THE INDUSTRIAL DEVELOPMENT BOARD OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
March 31, 2008 and 2007

Contents

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Independent Auditors' Report

To the Board of Directors of
The Industrial Development Board of the Metropolitan
Government of Nashville and Davidson County

We have audited the accompanying statements of net assets of The Industrial Development Board of the Metropolitan Government of Nashville and Davidson County ("the Board"), a component unit of The Metropolitan Government of Nashville and Davidson County, as of and for the years ended March 31, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions 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 *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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The Industrial Development Board of the Metropolitan Government of Nashville and Davidson County, as of March 31, 2008 and 2007, and the respective changes in financial position, and cash flows, where applicable, thereof 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 15, 2008 and August 20, 2007, on our consideration of The Industrial Development Board of the Metropolitan Government of Nashville and Davidson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 important for assessing the results of our audit.

The management's discussion and analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally 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.

Parker, Parker & Associates

November 13, 2008

Management's Discussion and Analysis

This section of The Industrial Development Board of the Metropolitan Government of Nashville and Davidson County's (the Board) annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the Board's financial statements and accompanying notes.

Financial Highlights

- Total assets decreased $234,378. The majority of this net decrease is attributable to a payment to the primary government.
- Total current liabilities decreased $233,953 due largely to the decrease in the payable to the primary government.
- Operating revenue decreased $75,962. The majority of this decrease is attributable to the Board no longer receiving rent from Genesco. Operating expenses decreased $6,373. This decrease occurred because the Board is no longer in a lease obligation with the Airport Authority of the Metropolitan Government of Nashville and Davidson County.
- Non-operating revenues (expenses) decreased $83,428. This decrease is attributable to the Board's decrease in payment to the primary government, which represents current year income, and a decrease in lease option revenue.
- In April 2006, a storage building costing $3,000 was built to store old records and files. In November of 2003, a Dell computer was purchased in the amount of $1,125. These are the only fixed assets the Board owns.
- Overall, the Board is in a less positive financial position than a year ago.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Board's basic financial statements. The basic financial statements comprise the statement of net assets, statements of revenues, expenses and changes in fund net assets, statements of cash flows and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Board follows proprietary fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Financial Analysis of the Board

	2008	(Restated) 2007
Current and Other Assets	$ 416,913	$ 650,866
Capital Assets	2,767	3,192
Total Assets	419,680	654,058
Total Current Liabilities	16,913	250,866
Net Assets Invested in Capital Assets	2,767	3,192
Net Assets - Restricted	400,000	400,000
Total Liabilities and Net Assets	$ 419,680	$ 654,058

Operating Activities: Rent is received by the Board under certain lease agreements between the Board and companies receiving public financing. The Board charges an application fee on all new financing proposals and is reimbursed the cost of publication expenses on projects that close.

Changes in Net Assets for the Years Ending March 31, 2008 and 2007

	2008	(Restated) 2007
Operating Revenues		
Rent	$ 17,773	$ 95,885
Application Fees & Reimbursed Expenses	6,514	4,497
Miscellaneaous Income	133	-
Total Operating Revenues	24,420	100,382
Operating Expenses		
Ground Rental	-	12,000
General and Administrative Expenses	20,649	15,022
Total Operating Expenses	20,649	27,022
Operating Income	3,771	73,360
Non-Operating Expense	(4,196)	79,232
Increase in Net Assets	(425)	152,592
Net Assets - Beginning of Year	403,192	250,600
Net Assets - End of Year	$ 402,767	$ 403,192

Description of Financial Operations
Old Business: There is no old business to report.

New Business: Goodwill Industries of Middle Tennessee (the "Applicant") requested approval of the issuance of not to exceed $2,500,000 in Revenue Bonds, the proceeds of the sale thereof to be loaned to Goodwill Industries of Middle Tennessee, Inc., or one of its affiliates, for the purpose of acquiring the Athens Distributing Company warehouse and distribution center with approximately 44,600 square feet located at 1000 Herman Street, Nashville, Tennessee, 37208 (the "Project"). The closing for the Project was held on or about June 8, 2007; and bonds in the approximate aggregate amount of $2,300,000 were issued.

