



***City of Franklin, Tennessee  
Report to Board of Mayor and Aldermen  
Results of the 2019 Audit  
November 21, 2019***



City of Franklin Website Fire Stations

**CROSSLIN**  
CERTIFIED PUBLIC ACCOUNTANTS





November 21, 2019

To the Board of Mayor and Aldermen  
City of Franklin, Tennessee

Thank you for the opportunity to serve as independent auditors and business advisors for the City of Franklin, Tennessee (the "City"). We are pleased to provide our report on the results of the June 30, 2019 audit of the financial statements of the City.

A direct line of communication between our Firm and those charged with governance is essential to the proper exercise of our respective responsibilities. Our appointment involves the responsibility on our part to call to your attention any significant matters which we believe require your consideration.

The accompanying report is intended solely for the use of the Finance Committee, Board of Mayor and Aldermen and management and presents information regarding the audit and certain other information which we believe will be of assistance to you. We appreciate this opportunity to communicate the contents of this report with you. If you have any questions, please call Jennifer Manternach, Principal, or David Hunt, Principal at (615) 320-5500.

We would like to take this opportunity to express our appreciation for the assistance and courtesy extended to us by the City's employees. We appreciate working with you, and we look forward to a continued relationship with the City of Franklin.

Very truly yours,

A handwritten signature in black ink that reads "Jennifer Manternach". The signature is fluid and cursive.

Jennifer Manternach  
Principal



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## ***Report on Results of the June 30, 2019 Audit***

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Crosslin, PLLC has completed the audit of the financial statements of the City of Franklin, Tennessee (the “City”) as of and for the year ended June 30, 2019, and we drafted our unmodified opinion thereon.

The State of Tennessee has oversight responsibility and approved our audit engagement through the Comptroller of the Treasury’s Standard Contract to Audit Accounts. The City will meet reporting deadlines for Federal and State Governments as well as the GFOA Certificate of Achievement program.

The following discussion contains information related to our audit that is required by professional standards, and certain other information which we hope will be of assistance to you.

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## ***Independence***

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Our professional standards require that we communicate at least annually with you regarding all relationships between Crosslin and the City that, in our professional judgment, may reasonably be thought to bear on our independence. We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between Crosslin and the City that, in our professional judgment, may reasonably be thought to bear on our independence that have occurred during the period from July 1, 2018 through the date of this letter.

We confirm that as of November 21, 2019, we are independent accountants with respect to the City, within the requirements of both the American Institute of Certified Public Accountants and *Government Auditing Standards*.

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## ***Engagement Personnel***

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The following is the engagement team.

Jennifer Manternach	Audit Principal
David Hunt	Audit Principal, Concurring Reviewer
Katie Farris	Audit Supervisor
Will Hicks	Audit Advanced Staff
Jane Nutter	Audit Staff



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## ***Our Responsibility Under U.S. Generally Accepted Auditing Standards and Uniform Guidance***

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Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements but not to provide assurance on the internal control over financial reporting. Accordingly, we express no such opinion.

We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal program for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.



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## ***Management Judgments and Accounting Estimates***

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Significant accounting estimates reflected in the City's 2019 financial statements include the following:

- Property taxes receivable and related deferred inflows of resources
- Allowance for doubtful receivables
- The useful lives and valuation of capital assets
- Valuation of donated capital assets, including streets
- The fair value of derivative financial instruments
- Appropriateness of assumptions used to calculate the pension and OPEB obligations
- Valuation of certain investments in the fiduciary pension fund, including investments in timberlands, real estate, and other private equity ventures.

The basis for our conclusions as to the reasonableness of the estimates when considered in the context of the financial statements taken as a whole, as expressed in our auditor's report, is our review and tests of the process used by management to develop the estimates. During the year ended June 30, 2019, we are not aware of any significant changes in the methodology surrounding accounting estimates or in management's judgments relating to such estimates, except for changes in assumptions for the total OPEB liability and related amounts.



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## ***Significant Accounting Policies***

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Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. Based on our audit procedures, we believe the City's significant accounting policies are appropriate and comprehensive under U.S. generally accepted accounting principles. We noted no matters that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus.

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## ***Audit Adjustments***

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Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant impact on an organization's financial reporting process. We had no audit adjustments in 2019, and no uncorrected adjustments.

Audit adjustments for the Cool Springs Conference Center are included in Appendix C.

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## ***Alternative Accounting Treatments***

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We had no discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices related to material items including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies related to the year ended June 30, 2019.

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## ***Management Consultations with Other Independent Accountants***

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In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion". If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



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### ***Disagreements with Management***

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For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

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### ***Issues Discussed Prior to Retention of Independent Auditors***

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We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to our retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

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### ***Difficulties Encountered in Performing the Audit***

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We encountered no significant difficulties in performing our audit.

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### ***Fraud and Illegal Acts***

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No material fraudulent or illegal acts were disclosed to us by management or the Board.

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### ***Information in Documents Containing Audited Financial Statements***

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We are not aware of any other documents that will contain the audited financial statements. If such a need arises, we will review the other document to ensure that there are no material inconsistencies in the information.



