

**BILL PURCELL  
MAYOR**



**DEPARTMENT OF FINANCE  
INTERNAL AUDIT SECTION**

**METROPOLITAN  
GOVERNMENT OF NASHVILLE  
AND DAVIDSON COUNTY**

**222 3<sup>RD</sup> AVENUE NORTH, SUITE 401  
NASHVILLE, TENNESSEE 37201  
Telephone: (615) 862-6110  
FAX Number: (615) 862-6425**

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## *Memo*

***Date:*** October 18, 2004

***Memo to:*** David Manning

***From:*** Kim McDoniel

***Regarding:*** Nashville Coliseum and Gaylord Entertainment Center  
Capital Expenditures

At your request and as part of our Gaylord Entertainment Center audit implementation follow up, we contracted with KPMG to perform certain procedures surrounding capital expenditures related to the Metro Sports Authority's coliseum and arena. One of the primary objectives was to determine whether expenditures were being treated appropriately as capital or as maintenance and repair expenses in accordance with agreements in place and generally accepted accounting principles. In order to make this determination, KPMG reviewed the contractual requirements, policies, and financial reporting practices surrounding capital purchases for the Gaylord Entertainment Center (GEC) and the Coliseum. KPMG's findings and recommendations are included in the attached agreed upon procedures report.

With regard to the GEC, KPMG tested a total of \$1,371,093 of capital purchases and found that \$288,586 of those purchases should have been recorded as operating expenses instead of fixed assets. Since Metro is responsible for funding the GEC's operating and capital expenditures, this does not represent a significant impact on Metro. KPMG also noted that \$70,372 of capital purchases were funded through the GEC's operating budget in 2001, and that the GEC's preliminary fiscal year 2004-2005 operating budget included \$905,500 of expenditures that were actually capital in nature. KPMG recommends that Powers Management ensure the appropriate classification of actual and budgeted capital and non-capital expenditures in the future and that these expenditures for the GEC be more closely monitored.

October 18, 2004  
David Manning  
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With regard to the Coliseum, KPMG tested \$2,194,472 of capital purchases and found only minor misclassifications of expenditures recorded as assets that should have been recorded as expenses totaling \$1,485. KPMG did not have any recommendations surrounding Stadium capital expenditures.

The only other issue KPMG noted was that a new Finance Department staff member had some confusion about the capital budgeting process, but that has since been corrected.

We would like to express our appreciation for the assistance and support provided by the staff at Metro, the Sports Authority, the Coliseum, and the GEC throughout this project. Please let me know if you have any questions or need additional information.

Copy: Metropolitan Sports Authority Board Members  
Walter Overton  
Talia Lomax-O'dneal  
Mitzi Martin



## **KPMG's Report On Applying Agreed Upon Procedures**

The Internal Audit Department  
Metropolitan Government of Nashville and Davidson County  
222 3<sup>rd</sup> Avenue North, Suite 401  
Nashville, Tennessee 37201

We have performed the procedures enumerated below, which were agreed to by management, solely to assist the Metropolitan Government of Nashville and Davidson County (Metro) in assessing whether its obligation regarding capital versus maintenance expenses at both the Nashville Coliseum and the Gaylord Entertainment Center (GEC) have been accounted for in accordance with Generally Accepted Accounting Principles (GAAP) as set out in the respective facility leases. Management is responsible for Metro's assessment of their capital expenditure obligations at each of the facilities. This agreed upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and findings are as follows:

We obtained and read the Stadium Lease between the Metro Sports Authority and Cumberland Stadium, L.P., the Operating and Management Agreement between the Metro Sports Authority and Powers Management, L.L.C. (Powers), the management company of the GEC, and the License and Use Agreement between the Metro Sports Authority and the Nashville Hockey Club Limited Partnership noting the definitions of capital expenses where defined in the respective documents.

### ***Stadium Agreement***

The Metro Sports Authority's primary responsibility with regard to the Stadium Lease is for capital expenses. The Stadium Lease provides that the Sports Authority is responsible for paying Capital Project Expenses, even if they exceed the \$1 million set aside each year in the Capital Fund. The Capital Fund is a segregated account, the purpose of which is to accumulate funds for the payment of Capital Project Expenses and Improved Item Expenses for which the Sports Authority is financially responsible under the Stadium Lease. The Capital Fund was established and is maintained by Metro for the sole benefit of the Sports Authority.