YMCA of Nashville and Middle Tennessee (the "Applicant") requested approval of the issuance of not to exceed $32,00,000 in Revenue Bonds, the proceeds of the sale thereof to be used to finance or refinance certain facilities of the YMCA of Nashville and Middle Tennessee. The facilities to be financed or refinanced include (1) North Rutherford YMCA Ronald Reagan Family Center, a 38,000 square foot full facility YMCA at 2001 Mason Tucker Drive, Smyrna, Tennessee, including wellness center, indoor pool, nursery, indoor track and multi-purpose rooms; (2) Bellevue Family YMCA and J.L. Turner Lifelong Learning Center,a 51,000 square foot full facility YMCA at 8101 Highway 100, Nashville, Tennessee, including a wellness center, indoor pool, nursery, gymnasium, indoor track, Senior Citizen Inc. Wing and multi-purpose rooms; (3) Downtown YMCA Renovation and new Association Offices; major renovation of the existing Downtown YMCA located at 900 Church Street, Nashville, Tennessee, and a 66,578 square foot addition, including association offices and a new parking garage; (4) Margaret Maddox Family YMCA Expansion, with approximately 9,000 square foot expansion at 2624 Gallatin Road, Nashville, Tennessee, including a new teen center and expansion of the wellness center, as well as an expansion of the parking lot by 80 spaces; (5) Northwest Family YMCA indoor Pool Expansion, with approximately 8,000 square foot indoor pool at 3700 Ashland City Highway, Nashville, Tennessee; (6) Joe C. Davis Resident Camp Project, with 14 camper cabins, dining lodge, health center and medical staff housing at 3088 Smith Springs Road, Antioch, Tennessee, and including the widening of the main entrance road and site work; (7) Putnam County YMCA, with a 30,000 square foot full facility YMCA at 235 Cavalier Drive, Cookeville, Tennessee (collectively, the "Project"). The closing for the Project was held on or about December 6, 2007; and bonds and/or refinancing bonds in the approximate aggregate amount of $31,440,000 were issued.

Watkins Institute (the "Applicant") requested approval of the issuance of not to exceed $1,400,000 Educational Facilities Revenue Bonds, the proceeds of the sale thereof to be loaned to the Applicant, a 501(c)(3) entity, to finance and refinance capital improvements to its existing campus for the acquisition, construction and equipping of an approximately 16,000 square feet, 48 bed student apartment housing facility, located at or near 2298 Rosa L. Parks Boulevard and 550 Great Circle Road, Nashville, Tennessee, 37228 (the "Project"), and all necessary and related expenses, as well as issuance costs thereof. The closing for the Project was held on or about December 18, 2007; and bonds in the approximate aggregate amount of $1,400,000 were issued.

Lipscomb University, a Tennessee not-for-profit corporation (the "Applicant") requested approval of the issuance of not to exceed $11,600,000 in aggregate principal amount of its Variable Rate Demand Revenue Bonds, the proceeds of the sale thereof to be used to finance the construction and new buildings, acquisition of equipment and renovations of existing buildings on the Lipscomb University campus, located at or near 3901 Granny White Pike, Nashville, Davidson County, Tennessee, 37204, including the construction of student residence housing, a 300-space parking garage, tennis courts, athletic facilities, renovation of Burton Hall, Bennett Campus Center, the Student Activity Center, Collins Alumni Auditorium, renovation and expansion of the Academic building, technology improvements, landscaping and infrastructure and other related costs for educational facilities (the "Project") and to pay a portion of the costs incurred in connection with the financing of the foregoing. The closing for the Project was held on or about February 22, 2008; and bonds in the approximate aggregate amount of $11,160,000 were issued.

Nashville Opera Association (the "Applicant") requested approval of the issuance of not to exceed the proceeds of the sale thereof to be loaned to the Applicant for the purpose of financing or refinancing: (i) existing indebtedness for capital expenditures incurred with respect to its charitable facilities; and (ii) to finance capital expenditures for the construction, renovation and equipping of an office, studio and warehouse facility, and all related items for such facilities, located at 3630 Redmond Street in Nashville, Tennessee (the "Project"), and issuance costs with respect to said bonds. The closing for the Project was held on or about January 30, 2008; and a line of credit not to exceed $3,000,000 was issued.

