

Metropolitan Pier and Exposition Authority

Basic Financial Statements and
Required Supplementary Information as of and
for the Years Ended June 30, 2015 and 2014,
and Independent Auditors' Reports

METROPOLITAN PIER AND EXPOSITION AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Metropolitan Pier and Exposition Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Metropolitan Pier and Exposition Authority (the "Authority") as of and for the years ended June 30, 2015 and 2014, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Metropolitan Pier and Exposition Authority Retirement Plan (the "Plan"), which represent 100% of the assets, additions, and deductions of the fiduciary activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plan, is based solely on the report of the other auditors. 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Plan were not audited in accordance with *Government Auditing Standards*.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Authority as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, net position as of July 1, 2013, was restated due to the Authority's adoption of Statement No. 68 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. Our opinion is not modified as to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information in the management's discussion and analysis on pages 3–9, schedules of changes in net pension liability and related ratios on page 45, and schedules of contributions on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, which 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 and other auditors 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 audits 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



November 16, 2015

METROPOLITAN PIER AND EXPOSITION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Management's Discussion and Analysis

As management of the Metropolitan Pier and Exposition Authority (the "Authority" or MPEA), we offer readers of the financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal years ended June 30, 2015 and 2014. Please read it in conjunction with the Authority's financial statements that follow this section. Due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, in fiscal year 2015, as described in Note 15 to the basic financial statements, fiscal year 2014 amounts within the management's discussion and analysis have been restated retroactively, however, fiscal year 2013 amounts have not been restated as it was not practical to restate fiscal year 2013 amounts.

Financial Highlights

Total operating revenues of \$169 million in fiscal year 2015 surpassed fiscal year 2014 revenues by nearly \$24 million. During fiscal year 2015, the convention center hosted several large rotational events that did not occur in fiscal year 2014. These events, along with other new and repeat events, contributed to increased revenues in exposition facilities, hospitality, guest services, and parking. Additionally, the positive financial results of fiscal year 2015 have proven the Authority's ability to sustain its operations without support from surplus Authority tax collections, which had been available during fiscal years 2011 through 2014.

Fiscal Year 2015 Compared to Fiscal Year 2014

Total assets and deferred outflows at June 30, 2015, of \$2.5 billion were less than liabilities of \$3.9 billion for a deficit net position of \$1.4 billion.

Total assets and deferred outflows decreased from June 30, 2014, to June 30, 2015, by \$69.3 million primarily due to an increase in accumulated depreciation on capital assets of \$95.2 million. The decrease in investment balances of \$18.6 million is primarily attributable to the use of capital to improve and maintain the Authority's facilities. Authority Tax Receivable decreased by \$11.1 million. Deposit for Navy Pier, Incorporated ("NPI") decreased by \$5.8 million as NPI utilized the funds for the implementation of the Navy Pier Framework Plan in accordance with the Lease Agreement between MPEA and NPI (see Note 4). These decreases were offset by increases in cash and cash equivalents and accounts receivable. Cash and cash equivalents increased by \$17.1 million, which primarily reflects investment maturities. Accounts receivable increased by \$5.3 million. This is a reflection of increased customer attendance at both the McCormick Place Convention Center and the Hyatt Regency McCormick Place hotel. The change in net position for fiscal year 2015 was a decrease of \$114.7 million, which included an operating loss of \$79.6 million and net nonoperating expenses of \$75.1 million, offset by \$40 million of capital grant revenue.

The Authority's deficit net position of \$1.4 billion includes its net investment in capital assets (land, buildings, etc., less the related debt used to acquire those assets) of \$0.6 billion. The Authority uses its capital assets to fulfill its mission of promoting conventions and tourism in the City of Chicago and the State of Illinois (the "State"). The resources to repay the debt are derived from tax collections and other grants from the State, and not the operating revenue of the Authority.

A portion of the Authority's current assets (\$65.3 million in Authority taxes receivable) represents resources that are subject to restrictions on how they may be used. Such assets are required to be used for debt service.

An allocated portion of the State sales tax is available to service the Authority's Expansion Project Bonds in the event of shortfalls in Authority taxes. Prior to the debt restructuring in October 2010, collections of Authority taxes were inadequate to fund annual debt service transfers as required, thus requiring additional deposits by the State funded with State sales tax revenues. Due to this shortfall, the Authority had a nonreimbursed draw on the State sales tax at June 30, 2010, of \$57.2 million, net of year-end cash balances in the Authority Tax Fund.

The balance due to the State for nonreimbursed draws on the State sales tax was \$57.2 million at June 30, 2015, and June 30, 2014. The Authority will repay \$9.7 million of the amount due to the State in fiscal year 2016.

The Authority completed a restructuring of its outstanding debt in October 2010 and July 2012 and, as a result, expects that it will not be necessary to draw on the State sales taxes to cover debt service in future years.

Operating revenues in fiscal year 2015 of \$168.5 million increased by \$23.6 million as compared to fiscal year 2014. This increase is attributable to higher exposition facilities revenues of \$8.4 million, higher hotel revenues of \$8.0 million, and higher guest services revenues of \$7.0 million in 2015 resulting from the cyclical event schedule of the convention center. Additionally, parking revenue increased by \$1.0 million. This revenue was offset by slightly lower heating and cooling and other revenue of \$0.8 million.

Operating expenses in fiscal year 2015 of \$248.1 million increased by \$3.8 million as compared to fiscal year 2014 due to higher outsourced operations of \$5.7 million; higher utilities of \$1.3 million; higher general and administrative expenses of \$1.0 million; and higher supplies, repairs, and maintenance of \$0.7 million. These increased operating expenses were offset by lower salaries, wages, and benefits of \$2.8 million and lower depreciation expenses of \$2.1 million.

Outsourced operations consisting of certain expenses incurred under outsourced hotel and parking management contracts increased in fiscal year 2015 as compared to fiscal year 2014 primarily due to higher hotel, guest services, and parking expenses related to revenues in the same categories.

The operating loss in fiscal year 2015 of \$79.6 million decreased by \$19.7 million as compared to an operating loss of \$99.3 million in fiscal year 2014.

Nonoperating revenues in fiscal year 2015 of \$175.5 million increased by \$7.0 million as compared to fiscal year 2014 due to an increase in Authority taxes of \$12.0 million, offset by a decrease in state grants of \$5.0 million.

Nonoperating expenses in fiscal year 2015 of \$250.6 million increased by \$20.9 million as compared to 2014 primarily due to an increase in contributions to NPI of \$14.5 million, an increase in interest and amortization expense of \$4.2 million, and miscellaneous expense of \$2.3 million.

Fiscal Year 2014 Compared to Fiscal Year 2013

Total assets and deferred outflows at June 30, 2014, of \$2.6 billion were less than liabilities of \$3.9 billion for a deficit net position of \$1.3 billion.

Total assets and deferred outflows decreased from June 30, 2013, to June 30, 2014, by \$104.2 million primarily due to an increase in accumulated depreciation on capital assets of \$97.4 million. The decrease in investment balances of \$83.3 million is primarily attributable to the use of capital to improve and maintain the Authority's facilities. Deposit for NPI decreased by \$31.3 million as NPI utilized the funds for the implementation of the Navy Pier Framework Plan in accordance with the Lease Agreement between MPEA and NPI (see Note 4). These decreases were offset by increases in cash and cash equivalents, Authority taxes receivable, and accounts receivable. Cash and cash equivalents increased by \$9.3 million, which primarily reflects investment maturities. The increase in Authority taxes receivable of \$6.6 million is a direct result of increased tax collections. Accounts receivable increased by \$1.3 million. This is a reflection of increased customer attendance at both the McCormick Place Convention Center and the Hyatt Regency McCormick Place hotel. The change in net position for fiscal year 2014 was \$157.4 million, (net loss), which included an operating loss of \$96.2 million and net nonoperating expenses of \$61.2 million.

The Authority's deficit net position of \$1.3 billion includes its net investment in capital assets (land, buildings, etc., less the related debt used to acquire those assets) of \$0.5 billion. The Authority uses its capital assets to fulfill its mission of promoting conventions and tourism in the City of Chicago and the State. The resources to repay the debt are derived from tax collections and other grants from the State, and not the operating revenue of the Authority.

A portion of the Authority's current assets (\$76.4 million in Authority taxes receivable) represents resources that are subject to restrictions on how they may be used. Such assets are required to be used for debt service.

An allocated portion of the State sales tax is available to service the Authority's Expansion Project Bonds in the event of shortfalls in Authority taxes. Prior to the debt restructuring in October 2010, collections of Authority taxes were inadequate to fund annual debt service transfers as required, thus requiring additional deposits by the State funded with State sales tax revenues. Due to this shortfall, the Authority had a nonreimbursed draw on the State sales tax at June 30, 2010, of \$57.2 million, net of year-end cash balances in the Authority Tax Fund.

The balance due to the State for nonreimbursed draws on the State sales tax was \$57.2 million at June 30, 2013, and June 30, 2014. The repayment of this amount due to the State has been deferred until after 2014.

The Authority completed a restructuring of its outstanding debt in October 2010 and, as a result, expects that it will not be necessary to draw on the State sales taxes to cover debt service in future years.

In July 2012, MPEA completed a further \$855 million restructuring of its outstanding debt, including \$97 million Series 2012A new money bonds, \$746 million Series 2012B refunding bonds, and \$12 million Series 2012C taxable refunding bonds. Proceeds of the Series 2012A bonds primarily will be used to improve and maintain the Authority's facilities.

Operating revenues in fiscal year 2014 of \$144.9 million increased by \$9.7 million as compared to fiscal year 2013. During fiscal year 2013, the Authority completed the expansion of its existing hotel property with the addition of a second 458-room tower. These additional rooms attributed to higher hotel revenues of \$14.7 million in 2014. Parking revenue increased by \$1.1 million, and heating and cooling revenue increased by \$0.8 million. This revenue was offset by lower exhibition facilities revenue of \$7.0 million resulting from the cyclical event schedule of the convention center.

Operating expenses in fiscal year 2014 of \$241.1 million increased by \$14.5 million as compared to fiscal year 2013 due to higher outsourced operations of \$9.3 million; higher depreciation of \$6.8 million; and higher supplies, repairs, and maintenance of \$1.2 million. These increased operating expenses were offset by lower general and administrative expenses of \$3.6 million.

Outsourced operations consisting of certain expenses incurred under outsourced hotel and parking management contracts increased in fiscal year 2014 as compared to 2013 primarily due to higher hotel, guest services, and parking expenses related to revenues in the same categories.

The operating loss in fiscal year 2014 of \$96.2 million increased by \$4.8 million as compared to an operating loss of \$91.4 million in fiscal year 2013.

