

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, 2019 AND 2018**

**SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

CONFERENCE CENTER AT COOL SPRINGS

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CONFERENCE CENTER AT COOL SPRINGS
INTRODUCTION
JUNE 30, 2019

The Conference Center at Cool Springs (the “Conference Center”) is pleased to present its Annual Financial Report for the years ended June 30, 2019 and 2018.

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, PLLC, 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. However, no audit opinion is expressed on internal controls.

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, 2019 and 2018, 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 Chartwell Hospitality.

Matthew Lahiff

Chartwell Hospitality
General Manager - Franklin
Marriott Cool Springs

CONFERENCE CENTER AT COOL SPRINGS
INTRODUCTION
JUNE 30, 2019

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

Scott Speedy

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

Jennifer Mason

District 3

Keith Hudson

District 3

Chad Story

District 4

Gregg Lawrence

District 4

Beth Lothers

District 5

Thomas W. "Tommy" Little

District 5

Erin Nations

District 6

Paul Webb

District 6

Bert Chalfant

District 7

Tom Tunncliffe

District 7

Jerry W. Rainey

District 8

Barb Sturgeon

District 8

Chas Morton

District 9

Matt Williams

District 9

Robbie Beal

District 10

David Landrum

District 10

Brian Beathard

District 11

Sean R. Aiello

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, 2019 and 2018, 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, 2019 and 2018, 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 XX, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Conference Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Conference Center's internal control over financial reporting and compliance.

Nashville, Tennessee
December XX, 2019

**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, 2019 and 2018 with comparisons to 2018 and 2017, respectively.

Financial Highlights

- The assets of the Conference Center exceeded its liabilities at the close of the most recent fiscal year by \$11,035,257 compared to \$11,086,469 in 2018. This represents a decrease of \$51,212 in net position from the preceding year. In comparison, net position decreased by \$43,727 from \$11,130,196 in 2017 to \$11,086,469 in 2018.
- The Conference Center's cash increased by \$105,267 to \$581,749 at the close of fiscal year 2019, due primarily to operating income in fiscal year 2019. Reserves are being maintained for anticipated renovations planned to be made to the Center in the near future. The Conference Center's cash increased by \$198,004 from fiscal year 2017 to 2018, totaling \$476,482 at June 30, 2018. A portion of cash is restricted, by agreement, for capital expenditures.
- The Conference Center's capital assets (net of accumulated depreciation) were \$10,444,092 at June 30, 2018, as compared to \$10,589,787 and \$10,865,923 at June 30, 2018 and 2017, respectively. During fiscal years 2015 to 2017, the Conference Center underwent a major renovation of its facilities. Additions to capital assets during fiscal years 2017 were \$481,053. During fiscal years 2019 and 2018, additions totaled \$298,998 and \$155,684, respectively, and related to new furniture, catering equipment, IT upgrades, and mechanical equipment. Capital asset balances were reduced by depreciation expense in each year.
- Operating revenues increased to \$7,834,002 in fiscal year 2019, representing a 5% increase from 2018. Operating revenues increased to \$7,448,776 in fiscal year 2018, representing a 10% increase from 2017.
- Operating expenses totaled \$7,306,292 for 2019, which represents an increase of 3% from 2018. Operating expenses totaled \$7,070,389 for 2018, which represents an increase of 3% from 2017.
- The Conference Center's net distributions to the City and County governments amounted to \$609,360 in 2019 as compared to \$443,724 in 2018. The increase was a direct result of increased profitability in Operations for the year. Net distributions to the City and County governments amounted to \$185,584 in 2017. The increase from 2017 was a direct result of increased profitability in Operations for the year.

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, 2019 or 2018. 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. Information regarding the Center's capital assets can be found specifically in Note C.

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 \$51,212 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 2018 to 2019 and from 2017 to 2018.