Oasis Center, Inc. (the "Applicant") requested approval of the issuance of not to exceed $5,000,000 Revenue Bonds, the proceeds of the sale thereof to be loaned to the Applicant for the purpose of financing or refinancing: (i) existing indebtedness for capital expenditures incurred with respect to its charitable facilities; and (ii) to finance capital expenditures for the construction of its charitable facility, all related items and equipment for such facilities, to be located at 1700 Charlotte Avenue in Nashville, Tennessee (the "Project") and issuance costs with respect to the Project. The closing for the Project was held on or about March 31, 2008; and bonds in the approximate aggregate amount of $4,000,000 were issued.

STARS Nashville (the "Applicant") requested approval of the issuance of not to exceed $3,000,000 Revenue Bonds, the proceeds of the sale thereof to be loaned to the Applicant for the purpose of financing or refinancing: (i) existing indebtedness for capital expenditures incurred with respect to its charitable facilities; and (ii) to finance capital expenditures for the construction of a charitable facility, all related items and equipment for such facilities, to be located at 1700 Charlotte Avenue in Nashville, Tennessee (the "Project") and issuance costs with respect to the Project. The closing for the Project was held on or about March 31, 2008; and bonds in the approximate aggregate amount of $3,000,000 were issued.

Hickory Hollow II, L.P. (the "Applicant") requested approval of the issuance of not to exceed $10,000,000 Tax-Exempt Revenue Bonds and not to exceed $2,000,000 in Taxable Revenue Bonds, the proceeds of the sale thereof to be loaned to the Applicant for the purpose of financing the acquisition, rehabilitation and equipping of Hickory Hollow Apartments, an approximately 154-unit multifamily housing facility for elderly low and moderate-income citizens, which facilities are located at 100 Curtis Hollow Road, Antioch, Davidson County, Tennessee (the "Project"), including the reimbursement of costs incurred for such facility as permitted by applicable federal tax laws. The closing for the Project was held on or about February 29, 2008; and bonds in the approximate aggregate amount of $9,105,000 were issued.

Please note that bonds issued by the Board are special and limited obligations secured by the Project sites and improvements and by the guarantees of the Applicants. Further, the Board has no equity interest in the Project, and the security for the bonds is non-recourse to the security for the Board and are not a general debt or obligation of the Board.

Any other business by the Board was administrative in nature and typical of the Board's monthly actions. All such business is reflected in the Board's monthly minutes.

Requests for Information

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the government's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Industrial Development Board, 101 Shepherd Hills Drive, Madison, TN 37115.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
Statements of Net Assets
March 31, 2008 and 2007

	2008	(Restated) 2007
Assets		
Current Assets		
Cash	$ 265,768	$ 499,753
Accounts Receivable	1,145	1,050
Lease Option Receivable	150,000	150,000
Total Current Assets	416,913	650,803
Capital Assets		
Office Equipment	1,125	1,125
Storage Building	3,000	3,000
	4,125	4,125
Less: Accumulated Depreciation	(1,358)	(933)
Total Capital Assets	2,767	3,192
Other Assets		
Restricted Cash - Escrow Account	-	63
Total Assets	$ 419,680	$ 654,058
Liabilities and Net Assets		
Current Liabilities		
Bank Overdraft - Restricted Cash	$ 21	$ -
Accounts Payable	696	600
Accrued Liability	12,000	-
Deferred Revenue	-	1,000
Payable to Primary Government	4,196	249,266
Total Current Liabilities	16,913	250,866
Net Assets		
Net Assets Invested in Capital Assets, Net of Related Debt	2,767	3,192
Restricted:		
Reserved for Primary Government	150,000	150,000
Unreserved	250,000	250,000
Total Restricted Net Assets	400,000	400,000
Total Net Assets	402,767	403,192
Total Liabilities and Net Assets	$ 419,680	$ 654,058

See notes to financial statements.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
Statements of Revenues, Expenses, and Changes in Fund Net Assets
For the Years Ended March 31, 2008 and 2007

