

MINUTES OF THE FINANCE & AUDIT COMMITTEE MEETING OF THE CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY

The Finance & Audit Committee Meeting of the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County (CCA) was held on March 28, 2013 at 7:58 a.m. in Room 212 at the Nashville Convention Center, Nashville, Tennessee.

FINANCE & AUDIT COMMITTEE MEMBERS PRESENT: Mark Arnold, Francis Guess, Willie McDonald, and *Marty Dickens, Ex-Officio

FINANCE & AUDIT COMMITTEE MEMBERS NOT PRESENT: Ken Levitan

OTHERS PRESENT: Charles Starks, Heidi Runion, Larry Atema, Charles Robert Bone, Ric Miller, Kevin Neugent, Lindy Johnson, Trip Lemineux, Eileen McGinn, Ross Burden, Ryan Johnson, Natasha Blackshear, Kim McDoniel, and Patricia Douglas

The meeting was opened for business by Committee Chair Mark Arnold.

ACTION: Francis Guess made a motion to approve the Finance & Audit Committee minutes of January 31, 2013. The motion was seconded by Willie McDonald and approved unanimously by the committee.

Ric Miller and team were introduced from Willis Insurance to present the operational insurance. (Attachment #1) There was discussion.

ACTION: Francis Guess made a motion to accept the recommendation of the staff on the insurance plan as presented pending the satisfactory response to inquiries discussed. The motion was seconded by Willie McDonald and approved unanimously by the committee.

Eileen McGinn was asked to present the external audit plan for FY 2013 and there was discussion. (Attachment #1)

* Denotes arrival of Marty Dickens

Charles Robert Bone was asked to discuss the operational insurance coverage and there was additional discussion.

Ryan Johnson was asked for an overview on the budget.

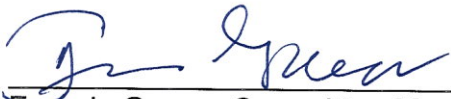
With no additional business a motion was made to adjourn, with no objection the Finance & Audit committee of the CCA adjourned at 9:12 a.m.

Respectfully submitted,



Charles L. Starks
President & CEO
Convention Center Authority

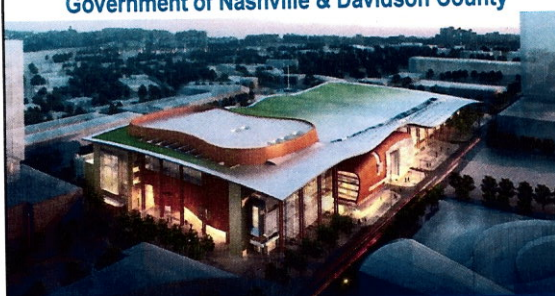
Approved:



Francis Guess, Committee Member
CCA Finance & Audit Committee
Meeting Minutes of March 28, 2013

FINANCE & AUDIT COMMITTEE


March 28, 2013



**Convention Center Authority of the Metropolitan
Government of Nashville & Davidson County**

**Finance & Audit Committee
Operational Insurance Presentation**

March 27, 2013



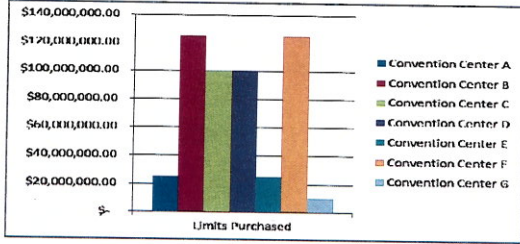
| TIMELINE OF RISK MANAGEMENT & INSURANCE FOR OPERATIONS | |
|--|---|
| Date | |
| 3/15/10 to 4/30/13 | Owner Controlled Insurance Program (OCIP) Builder's Risk (property in course of construction program) Project Safety Loss Control Claims Management (Note: OCIP actually continues to 7/31/13 for limited remaining construction activity) |
| 4/17/12 | Preparations begin for permanent program Estimates of 1st year events & attendees Payrolls Review of safety programs, events services handbook, etc. Review of vendor & other contracts with legal (Bone, McAllester & Norton) |
| 1/7/13 to 4/30/13 | Short Term Office Contents, General Liab, Work Comp, Auto & Excess Liab Program to synchronize with substantial completion |
| 9/10/12 | Insurer negotiations begin for originally planned 1/7/13 effective date |
| 12/1/12 | For numerous benefits to MCC decision made to extend current operations insurance to 4/30/13 |
| 1/7/13 to 1/7/14 | Public Officials Liability & Crime programs renewed for 12 months |
| 4/30/13 to 4/30/14 | Proposed Property, Liability, & related insurance programs to take effect |

