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

(A Component Unit of the Metropolitan Government of Nashville and Davidson County, Tennessee)

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
(A Component Unit 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, Tennessee (the Authority) annual financial report presents management's discussion and analysis (MD&A) of financial performance during the years ended June 30, 2020, 2019, and 2018. This MD&A should be read in conjunction with the Authority's financial statements and notes.

Overview of the Financial Statements

The Authority's financial report consists of this MD&A, financial statements, and notes to the financial statements. The Authority's financial statements are prepared using U.S. generally accepted accounting principles applied to government 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, and deferred inflows of resources of the Authority at June 30, 2020 and 2019 are included in the statements of net position. For the years ended June 30, 2020 and 2019, the Authority's revenues and expenses are reported in the statements of revenue, expenses, and changes in net position. The statements of cash flows report cash 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, 2020, 2019, and 2018 was as follows (in thousands of dollars):

	2020	2019	2018
Current assets	$ 266,789	$ 232,808	$ 186,661
Capital assets	687,333	698,241	691,864
Other noncurrent assets	58,576	57,742	54,278
Total assets	$ 1,012,698	$ 988,791	$ 932,803
Deferred outflows of resources	$ 326	$ 458	$ -
Current liabilities	$ 46,836	$ 47,846	$ 58,864
Noncurrent liabilities	563,355	577,220	590,584
Total liabilities	$ 610,191	$ 625,066	$ 649,448
Deferred inflows of resources	$ 300	$ 694	$ 256
Net position:			
Net investment in capital assets	$ 119,726	$ 110,969	$ 106,849
Restricted for debt retirement	60,730	74,102	69,394
Restricted for other purposes	48,846	21,806	-
Unrestricted	173,231	156,612	106,856
Total net position	$ 402,533	$ 363,489	$ 283,099

The Authority was created to develop, acquire, construct, and then operate a convention center (the Music City Center) within the boundaries of the Metropolitan Government of Nashville and Davidson County, Tennessee (Metropolitan Government). During the year ended June 30, 2010, the Authority issued revenue bonds for and began construction of the Music City Center (MCC). Construction is complete, and operation of the MCC began in May of 2013. As more fully described in the financial statements and notes, 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 MCC. Liabilities consist primarily 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 $119.7 million of the Authority's net position of $402.5 million is invested in capital assets while $60.7 million is restricted for debt retirement and $48.8 million is restricted for other purposes.

The Authority's change in net position for the years ended June 30, 2020, 2019, and 2018 was as follows (in thousands of dollars):

	2020	2019	2018
Operating revenue	$ 22,413	$ 29,493	$ 26,113
Operating expense	(38,198)	(40,408)	(40,229)
Operating loss	(15,785)	(10,915)	(14,116)
Nonoperating revenue, net	54,829	91,305	56,737
Net increase in net position	$ 39,044	$ 80,390	$ 42,621

The decrease in operating revenue during 2020 was exclusively due to the emergence of COVID-19 and the subsequent forced cancellation of all scheduled events in quarter four. The decrease in operating expenses for the year ended June 30, 2020 was likewise driven by decreased event-related expenses, and the immediate elimination of almost all non-essential expenses. Nonoperating revenue, net for the year ended June 30, 2020 was also greatly impacted by COVID-19 as tourism tax collections plummeted in the wake of the pandemic. This drastic decline in quarter four was further compounded by an increase in nonoperating expenses due to a new Payment in Lieu of Taxes (PILOT) agreement with the Metropolitan Government, an additional Memorandum of Understanding (MOU) between the Authority and Metropolitan Government, and a contribution agreement with the National Museum of African American Music. Also included in nonoperating expenses was the yearly payment to the Omni Hotel. These agreements are explained in more detail in Note L to the financial statements. There were no capital contributions for the year ended June 30, 2020.

The increase in operating revenue during 2019 was primarily driven by an increase in food and beverage revenue along with a significant increase in advertising revenue made possible by expanding digital signage throughout the building. The increase in operating expense for the year ended June 30, 2019 was primarily driven by increases in personnel expenses, event-related expenses, and various repair, maintenance, and labor costs necessary to service the large events hosted in fiscal year 2019. The increase in nonoperating revenue, net for the year ended June 30, 2019 was due to an increase in tourism tax collections over prior years, driven by events held at the MCC and an overall increase in tourism. The increase in nonoperating revenue was partially offset, however, by nonoperating expenses for the payments to the Omni Hotel and the Metropolitan Government in accordance with the Memorandum of Understanding (MOU) between the Authority and Metropolitan Government executed in May 2018 as explained in more detail in Note L to the financial statements. There were no capital contributions for the year ended June 30, 2019.

