CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Reports Thereon)

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE

Table of Contents

This section of the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County (Authority) annual financial report presents management's discussion and analysis (MD&A) of financial performance as of and for the years ended June 30, 2016, 2015, and 2014. This MD&A should be read in conjunction with the Authority's financial statements and footnotes.

Overview of the Financial Statements

The Authority's financial report consists of this MD&A, financial statements, and footnotes to the financial statements. The Authority's financial statements are prepared using accounting principles generally accepted in the United States of America as applied to governmental units using the economic resources measurement focus and the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

All assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Authority at June 30, 2016 and 2015 are included in the statements of net position. For the years ended June 30, 2016 and 2015, the Authority's revenues and expenses are reported in the statements of revenue, expenses, and changes in net position. The statement of cash flows reports receipts, cash payments and net changes in cash resulting from operating, financing and investing activities.

Financial Analysis

The Authority's net position as of June 30, 2016, 2015, and 2014 were as follows (in thousands of dollars):

		2016	2015	2014
Current assets	$	132,859	99,964	61,946
Capital assets		669,212	682,909	697,283
Other noncurrent assets		50,291	42,256	40,325
Total assets		852,362	825,129	799,554
Deferred outflows of resources		568	172	—
Current liabilities		40,957	32,109	26,832
Noncurrent liabilities		613,734	621,249	624,181
Total liabilities		654,691	653,358	651,013
Deferred inflows of resources		228	187	—
Net position:				
Net investment in capital assets		49,062	61,868	78,150
Restricted for debt retirement		55,823	51,247	46,752
Unrestricted		93,126	58,640	23,639
Total net position	$	198,011	171,755	148,541

The Authority was created to develop, acquire, construct and then operate a new convention center (the Music City Center) within the boundaries of the Metropolitan Government of Nashville and Davidson County (Metropolitan Government). During the year ended June 30, 2010, the Authority issued revenue bonds for and began construction of the Music City Center. Construction is complete and operation of the Music City Center began in May of 2013. As more fully described in the financial statements and footnotes, the Authority's assets consist primarily of cash, accounts receivable and other items related to operations, cash and investments restricted for construction and debt service, and capital assets related to the Music City Center. Liabilities consist of current amounts payable related to operations, construction and debt service, and the revenue bonds payable. The components of net position reflect the nature of the underlying assets and liabilities. Note that $49.1 million of the Authority's net position of $198.0 million is invested in capital assets while $55.8 million is restricted for debt retirement.

The Authority's change in net position for the years ended June 30, 2016, 2015, and 2014 were as follows (in thousands of dollars):

		2016	2015	2014
Operating revenue	$	21,765	21,456	13,817
Operating expense		(36,915)	(35,497)	(30,954)
Operating loss		(15,150)	(14,041)	(17,137)
Nonoperating revenue (expense)		41,348	37,740	14,062
Capital contributions		57	—	37,291
Net increase in net position	$	26,255	23,699	34,216

The increase in operating revenue and expense for the year ended June 30, 2016 is primarily related to an increase in the average size of events as compared to the prior year. Annual attendance for the year ended June 30, 2016 was 685,884 compared to 670,060 for the year ended June 30, 2015. The increase in nonoperating revenue (expense) for the year ended June 30, 2016 is due to a $4.1 million increase in sales tax revenue from the Tourist Development Zone around the Music City Center, and a $272,090 increase in the Music City Center campus sales tax. Additionally, other tourism taxes increased overall due to a continued increase in tourism over the prior years. The increase in nonoperating revenue is partially offset by an increase in nonoperating expense for payments to the Omni Hotel. The $57,162 in capital contributions for the year ended June 30, 2016 is due to a transfer of capital assets from the Nashville Convention Center.

The increase in operating revenue and expense for the year ended June 30, 2015 is primarily related to an increase in the average size of events as compared to the prior year. Annual attendance for the year ended June 30, 2015 was 670,060 compared to 491,352 for the year ended June 30, 2014. The increase in nonoperating revenue for the year ended June 30, 2015 is due to an $11.1 million increase in sales tax revenue from the Tourist Development Zone around the Music City Center, a $4.6 million increase in the Music City Center campus sales tax, and a $4.1 million increase resulting from a transfer of residual construction contingency from the Metropolitan Government. Additionally, other tourism taxes increased overall due to a general increase in tourism over the prior year. There were no capital contributions for the year ended June 30, 2015.

Capital Assets and Long-Term Debt

During the year ended June 30, 2016, the Authority incurred costs of $2,688,918 for various assets acquired subsequent to the opening of the Music City Center which includes an increase in the potential settlement amount of a condemnation case for land acquired for the Music City Center site. During the year ended June 30, 2015, the Authority incurred costs of $2,114,598 for various assets acquired subsequent to the opening of the Music City Center. During the year ended June 30, 2014, the Authority incurred costs of $10,630,371 for various assets acquired and also received a capital contribution of $37,291,733 related to the Country Music Hall of Fame and Omni Hotel connector. Additional information on the Authority's capital assets can be found in note 6 to the financial statements.

During the period ended June 30, 2010, the Authority issued revenue bonds totaling $623,215,000, plus a premium of $1,301,329, to finance the construction of the Music City Center. As more fully described in note 7 to the financial statements, the revenue bonds were issued in three series: Series 2010A-1, Series 2010A-2, and Series 2010B. The ratings on the revenue bonds issued were as follows.