Nonoperating revenues in fiscal year 2014 of \$168.5 million increased by \$0.3 million as compared to fiscal year 2013 due to an increase in Authority taxes of \$0.5 million, offset by a decrease in state grants of \$0.2 million.

Nonoperating expenses in fiscal year 2014 of \$229.7 million increased by \$31.3 million as compared to 2013 primarily due to an increase in contributions to NPI of \$24.8 million.

Basic Financial Statements

The Authority's basic financial statements are prepared using proprietary fund (enterprise fund) accounting. The Authority is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and the accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The basic financial statements include statements of net position; statements of revenues, expenses, and changes in net position; statements of cash flows; statements of fiduciary net position; and statements of changes in fiduciary net position. Notes to the basic financial statements are also included.

The statement of net position presents information on the assets, deferred outflows, and liabilities of the Authority. The excess of liabilities over assets and deferred outflows is reported as the Authority's total net position.

The statement of revenues, expenses, and changes in net position reports revenues and expenses of the Authority for the fiscal year. The difference between revenues and expenses (net income or loss) is reported as the change in net position for the fiscal year. The change in net position is added to the beginning-of-year net position to arrive at the net position at the end of the current fiscal year.

The statement of cash flows reports activities in cash and cash equivalents for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. Net cash flows from these activities account for the change in the Authority's cash and cash equivalents balance during the year.

The notes to the basic financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the financial statements. The notes present

information concerning the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events.

The Authority's staff prepared the financial statements from the detailed books and records of the Authority. These financial statements were audited as part of the Authority's annual independent external audit process.

Included in the Authority's reporting entity is the Metropolitan Pier and Exposition Authority Retirement Plan (the "Plan"), a single-employer defined benefit plan established under the authority of the board of directors of the Authority. The Plan is reported as a Pension Trust Fund in these financial statements. Separate financial statements and management's discussion and analysis for the Plan can be obtained from the administrative office located at 301 East Cermak Road, Chicago, Illinois 60616.

Financial Information (Amounts in Thousands)

The following schedule presents a summary of business-type activities assets, deferred outflows, liabilities, deferred inflows, and net position as of and for the fiscal years ended June 30, 2015, 2014, and 2013:

	2015	2014	2013
Current and other assets	\$ 336,698	\$ 355,818	\$ 474,423
Capital assets	2,026,725	2,075,980	2,078,361
Deferred outflows	<u>128,190</u>	<u>129,134</u>	<u>133,356</u>
Total assets and deferred outflows	<u>\$ 2,491,613</u>	<u>\$ 2,560,932</u>	<u>\$ 2,686,140</u>
Current liabilities	\$ 141,008	\$ 120,778	\$ 102,915
Noncurrent liabilities	3,785,581	3,759,220	3,723,932
Deferred inflows	<u>3,701</u>	<u>4,934</u>	<u>_____</u>
Total liabilities and deferred inflows	<u>3,930,290</u>	<u>3,884,932</u>	<u>3,826,847</u>
Net position:			
Net investment in capital assets	(561,418)	(521,365)	(453,867)
Restricted for debt service	23,605	34,233	22,266
Unrestricted	<u>(900,864)</u>	<u>(836,868)</u>	<u>(709,106)</u>
Total net position	<u>(1,438,677)</u>	<u>(1,324,000)</u>	<u>(1,140,707)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 2,491,613</u>	<u>\$ 2,560,932</u>	<u>\$ 2,686,140</u>

The following schedule presents a summary of business-type activities revenues for the fiscal years ended June 30, 2015, 2014, and 2013:

	2015	2014	2013
Operating revenues	<u>\$ 168,512</u>	<u>\$ 144,934</u>	<u>\$ 135,228</u>
Nonoperating revenues:			
State grants	31,700	36,700	36,956
Investment income	122	118	98
Authority taxes	<u>143,709</u>	<u>131,684</u>	<u>131,157</u>
Total nonoperating revenues before capital grant	<u>175,531</u>	<u>168,502</u>	<u>168,211</u>
Capital grant	<u>40,000</u>	<u>_____</u>	<u>_____</u>
Total revenues after capital grant	<u>\$ 384,043</u>	<u>\$ 313,436</u>	<u>\$ 303,439</u>

The following schedule presents a summary of business-type activities expenses for the fiscal years ended June 30, 2015, 2014, and 2013:

	2015	2014	2013
Operating expenses:			
Salaries, wages, and benefits	\$ 42,226	\$ 45,040	\$ 42,348
Supplies, repairs, and maintenance	24,096	23,427	22,207
Outsourced operations	63,532	57,829	48,500
Depreciation	95,240	97,382	90,533
Utilities	18,069	16,706	15,503
General and administrative	<u>4,923</u>	<u>3,877</u>	<u>7,509</u>
Total operating expenses	<u>248,086</u>	<u>244,261</u>	<u>226,600</u>
Nonoperating expenses—Interest and amortization expense and miscellaneous	<u>250,634</u>	<u>229,701</u>	<u>198,393</u>
Total expenses	<u>\$ 498,720</u>	<u>\$ 473,962</u>	<u>\$ 424,993</u>

Capital Acquisitions

During fiscal years 2015 and 2014, the Authority spent \$42.9 million and \$88.4 million, respectively, for capital expenditures. The fiscal year 2015 expenditures primarily relate to planning, design, and preconstruction costs for the new headquarters hotel and the event center. In addition, the fiscal year 2014 expenditures include land purchases related to these projects and costs of construction for the second tower of the existing hotel.

A summary of changes in fixed assets is included in Note 3 to the basic financial statements.

Long-Term Debt

In order to allow the Authority to expand and maintain its facilities, the Authority was granted taxing authority to fund annual debt service payments on its bonds (the “MPEA Tax”). The four components of the MPEA Tax are a 1% tax on restaurant sales in a downtown Chicago district, a 2.5% tax on hotel and motel rooms in Chicago, a 6% tax on auto rentals in Cook County, and an airport departure tax at O’Hare and Midway airports. Outstanding expansion debt totaled \$3.4 billion as of June 30, 2015, and June 30, 2014. Original issue yields on the Authority’s expansion bonds ranged from 1.98% to 6.8% and 1.98% to 6.8% during fiscal years 2015 and 2014, respectively.

Request for Information

This financial report is designed to provide a general overview of the Authority’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the chief executive officer at 301 East Cermak Road, Chicago, Illinois 60616.

METROPOLITAN PIER AND EXPOSITION AUTHORITY

BUSINESS-TYPE ACTIVITIES STATEMENTS OF NET POSITION AS OF JUNE 30, 2015 AND 2014 (Dollars in thousands)

	2015	2014
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents—unrestricted	\$ 68,258	\$ 54,176
Cash and cash equivalents—restricted	4,422	1,421
Investments—unrestricted		1,743
Investments—restricted	9,631	11,045
Accounts receivable—net of allowance for doubtful accounts of \$85 and \$79 at June 30, 2015 and 2014, respectively	25,906	20,565
Prepaid expenses	2,514	2,133
Note receivable from NPI		5,000
Deposit for NPI	15,608	21,398
Authority taxes receivable—restricted	<u>65,325</u>	<u>76,423</u>
Total current assets	<u>191,664</u>	<u>193,904</u>
NONCURRENT ASSETS:		
Investments—restricted	138,308	153,749
Prepaid bond insurance—net of accumulated amortization of \$15,675 and \$15,337 at June 30, 2015 and 2014, respectively	6,726	7,063
Net pension asset		1,102
Capital assets:		
Land	249,824	245,643
Buildings and improvements	2,851,945	2,847,548
Furniture and fixtures	32,590	32,183
Machinery and equipment	108,494	106,438
Construction in progress	63,529	28,640
Accumulated depreciation	<u>(1,279,657)</u>	<u>(1,184,472)</u>
Capital assets—net	<u>2,026,725</u>	<u>2,075,980</u>
Total noncurrent assets	<u>2,171,759</u>	<u>2,237,894</u>
Total assets	2,363,423	2,431,798
DEFERRED OUTFLOWS	<u>128,190</u>	<u>129,134</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 2,491,613</u>	<u>\$ 2,560,932</u>

(Continued)

METROPOLITAN PIER AND EXPOSITION AUTHORITY

**BUSINESS-TYPE ACTIVITIES
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2015 AND 2014
(Dollars in thousands)**

	2015	2014
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 35,107	\$ 33,779
Advance deposits	6,447	7,372
Retainage payable	2,770	920
Workers' compensation	2,798	4,730
Accrued interest	4,073	4,079
Current portion of bonds payable and net premium	79,992	69,898
Amount due to the State of Illinois	9,721	
Other	100	
	<u>141,008</u>	<u>120,778</u>
Total current liabilities		
NONCURRENT LIABILITIES:		
Workers' compensation	2,887	1,873
Amount due to the State of Illinois	47,498	57,219
Bonds payable	3,376,786	3,332,388
Net premium on bonds payable	356,464	367,740
Net pension liability	1,891	
Other	55	
	<u>3,785,581</u>	<u>3,759,220</u>
Total noncurrent liabilities		
Total liabilities	<u>3,926,589</u>	<u>3,879,998</u>
DEFERRED INFLOWS	<u>3,701</u>	<u>4,934</u>
Net position:		
Net investment in capital assets	(561,418)	(521,365)
Restricted for debt service	23,605	34,233
Unrestricted	<u>(900,864)</u>	<u>(836,868)</u>
Total net position	<u>(1,438,677)</u>	<u>(1,324,000)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 2,491,613</u>	<u>\$ 2,560,932</u>

See accompanying notes to basic financial statements.

(Concluded)

METROPOLITAN PIER AND EXPOSITION AUTHORITY

BUSINESS-TYPE ACTIVITIES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

(Dollars in thousands)

	2015	2014
OPERATING REVENUES:		
Use of exhibition facilities	\$ 53,690	\$ 45,286
Hospitality revenues	61,601	53,623
Guest services	31,045	24,016
Parking	12,108	11,120
Heating and cooling revenues	7,842	7,954
Other	<u>2,226</u>	<u>2,935</u>
Total operating revenues	<u>168,512</u>	<u>144,934</u>
OPERATING EXPENSES:		
Salaries, wages, and benefits	42,226	45,040
Supplies, repairs, and maintenance	24,096	23,427
Outsourced operations:		
Hotel and other	37,417	34,181
Parking	6,341	6,090
Guest service	<u>19,774</u>	<u>17,558</u>
Subtotal—outsourced operations	63,532	57,829
Depreciation	95,240	97,382
Utilities	18,069	16,706
General and administrative	<u>4,923</u>	<u>3,877</u>
Total operating expenses	<u>248,086</u>	<u>244,261</u>
OPERATING LOSS	<u>(79,574)</u>	<u>(99,327)</u>
NONOPERATING REVENUES (EXPENSES):		
State grants	31,700	36,700
Investment income	122	118
Authority taxes	143,709	131,684
Contribution to NPI	(45,790)	(31,292)
Interest and amortization expense	(202,551)	(198,398)
Miscellaneous—net	<u>(2,293)</u>	<u>(11)</u>
Total nonoperating revenues (expenses)—net	<u>(75,103)</u>	<u>(61,199)</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(154,677)	(160,526)
CAPITAL GRANTS	<u>40,000</u>	<u> </u>
CHANGE IN NET POSITION	(114,677)	(160,526)
NET POSITION—Beginning of year—as restated (Note 15)	<u>(1,324,000)</u>	<u>(1,163,474)</u>
NET POSITION—End of year	<u>\$ (1,438,677)</u>	<u>\$ (1,324,000)</u>

See accompanying notes to basic financial statements.

