Metropolitan Pier and Exposition Authority

Basic Financial Statements as of and
for the Years Ended June 30, 2016 and 2015,
Required Supplementary Information
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, 2016 and 2015, 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, 2016 and 2015, 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.

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 48, and schedules of contributions on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, 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 December 2, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Deloitte & Touche LLP

December 2, 2016

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, 2016 and 2015. Please read it in conjunction with the Authority's financial statements that follow this section.

Financial Highlights

Total operating revenues for fiscal year 2016 were projected to be less than fiscal year 2015 due to the cyclical nature of events held at McCormick Place. As such, total operating revenues of $155 million in fiscal year 2016 were lower than 2015 revenues by $13 million. Additionally, during fiscal year 2016, the Authority began construction of two major projects, a 1,206 room hotel and a 10,000-seat Event Center. These projects are scheduled for completion in early fiscal year 2018.

Fiscal Year 2016 Compared to Fiscal Year 2015

Total assets and deferred outflows at June 30, 2016, of $2.7 billion were less than liabilities of $4.2 billion for a deficit net position of $1.6 billion.

Total assets and deferred outflows increased from June 30, 2015 to June 30, 2016, by $166.5 million. $82.5 million of this amount represents funds received from DePaul University, in accordance with the Anchor Tenant Agreement between DePaul University and MPEA, for future anchor tenant, naming, and participation rights, the proceeds of which were used by MPEA for construction costs related to the event center capital project. Accumulated depreciation on capital assets increased approximately $66.2 million. The increase in investment balances of $38.2 million is primarily attributable to proceeds from the September 2015 bond issue in the par amount of $219.4 million (see Note 5) offset by the use of capital to improve and maintain the Authority's facilities. Deposit for Navy Pier, Incorporated ("NPI") decreased by $11.5 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). Authority Tax Receivable decreased by $7.0 million. Cash and cash equivalents decreased by $5.7 million and Accounts receivable increased by $5.7 million primarily resulting from an increase in funds due from the State of Illinois Incentive Fund. Net position decreased by $143.2 million, which included an operating loss of $95.6 million and net nonoperating expenses of $62.6 million, offset by $15 million of capital grant revenue.

The Authority's deficit net position of $1.6 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 ($58.3 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 $47.5 million and $57.2 million at June 30, 2016, and June 30, 2015, respectively. The Authority repaid $9.7 million of the amount due to the State in fiscal year 2016 and will repay $5.5 million of the amount due to the State in fiscal year 2017.

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.

In September 2015, the Authority issued the Series 2015AB McCormick Place Expansion Project Bonds for an aggregate original par amount of $219.4 million. Proceeds from the Series 2015A Bonds, issued for an original par amount of $153.2 million, will cover a portion of the cost of constructing the Authority's new Marriott Marquis Chicago hotel. Proceeds from the Series 2015B Bonds, issued for an original par amount of $66.2 million, will be used to refund a portion of the Authority's outstanding Expansion Project Bonds.

Operating revenues in fiscal year 2016 of $155.4 million decreased by $13.1 million as compared to fiscal year 2015. This decrease is attributable to lower exposition facilities revenues of $5.6 million, lower guest services revenues of $5.5 million, lower hotel revenues of $1.5 million and, lower parking revenue of $0.7 million in 2016 resulting from the cyclical event schedule of the convention center. These decreases in revenues were offset by slightly higher other revenue of $0.4 million.

Operating expenses in fiscal year 2016 of $249.1 million increased by $1.1 million as compared to fiscal year 2015 due to higher salaries, wages and benefits of $5.5 million and, higher general and administrative expenses of $2.9 million. These increased operating expenses were offset by lower depreciation expenses of $3.9 million, lower supplies, repairs and maintenance of $2.3 million and lower utilities of $1.5 million.

Outsourced operations consisting of certain expenses incurred under outsourced hotel and parking management contracts increased by $0.4 million in fiscal year 2016 as compared to fiscal year 2015 primarily due to higher hotel and parking expenses offset by lower guest services expenses related to revenues in the same categories.

The operating loss in fiscal year 2016 of $93.7 million increased by $14.1 million as compared to an operating loss of $79.6 million in fiscal year 2015.

Nonoperating revenues in fiscal year 2016 of $179.0 million increased by $3.5 million as compared to fiscal year 2015 due to an increase in Authority taxes of approximately $3.5 million.

Nonoperating expenses in fiscal year 2016 of $243.5 million decreased by $7.1 million as compared to 2015 primarily due to a decrease in contributions to NPI of $19.3 million; an increase in interest and amortization expense of $12.2 million; a decrease in miscellaneous expense of $1.9 million; and a loss on disposal of fixed assets of $1.9 million. The loss on disposal of fixed assets primarily represents assets that have been removed as part of the Navy Pier redevelopment project.

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 at June 30, 2015, 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.

