

**CONFERENCE CENTER AT COOL SPRINGS**

**(A JOINT VENTURE BETWEEN  
THE CITY OF FRANKLIN, TENNESSEE AND  
WILLIAMSON COUNTY, TENNESSEE)**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**DRAFT**

CONFERENCE CENTER AT COOL SPRINGS

Table of Contents

	<u>Page</u>
INTRODUCTION .....	1 - 2
INDEPENDENT AUDITOR'S REPORT .....	3 - 5
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	6 - 11
FINANCIAL STATEMENTS	
Statements of Net Position.....	12
Statements of Revenue, Expenses and Changes in Net Position.....	13
Statements of Cash Flows.....	14
Notes to Financial Statements .....	15 - 21
SUPPLEMENTARY INFORMATION	
Schedule of Insurance Coverage - Unaudited .....	22
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i> .....	23 - 24

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# CONFERENCE CENTER AT COOL SPRINGS

## INTRODUCTION

The Conference Center at Cool Springs (the "Conference Center") is pleased to present its Annual Financial Report for the years ended June 30, 2014 and 2013.

### **Responsibility and Controls**

The Conference Center has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Conference Center's system of internal accounting controls is evaluated on an ongoing basis by the Conference Center's internal financial staff. Crosslin & Associates, P.C., the Conference Center's external auditors, also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Conference Center's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position of the Conference Center as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Management and Those Charged with Governance**

The Conference Center is owned jointly by the City of Franklin, Tennessee and Williamson County, Tennessee. The Conference Center is managed under a contract with Davidson Hotels and Resorts.

Michael Sanders

Davidson Hotels and Resorts  
General Manager – Franklin  
Marriott Cool Springs

## CONFERENCE CENTER AT COOL SPRINGS

### INTRODUCTION

#### City of Franklin, Tennessee:

Eric Stuckey	City Administrator
Board of Mayor and Alderman:	
Ken Moore	Mayor
Ann Petersen	At Large
Clyde Barnhill	At Large
Brandy Blanton	At Large
Pearl Bransford	At Large
Beverly Burger	Ward 1
Dana McLendon	Ward 2
Michael Skinner	Ward 3
Margaret Martin	Ward 4

#### Williamson County, Tennessee:

Rogers Anderson	County Mayor
County Commission:	
Dwight Jones	District 1
Ricky D. Jones	District 1
Elizabeth C. "Betsy" Hester	District 2
Judy Herbert	District 2
Matt Milligan	District 3
David Pair	District 3
Kathy Danner	District 4
Gregg Lawrence	District 4
Lewis W. Green Jr.	District 5
Thomas W. "Tommy" Little	District 5
Jeff Ford	District 6
Paul Webb	District 6
Bert Chalfant	District 7
Tom Bain	District 7
Jack Walton	District 8
Barb Sturgeon	District 8
Todd Kaestner	District 9
Sherri Clark	District 9
Matt Williams	District 10
David Landrum	District 10
Brian Beathard	District 11
Brandon Ryan	District 11
Steve Smith	District 12
Dana Ausbrooks	District 12

## INDEPENDENT AUDITOR'S REPORT

To the Owners of the  
Conference Center at Cool Springs  
Franklin, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Conference Center at Cool Springs (the "Conference Center"), a Joint Venture between the City of Franklin, Tennessee and Williamson County, Tennessee, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Conference Center's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the Owners of the  
Conference Center at Cool Springs

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Conference Center at Cool Springs as of June 30, 2014 and 2013, and the changes in financial position and its cash flows for the years then ended in accordance 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 management's discussion and analysis on pages 6 through 11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Conference Center's basic financial statements. The introductory section and the supplementary schedule, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Owners of the  
Conference Center at Cool Springs

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, on our consideration of the Conference Center'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 Conference Center's internal control over financial reporting and compliance.