METROPOLITAN PIER AND EXPOSITION AUTHORITY

BUSINESS-TYPE ACTIVITIES STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 (Dollars in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 162,246	\$ 144,850
Cash payments for goods and services	(107,823)	(104,594)
Cash payments to or for employees	<u>(44,561)</u>	<u>(42,724)</u>
Net cash provided by (used in) operating activities	<u>9,862</u>	<u>(2,468)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Authority tax receipts	154,807	125,085
Grant receipts	31,700	36,700
Capital grant	40,000	
Proceeds from notes	155	
Payment for bond issuance costs	(4,123)	
Bond principal repayments	(59,025)	(40,110)
Interest paid	(97,903)	(98,276)
Receipt from NPI	5,000	
Proceeds from sale of asset	1,830	
Contribution expense—NPI	(40,000)	
Payments for capital acquisitions	<u>(43,939)</u>	<u>(95,013)</u>
Net cash used in capital and related financing activities	<u>(11,498)</u>	<u>(71,614)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment sales, maturities, and other receipts	18,597	83,290
Receipt of interest and dividends	<u>122</u>	<u>118</u>
Net cash provided by investing activities	<u>18,719</u>	<u>83,408</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,083	9,326
CASH AND CASH EQUIVALENTS—Beginning of year	<u>55,597</u>	<u>46,271</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 72,680</u>	<u>\$ 55,597</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION:		
Cash and cash equivalents—unrestricted	\$ 68,258	\$ 54,176
Cash and cash equivalents—restricted	<u>4,422</u>	<u>1,421</u>
	<u>\$ 72,680</u>	<u>\$ 55,597</u>
NONCASH FINANCING ACTIVITIES—Contribution to NPI	<u>\$ 5,790</u>	<u>\$ 31,292</u>

(Continued)

METROPOLITAN PIER AND EXPOSITION AUTHORITY

BUSINESS-TYPE ACTIVITIES STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 (Dollars in thousands)

	2015	2014
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (79,103)	\$ (99,327)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	95,240	97,382
Changes in operating assets and liabilities:		
Accounts receivable	(5,341)	(1,304)
Prepaid expenses	(381)	(220)
Accounts payable and accrued expenses	2,707	(2,535)
Net pension (liability) asset	(1,417)	3,283
Advance deposits	(925)	1,220
Workers' compensation	<u>(918)</u>	<u>(967)</u>
Total adjustments	<u>88,965</u>	<u>96,859</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ 9,862</u>	<u>\$ (2,468)</u>

See accompanying notes to basic financial statements.

(Concluded)

METROPOLITAN PIER AND EXPOSITION AUTHORITY

FIDUCIARY ACTIVITIES—PENSION TRUST FUND— STATEMENTS OF FIDUCIARY NET POSITION— METROPOLITAN PIER AND EXPOSITION AUTHORITY RETIREMENT PLAN AS OF JUNE 30, 2015 AND 2014 (Dollars in thousands)

	2015	2014
ASSETS:		
Investments—at fair value:		
Equity mutual funds	\$ 20,305	\$ 20,733
Common/collective trusts	46,399	22,579
Equity separate account		11,200
Fixed income mutual fund		15,197
Fixed income separate account	15,452	15,149
Money market accounts	<u>725</u>	<u>459</u>
Total investments—at fair value	82,881	85,317
Deposit with paying agent	<u>322</u>	<u>304</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 83,203</u>	<u>\$ 85,621</u>

See accompanying notes to basic financial statements.

METROPOLITAN PIER AND EXPOSITION AUTHORITY

FIDUCIARY ACTIVITIES—PENSION TRUST FUND— STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION— METROPOLITAN PIER AND EXPOSITION AUTHORITY RETIREMENT PLAN FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 (Dollars in thousands)

	2015	2014
ADDITIONS:		
Investment income:		
Net appreciation (depreciation) in fair value of Plan's interest in:		
Equity mutual funds	\$ 784	\$ 4,251
Common/collective trusts	(219)	3,838
Equity separate account	408	1,849
Fixed income mutual fund	290	380
Fixed income separate account	(186)	182
Interest income	501	766
Dividend income	577	596
Other income	1	4
Less investment expense	<u>(284)</u>	<u>(299)</u>
Net investment income	1,872	11,567
Employer contributions	<u>139</u>	<u>225</u>
Total additions	<u>2,011</u>	<u>11,792</u>
DEDUCTIONS:		
Deductions from net position attributed to:		
Benefits paid to participants	4,354	4,282
Administrative expenses	<u>75</u>	<u>59</u>
Total deductions	<u>4,429</u>	<u>4,341</u>
(DECREASE) INCREASE IN NET POSITION RESTRICTED FOR PENSION BENEFITS	(2,418)	7,451
NET POSITION RESTRICTED FOR PENSION BENEFITS:		
Beginning of year	<u>85,621</u>	<u>78,170</u>
End of year	<u>\$ 83,203</u>	<u>\$ 85,621</u>

See accompanying notes to basic financial statements.

METROPOLITAN PIER AND EXPOSITION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Illinois General Assembly created the Metropolitan Fair and Exposition Authority in 1955 and renamed it as the Metropolitan Pier and Exposition Authority (the “Authority”) in 1989 when it was established as a municipal corporation pursuant to the Metropolitan Pier and Exposition Authority Act. The purpose of the Authority is to promote, operate, and maintain fairs, expositions, meetings, and conventions in the Chicago metropolitan area and, in connection therewith, to construct, equip, and maintain buildings for such purposes. In 1998, the Authority began operations at its 800-room convention center hotel, the Hyatt Regency McCormick Place (the “Hotel”) and hired Hyatt Hotels Corporation to manage the Hotel. The Authority is also responsible for the recreational, cultural, and commercial development of Navy Pier.

Effective July 1, 2011, the Authority entered into a long-term lease agreement with a not-for-profit entity, Navy Pier, Inc. (NPI), to manage, operate, and develop Navy Pier. Effective August 1, 2011, a private management company, SMG, took over the operation of McCormick Place, taking responsibility for the operation of the Authority’s core convention business. Effective October 1, 2011, SAVOR assumed responsibility of the McCormick Place food services operation. To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

Reporting Entity—As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit’s board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government
- 2) Fiscal dependency on the primary government

Based upon the application of these criteria, the Authority has no component units and is not a component unit of any other entity.

The Authority’s reporting entity includes the Metropolitan Pier and Exposition Authority Retirement Plan (the “Plan”), a single employer defined benefit plan established under the authority of the Board of Directors of the Authority. The Plan is reported as a Pension Trust Fund in these basic financial statements. Separate financial statements for the Plan can be obtained from the administrative offices located at 301 East Cermak Road, Chicago, Illinois 60616.

Basis of Accounting and Financial Statement Presentation—The basic financial statements provide information about the Authority’s business-type and fiduciary (the Plan) activities. Separate statements for each category—business-type and fiduciary—are presented.

Business-Type Activities—The financial statements for the Authority’s business-type activities are used to account for the Authority’s activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned, and expenses (including depreciation and amortization) are recorded when incurred, regardless of the timing of the related cash flows.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include grants from federal, state, and local governments. On an accrual basis, revenue from state grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. Revenue from Authority taxes is recognized during the period when the exchange transaction on which the tax is imposed occurs.

Fiduciary Activities—The financial statements for the fiduciary activities are used to account for the assets held by the Authority in trust for the payment of future retirement benefits under the Plan. The assets of the Plan cannot be used to support Authority operations. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the Plan.

Cash and Cash Equivalents—Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities when purchased of three months or less. Restricted cash consists of amounts held for the Authority’s food service reserve funds pursuant to its agreements with two food service providers, whereby the Authority is required to set aside funds for food service equipment and supplies.

Investments—Investments, including short-term money market investments, are reported at fair value based on quoted market prices.

Investments of the fiduciary activities (the Plan) are reported at fair value based on quoted market prices and valuations provided by external investment managers.

Capital Assets—Capital assets are reported at cost. Capital assets are defined as assets that have a useful life of more than one year and a unit cost of more than \$10,000. Group asset purchases (such as construction or renovation projects) are capitalized when the cost exceeds \$50,000 regardless of the cost of individual items. Cost includes major expenditures for improvements and replacements that extend useful lives or increase capacity and interest cost associated with significant capital additions. Interest is capitalized on constructed assets. The amount of interest to be capitalized is calculated by multiplying the amount of capital expenditures by the interest rate of the bonds used to fund the capital projects. The amount of interest capitalized for the years ended June 30, 2015 and 2014 was \$2.0 million and \$0, respectively.

Depreciation of capital assets is computed using the straight-line method assuming the following useful lives:

	Years
Buildings	25–40
Building improvements	3–25
Furniture and fixtures	7
Machinery and equipment	3–15

Amount Due to the State of Illinois—The amount due to the State of Illinois (the “State”) consists of sales taxes borrowed from the State for debt service payments made on the Expansion Project Bonds due to shortages in the collection of Authority taxes.

Compensated Absences—Vested or accumulated vacation and compensatory time is recorded as an accrued expense. The Authority’s sick leave policy provides for an accumulation of earned sick leave. Sick leave does not vest and the Authority has no obligation for the accumulated sick leave until it is actually taken. Thus, no accrual for sick leave has been made.

Pensions—For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Bond Insurance Costs, Bond Premiums, and Deferred Loss on Refunding—Prepaid bond insurance costs, bond premiums, and losses on refunding transactions are deferred and amortized using the effective interest method over the life of the related debt, except in the case of refunding transactions where the amortization period is over the term of the new debt or refunded debt, whichever is shorter. Deferred loss on refunding of \$125.0 million and \$129.1 million as of June 30, 2015 and 2014, respectively, are recorded as deferred outflows on the statements of net position.