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, 2016, 2015, and 2014:

	2016	2015	2014
Current and other assets	$ 440,034	$ 336,698	$ 355,818
Capital assets	2,082,698	2,026,725	2,075,980
Deferred outflows	135,400	128,190	129,134
Total assets and deferred outflows	$ 2,658,132	$ 2,491,613	$ 2,560,932
Current liabilities	$ 245,005	$ 141,008	$ 120,778
Noncurrent liabilities	3,992,573	3,785,581	3,759,220
Deferred inflows	2,467	3,701	4,934
Total liabilities and deferred inflows	4,240,045	3,930,290	3,884,932
Net position:			
Net investment in capital assets	(555,594)	(561,418)	(521,365)
Restricted for debt service	36,969	23,605	34,233
Unrestricted	(1,063,288)	(900,864)	(836,868)
Total net position	(1,581,913)	(1,438,677)	(1,324,000)
Total liabilities, deferred inflows, and net position	$ 2,658,132	$ 2,491,613	$ 2,560,932

The following schedule presents a summary of business-type activities revenues for the fiscal years ended June 30, 2016, 2015, and 2014:

	2016	2015	2014
Operating revenues	$ 155,450	$ 168,512	$ 144,934
Nonoperating revenues:			
State grants	31,700	31,700	36,700
Investment income	155	122	118
Authority taxes	147,155	143,709	131,684
Total nonoperating revenues before capital grant	179,010	175,531	168,502
Capital grant	15,000	40,000	
Total revenues after capital grant	$ 349,460	$ 384,043	$ 313,436

The following schedule presents a summary of business-type activities expenses for the fiscal years ended June 30, 2016, 2015, and 2014:

	2016	2015	2014
Operating expenses:			
Salaries, wages, and benefits	$ 47,689	$ 42,226	$ 45,040
Supplies, repairs, and maintenance	21,751	24,096	23,427
Outsourced operations	63,907	63,532	57,829
Depreciation	91,314	95,240	97,382
Utilities	16,597	18,069	16,706
General and administrative	7,891	4,923	3,877
Total operating expenses	249,149	248,086	244,261
Nonoperating expenses—Interest and amortization expense and miscellaneous	243,547	250,634	229,701
Total expenses	$ 492,696	$ 498,720	$ 473,962

Capital Acquisitions

During fiscal years 2016 and 2015, the Authority spent $126.1 million and $42.9 million, respectively, for capital expenditures. The fiscal year 2016 expenditures primarily relate to the construction for the new Marriott Hotel and the event center. The fiscal year 2015 expenditures primarily relate to the planning, design, and preconstruction costs for the new headquarters hotel and the event center.

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 $3.7 billion and $3.4 billion as of June 30, 2016 and June 30, 2015, respectively. Outstanding original issue yields on the Authority's expansion bonds ranged from 1.98% to 6.8% during fiscal years 2016 and 2015.

On August 5, 2015, Standard & 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 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 June 8, 2016, Moody's Investors Service further downgraded the Authority's Expansion Project Bonds to Baa3 (Negative). On June 9, 2016, Standard & Poor's further downgraded the credit rating on the Authority's Expansion Project Bonds to BBB/Credit Watch Negative and Fitch placed the Authority's Expansion Project Bonds on Rating Watch Negative. On September 30, 2016, Standard and Poor's further downgraded the credit rating on the Authority's Expansion Project Bonds to BBB-/Negative Outlook.

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, 2016 AND 2015
(Dollars in thousands)

	2016	2015
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents—unrestricted	$ 63,512	$ 68,258
Cash and cash equivalents—restricted	3,480	4,422
Investments—restricted	22,326	9,631
Accounts receivable—net of allowance for doubtful accounts of $47 and $85 at June 30, 2016 and 2015, respectively	31,617	25,906
Prepaid expenses	3,067	2,514
Deposit for NPI	4,102	15,608
Authority taxes receivable—restricted	58,278	65,325
Total current assets	186,382	191,664
NONCURRENT ASSETS:		
Investments—restricted	246,325	138,308
Prepaid bond insurance—net of accumulated amortization of $16,195 and $15,675 at June 30, 2016 and 2015, respectively	7,327	6,726
Capital assets:		
Land	250,290	249,824
Buildings and improvements	2,858,437	2,851,945
Furniture and fixtures	33,629	32,590
Machinery and equipment	98,070	108,494
Construction in progress	188,116	63,529
Accumulated depreciation	(1,345,844)	(1,279,657)
Capital assets—net	2,082,698	2,026,725
Total noncurrent assets	2,336,350	2,171,759
Total assets	2,522,732	2,363,423
DEFERRED OUTFLOWS	135,400	128,190
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 2,658,132	$ 2,491,613

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METROPOLITAN PIER AND EXPOSITION AUTHORITY

BUSINESS-TYPE ACTIVITIES
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2016 AND 2015
(Dollars in thousands)

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	**2016**	**2015**
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 46,384	$ 35,107
Advance deposits	8,126	6,447
Retainage payable	11,726	2,770
Workers' compensation	1,364	2,798
Accrued interest	4,405	4,073
Current portion of bonds payable and net premium	85,001	79,992
Amount due to the State of Illinois	5,496	9,721
Other		100
Total current liabilities	162,502	141,008
NONCURRENT LIABILITIES:		
Workers' compensation	3,652	2,887
Amount due to the State of Illinois	42,002	47,498
Bonds payable	3,590,377	3,376,786
Net premium on bonds payable	346,904	356,464
Net pension liability	8,137	1,891
Other liabilities	84,004	55
Total noncurrent liabilities	4,075,076	3,785,581
Total liabilities	4,237,578	3,926,589
DEFERRED INFLOWS	2,467	3,701
NET POSITION:		
Net investment in capital assets	(555,594)	(561,418)
Restricted for debt service	36,969	23,605
Unrestricted	(1,063,288)	(900,864)
Total net position	(1,581,913)	(1,438,677)
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 2,658,132	$ 2,491,613