| CASUALTY MARKETS APPROACHED | | |
|--|---|-----------------------------------|
| Carrier | Lines of Coverage | Response |
| American Specialty | General Liability, Automobile, Umbrella | Quoted |
| Travelers | General Liability, Automobile, Workers Compensation, Umbrella | Quoted |
| FFIC | General Liability, Automobile | Indication - too high |
| Hartford | Workers Compensation | Quoted |
| Eastern Alliance | Workers Compensation | Indication - too high |
| Liberty | General Liability, Automobile, Workers Compensation, Umbrella | Declined - class code, new entity |
| Zurich | General Liability, Automobile, Workers Compensation, Umbrella | Declined - class of business |
| C.N.A. | General Liability, Automobile, Workers Compensation, Umbrella | Declined - class of business |
| KeyRisk | Workers Compensation | Declined - class code, new entity |
| AmTrust | Workers Compensation | Declined - class code, new entity |
| Berkshire | Workers Compensation | Declined - class code, new entity |
| Beazley | Privacy | Indication |
| C.N.A. | Excess Liability | Quoted |
| Navigator | Excess Liability | Pending |
| FFIC | Excess Liability | Quoted |
| Great American | Excess Liability | Pending |
| Professional Governmental Underwriters | Public Officials Liability | Bound |
| ACE | Excess Public Officials Liability | Bound |
| ACE | Public Officials Liability | Quoted |
| Travelers | Public Officials Liability | Declined - not a market |
| AWAC | Public Officials Liability | Declined - class of business |
| Arch | Public Officials Liability | Declined - class of business |
| Chubb | Public Officials Liability | Declined - cannot compete |
| Chubb | Public Officials Liability | Declined - class of business |
| Navigator | Public Officials Liability | Declined - class of business |
| Hartford | Public Officials Liability | Declined - class of business |
| AmWins | Excess Public Officials Liability | Indication - high |
| Chubb | Excess Public Officials Liability | Indication - high |
| Travelers | Crime | Bound |
| ACE | Crime | Indication |
| Berkley | Crime | Quoted - high |
| Chubb | Crime | Declined - class of business |

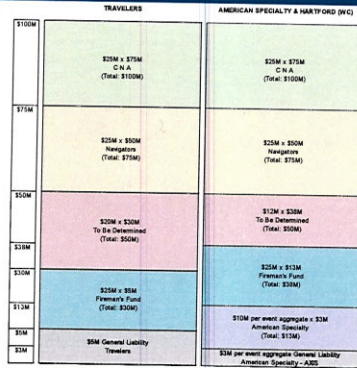
| PROPERTY MARKETS APPROACHED | | |
|-----------------------------|-------------------|------------------------|
| Carrier | Lines of Coverage | Response |
| Travelers | Monoline Property | Quoted |
| Hartford | Monoline Property | Quoted |
| Liberty | Monoline Property | Quoted |
| Zurich | Monoline Property | Quoted |
| CNA | Monoline Property | Could not meet targets |
| FFIC | Monoline Property | Quoted |
| Affiliated FM | Monoline Property | Could not meet targets |

| SUMMARY OF EXPOSURES BASES USED TO NEGOTIATE INSURANCE PROGRAMS & PREMIUMS (4/30/13 TO 4/30/14) | |
|---|-------------|
| Projected Events | 27 |
| Projected Attendance | 199,929 |
| Projected Parking Revenues | \$4,313,848 |
| # of Employees | |
| Full Time | 148 |
| Part Time | Varies |
| Estimated Payrolls (MCC only) | \$5,655,925 |
| <i>Initially included catering exposures before Centerplate was contracted</i> | |

2013 EXCESS LIABILITY BENCHMARK REPORT



LIABILITY TOWERS



Note: the above only applies to the General Liability underlying coverage. Automobile, Employee Benefits Liability and Liquor Liability are not included.