	Series A Bonds	Series B Bonds
Moody's	A2	AA3
Standard and Poor's	A	A
Fitch	A+	A+

Other Matters

As more fully described in note 12 to the financial statements, the Authority Board entered into an agreement with Omni Hotels to develop a premier convention center hotel adjacent to the Music City Center. Omni Hotels privately financed the hotel at its sole expense, and the Authority will make annual payments to Omni Hotels from certain tourism taxes pledged to the Authority by the Government.

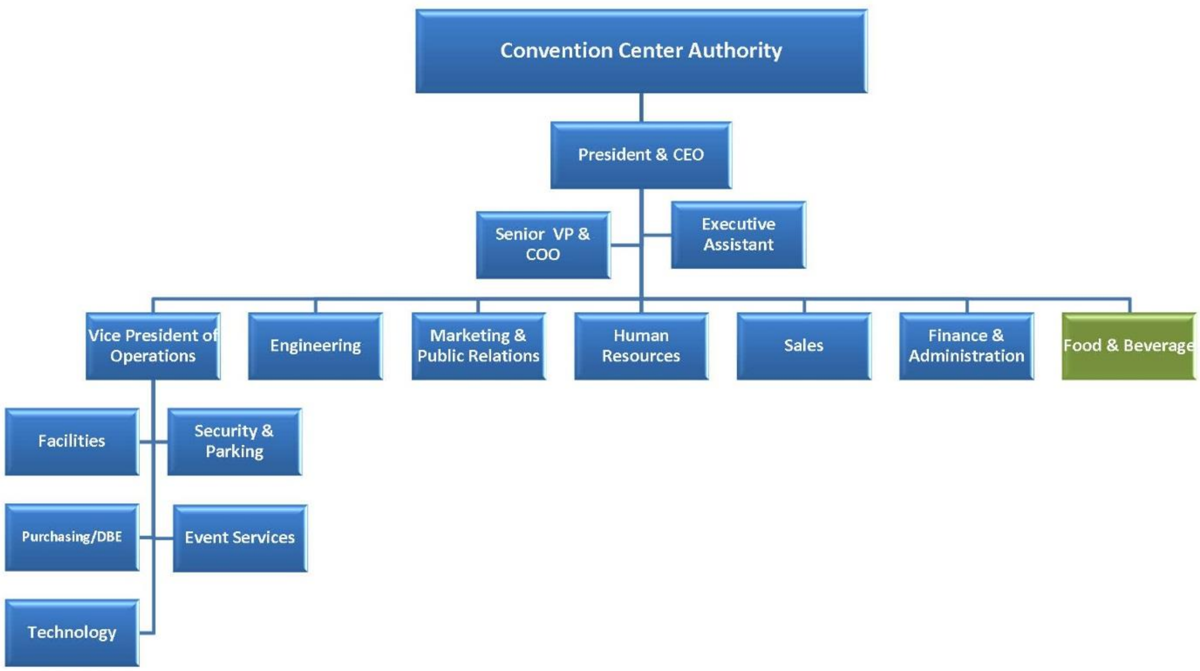
The Authority Board has entered into an agreement with a private developer related to the former Nashville Convention Center site. As more fully described in note 12 to the financial statements, pending satisfaction of several terms of the agreement, the Authority has agreed to pay for the construction of a parking garage on the site.

Requests for additional financial information should be directed to Finance Department – Division of Accounts, 700 Second Avenue South, Suite 310, Nashville, Tennessee 37210.

(Continued)

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE

Organization Chart (Unaudited)



CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE

Authority Members as of June 30, 2016 (Unaudited)

Marty Dickens, Chair

Irwin Fisher

Randy Goodman

Vonda McDaniel

Willie McDonald

David McMurry

Luke Simmons

Renata Soto

Mona Lisa Warren

KPMG LLP
Suite 1000
401 Commerce Street
Nashville, TN 37219-2422

Independent Auditors' Report

Authority Members
Convention Center Authority of the Metropolitan
Government of Nashville and Davidson County, Tennessee:

Report on the Financial Statements

We have audited the accompanying financial statements of the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County, Tennessee (the Authority), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit 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 auditors' 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 Authority as of June 30, 2016 and 2015, and its changes in financial position, and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis on pages 2 through 5 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 this 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 and Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory sections on pages 6 and 7 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2016 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

KPMG LLP

Nashville, Tennessee
October 30, 2016

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE

Statements of Net Position

June 30, 2016 and 2015

Assets	**2016**	**2015**
Current assets:		
Cash and cash equivalents	$ 95,208,607	57,349,133
Accounts receivable	1,236,807	2,205,137
Accrued interest receivable	81,897	2,076
Due from the primary government	5,806,441	6,447,362
Prepaid expenses	474,041	474,852
Restricted for construction funds:		
Cash and cash equivalents	3,834,419	3,961,462
Accrued interest receivable	3,419	113
Prepaid expenses	2,272	23,014
Accounts receivable	250,000	—
Restricted for debt service and reserve funds:		
Cash and cash equivalents	20,429,377	23,729,877
Accrued interest receivable	109,879	121,483
Due from the primary government	2,933,384	2,533,947
Accounts receivable	2,488,410	3,115,264
Total current assets	132,858,953	99,963,720
Other noncurrent and capital assets:		
Restricted for debt service and reserve funds:		
Cash and cash equivalents	17,418,806	3,160,195
Investments	32,872,268	39,095,658
Total other noncurrent assets	50,291,074	42,255,853
Capital assets:		
Land	79,989,700	77,398,808
Art collection	1,183,844	1,183,844
Buildings and improvements	635,466,263	635,486,985
Furniture, machinery and equipment	3,342,298	3,223,550
Less accumulated depreciation	(50,770,615)	(34,383,604)
Total capital assets	669,211,490	682,909,583
Total other noncurrent and capital assets	719,502,564	725,165,436
Total assets	852,361,517	825,129,156
Deferred Outflows of Resources		
Deferred outflows, pensions	568,283	171,640

