

**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, 2021 AND 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)

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2021, 2020, AND 2019

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, 2021, 2020, and 2019. 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, 2021 and 2020 are included in the statements of net position. For the years ended June 30, 2021 and 2020, 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.

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**Financial Analysis of the Conference Center as a Business-type Activity**

The Authority's net position as of June 30, 2021, 2020, and 2019 was as follows (in thousands of dollars):

	<u>2021</u>	<u>2020</u> (as restated)	<u>2019</u> (as restated)
Current assets	\$ 219,152	\$ 266,789	\$232,808
Capital assets	666,191	683,333	694,506
Other noncurrent assets	<u>57,889</u>	<u>58,576</u>	<u>57,742</u>
<b>Total assets</b>	<b><u>\$ 943,232</u></b>	<b><u>\$1,008,698</u></b>	<b><u>\$985,056</u></b>
Deferred outflows of resources	<u>\$ 303</u>	<u>\$ 326</u>	<u>\$ 458</u>
Current liabilities	\$ 47,980	\$ 46,836	\$ 47,846
Noncurrent liabilities	<u>548,137</u>	<u>563,355</u>	<u>577,220</u>
<b>Total liabilities</b>	<b><u>\$ 596,117</u></b>	<b><u>\$ 610,191</u></b>	<b><u>\$625,066</u></b>
Deferred inflows of resources	<u>\$ 1,987</u>	<u>\$ 300</u>	<u>\$ 694</u>
Net position:			
Net investment in capital assets	\$ 119,794	\$ 115,726	\$107,234
Restricted for debt retirement	71,454	60,730	74,102
Restricted for other purposes	37,888	48,846	21,806
Unrestricted	<u>116,295</u>	<u>173,231</u>	<u>156,612</u>
<b>Total net position</b>	<b><u>\$ 345,431</u></b>	<b><u>\$ 398,533</u></b>	<b><u>\$359,754</u></b>

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 \$119.8 million of the Authority's net position of \$345.4 million is invested in capital assets while \$71.4 million is restricted for debt retirement and \$37.9 million is restricted for other purposes.

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The net investment in capital assets for the fiscal years 2020 and 2019 were restated in these financial statements due to the reclassification of contributions for the construction of the conference center in the Fifth + Broadway complex, see Note M. As more fully explained in Note L, the Authority agreed to contribute \$4 million toward the construction of the conference center and \$34.5 million toward the construction of the parking garage. The full amount of these projects was previously recorded as an investment in capital assets, however unlike the parking garage, the Authority will not retain ownership of the conference center and therefore, it should not be treated as a capital asset.

The Authority's change in net position for the years ended June 30, 2021, 2020, and 2019 was as follows (in thousands of dollars):

	<u>2021</u>	2020 (as restated)	2019 (as restated)
Operating revenue	\$ 2,757	\$ 22,413	\$ 29,493
Operating expense	<u>(33,990)</u>	<u>(38,198)</u>	<u>(40,408)</u>
Operating loss	(31,233)	(15,785)	(10,915)
Nonoperating (expense) revenue, net	<u>(21,869)</u>	<u>54,564</u>	<u>90,607</u>
Net (decrease) increase in net position	<u>\$(53,102)</u>	<u>\$ 38,779</u>	<u>\$ 79,692</u>

The significant decrease in operating revenue during 2021 was primarily due to the sustained impact of COVID-19 and the cancellation of all but 40 events for the entire year. The decrease in operating expenses for the year ended June 30, 2021 was likewise driven by sweeping event cancellations. Expenses were not reduced to the same extent as revenue however, due to the Authority's decision to retain all full-time staff and continue to pay them through this unprecedented time. Nonoperating revenue, net for the year ended June 30, 2021 fell into a negative balance due to the severe decline in tourism tax collections due to COVID-19, but expense obligations associated with the Payment in Lieu of Taxes (PILOT) agreement with the Metropolitan Government, an additional Memorandum of Understanding (MOU) between the Authority and Metropolitan Government, a one-time contracted payment to the Joseph Hotel and the yearly payment to the Omni Hotel, remained in place. 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, 2021.

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 JUNE 30, 2021, 2020, AND 2019

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.

