



Convention Center Authority

12/4/2018

Attachment #3

**THE CONVENTION CENTER AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
EMPLOYEES' SAVINGS TRUST**

Financial Statements and Supplemental Information

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

THE CONVENTION CENTER AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
EMPLOYEES' SAVINGS TRUST

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Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.	



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

Convention Center Authority

12/4/2018

Attachment #3

Independent Auditors' Report

The Plan Administrator
The Convention Center Authority of the Metropolitan Government of
Nashville and Davidson County Employees' Savings Trust:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of The Convention Center Authority of the Metropolitan Government of Nashville and Davidson County Employees' Savings Trust (the Plan), which comprise the statements of fiduciary net position as of December 31, 2017 and 2016, and the related statements of changes in fiduciary net position 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 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 conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in note 5, which was certified by MG Trust Company, the custodian of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the custodian as of December 31, 2017 and 2016, and for the years then ended, that the information provided to the plan administrator by the custodian is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.



Other Matter – Supplemental Schedules

The supplemental schedules of Schedule H, Line 4a – Schedule of Delinquent Participant Contributions for the year ended December 31, 2017 and Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2017, are required by the DOL's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and are presented for the purpose of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on these supplemental schedules.

Other Matter – Omission of Required Supplemental Information

Management has omitted Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing 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. Our report on the basic financial statements is not affected by this missing information.

Report on Form and Content in Compliance with DOL's Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

KPMG LLP

Nashville, Tennessee
October 12, 2018

THE CONVENTION CENTER AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
EMPLOYEES' SAVINGS TRUST

Statements of Fiduciary Net Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Cash	\$ —	17
Investments:		
Mutual funds, at fair value	1,243,823	904,550
Guaranteed investment contract, at contract value	<u>16,731</u>	<u>10,968</u>
Total investments	1,260,554	915,518
Contributions receivable	<u>23,066</u>	<u>12,732</u>
Total assets	<u>1,283,620</u>	<u>928,267</u>
Net position restricted for pensions	<u>\$ 1,283,620</u>	<u>928,267</u>

See accompanying notes to financial statements.

**THE CONVENTION CENTER AUTHORITY OF THE METROPOLITAN
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Statements of Changes in Fiduciary Net Position
Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Additions:		
Investment income:		
Net appreciation in fair value of investments	\$ 144,947	31,196
Interest and dividends	<u>37,144</u>	<u>20,933</u>
Total investment income	<u>182,091</u>	<u>52,129</u>
Contributions:		
Participants	205,363	174,815
Employer	113,672	123,475
Rollovers	<u>545</u>	<u>2,203</u>
Total contributions	<u>319,580</u>	<u>300,493</u>
Total additions	<u>501,671</u>	<u>352,622</u>
Deductions:		
Benefits paid directly to participants	133,508	135,597
Administrative fees and charges	<u>12,810</u>	<u>7,736</u>
Total deductions	<u>146,318</u>	<u>143,333</u>
Net increase in net position	355,353	209,289
Net position restricted for pensions:		
Beginning of year	<u>928,267</u>	<u>718,978</u>
End of year	<u>\$ 1,283,620</u>	<u>928,267</u>

See accompanying notes to financial statements.

THE CONVENTION CENTER AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
EMPLOYEES' SAVINGS TRUST

Notes to Financial Statements

December 31, 2017 and 2016

(1) Description of the Plan

The following description of The Convention Center Authority of the Metropolitan Government of Nashville and Davidson County Employees' Savings Trust (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

(a) General

The Plan, adopted effective January 1, 2013, is a defined contribution pension plan covering substantially all employees hired directly by the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County, Tennessee (the Employer or the Authority) who are at least 18 years of age. The Plan is subject to the provisions of the Employment Retirement Income Security Act of 1974 (ERISA). The Plan is administered by the Authority under the provisions of Tennessee Code Title 7, Chapter 89.

CUNA Mutual Retirement Solutions (CUNA) serves as the record keeper of the Plan and maintains and administers the Plan's records and investment allocations for the benefit of participants. MG Trust Company is the custodian of the Plan assets.