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE

Statements of Net Position

June 30, 2016 and 2015

Liabilities		**2016**	**2015**
Current liabilities:			
Accounts payable and accrued liabilities	$	2,974,592	1,491,201
Accrued payroll		1,113,264	1,349,556
Due to the primary government		10,036	12,284
Unearned revenue		5,124,519	4,600,783
Liabilities payable from restricted assets:			
Construction funds:			
Accounts payable and accrued liabilities		3,439,759	925,462
Debt service and reserve funds:			
Accrued interest payable		20,429,377	20,509,877
Current portion of long-term debt		7,865,000	3,220,000
Total current liabilities		40,956,547	32,109,163
Noncurrent liabilities:			
Long-term revenue bonds payable		612,934,946	620,880,438
Net pension liability		799,038	368,709
Total noncurrent liabilities		613,733,984	621,249,147
Total liabilities		654,690,531	653,358,310
Deferred Inflows of Resources			
Deferred inflows, pensions		228,589	187,053
Net Position			
Net position:			
Net investment in capital assets		49,061,895	61,868,272
Restricted for debt retirement		55,822,747	51,246,547
Unrestricted		93,126,038	58,640,614
Total net position	$	198,010,680	171,755,433

See accompanying notes to financial statements.

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE

Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2016 and 2015

	2016	2015
Operating revenue:		
Charges for services	$ 21,765,253	21,456,384
Operating expense:		
Personal services	9,066,395	8,502,444
Contractual services	9,147,554	8,560,328
Supplies and materials	1,362,186	1,180,967
Depreciation	16,387,011	16,476,920
Other	952,456	776,763
Total operating expense	36,915,602	35,497,422
Operating loss	(15,150,349)	(14,041,038)
Nonoperating revenue (expense):		
Tourism tax revenue	76,943,627	71,810,601
Investment income	1,482,786	1,087,932
Other income	250,000	—
Interest expense	(28,175,749)	(28,405,227)
Other expense	(9,152,230)	(6,752,762)
Total nonoperating revenue, net	41,348,434	37,740,544
Income before capital contributions	26,198,085	23,699,506
Capital contributions	57,162	—
Increase in net position	26,255,247	23,699,506
Net position, beginning of year	171,755,433	148,055,927
Net position, end of year	$ 198,010,680	171,755,433

See accompanying notes to financial statements.

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE

Statements of Cash Flows

Years ended June 30, 2016 and 2015

		2016	2015
Cash flows from operating activities:			
Receipts from customers	$	24,168,240	16,021,188
Payments to suppliers		(9,980,241)	(10,419,221)
Payments to employees		(9,227,465)	(8,181,420)
Net cash provided by (used in) operating activities		4,960,534	(2,579,453)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(96,717)	(1,914,752)
Principal paid		(3,220,000)	—
Interest paid		(40,939,254)	(41,020,622)
Interest subsidy		12,602,510	12,534,900
Other (expense) revenue		(152,230)	1,142,750
Net cash used in capital and related financing activities		(31,805,691)	(29,257,724)
Cash flows from noncapital financing activities:			
Receipts from governments		76,901,045	72,518,270
Payments to hotel developer		(9,000,000)	(8,000,000)
Net cash provided by noncapital financing activities		67,901,045	64,518,270
Cash flows from investing activities:			
Purchases of investments		(63,305,784)	(17,286,888)
Proceeds from sales and maturities of investments		69,822,886	18,057,988
Interest income		1,117,552	735,843
Net cash provided by investing activities		7,634,654	1,506,943
Net changes in cash and cash equivalents		48,690,542	34,188,036
Cash and cash equivalents at beginning of year		88,200,667	54,012,631
Cash and cash equivalents at end of year	$	136,891,209	88,200,667

(Continued)

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE

Statements of Cash Flows

Years ended June 30, 2016 and 2015

		2016	2015
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(15,150,349)	(14,041,038)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation		16,387,011	16,476,920
Provision for doubtful accounts		3,771	—
Changes in assets and liabilities:			
Accounts receivable		964,560	(642,766)
Prepaid expenses		811	(4,309)
Due from the primary government		910,921	(6,381,320)
Deferred outflows of resources		(396,643)	(171,640)
Accounts payable and accrued liabilities		1,483,391	96,901
Accrued payroll		(236,292)	422,261
Due to the primary government		(2,248)	6,247
Unearned revenue		523,736	1,588,890
Net pension liability		430,329	(116,652)
Deferred inflows of resources		41,536	187,053
Total adjustments		20,110,883	11,461,585
Net cash provided by (used in) operating activities	$	4,960,534	(2,579,453)
Schedule of noncash capital and related financing activities:			
Amortization of bond premium	$	80,492	80,495
Capital contributions		57,162	—
Schedule of noncash investing activities:			
Unrealized gain on investments		293,711	298,555

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Convention Center Authority of the Metropolitan Government of Nashville and Davidson County, Tennessee (the Authority) was formed by Resolution of the Metropolitan Council of the Metropolitan Government of Nashville and Davidson County, Tennessee (the Metropolitan Government) on August 10, 2009 (date of inception) under the State of Tennessee Convention Center Authorities Act of 2009. The Authority is governed by a nine member Board of Directors appointed by the Mayor and confirmed by the Metropolitan Council. The Authority was responsible for the acquisition, development, and construction of a new convention center, the Music City Center, which was completed in May of 2013. The Authority is now responsible for the operation of the Music City Center.