Nashville, Tennessee  
December 3, 2015

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**CONFERENCE CENTER AT COOL SPRINGS  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

The Management of the Cool Springs Conference Center, on behalf of its joint owners, the City of Franklin, Tennessee and Williamson County, Tennessee, provide the following discussion and analysis of the financial performance of the Conference Center's activities for the fiscal years ended June 30, 2015 and 2014 with comparisons to 2014 and 2013, respectively.

**Financial Highlights**

- The assets of the Conference Center exceeded its liabilities at the close of the most recent fiscal year by \$11,412,665 compared to \$11,587,393 in 2014. This represents a decrease of \$174,728 in net position from the preceding year. In comparison, net position decreased by \$277,310 from \$11,864,703 in 2013 to \$11,587,393 in 2014.
- The Conference Center's cash increased by \$79,740 to \$963,853 at the close of fiscal year 2015, due primarily to results of operations. The Conference Center's cash increased by \$168,284 from fiscal year 2013 to 2014, totaling \$884,113 at June 30, 2014. The majority of cash is restricted, by agreement, for capital expenditures.
- The Conference Center's capital assets (net of accumulated depreciation) were \$10,431,873 at June 30, 2015, as compared to \$10,672,154 at June 30, 2014. Capital assets (net of accumulated depreciation) totaled \$11,107,713 at June 30, 2013. The decrease from 2013 to 2014 and from 2014 to 2015 is due to annual depreciation taken on the Conference Center's capital assets offset by additions. Additions were minimal in fiscal year 2014. In 2015, the Conference Center commenced a renovation project, which totaled \$246,733 in progress at June 30, 2015.
- Operating revenues increased to \$6,441,532 in fiscal year 2015, representing a 1% from 2014. Operating revenue decreased to \$6,338,571 in 2014, or 6% less from that of 2013 due to continued increased competition in the area during 2014.
- Operating expenses totaled \$6,525,755 for 2015, which represents an increase of 0.5% from 2014. Operating expenses decreased to \$6,494,952 for 2014, a decrease of 1% from that of 2013.
- The Conference Center's net distributions to the City and County governments amounted to \$69,744 in 2015 as compared to \$194,158 in 2014. The decrease was due to additional funds restricted for capital expenditure (from 4% to 5% of operating revenues). The increase to the restricted funds relates to the start of the renovation project. Additionally, operating results were less favorable than budgeted. Net distributions to the City and County governments amounted to \$492,922 for 2013.

**CONFERENCE CENTER AT COOL SPRINGS  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

**Overview of the Financial Statements**

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements and Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

*Required financial statements:*

The financial statements of the Conference Center use accounting methods similar to private-sector businesses. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the Conference Center's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligation to creditors (liabilities). The Center had no deferred outflows or deferred inflows of resources at June 30, 2015 or 2014. The statement also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Conference Center.

Net position presents information on all of the Conference Center's assets and liabilities, with the difference reported as net position. Over periods of time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Conference Center is improving or deteriorating.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Conference Center's operations over the past year and can be used to determine whether the Conference Center has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Conference Center's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities and provides answers to such questions as "from where did cash come?" "for what was cash used?" and "what was the change in cash balance during the reporting period?"

**CONFERENCE CENTER AT COOL SPRINGS  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

*Notes to financial statements:*

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 15 of this report.

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

One of the most important questions asked about the Conference Center's finances is "Is the Conference Center as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Conference Center's activities in a way that will help answer this question. These two statements report the net position of the Conference Center and changes therein. Therefore, the Conference Center's net position - the difference between assets and liabilities - could be considered as one way to measure financial health.

Over time, increases or decreases in the Conference Center's net position is one indicator of whether its financial health is improving or deteriorating. However, the reader will need to also consider other non-financial factors such as changes in economic conditions, population growth, competition and new or changed environmental regulations.

The Conference Center's net position decreased by \$174,728 during the current fiscal year. Our analysis below focuses on the Conference Center's net position (Table 1) and changes in net position (Table 2) from 2014 to 2015 and from 2013 to 2014.