Capital Grants—The Authority reports capital grants as revenue on the statements of revenues, expenses, and changes in net position. Capital grants are received on a reimbursement basis and revenues are recognized to the extent of the allowable expenditures incurred.

Net Position—Net position is categorized as follows:

Net Invested in Capital Assets—This consists of capital assets, net of accumulated depreciation, less the outstanding debt that is attributable to the acquisition, construction, or improvement of those assets.

Restricted—This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority’s policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted—This consists of net position that does not meet the definition of “restricted” or “net invested in capital assets.”

Authority Tax Revenue—Authority tax revenue consists of Authority taxes collected (restaurant, hotel, car rental, and airport departure) by the City of Chicago, Illinois (the “City”) and the State and held by

the State in the Authority Tax Fund as funds available to pay future debt service for the 1992A, 1994, 1996A, 1998, 2002, 2010, and 2012 Expansion Project Bonds. Amounts recognized but not received are reported as restricted, as amounts are to be used to fund debt service for the above noted bonds, subject to annual appropriation by the State. The taxes receivable balance is classified as current as it is expected to be received within one year. If the Authority taxes are not sufficient to pay the debt service payments for the Expansion Project Bonds and cash is not available in the reserve balance, the Authority is authorized to draw on state sales tax from the State, which is repaid when the Authority taxes begin to generate a surplus again.

The Authority considers the Authority taxes to be derived tax revenues as defined by Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Accordingly, the Authority recognizes the Authority tax revenue in the period when the exchange transaction on which the tax is imposed occurred.

State Grant Revenue—State grant revenue consists of revenues received from the State of Illinois used for the payment of debt service. The funds are derived from sales taxes as specified in State statute.

Classification of Revenue and Expenses—Revenues from space rental, utility services, food and beverage, parking, and other recurring activities are reported as operating revenues in the basic financial statements. Salaries, wages, and benefits; supplies, repairs, and maintenance; outsourced operations; depreciation; utilities; and other general and administrative expenses related to Authority operations are reported as operating expenses. Transactions that are related to financing, investing, intergovernmental agreements, taxes, and other nonoperating events are reported as nonoperating revenues and/or expenses.

Management's Use of Estimates—The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

New Accounting Pronouncements—In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, or current period outflows and inflows. The Authority implemented this statement during the fiscal year ended June 30, 2014. The financial reporting impact resulting from the implementation of GASB Statement No. 65 is primarily the change in classification of deferred loss on refundings to deferred outflows and the write-off of bond issuance costs.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of previous pronouncements. The Authority implemented this statement during the fiscal year ended June 30, 2014. The implementation of this statement had no impact on the Authority's financial statements.

In July 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, and Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This statement requires

governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The Authority implemented this statement during the fiscal year ended June 30, 2015. The financial impact resulting from the implementation of GASB Statement No. 68 is the recording as net pension asset or liability the difference between the total pension liability and the fair value of investments restricted for pension benefits, and the classification of changes in the net pension liability that are not recorded as pension expenses, to deferred inflows and outflows of resources. The financial statements have been adjusted as of July 1, 2013, resulting in a restatement of net position as of July 1, 2013, see Note 15.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The Authority implemented this statement during the fiscal year ended June 30, 2015. The implementation of this statement had no impact on the Authority's financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government. The statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. The Authority implemented this statement during the fiscal year ended June 30, 2015. The implementation of this statement had no impact on the Authority's financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This statement relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability and requires that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The Authority implemented this statement during the fiscal year ended June 30, 2015. The implementation of this statement had no impact on the Authority's financial statements.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement will be effective for the Authority beginning with its year ending June 30, 2016. The Authority has not yet determined the impact, if any, on its financial statements or disclosures.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement will be effective for the Authority beginning with its year ending June 30, 2016. The Authority has not yet determined the impact, if any, on its financial statements or disclosures.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements, including brief descriptive information, the gross dollar amount of taxes abated during the period, and commitments made by a government as part of a tax abatement agreement. This statement will be effective for the Authority beginning with its year ending June 30, 2016. The Authority has not yet determined the impact, if any, on its financial statements disclosures.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

A summary of cash, cash equivalents, and investments as of June 30, 2015 and 2014, is as follows (amounts are in thousands):

	2015	2014
Business-type activities:		
Cash and demand deposits	\$ 72,680	\$ 55,597
Certificates of deposit		1,500
Government money market funds	<u>147,939</u>	<u>165,037</u>
Total business-type activities	<u>220,619</u>	<u>222,134</u>
Fiduciary activities:		
Investments:		
Equity mutual funds	20,305	20,733
Common/collective trusts	46,399	22,579
Equity separate account		11,200
Fixed-income mutual fund		15,197
Fixed-income separate account	15,452	15,149
Money market account	<u>725</u>	<u>459</u>
Total investments	82,881	85,317
Deposit with paying agent	<u>322</u>	<u>304</u>
Total fiduciary activities	<u>83,203</u>	<u>85,621</u>
Total cash and investments	<u>\$ 303,822</u>	<u>\$ 307,755</u>

Business-Type Activities

Investment Policy—Authority investments are made in accordance with the State of Illinois Public Funds Investment Act (30 ILCS 235/1) (the “Act”) and, as required under the Act, the Authority’s Investment Policy (the “Investment Policy”). The Investment Policy does not apply to the Plan, which is directed by the Investment Policy of the retirement plan as established by the plan trustees.

In accordance with the Act and the Investment Policy, the Authority may invest in the following types of securities:

1. US Treasury Securities (Bonds, Notes, Certificates of Indebtedness, and Bills). The Authority may invest in obligations of the US government, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
2. US Agencies. The Authority may invest in bonds, notes, debentures, or other similar obligations of the United States or its agencies. Agencies include (a) federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit bank, or other entities authorized to issue debt obligations under the Farm Credit Act of 1971, as amended; (b) federal home loan banks and the federal home loan mortgage corporation; and (c) any other agency created by an act of Congress.
3. Bank Deposits. The Authority may invest in interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits, or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et seq.), provided that any such bank must be insured by the Federal Deposit Insurance Corporation (FDIC).
4. Commercial Paper. The Authority may invest in short-term obligations (commercial paper) of corporations organized in the United States with assets exceeding \$500 million, provided that (a) such obligations are at the time of purchase at the highest classification established by at least two standard rating services and which mature not later than 180 days from the date of purchase and (b) such purchases do not exceed 10% of the corporation’s outstanding obligations.
5. Mutual Funds. The Authority may invest in mutual funds which invest exclusively in US government obligations and agencies.
6. Discount Obligations. The Authority may invest in short-term discount obligations of the Federal National Mortgage Association.
7. Investment Pool. The Authority may invest in a Public Treasurers’ Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17).
8. Investment Certificates. The Authority may invest in investment certificates issued by FDIC-insured savings banks or FDIC-insured savings and loan associations.

Custodial Credit Risk—Deposits—Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the Authority’s deposits may not be returned. The Investment Policy requires that deposits that exceed the amount insured by the FDIC be collateralized, at the rate of 102% of such deposits, by bonds, notes, certificates of indebtedness, treasury bills, or other securities, which are guaranteed by the full faith and credit of the US government.

Interest Rate Risk—Interest rate risk is the risk that the fair value of the Authority’s investments will decrease as a result of an increase in interest rates. The Investment Policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority manages interest rate exposure by matching the maturities of investments with its expected cash flow needs. For investments intended to be used for operations and capital maintenance, the Authority purchases investments so that the maturity dates are in line with anticipated cash flow needs. For investments restricted for capital projects, the Authority invests in maturities that meet the projected draw schedule for the related project.

The maturities for the Authority’s fixed-income investments as of June 30, 2015, are as follows (in thousands of dollars):

	Fair Value	Investment Maturities (Years)			
		Less than 1	1–5	6–10	More than 10
Government money market funds	<u>\$ 147,939</u>	<u>\$ 147,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The maturities for the Authority’s fixed-income investments as of June 30, 2014, are as follows (in thousands of dollars):

	Fair Value	Investment Maturities (Years)			
		Less than 1	1–5	6–10	More than 10
Government money market funds	<u>\$ 165,037</u>	<u>\$ 165,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. The Authority’s policy does not limit the amounts that it may invest in any one issuer. The Authority is considered to have a concentration of credit risk if its investment in any one single issuer is greater than 5% of the total fixed-income investments. As of June 30, 2015 and 2014, the Authority did not have any investments subject to concentration of credit risk.

Credit Risk—Credit risk is the risk that the Authority will not recover its investments due to the failure of the counterparty to fulfill its obligation. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the Authority’s policy to limit its investments in these investment types to the top two ratings issued by NRSROs. As of June 30, 2015 and 2014, the Authority held no commercial paper. The Authority’s investments in money market funds were rated AAA by Standard & Poor’s.

Custodial Credit Risk—Investments—Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. The Investment Policy requires that investment securities be held by an authorized custodial bank pursuant to a written custodial agreement.

Fiduciary Activities

Investment Policy—The Plan’s investments are made in accordance with the Investment Policy of the Plan as established by the Plan trustees. The Pension Trust Fund investments are invested according to the targeted investment mix in the investment policy of the Plan. These long-term targets seek to achieve the Plan’s assumed rate of return in conjunction with the overall asset/liability structure of the Plan.

Interest Rate Risk—Interest rate risk is the risk that the fair value of the Plan’s investments will decrease as a result of an increase in interest rates. The Plan’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The fixed-income portfolio has an effective duration of 5.35 years and 5.70 years at June 30, 2015 and 2014, respectively.

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. The Plan’s policy limits investments of any single issuer (except for US government and agency securities) to 5% of the Plan’s fixed-income market value. Securities in any one industry may not exceed 25% of the fixed-income portfolio. The Plan is considered to have a concentration of credit risk if its investment in any one single issuer is greater than 5% of the total fixed-income investments. The Plan does not have any concentration of credit risk as of June 30, 2015 and 2014.