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, 2016 AND 2015
(Dollars in thousands)

	2016	2015
OPERATING REVENUES:		
Use of exhibition facilities	$ 48,138	$ 53,690
Hospitality revenues	60,101	61,601
Guest services	25,539	31,045
Parking	11,434	12,108
Heating and cooling revenues	7,613	7,842
Other	2,625	2,226
Total operating revenues	155,450	168,512
OPERATING EXPENSES:		
Salaries, wages, and benefits	47,689	42,226
Supplies, repairs, and maintenance	21,751	24,096
Outsourced operations:		
Hotel and other	37,884	37,417
Parking	6,404	6,341
Guest service	19,619	19,774
Subtotal—outsourced operations	63,907	63,532
Depreciation	91,314	95,240
Utilities	16,597	18,069
General and administrative	7,891	4,923
Total operating expenses	249,149	248,086
OPERATING LOSS	(93,699)	(79,574)
NONOPERATING REVENUES (EXPENSES):		
State grants	31,700	31,700
Investment income	155	122
Authority taxes	147,155	143,709
Contribution to NPI	(26,506)	(45,790)
Interest and amortization expense	(214,729)	(202,551)
Loss on disposal of fixed assets	(1,939)	
Miscellaneous—net	(373)	(2,293)
Total nonoperating revenues (expenses)—net	(64,537)	(75,103)
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(158,236)	(154,677)
CAPITAL GRANTS	15,000	40,000
CHANGE IN NET POSITION	(143,236)	(114,677)
NET POSITION—Beginning of year	(1,438,677)	(1,324,000)
NET POSITION—End of year	$(1,581,913)	$(1,438,677)

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, 2016 AND 2015
(Dollars in thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 151,418	$ 162,246
Cash payments for goods and services	(106,658)	(107,823)
Cash payments to or for employees	(47,442)	(44,561)
Net cash flows (used in) provided by operating activities	(2,682)	9,862
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Authority tax receipts and draw on sales tax	144,481	154,807
Grant receipts	31,700	31,700
Capital grant	15,000	40,000
Payments for Notes	(100)	
Bond proceeds and proceeds from notes	224,636	155
Payments for bond refundings	(66,336)	
Payment for bond issuance costs	(1,922)	(4,123)
Payment for bond insurance	(1,120)	
Proceed from sale of asset		1,830
Bond principal repayments	(63,385)	(59,025)
Interest paid	(104,523)	(97,903)
Loan to NPI		5,000
Contribution from tenant	82,500	
Deposit for NPI	11,506	5,790
Contribution expense—NPI	(26,506)	(45,790)
Payments for capital acquisitions	(128,381)	(43,939)
Net cash provided by (used in) capital and related financing activities	117,550	(11,498)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases	(120,711)	
Investment sales, maturities and other receipts		18,597
Receipt of interest and dividends	155	122
Net cash (used in) provided by investing activities	(120,556)	18,719
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,688)	17,083
CASH AND CASH EQUIVALENTS—Beginning of year	72,680	55,597
CASH AND CASH EQUIVALENTS—End of year	$ 66,992	$ 72,680
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Accounts payable and accrued expenses for capital acquisitions	$ 20,323	$ 4,131
Capitalized interest	$ 4,651	$ 2,046

(Continued)

METROPOLITAN PIER AND EXPOSITION AUTHORITY

BUSINESS TYPE ACTIVITIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(Dollars in thousands)

	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating loss	$ (93,699)	$ (79,574)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	91,314	95,240
Changes in operating assets and liabilities:		
Accounts receivable—decrease (increase)	(5,711)	(5,341)
Advance deposits—decrease (increase)	1,679	(925)
Prepaid expenses—increase	(553)	(381)
Accounts payable, accrued expenses and other current liabilities	4,041	3,178
Workers compensation liability increase (decrease)	(669)	(918)
Net pension liability increase (decrease)	916	(1,417)
Total adjustments	91,017	89,436
NET CASH FROM OPERATING ACTIVITIES	$ (2,682)	$ 9,862

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, 2016 AND 2015
(Dollars in thousands)

	2016	2015
ASSETS:		
Investments—at fair value:		
Equity mutual funds	$13,889	$20,305
Common/collective trusts	48,127	46,399
Fixed income securities—separate account	14,708	15,195
Money market mutual fund—separate account	435	257
Money market mutual funds	911	725
Total investments—at fair value	78,070	82,881
Deposit with paying agent	336	322
NET POSITION RESTRICTED FOR PENSION BENEFITS	$78,406	$83,203

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 AS OF JUNE 30, 2016 AND 2015
(Dollars in thousands)

