of Resources			
Current and other assets and deferred outflows of resources	$ 15,797,514	14,184,712	$ 12,929,641
Capital assets, net	36,721,852	38,544,806	40,908,288
Total Assets and Deferred Outflows of Resources	52,519,366	52,729,518	53,837,929
Liabilities			
Long-term liabilities	25,641,803	28,605,178	32,174,344
Other liabilities	10,902,930	11,140,971	10,172,812
Total Liabilities	36,544,733	39,746,149	42,347,156
Net Position (Deficit)			
Net investment in capital assets	12,256,593	10,951,850	10,110,285
Restricted	986,451	1,784,402	1,894,249
Unrestricted	2,731,589	247,117	(513,761)
Total Net Position (Deficit)	$ 15,974,633	12,983,369	$ 11,490,773

The decrease in total assets and deferred outflows of resources of approximately $210,000 in 2019 was primarily due to a decrease in capital assets as depreciation expense exceeded current year additions, partially offset by an increase in cash and cash equivalents stemming from the District having an increase in its net position of approximately $2,991,000 for 2019. The decrease in total assets and deferred outflows of resources of approximately $1,108,000 in 2018 was primarily due to a decrease in capital assets as depreciation expense exceeded current year additions, partially offset by an increase in cash and cash equivalents stemming from the District having an increase in its net position of approximately $1,492,000 for 2018.

Long-term liabilities generally consist of the District's debt. Total liabilities decreased by approximately $3,201,000 in 2019 primarily due to decreases in long term obligations as the District made regularly scheduled principal payments, partially offset by an increase in advance show and sales deposits due to large shows taking place shortly after year-end. Total liabilities decreased by approximately $2,601,000 in 2018 primarily due to decreases in long term obligations as the District made regularly scheduled principal payments, partially offset by an increase in advance show and sales deposits due to large shows taking place shortly after year-end.

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

- Net Investment in Capital Assets – This represents amounts invested in capital assets, less accumulated depreciation and amortization on those assets, and less any liabilities that are attributable to the construction, acquisition, and/or improvement of those assets. At June 30, 2019, 2018, and 2017, the amount of net investment in capital assets was approximately $12,257,000, $10,952,000, and $10,110,000, respectively. The increase in the current year and prior year was primarily due to non-debt capital asset additions and principal payments exceeding depreciation expense.
- Restricted – This represents the portion of net position with attached constraints on the use of assets. The constraints are externally imposed by such means or parties, such as debt covenants, laws, agreements, and the District's Board of Trustees. The District's restricted net position as of June 30, 2019, 2018, and 2017 was approximately $986,000, $1,784,000, and $1,894,000, respectively. This restricted net position for all years was for debt service.
- Unrestricted – This represents the portion of net position that can be used to finance daily operations of the District and on which no restrictions are imposed. Unrestricted net position (net deficit) as of June 30, 2019, 2018, and 2017, was approximately $2,732,000, $247,000, and ($514,000), respectively. See "2019 Results Compared to 2018 and 2017 Results" section earlier in this MD&A for details on the District's change in net position for 2019, 2018, and 2017.

FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

The District's change in net position for the years ended June 30, 2019, 2018, and 2017, was approximately $2,991,000 $1,493,000, and $1,583,000, respectively. See Table 2 below for more details.

Table 2 - Changes in Net Position

	Business-Type Activities		
Revenues	**2019**	**2018**	**2017**
Revenues:			
Operating revenues	$ 11,003,056	9,269,749	$ 9,479,420
Nonoperating revenues	26,562	6,079	2,195
Total revenues	11,029,618	9,275,828	9,481,615
Expenses			
Expenses:			
Operating expenses	6,994,170	6,629,545	6,675,160
Nonoperating expenses	1,044,184	1,153,687	1,223,955
Total expenses	8,038,354	7,783,232	7,899,115
Changes in net position	2,991,264	1,492,596	1,582,500
Total net position, beginning of year	12,983,369	11,490,773	9,908,273
Total net position, end of year	$ 15,974,633	12,983,369	$ 11,490,773