Capital Project Expenses are broadly defined as additions, alterations, improvements or refurbishings required to keep the Stadium in first class condition relative to other comparable facilities. The exact language of the definition for Capital Projects as stated in the Stadium Lease – Annex I is:



- (a) any single addition, alteration, demolition, improvement or Refurbishing of or to **Stadium Equipment** the cost of which (i) is classified as a capital expense by GAAP because, by way of illustration and not of limitation, it increases the then useful life or future service potential of the asset in question or provides a replacement for such asset and (ii) is \$1,500 or more,
- (b) any single addition, alteration, demolition, improvement or Refurbishing of or to any **property constituting part of the Facilities or any portion thereof** (other than the Stadium Equipment) the cost or expense of which (i) is classified as a capital expense by GAAP because, by way of illustration and not of limitation, it increases the then useful life or future service potential of the asset in question or provides a replacement for such asset and (ii) is \$1,500 or more,
- (c) any single addition, alteration, demolition, improvement, or Refurbishing of or to the **Facilities or any portion thereof** (other than the Stadium Equipment) that has a cost of \$10,000 or more, and
- (d) any **series of** additions, alterations, demolitions, improvements, or Refurbishings of or to the **Facilities or any part thereof** (other than the Stadium Equipment) that (i) under ordinary and customary business practices would be clearly viewed as being a single project, (ii) under ordinary and customary business practices would be effectuated by entering into a single contract with a contractor or other applicable Person, and (iii) has a cost of \$10,000 or more.

The \$1,500 and \$10,000 figures referred to in this definition shall be adjusted on the first day of each Lease Year by multiplying \$1,500 and \$10,000, as applicable, by the Factor (i.e. 1.04) for such Lease Year. Thus, the figures currently in Lease Year 5 are approximately \$1,755 and \$11,699. Notwithstanding the foregoing, the doming of the Stadium shall not be a “Capital Project.”

Cumberland Stadium L.P. is obligated to pay for any Special Capital Project Expenses. Special Capital Projects are defined as any addition, alteration, demolition improvement or Refurbishing solely to areas in the Stadium dedicated to the exclusive use of the luxury suite holders and their invitees or portions of the Facilities that are used solely by Lessee, the NFL Team Entity and the Team.

### ***GEC Agreement***

With regard to the GEC, the Metro Sports Authority is responsible for providing funds to Powers necessary to pay the operating expenses reasonably incurred by Powers to perform its management responsibilities at the GEC. In addition, the Metro Sports Authority is also responsible to fund any operating deficit as well as fund all capital expenditures for the GEC with the exception of alterations to Team Exclusive Areas, which include the Office Area and the Team Locker and Training Room.



As the Metro Sports Authority is obligated to pay for both operating and capital expenses incurred at the GEC, there is no specific definition of a Capital Expense outlined in Metro Sports Authority's Operating and Management Agreement with Powers. The Agreement does state, however, that Powers does not have the authority to make any material alterations, additions, changes or improvements to the Arena without the prior written approval of the Metro Sports Authority. For purposes of this provision, "material" means any single alteration, addition, change or improvement costing in excess of \$25,000 or any series of additions, alterations, changes or improvements costing in excess of \$25,000 which under ordinary and customary business practices would be viewed as being a single project.

GEC capital expenditures are recorded on Metro's accounting books of record. Thus, we obtained and read the Metro Department of Finance Capitalization Policy to serve as a basis for determining whether certain GEC expenditures were accurately capitalized or expensed. The dollar threshold for capitalizing alterations, additions, changes or improvements purchased by Metro is \$5,000 per item. The Capitalization Policy did allow for items falling below the \$5,000 threshold to be capitalized, at the discretion of department heads. Note, however, that for purposes of our review of historical expenditures at the GEC, the \$5,000 threshold was utilized in the determination of whether the expenditures were accurately capitalized or expensed.

### ***GAAP Sources***

Finally, we cited other sources to assist in assessing whether certain expenses at the Nashville Coliseum and the GEC have been accounted for in accordance with GAAP. The GAAP Guide explains that Fixed Assets have two primary characteristics:

1. They are acquired for in use of operations and enter into the revenue-generating stream indirectly. They are held primarily for use, not for sale.
2. They have relatively long lives.

The GAAP Guide goes on to define leasehold improvements as investments in improvements on leased assets to enhance their usefulness. Further guidance is given for constructed fixed assets noting that all *direct costs* should be included in the total cost of the asset.

Intermediate Accounting Text defines capital expenditures as those expenditures incurred after the initial acquisition costs and the asset placed into operation that benefit the operations for more than one period. The accounting issue is to determine if these costs provide benefit to more than one operating period.

Costs for repairs and maintenance, additions, improvements, replacements rearrangements, and reinstallations are examples of expenditures that take place after acquisition. In general, any cost incurred that extends the productive life of the asset, increases productivity, or enhances the quality of the services delivered is capitalized. These attributes are associated with providing additional service potential that should increase future net cash inflows to the entity.



### ***Policies and Practices***

While these conceptual guidelines seem straightforward, judgment, materiality, and expediency sometimes modify them in practice. Many entities have established policies regarding minimum dollar amounts before expenditures are capitalized.

We made inquiries to management at the Nashville Coliseum, GEC and Metro Department of Finance about the policies governing the distinction between expenditures to be capitalized and those charged to repairs and maintenance.

Nashville Coliseum management stated that distinction between expenditures to be capitalized and those charged to repairs and maintenance are governed by the policy outlined in the Stadium Lease between Metro Sports Authority and Cumberland Stadium L.P.