	2016	2015
ADDITIONS:		
Investment income (loss):		
Net increase (decrease) in fair value of		
Plan's interest in:		
Equity mutual funds	$ (1,430)	$ 784
Common/collective trusts	10	(219)
Equity separate account		408
Fixed income mutual fund		290
Fixed income separate account	421	(186)
Interest income	495	501
Dividend income	278	577
Other income	13	1
Less investment expense	(228)	(284)
Net investment income (loss)	(441)	1,872
Employer contributions	242	139
Total additions	(199)	2,011
DEDUCTIONS:		
Deductions from net position attributed to:		
Benefits paid to participants	4,516	4,354
Administrative expenses	82	75
Total deductions	4,598	4,429
(DECREASE) INCREASE IN NET POSITION RESTRICTED FOR PENSION BENEFITS	(4,797)	(2,418)
NET POSITION RESTRICTED FOR PENSION BENEFITS:		
Beginning of year	83,203	85,621
End of year	$78,406	$83,203

See accompanying notes to basic financial statements.

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.

Investments of the fiduciary activities (the Plan) are reported at fair value.

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, 2016 and 2015 was $4.7 million and $2.0 million, 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 $128.1 million and $125.0 million as of June 30, 2016 and 2015, 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, 2012, and 2015 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 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, 2016. 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, 2016. 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, 2016. 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. The Authority implemented this statement during the fiscal year ended June 30, 2016. See Note 2 for disclosures related to the implementation of this statement.

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. The Authority implemented this statement during the fiscal year ended June 30, 2016. The implementation of this statement had no impact on the Authority's financial statements.

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. The Authority implemented this statement during the fiscal year ended June 30, 2016. The implementation of this statement had no impact on the Authority's financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement will be effective for the Authority beginning with its year ending June 30, 2017. The Authority has not yet determined the impact, if any, on its financial statements or disclosures.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

A summary of cash, cash equivalents, and investments as of June 30, 2016 and 2015 is as follows (amounts are in thousands):

	2016	2015
Business-type activities:		
Cash and demand deposits	$ 66,992	$ 72,680
Government money market funds	268,651	147,939
Total business-type activities	335,643	220,619
Fiduciary activities:		
Equity mutual funds	13,889	20,305
Common/collective trusts	48,127	46,399
Fixed income securities—separate account	14,708	15,195
Money market mutual fund—separate account	435	257
Money market mutual funds	911	725
Total fiduciary activities	78,070	82,881
Deposit with paying agent	336	322
Total cash, cash equivalents, and investments	$414,049	$303,822

Business-Type Activities

Investment Policy—Authority investments are made in accordance with the 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. United States Treasury Securities (Bonds, Notes, Certificates of Indebtedness, and Bills). The Authority may invest in obligations of the United States government, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.

2. United States 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 (the 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 United States 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 Authority's investment policy requires that deposits which 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 U.S. 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 Authority'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 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, 2016 are as follows (in thousands of dollars):

		Investment Maturities (Years)			
	Fair Value	**Less than 1**	**1–5**	**6–10**	**More than 10**
Government money market funds	$268,651	$268,651	$ -	$ -	$ -

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

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

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, 2016 and 2015, 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 three 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, 2016 and 2015, 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.

Fair Value of Investments—The Plan measures and records its investments using the fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

As of June 30, 2016 and 2015, all of the Authority's investments, which consist of money market mutual funds, are generally classified in Level 1 of the fair value hierarchy.

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 5.66 years and 5.35 years at June 30, 2016 and June 30, 2015, 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 U.S. 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, 2016 and 2015.

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 and 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, 2016 and 2015. The ratings of the Plan's investments in the fixed-income separate account are as follows at June 30, 2016 (in thousands of dollars):

Credit Ratings	**Corporate Bonds**	**Government Securities**	**Municipal Obligations**	**Money Market**	**Total**
Aaa/AAA	$ 379	$ -	$226	$ -	$ 605
Aa/AA	603		163		766
A/A	2,436		46		2,482
Baa/BBB	3,594		68		3,662
Treasury		2,048			2,048
Agency		5,145			5,145
Not rated				435	435
Total	$7,012	$7,193	$503	$435	$15,143

The ratings of the Plan'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	124			257	381
Total	$7,491	$7,127	$577	$257	$15,452

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, 2016 and 2015, for the purpose of paying retirement benefits due on July 1, 2016 and 2015.

Fair Value of Investments—The Plan measures and records its investments using the fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

The Plan has the following recurring fair value measurements as of June 30, 2016:

Investments Measured at Fair Value ($ Actual)	**6/30/2016**	**Fair Value Measurements Using**		
		Level 1	**Level 2**	**Level 3**
Investments by fair value level:				
Money market mutual fund	$ 1,345,394	$ 1,345,394	$ -	$ -
Total money market mutual funds	1,345,394	1,345,394	-	-
Equity securities:				
Equity mutual funds	13,889,189	13,889,189		
Total equity securities	13,889,189	13,889,189	-	-
Debt securities:				
U.S. treasuries	2,047,617		2,047,617	
Government agencies	5,145,172		5,145,172	
Corporate bonds	7,012,469		7,012,469	
Muni obligations	502,561		502,561	
Total debt securities	14,707,819	-	14,707,819	-
Total investments by fair value level	$ 29,942,402	$ 15,234,583	$ 14,707,819	$ -
Investments measured at the net asset value (NAV):				
Common/collective trust—equity securities	32,539,522			
Common/collective trust—fixed income	15,587,908			
Total Investments measured at the NAV	48,127,430			
Total investments measured at fair value	$ 78,069,832			