See "2019 Results Compared to 2018 and 2017 Results" section earlier in this MD&A for details on the District's change in net position for 2019, 2018, and 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets consist of land, buildings, improvements, vehicles and equipment. The District had approximately $36,722,000 in capital assets as of June 30, 2019, compared to approximately $38,545,000 and $40,908,000 as of June 30, 2018 and 2017, respectively. See Table 3 below for details of the District's capital assets as of June 30, 2019, 2018, and 2017:

Table 3 - Capital Assets at June 30,

	Business-Type Activities		
	2019	**2018**	**2017**
Land	$ 2,420,017	2,420,017	$ 2,420,017
Construction in progress	221,980	162,935	8,044
Buildings and improvements	63,794,336	63,655,961	63,521,338
Vehicles and equipment	7,546,171	6,877,338	6,825,010
	73,982,504	73,116,251	72,774,409
Less: accumulated depreciation	(37,260,652)	(34,571,445)	(31,866,121)
Capital assets, net	$ 36,721,852	38,544,806	$ 40,908,288

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Net capital assets for the District changed as follows:

- Capital assets decreased by approximately $1,823,000 during 2019. The primary reason for the decrease in 2019 was due to depreciation expense of approximately $2,689,000, partially offset by capital asset additions (i.e. zamboni, ice chiller, parking lot lights, minor building improvements, computer/hardware, construction in progress on the chiller project, arena design, and landscaping design, etc.) related to the Capital Improvement Plan of approximately $866,000.
- Capital assets decreased by approximately $2,363,000 during 2018. The primary reason for the decrease in 2018 was due to depreciation expense of approximately $2,705,000, partially offset by capital asset additions (i.e. concession improvements, minor building improvements, computer/hardware, etc.) related to the Capital Improvement Plan of approximately $342,000.

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

Debt Administration

The District has issued various debt to provide funds for the acquisition and construction of the Arena facilities. The District's long-term debt consists of General Obligation Refunding Bonds ("GORB"), General Obligation Refunding and Improvement Bonds ("GORIB"), Accommodations Fee Revenue Refunding Bond ("AFRRB"), Accommodations Fee Revenue Refunding and Improvement Bond ("AFRRIB"), Accommodations Fee Revenue Bond ("AFRB"), Taxable Limited Revenue Bond ("TLRB") and Lease Purchase ("LP") obligations. As of June 30, 2019, 2018, and 2017, the District's outstanding balance on its long-term debt (including current portion) was approximately $28,591,000, $32,160,000, and $35,615,000, respectively. Table 4 shows the components of the District's debt as of June 30, 2019, 2018, and 2017:

Table 4 - Outstanding Debt, at June 30,

	Business-Type Activities		
	2019	2018	2017
Debt:			
Series 2009 A - GORB	$ 320,000	1,290,000	$ 2,215,000
Series 2009 C - GORIB	-	560,000	1,095,000
Series 2012 A - AFRRB	3,390,000	4,495,000	5,590,000
Series 2012 B - AFRRIB	8,850,000	9,085,000	9,300,000
Series 2013 - AFRB	2,450,000	2,760,000	3,060,000
Series 2016 C - GORB	13,185,000	13,410,000	13,635,000
LP - 2016	382,231	532,423	678,500
Total gross debt/lease purchase	28,577,231	32,132,423	35,573,500
Plus: premiums on bonds	13,974	27,947	41,921
Total net debt/lease purchase	$ 28,591,205	32,160,370	$ 35,615,421

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

- The outstanding balance on the District's debt decreased by approximately $3,569,000 in 2019. This decrease was primarily due to scheduled principal payments of approximately $3,555,000 and the change in premiums on the bonds of approximately $14,000.
- The outstanding balance on the District's debt decreased by approximately $3,455,000 in 2018. This decrease was primarily due to scheduled principal payments of approximately $3,441,000 and the change in premiums on the bonds of approximately $14,000.

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

OPERATING OUTLOOK FOR 2020 AND CURRENT EVENTS

The District approved an operating budget for the year ended June 30, 2020 ("FY 2020" or "2020") for the Arena consisting of 136 events. The Arena's operating revenues are projected to decrease 7%, or $507,000, to $7,172,000 compared to FY 2019 actual results while expenditures are projected to increase 2%, or $86,000. Operating income is projected to be $2,787,000. Series 2016 C debt service in FY 2020 is $1,184,000, with projections indicating there will be sufficient cash to cover debt obligations.