Management at the GEC and Metro Department of Finance, however, stated that distinction between expenditures to be capitalized and those charged to repairs and maintenance have historically been governed by the annual capital funding amounts approved and made available for the GEC rather than adherence to the Metro Department of Finance Capitalization Policy. Thus, we observed that certain historical repair and maintenance expenses that did not meet Metro's capitalization requirements were capitalized due to available capital funds. It is important to reiterate, however, that capitalizing these expenses had no bearing on Metro's obligation, as they would have had to fund them whether classified as operating or capital expenses.

### ***Stadium Findings and Conclusions***

We obtained and read the register of all Stadium Capital Fund transactions from the date of the first funded transaction (12/7/00) through September 30, 2003. We obtained supporting documentation (e.g. invoices, construction contracts, authorizations) for \$2,194,472 of \$2,399,620 (91%) in Stadium Capital Fund transaction activity from the date of the first funded transaction through September 30, 2003 and found them to be in agreement with the respective amounts paid through the Stadium Capital Fund (see Exhibit 1). We requested documentation for the additional \$205,148 from both Metro and management at the Nashville Coliseum, but were unable to obtain it by the end of our fieldwork.

Of the \$2,194,472 in supporting documentation for Stadium Capital Fund transactions that we obtained and read, \$2,192,987 appeared to be accounted for in accordance with the Stadium Lease as well as GAAP. Only two minimal transactions totaling \$1,485 were identified as should having been recorded as repairs and maintenance expense.



### ***GEC Findings and Conclusions***

We obtained and read schedules detailing GEC Capital Fund transactions for fiscal years ending June 30, 2001, 2002, and 2003. We were informed by management of both Powers and Metro, that no capital funding for GEC transactions has taken place for the eight months ended February 29, 2004.

We obtained supporting documentation for \$641,977 of \$650,000 (99%) in GEC Capital Fund transaction activity for the year ended June 30, 2001 (FY 2001), and found it to be in agreement with the respective amounts paid through the GEC Capital Fund (see Exhibit 2). We requested documentation for the additional \$8,023 from both Metro and Powers management, but were unable to obtain it by the end of our fieldwork.

Of the \$641,977 in supporting documentation for FY 2001 GEC Capital Fund transactions that we obtained and read, \$532,206 appeared to be accounted for in accordance with the Metro Finance Department's Capitalization Policy and/or GAAP. Eight transactions totaling \$109,771 were identified as expenditures that should have been recorded as repairs and maintenance expense. These were primarily expenses for painting, which were considered operating in nature.

In FY 2001, it was further noted that Powers actually expended approximately \$720,372 for which it considered capital. According to Powers management, the difference between the amount actually spent by Powers (\$720,372) and what was funded by Metro (\$650,000), which equals \$70,372, was absorbed through the general operating expenditures of the GEC.

We obtained supporting documentation for the entire \$346,127 in GEC Capital Fund transaction activity for the year ended June 30, 2002 (FY 2002), and found it to be in agreement with the respective amounts paid through the GEC Capital Fund (see Exhibit 3).

Of the \$346,127 in supporting documentation for FY 2002 GEC Capital Fund transactions that we obtained and read, \$175,026 appeared to be accounted for in accordance with the Metro Finance Department's Capitalization Policy and/or GAAP. Twenty-nine transactions totaling \$171,101 were identified as expenditures that should have been recorded as repairs and maintenance expense. These were primarily expenses for cleaning, painting, radios and batteries, which were considered operating in nature, as well as other items that did not meet the capitalization threshold of \$5,000 set by Metro's Department of Finance.

We obtained supporting documentation for the entire \$382,989 in GEC Capital Fund transaction activity for the year ended June 30, 2003 (FY 2003), and found it to be in agreement with the respective amounts paid through the GEC Capital Fund (see Exhibit 4).



Of the \$382,989 in supporting documentation for FY 2003 GEC Capital Fund transactions that we obtained and read, \$375,275 appeared to be accounted for in accordance with the Metro Finance Department's Capitalization Policy and/or GAAP. Five transactions totaling \$7,714 were identified as expenditures that should have been recorded as repairs and maintenance expense. These were primarily expenses that did not meet the capitalization threshold of \$5,000 set by Metro's Department of Finance.

We obtained operating expense account activity reports for the repairs and maintenance and general and administrative expense accounts for the GEC for fiscal years 2001, 2002 and 2003. We read the reports for these two accounts for the three fiscal years and noted that they appropriately did not contain any GEC Capital Fund transactions.

Schedules detailing GEC Capital fund transactions were not readily available from Metro's Department of Finance for the fiscal years ended June 30, 2000 (FY 2000) and prior. Powers management provided us with a schedule showing \$205,588 in FY 2000 capital expenditures, but no further support was readily available. Thus, we did not perform any review of GEC Capital Fund transactions for FY 2000 or prior years.

We obtained and read a preliminary proposed operating budget submitted by Powers management for the fiscal year ended June 30, 2005 (FY 2005), including detail totaling \$983,600 of the \$1,459,300 proposed for the repairs and expense budget (see Exhibit 5). The additional \$475,700 of expense was identified as the GEC's normal annual repairs and maintenance expense by Powers management, but no further breakdown of these expenses was provided.