**Capital Assets and Long-Term Debt**

During the year ended June 30, 2021, the Authority incurred costs of \$1,203,306 for the addition of various capital assets. This includes the completion of an airwall recovering project, the installation of touchless actuators on all doors and elevators within the building, and the completion of the NCC redevelopment project at Fifth + Broadway. During the year ended June 30, 2020, the Authority incurred costs of \$5,826,213 for the addition of various capital assets. 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 the addition of various capital assets. 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 <u>Bonds</u>	Series B <u>Bonds</u>
Moody's	A2	AA3
Standard & Poor's	A	AA
Fitch	A+	A+

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2021, 2020, AND 2019

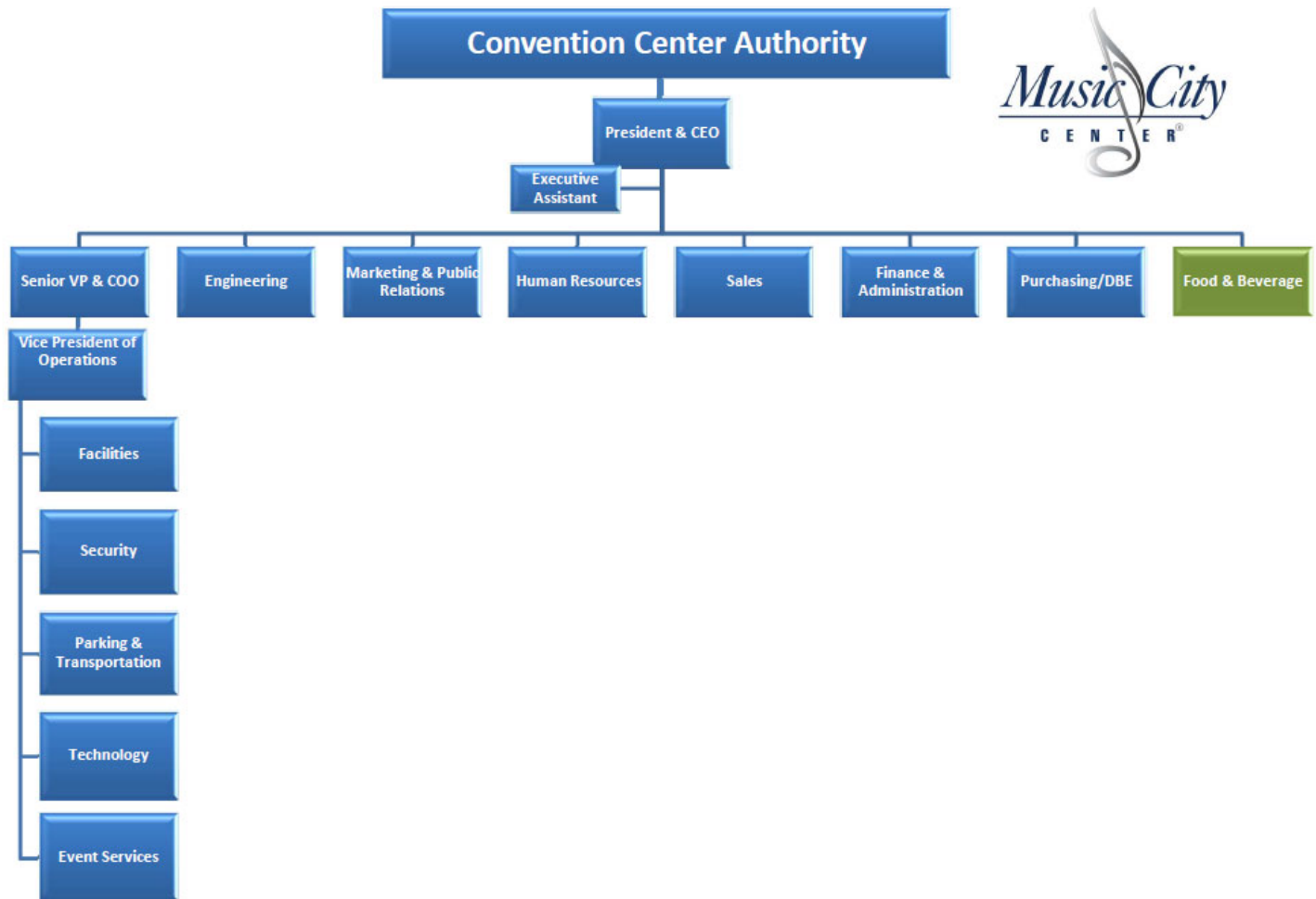
**Other Matters**

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 Rep. John Lewis Way, Nashville, Tennessee 37203.