Credit Risk—Credit risk is the risk that the Plan will not recover its investments due to the failure of the counterparty to fulfill its obligation. The Plan’s policy limits securities falling below a credit rating of BBB from Standard & Poor’s and/or Baa from Moody’s to 10% of the fixed-income portfolio. The Plan’s government money market mutual funds were unrated as of June 30, 2015 and 2014. The ratings of the Authority’s investments in the fixed-income separate account are as follows at June 30, 2015 (in thousands of dollars):

Credit Ratings	Corporate Bonds	Government Securities	Municipal Obligations	Money Market	Total
Aaa/AAA	\$ 911	\$ -	\$ 249	\$ -	\$ 1,160
Aa/AA	884		222		1,106
A/A	2,595		46		2,641
Baa/BBB	2,977		60		3,037
Treasury		2,696			2,696
Agency		4,431			4,431
Not rated	<u>124</u>	<u> </u>	<u> </u>	<u>257</u>	<u>381</u>
Total	<u>\$ 7,491</u>	<u>\$ 7,127</u>	<u>\$ 577</u>	<u>\$ 257</u>	<u>\$ 15,452</u>

The ratings of the Authority's investments in the fixed-income separate account are as follows at June 30, 2014 (in thousands of dollars):

Credit Ratings	Corporate Bonds	Government Securities	Municipal Obligations	Money Market	Total
Aaa/AAA	\$ 881	\$ -	\$ 321	\$ -	\$ 1,202
Aa/AA	898		275		1,173
A/A	2,117				2,117
Baa/BBB	2,705		62		2,767
Treasury		1,609			1,609
Agency		5,542			5,542
Not rated	<u>155</u>	<u> </u>	<u> </u>	<u>584</u>	<u>739</u>
Total	<u>\$ 6,756</u>	<u>\$ 7,151</u>	<u>\$ 658</u>	<u>\$ 584</u>	<u>\$ 15,149</u>

Custodial Credit Risk—Investments—Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. The Investment Policy requires that investment securities be held by an authorized custodial bank pursuant to a written custodial agreement.

Deposit with Paying Agent—The amount reflected as Deposit with Paying Agent represents funds deposited with the Plan's payroll processor as of June 30, 2015 and 2014, for the purpose of paying retirement benefits due on July 1, 2015 and 2014.

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2015, are as follows (in thousands of dollars):

	Balance June 30, 2014	Additions/ Accruals	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 245,643	\$ 4,181	\$ -	\$ 249,824
Construction in progress	<u>28,640</u>	<u>46,232</u>	<u>(11,343)</u>	<u>63,529</u>
Total capital assets not being depreciated	<u>274,283</u>	<u>50,413</u>	<u>(11,343)</u>	<u>313,353</u>
Capital assets being depreciated:				
Buildings and improvements	2,847,548	4,397		2,851,945
Furniture and fixtures	32,183	407		32,590
Machinery and equipment	<u>106,438</u>	<u>2,112</u>	<u>(56)</u>	<u>108,494</u>
Total capital assets being depreciated	<u>2,986,169</u>	<u>6,916</u>	<u>(56)</u>	<u>2,993,029</u>
Less accumulated depreciation:				
Buildings and improvements	(1,083,857)	(84,444)		(1,168,301)
Furniture and fixtures	(13,616)	(2,803)		(16,419)
Machinery and equipment	<u>(86,999)</u>	<u>(7,968)</u>	<u>30</u>	<u>(94,937)</u>
Total accumulated depreciation	<u>(1,184,472)</u>	<u>(95,215)</u>	<u>30</u>	<u>(1,279,657)</u>
Total capital assets being depreciated—net	<u>1,801,697</u>	<u>(88,299)</u>	<u>(26)</u>	<u>1,713,372</u>
Total capital assets—net	<u>\$ 2,075,980</u>	<u>\$ (37,886)</u>	<u>\$ (11,369)</u>	<u>\$ 2,026,725</u>

Changes in capital assets for the year ended June 30, 2014, are as follows (in thousands of dollars):

	Balance June 30, 2013	Additions/ Accruals	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 190,929	\$ 54,714	\$ -	\$ 245,643
Construction in progress	<u>16,253</u>	<u>35,344</u>	<u>(22,957)</u>	<u>28,640</u>
Total capital assets not being depreciated	<u>207,182</u>	<u>90,058</u>	<u>(22,957)</u>	<u>274,283</u>
Capital assets being depreciated:				
Buildings and improvements	2,824,034	23,514		2,847,548
Furniture and fixtures	29,900	2,283		32,183
Machinery and equipment	<u>104,335</u>	<u>2,103</u>		<u>106,438</u>
Total capital assets being depreciated	<u>2,958,269</u>	<u>27,900</u>	<u>-</u>	<u>2,986,169</u>
Less accumulated depreciation:				
Buildings and improvements	(998,861)	(84,996)		(1,083,857)
Furniture and fixtures	(9,506)	(4,110)		(13,616)
Machinery and equipment	<u>(78,723)</u>	<u>(8,276)</u>		<u>(86,999)</u>
Total accumulated depreciation	<u>(1,087,090)</u>	<u>(97,382)</u>	<u>-</u>	<u>(1,184,472)</u>
Total capital assets being depreciated—net	<u>1,871,179</u>	<u>(69,482)</u>	<u>-</u>	<u>1,801,697</u>
Total capital assets—net	<u>\$ 2,078,361</u>	<u>\$ 20,576</u>	<u>\$ (22,957)</u>	<u>\$ 2,075,980</u>

In fiscal year 2014, the Authority began planning, design, and preconstruction activities for a new 1206-room headquarters hotel and a 10,000-seat event center. The total cost of land additions was approximately \$4.2 million and \$54.7 million in fiscal years 2015 and 2014, respectively. Construction in progress includes planning, design, and preconstruction costs related to these projects of approximately \$22.8 million and \$15.6 million in fiscal years 2015 and 2014, respectively. Approximately, \$12.8.6 million and \$5.6 million in fiscal years 2015 and 2014, respectively, is also included in construction in progress for the renovation of certain public area space within the convention center.

4. LEASE AGREEMENT/DEPOSIT FOR NPI

Effective July 1, 2011, the Authority entered into a long-term lease agreement (the “Lease Agreement”) with NPI to manage, operate, and develop Navy Pier. Accordingly, beginning July 1, 2011, the financial activity of Navy Pier is no longer reflected in the accompanying basic financial statements. The Authority retains ownership of Navy Pier and NPI has the authority to make key decisions related to the operations, maintenance, and the implementation of the Navy Pier’s revitalization. These activities are defined as “Approved Operations” in the Lease Agreement, and are summarized as follows:

- (a) Implementation of the Framework Plan (defined hereafter);
- (b) Maintaining, repairing, operating, designing, financing, subleasing, licensing, developing, redeveloping, and/or demolishing the grounds, buildings, and facilities consistent with the Framework Plan; and
- (c) Supporting and benefiting the Authority through developing and operating Navy Pier for the achievement of the Authority’s governmental purposes.

The “Framework Plan” is a comprehensive long-term plan to maintain Navy Pier as a high-profile public attraction and to guide the redevelopment of Navy Pier. The Framework Plan sets forth business objectives (including the intent to maintain the public nature of Navy Pier), a master land use plan, investment priorities, development costs, and potential sources of private and public funding along with the conditions to be satisfied by NPI in order to maintain public funding. The Framework Plan was developed during the transition period (from approximately February 2011 until the effective date of the lease of July 1, 2011) and can be amended by the parties throughout the lease term in accordance with the provisions of the Lease Agreement.

Significant terms of the Lease Agreement are as follows:

- The Lease Agreement term is from July 1, 2011, through June 30, 2036, with four renewal options of 20 years each, for a total possible term of 105 years. The Lease Agreement requires NPI to pay the Authority rent of \$1 per year and to operate Navy Pier in accordance with the Framework Plan.
- The Authority shall deposit a mutually agreed-upon amount into an account established by NPI for the sole and exclusive benefit, and under the sole and exclusive control of NPI to be used for the implementation of the Approved Operations as defined in the Lease Agreement. The mutually agreed-upon amount shall not be more than \$75 million and not less than \$60 million dependent upon the amount of the Authority’s available funds after determining the costs of certain Authority improvements and other expenses. Effective April 16, 2014, the Lease Agreement was amended to authorize the Authority to deposit no more than fifty-five million dollars (\$55,000,000) into the additional capital improvement account. The Authority may also make its bonding capacity available to NPI or to consent to financing the Approved Operations with debt obligations that extend beyond the term of the Lease Agreement.
- The Authority will loan NPI \$5,000,000 to help fund the initial operating costs.
- Ownership of all personal property located on Navy Pier was transferred to NPI. Accordingly, the Authority contributed to NPI parking, food service, theater, computer, and other miscellaneous equipment totaling approximately \$37 thousand and \$2.2 million during the years ended June 30, 2013 and 2012, respectively.

- NPI can terminate the Lease Agreement at any time. The Authority can terminate the agreement only upon default by NPI. Events of default include (a) failure by NPI to comply in any material respect with the Framework Plan, or with the terms of the Lease Agreement (if failure is not remedied within 90 days after written notice); (b) failure by NPI to pay the promissory note when due, and such failure continues for more than 60 days; (c) NPI abandons the premises; or (d) NPI is bankrupt or insolvent.
- At termination, all assets, including the premises and revenues from all sources, must be returned to the Authority. If donations cannot be legally transferred due to the intention of the donor, NPI and the Authority must mutually agree to the disposition.

The Authority has accounted for the Lease Agreement with NPI as an operating lease. As of June 30, 2012, the Authority deposited \$60 million into a capital improvement account established by NPI. As of June 30, 2015, the Authority deposited an additional \$40 million into a capital improvement account established by NPI. Approximately \$5.8 million and \$31.3 million, of the total \$100 million deposited, has been spent by NPI during the years ended June 30, 2015 and 2014, respectively, for expenses related to the implementation of the Framework Plan. These amounts are reflected as contributions to NPI in the accompanying statements of revenues, expenses, and changes in net position for the years ended June 30, 2015 and 2014. A deposit for NPI totaling approximately \$15.6 million and \$21 million is reflected in the accompanying statements of net position as of June 30, 2015 and 2014, respectively. All leasehold improvements made to Navy Pier during the term of the Lease Agreement are recorded on NPI's financial statements.

5. NOTE RECEIVABLE FROM NPI

In April 2011, the Authority provided a loan in the amount of \$5 million to NPI for initial working capital (Working Capital Loan) in anticipation of the execution of a lease, which was effective July 1, 2011, wherein NPI will manage, operate, and develop Navy Pier. No interest shall accrue on the Working Capital Loan. The loan amount shall be due and payable on the third anniversary of the lease commencement date. NPI may, by notice to the Authority, extend the term of the promissory note for a period of time reasonably necessary for NPI to achieve a balanced budget or to pay, or procure, financing for a material expenditure.