Of the \$983,600 in itemized repair and maintenance expenses included in the preliminary proposed FY 2005 budget submitted by Powers management, we estimate that \$905,500 would be considered capital expenditures in accordance with Metro's Capitalization Policy and/or GAAP.

### ***Recommendations***

The following summarizes our recommendations based upon observations made during our performance of the agreed upon procedures enumerated above.

- It was noted during our procedures that the distinction between expenditures to be capitalized and those charged to repairs and maintenance have historically been governed by the annual capital funding amounts approved and made available for the GEC rather than adherence to the Metro Department of Finance capitalization policy. This has resulted in certain historical repair and maintenance expenses that did not meet Metro's capitalization requirements being capitalized due to available capital funds. The decision as to whether to capitalize expenditures should be governed by Metro's capitalization policy rather than available capital funding.





- It was discovered that in FY 2001 Powers spent approximately \$70,000 more on capital expenditures for the GEC than was approved by Metro. According to facility management, these excess expenditures were absorbed through the general operating expenditures of the GEC, which exceeded its budgeted operating loss for the year. In the future, capital expenditures for the GEC should be closely monitored to determine that only those amounts approved by Metro are expended.
- Unlike Stadium capital improvement requests, it is important to recognize that Powers' requested capital improvement projects for the GEC are evaluated and prioritized within the context of the total annual funding requests made by all Metro departments. This enhances the need for prioritization and justification of capital improvement requests made by Powers. As such, Powers should prepare a cost/benefit analysis that it presents to Metro for all large future capital expenditures, which can be defined by a certain agreed upon dollar figure. This analysis should be monitored as appropriate in an effort to identify and correct variances related to the projected benefit of the expenditure.
- While we did not review Metro's capital budgeting process, it came to our attention that there was confusion among Metro's Finance personnel as to whether GEC capital funds that were available but not used in the fiscal year for which they were approved rolled over to the next fiscal year and were available for use. A clear distinction should be set forth in Metro's capital budgeting policy and communicated to Metro Finance personnel as to whether rollovers of unused capital funds from one fiscal year to the next are allowed.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the historical accuracy of Metro's funding of capital expenditures at both the Nashville Coliseum and GEC. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of Metro's Internal Audit Department, and is not intended to be and should not be used by anyone other than the specified party.

March 26, 2004

**KPMG LLP**



Exhibit 1

**Metropolitan Government of Nashville and Davidson County  
Nashville Coliseum Capital Fund Expenses  
From Inception through the Month Ended September 30, 2003**