	2008	(Restated) 2007
Operating Revenues		
Rent - Genesco	$ 5,773	$ 83,135
Rent - Others	12,000	12,750
Application Fees	3,000	2,500
Reimbursed Expenses	3,514	1,997
Miscellaneous Revenue	133	-
Total Operating Revenue	24,420	100,382
Operating Expenses		
Ground Rental	-	12,000
Legal and Professional	8,359	5,520
Printing, Publishing, Notices, Etc.	7,995	6,616
Licenses and Permits	-	40
Board Expenses	-	200
Office Expense	2,820	2,238
Depreciation Expense	425	408
Bad Debt Expense	1,050	-
Total Operating Expenses	20,649	27,022
Operating Income	3,771	73,360
Non-Operating Revenues (Expenses)		
Interest Income	-	818
Lease Option Revenue	-	150,000
Payments to Primary Government	(4,196)	(71,586)
Total Non-Operating Revenues (Expenses)	(4,196)	79,232
Increase in Net Assets	(425)	152,592
Net Assets - Beginning of Year	403,192	250,600
Net Assets - End of Year	$ 402,767	$ 403,192

See notes to financial statements.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

Statements of Cash Flows

For the Years Ended March 31, 2008 and 2007

	2008	(Restated) 2007
Cash Flows from Operating Activities		
Rent Received	$ 29,773	$ 95,535
Cash Received from Applicants	5,369	4,497
Ground Rental Payments	(867)	(12,000)
General and Administrative Expenses Paid	(19,078)	(14,014)
Net Cash Provided by Operating Activities	15,197	74,018
Cash Flows from Noncapital Financing Activities		
Cash Paid to Dell	(1,035,900)	(3,949,561)
Cash Received from Primary Government	786,634	775,000
Net Cash Used by Noncapital Financing Activities	(249,266)	(3,174,561)
Cash Flows from Capital and Related Financing Activities		
Cash Payment for Purchase of Capital Assets	-	(3,000)
Net Cash Used by Capital and Related Activities	-	(3,000)
Cash Flows from Investing Activities		
Interest Received	-	818
Net Cash Provided by Investing Activities	-	818
Net Decrease in Cash and Restricted Cash	(234,069)	(3,102,725)
Cash and Restricted Cash - Beginning of Year	499,816	3,602,541
Cash and Restricted Cash - End of Year	$ 265,747	$ 499,816
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$ 3,771	$ 73,360
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	425	408
Increase in Accounts Receivable	(95)	(350)
Increase in Accounts Payable	96	600
Increase in Accrued Liability	12,000	-
Decrease in Deferred Revenue	(1,000)	-
Total Adjustments	11,426	658
Net Cash Provided by Operating Activities	$ 15,197	$ 74,018
Supplemental Disclosures of Cash Flow Information:		
Noncash Noncapital Financing Activities:		
Increase in Lease Option Receivable	$ -	$ 150,000

See notes to financial statements.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
Notes to Financial Statements
March 31, 2008 and 2007

Note 1. Summary of Significant Accounting Policies

A. Organization and Nature of Activities

The Industrial Development Board of the Metropolitan Government of Nashville and Davidson County (the Board), a component unit of the Metropolitan Government of Nashville and Davidson County was incorporated on May 6, 1959, under the Industrial Development Corporation Act of 1955. The Board was created for the purpose of assisting private businesses within Davidson County to obtain public financing through the issuance of nontaxable bond issues.

B. Reporting Entity

The Board is a component unit of The Metropolitan Government of Nashville and Davidson County, the primary government. It is made up of nine members elected by the City Council of the primary government. The Board's relationship with the primary government is that the Board acts as a conduit through which FIDP Grants are administered. In addition, the Board is a public corporation organized under and pursuant to the provisions of Title 7, Chapter 53, of the Tennessee Code Annotated, designed to maintain and increase employment opportunities in the State of Tennessee by issuing revenue bonds, including revenue refunding bonds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Board follows proprietary fund reporting; accordingly, the accompanying financial statements are presented using the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues of the Board include rental income from lease agreements that have resulted from certain bond issues in prior years, application fees and expenses reimbursed by applicants. Operating expenses of the Board include ground rental expense and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The accompanying financial statements of the Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Board applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict pronouncements of the Governmental Accounting Standards Board (GASB), in which case, GASB prevails.