Conference Center assets exceeded liabilities by \$11,412,665 at the close of the most recent fiscal year. By far, the largest portion of the Conference Center's assets (91%) reflects its investment in capital assets (e.g., land, building, and equipment). The land and building and certain improvements were initially constructed by the City of Franklin and Williamson County and contributed for use as a conference center facility. The Conference Center uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**CONFERENCE CENTER AT COOL SPRINGS  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

**TABLE 1: FINANCIAL POSITION**

	<u>2015</u>	<u>2014</u>	<u>Difference</u>	<u>2013</u>	<u>Difference</u>
<b>CURRENT ASSETS</b>					
Cash					
Restricted for capital expenditure	\$ 876,126	\$ 812,422	\$ 63,704	\$ 652,841	\$ 159,581
Unrestricted	87,727	71,691	16,036	62,988	8,703
Total cash	963,853	884,113	79,740	715,829	168,284
Due from the City/County	-	50,010	(50,010)	-	50,010
Due from hotel operator	216,271	5,038	211,233	80,704	(75,666)
Other receivables	9,679	-	9,679	-	9,679
Prepaid expenses	1,054	11,065	(10,011)	14,498	(3,433)
Total current assets	<u>1,190,857</u>	<u>950,226</u>	<u>240,631</u>	<u>811,031</u>	<u>139,195</u>
<b>NON-CURRENT ASSET</b>					
Capital assets	15,835,399	15,565,770	269,629	15,470,627	95,143
Less accumulated depreciation	<u>(5,403,526)</u>	<u>(4,893,616)</u>	<u>(509,910)</u>	<u>(4,362,914)</u>	<u>(530,702)</u>
Capital assets, net	<u>10,431,873</u>	<u>10,672,154</u>	<u>(240,281)</u>	<u>11,107,713</u>	<u>(435,559)</u>
Total assets	<u>11,622,730</u>	<u>11,622,380</u>	<u>350</u>	<u>11,918,744</u>	<u>(296,364)</u>
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued expenses	11,026	19,860	(8,834)	13,496	6,364
Due to hotel operator	19,651	15,127	4,524	14,686	441
Due to City/County	179,388	-	179,388	25,859	(25,859)
Total liabilities	<u>210,065</u>	<u>34,987</u>	<u>175,078</u>	<u>54,041</u>	<u>(19,054)</u>
<b>NET POSITION</b>					
Investment in capital assets	10,431,873	10,672,154	(240,281)	11,107,713	(435,559)
Restricted	876,126	812,422	63,704	652,841	159,581
Unrestricted	104,666	102,817	1,849	104,149	(1,332)
<b>TOTAL NET POSITION</b>	<u><b>\$11,412,665</b></u>	<u><b>\$11,587,393</b></u>	<u><b>\$ (174,728)</b></u>	<u><b>\$11,864,703</b></u>	<u><b>\$ (277,310)</b></u>

**CONFERENCE CENTER AT COOL SPRINGS  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

Changes in the Conference Center's net position can be determined by reviewing the details of Revenue, Expenses and Changes in Net Position for the years below.