Conference Center assets exceeded liabilities by \$11,035,257 at the close of the most recent fiscal year. By far, the largest portion of the Conference Center's net position (95%) 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>2019</u>	<u>2018</u>	<u>Difference</u>	<u>2017</u>	<u>Difference</u>
CURRENT ASSETS					
Cash					
Restricted for capital expenditure	\$ 318,392	\$ 337,123	\$ (18,731)	\$ 120,466	\$ 216,657
Unrestricted	<u>263,357</u>	<u>139,359</u>	<u>123,998</u>	<u>158,012</u>	<u>(18,653)</u>
Total cash	581,749	476,482	105,267	278,478	198,004
Due from hotel operator	191,476	280,024	(88,548)	240,686	39,338
Other receivables	-	1,972	(1,972)	6,883	(4,911)
Prepaid expenses	<u>6,067</u>	<u>3,564</u>	<u>2,503</u>	<u>8,435</u>	<u>(4,871)</u>
Total current assets	<u>779,292</u>	<u>762,042</u>	<u>17,250</u>	<u>534,482</u>	<u>227,560</u>
NON-CURRENT ASSET					
Capital assets	17,142,865	16,843,867	298,998	16,688,183	155,684
Less accumulated depreciation	<u>(6,698,773)</u>	<u>(6,254,080)</u>	<u>(444,693)</u>	<u>(5,822,260)</u>	<u>(431,820)</u>
Capital assets, net	<u>10,444,092</u>	<u>10,589,787</u>	<u>(145,695)</u>	<u>10,865,923</u>	<u>(276,136)</u>
Total assets	<u>11,223,384</u>	<u>11,351,829</u>	<u>(128,445)</u>	<u>11,400,405</u>	<u>(48,576)</u>
CURRENT LIABILITIES					
Accounts payable and accrued expenses	129,665	191,034	(61,369)	205,167	(14,133)
Due to hotel operator	-	-	-	6,250	(6,250)
Due to City/County	<u>58,462</u>	<u>74,326</u>	<u>(15,864)</u>	<u>58,792</u>	<u>15,534</u>
Total liabilities	<u>188,127</u>	<u>265,360</u>	<u>(77,233)</u>	<u>270,209</u>	<u>(4,849)</u>
NET POSITION					
Investment in capital assets	10,444,092	10,589,787	(145,695)	10,865,923	(276,136)
Restricted	318,392	337,123	(18,731)	120,466	216,657
Unrestricted	<u>272,773</u>	<u>159,559</u>	<u>113,214</u>	<u>143,807</u>	<u>15,752</u>
TOTAL NET POSITION	<u>\$ 11,035,257</u>	<u>\$ 11,086,469</u>	<u>\$ (51,212)</u>	<u>\$ 11,130,196</u>	<u>\$ (43,727)</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>2019</u>	<u>2018</u>	<u>Difference</u>	<u>2017</u>	<u>Difference</u>
OPERATING REVENUE					
Banquet and catering	\$ 7,834,002	\$ 7,448,776	\$ 385,226	\$ 6,791,978	\$ 656,798
OPERATING EXPENSES					
Banquet and catering expenses	4,216,145	3,908,399	307,746	3,809,537	98,862
Administrative and general	540,832	488,751	52,081	549,517	(60,766)
Sales and marketing	1,149,585	1,262,136	(112,551)	1,105,291	156,845
Utilities	287,503	278,163	9,340	298,336	(20,173)
Repairs and maintenance	250,455	255,156	(4,701)	256,201	(1,045)
Catering management fee	142,320	207,264	(64,944)	201,228	6,036
Management fees	256,245	204,312	51,933	198,348	5,964
Insurance and other fixed costs	18,514	34,388	(15,874)	30,488	3,900
Depreciation	444,693	431,820	12,873	458,948	(27,128)
Total operating expenses	<u>7,306,292</u>	<u>7,070,389</u>	<u>235,903</u>	<u>6,907,894</u>	<u>162,495</u>
Operating income (loss)	527,710	378,387	149,323	(115,916)	494,303
OTHER INCOME	30,438	21,610	8,828	174,226	(152,616)
NET DISTRIBUTIONS TO LOCAL GOVERNMENTS	<u>(609,360)</u>	<u>(443,724)</u>	<u>(165,636)</u>	<u>(185,584)</u>	<u>(258,140)</u>
Change in net position	(51,212)	(43,727)	(7,485)	(127,274)	83,547
NET POSITION, beginning of year	<u>11,086,469</u>	<u>11,130,196</u>	<u>(43,727)</u>	<u>11,257,470</u>	<u>(127,274)</u>
NET POSITION, end of year	<u>\$ 11,035,257</u>	<u>\$ 11,086,469</u>	<u>\$ (51,212)</u>	<u>\$ 11,130,196</u>	<u>\$ (43,727)</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 finding qualified applicants remains 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 2019-2020 operations to remain relatively consistent with 2018-2019. Demand for group meetings and local catering is remaining steady. Competition and costs continue to increase. 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,	
	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents		
Restricted for capital expenditure	\$ 318,392	\$ 337,123
Unrestricted	263,357	139,359
Total cash and cash equivalents	<u>581,749</u>	<u>476,482</u>
Receivables		
Due from hotel operator	191,476	280,024
Other	-	1,972
Prepaid expenses and other	<u>6,067</u>	<u>3,564</u>
Total current assets	779,292	762,042
CAPITAL ASSETS	<u>10,444,092</u>	<u>10,589,787</u>
Total assets	<u>11,223,384</u>	<u>11,351,829</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable and accrued expenses	129,665	191,034
Due to local governments	<u>58,462</u>	<u>74,326</u>
Total liabilities	<u>188,127</u>	<u>265,360</u>
NET POSITION		
Investment in capital assets	10,444,092	10,589,787
Restricted	318,392	337,123
Unrestricted	<u>272,773</u>	<u>159,559</u>
Total net position	<u>\$ 11,035,257</u>	<u>\$ 11,086,469</u>