Money market mutual fund securities and mutual fund securities classified in Level 1 of the fair value hierarchy are valued using the net asset value (NAV) per share quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using the following approaches:

- U.S. Treasuries: Quoted prices for identical and similar securities in active markets;
- Government agencies and Corporate bonds: Pricing is determined using a matrix pricing technique from a third party pricing service. Matrix pricing creates a bullet, non-call spread scale for each issuer for maturities up to 40 years based on a number of factors including the new issue market, secondary trading, dealer quotes, and option adjusted spreads. Final spreads are then added to the closing U.S. Treasury curve to calculate prices; and
- Municipal bonds: Pricing is determined using a matrix pricing technique from a third party pricing service. Municipal bonds with similar characteristics are grouped together in market sectors and each day, yield curves are adjusted based on trades, other pertinent market information, and a number of other factors including pricing levels on bellweather issues, established trading spreads between similar issuers, historical trading spreads over market benchmarks, and new issue scales.

Investments measured at the net asset value (NAV) as of June 30, 2016 are presented in the following table.

Investments Measured at the NAV ($ Actual)	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Investments measured at the NAV:				
Common/collective trust—equity securities (1)	$ 32,539,522	$ -	Daily	None to 15 business days
Common/collective trust—fixed income (2)	15,587,908		Daily	None
Total investments measured at the NAV	$ 48,127,430			

(1) *Common/Collective Trust—Equity Securities.* This type includes investments in five common / collective trusts that seek to maximize long-term capital growth by investing in equity securities across a broad capitalization range. Seventy-four percent (74%) of the value of the investments of this type invest in U.S. equity securities while 26% of the value of the investments of this type invest in non-U.S. equity securities. The fair values of the investments of this type have been determined using the NAV per unit. The NAV per unit of the trusts is calculated on each business day by dividing the total value of assets, less liabilities, by the number of units outstanding. The trust declarations for three of the funds, representing 73% of the value of the investments of this type, require the trustee to pay the proceeds of a withdrawal in no case more than 10 business days after such trade date for any of the funds. The trustee for two of the funds, representing 59% of the value of the investments of this type, in its discretion, may require the participating plan to send a withdrawal notice up to 15 business days before the withdrawal date. While there are currently no redemption restrictions, the trust declaration for one of the funds representing 15% of the value of investments of this type gives the trustee the discretion to delay the redemption of the participating trust's interest if, in the opinion of the trustee, such redemption would disrupt the management of the fund or otherwise not be in the best interest of the remaining participants of the fund.

(2) *Common/Collective Trust—Fixed Income*. This type includes an investment in a common / collective trust with an objective of seeking high total investment return through a combination of current income and capital appreciation by investing in public or private debt obligations issued or guaranteed by U.S. or foreign issuers. At least 80% of the market value of the fund will be invested in investment grade fixed income securities as determined at the time of purchase, counting cash and cash equivalents toward such percentage. The fair values of the investments of this type have been determined using the NAV per unit. The NAV per unit of the trust is calculated on each business day by dividing the total value of assets, less liabilities, by the number of units outstanding. The declaration of trust states that for a withdrawal of all or substantially all of the assets of a participating trust in the fund, payment of the withdrawal may be made up to four business days after the date of withdrawal.

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2016 are as follows (in thousands of dollars):

	Balance June 30, 2015	Additions/ Accruals	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	$ 249,824	$ 466	$ -	$ 250,290
Construction in progress	63,529	148,503	(23,916)	188,116
Total capital assets not being depreciated	313,353	148,969	(23,916)	438,406
Capital assets being depreciated:				
Buildings and improvements	2,851,945	21,753	(15,261)	2,858,437
Furniture and fixtures	32,590	1,681	(642)	33,629
Machinery and equipment	108,494	739	(11,163)	98,070
Total capital assets being depreciated	2,993,029	24,173	(27,066)	2,990,136
Less accumulated depreciation:				
Buildings and improvements	(1,168,301)	(84,948)	14,923	(1,238,326)
Furniture and fixtures	(16,419)	(2,922)	609	(18,732)
Machinery and equipment	(94,937)	(3,259)	9,410	(88,786)
Total accumulated depreciation	(1,279,657)	(91,129)	24,942	(1,345,844)
Total capital assets being depreciated, net	1,713,372	(66,956)	(2,124)	1,644,292
Total capital assets, net	$ 2,026,725	$ 82,013	$(26,040)	$ 2,082,698

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	28,640	46,232	(11,343)	63,529
Total capital assets not being depreciated	274,283	50,413	(11,343)	313,353
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	106,438	2,112	(56)	108,494
Total capital assets being depreciated	2,986,169	6,916	(56)	2,993,029
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	(86,999)	(7,968)	30	(94,937)
Total accumulated depreciation	(1,184,472)	(95,215)	30	(1,279,657)
Total capital assets being depreciated, net	1,801,697	(88,299)	(26)	1,713,372
Total capital assets, net	$ 2,075,980	$(37,886)	$(11,369)	$ 2,026,725