**TABLE 2: CHANGES IN NET POSITION**

	<u>2015</u>	<u>2014</u>	<u>Difference</u>	<u>2013</u>	<u>Difference</u>
<b>OPERATING REVENUE</b>					
Banquet and catering	\$ 6,411,532	\$ 6,338,571	\$ 72,961	\$ 6,751,087	\$ (412,516)
<b>OPERATING EXPENSES</b>					
Banquet and catering expenses	3,501,781	3,663,118	(161,337)	3,740,287	(77,169)
Administrative and general	485,758	458,206	27,552	488,130	(29,924)
Sales and marketing	1,075,822	843,442	232,380	783,083	60,359
Utilities	285,859	306,842	(20,983)	323,619	(16,777)
Repairs and maintenance	245,963	285,090	(39,127)	290,902	(5,812)
Catering management fee	189,684	184,165	5,519	178,801	5,364
Management fees	186,972	181,521	5,451	176,234	5,287
Insurance and other fixed costs	44,006	41,866	2,140	40,801	1,065
Depreciation	509,910	530,702	(20,792)	521,049	9,653
Total operating expenses	<u>6,525,755</u>	<u>6,494,952</u>	<u>30,803</u>	<u>6,542,906</u>	<u>(47,954)</u>
Operating income (loss)	(114,223)	(156,381)	42,158	208,181	(364,562)
<b>OTHER INCOME</b>	9,239	73,229	(63,990)	35,192	38,037
<b>NET DISTRIBUTIONS TO LOCAL GOVERNMENTS</b>					
	<u>(69,744)</u>	<u>(194,158)</u>	<u>124,414</u>	<u>(492,922)</u>	<u>298,764</u>
Change in net position	(174,728)	(277,310)	102,582	(249,549)	(27,761)
<b>NET POSITION, beginning of year</b>	<u>11,587,393</u>	<u>11,864,703</u>	<u>(277,310)</u>	<u>12,114,252</u>	<u>(249,549)</u>
<b>NET POSITION, end of year</b>	<u>\$11,412,665</u>	<u>\$11,587,393</u>	<u>\$ (174,728)</u>	<u>\$11,864,703</u>	<u>\$ (277,310)</u>



**CONFERENCE CENTER AT COOL SPRINGS  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

**Financial Statement Discussion and Economic Factors:**

The Conference Center continues to be one of the premier banquet and meeting facilities in Middle Tennessee. The Conference Center, like other facilities of this type, was opened with the intent in mind for it to be used as a vehicle to bring additional visitors into Franklin and Williamson County. We have been successful in attaining that goal. The Conference Center has continued to evolve as a successful economic catalyst for local businesses and area restaurants and also continues to exceed the initial expectations for revenue actualization from its opening performance. While the economic uncertainty of the recent past has continued to impact the Conference Center's overall revenues, we have mitigated this impact to the extent possible with a very intensive and directed sales and marketing effort by our sales team. With the rebound in the U.S. economy, and particularly the strength of the Franklin and Williamson County economy, the Conference Center has seen increased competition over the past several years. While competition has increased, we have aggressively attacked the local catering market and have secured the business of many specialized events and functions.

As qualified applicants remain a challenge for staffing, we will continue to utilize certain contract labor for kitchen, housekeeping, and some conference set-up. This allows us to have the depth needed within our staff to accommodate many short-term bookings that we are continuing to experience. We will continue to utilize and manage our energy conservation program in order to maintain the always-rising utility costs associated with operating a successful conference center.

The current level of guest satisfaction remains in the upper echelon of all Marriott hotels and conference centers. The Marriott "Red Coat" program continues to be an excellent tool to provide exemplary customer service as well as the Marriott "Gold Key" program. Both of these programs have proven to be excellent guest satisfaction tools and will allow us to continue the high level of service above the competition. With the continuation of increasing supply offering newer venues, customer satisfaction will continue to be the deciding factor for many repeat groups and will help us secure the business before they have the option of shopping elsewhere.

We forecast that 2015-2016 operations to remain relatively consistent with 2014-2015. Demand for group meetings and local catering is remaining steady. We will continue to be aggressive with cost controls and take advantage of contingencies and efficiencies that have been in place during the economic downturn of the past several years.