Total event income (direct, plus ancillary) is projected to decrease approximately 11%, or $437,000, due to a decrease in the number of concerts combined with changes in the makeup of events. Sponsor, suite and club seat income is projected to remain relatively flat with opportunities to increase this revenue stream during 2020 by additional one-night suite rentals and new sponsorship opportunities. Renewals will be a focus supported by an aggressive renewal sales strategy and additional sales resources. Naming rights revenue is projected to stay relatively flat for FY 2020. Projections for other revenue in FY 2020 are slightly lower than actual results from the prior year. All revenue streams are available for the Series 2016 C debt service payments.

The approved Operating Budget for the Arena projects operating expenses to decrease 2%, or $86,000 compared to prior year. The overall number of events for 2020 is slightly higher than 2019, therefore, repairs and maintenance and conversion costs are projected to increase slightly along with more technology costs. Arena management will continue to heavily focus on expenditures and adjustments can be made during the year should the need arise.

Cash flow management will continue to be a focus in 2020 after great years in 2019 and 2018 which has improved cash available to the District for operations and for the Series 2016 C debt service. Arena management will also continue to focus on capital investment to further the Arena's aesthetic appeal and relevancy within the industry.

The approved 2020 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 2020 operating budget at the June 2019 Board meeting which includes $2,625,000 in Capital Projects. These projects will be completed with funds generated from operating profit earned in previous years.

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, 2019 AND 2018

	Business-Type Activities - Enterprise Fund	
ASSETS	**2019**	**2018**
Current assets:		
Cash and cash equivalents	$ 8,668,907	$ 6,837,460
Restricted cash and cash equivalents	2,925,104	3,235,263
Cash and investments held by county treasurer	889,428	139,959
Taxes receivable, net	25,310	23,680
Accounts receivable	673,433	608,447
Accommodations fees receivable	488,587	317,385
Prepaid expenses	459,573	1,190,871
Total current assets	14,130,342	12,353,065
Noncurrent assets:		
Capital assets, net	36,721,852	38,544,806
TOTAL ASSETS	50,852,194	50,897,871
DEFERRED OUTFLOWS OF RESOURCES		
Deferred losses on refunding debt	1,667,172	1,831,647
LIABILITIES		
Current liabilities:		
Accounts payable	177,831	316,914
Current portion of long-term debt	2,949,402	3,555,192
Accrued expenses	1,876,673	1,763,669
Unearned premium seat income and deposits	920,928	929,949
Unearned sponsor income	523,616	550,888
Unearned naming rights	113,444	111,220
Advance show and sales deposits	4,341,036	3,913,139
Total current liabilities	10,902,930	11,140,971
Long-term liabilities:		
Long-term debt, less current portion	25,641,803	28,605,178
TOTAL LIABILITIES	36,544,733	39,746,149
NET POSITION		
Net investment in capital assets	12,256,593	10,951,850
Restricted for debt service	986,451	1,784,402
Unrestricted	2,731,589	247,117
TOTAL NET POSITION	$ 15,974,633	$ 12,983,369

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, 2019 AND 2018

	Business-Type Activities - Enterprise Fund	
OPERATING REVENUES	**2019**	**2018**
Event income, net	$ 4,296,849	$ 2,926,537
Accommodation fees, net	2,072,527	2,079,271
Property and merchandise inventory tax	1,030,629	1,009,930
Club seats, suites and sponsor fees, net	2,467,927	2,366,428
Other income	1,135,124	887,583
TOTAL OPERATING REVENUES	11,003,056	9,269,749
OPERATING EXPENSES		
General and administrative	4,304,963	3,924,221
Depreciation	2,689,207	2,705,324
TOTAL OPERATING EXPENSES	6,994,170	6,629,545
Operating income	4,008,886	2,640,204
NONOPERATING REVENUES (EXPENSES)		
Interest income	26,562	6,079
Interest expense	(893,682)	(1,003,185)
Amortization expense	(150,502)	(150,502)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,017,622)	(1,147,608)
Change in net position	2,991,264	1,492,596
Net position, beginning of year	12,983,369	11,490,773
Net position, end of year	$ 15,974,633	$ 12,983,369