The Authority is a public nonprofit corporation and public instrumentality of the Metropolitan Government and is a component unit of the Metropolitan Government (primary government). The Authority and the Metropolitan Government have entered into an interlocal agreement for the Metropolitan Government to provide comprehensive financial management services to the Authority, among other services. Accordingly, the accounting policies of the Authority are the same as those adopted by the Metropolitan Government.

The accounting policies of the Authority conform to U.S. generally accepted accounting principles as applied to governmental units. The Authority's most significant accounting policies are summarized below.

(b) Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

(c) Assets, Liabilities, Revenue and Expenses

Cash and cash equivalents – Cash and cash equivalents include amounts in demand deposits and highly liquid short-term investments with maturity dates within three months of the date of acquisition and other available pooled funds.

Investments – Investments consist primarily of U.S. government securities and are stated at fair value. The Authority also invests in the Metropolitan Government's Investment Pool, which is invested in the Tennessee Local Government Investment Pool (LGIP), the Tennessee Intermediate Term Investment Fund (ITIF), and the First Tennessee Bank Advisors Short Investment Pool (FTB Short Pool). The LGIP and ITIF are maintained and managed by the State of Tennessee. The LGIP and ITIF are not registered with the Securities and Exchange Commission (SEC) but do operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the Authority's investments in the LGIP and ITIF have been determined based on each pool's share price at amortized cost and net asset value for LGIP and ITIF, respectively. Investments in the FTB

Short Pool are reported at fair value. Investment income consists of interest earned on investments and realized and unrealized appreciation or depreciation in the fair value of investments.

Amounts due from and due to the primary government – Amounts due from the primary government consist primarily of certain tourism tax revenues collected by the Metropolitan Government and pledged to the Authority for the repayment of revenue bonds, which are accrued as those taxes are earned by the Metropolitan Government. Such amounts are remitted to the Authority and are reported as tourism tax revenue, a nonoperating revenue of the Authority. Amounts due to the primary government consist primarily of payments due for services provided by the Metropolitan Government to the Authority that are accrued as those services are provided and for reimbursement for certain goods and services purchased by the Metropolitan Government on behalf of the Authority.

Restricted assets – Restricted assets consist of bond proceeds restricted for construction and for debt service reserve funds and of amounts accumulated for debt service and construction. Assets in the debt service reserve funds and assets in the debt service funds are held by a trustee and are not available to the Authority for other purposes. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital assets – Major outlays for capital assets and improvements and all expenses incurred in support of construction were capitalized as projects were constructed. Net interest cost incurred during the construction of facilities was capitalized as part of the cost of those facilities. Capital assets are generally defined as assets with individual cost in excess of $10,000 and a useful life in excess of one year. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. The estimated lives range from 3 to 50 years.

Deferred outflows of resources – In addition to assets, the statements of net position report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The amount for pension relates to certain differences between projected and actual actuarial results, certain difference between projected and actual investment earnings, and any contributions between the measurement and reporting dates.

Compensated absences – General policy of the Authority for former employees of the Metropolitan Government and for employees hired by the Authority, permits the accumulation, within certain limitations, of unused vacation days and sick leave. For Metropolitan Government employees retained by the Authority, vacation days may accumulate to an amount equal to three times the current annual vacation accrual rate. For employees hired directly by the Authority a maximum of 10 vacation days may be carried forward to the next year. Although sick pay may accumulate for all employees, no amounts are vested in the event of employee termination. Accumulated unpaid vacation pay is reported with accrued payroll.

Bond premiums – Bond premiums are deferred and amortized over the term of the related bonds.

Deferred inflows of resources – In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The amount for pension relates to certain differences between projected and actual actuarial results, certain differences between projected and actual investment earnings, and any contributions between the measurement and reporting dates.

Operating and nonoperating revenues and expenses – Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with the Authority's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Tourism tax revenue – The tourism tax revenue consists of 3% of the 6% Hotel/Motel Tax authorized by Tennessee Code Annotated (TCA) Section 7-4-102, $2.00 of the $2.50 Hotel Room Occupancy Tax authorized by TCA Section 7-4-202, the $2.00 Contracted Vehicle Tax authorized by TCA Section 7-4-203, the 1% Rental Vehicle Surcharge Tax authorized by TCA Section 67-4-1908, an allocation of state and local sales and use taxes derived from incremental sales tax growth within a Tourism Development Zone (TDZ) authorized by TCA Section 7-88-101, and an allocation of Campus Sales Tax, consisting of state and local sales and use taxes collected on the premises of the Music City Center campus and on any convention center hotels.

Other revenue (expense) – Other revenue (expense) primarily consists of amounts remitted to the developer of a hotel constructed adjacent to the Music City Center as discussed in note 12.

Capital contributions – Capital contributions for the year ended June 30, 2016 represent transfers of capital assets from the Nashville Convention Center.

Estimates – Estimates are used in the preparation of financial statements and require management to make assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) New Accounting Standards

The Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application*, required for fiscal periods beginning after June 15, 2015, during the year ended June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements.

(3) Cash and Investments

The Authority is authorized by policy to invest funds that are not immediately needed in United States Treasury Bills, Bonds and Notes; the LGIP; the ITIF; the FTB Short Pool; most bonds issued by U.S. Government Agencies; other Municipal Obligations; and other investments such as repurchase agreements. The Authority is authorized to invest in these instruments either directly or through the Metropolitan Government's Investment Pool, which is invested in the LGIP, ITIF, and FTB Short Pool.

