

**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, 2009 and 2008

(With Independent Auditor's Report Thereon)

CONFERENCE CENTER AT COOL SPRINGS

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INDEPENDENT AUDITOR'S REPORT

Conference Center at Cool Springs
Franklin, Tennessee

We have audited the accompanying financial statements of the Conference Center at Cool Springs, Franklin, Tennessee (a Joint Venture between the City of Franklin, Tennessee and Williamson County, Tennessee) as of and for the years ended June 30, 2009 and 2008, as listed in the Table of Contents. These financial statements are the responsibility of the Conference Center of Cool Spring's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 at June 30, 2009 and 2008, and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2009, on our consideration of the Conference Center at Cool Springs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 through 6, is not a required part of the basic financial statements but is supplementary information required by accounting principles accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The supplementary information presented on page 15 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

August 10, 2009


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Management's Discussion and Analysis

We, Noble Investments, Inc., as managers of the Cool Springs Conference Center (for its joint owners, the City of Franklin and Williamson County, Tennessee), provide the following discussion and analysis of the financial performance of the Center's activities for the fiscal year ended June 30, 2009.

Financial Highlights:

- The assets of the Conference Center exceeded its liabilities at the close of the most recent fiscal year by \$12,840,506, compared to \$12,948,915 in the previous fiscal year. This amount represents a decrease of \$108,409 from the preceding year.
- The Center's net cash decreased by \$277,122 to \$602,680, a decrease of 31% of the cash balance at the beginning of the year.
- The Center's capital assets (net of accumulated depreciation) were \$12,196,186 in 2009 and compared to \$12,023,153 in 2008.
- Operating Revenue decreased to \$6,316,739 in 2009 or 15% from that of 2008.
- Operating Expenses decreased to \$5,890,083 or 13% from that of 2008.
- The Conference Center's net distributions to its owners amounted to \$535,065 in 2009 as compared to \$687,055 in 2008.

Overview of the Financial Statements:

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements and Supplemental Schedule. 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 Assets 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). It also provides the basis for computing rate of return, evaluating the capital structure of the Center and assessing the liquidity and financial flexibility of the Center.

Net Assets presents information on all of the Conference Center's assets and liabilities, with the difference between the two reported as net assets. Over periods of time, increases or decreases in net

assets 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 Assets. This statement measures the success of the Center's operations over the past year and can be used to determine whether the 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 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 operation, 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?"

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-14 of this report.

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

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

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

The Center's total assets increased by \$108,409 during the current fiscal year. Our analysis below focuses on the Center's net assets (Table 1) and changes in net assets (Table 2) during the year.

Conference Center assets exceeded liabilities by \$12,840,506 at the close of the most recent fiscal year. By far the largest portion of the Conference Center's assets (95%) reflects its investment in capital assets (e.g., land, buildings, machinery, 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 conference center facility. The Conference Center uses these capital assets to provide services to citizens; consequently these assets are not available for future spending.

Table 1: Conference Center's Balance Sheet

Current Assets:				
Cash:		<u>2009</u>	<u>2008</u>	<u>Difference</u>
Restricted for equipment replacement	\$	590,903	840,966	(250,063)
Unrestricted		<u>11,777</u>	<u>38,836</u>	<u>(27,059)</u>
Total Cash		<u>602,680</u>	<u>879,802</u>	<u>(277,122)</u>
Due from hotel operator		-	50,769	(50,769)
Due from Owners		44,821	-	44,821
Prepaid expenses		<u>30,818</u>	<u>15,774</u>	<u>15,044</u>
Total Current Assets		<u>678,319</u>	<u>946,345</u>	<u>(268,026)</u>
Non Current Assets:				
Capital assets		14,570,932	14,033,318	537,614
Less accumulated depreciation		<u>(2,374,746)</u>	<u>(2,010,165)</u>	<u>(364,581)</u>
Capital assets, net		<u>12,196,186</u>	<u>12,023,153</u>	<u>173,033</u>
Total Assets		<u>\$12,874,505</u>	<u>12,969,498</u>	<u>(94,993)</u>
Liabilities and Net Assets				
Current Liabilities:				
Liabilities				
Accounts payable	\$	5,688	5,123	565
Due to hotel operator		15,338	-	15,338
Due to Owners		-	-	-
Accrued expenses		<u>12,973</u>	<u>15,462</u>	<u>(2,489)</u>
Total Liabilities		<u>33,999</u>	<u>20,585</u>	<u>13,414</u>
Net Assets:				
Invested in capital assets		12,196,186	12,023,153	173,033
Unrestricted		<u>644,320</u>	<u>925,762</u>	<u>(281,442)</u>
Total Net Assets		<u>\$12,840,506</u>	<u>12,948,915</u>	<u>(108,409)</u>