In May 2014, the promissory note was amended to reflect changes in the maturity date and the payment terms. The first installment of the loan in the amount of \$2.5 million was due on or before December 15, 2014. The second installment of the loan in the amount of \$2.5 million was due on or before June 15, 2015, without interest. As of June 30, 2015, the Working Capital Loan has been paid in full.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2015 and 2014, are summarized as follows (in thousands of dollars):

	2015	2014
Accounts payable	\$ 29,468	\$ 28,957
Accrued salaries, wages, and benefits	4,596	4,115
Other accrued expenses	710	707
Other current liabilities	<u>333</u>	<u> </u>
Total accounts payable and accrued expenses	<u>\$ 35,107</u>	<u>\$ 33,779</u>

7. LONG-TERM DEBT

Long-term debt outstanding at June 30, 2015 and 2014, is as follows (in thousands of dollars):

	2015	2014
Expansion Project Bonds:		
Series 1992A McCormick Place Expansion Project Bonds, maturing June 15, 2027, some subject to prior redemption, bearing stated interest at 4.35% to 50.00% (yielding 4.35% to 6.75%); bonds with 50% stated rate were issued at a premium of approximately four times face value	\$ 200,839	\$ 214,710
Series 1994A and B McCormick Place Expansion Project Bonds, maturing June 15, 2029, some subject to prior redemption, bearing stated interest at 4.25% to 50.00% (yielding 4.25% to 6.70%); bonds with 50% stated interest rate were issued at a premium of approximately four times face value	141,543	143,109
Series 1996A McCormick Place Expansion Refunding Bonds, maturing June 15, 2027, some subject to prior redemption, bearing stated interest at 4.10% to 6.00%,	254,164	255,362
Series 1998A and B McCormick Place Expansion Refunding Bonds, maturing June 15, 2029, some subject to prior redemption, bearing stated interest at 4.50% to 50.00% (yielding 4.325% to 5.04%), payable semiannually; bonds with 50% stated interest rate were issued at a premium of approximately five times face value	112,190	114,780
Series 2002 A, B, and C McCormick Place Expansion Project Bonds, maturing June 2042, some subject to prior redemption, bearing stated interest at 4.375% to 5.75% (yielding 3.68% to 6.08%)	697,698	644,791
Series 2010 A and B McCormick Place Expansion Project Bonds, maturing June 2050, some subject to prior redemption, bearing stated interest at 5.00% to 5.50% (yielding 4.98% to 6.25%), payable semiannually	1,184,589	1,169,006
Series 2012 McCormick Place Expansion Project Bonds, maturing June 2052, some subject to prior redemption, bearing stated interest at 0.44% to 5.00% (yielding 0.44% to 5.73%), payable semiannually	<u>854,478</u>	<u>849,655</u>
Total Expansion Project Bonds	3,445,501	3,391,413
Less current portion	<u>(68,715)</u>	<u>(59,025)</u>
Bonds payable—noncurrent	<u>\$3,376,786</u>	<u>\$3,332,388</u>

Changes in long-term obligations for the year ended June 30, 2015, are as follows (in thousands of dollars):

	Balance June 30, 2014	New Issuance/ Refunding		(Amortization)/ Accretion— Net	Principal Payments	Balance June 30, 2015	Due within One Year
		Additions	Deletions				
Bonds payable	\$3,391,413	\$ -	\$ -	\$113,113	\$(59,025)	\$3,445,501	\$68,715
Net premium on bonds payable	378,613			(10,873)		367,740	11,277
Amount due to State of Illinois	<u>57,219</u>					<u>57,219</u>	<u>9,721</u>
Total long-term obligations	<u>\$3,827,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$102,240</u>	<u>\$(59,025)</u>	<u>\$3,870,460</u>	<u>\$89,713</u>

Changes in long-term obligations for the year ended June 30, 2014, are as follows (in thousands of dollars):

	Balance June 30, 2013	New Issuance/ Refunding		(Amortization)/ Accretion— Net	Principal Payments	Balance June 30, 2014	Due within One Year
		Additions	Deletions				
Bonds payable	\$3,325,662	\$ -	\$ -	\$105,861	\$(40,110)	\$3,391,413	\$59,025
Net premium on bonds payable	388,905			(10,292)		378,613	10,873
Amount due to State of Illinois	<u>57,219</u>					<u>57,219</u>	
Total long-term obligations	<u>\$3,771,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,569</u>	<u>\$(40,110)</u>	<u>\$3,827,245</u>	<u>\$69,898</u>

A summary of interest and amortization expense for the years ended June 30, 2015 and 2014, is as follows (in thousands of dollars):

	2015	2014
Interest expense	\$ 95,851	\$ 98,251
Bond accretion—capital appreciation bonds	113,113	105,861
Amortization of deferred loss on bond refunding	4,121	4,222
Amortization of bond insurance costs	338	356
Amortization of bond premium (discount)—net	<u>(10,872)</u>	<u>(10,292)</u>
Total interest and amortization expense	<u>\$ 202,551</u>	<u>\$ 198,398</u>

Annual Requirements—Total debt principal of \$3.4 billion (and unamortized accretion on capital appreciation bonds of \$4.8 billion) and \$2.5 billion interest due on bonds during the next five years and in subsequent five year periods at June 30, 2015, are as follows (in thousands of dollars):

Years Ending June 30	Principal	Interest
2016	\$ 68,715	\$ 97,761
2017	80,330	97,610
2018	84,335	108,507
2019	112,355	107,539
2020	125,990	105,898
2021–2025	837,340	470,233
2026–2030	1,032,315	371,179
2031–2035	1,286,925	325,608
2036–2040	1,286,925	325,608
2041–2045	1,319,815	293,030
2046–2050	1,399,940	212,779
2051–2052	<u>630,726</u>	<u>14,415</u>
	<u>\$8,265,711</u>	<u>\$2,530,167</u>

The 1992A, 1994, 1996A, 1998, 2002, 2010, and 2012 Expansion Project Bonds (the “Expansion Project Bonds”) are serviced with the proceeds of four taxes (collectively, “Authority taxes”). Components of Authority taxes include restaurant tax, car rental tax, hotel tax, and airport departure tax. The Authority is also authorized to receive certain surplus funds, if any, generated by the Illinois Sports Facilities Authority.

In addition, the State of Illinois established and holds an Authority Tax Fund with balances of \$49.4 million and \$59.6 million at June 30, 2015 and 2014, respectively, which consist of cash collected for Authority taxes not yet remitted to the Authority. These balances in the Authority Tax Fund are included in the Authority taxes receivable line items in the statements of net position as of June 30, 2015 and 2014.

An allocated portion of the State of Illinois sales tax is also available to service the Expansion Project Bonds in the event of shortfalls in Authority taxes. Beginning in fiscal year 2008, collections of Authority taxes were inadequate to fund annual debt service requirements for the Expansion Project Bonds, and the Authority began to draw funding from the state sales tax. The amount due to the State of Illinois for the years ended June 30, 2015 and 2014, was \$57.2 million, net of year-end cash balances in the Authority Tax Fund. The State of Illinois has deferred repayment of the liability until after fiscal year 2015. The Authority plans to repay \$9.7 million of the amount due to the State of Illinois during fiscal 2016. This amount is reflected as a current liability in the statements of net position. The remaining balance of \$47.5 million is reflected as a long-term liability in the statements of net position.

In accordance with the Third Supplemental Indenture of Trust (the “Indenture”) applicable to the McCormick Place Expansion Project Bonds and the McCormick Place Expansion Project Refunding Bonds, the Authority, during fiscal year 1995, entered into two Debt Service Deposit Agreements.

The Indenture also called for the establishment of an “Excess Revenue Reserve Subaccount” to meet applicable debt service requirements in the event that adequate funds to meet such requirements are not otherwise available. The “Excess Revenue Reserve Subaccount” was established from the proceeds of the Debt Service Deposit Agreements. The remaining proceeds were used to finance the Authority’s ongoing construction activities.

The Authority has refunded all or a portion of various bond issues by depositing US government securities in irrevocable trusts to provide for future debt service payments on the refunded bonds. As a result, such bonds are considered to be legally defeased and the liability for these bonds has been removed from the statements of net position. The original balances and the related escrow funds for refunded outstanding bonds as of June 30, 2015, are as follows (in thousands of dollars):

Description	Series	Original Issue	Outstanding	Escrow
1999 refunding of McCormick Place Hospitality Facilities Revenue Bonds	1996A	\$ 127,420	\$ 69,560	\$ 73,997
2002 refunding of McCormick Place Expansion Project Bonds	1992A, 1994, 1996, 1998, 1999	196,213	39,853	64,763
2010 refunding of McCormick Place Expansion Project Bonds	1992A, 1994, 1996, 1999, 2002, 2004	662,761		
2012 refunding of McCormick Place Expansion Project Bonds	1992A, 2002	<u>767,045</u>	<u>10,159</u>	<u>50,658</u>
		<u>\$ 1,753,439</u>	<u>\$ 119,572</u>	<u>\$ 189,418</u>

8. PENSION PLAN

Pension Plan—The following description of the Plan is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

(a) Plan Description

The Authority adopted and established the Plan effective July 1, 1985. The Plan is a single-employer, defined benefit pension plan which provides benefits for all full-time, nonrepresented employees, and certain union-represented employees. The Plan was established under the authority of the Board of Directors of the Authority. During fiscal year 2012, the Authority restructured its organization and dramatically reduced the number of Authority employees. As a result, MPEA elected to freeze participation in the Plan and transition participants to the 401(a) Plan. Effective February 29, 2012, the Plan stopped accruing new benefits and remaining Authority employees began participating in the 401(a) Plan on March 1, 2012.

The Authority may amend and restate the Plan pursuant to the Plan's trust agreement Section 7.1 subject to authorization by the Authority's Board of Directors. The Plan was restated and adopted on January 28, 2014. The amended Plan incorporates all prior amendments. The Internal Revenue Service has determined and informed the Plan by a letter dated December 2, 2014, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code.

As of January 27, 2015, the Plan was amended to change the Plan name to the "Metropolitan Pier and Exposition Authority Retirement Plan and Trust." Other amendments included clarification of the type of plan, additional references to Internal Revenue Code sections, and expanded definitions. The Plan issues a publicly available financial report that can be obtained at the Authority's corporate offices at 301 East Cermak Road, Chicago, IL 60616.

(b) Benefits Provided

Employees hired before July 1, 2009, were eligible for the Plan on the first day of the month after attaining age 21 and completing one year of service. Employees are 100% vested after five years of service or after attaining age 55. Effective February 29, 2012, the Authority amended the Plan to cease all further benefit accruals under the Plan.

Employees earn a basic annual pension benefit equal to 1.5% of earnings for each year of service after July 1, 1978, plus any pension benefits accrued prior to July 1, 1978. After completing 10 years of service, employees are eligible for a minimum pension benefit equal to 3.33% of their highest average earnings times years of service, up to a maximum of 15 years. Employees eligible for the minimum pension always receive the greater of their basic pension or their minimum pension. Normal retirement under the plan is age 65, but employees are eligible for an early retirement pension upon attaining age 55. Early retirement pensions are reduced to reflect a longer expected payment period.