PROPERTY INSURANCE ACTIVITIES

| | |
|--|---------------|
| Building/Personal Property Replacement Value | \$417,000,000 |
| Business Interruption/Extra Expense | \$20,000,000 |
| Policy Blanket limit (per occurrence) | \$437,000,000 |

Revenue stream predominantly hotel/motel and rental car taxes, so Business Interruption Exposure is minimized

30 page underwriting submission prepared by Willis

Realistically, 7 insurers can single handedly insure a structure of this value

All 7 insurers engaged in a "feeding frenzy" due to quality and location of building

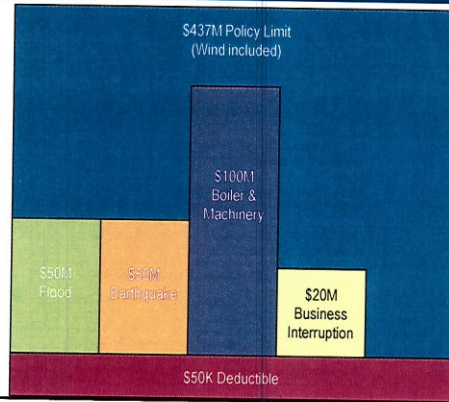
Significant underwriting, even with such quality

- # of underwriter meetings and conversations: 150+
- Brought all insurer Risk Control Engineers in for one large presentation and tour
 - # of advance questions: 75+
 - # of post tour question: 35+
 - Probably saved 40+ hours through this single meeting
- Charles Starks and Jim Greer most appreciated for their involvement

Reviewed with metro option of entering their master program

- Cost savings possible
- Coverage and limits inadequacies possible with Metro program
- Authority could be left with inadequate coverage with multiple properties claim due to metro policy loss limit
- Authority controlled program allows for leveraging premiums/coverage on other insurance lines

PROPERTY PROGRAM STRUCTURE



| The Convention Center Authority of Jacksonville | | | | | |
|---|------------------------------|------------------|------------------|------------------|------------------|
| Property | (\$50,000 Deductible option) | | | | |
| | Taxman's (recommended) | Liberty Mutual | Fireman's Fund | Hartford | Zurich |
| Exposure Total Insured Values | \$437,000,000 | \$437,000,000 | \$437,000,000 | \$437,000,000 | \$437,000,000 |
| Premium | \$256,326 | \$250,421 | \$254,562 | \$262,200 | \$280,000 |
| Rate Per \$100 in values | \$0.0587 | \$0.0580 | \$0.0583 | \$0.0577 | \$0.0641 |
| TRIA (Optional) | \$5,000 | \$3,311 | \$7,354 | \$7,800 | |
| Total | \$261,326 | \$256,732 | \$261,916 | \$260,000 | \$280,000 |

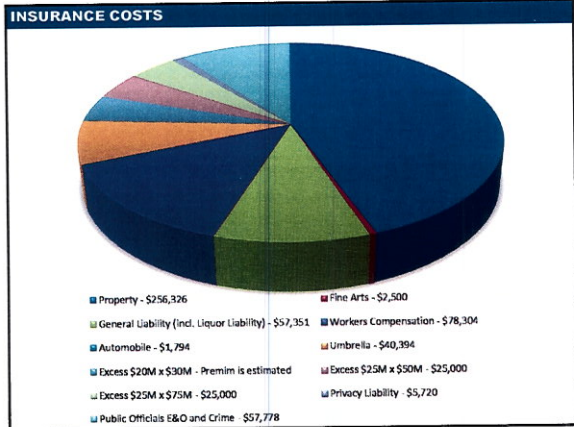
Taxes and Surcharges not shown above

| The Convention Center Authority of Jacksonville | | | | | |
|---|-------------------------------|------------------|------------------|------------------|------------------|
| Property | (\$100,000 Deductible option) | | | | |
| | Taxman's (recommended) | Liberty Mutual | Fireman's Fund | Hartford | Zurich |
| Exposure Total Insured Values | \$437,000,000 | \$437,000,000 | \$437,000,000 | \$437,000,000 | \$437,000,000 |
| Premium | \$231,504 | \$245,148 | \$218,555 | \$240,560 | \$264,500 |
| Rate Per \$100 in values | \$0.0530 | \$0.0561 | \$0.0500 | \$0.0550 | \$0.0605 |
| TRIA (Optional) | \$5,000 | \$3,311 | \$6,284 | \$7,440 | |
| Total | \$236,504 | \$248,459 | \$224,839 | \$248,000 | \$264,500 |