Changes in the Center's net assets can be determined by reviewing the condensed statement of Revenue, Expenses and Changes in Net Assets for the year on the following page.

Table 2: Conference Center Changes in Net Assets

	<u>2009</u>	<u>2008</u>	<u>Difference</u>
Operating Revenue:			
Food and beverage	\$3,995,858	5,028,251	(1,032,393)
Other	<u>2,320,881</u>	<u>2,434,225</u>	<u>(113,344)</u>
Total Revenues	<u>6,316,739</u>	<u>7,462,476</u>	<u>(1,145,737)</u>
Operating Expenses:			
Food & Beverage expense	2,483,336	2,959,034	(475,698)
Banquet expense	1,048,332	1,418,464	(370,132)
Administrative and general	490,259	550,049	(59,790)
Sales and marketing	579,827	626,190	(46,363)
Utilities	333,664	331,530	2,134
Repairs and Maintenance	231,199	250,130	(18931)
Catering management fee	158,554	153,937	4,617
Management fees	155,675	151,140	4,535
Insurance and other fixed costs	44,656	29,755	14,901
Depreciation	<u>364,581</u>	<u>295,269</u>	<u>69,312</u>
Total Operating Expenses	<u>5,890,083</u>	<u>6,765,498</u>	<u>(875,415)</u>
Operating Income	426,656	696,978	(270,322)
Other Income (Expense):			
Other Income (expense)	100,577	6,911	93,666
Transfers:			
City of Franklin	(317,821)	(346,983)	(29,162)
Williamson County	(317,821)	(346,983)	(29,162)
Change in Net Assets	<u>(108,409)</u>	<u>9,923</u>	<u>(118,332)</u>
Net Assets, at Beginning of Year	<u>12,948,915</u>	<u>12,938,992</u>	<u>9,923</u>
Net Assets, at End of Year	<u>\$12,840,506</u>	<u>\$12,948,915</u>	<u>(\$108,409)</u>

Financial Statement Discussion, Economic Factors and Next Year's Budget

With a positive operating income for the fiscal year ending June 30, 2009, the Center continues to be one of the premier banquet and meeting facilities in Middle Tennessee. The conference center, like all 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 very successful in attaining that goal. The 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 global economic downturn has had a significant impact to our 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. We have aggressively attacked the local catering market and have secured the business of many specialized events and functions.

In addition to an aggressive sales and marketing effort, we have minimized the impact of the revenue shortfall on Net Operating Income through a very aggressive cost containment effort. Through this effort, we were able to reduce overall operating expenses by 76.4% of the shortfall in revenues to the previous year.

As qualified applicants remain a challenge for staffing, we will continue to utilize 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.

Our 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 our high level of service above our 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 have done an excellent job in building great customer relationships and will continue to build upon that.

As the economic outlook for the next several months remains volatile and somewhat uncertain, we are projecting a further decline in revenues of approximately 9.3%. However, NOI is expected to remain positive with our continued focus on aggressive cost containment.