(b) Contributions

Upon achieving eligibility to participate in the Plan, employees must elect to participate or not participate in the Plan. Participants may contribute up to the maximum amount allowed by federal law and direct the investment of their contributions into various investment options offered by the Plan. The Employer may make a discretionary matching contribution on behalf of each participant. In 2017 and 2016, the Employer matched 100% of employee contributions up to 3% of salary and 50% of employee contributions up to 5% of salary. For the years ended December 31, 2017 and 2016, there were \$113,672 and \$123,475, respectively, in employer discretionary matching contributions made to the Plan.

(c) Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of the Employer's contribution and Plan earnings. Allocations are based on participant earnings or account balances, as defined by the Plan document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

(d) Vesting

Participants are immediately vested in their contributions, rollover contributions, and actual earnings thereon. Participants vest 20% at the end of the first year of service and then vest 20% per year in the Employer's contribution portion of their account plus actual earnings thereon for each year of credited service, as defined by the Plan document. A participant is 100% vested after five years of credited service.

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December 31, 2017 and 2016

(e) Forfeitures

Forfeitures of terminated participants' nonvested accounts are used to reduce future employer contributions or to pay Plan administrative expenses. At December 31, 2017 and 2016, the forfeited nonvested account totaled \$61,923 and \$66,244, respectively. This account will be used to reduce future Employer contributions or to pay Plan administrative expenses.

(f) Payment of Benefits

On termination of service, whether due to death, disability, retirement, or otherwise, the participant or the beneficiary of the participant shall receive a lump-sum payment in cash. The Plan also permits in-service withdrawals due to financial hardship, in accordance with provisions specified in the Plan document.

(g) Administrative Expenses

The Plan's expenses are paid either by the Plan or the Authority, as provided by the Plan document. Expenses that are paid directly by the Authority are excluded from these financial statements. Certain expenses incurred in connection with the general administration of the Plan that are paid by the Plan are recorded as deductions in the accompanying statements of changes in fiduciary net position. In addition, certain investment-related expenses are included in net appreciation (depreciation) of fair value of investments presented in the accompanying statements of changes in fiduciary net position.

(h) Participant Loans

Participant loans are not permitted under the Plan.

(i) Plan Membership

As of December 31, 2017 and 2016, Plan had 192 and 169 participants, respectively.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Plan are prepared under the accrual basis of accounting, based on standards promulgated by the Governmental Accounting Standard Board (GASB).

During the year ended December 31, 2016, it was determined that the appropriate financial reporting framework for the Plan under U.S. generally accepted accounting principles is the framework established by the GASB, not the Financial Accounting Standards Board, because the Authority is an instrumentality of the Metropolitan Government of Nashville and Davidson County as well as a public nonprofit corporation. The changes primarily relate to financial statement presentation and classification, as well as certain additional disclosures related to investment risks.

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December 31, 2017 and 2016

(b) Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(c) Investment Valuation and Income Recognition

Investments are reported at fair value, except for guaranteed investment contracts, which are presented at contract value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 3 for discussion of fair value measurements. Contract value is the relevant measurement attribute for that portion of the net position available for pensions of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

(d) Payments of Benefits

Benefits are recorded when paid.

(e) Excess Contributions Payable

The Plan is required to return contributions received during the Plan year in excess of the IRC limits. There were no excess contributions payable in 2017 or 2016.

(3) Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

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

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December 31, 2017 and 2016

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2017 and 2016:

Description	2017			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Balanced Funds	\$ 1,079,760	—	—	1,079,760
Index Funds	95,203	—	—	95,203
Fixed Income Funds	6,937	—	—	6,937
Money Market Funds	61,923	—	—	61,923
Total investments at fair value	\$ 1,243,823	—	—	1,243,823
Guaranteed investment contract, at contract value				16,731
Total investments				\$ 1,260,554

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Notes to Financial Statements
December 31, 2017 and 2016

Description	2016			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Balanced Funds	\$ 777,574	—	—	777,574
Index Funds	57,133	—	—	57,133
Fixed Income Funds	3,619	—	—	3,619
Money Market Funds	66,224	—	—	66,224
Total investments at fair value	\$ 904,550	—	—	904,550
Guaranteed investment contract, at contract value				10,968
Total investments				\$ 915,518

(4) Investments

(a) Investment Risk Disclosures

(i) Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Additionally, the fair values of the investments may be highly sensitive to interest rate fluctuations. The Plan has no specific policy to address interest rate risk.