See accompanying notes to financial statements.

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

	Year Ended June 30,	
	2019	2018
OPERATING REVENUE		
Food and beverage:		
Banquet and catering	\$ 7,834,002	\$ 7,448,776
OPERATING EXPENSES		
Banquet and catering expenses	4,216,145	3,908,399
Administrative and general	540,832	488,751
Sales and marketing	1,149,585	1,262,136
Utilities	287,503	278,163
Repairs and maintenance	250,455	255,156
Catering management fee	142,320	207,264
Management fees	256,245	204,312
Insurance and other fixed costs	18,514	34,388
Depreciation	444,693	431,820
Total operating expenses	7,306,292	7,070,389
Operating income	527,710	378,387
NON-OPERATING REVENUE AND EXPENSE		
Other income	30,438	21,610
Income before distributions	558,148	399,997
NET DISTRIBUTIONS TO LOCAL GOVERNMENTS	(609,360)	(443,724)
Decrease in net position	(51,212)	(43,727)
NET POSITION, AT BEGINNING OF YEAR	11,086,469	11,130,196
NET POSITION, AT END OF YEAR	\$ 11,035,257	\$ 11,086,469

See accompanying notes to financial statements.

CONFERENCE CENTER AT COOL SPRINGS
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 7,922,550	\$ 7,403,188
Cash paid to and on behalf of employees	(2,472,011)	(2,433,870)
Cash paid to suppliers	(4,451,488)	(4,209,050)
Other	30,438	21,610
Net cash provided by operating activities	<u>1,029,489</u>	<u>781,878</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Contributions from City of Franklin and Williamson County	197,220	216,418
Distributions to City of Franklin and Williamson County	<u>(822,444)</u>	<u>(644,608)</u>
Net cash used in non-capital financing activities	<u>(625,224)</u>	<u>(428,190)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(298,998)</u>	<u>(155,684)</u>
Net cash used in capital and related financing activities	<u>(298,998)</u>	<u>(155,684)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	105,267	198,004
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	<u>476,482</u>	<u>278,478</u>
END OF YEAR	<u>\$ 581,749</u>	<u>\$ 476,482</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating income	\$ 527,710	\$ 378,387
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other	30,438	21,610
Depreciation	444,693	431,820
(Increase) decrease in:		
Receivable from hotel operator, net	88,548	(45,588)
Other receivables	1,972	4,911
Prepaid expenses	(2,503)	4,871
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(61,369)</u>	<u>(14,133)</u>
Net cash provided by operating activities	<u>\$ 1,029,489</u>	<u>\$ 781,878</u>

See accompanying notes to financial statements.

CONFERENCE CENTER AT COOL SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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.

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.

The Hotel is owned by a non-related, third party, and is operated under a management agreement with Chartwell Hospitality (the “Hotel Operator”), which commenced on November 1, 2018. Prior to that date the management agreement was with Davidson Hotel and Resorts. The Conference Center is also managed by the Hotel operator under agreements (See Note D). These agreements were assigned from Davidson Hotel and Resorts to Chartwell Hospitality as of November 1, 2018.

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 Conference Center is reported as a special-purpose government engaged in only business-type activities. 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, 2019 AND 2018

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: 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:

Building and improvements	20 - 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, 2019 or 2018.

CONFERENCE CENTER AT COOL SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 2019 and 2018, the Conference Center invested funds that were not immediately needed in demand deposits and interest bearing accounts of financial institutions.

At June 30, 2019, the bank balances and recorded balances of cash and cash equivalents were \$587,898 and \$581,749, respectively, with the difference due primarily to outstanding checks. At June 30, 2018, the bank balances and recorded balances of cash and cash equivalents were \$522,705 and \$476,482, 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, 2019 and 2018, the Conference Center’s cash deposits were covered by federal depository insurance or held by financial institutions that participate 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, 2019 AND 2018

B. CASH AND CASH EQUIVALENTS - Continued

At June 30, 2019 and 2018, the Conference Center has cash restricted for capital expenditure totaling \$318,392 and \$337,123, respectively. This amount is presented in current assets as the Conference Center expects current use of these funds for renovations and other capital expenditures. During fiscal years 2019 and 2018, the restricted funds were utilized for equipment replacement as needed (See Note C).