Capital Assets and Long-Term Debt

During the year ended June 30, 2020, the Authority incurred costs of $6,091,681 for various assets acquired subsequent to the opening of the MCC. This includes the start of an airwall recovering project and the installation of the Park Assist lighting system in the parking garage. During the year ended June 30, 2019, the Authority incurred costs of $22,967,422 for various assets acquired subsequent to the opening of the MCC. This included the start of a safety bollard project around the MCC campus and two land purchases, which will be detailed in Note E to the financial statements.

In fiscal year 2010, the Authority issued revenue bonds totaling $623,215,000, with a premium of $1,301,329, to finance the construction of the Music City Center. As more fully described in Note G 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 at issuance were as follows:

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

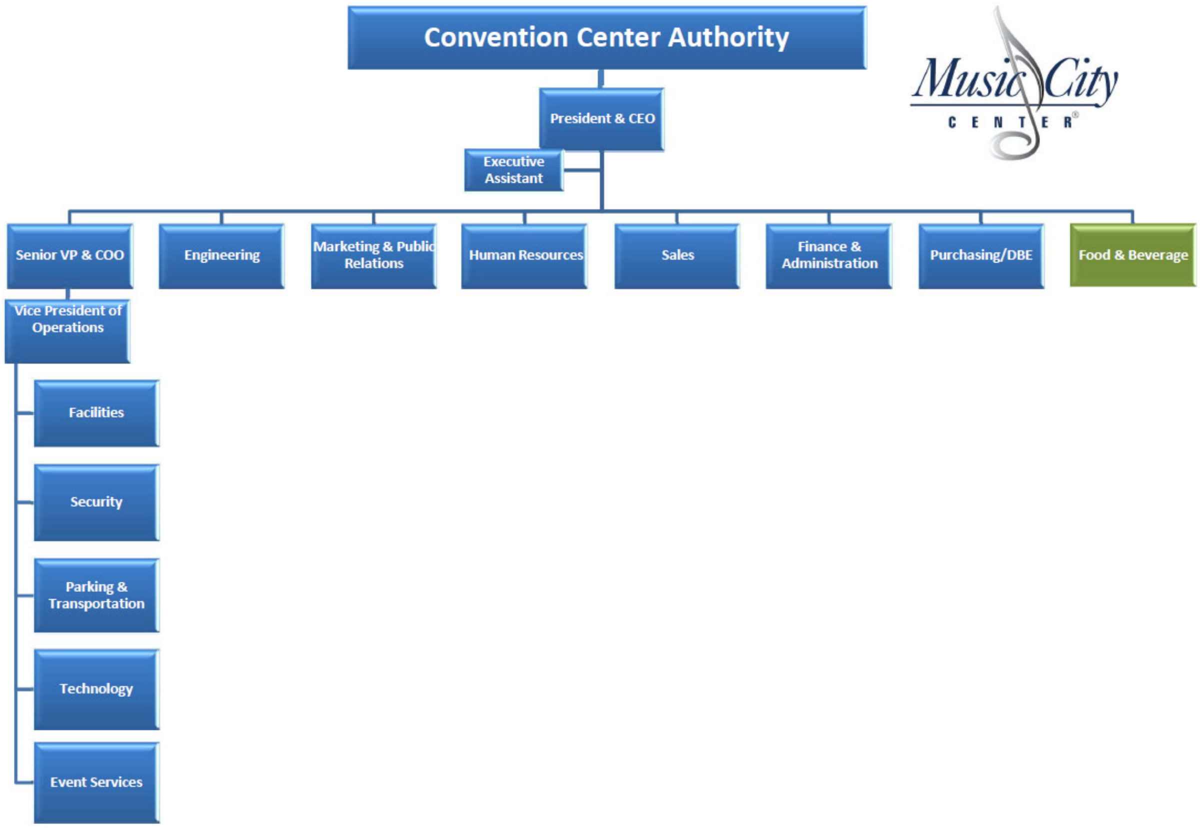
Other Matters

The Authority's board entered into an agreement with Omni Hotels in 2010 to develop a premier convention center hotel adjacent to the Music City Center. Omni privately financed the Omni Hotel at its sole expense, and the Authority will make annual payments to Omni from certain tourism taxes pledged to the Authority by the Metropolitan Government. The Authority's board also entered into two agreements with the Metropolitan Government, a PILOT agreement and an MOU to transfer revenues to the Metropolitan Government. In addition, the board entered into an agreement with the National Museum of African American Music to provide a limited monetary contribution. These agreements are more fully described in Note L to the financial statements.

The Authority's board entered into an agreement in 2016 with a private developer, Oliver McMillian Spectrum Emery, related to the development of the Fifth + Broadway complex on the previous Nashville Convention Center site. As more fully described in Note L to the financial statements, the Authority has agreed to contribute to the construction of a parking garage and conference center on that site.