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 Center's accountability for the money it receives. If you have questions concerning any of the information provided in this report or need additional information, contact the Conference Center General Manager at:

Noble Investment
Marriott Hotel & Conference Center
Attn: Jim Keller
700 Cool Springs Blvd.
Franklin, TN 37067

CONFERENCE CENTER AT COOL SPRINGS

Statement of Net Assets

June 30, 2009 and 2008

Assets

Current Assets:

	<u>2009</u>	<u>2008</u>
Cash:		
Restricted for equipment replacement	\$ 590,903	840,966
Unrestricted	11,777	38,836
Total Cash	<u>602,680</u>	<u>879,802</u>
Other receivables:		
Due from City and County	44,821	-
Due from Hotel Operator	-	50,769
Total other receivables	<u>44,821</u>	<u>50,769</u>
Prepaid expenses	<u>30,818</u>	<u>15,774</u>
Total Current Assets	<u>678,319</u>	<u>946,345</u>

Non Current Assets:

Capital assets	14,570,932	14,033,318
Less accumulated depreciation	<u>(2,374,746)</u>	<u>(2,010,165)</u>
Capital assets, net	<u>12,196,186</u>	<u>12,023,153</u>
Total Assets	<u>\$ 12,874,505</u>	<u>12,969,498</u>

Liabilities and Net Assets

Current Liabilities:

Liabilities:		
Accounts payable	\$ 5,688	2,737
Due to City of Franklin and Williamson County	-	2,386
Due to Hotel Operator	15,338	-
Accrued expenses	<u>12,973</u>	<u>15,460</u>
Total Liabilities	<u>33,999</u>	<u>20,583</u>

Net Assets:

Invested in capital assets	12,196,186	12,023,153
Unrestricted	<u>644,320</u>	<u>925,762</u>
Total Net Assets	<u>\$ 12,840,506</u>	<u>12,948,915</u>

See the accompanying notes to the financial statements.

CONFERENCE CENTER AT COOL SPRINGS

Statement of Revenue, Expenses and Changes in Fund Net Assets

For the Years Ended June 30, 2009 and 2008

	2009	2008
Operating Revenue:		
Food and beverage:		
Banquet	\$ 3,995,858	5,028,251
Catering	2,320,881	2,434,225
Total food and beverage revenue	6,316,739	7,462,476
Operating Expenses:		
Food and beverage expenses	2,483,336	2,959,034
Banquet expenses	1,048,332	1,418,464
Administrative and general	490,259	550,049
Sales and marketing	579,827	626,190
Utilities	333,664	331,530
Repairs and maintenance	231,199	250,130
Catering management fee	158,554	153,937
Management fees	155,675	151,140
Insurance and other fixed costs	44,656	29,755
Depreciation	364,581	295,269
Total Operating Expenses	5,890,083	6,765,498
Operating Income	426,656	696,978
Nonoperating Revenue and Expense:		
Cancellation income	97,972	-
Other income (expense)	2,605	6,911
Transfers to:		
City of Franklin, Tennessee	(317,821)	(346,983)
Williamson County, Tennessee	(317,821)	(346,983)
Total Other Income (Expense)	(535,065)	(687,055)
Change in Net Assets	(108,409)	9,923
Net Assets, at Beginning of year	12,948,915	12,938,992
Net Assets, at End of year	\$ 12,840,506	12,948,915

See the accompanying notes to the financial statements.