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## ***Other Information in the Comprehensive Annual Financial Report (CAFR) of the City***

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We have read the City's CAFR and considered whether the information therein, or manner of its presentation is materially consistent with the information, or the manner of its presentation in the financial statements audited by us. We have read the other information in the City's CAFR and inquired as to the methods of measurement and presentation of such information. We noted no material inconsistencies or material misstatements of fact in the other information.

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## ***Areas of Audit Emphasis***

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| • Cash and investments, including classification between restricted and unrestricted | • Revenues, including taxes, fees and other sources  |
| • Capital assets and construction in progress, including infrastructure              | • Salaries and benefits  |
| • Receivables, including property taxes, other taxes, grants and other               | • Other operating expenses   |
| • Classification of net position and fund balances under GASB Nos. 34 and 54         | • Consideration of conference center activities  |
| • Long-term debt, including borrowing under capital leases                           | • Consideration of net pension liability and OPEB liabilities and related impact on financial position |
| • Accounts payable and accrued expenses  |  |

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## ***Other Procedures Performed***

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### **Uniform Guidance**

In addition to the financial statement audit, we have also audited the City's compliance with its major federal grant program. The City's expenditures under federal programs during fiscal year 2019 totaled \$2,903,485. We tested the requirements of one major grant program (The Federal Transit Cluster) and had no material exceptions. We have drafted our unmodified opinion on compliance with Uniform Guidance.





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## Recent Accounting Pronouncements

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The government and standard-setting bodies are issuing guidance at an unprecedented pace. Crosslin, PLLC is constantly receiving, reviewing, and searching for the latest authoritative literature, in part through our involvement with the AICPA's Government Audit Quality Center and the Government Finance Officers Association ("GFOA"). We routinely interface with the City's management to ensure proper understanding and application of pronouncements, standards, interpretations, and addenda that arise and will continue to have these discussions with management to implement all new standards as they arise.

The City will implement several new Governmental Accounting Standards Board ("GASB") accounting pronouncements in upcoming years as discussed below. The following are recent accounting pronouncements which, to the extent applicable, pose consideration for the City. Management is currently in the process of determining the impact of these Statements to the City's financial statements.

The GASB issued Statement No. 84, *Fiduciary Activities*, which is effective for reporting periods beginning after December 15, 2019, fiscal year 2020 for the City. This Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities.

The GASB issued Statement No. 87, *Leases*, which is effective for reporting periods beginning after December 15, 2019, fiscal year 2021 for the City. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is effective for reporting periods beginning after December 15, 2018, fiscal year 2020 for the City. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.



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## ***Recent Accounting Pronouncements (Continued)***

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GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61, which is effective for reporting periods beginning after December 15, 2018, fiscal year 2020 for the City. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

GASB Statement No. 91, Conduit Debt Obligations, which is effective for reporting periods beginning after December 15, 2020, fiscal year 2021 for the City. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

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## ***Other Material Written Communications***

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Included as Appendix A is the management representation letter, which we requested from management.

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## ***Conference Center at Cool Springs***

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In conjunction with our audit of the City, we have completed the audit the financial statements of the Conference Center at Cool Springs, a joint venture between the City and Williamson County, Tennessee (the "Conference Center"), as of and for the year ended June 30, 2019, and we drafted our unmodified opinion thereon. Included in Appendix B is the management representation letter, which we requested from Conference Center management.

December XX, 2019

Crosslin, PLLC  
3803 Bedford Avenue, Suite 103  
Nashville, Tennessee 37215

This representation letter is provided in connection with your audit of the financial statements of the City of Franklin, Tennessee, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows for the year then ended (except for the Fiduciary Pension Fund, which is as of and for the year ended December 31, 2018), and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 15, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

### **Information Provided**

10) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of the Board of Mayor and Alderman or summaries of actions of recent meetings for which minutes have not yet been prepared.

11) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the City and involves—

- Management,
- Employees who have significant roles in internal control, or
- Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.

15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

17) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

**Government-specific**

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 28) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) The financial statements include all joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 30) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .
- 31) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

- 32) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 33) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 39) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 40) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
- 41) The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
- 42) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 43) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 44) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 46) With respect to the supplementary information on which an in-relation-to opinion is issued (e.g., combining statements, individual fund statements).
  - a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance



with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

47) With respect to federal award programs:

- a) We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and have identified and confirm that there are no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance and OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, if applicable.
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- u) We have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up



ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.

- v) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- w) We have charged costs to federal awards in accordance with applicable cost principles.
- x) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- y) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- z) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- aa) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- bb) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

CITY OF FRANKLIN, TENNESSEE

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Eric Stuckey  
City Administrator

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Kristine Tallent  
Assistant City Administrator, CFO

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Mike Lowe  
Comptroller

December XX, 2019

Crosslin, PLLC  
3803 Bedford Avenue, Suite 103  
Nashville, Tennessee 37215

This representation letter is provided in connection with your audits of 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, which comprise the statements of net position of the Conference Center as of June 30, 2019 and 2018, and the statements of revenues, expenses and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audits:

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- 5) Significant assumptions we used in making accounting estimates are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements. There are no uncorrected misstatements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 10) We are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims or assessments.
- 11) Guarantees, whether written or oral, under which the Conference Center is contingently liable, if any, have been properly recorded or disclosed.