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 $0.5 million and $4.2 million in fiscal years 2016 and 2015, respectively. Construction in progress includes planning, design, preconstruction, and construction costs related to these projects of approximately $141.9 million and $28.6 million in fiscal years 2016 and 2015, respectively. Approximately, $6.6 million and $17.6 million in fiscal years 2016 and 2015, 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 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. 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 will be 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 $26.5 million and $45.8 million has been spent by NPI during the years ended June 30, 2016 and 2015, respectively, for expenses related to the implementation of the Framework Plan. These amounts are reflected as contributions to NPI in the accompanying statement of revenues, expenses, and changes in net assets for the year ended June 30, 2016 and 2015. A deposit for NPI totaling approximately $4.1 million and $15.6 million is reflected in the accompanying statement of net position as of June 30, 2016 and June 30, 2015, respectively. All leasehold improvements made to Navy Pier during the term of the Lease Agreement are recorded on NPI's financial statements.

5. LONG-TERM DEBT

Long-term debt outstanding at June 30, 2016 and 2015 is as follows (in thousands of dollars):

	2016	2015
Expansion project bonds:		
Series 1992A McCormick Place Expansion Project Bonds, maturing June 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.	$ 168,833	$ 200,839
Series 1994A and B McCormick Place Expansion Project Bonds, maturing June 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.	138,293	141,543
Series 1996A McCormick Place Expansion Refunding Bonds, maturing June 2027, some subject to prior redemption, bearing stated interest at 4.05% to 6.25%	252,903	254,164
Series 1998A and B McCormick Place Expansion Refunding Bonds, maturing June 2029, some subject to prior redemption, bearing stated interest at 4.50% to 50.00% (yielding 4.325% to 5.040%), payable semiannually; bonds with 50% stated interest rate were issued at a premium of approximately five times face value.	105,380	112,190
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%).	719,597	697,698
Series 2010 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.	1,201,145	1,184,589
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.	856,025	854,478
Series 2015 McCormick Place Expansion Project Bonds, maturing June 2053, some subject to prior redemption, bearing stated interest at 5.00% to 5.50% (yielding 4.47% to 6.00%), payable semiannually.	220,406	
Total expansion project bonds	3,662,582	3,445,501
Less current portion	(72,205)	(68,715)
Bonds payable—noncurrent	$ 3,590,377	$ 3,376,786

Changes in long-term obligations for the year ended June 30, 2016 are as follows (in thousands of dollars):

	Balance June 30, 2015	New Issuance/Refunding Additions	New Issuance/Refunding Deletions	(Amortization)/ Accretion—Net	Principal Payments	Balance June 30, 2016	Due within One Year
Bonds payable	$3,445,501	$219,370	$(58,057)	$119,153	$(63,385)	$3,662,582	$72,205
Net premium on bonds payable	367,740	3,820	(573)	(11,287)		359,700	12,796
Amount due to State	57,219				(9,721)	47,498	5,496
Total long-term obligations	$3,870,460	$223,190	$(58,630)	$107,866	$(73,106)	$4,069,780	$90,497

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 Additions	New Issuance/Refunding Deletions	(Amortization)/ Accretion—Net	Principal Payments	Balance June 30, 2015	Due within One Year
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	57,219					57,219	9,721
Total long-term obligations	$3,827,245	$ -	$ -	$102,240	$(59,025)	$3,870,460	$89,713

A summary of interest and amortization expense for the years ended June 30, 2016 and 2015 is as follows (in thousands of dollars):

	2016	2015
Interest incurred	$102,311	$ 95,851
Bond accretion—capital appreciation bonds	119,153	113,113
Amortization of deferred loss on bond refunding	4,199	4,121
Amortization of bond issuance costs	353	338
Amortization of bond premium (discount), net	(11,287)	(10,872)
Total interest and amortization expense	$214,729	$202,551

Annual Requirements—Total debt principal of $3.7 billion (and unamortized accretion on capital appreciation bonds of $4.8 billion) and $2.8 billion interest due on bonds during the next five years and in subsequent five-year periods at June 30, 2016 are as follows (in thousands of dollars):

Year(s) Ending June 30	Principal	Interest
2017	$ 72,205	$ 105,721
2018	76,600	116,228
2019	105,215	115,670
2020	118,470	114,415
2021	134,790	111,093
2022–2026	844,860	500,973
2027–2031	1,123,880	403,479
2032–2036	1,296,910	374,863
2037–2041	1,299,710	372,067
2042–2046	1,346,000	325,772
2047–2051	1,468,376	203,398
2052–2053	645,475	20,743
	$ 8,532,491	$ 2,764,422

The 1992A, 1994, 1996A, 1998, 1999, 2002, 2004A, 2010, 2012, and 2015 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 $41.0 million and $49.4 million at June 30, 2016 and 2015, 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, 2016 and 2015.