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT  
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 ORGANIZATION CHART (UNAUDITED)





CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT  
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AUTHORITY MEMBERS AS OF JUNE 30, 2021 (UNAUDITED)

Marty Dickens, Chair

Vonda McDaniel, Vice Chair

Irwin Fisher, Secretary/Treasurer

Austin Brown

Norah Buikstra

Robert Davidson

Alfred Degrafinreid II

Barrett Hobbs

Seema Prasad



## 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 years ended June 30, 2021 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

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, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note M to the financial statements, the financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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

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 31, 2021, 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 31, 2021

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT  
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STATEMENTS OF NET POSITION  
JUNE 30, 2021 AND 2020

	2021	2020 (as restated)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 127,408,007	\$ 185,388,342
Accounts receivable	3,115,943	365,610
Accrued interest receivable	11,316	133,223
Advance to NCVC	-	166,667
Due from the primary government	40	-
Prepaid expenses	49,272	54,718
Restricted for construction funds:		
Cash and cash equivalents	16,176,203	9,278,466
Restricted for debt service and reserve funds:		
Cash and cash equivalents	19,465,046	19,657,163
Accrued interest receivable	144,176	162,331
Due from the primary government	13,329,457	2,477,634
Accounts receivable	1,564,363	258,821
Restricted for other purposes:		
Cash and cash equivalents	37,888,292	48,846,558
Total current assets	219,152,115	266,789,533
Noncurrent assets:		
Other assets:		
Advance to NCVC	500,000	833,333
Net pension asset	1,461,674	-
Restricted for debt service and reserve funds:		
Cash and cash equivalents	17,135,603	18,730,841
Investments	38,791,282	39,011,683
Total other assets	57,888,559	58,575,857
Capital assets:		
Land	91,316,189	91,316,189
Art collection	1,183,844	1,183,844
Buildings and improvements	699,932,792	663,496,834
Furniture, machinery, and equipment	9,508,700	8,290,309
Construction work in progress	-	36,451,043
Less accumulated depreciation	(135,750,394)	(117,405,622)
Total capital assets	666,191,131	683,332,597
Total noncurrent assets	724,079,690	741,908,454
Total assets	\$ 943,231,805	\$ 1,008,697,987
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows, pensions	\$ 302,880	\$ 326,271

See accompanying notes to financial statements.

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STATEMENTS OF NET POSITION  
JUNE 30, 2021 AND 2020

	2021	2020 (as restated)
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,506,804	\$ 2,130,980
Accrued payroll	1,602,312	1,564,360
Due to the primary government	99,227	180,306
Unearned revenue	10,359,396	9,160,129
Liabilities payable from restricted assets:		
Construction funds:		
Accounts payable and accrued liabilities	593	267,460
Debt service and reserve funds:		
Accounts payable and accrued liabilities	480	28,935
Accrued interest payable	18,976,113	19,339,294
Unearned revenue	-	200,000
Current portion of long-term debt	14,435,000	13,965,000
Total current liabilities	47,979,925	46,836,464
Noncurrent liabilities:		
Long-term revenue bonds payable	548,137,473	562,652,967
Net pension liability	-	702,009
Total noncurrent liabilities	548,137,473	563,354,976
Total liabilities	\$ 596,117,398	\$ 610,191,440
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows, pensions	\$ 1,986,730	\$ 299,834
<b>NET POSITION</b>		
Net investment in capital assets	\$ 119,794,268	\$ 115,725,636
Restricted for debt retirement	71,453,334	60,730,244
Restricted for other purposes	37,888,292	48,846,558
Unrestricted	116,294,663	173,230,546
Total net position	\$ 345,430,557	\$ 398,532,984

See accompanying notes to financial statements.

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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020 (as restated)
Operating revenue:		
Charges for services	\$ 2,757,313	\$ 22,412,974
Operating expense:		
Personal services	8,702,343	10,594,117
Contractual services	5,914,987	9,246,354
Supplies and materials	151,931	458,719
Depreciation	18,344,772	17,000,134
Other	876,270	899,032
Total operating expense	33,990,303	38,198,356
Operating loss	(31,232,990)	(15,785,382)
Nonoperating revenue (expense):		
Tourism tax revenue	71,943,413	118,660,718
Investment income	285,439	4,902,771
Other income	208,353	202,543
Interest expense	(25,817,904)	(26,383,960)
Other expense	(68,488,738)	(42,818,239)
Total nonoperating (expense) revenue, net	(21,869,437)	54,563,833
(Decrease) increase in net position	(53,102,427)	38,778,451
Net position, beginning of year	398,532,984	359,754,533
Net position, end of year	\$ 345,430,557	\$ 398,532,984

See accompanying notes to financial statements.