Finally, requests for additional financial information should be directed to: Finance Department - Music City Center, 201 Fifth Avenue South, Nashville, Tennessee 37203

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
(A Component Unit 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
(A Component Unit of the Metropolitan Government of
Nashville and Davidson County, Tennessee)
AUTHORITY MEMBERS AS OF JUNE 30, 2020 (UNAUDITED)

Marty Dickens, Chair

Vonda McDaniel, Vice Chair

Irwin Fisher, Secretary/Treasurer

Robert Davidson

Barrett Hobbs

David McMurry

Seema Prasad

Randy Rayburn

Leigh Walton

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Audit Committee
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, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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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, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Authority as of June 30, 2019, were audited by other auditors whose report dated October 30, 2019, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1–4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The organizational chart, authority members, and schedule of changes in long-term debt by individual issue, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The organizational chart and authority members have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
October 30, 2020

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
(A Component Unit of the Metropolitan Government
of Nashville and Davidson County, Tennessee)
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 185,388,342	$ 169,486,190
Accounts receivable	365,610	1,219,712
Accrued interest receivable	133,223	424,029
Advance to NCVC	166,667	-
Due from the primary government	-	10,337
Prepaid expenses	54,718	477,273
Restricted for construction funds:		
Cash and cash equivalents	9,278,466	3,322,847
Restricted for debt service and reserve funds:		
Cash and cash equivalents	19,657,163	20,000,721
Accrued interest receivable	162,331	222,297
Due from the primary government	2,477,634	12,335,574
Accounts receivable	258,821	3,503,708
Restricted for other purposes:		
Cash and cash equivalents	48,846,558	21,805,663
Total current assets	266,789,533	232,808,351
Noncurrent assets:		
Other assets:		
Advance to NCVC	833,333	-
Restricted for debt service and reserve funds:		
Cash and cash equivalents	18,730,841	17,816,581
Investments	39,011,683	39,925,349
Total other assets	58,575,857	57,741,930
Capital assets:		
Land	91,316,189	91,308,016
Art collection	1,183,844	1,183,844
Buildings and improvements	663,496,834	652,006,884
Furniture, machinery, and equipment	8,290,309	6,156,386
Construction work in progress	40,451,043	47,991,408
Less accumulated depreciation	(117,405,622)	(100,405,488)
Total capital assets	687,332,597	698,241,050
Total noncurrent assets	745,908,454	755,982,980
Total assets	$ 1,012,697,987	$ 988,791,331
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows, pensions	$ 326,271	$ 457,995

See accompanying notes to financial statements.

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
(A Component Unit of the Metropolitan Government
of Nashville and Davidson County, Tennessee)
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,130,980	$ 3,316,770
Accrued payroll	1,564,360	1,734,246
Due to the primary government	180,306	6,016
Unearned revenue	9,160,129	9,190,541
Liabilities payable from restricted assets:		
Construction funds:		
Accounts payable and accrued liabilities	267,460	471,227
Debt service and reserve funds:		
Accounts payable and accrued liabilities	28,935	-
Accrued interest payable	19,339,294	19,702,036
Unearned revenue	200,000	-
Current portion of long-term debt	13,965,000	13,425,000
Total current liabilities	46,836,464	47,845,836
Noncurrent liabilities:		
Long-term revenue bonds payable	562,652,967	576,698,461
Net pension liability	702,009	521,642
Total noncurrent liabilities	563,354,976	577,220,103
Total liabilities	$ 610,191,440	$ 625,065,939
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows, pensions	$ 299,834	$ 694,322
NET POSITION		
Net investment in capital assets	$ 119,725,636	$ 110,969,209
Restricted for debt retirement	60,730,244	74,102,194
Restricted for other purposes	48,846,558	21,805,663
Unrestricted	173,230,546	156,611,999
Total net position	$ 402,532,984	$ 363,489,065

See accompanying notes to financial statements.

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
(A Component Unit of the Metropolitan Government
of Nashville and Davidson County, Tennessee)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating revenue:		
Charges for services	$ 22,412,974	$ 29,493,361
Operating expense:		
Personal services	10,594,117	11,586,192
Contractual services	9,246,354	10,320,149
Supplies and materials	458,719	1,030,335
Depreciation	17,000,134	16,562,334
Other	899,032	909,079
Total operating expense	38,198,356	40,408,089
Operating loss	(15,785,382)	(10,914,728)
Nonoperating revenue (expense):		
Tourism tax revenue	118,660,718	126,820,172
Investment income	4,902,771	6,120,198
Other income	202,543	177,271
Interest expense	(26,383,960)	(26,973,568)
Other expense	(42,552,771)	(14,838,970)
Total nonoperating revenue, net	54,829,301	91,305,103
Increase in net position	39,043,919	80,390,375
Net position, beginning of year	363,489,065	283,098,690
Net position, end of year	$ 402,532,984	$ 363,489,065

See accompanying notes to financial statements.