Transaction	Vendor	Invoice Date	Capital Fund Expense	Capital Fund Date	Appropriately Capitalized
Stadium restroom revisions	HOK Sports Facilities Group	6/23/00	\$ 3,406.27	12/7/00	Yes
Stadium restroom revisions	Powell Building Group, Inc.	6/29/00	\$ 47,766.11	12/7/00	Yes
Stadium restroom revisions	Powell Building Group, Inc.	7/27/00	\$ 117,005.44	12/7/00	Yes
Stadium trash receptacles	Stringfellow, Inc.	8/12/99	\$ 158,286.56	1/25/02	Yes
Stadium trash receptacles	American Paper & Twine	8/31/99	\$ 24,374.90	1/25/02	Yes
Paving of Coliseum Parking Lot E	HMA Contractors	5/31/02	\$ 20,500.00	6/30/02	Yes
Paving of Coliseum Parking Lot E	HMA Contractors	5/31/02	\$ 2,625.00	6/30/02	Yes
Paving of Coliseum Parking Lot T	HMA Contractors	8/21/02	\$ 5,294.74	9/18/02	Yes
Paving of Coliseum Parking Lot T	HMA Contractors	8/21/02	\$ 47,000.00	9/18/02	Yes
Paving of Coliseum Parking Lot T	Ray Bell Construct.	8/28/02	\$ 60,601.60	9/18/02	Yes
Paving of Coliseum Parking Lot E - Mgmt services	Facilities Planning & Construction Mgmt.	10/1/02	\$ 375.00	10/8/02	Yes
Paving of Coliseum Parking Lot T - Mgmt services	Facilities Planning & Construction Mgmt.	10/1/02	\$ 10,000.00	10/8/02	Yes
Purchase and installation of seat cup holders	Caddy Products	7/30/98	\$ 69,289.50	12/9/02	Yes
Purchase and installation of seat cup holders	Caddy Products	8/25/98	\$ 71,410.50	12/9/02	Yes
Purchase and installation of seat cup holders	Caddy Products	8/28/98	\$ 5,350.62	12/9/02	Yes
Purchase and installation of seat cup holders	Caddy Products	8/28/98	\$ 3,481.80	12/9/02	Yes
Purchase and installation of seat cup holders	GDS Seating, Inc.	2/22/99	\$ 16,513.10	12/9/02	Yes
Purchase and installation of seat cup holders	GDS Seating, Inc.	4/19/99	\$ 24,330.65	12/9/02	Yes
400-amp electrical service tailgate parking area	Wolfe & Travis	6/25/99	\$ 26,653.00	12/9/02	Yes
400-amp electrical service tailgate parking area	Wolfe & Travis	8/11/99	\$ 24,981.00	12/9/02	Yes
Sideline and end zone field-level banners	Flying Colors, Inc.	7/22/99	\$ 35,000.00	12/9/02	Yes
X-ray support arm	Southeastern, Inc.	8/10/99	\$ 12,040.00	12/9/02	Yes
Video cabling to control room and TV truck bay	ATC AmeriComm	8/26/99	\$ 33,412.80	12/9/02	Yes
Video cabling to control room and TV truck bay	ATC AmeriComm	NA	\$ 2,756.55	12/9/02	NA
Electric hoist and beam installation	Powell Building Group, Inc.	8/30/99	\$ 14,723.00	12/9/02	Yes
Stadium signage	Griggs Award*Sign*Flag Co.	8/31/99	\$ 14,545.34	12/9/02	Yes
Remote mobile wireless antenna for control room	Technical Industries, Inc.	9/15/99	\$ 5,570.99	12/9/02	Yes
Sideline and end zone field-level banners	Flying Colors, Inc.	9/15/99	\$ 30,294.66	12/9/02	Yes
Sideline and end zone field-level banners	Flying Colors, Inc.	NA	\$ 4,101.90	12/9/02	NA
Data cabling - press area, control room & prod. room	TelData Corp.	9/16/99	\$ 20,074.16	12/9/02	Yes
Cable-operated door mechanism	Fibrex Group, Inc.	8/25/99	\$ 9,012.28	12/9/02	Yes
Install Circuitry for X-ray room	Amprite Electric Company	9/24/99	\$ 15,865.00	12/9/02	Yes
Repair circuits above X-ray room damaged by anchors	Amprite Electric Company	10/5/99	\$ 6,526.05	12/9/02	Yes
No smoking signs	Griggs Award*Sign*Flag Co.	10/12/99	\$ 11,564.22	12/9/02	Yes
Tile removal & replacement; Turf repair	Powell Building Group, Inc.	11/16/99	\$ 26,234.47	12/9/02	Yes
Installation of first-row cupholders	Powell Building Group, Inc.	12/9/99	\$ 13,053.00	12/9/02	Yes
Installation of masonry wall/door in visitors locker room	Powell Building Group, Inc.	NA	\$ 11,370.00	12/9/02	NA
Water Line work	Performance Contracting, Inc.	NA	\$ 8,343.00	12/9/02	NA
Heat tracing electrical work	Amprite Electric Company	NA	\$ 16,500.00	12/9/02	NA
Flat screen monitors in control room	Sound Creations, Inc.	NA	\$ 6,620.58	12/9/02	NA
Concourse banners	Flying Colors, Inc.	NA	\$ 50,864.00	12/9/02	NA
Control room equipment and installation	Technical Industries, Inc.	NA	\$ 8,551.75	12/9/02	NA
Flag poles and brackets for concourse banners	Powell Building Group, Inc.	NA	\$ 31,726.00	12/9/02	NA
Installation of heaters and equipment	Amprite Electric Company	NA	\$ 11,351.00	12/9/02	NA
Control room equipment and installation	Media Consultants	NA	\$ 17,851.02	12/9/02	NA
Replace cooling coil (air-conditioning system)	Lee Company	NA	\$ 35,112.00	12/9/02	NA
Fence Repair	Rio Grande Fence Co	8/12/02	\$ 942.40	1/16/03	No
Paving of Coliseum Parking Lot T	Ray Bell Construct.	12/6/02	\$ 14,036.40	1/28/03	Yes
Closed Circuit TV System	Powell Building Group, Inc.	11/30/02	\$ 312,492.55	4/21/03	Yes
Closed Circuit TV System	Powell Building Group, Inc.	1/12/03	\$ 640,674.31	4/21/03	Yes
Closed Circuit TV System	Powell Building Group, Inc.	1/28/03	\$ 238,621.64	6/30/03	Yes
Fence Repair	Rio Grande Fence Co	8/14/03	\$ 543.00	9/5/03	No
<b>Total</b>			<b>\$2,399,619.86</b>		

Notes: Supporting invoices for Capital Fund transactions totaling approximately \$205,148 were not provided by Metro's Department of Finance for our review. These transactions are denoted by an "NA" in the Invoice Date and Appropriately Capitalized Columns.

Based on documentation reviewed, two capital fund transactions totaling approximately \$1,485 were identified as expenditures that should have been recorded as repair and maintenance expense, as they did not meet the definition of capital project expenses as defined in the Stadium Lease.