If the amount of base retirement benefit payable to the retired employee or his beneficiary is less than \$75 per month (\$20 prior to June 2, 1986) a single sum payment of the employee's entire nonforfeitable benefit will be made in lieu of monthly benefit payments, provided the present value of such benefit is not in excess of \$5,000; a single sum payment will be made only with the consent or acceptance of the payee. Otherwise, the employee shall receive their benefits as a life annuity payable monthly upon retirement.

(c) Employees Covered by Benefit Terms

The following employees were covered by the benefit terms as of June 30, 2015 and 2014:

	2015	2014
Inactive employees or beneficiaries currently receiving benefits	224	215
Inactive employees entitled to but not yet receiving benefits	432	444
Active employees	<u>21</u>	<u>22</u>
Total	<u>677</u>	<u>681</u>

(d) Contributions

The Plan's trust agreement provides the Authority with the authorization to establish and amend the Plan's funding policy. The Plan's funding policy is to provide for periodic employer contributions that approximate actuarially determined amounts. These contributions are designed to accumulate sufficient assets to pay benefits when due. The Authority contributed \$139 and \$225 to the Plan for years ended June 30, 2015 and 2014, respectively.

Net Pension Liability—The Authority's net pension liability was measured as of June 30, 2015 and 2014. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2015 and, 2014.

Actuarial Assumptions—The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	0 percent; salaries frozen as of February 29, 2012
Investment rate of return	7.0 percent
Mortality	RP-2000 Combined Healthy Mortality Table projected to valuation date with: Scale BB for actuarial date as of June 30, 2015 Scale AA for actuarial date as of June 30, 2014

The June 30, 2015 valuation added an age-based retirement assumption to better reflect actual benefit commencement patterns; all members in the June 30, 2014 valuation were assumed to commence receiving their benefit at age 65.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap domestic equity	38 %	5.80 %
Small cap domestic equity	10	6.70
International equity	12	6.40
Fixed income	38	1.10
Cash	<u>2</u>	
	<u>100 %</u>	

Discount Rate—The discount rate used to measure the total pension liability was 7.00 percent for the years ended June 30, 2015 and 2014. The ratio of the actuarial value of assets to the total actuarial liability is 97.8% and 101.3% as of June 30, 2015 and 2014, respectively. The projection of cash flows used to determine the discount rate assumed that sponsor contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's projected fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability. The changes in net pension liability for the year ended June 30, 2015, are as follows:

Changes in Net Pension Liability (in thousands)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	<u>\$ 84,519</u>	<u>\$ 85,621</u>	<u>\$ (1,102)</u>
Changes for the year:			
Interest	5,764		5,764
Differences between expected and actual experience	(570)		(570)
Changes of assumptions	(265)		(265)
Contributions—employer		139	(139)
Net investment income		1,872	(1,872)
Benefit payments, including refunds of employee contributions	(4,354)	(4,354)	-
Administrative expense		<u>(75)</u>	<u>75</u>
Net changes	<u>575</u>	<u>(2,418)</u>	<u>2,993</u>
Balances at June 30, 2015	<u>\$ 85,094</u>	<u>\$ 83,203</u>	<u>\$ 1,891</u>

The changes in net pension liability for the year ended June 30, 2014, are as follows:

Changes in Net Pension Liability (in thousands)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	<u>\$ 78,719</u>	<u>\$ 78,170</u>	<u>\$ 549</u>
Changes for the year:			
Interest	5,904		5,904
Differences between expected and actual experience	(774)		(774)
Changes of assumptions	4,952		4,952
Contributions—employer		225	(225)
Net investment income		11,566	(11,566)
Benefit payments, including refunds of employee contributions	(4,282)	(4,282)	-
Administrative expense		(58)	58
Net changes	<u>5,800</u>	<u>7,451</u>	<u>(1,651)</u>
Balances at June 30, 2014	<u>\$ 84,519</u>	<u>\$ 85,621</u>	<u>\$ (1,102)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following presents the net pension liability of the Authority, calculated using the discount rate of 7.00 percent, as well as what the Authority’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate as of June 30, 2015 and 2014:

2015 (in thousands)	1% Decrease (6.00)	Current Discount Rate (7.00%)	1% Increase (8.00)
Authority’s net pension liability (asset)	<u>\$ 13,328</u>	<u>\$ 1,891</u>	<u>\$ (7,482)</u>
2014 (in thousands)	1% Decrease (6.00)	Current Discount Rate (7.00%)	1% Increase (8.00)
Authority’s net pension liability (asset)	<u>\$ 10,429</u>	<u>\$ (1,102)</u>	<u>\$ (10,548)</u>

Pension Plan Fiduciary Net Position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued Plan financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension—For the year ended June 30, 2015 and 2014, the Authority recognized a pension benefit of \$1,279 and a pension cost of \$3,509, respectively. At June 30, 2015 and 2014, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands of dollars):

	2015		2014
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ 3,177</u>	<u>\$ 3,701</u>	<u>\$ 4,934</u>
Total	<u>\$ 3,177</u>	<u>\$ 3,701</u>	<u>\$ 4,934</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands of dollars):

**Years Ended
June 30**

2016	\$ (439)
2017	(439)
2018	(439)
2019	794
Thereafter	

9. OTHER DEFINED CONTRIBUTION PLANS

The Authority’s total payroll was \$17.8 million and \$16.9 million for fiscal years 2015 and 2014, respectively. Total payroll includes employees covered under a number of separate multiemployer union plans. The Authority contributed to 28 separate multiemployer pension, retirement, and annuity plans in both fiscal years 2015 and 2014. Contributions under all plans are based on collective bargaining agreements with the various trade unions. Total pension and related contributions under the collective bargaining agreements approximated \$2.9 million and \$2.6 million for fiscal years 2015 and 2014, respectively.

The Authority also offers its nonunion employees a defined contribution plan (“Contribution Plan”) created in accordance with Internal Revenue Code Sections 401(a) and 415. The Authority is the administrator of the Contribution Plan. Effective July 1, 2009, all new hires (nonrepresented employees) were automatically enrolled in the Contribution Plan. Effective February 29, 2012, the Authority stopped accruing new benefits in the retirement plan and made the Contribution Plan available to all nonrepresented employees (effective March 1, 2012). The Authority established a discretionary employer contribution consisting of an automatic 3% of employee compensation and a 50% match of up to 8% of compensation on contributions made by the employee to the deferred compensation plan (described more fully in Note 10 below). The contributions are not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the Contribution Plan are held in a trust in the name of the Contribution Plan and are used exclusively to pay benefits to the participants and their beneficiaries. As such, the Authority does not report plan assets and liabilities in the financial statements. The assets of the Contribution Plan, consisting primarily of open-ended mutual funds,

approximated \$646 thousand and \$484 thousand as of June 30, 2015 and 2014, respectively. The Authority contributed \$228 thousand to the Contribution Plan during fiscal year 2015 and \$201 thousand during fiscal year 2014.

10. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan (“457 plan”), available to all Authority employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the deferred compensation plan are held in a trust in the name of the Plan and are used exclusively to pay benefits to the participants and their beneficiaries. As such, the Authority does not report plan assets and liabilities in the financial statements. The assets of the deferred compensation plan, consisting primarily of open-ended mutual funds, were approximately \$23 million and \$25 million as of June 30, 2015 and 2014, respectively. Employees participating in the 457 plan contributed \$0.9 million and \$0.8 million during fiscal years 2015 and 2014, respectively.

11. LEASE COMMITMENTS

The Authority’s East Exposition Building (Lakeside Center) and the adjoining underground parking facility are constructed on land leased from the Chicago Park District. Total expenses recorded under this operating lease were \$799,000 and \$753,000 for the years ended June 30, 2015 and 2014, respectively. The future minimum lease payments for operating noncancelable leases through December 31, 2042, are as follows (in thousands of dollars):

Years Ending June 30	
2016	\$ 847
2017	897
2018	951
2019	1,008
2020	1,069
2021–2025	6,385
2026–2030	8,177
2031–2035	10,037
2036–2040	12,921
2041–2042	<u>6,147</u>
	<u>\$ 48,439</u>

12. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to customers, employees, contractors, or vendors; and natural disasters. The Authority utilizes a comprehensive insurance program for its property and casualty coverage provided by commercial insurance carriers. Insurance settlements have not exceeded coverage in any of the last three years.

Effective January 1, 2014, the Authority began participating in an Incurred Retrospective program for workers’ compensation coverage. This program differs from the most recent program, a Loss Sensitive Rating Program, in that the Authority’s maximum exposure for any one loss is \$300,000 and the

Authority's maximum annual premium is \$1.5 million. The Authority participated in a Loss Sensitive Rating Program through the Illinois Assigned Risk Pool from January 1, 2012, through December 31, 2013. Under both programs, individual claims are processed by an insurance carrier. The Authority is required to pay a premium based on estimated payroll amounts multiplied by the rates per classification code, as established in the contract between MPEA and the insurance carrier, adjusted for estimated losses. The insurance carrier is required to perform a one-time audit of the actual payroll amounts for each calendar year of coverage. The audited payroll amounts are used as the basis for determining the final premium amount. Additionally, the insurance carrier must provide an annual valuation of losses for four consecutive years. The results of the fourth valuation determine the final total incurred loss amount for each calendar year of coverage. The combination of the audited payroll amounts and the estimated value of losses represent the total estimated premium amount, up to the maximum premium amount.

Based on the audited payroll amounts for calendar year 2014 and the estimated payroll amounts for calendar year 2015, plus estimated losses, the Authority established a reserve amount of \$794 thousand as of June 30, 2015. In 2014, the Authority determined that the amount expensed through June 30, 2014, was almost equal to the required reserve. As a result, the Authority established a reserve amount of \$569 thousand as of June 30, 2014.

Prior to January 1, 2012, the Authority had a self-insurance program for workers' compensation for individual claims up to \$750 thousand and was fully insured for claims in excess of \$750 thousand up to the State of Illinois statutory limit.

Currently, the Authority's third-party administrators calculate the claims liabilities amount required for workers' compensation claims outstanding prior to January 1, 2012. The liability and expenses are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Changes in the total claims liabilities related to individual workers' compensation claims in the amount of \$750,000 or less during the past two years are as follows (in thousands of dollars):

	2015	2014
Balance—beginning of year	\$ 6,034	\$ 7,570
Claims and changes in estimates during year	52	241
Claims paid during year	<u>(1,195)</u>	<u>(1,777)</u>
Balance—end of year	<u>\$ 4,891</u>	<u>\$ 6,034</u>

13. RISKS AND UNCERTAINTIES

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could affect the amounts reported in the basic financial statements.