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STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020 (as restated)
Cash flows from operating activities:		
Receipts from customers	\$ 1,206,207	\$ 23,247,001
Payments to suppliers	(6,642,997)	(11,193,050)
Payments to employees	(9,117,787)	(10,846,400)
Net cash (used in) provided by operating activities	(14,554,577)	1,207,551
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,470,173)	(6,029,980)
Principal paid	(13,965,000)	(13,425,000)
Interest paid	(38,315,405)	(39,041,330)
Interest subsidy	12,053,826	12,214,134
Other expense	(16,808,840)	(12,771,293)
Net cash used in capital and related financing activities	(58,505,592)	(59,053,469)
Cash flows from noncapital financing activities:		
Receipts from governments	59,586,048	131,963,545
Payments to hotel developers	(14,500,000)	(12,000,000)
Other contributions	(37,000,000)	(17,815,468)
Net cash provided by noncapital financing activities	8,086,048	102,148,077
Cash flows from investing activities:		
Purchases of investments	(31,779,794)	(88,044,869)
Proceeds from sales and maturities of investments	31,289,365	89,122,616
Interest income	1,136,331	5,089,462
Payment from (advance to) NCVC	500,000	(1,000,000)
Net cash provided by investing activities	1,145,902	5,167,209
Net changes in cash and cash equivalents	(63,828,219)	49,469,368
Cash and cash equivalents, beginning of year	281,901,370	232,432,002
Cash and cash equivalents, end of year	\$ 218,073,151	\$ 281,901,370

See accompanying notes to financial statements.



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STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020 (as restated)
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (31,232,990)	\$ (15,785,382)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation	18,344,772	17,000,134
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	(2,750,333)	854,102
Prepaid expenses	5,446	422,555
Due from the primary government	(40)	10,337
Net pension asset	(1,461,674)	-
Deferred outflows of resources	23,391	131,724
Accounts payable and accrued liabilities	375,824	(1,185,790)
Accrued payroll	37,952	(169,886)
Due to the primary government	(81,079)	174,290
Unearned revenue	1,199,267	(30,412)
Net pension liability	(702,009)	180,367
Deferred inflows of resources	1,686,896	(394,488)
Net cash (used in) provided by operating activities	\$ (14,554,577)	\$ 1,207,551
Schedule of noncash capital and related financing activities:		
Amortization of bond premium	\$ 80,494	\$ 80,494
Acquisition of capital assets with accounts payable	593	267,460
Schedule of noncash investing activities:		
Unrealized gain on investments	\$ (710,830)	\$ 164,081
Cash and cash equivalents as reported in the Statements of Net Position:		
Current assets	\$ 127,408,007	\$ 185,388,342
Current assets restricted for construction funds	16,176,203	9,278,466
Current assets restricted for debt service and reserve funds	19,465,046	19,657,163
Current assets restricted for other purposes	37,888,292	48,846,558
Noncurrent assets restricted for debt service and reserve funds	17,135,603	18,730,841
Total cash and cash equivalents	\$ 218,073,151	\$ 281,901,370

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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.

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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 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.

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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.

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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.

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements

Governmental Accounting Standards Board (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. 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.

The Authority implemented GASB Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, which 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 implementation did not have an effect on the Authority's financial statements for 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.

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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 2023. 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 Tennessee Bank Advisors Direct Holdings (FTB 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 <http://www.nashville.gov/Finance/Financial-Operations.aspx>.

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B. CASH AND INVESTMENTS - Continued

At June 30, 2021, the Authority had the following deposits and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Cash on deposit	\$ 485,073	-
Metropolitan Government investment pool	182,173,132	(a)
U.S. Treasury money market funds	<u>35,414,946</u>	-
Cash and cash equivalents	<u>218,073,151</u>	
U.S. government agencies	29,883,404	4.6
Municipal obligations	<u>8,907,878</u>	4.5
Total investments	<u>38,791,282</u>	
Total cash and investments	<u>\$256,864,433</u>	

(a) The Metropolitan Government investment pool includes investments in the Tennessee Local Government Investment Pool in the amount of \$54,897,873 and the First Horizon Advisors Direct Holdings in the amount of \$127,275,259. The weighted average maturity of these at June 30, 2021 was 0.12 and 0.41, respectively.