D. Cash and Cash Equivalents

The Board defines its cash and cash equivalents to include only cash on hand, demand deposits and investments with original maturities of three months or less, including restricted cash. The Board does not have any cash equivalents as of March 31, 2008 and 2007.

F. Receivables

All receivables are reported net of estimated uncollectible amounts.

G. Fixed Assets

Purchased fixed assets are capitalized at cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which are 5 years for equipment and 15 years for buildings.

Note 1. Summary of Significant Accounting Principles – Continued

H. Net Assets

Proprietary fund net assets are divided into two components:

Invested in capital assets, net of related debt—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net assets—consist of net assets that are restricted by the state enabling legislation as operating transfers to the General Fund of the Metropolitan Government of Nashville and Davidson County.

Note 2. Restricted Cash - Escrow Account

The Board acts as a depository and paying agent on behalf of the Metropolitan Government of Nashville and Davidson County with respect to grant funds under the FastTrack Infrastructure Development Program (FIDP). In this capacity, the Board's responsibilities are to authorize applications for grant funds under the program and disbursing the grant funds at the direction of the Mayor's Office of Economic Development.

Note 3. Cash

The Board has no formal deposit policies other than those prescribed by State of Tennessee statute and explained below.

Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by Federal Deposit Insurance Corporation insurance (FDIC). Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

As of March 31, 2008 and 2007, all of the Board's deposits were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks 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. Collected securities required to be pledged by the participant banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under the additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

Note 4. Capital Assets

	2007	Increases	Decreases	2008
Capital Assets				
Equipment	$ 1,125	$ -	$ -	$ 1,125
Less Accumulated Depreciation	(750)	(225)	-	(975)
Net Equipment	375	(225)	-	150
Buildings	3,000	-	-	3,000
Less Accumulated Depreciation	(183)	(200)	-	(383)
Net Buildings	2,817	(200)	-	2,617
Total Capital Assets	$ 3,192	$ (425)	$ -	$ 2,767

Total Depreciation	$ 425

Note 5. Donated Land

During May 2005, the Board received a donation of land from Lofts at 160, LLC (the Lofts). Subsequent to this donation, the Lofts entered into a lease agreement with the Board. The lease does not require the Lofts to make rental payments, but to make in-lieu of tax payments to the Metropolitan Trustee in accordance with a PILOT agreement. The lease includes a bargain purchase option discussed in Note 7. The expiration of the lease is based on the project's completion. The land has not been recorded on the Board's financial statements based on the estimate that the lease purchase option will be exercised.

Note 6. Genesco Ground and Facilities Rent

Under a lease agreement originally dated April 26, 1961, and amended on January 1, 1987, Genesco, Inc. rents facilities constructed or improved with bond issues approved by the Board in prior years. Rental amounts are established by the lease agreement. The lease expired April 25, 2007 and was not renewed.

The Board is obligated under a lease agreement dated April 6, 1961, with the Airport Authority of the Metropolitan Government of Nashville and Davidson County to pay ground rent in the amount of $12,000 annually for the property leased by Genesco, Inc. This lease expired April 25, 2007 and was not renewed. During the years ended March 31, 2008 and 2007, rent under the long-term lease obligation was $867 and $12,000.

Note 7. Leases

Certain bond issues in prior years provided for lease agreements between the Board and the companies receiving public financing for the construction or improvement of their facilities. The leases require the companies to pay rent during the original period of the lease in an amount at least sufficient to pay the principal and interest due on the bonds. These leases are automatically renewable for up to four additional five year terms at specified rental amounts. During March 31, 2008 and 2007, the following leases were in effect:

	Annual Rent	
	2008	2007
Regions Bank (See Note 13)	$ 12,000	$ 12,000
PLC Properties, LLC	-	750
Total	$ 12,000	$ 12,750