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
(A Component Unit of the Metropolitan Government
of Nashville and Davidson County, Tennessee)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Receipts from customers	$ 23,247,001	$ 32,139,200
Payments to suppliers	(11,193,050)	(19,746,865)
Payments to employees	(10,846,400)	(11,180,543)
Net cash provided by operating activities	1,207,551	1,211,792
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(6,295,448)	(29,344,706)
Principal paid	(13,425,000)	(12,255,000)
Interest paid	(39,041,330)	(39,712,513)
Interest subsidy	12,214,134	12,350,009
Other expense	(12,771,293)	(133,611)
Net cash used in capital and related financing activities	(59,318,937)	(69,095,821)
Cash flows from noncapital financing activities:		
Receipts from governments	131,963,545	125,601,820
Payments to hotel developer	(12,000,000)	(12,000,000)
Other contributions	(17,550,000)	(2,500,000)
Net cash provided by noncapital financing activities	102,413,545	111,101,820
Cash flows from investing activities:		
Purchases of investments	(88,044,869)	(9,293,910)
Proceeds from sales and maturities of investments	89,122,616	9,347,587
Interest income	5,089,462	4,729,875
Advance to NCVC	(1,000,000)	-
Net cash provided by investing activities	5,167,209	4,783,552
Net changes in cash and cash equivalents	49,469,368	48,001,343
Cash and cash equivalents, beginning of year	232,432,002	184,430,659
Cash and cash equivalents, end of year	$ 281,901,370	$ 232,432,002

See accompanying notes to financial statements.

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
(A Component Unit of the Metropolitan Government
of Nashville and Davidson County, Tennessee)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (15,785,382)	$ (10,914,728)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	17,000,134	16,562,334
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	854,102	947,972
Prepaid expenses	422,555	7,658
Due from the primary government	10,337	(10,204)
Deferred outflows of resources	131,724	(163,895)
Accounts payable and accrued liabilities	(1,185,790)	7,102
Accrued payroll	(169,886)	284,298
Due to the primary government	174,290	(7,502,062)
Unearned revenue	(30,412)	1,708,071
Net pension liability	180,367	141,509
Deferred inflows of resources	(394,488)	143,737
Net cash provided by operating activities	$ 1,207,551	$ 1,211,792
Schedule of noncash capital and related financing activities:		
Amortization of bond premium	$ 80,494	$ 80,496
Acquisition of capital assets with accounts payable	267,460	471,227
Schedule of noncash investing activities:		
Unrealized gain on investments	$ 164,081	$ 1,135,229
Cash and cash equivalents as reported in the Statements of Net Position:		
Current assets	$ 185,388,342	$ 169,486,190
Current assets restricted for construction funds	9,278,466	3,322,847
Current assets restricted for debt service and reserve funds	19,657,163	20,000,721
Current assets restricted for other purposes	48,846,558	21,805,663
Noncurrent assets restricted for debt service and reserve funds	18,730,841	17,816,581
Total cash and cash equivalents	$ 281,901,370	$ 232,432,002

See accompanying notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 government units. The Authority's most significant accounting policies are summarized below.

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.

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. The Authority also participates in the Metropolitan Government's Investment Pool.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments - Investments consist primarily of U.S. government securities and are stated 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 the transfers outlined in the Memorandum of Understanding (MOU) signed in fiscal year 2020 and discussed in detail in Note L to the financial statements and 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 debt service reserve funds and of amounts accumulated for capital projects and other purposes. 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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. Deferred outflows of resources related to pensions consist of certain differences between projected and actual actuarial results, certain differences between projected and actual investment earnings, certain changes in assumptions, 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 and 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. Deferred inflows of resources related to pensions consist of certain differences between projected and actual actuarial results, certain differences between projected and actual investment earnings, and certain changes in assumptions.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net position - Components of net position are classified and displayed in three components as applicable: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted amounts consist of assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Unrestricted assets are comprised of all other assets that constitute the components of net position that do not meet the definition of "restricted" or "net investment in capital assets".

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; to the Metropolitan Government in accordance with the PILOT agreement executed in November 2019 and the MOU agreements executed in March 2019 and May 2020; and to the National Museum of African American Music in accordance with the contribution agreement executed in November 2019. These are discussed in Note L to the financial statements.

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements

The Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, in fiscal year 2020. The objective of this Statement is to improve guidance regarding identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation did not have a material effect on the Authority's financial statements for fiscal year 2020.

GASB Statement No. 87, *Leases*, was issued in June 2017. This Statement requires recognition of assets and deferred outflows of resources and liabilities and deferred inflows of resources for leases previously classified as operating leases, based on the payment provisions of the contract. This statement applies to all leases with a term greater than one year. This statement will be effective for the Authority in fiscal year 2022. The Authority is in the process of evaluating the impact of GASB Statement No. 87.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued in June 2018. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement will be effective for the Authority in fiscal year 2022. The Authority is in the process of evaluating the impact of GASB Statement No. 89.