**Additional Information:**

This financial report is designed to provide citizens, customers, and creditors with a general overview of the Conference Center's finances and to demonstrate the Conference Center's accountability for the money it receives. If you have any questions concerning any of the information provided in this report or need additional information, contact the Conference Center General Manager at:

Marriott Hotel and Conference Center  
700 Cool Springs Blvd.  
Franklin, Tennessee 37067

CONFERENCE CENTER AT COOL SPRINGS  
STATEMENTS OF NET POSITION

ASSETS

	June 30,	
	2015	2014
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Restricted for capital expenditure	\$ 876,126	\$ 812,422
Unrestricted	87,727	71,691
Total cash and cash equivalents	963,853	884,113
Receivables		
Due from local governments	-	50,010
Due from hotel operator	216,271	5,038
Other	9,679	-
Prepaid expenses and other	1,054	11,065
Total current assets	1,190,857	950,226
<b>CAPITAL ASSETS</b>	10,431,873	10,672,154
Total assets	11,622,730	11,622,380

LIABILITIES AND NET POSITION

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	11,026	19,860
Due to local governments	179,388	-
Due to hotel operator	19,651	15,127
Total liabilities	210,065	34,987
<b>NET POSITION</b>		
Investment in capital assets	10,431,873	10,672,154
Restricted	876,126	812,422
Unrestricted	104,666	102,817
Total net position	\$ 11,412,665	\$ 11,587,393

See accompanying notes to financial statements.

CONFERENCE CENTER AT COOL SPRINGS  
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	Year Ended June 30,	
	2015	2014
OPERATING REVENUE		
Food and beverage:		
Banquet and catering	\$ 6,411,532	\$ 6,338,571
OPERATING EXPENSES		
Banquet and catering expenses	3,501,781	3,663,118
Administrative and general	485,758	458,206
Sales and marketing	1,075,822	843,442
Utilities	285,859	306,842
Repairs and maintenance	245,963	285,090
Catering management fee	189,684	184,165
Management fees	186,972	181,521
Insurance and other fixed costs	44,006	41,866
Depreciation	509,910	530,702
Total operating expenses	6,525,755	6,494,952
Operating loss	(114,223)	(156,381)
NON-OPERATING REVENUE AND EXPENSE		
Other income	9,239	73,229
Loss before distributions	(104,984)	(83,152)
NET DISTRIBUTIONS TO LOCAL GOVERNMENTS	(69,744)	(194,158)
Decrease in net position	(174,728)	(277,310)
NET POSITION, AT BEGINNING OF YEAR	11,587,393	11,864,703
NET POSITION, AT END OF YEAR	\$ 11,412,665	\$ 11,587,393

See accompanying notes to financial statements.



CONFERENCE CENTER AT COOL SPRINGS  
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 6,204,823	\$ 6,414,678
Cash paid to and on behalf of employees	(2,350,978)	(2,666,921)
Cash paid to suppliers	(3,673,369)	(3,287,532)
Other	9,239	73,229
Net cash provided by operating activities	189,715	533,454
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Contributions from City of Franklin and Williamson County	596,468	150,194
Distributions to City of Franklin and Williamson County	(436,814)	(420,221)
Net cash provided by (used in) non-capital financing activities	159,654	(270,027)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(269,629)	(95,143)
Net cash used in capital and related financing activities	(269,629)	(95,143)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	79,740	168,284
<b>CASH AND CASH EQUIVALENTS:</b>		
BEGINNING OF YEAR	884,113	715,829
END OF YEAR	\$ 963,853	\$ 884,113
<b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		
Operating loss	\$ (114,223)	\$ (156,381)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Other	9,239	73,229
Depreciation	509,910	530,702
(Increase) decrease in:		
Receivable from hotel operator	(206,709)	76,107
Other receivables	(9,679)	-
Prepaid expenses	10,011	3,433
Increase (decrease) in:		
Accounts payable and accrued expenses	(8,834)	6,364
Net cash provided by operating activities	\$ 189,715	\$ 533,454

See accompanying notes to financial statements.