Exhibit 2

**Metropolitan Government of Nashville and Davidson County  
Gaylord Entertainment Center Capital Fund Activity  
For Year Ended June 30, 2001**

	Invoice Date	Terrazzo	Carpet/ Tile	General Capital	Total	Appropriately Capitalized
<b>Budget</b>		125,000.00	300,000.00	225,000.00	650,000.00	
<b>Vendor</b>						
Niagara Research	4/24/00	1,400.00			1,400.00	Yes
Concrete Cutting Systems	5/11/00	375.00			375.00	Yes
CSMC, Inc.	6/30/00			2,554.00	2,554.00	No
Commercial Finishing-Painting	8/30/00			18,276.81	18,276.81	No
David Allen Company	8/30/00	87,000.00			87,000.00	Yes
The Floor Store	8/31/00		6,560.76		6,560.76	Yes
Builders Specialties Co. of Tennessee	9/8/00			12,296.00	12,296.00	Yes
Combs Industrial Service	9/8/00	2,054.50			2,054.50	Yes
Combs Industrial Service	9/9/00	2,310.00			2,310.00	Yes
Commercial Finishing-Painting	9/11/00			23,684.30	23,684.30	No
Combs Industrial Service	9/11/00	1,744.75			1,744.75	Yes
Combs Industrial Service	9/14/00	2,779.00			2,779.00	Yes
The Floor Store	9/18/00		8,000.00		8,000.00	Yes
Trans Ceramica LTD	9/19/00		24,730.41		24,730.41	Yes
The Floor Store	9/19/00		3,920.00		3,920.00	Yes
David Allen Company	9/20/00	23,000.00			23,000.00	Yes
CSMC, Inc.	9/20/00			2,714.00	2,714.00	No
Crown Tent & Awning, Inc.	9/21/00			1,155.04	1,155.04	Yes
Crown Tent & Awning, Inc.	NA			7,991.76	7,991.76	NA
J&J Interiors, Inc.	9/25/00		263,087.50		263,087.50	Yes
The Floor Store	9/25/00		10,700.83		10,700.83	Yes
HOK Sports Facilities Group	9/27/00			12,701.60	12,701.60	Yes
Commercial Finishing-Painting	10/3/00			54,793.05	54,793.05	No
Builders Specialties Co. of Tennessee	10/3/00			1,005.02	1,005.02	Yes
Artcrete & Restorations	10/4/00			11,069.00	11,069.00	Yes
CSMC, Inc.	10/6/00			4,019.00	4,019.00	No
Artcrete & Restorations	10/12/00			11,069.00	11,069.00	Yes
Pritchard	10/17/00	9,551.59			9,551.59	Yes
Pritchard	10/17/00	12,211.76			12,211.76	Yes
Builders Specialties Co. of Tennessee	10/20/00			779.00	779.00	Yes
New Appearance Cabinets	10/21/00			3,400.00	3,400.00	No
Collective Edge	10/23/00			330.16	330.16	No
Combs Industrial Service	10/26/00	567.00			567.00	Yes
Artcrete & Restorations	10/30/00			11,069.00	11,069.00	Yes
Artcrete & Restorations	11/9/00			11,069.00	11,069.00	Yes
Other	NA			31.16	31.16	NA
Actual Expenditures		142,993.60	316,999.50	190,006.90	650,000.00	
<b>Balance</b>		(17,993.60)	(16,999.50)	34,993.10	0.00	

Notes: Supporting invoices for Capital Fund transactions totaling approximately \$8,023 were not provided by Metro's Department of Finance for our review. These transactions are denoted by an "NA" in the Invoice Date and Appropriately Capitalized Columns.

Based on the documentation reviewed, eight Capital Fund transactions totaling approximately \$109,771 were identified as expenditures that should have been recorded as repairs and maintenance expense in accordance with the Metro Finance Department's Capitalization Policy and/or GAAP.



Exhibit 3

Metropolitan Government of Nashville and Davidson County  
Gaylord Entertainment Center Capital Fund Activity  
For the Year Ended June 30, 2002