C. CAPITAL ASSETS

A summary of changes in capital assets for fiscal years 2019 and 2018 is as follows:

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>
Cost:				
Land	\$ 892,108	\$ -	\$ -	\$ 892,108
Building	12,328,510	-	-	12,328,510
Equipment, furniture and fixtures, and improvements	<u>3,623,249</u>	<u>298,998</u>	<u>-</u>	<u>3,922,247</u>
	<u>16,843,867</u>	<u>298,998</u>	<u>-</u>	<u>17,142,865</u>
Accumulated Depreciation:				
Building	4,314,997	246,570	-	4,561,567
Equipment, furniture and fixtures, and improvements	<u>1,939,083</u>	<u>198,123</u>	<u>-</u>	<u>2,137,206</u>
	<u>6,254,080</u>	<u>444,693</u>	<u>-</u>	<u>6,698,773</u>
Capital assets, net	<u>\$10,589,787</u>	<u>\$(145,695)</u>	<u>\$ -</u>	<u>\$10,444,092</u>

CONFERENCE CENTER AT COOL SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

C. CAPITAL ASSETS - Continued

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Cost:				
Land	\$ 892,108	\$ -	\$ -	\$ 892,108
Building	12,328,510	-	-	12,328,510
Equipment, furniture and fixtures, and improvements	<u>3,467,565</u>	<u>155,684</u>	<u>-</u>	<u>3,623,249</u>
	<u>16,688,183</u>	<u>155,684</u>	<u>-</u>	<u>16,843,867</u>
Accumulated Depreciation:				
Building	4,068,427	246,570	-	4,314,997
Equipment, furniture and fixtures, and improvements	<u>1,753,833</u>	<u>185,250</u>	<u>-</u>	<u>1,939,083</u>
	<u>5,822,260</u>	<u>431,820</u>	<u>-</u>	<u>6,254,080</u>
Capital assets, net	<u>\$10,865,923</u>	<u>\$(276,136)</u>	<u>\$ -</u>	<u>\$10,589,787</u>

Depreciation expense amounted to \$444,693 and \$431,820 for 2019 and 2018, respectively.

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, 2019 and 2018 was \$75,000.

CONFERENCE CENTER AT COOL SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

D. CONTRACTUAL COMMITMENTS - Continued

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, 2019 and 2018 was \$256,245 and \$204,312, 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, 2019 and 2018 was \$142,320 and \$207,264, respectively.

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.

The Conference Center had a balance due from the Hotel of \$191,476 and \$280,024 at June 30, 2019 and 2018, respectively. These amounts represent primarily revenues and allocated joint costs of the Conference Center, which will be reimbursed in the subsequent month.

CONFERENCE CENTER AT COOL SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

E. RELATED PARTY TRANSACTIONS - Continued

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 2019 and 2018, 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 \$609,360 and \$443,724 were made during 2019 and 2018, respectively. Details of these distributions are as follows:

	<u>2019</u>	<u>2018</u>
Operating assistance contributed from local governments	\$ 197,220	\$ 216,418
Operating surpluses distributed to local governments	<u>(806,580)</u>	<u>(660,142)</u>
Net distributions to local governments	<u>\$(609,360)</u>	<u>\$(443,724)</u>

At June 30, 2019, the Conference Center owed \$29,231 to both Williamson County and the City of Franklin. At June 30, 2018, the Conference Center owed \$37,163 to both the City of Franklin and Williamson County.

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.

SUPPLEMENTARY INFORMATION

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CONFERENCE CENTER AT COOL SPRINGS
SUPPLEMENTARY INFORMATION

Schedule of Insurance Coverage - Unaudited

June 30, 2019

The Conference Center was insured under the following policies of Chartwell Hospitality, the Hotel Operator. The following information is provided by representatives of Chartwell Hospitality:

<u>Insurance</u>	<u>Limited</u>
Commercial general liability, occurrence basis	\$2,000,000
Umbrella / excess liability	\$100,000,000

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, 2019, 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 XX, 2019.

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 XX, 2019

CONFERENCE CENTER AT COOL SPRINGS
SUMMARY OF PRIOR AUDIT FINDINGS

June 30, 2019

Conference Center of Cool Springs had no audit findings for the year ended June 30, 2018.

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