CONFERENCE CENTER AT COOL SPRINGS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

The Conference Center at Cool Springs (the "Conference Center") is a meeting and banquet facility consisting of approximately 55,000 square feet of space, including a grand ballroom and meeting rooms, which adjoins the Franklin Marriott Hotel (the "Hotel") in Franklin, Tennessee. The Conference Center is a joint venture between the City of Franklin, Tennessee (the "City") and Williamson County, Tennessee (the "County", and collectively the "Parties"). An Interlocal Agreement executed between the City and County provides for equal ownership by each of the Parties of a one-half undivided interest in the Conference Center and further specifies that each of the Parties shall be entitled to one-half of the net revenue and shall be responsible for one-half of all costs and expenses of the operation and maintenance of the Conference Center.

As of June 30, 2014, the Hotel was owned by a non-related, third party, and was managed under a management agreement by the Noble - Interstate Management Group, (the "Hotel Operator"). Effective July 25, 2014, the Hotel property was sold to another third-party. In connection with the sale, the Hotel changed management companies to Davidson Hotel and Resorts, under a new management agreement.

The Conference Center facility was developed to attract conventioners, business travelers, tourists, vacationers, and other visitors, to provide meeting space for residents and groups in the area, and to promote the economic development of the City of Franklin and Williamson County.

Measurement Focus and Basis of Accounting

The accounting policies of the Conference Center conform to U.S. generally accepted accounting principles applicable to governmental units. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the useful lives and valuation of property and equipment, the valuation of accounts receivable, and the appropriateness of the allocations of joint Conference Center and Hotel expenses (see Note E). Actual results could differ from those estimates.

CONFERENCE CENTER AT COOL SPRINGS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Operating and Non-Operating Revenue and Expense

The Conference Center distinguishes operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the principal ongoing operations. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with financial institutions. The Conference Center considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents for purposes of the statement of cash flows.

Capital Assets

Capital assets, which include property and equipment are reported in the accompanying financial statements at historical cost. Capitalized cost of property and equipment includes improvements that significantly add to utility or extend useful lives. Costs of maintenance and repairs are charged to expense as incurred. The Conference Center generally capitalizes items with a cost greater than \$1,000 and an economic life greater than one year. Depreciation has been provided over estimated useful lives using the straight-line method.

The estimated useful lives of capital assets are as follows:

Buildings and improvements	25 - 50 years
Equipment	10 - 20 years
Furniture and fixtures	5 - 10 years

Net Position

The Conference Center's net position classifications are as follows:

- Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation. When applicable, this component would be reported net of any outstanding balances of bonds, mortgages, notes, capital lease obligations or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets; there were no such items at June 30, 2015 or 2014.

CONFERENCE CENTER AT COOL SPRINGS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- Restricted net position - This component consists of net position restricted by grantors, contributors, or laws and regulations of other governments and restrictions imposed by law or through constitutional provisions or enabling legislation.
- Unrestricted net position - This component consists of net position that do not meet the definition of “restricted” or “investment in capital assets.”

The Conference Center’s policy is to expend any available restricted resources prior to expending unrestricted resources.

B. CASH AND CASH EQUIVALENTS

The Conference Center is authorized to invest funds in, among other things, Federal treasury bills and notes and financial institution demand deposit accounts. During fiscal years 2015 and 2014, the Conference Center invested funds that were not immediately needed in demand deposits and interest bearing accounts of financial institutions.

At June 30, 2015, the bank balances and recorded balances of cash and cash equivalents were \$1,005,392 and \$963,853, respectively, with the difference due primarily to outstanding checks.

*Custodial credit risk* for deposits is the risk that in the event of a bank failure, the Conference Center deposits may not be returned or the Conference Center will not be able to recover collateral securities in the possession of an outside party. Consistent with State law, the Conference Center’s policy requires that deposits be either (i) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institution, less the amount protected by federal depository insurance or (ii) that deposits be placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Institutions participating in the collateral pool determine the aggregate balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. At June 30, 2015 and 2014, the Conference Center’s cash deposits were held by financial institutions that participates in the State Bank Collateral Pool.

*Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Conference Center policy provides that to the extent practicable, investments are matched with anticipated cash flows.