	Inv. Date	Roof Clean/Temp. Tie-off System	Roof Painting	Roof Repair/Improve	Repair Disk/Expan. Joints/Floor	Re-Aim Arena Bowl Light.	Rehears. Hall Dry Wall	Radios & Batteries	Multiplexer, Monitor & Recorders	Visitors Dressing Rooms	Cleaning Extractors & Supplies	300 Level Cup Holder Replcmt.	Computers	Riser Infills & Parts	Mtg. Rms. Carpet & Recond'ing	Glass Wall at Tower	Penalty Box Door	Total	Appropriately Capitalized
<b>Budget</b>		75,000.00	50,000.00	50,000.00	20,000.00	15,000.00	20,000.00	10,000.00	5,000.00	40,000.00	10,000.00	25,000.00	15,000.00	12,000.00	54,000.00	0.00	0.00	401,000.00	
<b>Vendor</b>																			
Sorci & Swords Design, Inc.	11/6/00														307.90			307.90	No
Advanced Comm.Sol.	7/31/01							3,963.30										3,963.30	No
MCSI	8/13/01								450.66									450.66	No
Advanced Comm. Sol.	8/14/01							4,920.00										4,920.00	No
Caddy Products	8/15/01											33,021.89						33,021.89	Yes
Musco Sports Lighting, LLC	8/16/01					8,250.00												8,250.00	No
MCSI	8/16/01								2,812.34									2,812.34	No
Crown Corr Inc.	8/21/01			1,658.00														1,658.00	No
Dell	8/21/01											13,420.73						13,420.73	Yes
Advanced Comm. Sol.	8/21/01							350.00										350.00	No
Commercial Finishing, Inc.	8/21/01		12,601.20															12,601.20	No
MCSI	8/29/01								487.13									487.13	No
MCSI	9/4/01								10.92									10.92	No
Maxwell Roof.& Sheet Metal	9/20/01	30,980.00																30,980.00	No
H.H. Gregg	9/20/01								863.84									863.84	No
Commercial Finishing, Inc.	9/21/01													4,125.00				4,125.00	Yes
J & J Interiors, Inc.	9/21/01													18,697.00				18,697.00	Yes
Commercial Finishing, Inc.	9/21/01		35,114.32															35,114.32	No
Commercial Finishing, Inc.	9/21/01		6,660.00															6,660.00	No
David Allen Company	9/22/01				14,000.00													14,000.00	No
Combs Industrial Serv., Inc.	10/4/01				884.48													884.48	No
Waste Management	10/11/01													1,399.08				1,399.08	Yes
MCSI	10/17/01								990.49									990.49	No
Sorci & Swords Design, Inc.	10/18/01													312.50				312.50	Yes
Gardner Service Corp.	10/22/01															4,914.00		4,914.00	No
Ozburn Hessy Co.	10/23/01									18,588.00								18,588.00	Yes
Dell	10/24/01											427.28						427.28	No
Commercial Finishing, Inc.	11/19/01													10,251.00				10,251.00	Yes
Sorci & Swords Design, Inc.	11/29/01													83.80				83.80	Yes
Athletica	12/12/01															2,558.00		2,558.00	No
Commercial Finishing, Inc.	12/12/01													7,599.50				7,599.50	Yes
Ozburn Hessy Co.	12/19/01									11,858.00								11,858.00	Yes
Sorci & Swords Design, Inc.	12/27/01													25.00				25.00	Yes
Gardner Contracting LLC	1/8/02				17,525.00													17,525.00	No
CSMC. Inc.	1/17/02						16,283.00											16,283.00	Yes
Maxwell Roof.& Sheet Metal	1/30/02			1,720.00														1,720.00	No
Stageright Corporation	2/21/02												10,600.00					10,600.00	Yes
Commercial Finishing, Inc.	2/25/02													3,853.00				3,853.00	No
Maxwell Roof. & Sheet Metal	2/28/02			3,120.00														3,120.00	No
Maxwell Roof. & Sheet Metal	3/21/02			1,980.00														1,980.00	No
All New Refurbishing	3/29/02													9,561.75				9,561.75	Yes
Maxwell Roof. & Sheet Metal	6/7/02			19,200.00														19,200.00	Yes
NAMCO	8/9/02										3,421.60							3,421.60	No
NAMCO	8/9/02										5,443.79							5,443.79	No
NAMCO	8/9/02										833.58							833.58	No
<b>Actual Expenditures</b>		30,980.00	54,375.52	27,678.00	32,409.48	8,250.00	16,283.00	9,233.30	5,615.38	30,446.00	9,698.97	33,021.89	13,848.01	10,600.00	56,215.53	4,914.00	2,558.00	346,127.08	
<b>Balance</b>		44,020.00	(4,375.52)	22,322.00	(12,409.48)	6,750.00	3,717.00	766.70	(615.38)	9,554.00	301.03	(8,021.89)	1,151.99	1,400.00	(2,215.53)	(4,914.00)	(2,558.00)	54,872.92	

**Note:** Based on the documentation reviewed, 29 capital fund transactions totaling approximately \$171,101 were identified as expenditures that should have been classified as repairs and maintenance expenses in accordance with the Metro Finance Department's Capitalization Policy and/or GAAP.



Exhibit 4

Metropolitan Government of Nashville and Davidson County  
Gaylord Entertainment Center Capital Fund Activity  
For the Year Ended June 30, 2003