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, 2019 AND 2018

	Business-Type Activities - Enterprise Fund	
	2019	**2018**
Cash flows from operating activities		
Cash received from customers	$ 8,228,742	$ 7,213,045
Cash received from accommodations tax authority	1,901,325	2,063,769
Cash received from property tax authority	1,028,999	1,009,930
Cash payments to suppliers for goods and services	(1,724,158)	(2,599,005)
Cash payments to employees	(1,845,240)	(1,562,819)
Net cash provided by operating activities	7,589,668	6,124,920
Cash flows from capital and related financing activities		
Acquisition and/or construction of capital assets	(866,253)	(341,842)
Principal paid on bonds, notes, and lease obligations	(3,555,192)	(3,441,077)
Interest paid on bonds, notes, and lease obligations	(924,027)	(1,032,472)
Net cash used in capital and related financing activities	(5,345,472)	(4,815,391)
Cash flows from investing activities		
Short term investments and amounts held by county treasurer, net	(749,469)	(32,738)
Investment income	26,562	6,079
Net cash used in investing activities	(722,907)	(26,659)
Net increase in restricted and unrestricted cash and cash equivalents	1,521,289	1,282,870
Restricted and unrestricted cash and cash equivalents, beginning of year	10,072,723	8,789,853
Restricted and unrestricted cash and cash equivalents, end of year	$ 11,594,012	$ 10,072,723
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 4,008,886	$ 2,640,204
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,689,207	2,705,324
Changes in assets and liabilities:		
Taxes receivable, net	(1,630)	-
Accounts receivable	(64,986)	(90,379)
Accommodations fees receivable	(171,202)	(15,502)
Prepaid expenses	731,298	1,943
Accounts payable	(139,083)	(89,342)
Accrued expenses	143,350	(150,204)
Deferred premium seat income and deposits	(9,021)	(144,329)
Deferred sponsor income	(27,272)	16,010
Advance show and sales deposits	427,897	1,249,014
Deferred income	2,224	2,181
Net cash provided by operating activities	$ 7,589,668	$ 6,124,920

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Greenville Arena District ("District") is a special purpose district created by the General Assembly of the State of South Carolina in 1940. The District is governed by a Board of Trustees ("Board") consisting of nine members who are appointed by the Governor upon recommendation by Greenville County Council. The District's 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, 2019 and 2018.

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.

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, 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash, Cash Equivalents, and Investments (Continued)

Investments (Continued)

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

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

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

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

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

The District's cash investment objectives are preservation of capital, liquidity and yield. The District reports its cash and investments, as well as its blended component unit, 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).

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. Interest incurred during the construction of capital assets is capitalized (if material).

All reported capital assets except land and construction in progress are depreciated. Construction projects 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

Amortization of Debt Issuance Costs

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

Discounts/Premiums on Debt

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

Deferred Losses on Refunding of Debt

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

Unearned Income/Revenue

Unearned premium seat income and unearned sponsor income represent advance payments or billings from the respective parties. Income from these arrangements is recognized over the life of the respective agreement. Advance show sales and deposits are recognized as income upon the completion of the respective event.

Unearned Naming Rights

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows/Inflows of Resources

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

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

Net Position

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

Revenues

The District's net event income is comprised of (a) direct ticket sales and event rental revenue less direct event expenses and (b) ancillary income which is comprised primarily of food, beverage and merchandise sales, parking fees, ticketing surcharges, taxes, and event sponsorships. The District's other income is comprised primarily of intergovernmental revenues, naming right revenues, signing bonuses, and management fees.

Fair Value

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

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fair Value (Continued)

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.

Reclassifications

The District has reclassified and included ancillary income in net event income for all years presented.

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, 2019, none of the District's bank balances of approximately $8,659,000 (with a carrying value of approximately $8,669,000) were exposed to custodial credit risk. As of June 30, 2018, none of the District's bank balances of approximately $6,930,000 (with a carrying value of approximately $7,059,000) were exposed to custodial credit risk.

II. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

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

^ If available, credit ratings are for Standard & Poor's, Moody's Investors Service, and Fitch Ratings.
(1) See Note I.C for details of the District's fair value hierarchy.
NR – Not rated.
N/A – Not applicable.

As of June 30, 2018, 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, NR, NR	N/A	$ 139,959	4.4%	$ 139,959
Open ended treasury money market funds	AAAm, Aaa-mf, AAAmmf	Level 1	3,013,950	95.6%	3,013,950
Total			$ 3,153,909		$ 3,153,909

^ 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, 2019 and 2018, none of the District's investments were exposed to custodial credit risk.

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

II. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2019 and 2018:

	2019	2018
Unrestricted:		
Operating and petty cash accounts	$ 6,432,411	$ 5,319,991
Reserve account	2,236,496	1,517,469
Total unrestricted cash and cash equivalents	8,668,907	6,837,460
Restricted:		
Construction and other capital costs	-	7,741
Excess accommodation fees and debt sinking funds	2,925,104	3,227,522
Total restricted cash and cash equivalents	2,925,104	3,235,263
Total unrestricted and restricted cash and cash equivalents	$ 11,594,011	$ 10,072,723

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, 2019 and 2018:

	2019	2018
Restricted for debt service	$ 861,545	$ 129,229
Restricted for construction and other costs	27,883	10,730
Total cash and investments held by the County Treasurer	$ 889,428	$ 139,959

III. PROPERTY TAXES AND OTHER RECEIVABLES

Greenville County, South Carolina (the "County") is responsible for levying and collecting sufficient property taxes to meet funding obligations for the District's general obligation refunding bonds. This obligation is established each year by the District Council and does not necessarily represent actual taxes levied or collected. Property taxes are levied and billed by the County on real and personal properties on October 1 based on a millage rate of .5 mills for 2019 and .5 mills for 2018. 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

III. PROPERTY TAXES AND OTHER RECEIVABLES (CONTINUED)

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

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

Property taxes receivable includes an allowance for uncollectibles of approximately $22,000 and $24,000 as of June 30, 2019 and 2018, respectively. Allowance for uncollectibles was not necessary for the other receivable accounts.

IV. CAPITAL ASSETS

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

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

IV. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the District for the year ended June 30, 2018, 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	8,044	154,891	-	-	162,935
Total capital assets, non-depreciable	2,428,061	154,891	-	-	2,582,952
Capital assets, depreciable:					
Buildings and improvements	63,521,338	134,623	-	-	63,655,961
Vehicles and equipment	6,825,010	52,328	-	-	6,877,338
Total capital assets, depreciable	70,346,348	186,951	-	-	70,533,299
Less: accumulated depreciation for:					
Buildings and improvements	28,697,182	2,018,375	-	-	30,715,557
Vehicles and equipment	3,168,939	686,949	-	-	3,855,888
Total accumulated depreciation	31,866,121	2,705,324	-	-	34,571,445
Total capital assets, depreciable, net	38,480,227	(2,518,373)	-	-	35,961,854
Total business-type activities, net	$ 40,908,288	(2,363,482)	-	-	$ 38,544,806

In prior years, the District capitalized interest in connection with the construction of the BSWA. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Total capitalized interest included in the cost of Buildings and Improvements (since inception) was approximately $1,564,000 at June 30, 2019 and 2018. No interest was capitalized in 2019 or 2018.

Depreciation expense of approximately $2,689,000 and $2,705,000 was charged to the business-type operations of the District in 2019 and 2018, respectively.

V. DEFERRED LOSSES ON REFUNDING DEBT

Deferred losses on refunding debt consisted of the following at June 30, 2019 and 2018:

	2019	2018
Deferred losses on refunding debt	$ 2,395,249	$ 2,395,249
Less: accumulated amortization	(728,077)	(563,602)
Deferred losses on refunding debt, net	$ 1,667,172	$ 1,831,647

Amortization expense was approximately $164,000 and $164,000 for the years ended June 30, 2019 and 2018, respectively.