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, 2016 and June 30, 2015 was $47.5 million and $57.2 million, respectively, 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 $5.5 million of the amount due to the State of Illinois during fiscal 2017. The remaining balance of $42.0 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 U.S. 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 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, 2016 are as follows (in thousands of dollars):

	Series	**Original Issue**	**Outstanding**	**Escrow**
Description:				
1999 refunding of McCormick Place Hospitality Facilities Revenue Bonds	1996A	$ 127,420	$ 69,560	$ 73,908
2002 refunding of McCormick Place Expansion Project Bonds	1992A, 1994 1996, 1998, 1999	196,228	36,418	62,800
2012 refunding of McCormick Place Expansion Project Bonds	1992A, 2002	767,045	6,778	34,961
2015 refunding of McCormick Place Expansion Project Bonds	1992A, 1994, 1998, 2002, 2012	31,506	30,382	60,346
		$ 1,122,199	$ 143,138	$ 232,015

On September 24, 2016, the Authority issued the Series 2015AB McCormick Place Expansion Project Bonds for an original par amount of $219.4 million, which included $153.2 million Series 2015A Expansion Project Bonds and $66.2 million Series 2015B Expansion Project Refunding Bonds. The bonds were sold at parity with existing Expansion Project Bonds with an all-in interest rate of 5.315% and a final maturity date of June 15, 2053. The proceeds from the Series 2015A Bonds will cover a portion of the cost of constructing the Authority's new Marriott Marquis Chicago hotel. The proceeds of the Series 2015B Bonds will be used to refund a portion of outstanding Series 1992A, Series 1994, Series 1998, Series 2002 and Series 2012B Bonds. The proceeds were placed in an irrevocable trust that is to be used to service the future debt requirements of the old bonds. The difference in cash flows between the old debt and the new debt was $84.0 million, which resulted in an economic loss totaling $4.6 million and a book loss of $7.9 million.

6. 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, non-represented 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. On January 26, 2016, the Plan was amended to state that Special Retirees, as defined per the Plan document, will continue to accrue benefits for Earnings after February 12, 2012. 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, except that Special Retirees will continue to accrue benefits for Earnings after February 29, 2012, per the January 26, 2016 amendment.

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, 2016 and 2015:

	2016	**2015**
Inactive employees or beneficiaries currently receiving benefits	235	224
Inactive employees entitled to but not yet receiving benefits	411	432
Active employees	19	21
Total	665	677

(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 $242 thousand and $139 thousand to the Plan for years ended June 30, 2016 and 2015, respectively.

Net Pension Liability—The Authority's net pension liability was measured as of June 30, 2016 and 2015. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2016 and 2015.

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

Inflation	2.5 percent
Salary increases	June 30, 2016—5.00 percent for Special Retirees and 0 percent for all other retirees; salaries were frozen as of February 29, 2012 June 30, 2015—0 percent for all retirees; salaries were 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

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 %	5.8 %
Small cap domestic equity	10	6.7
International equity	12	5.9
Fixed income securities	38	1.3
Cash	2	
	100 %	

Discount Rate—The discount rate used to measure the total pension liability was 7.00 percent for the years ended June 30, 2016 and 2015. The ratio of the actuarial value of assets to the total actuarial liability is 90.6% and 97.8% as of June 30, 2016 and 2015, 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, 2016, are as follows (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at June 30, 2015	$85,094	$83,203	$1,891
Changes for the year:			
Interest	5,799		5,799
Differences between expected and actual experience	(679)		(679)
Changes of benefit terms	845		845
Contributions—employer		242	(242)
Net investment income		(441)	441
Benefit payments, including refunds of employee contributions	(4,516)	(4,516)	-
Administrative expense		(82)	82
Net changes	1,449	(4,797)	6,246
Balances at June 30, 2016	$86,543	$78,406	$8,137

The changes in net pension liability for the year ended June 30, 2015, are as follows (in thousands of dollars):

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

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, 2016 and 2015:

2016 (in thousands)	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's net pension liability (asset)	$19,446	$8,137	$(1,168)

2015 (in thousands)	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00)%
Authority's net pension liability (asset)	$13,328	$1,891	$(7,482)

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, 2016 and 2015, the Authority recognized a pension expense of $1.2 million and a pension benefit of $1.3 million, respectively. At June 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands of dollars):

	2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	$7,273	$2,467
Total	$7,273	$2,467

	2015	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	$3,177	$3,701
Total	$3,177	$3,701

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	
2017	$ 783
2018	783
2019	2,017
2020	1,223
2021	
Thereafter	

7. OTHER DEFINED CONTRIBUTION PLANS

The Authority's total payroll was $19.7 million and $17.8 million for fiscal years 2016 and 2015, respectively. Total payroll includes employees covered under a number of separate multi-employer union plans. The Authority contributed to 28 separate multi-employer pension, retirement, and annuity plans in both fiscal years 2016 and 2015. 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 $3.1 million and $2.9 million for fiscal years 2016 and 2015, 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 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 8 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 $829 thousand and $646 thousand as of June 30, 2016 and 2015, respectively. The Authority contributed $224 thousand to the Contribution Plan during fiscal year 2016 and $228 thousand during fiscal year 2015.

8. 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.

9. 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 $847,000 and $799,000 for the years ended June 30, 2016 and 2015, respectively. The future minimum lease payments for operating non-cancelable leases through December 31, 2042 are as follows (in thousands of dollars):

Year(s) Ending June 30	**Amount**
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	6,147
	$47,592

10. 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 the Authority 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 through June 30, 2015 and the estimated payroll amounts for fiscal year 2016, plus estimated losses, the Authority established a reserve amount of $1.1 million as of June 30, 2016. The Authority established a reserve amount of $794 thousand as of June 30, 2015 based on audited payroll amounts through June 30, 2014 and estimated payroll amounts for fiscal year 2015, plus estimated losses.