Taxes and Surcharges not shown above

| Line of Business | Carrier | A.M. Best Rating | Premium |
|--|----------------------------|-------------------------|------------------|
| Property | Travelers | A+, XV | \$256,326 |
| Fine Arts | AXA Art Insurance | A, VI | \$2,500 |
| General Liability (incl. Liquor Liability) | Travelers | A+, XV | \$67,351 |
| Workers Compensation | Travelers | A+, XV | \$78,304 |
| Automobile | Travelers | A+, XV | \$1,794 |
| Umbrella \$25M x \$5M | Fireman's Fund | A, XV | \$40,394 |
| Excess \$20M x \$30M - Pending | TBD - Premium is estimated | A, XII | \$25,000 |
| Excess \$25M x \$50M | Navigators | A, X | \$25,000 |
| Excess \$25M x \$75M | C N A | A, XV | \$25,000 |
| Privacy Liability | Beazley | A, XV | \$5,720 |
| Public Officials E&O and Crime | AWAC/ACE/Travelers | A, XV / A+, XV / A+, XV | \$57,778 |
| Total Premium | | | \$575,167 |
| Budgeted Premium | | | \$654,000 |
| Difference | | | -\$78,833 |

Optional TRIA not included



FINANCE & AUDIT COMMITTEE

March 28, 2013

KPMG
cutting through complexity

The Convention Center Authority

Presentation of the External Audit Plan for Fiscal Year 2013

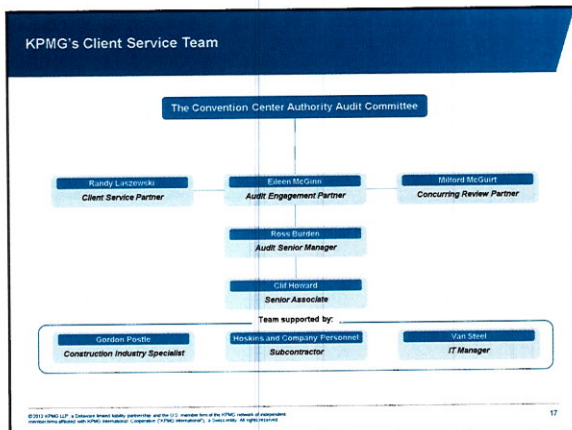
March 28, 2013

Photo Provided By: **Special**
THE CONVENTION CENTER AUTHORITY

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Management and KPMG Responsibilities

| Management Responsibilities | KPMG Responsibilities |
|--|---|
| <ul style="list-style-type: none"> Establishing proper tone/culture/ethics and adopt sound policies. Establishing and maintaining internal control, including controls to prevent, deter and detect fraud. Disclosing to the Audit Committee and KPMG any significant deficiencies in internal control and fraud involving those with significant roles in internal controls. | <ul style="list-style-type: none"> Forming and expressing an opinion about whether the financial statements, which have been prepared by management under the oversight of those charged with governance, are presented fairly, in all material respects, in conformity with generally accepted accounting principles. Conducting an audit in accordance with professional standards and Government Auditing Standards Complying with the Code of Professional Conduct adopted by the American Institute of Certified Public Accountants (AICPA). Complying with the ethical standards of state CPA society, state board of accountancy, and other regulators. Planning and performing an audit with an attitude of professional skepticism. Communicating all required information to management and to the Audit Committee. |

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KPMG Independence

- KPMG has established an integrated and comprehensive system of quality control over independence that includes a framework of detailed policies and procedures supported by sophisticated, web-based, electronic systems and a dedicated group of experienced professionals to provide technical guidance and support.
- Our system seeks to ensure compliance with all guidelines established by the AICPA Independence Standards Board and Government Accountability Office including:
 - Restrictions on financial interests in the debt securities of the Convention Center
 - Restrictions on consulting and information technology services, as well as placing restrictions on the types of "non-audit" services that can be provided by KPMG
 - Annually, report to the Audit Committee the status of KPMG's independence with respect to the Convention Center
- KPMG is compliant with all established independence guidelines.