VI. LONG-TERM OBLIGATIONS

The District issued various bonds and certificates of participation to provide funds for the acquisition and construction of the Bon Secours Wellness Arena facilities. General Obligation Refunding Bonds ("GORB") and General Obligation Refunding and Improvement Bonds ("GORIB") are direct obligations and pledge the full faith and credit of the District. The Accommodations Fee Revenue Refunding Bond ("AFRRB"), Accommodations Fee Revenue Refunding and Improvement Bond ("AFRRIB"), Accommodations Fee Revenue Bond ("AFRB"), Taxable Limited Revenue Bond ("TLRB"), and Lease Purchase ("LP") obligations are considered special obligations of the District. The full faith, credit, and taxing powers of the District are not pledged for the payment of these obligations nor the interest thereon. The District's long-term debt obligations outstanding at June 30, 2019, consisted of the following:

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

The bonds are collateralized by the full faith, credit, and taxing power of the District. A sinking fund has been established/maintained at the County Treasurer to aid in the retirement and payment of the principal and interest with ad valorem property taxes. At June 30, 2019 and 2018, the sinking fund maintained by the County had a balance of approximately $862,000 and $129,000, respectively.

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

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

The District's reacquisition price on the refunded debt (Series 1999 B) exceeded its net carrying value which resulted in a deferred loss on refunding of approximately $611,000.

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

Series 2013: $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.

VI. LONG-TERM OBLIGATIONS (CONTINUED)

The District has pledged the revenues of the Bon Secours Wellness Arena to pay the debt service of these bonds. To the extent that such revenues are insufficient to meet the debt service payments, the District will next use the debt service reserve fund ("DSRF") and once that is depleted will use a tax levy to provide ad valorem taxes sufficient to cover any remaining debt service shortfall (as the full faith, credit, and taxing power of the District has been pledged). Should the District use any portion of the DSRF, the District must replenish the DSRF and further, if the DSRF is not replenished at the time the County Auditor levies annual ad valorem taxes, then an ad valorem tax would have to be levied to replenish the DSRF. The DSRF for the Series 2016 C was approximately $1,213,000 at June 30, 2019 and at June 30, 2018.

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. The deferred loss on refunding included a premium received on the issuance of the Series 2016 C bonds (as it was netted due to immateriality).

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

The District has assigned its rights to receive the City of Greenville ("City") and Greenville County's ("County") accommodations fees to the trustee to satisfy the debt service related to the accommodation fee bonds (i.e. AFRRB, AFRRIB, and AFRB). Any accommodations fees received from the City and County in a given year in excess of the annual debt service requirement (as defined) must be refunded to the City and County each year within twenty days after March 1st. The District had approximately $1,712,000 and $1,808,000 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, 2019 and 2018, 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, 2019, were as follows:

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

VI. LONG-TERM OBLIGATIONS (CONTINUED)

Changes in the District's long-term obligations for the year ended June 30, 2018, were as follows:

Business-Type Activities:	June 30, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
General Obligation Bonds:					
Series 2009 A - GORB	$ 2,215,000	-	925,000	1,290,000	$ 970,000
Series 2009 C - GORIB	1,095,000	-	535,000	560,000	560,000
Series 2016 C - GORB	13,635,000	-	225,000	13,410,000	225,000
Total General Obligation Bonds	16,945,000	-	1,685,000	15,260,000	1,755,000
Debt from direct borrowings and direct placements:					
Series 2012 A - AFRRB	5,590,000	-	1,095,000	4,495,000	1,105,000
Series 2012 B - AFRRIB	9,300,000	-	215,000	9,085,000	235,000
Series 2013 - AFRB	3,060,000	-	300,000	2,760,000	310,000
LP - 2016	678,500	-	146,077	532,423	150,192
Total Debt from direct borrowings and direct placements	18,628,500	-	1,756,077	16,872,423	1,800,192
Total debt	35,573,500	-	3,441,077	32,132,423	3,555,192
Plus: premiums	41,921	-	13,974	27,947	-
Total business-type activities	$ 35,615,421	-	3,455,051	32,160,370	$ 3,555,192

All long-term obligations of the District are paid from the enterprise fund of the District.