GASB Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, was issued in August 2018. The primary objective of this Statement is to improve the consistency and comparability of reporting majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Authority is in the process of evaluating the impact of GASB Statement No. 90. This statement will be effective for the Authority in fiscal year 2021.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement will be effective for the Authority in fiscal year 2023. The Authority is in the process of evaluating the impact of GASB Statement No. 91.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB Statement No. 92, *Omnibus 2020*, was issued in January 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics. This statement will be effective for the Authority in fiscal year 2021. The Authority is in the process of evaluating the impact of GASB Statement No. 92.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued in March 2020. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. This statement will be effective for the Authority in fiscal year 2021. The Authority is in the process of evaluating the impact of GASB Statement No. 93.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). This statement will be effective for the Authority in fiscal year 2023. The Authority is in the process of evaluating the impact of GASB Statement No. 94.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This statement will be effective for the Authority in fiscal year 2023. The Authority is in the process of evaluating the impact of GASB Statement No. 96.

B. CASH AND INVESTMENTS

The Authority is authorized by state statutes and policy to invest funds that are not immediately needed in U.S. Treasury bills, bonds, and notes; the Tennessee Local Government Investment Pool (LGIP); the Tennessee Intermediate-Term Investment Fund (ITIF); the First Horizon Advisors Direct Holdings; 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 (MIP). Additional information regarding the underlying investments of the MIP is available in the Metropolitan Government's 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 at http://www.nashville.gov/Finance/Financial-Operations.aspx.

At June 30, 2020, the Authority had the following deposits and investments:

Investment Type	Fair Value	Weighted Average Maturity (in years)
Cash on deposit	$ 357,119	-
Metropolitan Government investment pool	243,703,192	(a)
U.S. Treasury money market funds	37,841,059	-
Cash and cash equivalents	281,901,370	
U.S. government agencies	28,194,110	6.3
Foreign government obligations	1,105,282	4.4
Municipal obligations	9,712,291	5.4
Total investments	39,011,683	
Total cash and investments	$ 320,913,053	

(a) The Metropolitan Government investment pool includes investments in the Tennessee Local Government Investment Pool. The weighted average maturity of this pool at June 30, 2020 was 0.13.

B. CASH AND INVESTMENTS - Continued

At June 30, 2019, the Authority had the following deposits and investments:

Investment Type	Fair Value	Weighted Average Maturity (in years)
Cash on deposit	$ 324,685	-
Metropolitan Government investment pool	196,531,599	(a)
U.S. Treasury money market funds	35,575,718	-
Cash and cash equivalents	232,432,002	
U.S. government agencies	38,442,944	1.8
Municipal obligations	1,482,405	2.9
Total investments	39,925,349	
Total cash and investments	$ 272,357,351	

(a) The Metropolitan Government investment pool includes investments in the Tennessee Local Government Investment Pool, the Tennessee Intermediate-Term Investment Fund, and the First Horizon Advisors Short Investment Pool. The weighted average maturity of these at June 30, 2019 was 0.12, 2.71, and 0.57 years, respectively.

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, 2020 and 2019, all deposits and certificates of deposit were insured or collateralized as required by State of Tennessee law.

B. CASH AND INVESTMENTS - Continued

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 is monitored and managed so that the changing interest rates will cause only minimal deviations in the net asset value. As of June 30, 2020 and 2019, 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, 2020 and 2019, all investments were insured or registered or the securities were held by the Authority or its agent in the Authority's name.

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 a liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or a liability.

All investments held by the Authority are considered Level 1.

C. ACCOUNTS RECEIVABLE

Accounts receivable of $624,431 at June 30, 2020 consisted of $365,610 for operating events, $58,821 of accrued tourism taxes, and $200,000 of rent receivable. Accounts receivable of $4,723,420 at June 30, 2019 consisted of $1,219,712 for operating events and $3,503,708 of accrued tourism taxes.

D. ADVANCE TO NCVC

In May 2020, the Authority advanced $1,000,000 to the Nashville Convention and Visitors Corporation (NCVC) to assist in their COVID-19 relief efforts. The advance is to be repaid in equal quarterly payments of $83,333 beginning on March 31, 2021 until paid in full.

E. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Increases	Decreases/ Transfers	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	$ 91,308,016	$ 8,173	$ -	$ 91,316,189
Art collection	1,183,844	-	-	1,183,844
Construction in progress	47,991,408	5,422,897	(12,963,262)	40,451,043
Total capital assets, not being depreciated	140,483,268	5,431,070	(12,963,262)	132,951,076
Capital assets, being depreciated:				
Buildings and improvements	652,006,884	-	11,489,950	663,496,834
Furniture, machinery, and equipment	6,156,386	660,611	1,473,312	8,290,309
Total capital assets, being depreciated	658,163,270	660,611	12,963,262	671,787,143
Less accumulated depreciation:				
Buildings and improvements	(97,015,816)	(16,263,880)	-	(113,279,696)
Furniture, machinery, and equipment	(3,389,672)	(736,254)	-	(4,125,926)
Total accumulated depreciation	(100,405,488)	(17,000,134)	-	(117,405,622)
	$ 698,241,050	$ (10,908,453)	$ -	$ 687,332,597

E. CAPITAL ASSETS - Continued

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

	Balance June 30, 2018	Increases	Decreases/ Transfers	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	$ 82,491,161	$ 8,816,855	$ -	$ 91,308,016
Art collection	1,183,844	-	-	1,183,844
Construction in progress	50,751,893	13,355,648	(16,116,133)	47,991,408
Total capital assets, not being depreciated	134,426,898	22,172,503	(16,116,133)	140,483,268
Capital assets, being depreciated:				
Buildings and improvements	635,801,323	257,408	15,948,153	652,006,884
Furniture, machinery, and equipment	5,653,475	537,511	(34,600)	6,156,386
Total capital assets, being depreciated	641,454,798	794,919	15,913,553	658,163,270
Less accumulated depreciation:				
Buildings and improvements	(81,104,249)	(15,911,567)	-	(97,015,816)
Furniture, machinery, and equipment	(2,913,396)	(650,767)	174,491	(3,389,672)
Total accumulated depreciation	(84,017,645)	(16,562,334)	174,491	(100,405,488)
	$ 691,864,051	$ 6,405,088	$ (28,089)	$ 698,241,050

The change in land for the year ended June 30, 2019 is due to the acquisition of two parcels of land by the Authority in August 2018 and April 2019.

Construction in progress at June 30, 2020 consists of several projects, including the parking garage and conference center at the Fifth + Broadway complex in the amount of approximately $38,500,000 (see Note L).

F. UNEARNED REVENUE

Unearned revenue of $9,160,129 and $9,190,541 represents deposits received for events scheduled to occur in future years at June 30, 2020 and 2019, respectively.

G. LONG-TERM REVENUE BONDS PAYABLE

Long-term debt activity during the year ended June 30, 2020 and descriptions of the amounts outstanding are as follows:

	Balance June 30, 2019	Additions	Repayments/ Amortization	Balance June 30, 2020
The Convention Center Authority of the Metropolitan Government of Nashville and Davidson County:				
Tourism Tax Revenue Bonds, Series 2010A-1, bearing interest at 3.25% to 5.00% payable semiannually, maturing through July 1, 2026	$ 37,795,000	$ -	$ (3,860,000)	$ 33,935,000
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 Payment), bearing interest at 4.862% to 6.731% payable semiannually, maturing through July 1, 2043	399,370,000	-	(9,565,000)	389,805,000
Original issue premium	563,461	-	(80,494)	482,967
	$ 590,123,461	$ -	$ (13,505,494)	$ 576,617,967

G. LONG-TERM REVENUE BONDS PAYABLE - Continued

Long-term debt activity during the year ended June 30, 2019 and descriptions of the amounts outstanding are as follows:

	Balance June 30, 2018	Additions	Repayments/ Amortization	Balance June 30, 2019
The Convention Center Authority of the Metropolitan Government of Nashville and Davidson County:				
Tourism Tax Revenue Bonds, Series 2010A-1, bearing interest at 3.25% to 5.00% payable semiannually, maturing through July 1, 2026	$ 41,520,000	$ -	$ (3,725,000)	$ 37,795,000
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 Payment), bearing interest at 4.862% to 6.731% payable semiannually, maturing through July 1, 2043	407,900,000	-	(8,530,000)	399,370,000
Original issue premium	643,957	-	(80,496)	563,461
	$ 602,458,957	$ -	$ (12,335,496)	$ 590,123,461

G. LONG-TERM REVENUE BONDS PAYABLE - Continued

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 35.0% 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 reduction was 5.9% and 6.6% in the fiscal years ended June 30, 2020 and 2019, 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.

G. LONG-TERM REVENUE BONDS PAYABLE - Continued

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(s) ending June 30:			
2021	$ 13,965,000	$ 38,315,407	$ (11,760,525)
2022	14,435,000	37,549,541	(11,575,229)
2023	15,095,000	36,718,109	(11,378,807)
2024	15,810,000	35,853,147	(11,170,542)
2025	16,660,000	34,933,708	(10,950,901)
2026-2030	94,225,000	157,891,182	(50,277,364)
2031-2035	117,095,000	121,652,321	(38,873,999)
2036-2040	146,170,000	76,027,491	(24,294,585)
2041-2044	142,680,000	20,426,515	(6,527,293)
	$ 576,135,000	$ 559,367,421	$ (176,809,245)

H. 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. Only 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.

H. EMPLOYEE BENEFIT PLANS - Continued

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 and who vest before leaving employment.