CONFERENCE CENTER AT COOL SPRINGS

Statement of Cash Flows

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 6,382,846	7,454,139
Cash paid to suppliers	(3,247,480)	(4,274,882)
Cash paid to employees	(2,292,602)	(2,292,602)
Other	97,153	-
Net cash provided (used) by operating activities	<u>939,917</u>	<u>886,655</u>
Cash Flows From Noncapital Financing Activities		
Amounts due to Noble Investment - Cool Springs LLC, net	-	(7,876)
Distributions to owners	(682,849)	(648,849)
Net cash provided (used) by noncapital financing activities	<u>(682,849)</u>	<u>(656,725)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(537,614)	(575,497)
Net cash provided (used) by noncapital financing activities	<u>(537,614)</u>	<u>(575,497)</u>
Cash Flows From Investing Activities		
Interest received	3,424	6,911
Net cash provided (used) by noncapital financing activities	<u>3,424</u>	<u>6,911</u>
Net Increase in Cash and Cash Equivalents	(277,122)	(338,656)
Cash and cash equivalents, Beginning of year	<u>879,802</u>	<u>1,218,458</u>
Cash and cash equivalents, End of year	<u>\$ 602,680</u>	<u>879,802</u>

Reconciliation of Operating Income to Net Cash Provided (Used) by Operations

Operating income	\$ 426,656	696,978
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Other	97,153	-
Depreciation	364,581	295,289
Receivable from Hotel operator	66,107	(8,337)
Prepaid expenses	(15,042)	(15,776)
Increase (decrease) in:		
Accounts payable	2,951	(57,391)
Accrued expenses	(2,489)	(24,108)
Net Cash Provided (Used) By Operating Activities	<u>\$ 939,917</u>	<u>886,655</u>

See the accompanying notes to the financial statements.

CONFERENCE CENTER AT COOL SPRINGS

Notes to the Financial Statements

June 30, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

The Conference Center at Cool Springs (the "Conference Center") is a banquet facility consisting of approximately 55,000 square feet of space, including grand ballroom and meeting rooms, which adjoins the Franklin Marriott Hotel (the "Hotel") in Franklin, Tennessee. The facility was developed to attract conventioners, business travelers, tourists, vacationers, and other visitors, to provide meeting space for residents and groups in the municipalities, and to promote the economic development of the city of Franklin and Williamson County. During 2008, the Hotel was sold to Franklin Realco, LLC, a Delaware limited liability company. As part of the sale, Franklin Realco, LLC assumed the Reciprocal Easement Agreement related to the operation of the Conference Center.

An Interlocal Agreement executed between the City and County (the Parties) 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 accounting policies of the Conference Center conform to generally accepted accounting principles applicable to governmental units. The Conference Center complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the conference Center applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Conference Center has elected not to follow FASB pronouncements issued since that date.

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. All capital assets are valued at historical cost. Depreciation has been provided over estimated useful lives using the straight-line method.

CONFERENCE CENTER AT COOL SPRINGS

Notes to the Financial Statements, Continued

June 30, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Capital Assets. (Continued)

The estimated useful lives are as follows:

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

2. CASH AND CASH EQUIVALENTS

Deposits:

The Conference Center is authorized to invest funds in, among other things, Federal treasury bills and notes and financial institution demand deposit accounts. During the fiscal year 2009, the Conference Center invested funds that were not immediately needed in demand deposits and interest bearing accounts of a financial institution.

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. 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 aggregated 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.

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. Conference Center policy provides that to the extent practicable, investments are matched with anticipated cash flows.

Cash Restricted for Equipment Replacement:

Under the franchise agreement, as discussed in Note 4, management must set aside four percent of revenues in a reserve account with the sole purpose of reserving money to replace furniture, fixtures, and equipment of the Conference Center at Cool Springs. The cash balance of the reserve at June 30, 2009 and 2008 was \$590,903 and \$840,966, respectively.

CONFERENCE CENTER AT COOL SPRINGS

Notes to the Financial Statements, Continued

June 30, 2009 and 2008

3. CAPITAL ASSETS

A summary of changes in capital assets of the Conference Center is as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Land	\$ 892,108	-	-	892,108
Buildings and improvements	12,328,510	-	-	12,328,510
Equipment	<u>812,700</u>	<u>537,614</u>	-	<u>1,350,314</u>
Totals	14,033,318	<u><u>537,614</u></u>	<u><u>-</u></u>	14,570,932
Less accumulated depreciation	<u>(2,010,165)</u>			<u>(2,374,746)</u>
Property, plant and equipment, net	<u>\$ 12,023,153</u>			<u>12,196,186</u>

Depreciation expense amounted to \$364,581 and \$295,268 for 2009 and 2008, respectively.