Certain lease agreements, described in Notes 5 and above, provide for the purchase of the leased facilities when all amounts due on the related bond issue have been repaid and all the renewal term rents due have been received. The purchase option amounts are fixed by the respective lease agreements. Lease agreements with purchase options that have not been exercised and remain in effect as of March 31, 2008 and 2007, are as follows:

	2008	2007
Regions Bank (See Note 13)	$ 360,000	$ 360,000
Lofts at 160, LLC (See Note 5)	1	1
Totals	$ 360,001	$ 360,001

Note 8. Risk Management

It is the policy of the Board not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the Board believes it is more economical to manage its risk internally. The Board limits its risk by issuing no more than 85% of the projects value in bonds. Also, the Board requires companies receiving bond issuance to sign a personal indemnity in case of default.

Note 9. Dell Incentive

The following schedule reflects the activity of the Dell Incentive payment for the years ended March 31, 2008 and 2007:

	2008	2007
Payable to Dell - Beginning of Year	$ -	$ 3,994,561
Receipts from Primary Government	786,634	-
Reduction of Payable to Primary Government	249,266	-
Payments to Dell	(1,035,900)	(3,994,561)
Payable to Dell - End of Year	$ -	$ -

Note 10. Conduit Debt Obligations

From time to time, the Board has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Board, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The aggregate principal amount as of March 31, 2008 and 2007 for the Industrial Revenue Bonds issued after April 1, 1996, was $477,230,269 and $444,378,005, respectively. For the year ending March 31, 2008 and 2007, $2,235,000 of $481,420,269 is in default. The aggregate principal amount payable for the Industrial Revenue Bonds issued prior to April 1, 1996, could not be determined; however, their original issue amount totaled $1,414,846,369.

Note 11. Correction of an Error

During the audit of the year ended March 31, 2008, an omission in the financial statements was discovered affecting a lease option receivable of $150,000 with PLC Properties, LLC being exercised and not recorded. The 2007 financial statements were restated to increase the lease option receivable and lease option revenue by $150,000. Total restatements resulted in a change to both lease option receivable and lease option revenue from $0 to $150,000. Also, change in net assets and net assets were increased by $150,000 at March 31, 2007 from $2,592 to $152,592 and $253,192 to $403,192, respectively.

Note 12. Subsequent Event

During July 2008, Regions Bank (Note 7) assigned the lease to JP-Nashville, LLC. In October 2008, JP-Nashville notified the Board of their intent to exercise the lease purchase option, of $360,000, on or before December 1, 2008.

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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 Board of Directors
The Industrial Development Board of the Metropolitan
Government of Nashville and Davidson County

We have audited the financial statements of The Industrial Development Board of the Metropolitan Government of Nashville and Davidson County ("the Board"), a component unit of The Metropolitan Government of Nashville and Davidson County as of and for the year ended March 31, 2008 and 2007, and have issued our report thereon dated November 13, 2008. 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 Board's internal control over financial reporting as a basis for designing our 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 Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Board'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 Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

MATERIAL WEAKNESSES

08-1. Board Oversight and Management
Significant Deficiency:
The Board does not employ any personnel. Legal work is outsourced to Mr. Bobby Davis, attorney. Mr. Davis is paid for legal services through the closings performed on behalf of the Board. In addition, Mr. Davis maintains the general ledger and check book and performs accounting services for the Board free of charge. The Board meets on a monthly as-needed basis to take official actions.

We identified transactions during our audit for which the Board had no knowledge of actions taken. In addition, we noted action was taken on behalf of the Board which was not referenced in the Board's minutes. We have determined the Board does not have appropriate oversight over all of its business dealings and related financial reporting.

Recommendation:
We recommend representatives of the appointing authority (the Metropolitan Government of Nashville and Davidson County Council) and representatives from the administration of the primary government (the Metropolitan Government of Nashville and Davidson County) review the responsibilities of the Board with its members and their representatives to ensure all transactions are appropriately approved by the Board and recorded in the financial records timely and accurately.

Management's Response:
We (Law Office of Bobby Davis) are suggesting to the Board that they employ outside agency to do all of the financial aspects for the Board to include checks, bills, deposits so that this office has nothing to do with those matters.