14. COMMITMENTS AND CONTINGENCIES

On April 17, 2015, the Authority entered into a funding and anchor tenant agreement for the event center. The agreement provides the anchor tenant preferential scheduling rights. The term of the agreement shall end at the conclusion of the 50th contract year following the date of substantial completion of the project.

On November 25, 2014, the Authority awarded a contract for Design/Build services to build a 1206-room headquarters hotel and a 10,000-seat event center. Construction of the new hotel began in July 2015. Construction of the event center began in October 2015. Completion of the projects is expected during the fall of 2017.

On September 13, 2013, the Authority awarded a contract for construction consulting services to assist the Authority in oversight and overall management of the planning, design, and construction activities for the McCormick Place Development projects. The projects include the development of the 1206-room headquarters hotel, the event center, and possibly a privately developed mixed-use entertainment district adjacent to the event center. On September 13, 2013, MPEA also awarded a contract to operate the new headquarters hotel. The term of the contract will be 10 years, starting from the opening date of the hotel.

On June 25, 2013, the Authority awarded a contract for architectural and engineering services for McCormick Place Hotel development. The architectural and engineering firm will work with the Authority, the Authority's hotel operator, and the Authority's other consultants to develop the bridging design documents for a new 1,206-room headquarters hotel. The bridging documents include the building program, schematic design documents, critical design details, and the performance criteria for the mechanical and structural components of the building that shall be the basis for the Authority soliciting design/build team proposals for the hotel's final design and maintenance. Construction of the new hotel is expected to begin in the summer of 2015. Completion is expected during the fall of 2017.

In April 2011, the Authority entered into a management agreement with SMG to promote, operate, manage, and maintain the McCormick Place complex. The management term began August 1, 2011, and ends June 30, 2016.

In April 2011, the Authority entered into a lease agreement with NPI. The lease agreement required NPI to establish a capital improvement account on or before the lease commencement date. The lease agreement also required the Authority to deposit a mutually agreed-upon amount into the account established by NPI for the sole and exclusive benefit, and under the sole and exclusive control of NPI. Funds from this account may be used for the implementation of Approved Operations, including deferred maintenance and capital improvements, and for other rights of NPI as set forth in the lease agreement.

In October 2011, the Authority entered into an agreement with SAVOR to manage the McCormick Place Food Service operations. The Authority established a reserve of 10% of gross food service receipts primarily for the replacement of smallwares and equipment used in the food service operation. Under the previous agreement, the required reserve percentage was 7% through September 30, 2011. The funds can also be used for funding certain other foodservice related activities. The balance in the reserve account as of June 30, 2015 and 2014, was approximately \$4.4 million and \$1.3 million, respectively, and is included in restricted investments.

In 1998, the Authority began operations at the hotel and entered into a management agreement with Hyatt Hotels Corporation to manage the daily operations of the hotel. This agreement was amended and restated effective July 1, 1999. The management agreement was for a period commencing with the opening of the Hotel and expired on June 30, 2009. On July 1, 2009, the Authority entered into a new agreement for 15 years expiring on June 30, 2024.

The Authority is required to reserve 4% of gross receipts of the hotel, as defined by the management agreement, for replacement of and additions to furnishings and equipment. The balance in the reserve as of June 30, 2015 and 2014, was approximately \$5,492 thousand and \$4,995 thousand, respectively.

During 2015, approximately \$3,517 thousand was funded to this account based on Hotel gross receipts and approximately \$3,019 thousand was expended for furnishings and equipment for the Hotel.

On June 24, 2003, the Authority entered into another intergovernmental agreement with the City to fund and develop certain off-site infrastructure and improvements in connection with the West Building Expansion of McCormick Place.

The Authority will pay for this project using proceeds of the Series 2002A Project Account of the Project Fund. The anticipated IGA commitment for this project is \$74,400,506. The Authority has spent a total of \$70,455,089 as of June 30, 2015 (of which none was incurred during fiscal year 2015 or 2014). The remaining commitment for this project is \$3,945,416.

The Authority has bond funds that are committed to be spent primarily for capital improvements in accordance with the underlying indentures. As of June 30, 2015, bond proceeds of \$115,720,607 remained to be spent.

In connection with the purchase of the Energy Center in September 2005, the Authority assumed certain long-term contracts from the Energy Center. In addition to supplying chilled water and steam for cooling and heating, respectively, for the McCormick Place campus, the Energy Center has six contracts to provide services to six outside customers at the Lakeside Technology Center located adjacent to the Energy Center. Under five of the contracts, the Energy Center has commitments to provide chilled water services. Under two of the contracts, the Energy Center has commitments to provide hot water services. The rates for these services are based on actual usage and are defined in the contracts. Under one of these agreements, the Authority is obligated to pay a facilities space fee of approximately \$124,000 per year with a 3% annual increase.

The Authority has certain contingent liabilities resulting from litigation, claims, and commitments incident to the ordinary course of business. Also, state grant programs are subject to audit and the potential disallowance of costs. Management expects that final resolution of any such contingencies will not have a material effect on the financial position of the Authority.

15. RESTATEMENT DUE TO IMPLEMENTATION OF NEW ACCOUNTING STANDARD

As a result of implementing GASB Statement No. 68, net position was restated at July 1, 2013. The following is a reconciliation of the fiscal year 2014 amounts that have been restated as a result of the implementation of GASB Statement No. 68 (dollars in thousands):

	As Originally Reported or	GASB 68 Adjustment	As Restated after GASB 68 Impact
Statement of financial position:			
Net pension asset	\$ 22,095	\$ (20,993)	\$ 1,102
Deferred inflows		4,934	4,934
Net position—unrestricted net position	(810,941)	(25,927)	(836,868)
Statement of revenues, expenses, and changes in net position:			
Salaries, wages, and benefits	41,880	3,160	45,040
Net position—beginning of year	(1,140,707)	(22,767)	(1,163,474)
Net position—end of year	(1,298,073)	(25,927)	(1,324,000)

16. SUBSEQUENT EVENTS

On August 5, 2015, Standard and Poor's downgraded the credit rating on the Authority's Expansion Project Bonds from AAA/Stable to BBB+/Credit Watch Negative. On August 6, 2015, Fitch downgraded the credit rating on the Authority's Expansion Project Bonds from AA- (Stable) to BBB+ (Negative). On October 19, 2015, Fitch further downgraded the Authority's Expansion Project Bonds to BBB (Stable). On October 22, 2015, Moody's Investors Service downgraded the Authority's Expansion Project Bonds from Baa1 (Negative) to Baa2 (Negative).

On September 24, 2015, the Authority issued the Series 2015AB Expansion Project Bonds (\$219.4 million) which included \$153.2 million Series 2015A project bonds and \$66.2 million Series 2015B refunding bonds. The proceeds will cover a portion of the cost of constructing the Authority's new Marriott Marquis Chicago hotel. The bonds were sold at parity with outstanding Expansion Project bonds with an all-in interest rate of 5.315% and a final maturity date of June 15, 2053.

For the year ended June 30, 2015, the Authority has evaluated all subsequent events through November 16, 2015, which is the date the basic financial statements were available to be issued.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

**METROPOLITAN PIER AND EXPOSITION AUTHORITY
RETIREMENT PLAN AND TRUST**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2015 AND JUNE 30, 2014
(Unaudited)**

	2015	2014
Total pension liability:		
Service cost	\$ -	\$ -
Interest	5,764	5,743
Changes of benefit terms		
Differences between expected and actual experience	(570)	(806)
Changes of assumptions	(265)	5,145
Benefit payments	<u>(4,354)</u>	<u>(4,282)</u>
Net change in total pension liability	575	5,800
Total pension liability—beginning	<u>84,519</u>	<u>78,719</u>
Total pension liability—ending (a)	<u>85,094</u>	<u>84,519</u>
Plan fiduciary net position:		
Contributions—employer	139	225
Net investment income	1,872	11,566
Benefit payments	(4,354)	(4,282)
Administrative expense	(75)	(58)
Other	<u> </u>	<u> </u>
Net change in plan fiduciary net position	(2,418)	7,451
Plan fiduciary net position—beginning	<u>85,621</u>	<u>78,170</u>
Plan fiduciary net position—ending (b)	<u>83,203</u>	<u>85,621</u>
Net pension liability (asset)—ending (a)-(b)	<u>\$ 1,891</u>	<u>\$ (1,102)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>97.8 %</u>	<u>101.3 %</u>
Covered-employee payroll	<u>\$ 2,219</u>	<u>\$ 2,107</u>
Net pension liability as a percentage of covered-employees payroll	<u>85 %</u>	<u>- %</u>

Changes of assumptions: In 2015, amounts reported as changes of assumptions resulted primarily from the following:

1. Retirement rates were updated to better reflect anticipated experience;
2. The mortality assumption was updated from the RP2000 Combined Healthy Mortality Table, projected to 2014 with Scale AA to the RP-2000 Combined Healthy Mortality Table, projected to 2015 using Scale BB;
3. An explicit administrative assumption was added to more accurately reflect expenses being paid from the trust;
4. An explicit measurement of death benefits available for current active and terminated vested members was added to the liabilities.

**METROPOLITAN PIER AND EXPOSITION AUTHORITY
RETIREMENT PLAN AND TRUST**

**SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(Unaudited)**

	2015	2014
Actuarially determined contributions	\$ -	\$ 48,566
Employer contribution in relation to actuarially determined contribution	<u>139,281</u>	<u>225,036</u>
Contribution deficiency (excess)	(139,281)	(176,470)
Covered-employer payroll	<u>2,219,248</u>	<u>1,796,530</u>
Employer contribution as a percentage of covered-employee payroll	<u>6.28 %</u>	<u>12.53 %</u>

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for 2015 and 2014, are calculated as of July 1, 2014, and June 30, 2013, respectively.

Methods and assumptions used to determine contribution rates:

Funding method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	25 years (as of 7/1/2014)
Asset valuation method	Fair Market Value
Inflation	2.50% per year
Cost of living increase	2.25% per year
Salary increases	0%, Active employees as of February 29, 2012, were assumed to cease their participation in the Plan as of that date.
Payroll growth	None
Interest rate	7.00% per year compounded annually, net of investment related expenses
Retirement age	100% at age 65.
Termination rates	None
Disability rates	None
Mortality	Assumed life expectancies are based on the RP-2000 Combined Healthy Mortality Table, projected to the valuation date with Scale AA.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Metropolitan Pier and Exposition Authority:

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 business-type activities and fiduciary activities of the Metropolitan Pier and Exposition Authority (the "Authority") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 16, 2015. Our report includes a reference to other auditors who audited the financial statements of the Metropolitan Pier and Exposition Authority Retirement Plan (the "Plan"), as described in our report on the Authority's financial statements. The financial statements of the Plan were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

November 16, 2015