As of December 31, 2017 and 2016, the Plan had the following fixed income and money market investments with the corresponding average duration:

Type of investments	2017		2016	
	Average duration	Fair value	Average duration	Fair value
Fixed income mutual funds:				
JP Morgan Core Bond Fund R2	5.72	\$ 1,399	5.85	\$ 865
Blackrock Inflation Protect Bd SerC	7.28	3,948	6.85	1,549
Templeton Global Bond Fund	(1.14)	1,403	0.28	1,205
Money market fund:				
Vanguard Federal MMKT FD	—	\$ 65,845	—	\$ 66,224

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Notes to Financial Statements

December 31, 2017 and 2016

(ii) *Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating to each investment by a nationally recognized statistical rating organization. The Plan has no specific policy to address credit risk. Additionally, none of the fixed income funds held by the Plan were rated by nationally recognized statistical rating organizations.

(iii) *Concentration of Credit Risk*

The Plan does not have a policy regarding the concentration of credit risk, since investments are participant directed.

(5) Information Certified by the Plan's Trustee

The plan administrator has elected the method of annual reporting compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosures under ERISA. Accordingly, MG Trust Company, the custodian of the Plan, has certified that the following data included in the accompanying financial statements and supplemental schedule are complete and accurate as of December 31, 2017 and 2016, and for the years then ended:

	<u>2017</u>	<u>2016</u>
Mutual funds	\$ 1,243,823	904,550
Guaranteed investment contract, at contract value	16,731	10,968
Interest bearing cash	—	17
Net appreciation in fair value	144,947	31,196
Interest and dividends	37,144	20,933

The Plan's independent auditor did not perform auditing procedures with respect to this information, except for comparing such information to the related information included in the financial statements and supplemental schedules.

(6) Income Tax Status

The Plan has adopted a prototype Volume Submitter Profit Sharing Plan as provided by the Plan's record keeper, CUNA Mutual Retirement Solutions. The IRS issued an opinion letter dated March 31, 2014, indicating that the prototype profit sharing plan is designed in accordance with applicable sections of the IRC. Although the Plan is amended periodically, the plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan

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December 31, 2017 and 2016

is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

(7) Transactions with Parties-in-Interest

Certain Plan investments are shares of mutual funds managed by CUNA Mutual Retirement Solutions. CUNA Mutual Retirement Solutions is the record keeper of the Plan's assets and, therefore, qualifies as a party-in-interest.

(8) Plan Termination

Although it has not expressed any intent to do so, the Authority has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

(9) Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net position restricted for pensions according to the financial statements as compared to Form 5500 at December 31:

	<u>2017</u>	<u>2016</u>
Net position restricted for pensions per the financial statements	\$ 1,283,620	928,267
Less contribution receivable at end of year	(23,066)	(12,732)
Other	—	38
Net position restricted for pensions per Form 5500	<u>\$ 1,260,554</u>	<u>915,573</u>

The following is a reconciliation of the net increase in net position restricted for pension benefits according to the financial statements as compared to Form 5500 at December 31:

	<u>2017</u>	<u>2016</u>
Total increase in net position restricted for pensions	\$ 355,353	209,289
Add contribution receivable at beginning of year	12,732	10,267
Less contribution receivable at end of year	(23,066)	(12,732)
Other	(38)	21
Total increase in net position restricted for pensions per Form 5500	<u>\$ 344,981</u>	<u>206,845</u>

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Notes to Financial Statements
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The following is a reconciliation of employee contributions according to the financial statements as compared to Form 5500 at December 31:

	2017	2016
Participant contributions per financial statements	\$ 205,363	174,815
Add participant contribution receivable at beginning of year	7,657	6,030
Less participant contribution receivable at end of year	(17,884)	(7,657)
Total employee contributions per Form 5500	\$ 195,136	173,188

The following is a reconciliation of employer contributions according to the financial statements as compared to Form 5500 at December 31:

	2017	2016
Employer contributions per financial statements	\$ 113,672	123,475
Add employer contribution receivable at beginning of year	5,075	4,237
Less employer contribution receivable at end of year	(5,182)	(5,075)
Total employer contributions per Form 5500	\$ 113,565	122,637

(10) Subsequent Events

The Plan has evaluated subsequent events from December 31, 2017 through October 12, 2018, the date the financial statements were available for issuance, and determined there are no items to disclose.