At June 30, 2016, the Authority had the following deposits and investments:

Investment type		Value	Weighted average maturity (in years)
Unrestricted funds:			
Cash on deposit	$	26,170	—
Metropolitan Government investment pool		95,182,437	0.62
Cash and cash equivalents		95,208,607	
Construction funds:			
Metropolitan Government investment pool		3,834,419	0.62
Cash and cash equivalents		3,834,419	
Debt service and reserve funds:			
Metropolitan Government investment pool		1,617,550	0.62
U.S. Treasury money market funds		36,230,633	—
Cash and cash equivalents		37,848,183	
U.S. government agencies		32,872,268	4.58
Total cash and investments	$	169,763,477	

At June 30, 2015, the Authority had the following deposits and investments:

Investment type		Value	Weighted average maturity (in years)
Unrestricted funds:			
Cash on deposit	$	21,465	—
Metropolitan Government investment pool		57,327,668	0.98
Cash and cash equivalents		57,349,133	
Construction funds:			
Metropolitan Government investment pool		3,961,462	0.98
Cash and cash equivalents		3,961,462	
Debt service and reserve funds:			
Metropolitan Government investment pool		1,519,802	0.98
U.S. Treasury money market funds		25,370,270	—
Cash and cash equivalents		26,890,072	
U.S. government agencies		39,095,658	4.83
Total cash and investments	$	127,296,325	

(a) Cash

Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned. As of June 30, 2016 and 2015, all deposits and certificates of deposit were insured or collateralized as required by State of Tennessee law.

(b) Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority’s investment policy places no specific limit on the weighted average maturity of the investment portfolios. However, the average maturity of the portfolios are monitored and managed so that the changing interest rates will cause only minimal deviations in the net asset value. As of June 30, 2016 and 2015, the investments of the Authority had weighted average maturities as noted on the preceding tables.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Investment Policy limits investments in corporate obligations to prime banker acceptances that are eligible for purchase by the Federal Reserve System and commercial paper that is rated at least A1 or the equivalent by at least two nationally recognized rating agencies.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Investment Policy limits single issuer exposure to 10% except for securities of the U.S. government or its agencies.

Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the Authority will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. There is not a policy with regard to custodial credit risk of investments; however, as of June 30, 2016 and 2015, all investments were insured or registered or the securities were held by the Authority or its agent in the Authority's name.

(c) Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs are inputs – other than quoted prices included in Level 1 – that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability.

Investments in U.S. Treasury money market funds and U.S. government agencies and cash on deposit are considered Level 1. Investments measured at fair value in the Metropolitan Government investment pool are considered Level 2.

(4) Accounts Receivable

Accounts receivable of $3,975,217 at June 30, 2016 consisted of $1,236,807 for operating events, $2,488,410 of accrued tourism taxes, and $250,000 of rent due for Country Music Hall of Fame expansion connector as described in note 10. Accounts receivable at June 30, 2016 is net of an allowance for doubtful accounts of $4,106. Accounts receivable of $5,320,401 at June 30, 2015 consisted of $2,205,137 for operating events and $3,115,264 of accrued tourism taxes.

(5) Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	$ 77,398,808	2,590,892	—	79,989,700
Art collection	1,183,844	—	—	1,183,844
Total capital assets, not being depreciated	78,582,652	2,590,892	—	81,173,544
Capital assets, being depreciated:				
Buildings and improvements	635,486,985	—	(20,722)	635,466,263
Furniture, machinery and equipment	3,223,550	118,748	—	3,342,298
Total capital assets, being depreciated	638,710,535	118,748	(20,722)	638,808,561
Less accumulated depreciation:				
Buildings and improvements	(33,418,569)	(15,883,671)	—	(49,302,240)
Furniture, machinery and equipment	(965,035)	(503,340)	—	(1,468,375)
Total accumulated depreciation	(34,383,604)	(16,387,011)	—	(50,770,615)
	$ 682,909,583	(13,677,371)	(20,722)	669,211,490

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	$ 76,471,699	927,109	—	77,398,808
Art collection	1,183,844	—	—	1,183,844
Total capital assets, not being depreciated	77,655,543	927,109	—	78,582,652
Capital assets, being depreciated:				
Buildings and improvements	634,870,076	616,909	—	635,486,985
Furniture, machinery and equipment	2,652,970	570,580	—	3,223,550
Total capital assets, being depreciated	637,523,046	1,187,489	—	638,710,535
Less accumulated depreciation:				
Buildings and improvements	(17,434,865)	(15,983,704)	—	(33,418,569)
Furniture, machinery and equipment	(460,840)	(504,195)	—	(965,035)
Total accumulated depreciation	(17,895,705)	(16,487,899)	—	(34,383,604)
	$ 697,282,884	(14,373,301)	—	682,909,583

The increases in land for the years ended June 30, 2016 and 2015 are due to revisions in the potential settlement of a condemnation case related to certain parcels of land acquired for the Music City Center site as described in note 12.

(6) Unearned Revenue

Unearned revenue of $5,124,519 and $4,600,783 at June 30, 2016 and 2015, respectively, represents deposits received for events scheduled to occur in future years.

(Continued)

(7) Long-Term Revenue Bonds Payable

Long-term debt activity during the year ended June 30, 2016, and descriptions of the amounts outstanding are as follows.

	Balance June 30, 2015	Additions	Repayments/ amortization	Balance June 30, 2016
The Convention Center Authority of the Metropolitan Government of Nashville and Davidson County:				
2010A-1, bearing interest at 3.35% to 5.00% payable semiannually, maturing through July 1, 2026	$ 51,730,000	—	(3,220,000)	48,510,000
Tourism Tax Revenue Bonds Federally Taxable, Series 2010A-2 (Build America Bonds – Direct Payment), bearing interest at 7.431% payable semiannually, maturing on July 1, 2043	152,395,000	—	—	152,395,000
Subordinate Tourism Tax Revenue Bonds Federally Taxable, Series 2010B (Build America Bonds – Direct Payments), bearing interest at 4.862% to 6.731% payable semiannually, maturing through July 1, 2043	419,090,000	—	—	419,090,000
Original issue premium	885,438	—	(80,492)	804,946
	$ 624,100,438	—	(3,300,492)	620,799,946

Long-term debt activity during the year ended June 30, 2015, and descriptions of the amounts outstanding are as follows.