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 $702,009 at June 30, 2020, $521,642 at June 30, 2019, and $380,133 at June 30, 2018. The Authority's proportion of the Metro Plan's net pension liability at June 30, 2020, 2019, and 2018 was 0.32%, 0.43%, and 0.47%, respectively.

Certain differences between expected and actual actuarial results and certain differences between projected and actual investment earnings and certain changes in assumptions are recorded as either deferred outflows of resources or deferred inflows of resources. The deferred outflows of resources and deferred inflows of resources were $326,271 and $299,834, respectively, at June 30, 2020 and $457,995 and $694,322, respectively, at June 30, 2019. The deferred outflows of resources and deferred inflows of resources were $0 and $256,485, respectively, at June 30, 2018. The amounts will be recognized as pension expense in future years.

Contributions by the Authority to the Metro Plan totaled $221,651, $260,182, and $246,655 for the years ended June 30, 2020, 2019, and 2018, respectively.

The Authority has recorded a net pension liability, deferred outflows of resources, and deferred inflows of resources, in accordance with GASB Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27*, related to its participation in the pension plans of the Metropolitan Government. The number of Authority employees participating in the pension plans is approximately 20, and disclosures and related information presented are limited due to the Authority's relative level of participation. 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.

H. EMPLOYEE BENEFIT PLANS - Continued

(b) Other Post-Employment Benefit (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 OPEB Plans 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 who 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, 2020 or June 30, 2019. Actuarially determined OPEB Plans 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 Metro 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 or Convention Center Authority.

H. EMPLOYEE BENEFIT PLANS - Continued

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

The Authority offers a 401(k) defined contribution deferred compensation plan to its employees hired directly by the Authority. The plan is administered by the Authority and benefit terms, including contribution requirements, for the plan are established and may be amended by the Authority. Former employees of the Nashville Convention Center who are members of the Metro Pension Plan 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. Participants are immediately vested in their own contributions, rollover contributions, and actual earnings thereon. A participant is 100% vested in the Employer’s contribution portion of their account plus actual earnings thereon after five years of credited service. Pension expense recorded by the Authority to the 401(k) Plan totaled $152,157, $113,347, and $153,269 for the years ended June 30, 2020, 2019, and 2018, respectively. Forfeitures are used to reduce future employer matching contributions or to pay certain administrative expenses of the plan. 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.

I. 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 a maximum deductible of $100,000 for each covered claim 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.

I. RISK MANAGEMENT - Continued

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in global exposure.

The full impact of the pandemic continues to evolve as of the date of this report and has significantly affected the Authority's operational and financial performance due to the impact on its customers, employees, and vendors, which is the result of various restrictions put in place by governments to curtail the spread of the coronavirus as well as due to developments such as social distancing and shelter-in-place directives.

The pandemic has also adversely affected global economic activity and contributed to the instability and volatility in financial markets. Because the values of the Authority's investments have and will fluctuate in response to uncertain and changing market conditions due to the pandemic, the amount of investment gains and losses that will be recognized in subsequent periods and the related impact on the Authority's liquidity cannot be determined at this time. The pandemic may have a continued material adverse impact on economic and market conditions, triggering a continuing period of economic slowdown.

While expected to be temporary, the Authority cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. Operating revenue is expected to be minimal through the second quarter of fiscal year 2021. In addition, tourism tax revenue has suffered significant declines which are expected to continue through fiscal year 2021. The Authority has significant unrestricted net position and available reserves, and has implemented cost cutting measures to partially mitigate the impact of the pandemic; however, if the pandemic continues, it will have an adverse effect on the Authority's results of future operations, financial position, and liquidity in fiscal year 2021.

J. 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 Metropolitan Development and Housing Agency. 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 annual lease payments through 2019 include $50,000 to be recorded as rental revenue by the Authority and $200,000 to be deposited in an escrow account for future repair and maintenance of the space. Starting in fiscal year 2020, the annual lease payments include $150,000 to be recorded as rental revenue by the Authority and $200,000 to be deposited in an escrow account for future repair and maintenance of the space. Future minimum lease payments to the Authority will be as follows:

Year Ending June 30,	Annual Payment
2021	$ 350,000
2022	350,000
2023	350,000
2024	350,000
2025	500,000
Thereafter	26,500,000
	$28,400,000

The Hall of Fame is responsible for all interior and exterior operating costs, insurance, maintenance, and repairs. As required by the agreement, the Authority has established a reserve fund for the portion of the Hall of Fame annual payment reserved for future capital costs related to the connector. The carrying amount of the connector on the Authority’s statement of net position at June 30, 2020, net of accumulated depreciation of $5,670,387, is $31,621,346. The carrying amount of the connector on the Authority’s statement of net position at June 30, 2019, net of accumulated depreciation of $4,738,093, is $32,533,640.