Convention Center Authority

12/4/2018

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SUPPLEMENTAL INFORMATION

Schedule 1

**THE CONVENTION CENTER AUTHORITY OF THE METROPOLITAN
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EIN: 27-2078125, Plan No. 001

Schedule H, Line 4a – Schedule of Delinquent Participant Contributions

December 31, 2017

Participant contributions transferred late to plan	Total that constitute nonexempt prohibited transactions			Total fully corrected under VFCP and PTE 2002-51
Check here if late participant loan repayments are included: <input type="checkbox"/>	Contributions not corrected	Contributions corrected outside VFCP	Contributions pending correction in VFCP	
\$ 27,884	—	—	—	—

See accompanying independent auditors' report.

Convention Center Authority

12/4/2018

Attachment #3

Schedule 2

THE CONVENTION CENTER AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
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EIN: 27-2078125, Plan No. 001

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

December 31, 2017

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, par, or maturity value	(e) Current value
	JPMorgan	JPMORGAN SMARTRETIREMENT 2020	\$ 18,166
	JPMorgan	JPMORGAN SMARTRETIREMENT 2025	102,223
	JPMorgan	JPMORGAN SMARTRETIREMENT 2030	169,474
	JPMorgan	JPMORGAN SMARTRETIREMENT 2035	164,680
	JPMorgan	JPMORGAN SMARTRETIREMENT 2040	101,665
	JPMorgan	JPMORGAN SMARTRETIREMENT 2045	118,053
	JPMorgan	JPMORGAN SMARTRETIREMENT 2050	189,323
	JPMorgan	JPMORGAN SMARTRETIREMENT 2055	86,482
	JPMorgan	JPMORGAN SMARTRETIREMENT INCOM	40,918
	JPMorgan	JP MORGAN RESEARCH MRKT NEUTRAL FD – A	1,072
	JPMorgan	JPMORGAN CORE BOND FUND-R2	1,447
	BlackRock	BLACKROCK INFLATION PROTECT BD SER – C	4,072
	BlackRock	BLACKROCK S & P STOCK FUND – A	95,203
	AllianceBernstein	ALLIANCE/BERN DISCOVERY VALUE FD – R	2,400
	American Funds	AM FDS EUROPACIFIC GROWTH – R3	21,947
	Deutsche Bank	DEUTSCHE ENHANCED COMMODITY STRATEGY A	1,005
	Franklin Templeton	FRANKLIN RISING DIVIDENDS – R	15,266
	Franklin Templeton	HIGH INCOME FD R SH	16,413
	Franklin Templeton	TEMPLETON GLOBAL BOND FUND	1,418
	John Hancock	J HANCOCK INCOME FD – R3	3,957
	Prudential Investments	PRUD-JENNISON SMALL COMP FD – R	9,340
	Prudential Investments	PRUDENTIAL GLOBAL REAL EST – R (1548)	4,469
	Wells Fargo	WFA EMERGING MARKETS EQUITY FD A SHARES	12,907
	Vanguard	Vanguard Federal MMKT FD	61,923
		Total mutual fund accounts	<u>1,243,823</u>
*	CUNA Mutual	GUARANTEED ACCOUNT (CLASS 23)	16,731
		Total Guaranteed Investment Contract	16,731
	Matrix Trust Company	INTEREST BEARING CASH	—
		Total cash and investments held at end of year	<u>\$ 1,260,554</u>

* Party-in-interest

Note: Investments are participant directed, thus cost information is not required. The above information has been certified as complete and accurate by MG Trust Company.

See accompanying independent auditors' report.