CONFERENCE CENTER AT COOL SPRINGS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

B. CASH AND CASH EQUIVALENTS – Continued

At June 30, 2015 and 2014, the Conference Center has cash restricted for capital expenditure totaling \$876,126 and \$812,422, respectively. This amount is presented in current assets as the Conference Center expects significant current use of these funds for renovations and other capital expenditures. Additionally, the restricted cash is spent for equipment replacement as needed.

C. CAPITAL ASSETS

A summary of changes in capital assets for fiscal years 2015 and 2014 is as follows:

	Balance <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
Cost:				
Land	\$ 892,108	\$ -	\$ -	\$ 892,108
Building and improvements	12,328,510	-	-	12,328,510
Equipment	2,345,152	22,896	-	2,368,048
Renovation in progress	-	246,733	-	246,733
	<u>15,565,770</u>	<u>269,629</u>	<u>-</u>	<u>15,835,399</u>
Accumulated Depreciation:				
Building and improvements	3,328,717	246,570	-	3,575,287
Equipment	1,564,899	263,340	-	1,828,239
	<u>4,893,616</u>	<u>509,910</u>	<u>-</u>	<u>5,403,526</u>
Capital assets, net	<u>\$10,672,154</u>	<u>\$(240,281)</u>	<u>\$ -</u>	<u>\$10,431,873</u>
	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Cost:				
Land	\$ 892,108	\$ -	\$ -	\$ 892,108
Building and improvements	12,328,510	-	-	12,328,510
Equipment	2,250,009	95,143	-	2,345,152
	<u>15,470,627</u>	<u>95,143</u>	<u>-</u>	<u>15,565,770</u>
Accumulated Depreciation:				
Building and improvements	3,082,147	246,570	-	3,328,717
Equipment	1,280,767	284,132	-	1,564,899
	<u>4,362,914</u>	<u>530,702</u>	<u>-</u>	<u>4,893,616</u>
Capital assets, net	<u>\$11,107,713</u>	<u>\$(435,559)</u>	<u>\$ -</u>	<u>\$10,672,154</u>



CONFERENCE CENTER AT COOL SPRINGS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

C. CAPITAL ASSETS - Continued

Depreciation expense amounted to \$509,910 and \$530,702 for 2015 and 2014, respectively.

During fiscal year 2015, the Conference Center began a significant renovation project to its facilities, which is included as renovation in progress within capital assets. At June 30, 2015, the estimated costs to complete the renovations totaled approximately \$400,000.

D. CONTRACTUAL COMMITMENTS

Franchise Agreement

The Conference Center is operated under a franchise agreement between the Hotel owner and Marriott International, Inc. The term of the franchise agreement is 25 years, unless otherwise extended or terminated. The agreement provides for the Conference Center to pay Marriott International, Inc. a franchise fee equal to \$35,000 per year for the first 60 months of operations and \$75,000 per each additional year that the Conference Center is in operations. The franchise fee for each of the years ended June 30, 2015 and 2014 was \$75,000.

Operating Agreement

The City and County entered into a 15-year operating agreement for the Conference Center with the Hotel Operator to manage the facility. Under the operating agreement, the Conference Center will pay the Hotel Operator a specified annual management fee. The annual base fee of \$125,000 shall escalate on a fiscal year basis at a rate generally equal to the greater of three percent per year or the Consumer Price Index increase with respect to the prior fiscal year. The management fee for the years ended June 30, 2015 and 2014 was \$186,972 and \$181,521, respectively.

Catering Agreement

The City and County entered into a catering agreement with the Hotel Operator to provide all food and beverage catering services to the Conference Center. The term of this agreement is contemporaneous with the Conference Center operating agreement between the City and County and the Hotel Operator. Under the catering agreement, the Conference Center will pay the Hotel Operator a catering fee of \$10,000 per month during the term of the agreement. This fee will escalate annually at a rate generally equal to the greater of three percent per year or the Consumer Price Index increase with respect to the preceding calendar year. The catering fee for the years ended June 30, 2015 and 2014 was \$189,684 and \$184,165, respectively.