	Balance June 30, 2014	Additions	Repayments/ amortization	Balance June 30, 2015
The Convention Center Authority of the Metropolitan Government of Nashville and Davidson County:				
2010A-1, bearing interest at 3.35% to 5.00% payable semiannually, maturing through July 1, 2026	$ 51,730,000	—	—	51,730,000
Tourism Tax Revenue Bonds Federally Taxable, Series 2010A-2 (Build America Bonds – Direct Payment), bearing interest at 7.431% payable semiannually, maturing on July 1, 2043	152,395,000	—	—	152,395,000
Subordinate Tourism Tax Revenue Bonds Federally Taxable, Series 2010B (Build America Bonds – Direct Payments), bearing interest at 4.862% to 6.731% payable semiannually, maturing through July 1, 2043	419,090,000	—	—	419,090,000
Original issue premium	965,933	—	(80,495)	885,438
	$ 624,180,933	—	(80,495)	624,100,438

In April 2010, the Authority issued Tourism Tax Revenue Bonds, Series 2010A-1 for $51,730,000, Series 2010A-2 for $152,395,000, and Series 2010B for $419,090,000, for a combined principal amount of $623,215,000, plus original issue premium of $1,301,329. The purpose of the bonds was to pay the costs associated with planning, designing, engineering, acquiring, constructing, equipping, furnishing, improving, repairing, refurbishing and opening the Music City Center.

The land for the Music City Center was purchased prior to the creation of the Convention Center Authority by the Metropolitan Development and Housing Agency (MDHA), a component unit of the Metropolitan Government, through a bank loan. In conjunction with the issuance of the Tourism Tax Revenue Bonds, the MDHA bank loan was retired, and the land was transferred to the Authority.

The bond proceeds were used as follows:

Establishment of debt service reserve funds	$	40,040,199
Establishment of capitalized interest funds		22,287,870
Payment of bond issue costs		7,299,082
Retirement of MDHA Loan		46,313,567

The remaining $508,575,611 of bond proceeds was deposited in construction funds to be drawn down as the Music City Center was constructed. The capitalized interest funds were applied to interest payable during construction.

The Series 2010A-1 bonds are tax exempt, and the Series 2010A-2 and Series 2010B bonds are Federally taxable and were issued as Build America Bonds (BABs) under an irrevocable election under Section 54 of the Internal Revenue Code. BABs qualify for a 35% credit from the Federal government on interest payable on the bonds. The Metropolitan Government is required to file requests for these interest credits no earlier than 90 days prior to each scheduled interest payment. Subsequent to issuance of the bonds, the Federal government has reduced the credit. The credit was reduced by 6.8% and 7.3% to 28.2% and 27.7% in the fiscal years ended June 30, 2016 and June 30, 2015, respectively. The Authority is not anticipating restoration of the credit to the original amount; however, the reduction is not expected to have a material impact on the ability to meet future debt payments.

The Series 2010A Bonds are payable from tourism tax revenues received by the Metropolitan Government.

The Series 2010B Bonds are payable from the remaining tourism tax revenues available after the payment of the 2010A Bonds and from net operating revenues, which are the remaining project operating revenues after the payment of operating expenses. The Series 2010B Bonds are additionally secured by a pledge of the Metropolitan Government’s nontax revenues of the General Fund of the General Services District, subject to the prior pledge and application of certain requirements related to bonds issued by the Sports Authority, a component unit of the Metropolitan Government. No payments related to this financial guarantee have been made by the Metropolitan Government. Should any payments be made by the Metropolitan Government in the future, the agreements provide for recovering any such payments from the Authority’s revenues after operating expenses are covered and annual principal and interest payments and certain other obligations are met.

All of the bonds are subject to Federal arbitrage regulations. Annual maturities of revenue bonds outstanding, related interest and anticipated Federal interest credits for interest payable on BABs are outlined below.

	Principal	Interest	Estimated Federal credit
Year ending June 30:			
2017	7,865,000	40,681,034	(12,311,062)
2018	10,315,000	40,262,134	(12,222,519)
2019	12,255,000	39,712,513	(12,094,678)
2020	13,425,000	39,041,330	(11,935,773)
2021	13,965,000	38,315,407	(11,760,525)
2022–2026	79,385,000	179,011,667	(55,795,502)
2027–2031	98,230,000	151,449,418	(48,349,886)
2032–2036	122,405,000	113,320,086	(36,211,433)
2037–2041	152,800,000	65,620,870	(20,969,149)
2042–2044	109,350,000	11,649,973	(3,722,749)
	$ 619,995,000	719,064,432	(225,373,276)

(8) Employee Benefit Plans

Certain employees of the Metropolitan Government's Nashville Convention Center were retained by the Authority to manage and operate the Music City Center. Those Metropolitan Government employees continue to be eligible to participate in the pension, other postemployment benefit (OPEB), and deferred compensation 457 plans of the Metropolitan Government. Employees hired directly by the Authority are eligible to participate in the Authority's deferred compensation 401(k) plan.