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B. CASH AND INVESTMENTS - Continued

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

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

(1) 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.

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, 2021 and 2020, all deposits and certificates of deposit were insured or collateralized as required by State of Tennessee law.

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, 2021 and 2020, the investments of the Authority had weighted average maturities as noted on the preceding tables.

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B. CASH AND INVESTMENTS - Continued

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, 2021 and 2020, 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 \$4,680,306 at June 30, 2021 consisted of \$1,390,943 for operating events and \$1,564,363 of accrued tourism taxes, and \$1,725,000 of rent receivable (See Note J). 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.

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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 agreement stated that the advance is to be repaid in equal quarterly payments of \$83,333 beginning on March 31, 2021 until paid in full. However, in March of 2021, the NCVC made a \$500k payment to pay all amounts that would be due through fiscal year 2022. The remaining \$500k is reported as an advance to NCVC to be repaid in accordance with the terms of the agreement in fiscal year 2023. .

E. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance <u>June 30, 2020</u>	<u>Increases</u>	Decreases/ <u>Transfers</u>	Balance <u>June 30, 2021</u>
Capital assets, not being depreciated:				
Land	\$ 91,316,189	\$ -	\$ -	\$ 91,316,189
Art collection	1,183,844	-	-	1,183,844
Construction in progress	<u>36,451,043</u>	<u>1,203,306</u>	<u>(37,654,349)</u>	<u>-</u>
Total capital assets, note being depreciated	<u>128,951,076</u>	<u>1,203,306</u>	<u>(37,654,349)</u>	<u>92,500,033</u>
Capital assets, being depreciated:				
Buildings and improvements	663,496,834	-	36,435,958	699,932,792
Furniture, machinery, and equipment	<u>8,290,309</u>	<u>-</u>	<u>1,218,391</u>	<u>9,508,700</u>
Total capital assets, being depreciated	<u>671,787,143</u>	<u>-</u>	<u>37,654,349</u>	<u>709,441,492</u>
Less accumulated depreciation:				
Buildings and improvements	(113,279,696)	(17,386,175)	-	(130,665,871)
Furniture, machinery, and equipment	<u>( 4,125,926)</u>	<u>( 958,597)</u>	<u>-</u>	<u>( 5,084,523)</u>
Total accumulated depreciation	<u>(117,405,622)</u>	<u>(18,344,772)</u>	<u>-</u>	<u>(135,750,394)</u>
	<u>\$ 683,332,597</u>	<u>\$(17,141,466)</u>	<u>\$ -</u>	<u>\$ 666,191,131</u>

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E. CAPITAL ASSETS - Continued

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

	Balance <u>June 30, 2019</u>	<u>Increases</u>	Decreases/ <u>Transfers</u>	Balance <u>June 30, 2020</u>
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	<u>44,256,876</u>	<u>5,157,429</u>	<u>(12,963,262)</u>	<u>36,451,043</u>
Total capital assets, not being depreciated	<u>136,748,736</u>	<u>5,165,602</u>	<u>(12,963,262)</u>	<u>128,951,076</u>
Capital assets, being depreciated:				
Buildings and improvements	652,006,884	-	11,489,950	663,496,834
Furniture, machinery, and equipment	<u>6,156,386</u>	<u>660,611</u>	<u>1,473,312</u>	<u>8,290,309</u>
Total capital assets, being depreciated	<u>658,163,270</u>	<u>660,611</u>	<u>12,963,262</u>	<u>671,787,143</u>
Less accumulated depreciation:				
Buildings and improvements	( 97,015,816)	(16,263,880)	-	(113,279,696)
Furniture, machinery, and equipment	<u>( 3,389,672)</u>	<u>( 736,254)</u>	<u>-</u>	<u>( 4,125,926)</u>
Total accumulated depreciation	<u>(100,405,488)</u>	<u>(17,000,134)</u>	<u>-</u>	<u>(117,405,622)</u>
	<u>\$ 694,506,518</u>	<u>\$(11,173,921)</u>	<u>\$ -</u>	<u>\$ 683,332,597</u>

Construction in progress at June 30, 2020 consisted of several projects, including the parking garage at the Fifth + Broadway complex in the amount of approximately \$34,500,000 (see Note L). During fiscal year 2021, all outstanding construction projects were completed and placed in service.