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 administrator calculates 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):

	2016	**2015**
Balance—beginning of year	$4,891	$ 6,034
Claims and changes in estimates during year	(498)	52
Claims paid during year	(452)	(1,195)
Balance—end of year	$3,941	$ 4,891

11. 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.

12. COMMITMENTS AND CONTINGENCIES

In 1998, the Authority began operations at the Hyatt Regency McCormick Place 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.

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, with a five year extension granted through June 30, 2021.

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, 2016 and 2015, was approximately $4.4 million and $4.3 million, respectively, and is included in restricted investments.

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 began in the summer of 2015. Completion 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 1,206-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 November 25, 2014, the Authority awarded a contract for Design/Build services to build a 1,206-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 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, naming rights, and a right to participate in the future value of the property at the conclusion of the contract. The Authority received $82.5 million from the anchor tenant for these rights. The Authority has deferred recognition of revenue associated with the granting of these rights until the revenue is estimable and earned and has recorded the entire amount as other liability in the statement of financial position as of June 30, 2016. The term of the agreement shall end at the conclusion of the 50th contract year following the date of substantial completion of the project.

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, 2016 and 2015, was approximately $7,535 thousand and $5,492 thousand, respectively. During 2016, approximately $3,422 thousand was funded to this account based on Hotel gross receipts and approximately $1,380 thousand was expended for furnishings and equipment for the Hotel.

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, 2016, bond proceeds of $180,292,051 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.

13. SUBSEQUENT EVENTS

On September 30, 2016, Standard and Poor's downgraded the credit rating on the Authority's Expansion Project Bonds from BBB/Negative Outlook to BBB-/Negative Outlook.

* * * * * *

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, 2016, 2015 AND 2014 *
(Unaudited)

	2016	2015	2014
Total pension liability			
Service cost	$ -	$ -	$ -
Interest	5,798,514	5,763,944	5,903,917
Changes of benefit terms	845,366		
Differences between expected and actual experience	(679,191)	(570,338)	(773,763)
Changes of assumptions		(264,626)	4,951,781
Benefit payments	(4,516,085)	(4,354,152)	(4,281,701)
Net change in total pension liability	1,448,604	574,828	5,800,234
Total pension liability—beginning	85,093,955	84,519,127	78,718,893
Total pension liability—ending (a)	86,542,559	85,093,955	84,519,127
Plan fiduciary net position			
Contributions—employer	242,139	139,281	225,036
Net investment income	(441,044)	1,872,152	11,566,393
Benefit payments	(4,516,085)	(4,354,152)	(4,281,701)
Administrative expense	(82,569)	(75,227)	(58,598)
Other			
Net change in plan fiduciary net position	(4,797,559)	(2,417,946)	7,451,130
Plan fiduciary net position—beginning	83,203,301	85,621,247	78,170,117
Plan fiduciary net position—ending (b)	78,405,742	83,203,301	85,621,247
Net pension liability (asset)—ending (a) - (b)	$8,136,817	$1,890,654	$(1,102,120)
Plan fiduciary net position as a percentage of the total pension liability	90.6 %	97.8 %	101.3 %
Covered-employee payroll	$2,122,537	$2,219,248	$ 2,107,218
Net pension liability as a percentage of covered-employees payroll	383.4 %	85.2 %	(52.3)%

Changes of benefit terms: In 2016, the Plan was amended to include salary increases in the accrued benefits of the Special Retirees. A salary scale of 5.00% was added to value the future salary increases for Special Retirees.

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.

* Note - 10 years will be presented when available.

METROPOLITAN PIER AND EXPOSITION AUTHORITY
RETIREMENT PLAN AND TRUST

SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2016, 2015 AND 2014*
(Unaudited)

	2016	2015	2014
Actuarially determined contributions	$ 238,112	$ -	$ 48,566
Employer contribution in relation to actuarially determined contributions	242,139	139,281	225,036
Contribution deficiency (excess)	(4,027)	(139,281)	(176,470)
Covered-employer payroll	2,122,537	2,219,248	1,796,530
Employer contribution as a percentage of covered-employee payroll	11.41 %	(6.28)%	12.53 %

Notes to Schedule

Valuation date:	July 1, 2015	July 1, 2014	July 1, 2013

Actuarially determined contribution rates are calculated as of July 1, of the year in which the contributios are reported.

Methods and assumptions used to determine contribution rates:

Funding method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	24 years (as of 7/1/2015)
Asset valuation method	Fair market value
Inflation	2.50% per year
Cost of living increase	2.25% per year
Salary increases	5% salary scale assumption for Special Retirees in fiscal year 2016 and 0% for all other Active employees; assumed to cease their participation in the Plan as of February 12, 2012.
Payroll growth	None
Interest rate	7.00% per year computed 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 BB (2016 and 2015) and Scale AA (2014).

*Note - 10 Years will be presented when available.

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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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 2, 2016. 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

December 2, 2016