(a) Pension Plans (former Metropolitan Government employees)

The Metropolitan Government sponsors or guarantees several single-employer pension plans, including (a) the closed City Plan (City Plan); (b) the Davidson County Employees' Retirement Plan (County Plan), both of which were closed to new members on April 1, 1963; and (c) the Metropolitan Employees' Benefit Trust Division A or B (Metro Plan). Division A of the Metro Plan was established at the inception of the Metropolitan Government on April 1, 1963, and was closed to new members on July 1, 1995. Division B of the Metro Plan was established on July 1, 1995.

All plans of the Metropolitan Government were established by or continue under the authority of the Metropolitan Charter, Article XIII, effective April 1, 1963. Approval of the Metropolitan Council is required to establish and amend benefit provisions. Article XIII also requires that all pension plans be actuarially sound. Administrative costs of the plans are financed by plan assets. The plans are administered by the Metropolitan Employee Benefit Board, an independent board created by the Metropolitan Charter. The financial position and results of operations of the pension plans are reported as fiduciary funds of the Metropolitan Government and, accordingly, are not included in the financial statements of the Authority.

Certain legacy employees of the Authority who were former employees of the Nashville Convention Center are members of the Metro Plan. Periodic contributions by the Authority to the Metro Plan are at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. Contributions to closed plans are made on a pay-as-you-go basis by the Metropolitan Government whereby contributions are made in amounts sufficient to cover benefits paid during the year. Employees do not contribute to any of the Metropolitan Government pension plans.

Normal retirement for employees occurs at age 65 for Division A and age 60 for Division B and entitles employees to a lifetime monthly benefit as determined under the Metro Plan. Benefits fully vest upon completing five years of service for employees employed on or between October 1, 2001 and December 31, 2012.

A net pension liability has been recorded in the financial statements of the Authority based on its pro rata share of the total net pension liability for the Metropolitan Government. The net pension liability was $799,038 at June 30, 2016 and $368,709 at June 30, 2015. The Authority's proportion of the Metro Plan's net pension liability at June 30, 2016 was 0.36% and at June 30, 2015 was 0.54%.

Certain differences between expected and actual actuarial results and certain differences between projected and actual investment earnings are recorded as either deferred outflows of resources or deferred inflows of resources. The deferred outflows of resources and deferred inflows of resources were $568,283 and $228,589, respectively, at June 30, 2016 and $171,640 and $187,053, respectively at June 30, 2015. The amounts will be recognized as pension expense in future years. Pension expense was $247,589 and $289,294 for the years ended June 30, 2016 and June 30, 2015, respectively.

Contributions by the Authority to the Metro Plan totaled $247,589 and $289,294 for the years ended June 30, 2016 and June 30, 2015, respectively.

Additional information regarding the pension plans of the Metropolitan Government is available in the Comprehensive Annual Financial Report, which can be obtained from the Department of Finance, Financial Operations, 700 2nd Ave South, PO Box 196300, Nashville, TN, 37219-6300, or http://www.nashville.gov/Finance/Financial-Operations.aspx.

(b) OPEB Plans (former Metropolitan Government employees)

Retirees in the Metro, City or County Plans may elect to participate in the Metropolitan Employees' Medical Benefit Plan (Benefit Plan), a single-employer defined benefit healthcare plan. The Benefit Plan is administered by the Employee Benefit Board and provides medical, dental and life insurance. The OPEBs were authorized by the Metropolitan Charter and Code. The financial position and results of operation of the Benefit Plan are reported as an internal service fund of the Metropolitan Government and, accordingly, are not included in the financial statements of the Authority.

The contribution requirements of the Benefit Plan members and the Metropolitan Government are established and may be amended by the Employee Benefit Board. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health insurance, the Metropolitan Government contributes 75% of all premium payments, and the retirees contribute 25%. The Metropolitan Government also provides a 50% matching contribution on dental insurance for retirees that choose to participate. Finally, the Metropolitan Government provides life insurance at no charge to retirees.

As the Metropolitan Government has assumed the responsibility for funding these benefits, the Authority has accrued no liability as of June 30, 2016 or June 30, 2015. Actuarially determined OPEBs are reported in the government-wide statements of the Metropolitan Government; accordingly, no additional liability has been accrued in the financial statements of the Authority.

(c) Deferred Compensation 457 Plan (former Metropolitan Government employees)

The Metropolitan Government offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits deferral of a portion of salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Because the assets are held in a trustee capacity, they are not included in the financial statements of the Metropolitan Government. No contributions are made to this plan by the Metropolitan Government.

(d) Deferred Compensation 401(k) Plan (Authority employees)

The Authority offers a 401(k) deferred compensation plans to its employees hired directly by the Authority. Former employees of the Nashville Convention Center are not eligible to participate in this plan. The plan permits deferral of a portion of salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Employees can contribute as much as is allowed by Federal law. The Authority matches 100% of employee contributions up to 3% of salary and 50% of employee contributions up to 5% of salary. Contributions by the Authority to the 401(k) Plan totaled $122,153 and $125,484 for the years ended June 30, 2016 and 2015, respectively. The plan is administered by the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County. Financial statements for the plan can be obtained from the Convention Center Authority, c/o Music City Center, Human Resources, 201 Fifth Avenue South, Nashville, TN, 37203.

(9) Risk Management

The Authority is exposed to various risks of loss incidental to its operations and has obtained several insurance policies after performing risk assessment analyses. The Authority retains risk up to $4,000,000 and has obtained excess insurance for any claims above that amount. These policies provide insurance for property, builder's risk, worker's compensation, automobile, general liability and other exposures. There have been no settlements exceeding insurance coverage since the inception of the Authority.