08-2. Lease Purchase Option

Significant Deficiency:
During the audit, we identified a lease purchase option, referenced in a 1968 lease due to expire during the 2008 fiscal year that was exercised on August 21, 2006. The 1968 lease, originally the Horace Small Manufacturing Lease, was assigned on March 31, 1999 to PLC Properties, LLC ("PLC") a related party. PLC continued to pay lease payments of $150 monthly during the 2007 fiscal year until August 2006. On August 21, 2006 a waiver of notice requirement was signed with Mrs. Nettie Scalf's (Chairman of the Board) signature and was notarized by Mr. Davis. The waiver indicated the Board had been notified of PLC's desire to exercise the purchase option and agreed to waive the notification requirement in the lease and accept the lease purchase option of $150,000. On the same day, the property (map parcel 92-14-82) was quitclaimed to PLC for $150,000. This deed included Mrs. Scalf's signature and was notarized by Mr. Davis. In addition, a release of lease agreement also included Mrs. Scalf's signature and was notarized by Mr. Davis. We found no record of these events in the 2007 fiscal year board minutes. On August 23, 2006, PLC sold the map parcel above along with map parcel 92-10-391 to LUI Nashville 28th Street, LLC for $4,975,000.

We obtained the legal documents mentioned above from the primary government. Additionally, in board minutes dated October 14, 2008, the board discussed the lease purchase option and extended the transaction date to November 20, 2008. On November 5, 2008, we met with Col. Robert Whitworth, acting Chairman of the Board and Mr. Aubrey Gregory, Secretary to discuss these matters. We questioned if the lease purchase option had been exercised and did not receive sufficient answers or documentation from Mr. Davis or the Board members at that time. We were unable to determine the location of the $150,000 lease option proceeds until documentation provided by Mr. Davis on November 11, 2008 showed $149,956.44 was wire transferred into the Board's checking account on October 24, 2008. Mr. Davis indicated the source of the wire transfer was from his escrow account.

Recommendation:
We have not been able to determine whether the actions described above were known to and authorized by the Board. In addition, we were unable to verify why there was a twenty-six month lapse between the lease option exercise date of August 2006 and date of deposit into the Board's account on October, 24 2008. We do not know why the amount was $43.56 less than the $150,000. We do not know where the funds were deposited on August 21, 2006, when they were transferred into Mr. Davis's escrow account and why they were transferred into escrow. We recommend the Board or representatives of the appointing authority and primary government take steps to answer the questions above. In addition, we recommend the Board and representatives of the appointing authority and primary government review the fiscal policies of the Board to ensure all transactions are properly authorized, accounted for and are fiscally responsible.

Management's Response:
The lease purchase option was completed as required and the moneys protected as required, and subject to certain events occurring which ultimately did occur, the money was not held by my (Bobby Davis') office or in my accounts, when all restrictions were met the money was sent to my account and immediately wired to the Board. This money was not held in my accounts.

08-3. Segregation of Accounting Duties

Significant Deficiency:
The custody of assets is not segregated from maintenance of accounting records. Cash receipts are maintained by the same individual that prepares the general ledger and reconciles bank statements. This individual also makes deposits. If the duties are not adequately segregated, errors or fraud may occur and go undetected. This finding is a repeat of a finding in the March 31, 2007 audit report.

Recommendation:
We recommend that further segregation of duties be considered and/or alternative measures designed to detect errors or fraud be developed. Alternative measures could include additional oversight by the Board.

Management's Response:
Whether it is feasible or not I (Bobby Davis) want all of these duties to be given to outside parties.

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 Board'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. However, of the significant deficiencies described above, we consider items 08-1, 08-2 and 08-3 to be material weaknesses.

The Industrial Development Board's written responses to the material weaknesses identified on our audit have not been subjected to audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Industrial Development Board of the Metropolitan Government of Nashville and Davidson County'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*.

This report is intended solely for the information and use of the Board of Directors, management, the Metropolitan Government of Nashville and Davidson County, and the State of Tennessee, Division of County Audit and is not intended to be and should not be used by anyone other than these specified parties.

Parker, Parker & Associates

November 13, 2008