CONFERENCE CENTER AT COOL SPRINGS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015 AND 2014

E. RELATED PARTY TRANSACTIONS

Because the Hotel and the Conference Center are operated together, the Hotel allocates certain expenses to the Conference Center, as follows:

Food and beverage costs are allocated to the Conference Center based on the ratio of the Conference Center food and beverage revenue to total food and beverage revenue for the Hotel and Conference Center on a monthly basis.

General and administrative and repair and maintenance expenses are allocated to the Conference Center based on the ratio of total Conference Center revenue to total combined revenue for the Conference Center and the Hotel on a monthly basis.

Advertising and sales expenses are allocated to the Conference Center based on a fixed 50% allocation for each period.

At June 30, 2015, the Conference Center had a balance due from the Hotel of \$216,271 and a balance due to the Hotel of \$19,651. At June 30, 2014, the Conference Center had a balance due from the Hotel of \$5,038 and a balance due to the Hotel of \$15,127. These amounts represent primarily revenues and allocated joint costs of the Conference Center, which will be reimbursed in the subsequent month.

As described above, the Hotel allocates certain joint expenses to the Conference Center. These joint expenses are subject to audit and adjustment at the Hotel level, which could cause additional amounts to be allocated to the Conference Center. In the opinion of management, all allocations have been appropriately made during fiscal years 2015 and 2014 and the result of any adjustments would not be material to the financial position or results of operations of the Conference Center.

Under terms of the operating agreement, the City and County are to share equally in the Conference Center "cash flows," as defined in the agreement. As a result, aggregate operating surpluses distributed to local governments in the amounts of \$69,744 and \$194,158 were made during 2015 and 2014, respectively. Details of these payments are as follows:

	<u>2015</u>	<u>2014</u>
Operating assistance contributed from local governments	\$ 546,458	\$ 200,204
Operating surpluses distributed to local governments	<u>(616,202)</u>	<u>(394,362)</u>
Net distributions to local governments	<u><u>\$( 69,744)</u></u>	<u><u>\$(194,158)</u></u>

CONFERENCE CENTER AT COOL SPRINGS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

E. RELATED PARTY TRANSACTION - Continued

At June 30, 2014, the City and County both owed the Conference Center \$25,005. At June 30, 2015, the Conference Center owed \$75,917 to Williamson County and \$103,471 to the City of Franklin

F. RISK MANAGEMENT

The Conference Center is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, personal injuries and natural disasters. Responsibility for risk management is included in the contract operator agreement; each party buys insurance to cover its share of any losses. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Conference Center. Annual reviews of the various exposures are made to keep coverage up to date. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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**SUPPLEMENTARY INFORMATION**

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CONFERENCE CENTER AT COOL SPRINGS  
SUPPLEMENTARY INFORMATION

Schedule of Insurance Coverage - Unaudited

June 30, 2015 and 2014

The Conference Center was insured under the following policies of Noble - Interstate Management Group, LLC, the Hotel Operator. The following information is provided by representatives of Noble - Interstate Management Group, LLC:

<u>Insurance</u>	<u>Limited</u>
Workers' compensation	\$1,000,000
Commercial general liability, occurrence basis	\$2,000,000
Umbrella / excess liability	\$25,000,000

The City of Franklin and Williamson County, Tennessee provide the following policies for their own protection:

Property:	
Building and contents	\$8,550,000
Contents	\$1,000,000

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

To the Owners of the  
Conference Center at Cool Springs  
Franklin, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Conference Center at Cool Springs (the "Conference Center"), a Joint Venture between the City of Franklin, Tennessee and Williamson County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Conference Center's basic financial statements, and have issued our report thereon dated December 3, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Conference Center'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conference Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conference Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Conference Center'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 Conference Center'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 Conference Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nashville, Tennessee  
December 3, 2015