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F. UNEARNED REVENUE

Unearned revenue of \$10,359,396 and \$9,160,129 represents deposits received for events scheduled to occur in future years at June 30, 2021 and 2020, respectively.

G. LONG-TERM REVENUE BONDS PAYABLE

Long-term debt activity during the year ended June 30, 2021 and descriptions of the amounts outstanding are as follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2021</u>
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	\$ 33,935,000	\$ -	\$( 4,050,000)	\$ 29,885,000
Tourism Tax Revenue Bonds Federally Taxable, Series 2010 A-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	389,805,000	-	( 9,915,000)	379,890,000
Original issue premium	<u>482,967</u>	<u>-</u>	<u>( 80,494)</u>	<u>402,473</u>
	<u>\$576,617,967</u>	<u>\$ -</u>	<u>\$(14,045,494)</u>	<u>\$562,572,473</u>

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G. LONG-TERM REVENUE BONDS PAYABLE - Continued

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
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 2010 A-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	<u>563,461</u>	<u>-</u>	<u>( 80,494)</u>	<u>482,967</u>
	<u>\$590,123,461</u>	<u>\$ -</u>	<u>\$(13,505,494)</u>	<u>\$576,617,967</u>

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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 5.7% and 5.9% in the fiscal years ended June 30, 2021 and 2020, 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.

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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.

	<u>Principal</u>	<u>Interest</u>	<u>Estimated Federal Credit</u>
Year(s) ending June 30:			
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	17,385,000	33,957,161	( 10,720,023)
2027-2031	98,230,000	151,449,418	( 48,349,886)
2032-2036	122,405,000	113,320,086	( 38,211,433)
2037-2041	152,800,000	65,620,871	( 20,969,150)
2042-2044	<u>109,350,000</u>	<u>11,649,973</u>	<u>( 3,722,749)</u>
	<u>\$562,170,000</u>	<u>\$521,052,014</u>	<u>\$(167,048,720)</u>



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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.

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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 asset has been recorded in the financial statements of the Authority based on its pro rata share of the total net pension asset for the Metropolitan Government. The net pension asset was \$1,461,671 at June 30, 2021, and the net pension liability was \$702,009 at June 30, 2020, and \$521,642 at June 30, 2019. The Authority's proportion of the Metro Plan's net pension asset at June 30, 2021 was .26%, and the Authority's proportion of the Metro Plan's net pension liability at June 30, 2020, and 2019 was 0.32%, and 0.43%, 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 \$302,880 and \$1,986,730, respectively, at June 30, 2021 and \$326,271 and \$299,834, respectively, at June 30, 2020. The deferred outflows of resources and deferred inflows of resources were \$457,995 and \$694,322, respectively, at June 30, 2019. The amounts will be recognized as pension expense in future years.

Contributions by the Authority to the Metro Plan totaled \$220,108, \$221,651, and \$260,182 for the years ended June 30, 2021, 2020, and 2019, 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>.

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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, 2021 or June 30, 2020. 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.

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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. Employer contributions to the Plan through December 31, 2019, vest 20% at the end of each participant's first year of service and then vest 20% per year, plus actual earnings thereon for each year of credited service, as defined by the Plan document. These Employer contributions are 100% vested after five years of credited service for each Participant. The Plan was amended to become a safe harbor plan effective January 1, 2020. Employer matching contributions to the Plan beginning on or after that date, are 100% vested immediately for all participants, including earnings thereon. For Employer discretionary contributions, the participants are subject to the 5- year vesting schedule. Pension expense recorded by the Authority to the 401(k) Plan totaled \$130,448, \$152,157, and \$113,347 for the years ended June 30, 2021, 2020, and 2019, 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 Rep. John Lewis Way 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.

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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.

While expected to be temporary, the Authority cannot fully estimate the continued impact of COVID-19 and variants at this time. Operating revenue and tourism taxes are rebounding in fiscal year 2022 through the date of this report, and current bookings have improved significantly for the third and fourth quarters. The Authority has significant unrestricted net position and available reserves and has implemented cost cutting measures to partially mitigate the continued impact of the slowing pandemic; however, if the conditions of the pandemic worsen, it would have an adverse effect on the Authority’s results of future operations, financial position, and liquidity in fiscal year 2022.