K. RELATED-PARTY TRANSACTIONS

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.

L. 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. 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.

These payments to Omni began after the hotel opened for business, including the renting of rooms. The amount remitted to Omni during the years ended June 30, 2020 and June 30, 2019 totaled $12,000,000 in each year. The schedule of future annual payments is expected to be as follows.

Year(s) Ending June 30,	Annual Payment
2021 - 2026	$12,000,000
2027 - 2033	15,000,000

L. COMMITMENTS AND CONTINGENCIES - Continued

In May 2015, the Metropolitan Council approved a redevelopment agreement related to the sale and development of the former Nashville Convention Center (NCC) site that was under the management of the Authority. The final sale of the NCC land to Oliver McMillan Spectrum Emery Inc. closed on November 10, 2016. Along with the redevelopment agreement, the Authority agreed to contribute $38,500,000 from its surplus tax revenue to partially fund the parking garage and conference center space at the Fifth + Broadway complex. Contributions continue to be made in periodic payments upon verification of ongoing construction and completion of specified work allowable for reimbursement.

In March 2017, the Authority entered into a room block agreement with the Joseph Hotel that would require the Authority to make a one-time payment of $2,500,000 upon the successful opening of the hotel. The hotel opened in the fall of 2020 and the Authority expects to remit the required one-time payment in November 2020.

In May 2018, through an MOU agreement, the Authority committed to transferring a total of $10,000,000 over the course of the following year to the Metropolitan Government. Such transfers consisted of $7,500,000 by September 30, 2018 related to fiscal 2017 and 2018 revenues and $2,500,000 by August 31, 2019 related to fiscal 2019 revenues, both of which were remitted to the Metropolitan Government during the year ended June 30, 2019. In addition, the MOU outlined a formula to calculate future payments contingent on the Authority's ability to fully fund its operating expenses, debt service, and debt service reserves. In March 2019, the original MOU was amended and restated to replace calculated future payments with a one-time additional $10,000,000 payment to the Metropolitan Government related to fiscal 2020 revenues that was paid in May 2020.

In November 2019, the Authority and the Metropolitan Government entered into a payment in lieu of taxes (PILOT) agreement whereby the Authority will make yearly payments to the Metropolitan Government based on the property tax rate and value of the MCC. In fiscal year 2020 this amount was $12,620,000.

In November 2019, the Authority entered into an agreement with the National Museum of African American Music to provide a total of $6,000,000 to the Museum in exchange for naming rights of their theatre to honor of our late board member, Francis S. Guess. In accordance with the payment installment schedule, $2,000,000 was paid in fiscal year 2020 and the remaining $4,000,000 will be paid in fiscal year 2021.

L. COMMITMENTS AND CONTINGENCIES - Continued

In May 2020, the Authority executed another MOU with the Metropolitan Government agreeing to transfer revenues generated from campus sales tax and/or Music City Center operating revenues to the Metropolitan Government in the amounts of $5,000,000 in fiscal year 2020 and $35,000,000 in fiscal year 2021. These amounts were transferred in May 2020 and July 2020, respectively.

M. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through October 30, 2020, the date the financial statements were available for issuance, and has determined that, except as discussed in Note I and L, there are no subsequent events that require disclosure.

OTHER INFORMATION

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
(A Component Unit of the Metropolitan Government
of Nashville and Davidson County, Tennessee)
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 1, 2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2020
BONDS PAYABLE									
Tourism Tax Revenue Bonds, Series 2010A-1	$ 51,730,000	3.25 - 5.00%	4/21/2010	7/1/2026	$ 37,795,000	$ -	$ 3,860,000	$ -	$ 33,935,000
Tourism Tax Revenue Bonds Federally Taxable (BABs), Series 2010A-2	152,395,000	7.431%	4/21/2010	7/1/2043	152,395,000	-	-	-	152,395,000
Subordinate Tourism Tax Revenue Bonds Federally Taxable (BABs), Series 2010B	419,000,000	4.862 - 6.731%	4/21/2010	7/1/2043	399,370,000	-	9,565,000	-	389,805,000
Total bonds payable					$ 589,560,000	$ -	$ 13,425,000	$ -	$ 576,135,000

See independent auditor's report.

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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*

The Audit Committee
Convention Center Authority of the Metropolitan
Government of Nashville and Davidson County, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County, Tennessee (the Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 30, 2020.

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) as a basis for designing 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.

The Audit Committee
Convention Center Authority of the Metropolitan
Government of Nashville and Davidson County, Tennessee:

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Crosslin, PLLC

Nashville, Tennessee
October 30, 2020

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
(A Component Unit of the Metropolitan Government of
Nashville and Davidson County, Tennessee)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020

The Authority had no prior year audit findings.