The District's maturities for long-term debt of the business-type activities of the District at June 30, 2019, are as follows:

Year Ended June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Debt from direct borrowings and direct placements Principal	Debt from direct borrowings and direct placements Interest	Totals
2020	$ 1,105,000	410,423	1,844,402	401,182	$ 3,761,007
2021	790,000	375,673	1,893,773	356,298	3,415,744
2022	810,000	351,973	1,844,056	310,360	3,316,389
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
2029-2033	9,120,000	1,499,116	5,840,000	331,301	16,790,417
Totals	$ 13,505,000	3,267,631	15,072,231	1,881,901	$ 33,726,763

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, 2019 and 2018:

	2019	2018
Accrued interest	$ 233,196	$ 263,542
Accrued admission tax	123,373	108,309
Accrued payroll	122,527	95,139
Excess accommodation fees payable	1,309,926	1,252,884
Miscellaneous accruals	87,651	43,795
	$ 1,876,673	$ 1,763,669

VIII. CENTERPLATE CONTRACTS

Arena Operating Agreement

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

Effective September 1, 2010, the District entered into the 2010 Amendment of the Operating Agreement ("Amendment") with Centerplate whereby the District paid $2,500,000 to buyout Centerplate's rights to manage the BSWA for the remaining term of Operating Agreement ("Centerplate Buyout"). The District also paid approximately $1,763,000 in accrued past management fees (as the management fees were settled at a lower amount) and other operating costs funded by the arena manager.

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

Concession Agreements

Centerplate will provide concession services at the Bon Secours Wellness Arena pursuant to a concessions agreement that was executed in July 1996. In connection with the Centerplate Buyout in September 2010, the District extended the term of the concessions agreement for the BSWA until September 1, 2020 (as the original term was for only the first 15 years of operation of the BSWA.

Under the agreement, Centerplate provided to the District up to $1,600,000 of concessions equipment for use in the BSWA and will pay to the District graduated percentages of concessions, catering, lounge, and novelties receipts in a given year.

IX. OTHER SIGNIFICANT CONTRACTS

License and Naming Rights

Effective October 1, 2013, the District entered into a new 10 year naming rights agreement with Bon Secours St. Francis Health System, Inc. with graduating naming right payments of approximately $411,000 to $491,000. The District recognizes naming rights income each year related to the period of time for which each naming right payment covers. The District has unearned naming rights income of approximately $113,000 and $111,000 at June 30, 2019 and June 30, 2018, respectively.

IX. OTHER SIGNIFICANT CONTRACTS (CONTINUED)

Hockey Team

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

X. RETIREMENT PLAN, RISK MANAGEMENT, AND LITIGATION

Retirement Plan

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

In accordance with provisions of the Plan, participants make tax-deferred salary reduction contributions, through payroll deduction. The Plan allows for the IRS maximum, the lesser of 100% of participants' includible compensation, or the elective deferral limit of $19,000 for the year ended June 30, 2019 and $18,500 in 2018. Participants age 50 or over may contribute an additional $6,000. 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, 2019 and 2018, employee contributions were approximately $68,000 and $62,000 and employer matching contributions were approximately $27,000 and $24,000, respectively. All contributions are allocated to the investment trust following each pay date.

Risk Management

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

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.

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SUPPLEMENTARY INFORMATION

GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2019

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

GREENVILLE ARENA DISTRICT
GREENVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2018

	Greenville Arena District
Wages	$ 1,562,819
Contract labor	21,229
Workers compensation	451
Employee benefits	178,242
Payroll taxes	120,089
Insurance	265,014
Repairs and maintenance	596,532
Equipment rental	1,314
Meals and entertainment	11,658
Travel	25,571
Supplies	68,463
Postage	1,855
Communications	108,565
Dues and subscriptions	29,532
Commissions	1,146
Utilities	584,204
Legal, accounting, and professional fees	143,257
Training and development	9,681
Advertising	66,733
Premium seat and sponsors	2,848
Printing	5,784
Bank charges	7,991
Miscellaneous	111,243
Total general and administrative expenses	$ 3,924,221

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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 (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 3, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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MAULDIN, SC 864.232.5204 | CHARLESTON, SC 843.735.5805 | SPARTANBURG, SC 864.232.5204 | ASHEVILLE, NC 828.771.0847 OPEN BY APPOINTMENT ONLY

Purpose of this Report

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

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
September 3, 2019