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

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J. LEASES - Continued

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:

<u>Year Ending June 30,</u>	<u>Annual Payment</u>
2022	\$ 350,000
2023	350,000
2024	350,000
2025	500,000
2026	500,000
Thereafter	<u>26,000,000</u>
	<u>\$28,050,000</u>

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, 2021, net of accumulated depreciation of \$6,602,680, is \$30,689,053. 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.

As discussed in Note L, the Authority entered into a redevelopment agreement for the Fifth & Broadway complex. Under the terms of the agreement, the developer constructed a parking garage for which the Authority contributed \$34,500,000. Upon completion and occupancy of the complex, the Authority and the developer are to enter into a lease agreement whereby the Authority is the lessor and the developer is the lessee. As of October 31, 2021, a lease agreement has not been executed by the Authority and developer. The Authority has reported rental revenue and a related receivable of \$1,725,000 for the developer's use of the garage through June 30, 2021, in accordance with the terms of the originally agreed upon lease agreement. This amount was paid to the Authority by the developer in September 2021. The terms of the lease agreement requires annual non-adjustable rent of \$1,380,000 for a lease term of 99 years, to be payable by the lessee in monthly installments of \$115,000. The lease agreement is expected to be executed during fiscal year 2022.

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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, 2021 and June 30, 2020 totaled \$12,000,000 in each year. The schedule of future annual payments is expected to be as follows.

<u>Year(s) Ending June 30,</u>	<u>Annual Payment</u>
2022 - 2026	\$12,000,000
2027 - 2033	15,000,000

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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 \$34,500,000 from its surplus tax revenue to fund the parking garage, which the CCA will own and lease back to the management company, and \$4,000,000 to partially fund conference center space at the Fifth + Broadway complex, of which the CCA will not retain any ownership. Contributions were made in periodic payments upon verification of ongoing construction and completion of specified work allowable for reimbursement. The CCA's commitments were fully met in fiscal year 2021 and the Fifth + Broadway garage lease payments have commenced.

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 remitted 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 2021 this amount was \$16,884,000 and 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 each of fiscal years 2021 and 2020, and the remaining \$2,000,000 will be paid in fiscal year 2022.



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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. RESTATEMENT

As discussed in Note L, the Authority previously contributed \$4 million to the developer of the Fifth & Broadway complex to utilize toward the construction of a conference center at the complex. The amount was previously reported as capital assets of the Authority, however, the Authority will not retain ownership of the conference center and therefore the amount should be reported as an expense of prior periods. Accordingly, the restatement resulted in the following changes to amounts reported for the years ended June 30, 2021 and 2020:

Statements of net position:

	June 30,	
	2019	2020
Net position as originally reported	\$ 363,489,065	\$ 402,532,984
Decrease in capital assets and net assets	<u>( 3,734,532)</u>	<u>( 4,000,000)</u>
Net position, as restated	<u>\$ 359,754,533</u>	<u>\$ 398,532,984</u>

Statement of revenues, expenses and changes  
in net position:

	Year Ended June 30, 2020
Increase in net position, as originally reported	\$ 39,043,919
Increase in expenses	<u>( 265,468)</u>
Increase in net position, as restated	<u>\$ 38,778,451</u>

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N. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through October 31, 2021, and has determined that, except as discussed in Note J, there are no subsequent events that require disclosure.

## **OTHER INFORMATION**

CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT  
 OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE  
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 SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE  
 JUNE 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 1, 2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2021
<u>BONDS PAYABLE</u>									
Tourism Tax Revenue Bonds, Series 2010A-1	\$ 51,730,000	3.25 - 5.00%	4/21/2010	7/1/2026	\$ 33,935,000	\$ -	\$ 4,050,000	\$ -	\$ 29,885,000
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	<u>389,805,000</u>	-	<u>9,915,000</u>	-	<u>379,890,000</u>
Total bonds payable					<u>\$ 576,135,000</u>	<u>\$ -</u>	<u>\$ 13,965,000</u>	<u>\$ -</u>	<u>\$ 562,170,000</u>

See independent auditor's report.



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, 2021, 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 31, 2021.

**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 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 31, 2021

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2021

The Authority had no prior year audit findings.