	Invoice Date	Risor System Refurbish	HVAC Controls	Security Cameras	Computer Upgrades/ Asset Mgmt.	Truss Sys. Move and Set-Up	Retractable Rail Risors	Seating Area Railing	TV's & VCR's	NHL Netting	Total	Appropriately Capitalized
<b>Budget</b>		140,000.00	120,000.00	50,000.00	40,000.00	35,000.00	10,000.00	0.00	10,000.00	50,000.00	455,000.00	
<b>Vendor</b>												
Dell	8/5/02				12,266.72						12,266.72	Yes
CDW Computer Centers, Inc.	8/7/02				1,356.79						1,356.79	No
Jump Ease Inc.	8/23/02								2,400.00		2,400.00	Yes
Jump Ease Inc.	8/28/02								7,181.00		7,181.00	Yes
Bandit Lites	8/30/02					26,490.10					26,490.10	Yes
Crew One Productions, Inc.	9/6/02					1,644.30					1,644.30	Yes
E.T. Paddock Enterprises, Inc.	9/9/02	109,640.00									109,640.00	Yes
Peak Trading Corp.	9/20/02									172.00	172.00	Yes
Athletica	9/26/02								5,321.09		5,321.09	Yes
Labor Ready	9/27/02								297.50		297.50	Yes
Sunbelt Rentals	9/30/02								7,668.00		7,668.00	Yes
Jump Ease Inc.	10/4/02								26,281.00		26,281.00	Yes
D&D Associates, LLC	10/21/02		23,704.40		4,957.20						28,661.60	Yes
Electronic Express	10/23/02								5,326.30		5,326.30	Yes
Stageright Corporation	11/6/02	1,411.84									1,411.84	No
MCSI	11/12/02			45,057.00							45,057.00	Yes
D&D Associates, LLC	11/25/02		17,778.30		3,717.90						21,496.20	Yes
Stageright Corporation	12/9/02							1,480.00			1,480.00	No
Projector People	1/10/03								1,149.00		1,149.00	No
Tennessee Visual Service Co.	2/10/03								2,316.51		2,316.51	No
D&D Associates, LLC	6/30/03				16,110.90						16,110.90	Yes
D&D Associates, LLC	7/3/03		59,261.00								59,261.00	Yes
Actual Expenditures		111,051.84	100,743.70	45,057.00	38,409.51	28,134.40	0.00	1,480.00	8,791.81	49,320.59	382,988.85	
Balance		28,948.16	19,256.30	4,943.00	1,590.49	6,865.60	10,000.00	(1,480.00)	1,208.19	679.41	72,011.15	

**Note:** Based on the documentation reviewed, five capital fund transactions totaling approximately \$7,714 were identified as expenditures that should have been recorded as repairs and maintenance expense in accordance with the Metro Finance Department's Capitalization Policy and/or GAAP.



**Exhibit 5**

<b>Metropolitan Government of Nashville and Davidson County Gaylord Entertainment Center Repair and Maintenance Expense Budget For the Year Ended June 30, 2005</b>		
<b>Description</b>	<b>Budgeted Amount</b>	<b>Capital or Operating Expense</b>
Riser Repair	\$ 154,000	Capital
Radios and Batteries	\$ 33,000	Operating
Computers and Software Upgrades	\$ 11,000	Capital
Vomitory Curtain Tracks	\$ 16,500	Capital
Ice Rink Slab Repair	\$ 8,800	Operating
Pump Replacement	\$ 33,000	Capital
Frequency Drive Pump Repairs/Refurbish	\$ 22,000	Capital
Seating Repairs and Replacement	\$ 55,000	Capital
Railing for Bowl	\$ 11,000	Capital
Single Man Aerial Lift	\$ 15,400	Capital
Chiller Motor Test and Refurbishing	\$ 11,000	Capital
Fan Coil Unit Replacement	\$ 22,000	Capital
Steam Valve and Hot Water Heater Replacement	\$ 44,000	Capital
Ice Rink Controls	\$ 33,000	Capital
Bus Power Distro Panel	\$ 26,400	Capital
Staging	\$ 28,600	Capital
500 Folding Chairs	\$ 46,750	Capital
Replacement Tables	\$ 16,500	Capital
Matting (Entrance)	\$ 8,800	Operating
Glycol Pump Rebuild	\$ 5,500	Capital
Restripe Parking Lots in Garage	\$ 11,000	Capital
Rehearsal Hall Lighting	\$ 22,000	Operating
Heat Exchanger Replacement	\$ 11,000	Capital
Scaffolding	\$ 5,500	Operating
Dasher Board Upgrade	\$ 160,000	Capital
Valve Replacement	\$ 80,000	Capital
Trash Cans	\$ 11,000	Capital
Hockey Nets	\$ 8,800	Capital
Four-sided Shot-clocks (NCAA Requirement)	\$ 27,500	Capital
Basketball Floor Refinish (NCAA 3 pt. Line change)	\$ 27,500	Capital
Inspect and Replace Hockey Netting Rigging	\$ 17,050	Capital
Other Repair and Maintenance Expenses - Various	<u>\$ 475,700</u>	NA
<b>Total</b>	<b>\$ 1,459,300</b>	

Notes: The table above represents the support provided by Powers for the preliminary Repairs and Maintenance Expense budget at the GEC for FY 2005. Included is \$475,700 of "Other" Repairs and Maintenance Expense for which no further breakdown was provided. Thus, no determination of classification between capital or operating expense was made for this line item as denoted by "NA".

Based on the description and the amount of the budgeted expense above, \$905,500 of the \$983,600 of budgeted Repairs and Maintenance Expenses for which a detailed description was provided should be budgeted as Capital Expenditures rather than Repairs and Maintenance Expense in accordance with Metro Finance Department's Capitalization Policy and/or GAAP.