4. 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 sixty months of operations and \$75,000 per each additional year that the conference center is in operations. The franchise fee for the years ended June 30, 2009 and 2008, was \$75,000.

Operating Agreement

The City and County entered into a 15-year operating agreement for the Conference Center with the Hotel Operator to manage the facility. Under the operating agreement, the Owners will pay the Operator a specified annual management fee. The annual base fee of \$125,000 shall escalate on a fiscal year basis at a rate 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, 2009 and 2008, was \$155,675 and \$151,140, respectively.

CONFERENCE CENTER AT COOL SPRINGS

Notes to the Financial Statements, Continued

June 30, 2009 and 2008

4. CONTRACTUAL COMMITMENTS, Continued

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 conterminous with the Conference Center operating agreement between the Owners and Operator. Under the catering agreement, the Owners will pay the Operator a catering fee of \$10,000 per month during the term of the agreement. This fee will escalate annually at a rate 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, 2009 and 2008, was \$158,554 and \$153,937, respectively.

5. RELATED PARTY TRANSACTIONS

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

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

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

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

At June 30, 2009, the Conference Center had a balance due to the Hotel of \$15,338, at June 30, 2008, the Conference Center had a balance due from the Hotel of \$50,769. This amount represents primarily excess revenues over joint costs of the Conference Center which will be reimbursed in the subsequent month.

Under terms of the management agreement, the City and County are to share equally in Conference Center "cash flows" as defined in the agreement. As a result, net transfers of \$317,821 and \$346,983 each were made to the City and County during 2009 and 2008, respectively. At June 30, 2009, the Conference Center was due \$22,410 from each of the owners and at June 30, 2008 the Conference Center owed \$2,386 each to the City and County.

CONFERENCE CENTER AT COOL SPRINGS

Notes to the Financial Statements, Continued

June 30, 2009 and 2008

6. 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.

CONFERENCE CENTER AT COOL SPRINGS

Schedule of Insurance Coverage - Unaudited

June 30, 2009 and 2008

The Conference Center is insured under the following policies of Noble Investments, Cool Springs, LLC, the Operator. The following is per information provided by representatives of Noble Investments, Cool Springs, LLC:

<u>Insurance</u>	<u>Limit</u>
Workers Compensation	\$ 1,000,000
Commercial general liability, occurrence basis	\$ 2,000,000
Automobile liability, combined single liability	\$ 1,000,000
Excess liability, umbrella form	\$ 10,000,000

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

Property :	
Building and contents	\$ 7,000,000
Contents	950,000

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

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NASHVILLE, TN 37204-3109

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TELEPHONE
(615) 385-1008

**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***

FAX (615) 385-1208

Conference Center at Cool Springs
Franklin, Tennessee

We have audited the financial statements of the Conference Center at Cool Springs as of and for the year ended June 30, 2009, and have issued our report thereon dated August 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Conference Center's internal control over financial reporting as a basis for designing auditing procedures 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 control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Conference Center's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Conference Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Conference Center's financial statements that is more than inconsequential will be prevented or detected by the Conference Center's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Conference Center's internal control.

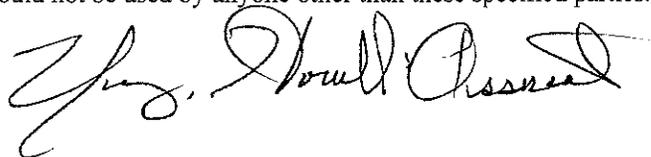
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Conference Centers's financial statements are free of 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*.

We noted certain matters that we reported to management of the Conference Center in a separate letter dated August 10, 2009.

This report is intended solely for the information and use of the State Comptroller's Office, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



August 10, 2009