Audit Scope

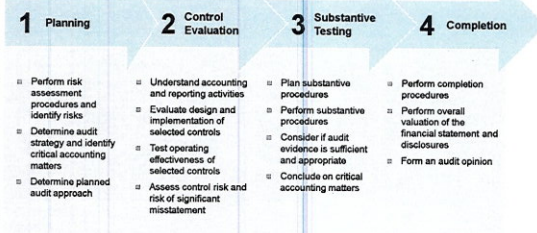
| | |
|--|--|
| Applicable financial reporting framework | <ul style="list-style-type: none"> • Accounting principles generally accepted in the United States of America |
| Scope of work | <ul style="list-style-type: none"> • Audit of financial statements and issuance of other deliverables as of and for the year ending June 30, 2013 |
| Applicable auditing standards | <ul style="list-style-type: none"> • Auditing standards generally accepted in the United States of America as issued by the Auditing Standards Board of the American Institute of Certified Public Accountants • Government Auditing Standards, issued by the Comptroller General of the United States |

Reports and Other Deliverables

| | |
|--|---------------------|
| Audit Reports | Anticipated Release |
| ■ Auditors' report on the consolidated financial statements of the Convention Center | November 2013 |
| Other Deliverables | Anticipated Release |
| ■ Material written communications between KPMG and management | November 2013 |

Fiscal Year 2013 Audit Plan

KPMG's four phase audit approach for 2013 is outlined below. This includes planning, control evaluation, substantive testing and completion, as illustrated below:



Fiscal Year 2013 Audit Time Line

| | May | June | July | Aug | Sep | Oct |
|--|-----|------|------|-----|-----|-----|
| Planning Fieldwork | | | | | | |
| Control Evaluation Fieldwork | | | | | | |
| Substantive testing fieldwork | | | | | | |
| Adjustments and corrections to financial statements | | | | | | |
| Completion of financial statements (Anticipated release is November of 2013) | | | | | | |

Note: An emphasis during interim fieldwork for FY 2013 will entail evaluating the effectiveness of the control structure in place over recognition of facility operating revenues and related expenses as the facility will be open for business during fiscal year 2013.

Audit Approach for High-Volume Accounts and Disclosures

| High Volume Transaction Classes | Planned Audit Approach |
|---|---|
| <ul style="list-style-type: none"> • Capitalizing and tracking of final construction related expenditures • Compensation of employees • Purchasing and disbursements • Recording of tax revenue allocations • Facility operating revenue streams (rentals, parking, food and beverage) • Recording of depreciation expense (for the period of time the facility is open during FY 2013) | <ul style="list-style-type: none"> • Evaluate design and test the effectiveness of controls around the class of transactions • Analyze key performance indicators • Confirm with external parties where applicable • Examine underlying supporting documentation (contracts, invoices, etc.) and determine compliance with relevant accounting literature • Design and perform various substantive tests • Utilize KPMG specialized internal resources as appropriate |

Recently Issued Applicable Accounting Standard

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

- Effective as of June 30, 2013
- This Statement is intended to improve financial reporting by providing citizens and other users of state and local government reports with information about how past transactions will continue to impact a government's financial statements in the future.
- Definitions
 - **Deferred outflow of resources**
 - A consumption of net assets by the government that is applicable to a future period.
 - Has a natural "debit" balance and is reported similar to assets.
 - **Deferred inflow of resources**
 - An acquisition of net assets by the government that is applicable to a future reporting period.
 - Has a natural "credit" balance and is reported similar to liabilities.
 - **Net position**
 - The residual of all elements presented in a financial position statement.

Recently Issued Applicable Accounting Standard (Continued)

- Report each of the financial position elements in a separate section in the statements of financial position in the following order:
 - Assets,
 - Deferred Outflows of Resources,
 - Liabilities,
 - Deferred Inflows of Resources, and
 - Net Position.

KPMG Ethics and Compliance Hotline 1-877-576-4033

Hotline Purpose – To provide a confidential, non-retaliatory, and anonymous hotline for the good faith reporting of concerns about possible violations of law, professional and ethical standards, and KPMG policy.

Hotline Scope – The Hotline is available to all firm partners and employees, as well as clients, contractors, vendors, and others in a business relationship with KPMG, including other KPMG member firms whose partners and employees may be working with the U.S. firm on engagements with U.S. clients.

Appendix A: Audit Committee Priorities for 2013

KPMG Contact Information

KPMG Audit Partner contact details:

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