### **Information Provided**

- 12) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 13) We confirm that there are no Board minutes or committee minutes pertaining to the Conference Center.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- 16) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 17) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 18) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 19) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 20) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

**Government—specific**

- 21) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 22) We have a process to track the status of audit findings and recommendations.
- 23) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 24) The Conference Center has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or

experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

- 28) The Conference Center has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The Conference Center has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 31) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 32) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 33) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 34) The financial statements properly classify all revenues and activities.
- 35) Cash and cash equivalents are appropriately collateralized in accordance with state law.
- 36) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenues, expenses and changes in net position, and allocations have been made on a reasonable basis.
- 38) Allocations of expenditures have been made consistent with all operating and other agreements and all such allocations are appropriate.
- 39) All revenue associated with the Conference Center has been credited to the Conference Center and has been included in the statement of revenues, expenses and changes in net position.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure, are properly capitalized, reported, and, if applicable, depreciated.
- 42) We have appropriately disclosed the Conference Center's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which

both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 44) We have complied with all terms of the operating agreement and related agreements concerning the operation of and accounting for the Conference Center.

#### THE CONFERENCE CENTER AT COOL SPRINGS

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Matthew Lahiff  
General Manager – Franklin Marriott Cool Springs

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Kristin Lamb  
Accounting Manager – Franklin Marriott Cool Springs

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Randy Hansen  
Regional Controller – Chartwell Hospitality

## Cool Springs Conference Center

Year End: June 30, 2019

## Adjusting journal entries

Date: 7/1/2018 To 6/30/2019

Number	Date	Name	Account No	Reference	Debit	Credit
1	6/30/2019	Furniture & Fixtures	17040		1,404,643.00	
1	6/30/2019	Construction in Progress	17995			-1,969,996.00
1	6/30/2019	Asset Purchases Clearing	17999			-126,058.00
1	6/30/2019	Retained Earnings- Prior Years	29950			-6,275,127.00
1	6/30/2019	Land	00-16100		892,108.00	
1	6/30/2019	Buildings	00-16200		12,328,510.00	
1	6/30/2019	Accumulated Depreciation	00-16900			-6,254,080.00

To record fixed assets and PY AD.

2	6/30/2019	Interco- Hotel & Conference Center	11968	213		-172,407.00
2	6/30/2019	Sales Taxes Payable	22000	213	172,407.00	

To prepare PBC AJE 0032 to true up  
YTD sales tax paid by Marriott for Conference Center

3	6/30/2019	Operating Account- Suntrust	10302	212.2 & A-1		-48,696.00
3	6/30/2019	Interco- Hotel & Conference Center	11968	212.2 & A-1	48,696.00	

To record PBC AJE 0036 to correct  
\$48k check paid by Franklin to hotel - should have gone to Conference Center

4	6/30/2019	A/R- Other	11940	CC-2		-237,058.00
4	6/30/2019	Distributions- 2019	29933	CC-2	237,058.00	

To move October distributions to  
COF and Williamson County from AR to Distributions.

5	6/30/2019	Distributions- 2019	29933	CC-2	58,462.00	
5	6/30/2019	Due to Franklin/WM County	22100-00-000	CC-2		-58,462.00

To record amounts due to and from  
City and County at 6/30/19.

6	6/30/2019	Distributions- 2019	29933	CC-2		-609,360.00
6	6/30/2019	Operating Transfer City	89500-00-000	CC-2	304,680.00	
6	6/30/2019	Operating Transfer County	89501-00-000	CC-2	304,680.00	

To record operating transfers for  
FY19.

7	6/30/2019	Retained Earnings- Prior Years	29950	WW-1	553.00	
7	6/30/2019	Office Supplies	6066175	WW-1		-553.00
Immaterial entry to get net assets to roll.						
8	6/30/2019	Accumulated Depreciation	00-16900			-444,693.00
8	6/30/2019	Depreciation	89600-00-000		444,693.00	
To record current year depreciation.						
9	6/30/2019	A/R- Other	11940	CC-2		-110,774.00
9	6/30/2019	Distributions- 2019	29933	CC-2	110,774.00	
To remove distribution activity recorded by Davidson, corrected in full with another entry.						
10	6/30/2019	A/R- Other	11940	C-1		-110,971.00
10	6/30/2019	Interco- Hotel & Conference Center	11968	C-1	110,971.00	
To reclassify the remaining "AR Other" asset to due from the Hotel for the mistaken transactions on the conference center during the managing company sale in the CY.						
11	6/30/2019	Interco- Hotel & Conference Center	11968	HH-1		-49,593.00
11	6/30/2019	Accrued Expense Other	23950	HH-1	49,593.00	
To reclassify items paid out of the hotel from accrued liabilities to the intercompany with the hotel.						
					<b>16,467,828.00</b>	<b>-16,467,828.00</b>
<b>Net Income (Loss) (51,212.00)</b>						