(10) Leases

On December 30, 2010, the Authority entered into a development agreement for the Country Music Hall of Fame and Museum Expansion with Omni Nashville, LLC (Omni) and into a development, lease and operating agreement with the Country Music Foundation, Inc. (Hall of Fame). Under the terms of the agreements, Omni constructed a connector (expansion project) between its headquarters hotel and the Hall of Fame, with funding from tax increment financing provided by the MDHA. Upon completion of construction, the connector was transferred to the Authority on June 20, 2014 and is now leased to the Hall of Fame for an initial term of 60 years. The initial lease payment of $250,000 due to the Authority for the fiscal year ended June 30, 2015 was abated at the November 13, 2014 Authority Board meeting. At June 30, 2016, $250,000 is included in accounts receivable pending receipt of the payment for the year ended June 30, 2016. Future minimum lease payments to the Authority over the term of the lease will be as follows:

	Annual rent
Years ending June 30:	
2017–2019	$ 250,000 per year
2020–2024	350,000 per year
2025–2064	500,000 per year
2065–2069	650,000 per year
2070–2074	750,000 per year

The Hall of Fame is responsible for all interior and exterior operating costs, maintenance and repairs. As required by the agreement, the Authority will establish a reserve fund from the majority of the rental income received from the Hall of Fame to cover future capital costs related to the connector. The carrying amount of the connector on the Authority's statement of net position at June 30, 2016, net of accumulated depreciation of $1,941,213, is $35,350,519. The carrying amount of the connector at June 30, 2015 was $36,282,813.

(11) Related-Party Transactions

In accordance with Ordinance Number BL2010-690 passed by the Metropolitan Council on June 15, 2010, and under the terms of an interlocal agreement between the Authority and the Metropolitan Government, on July 1, 2010, the Authority began to manage the existing Nashville Convention Center. Because the assets of the existing Nashville Convention Center are owned by the Metropolitan Government, the operations are accounted for as an enterprise fund of the Metropolitan Government.

The Authority has entered into an interlocal agreement with the Metropolitan Government for various financial and administrative services. Additionally, the Authority uses certain services provided by the Metropolitan Government's internal service agencies on a user charge basis.

(12) Commitments and Contingencies

On October 19, 2010, the Authority entered into a Development and Funding Agreement with Omni to facilitate the development of a premier headquarters hotel adjacent to the Music City Center. Under the terms of the development and funding agreement, the Authority will pay Omni annual economic development payments and incentives from excess tourism tax revenues collected over a period of 20 years. These payments are additionally secured by a pledge of the Metropolitan Government's nontax revenues of the General Fund of the General Services District, subject to the prior pledge and application of certain requirements related to bonds issued by the Sports Authority, a component unit of the Metropolitan Government. Any such payments made by the Metropolitan Government in the future will be recovered from the Authority's revenues after operating expenses are covered and annual principal and interest payments and certain other obligations are met. No payments related to this financial guarantee have been made by the Metropolitan Government.

These payments began after the hotel opened for business, including the renting of rooms. The amount remitted by the Authority to Omni during the years ended June 30, 2016 and June 30, 2015 totaled $9,000,000 and $8,000,000, respectively. The schedule of future annual payments is expected to be as follows.

	Annual payment
Year ending June 30:	
2017	$ 10,000,000 per year
2018–2026	12,000,000 per year
2027–2033	15,000,000 per year

There is one pending condemnation case related to a parcel of land acquired for the Music City Center site for which a total of $1,774,300 was paid in February 2010 by the Authority. This matter was tried before a jury August 29-31, 2016 and the Court entered an order of judgment on September 9, 2016 for an additional $351,398 to be paid by the Authority to the property owner. The property owner has filed a motion for new trial with the Court, which is scheduled to be heard in December 2016. The September 2016 judgment was within the amounts previously reserved by the Authority. In addition, interest and other related costs have been accrued in the financial statements through June 30, 2016.

In May 2015, the Metropolitan Council approved a redevelopment agreement related to the sale and development of the former Nashville Convention Center site that is under the management of the Authority. Under the redevelopment agreement, the Authority would pay for the construction of two levels of a parking garage that may be expanded, at the Authority's election, to three levels. The Authority's maximum liability, depending on the final scope of the parking garage, is $44 million. Several conditions were required to be satisfied before execution of the redevelopment agreement, and those conditions were not met for the closing of the sale to take place no later than December 31, 2015. The agreement allowed the developer to extend the closing for up to four periods of three months each upon paying a nonrefundable fee of $250,000 for each extension, which would be applied to the sales price if all conditions are met and the Nashville Convention Center site sale is closed. At June 30, 2016, the developer had exercised the right to extend the closing through September 30, 2016. Subsequently, the developer has exercised the right to extend the closing through December 31, 2016. The total amount paid by the developer through June 30, 2016 was $750,000. An additional $250,000 has been paid subsequent to June 30, 2016. All funds paid by the developer are being held by the Metropolitan Government of Nashville and Davidson County and will be released to fund affordable housing programs of the Metropolitan Government if the sale of the property does not close by December 31, 2016, the date of the latest extension.

(13) Subsequent Events

The Authority has evaluated subsequent events through October 30, 2016, the date the financial statements were available for issuance, and has determined that there are no subsequent events that require additional disclosure.

KPMG LLP
Suite 1000
401 Commerce Street
Nashville, TN 37219-2422

Independent Auditors' 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*

Authority Members
Convention Center Authority of the Metropolitan
Government of Nashville and Davidson County, Tennessee:

We have audited, 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, the financial statements of the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County, Tennessee (the Authority), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, which comprise the statement of net position as of June 30, 2016, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Nashville, Tennessee
October 30, 2016