

**NASHVILLE DISTRICT MANAGEMENT
CORPORATION, INC.**

FINANCIAL STATEMENTS

December 31, 2009 and 2008

**NASHVILLE DISTRICT MANAGEMENT
CORPORATION, INC.**

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FRASIER, DEAN & HOWARD, PLLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nashville District Management Corporation, Inc.
Nashville, Tennessee

We have audited the accompanying statements of net assets of Nashville District Management Corporation, Inc. (a nonprofit organization), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville District Management Corporation, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its 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 June 3, 2010, on our consideration of Nashville District Management Corporation, Inc.'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 should be considered in assessing the results of our audits.

Management's discussion and analysis on pages 4 through 6 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Nashville District Management Corporation, Inc. taken as a whole. The additional information included in the report (shown on page 15) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Frasier, Dean + Howard, PLLC

June 3, 2010

NASHVILLE DISTRICT MANAGEMENT CORPORATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

The following Management's Discussion and Analysis ("MD&A") of the Nashville District Management Corporation, Inc.'s (the "NDMC") financial performance provides an introduction to the financial statements for the year ended December 31, 2009. The information contained in this MD&A should be considered in conjunction with the information contained in the NDMC's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The NDMC's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board. Revenues of the NDMC are recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and are depreciated over their estimated useful lives. See the notes to the financial statements for a summary of the NDMC's significant accounting policies.

Following this discussion are the basic financial statements of the NDMC, together with the notes, which are essential to a full understanding of the data contained in the financial statements. The NDMC's basic financial statements are designed to provide readers with a broad overview of the NDMC's financial status.

The *Statement of Net Assets* presents information on all of the NDMC's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of the NDMC's financial position.

The *Statement of Activities* presents information showing the change in the NDMC's net assets during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the NDMC's cash accounts are recorded in this statement.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL HIGHLIGHTS

Substantially all the NDMC's operating revenue is from property-based assessments within a defined Central Business Improvement District ("CBID"). Consistent with the State enabling legislation, property owners representing more than 50% of the total property owners in the CBID and more than 2/3 of the assessed value signed petitions agreeing to the assessment. Following a public hearing, the Metropolitan Council of Nashville and Davidson County established the CBID by an ordinance, with the power to levy assessment on property. Under terms of a Memorandum of Agreement between the Metropolitan Government of Nashville and Davidson County and the NDMC, funds generated by this special assessment are collected with the regular property taxes and transferred to the NDMC to fund services and initiatives that support and enhance the economic environment of the CBID.

NASHVILLE DISTRICT MANAGEMENT CORPORATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2009

FINANCIAL HIGHLIGHTS (Continued)

	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,195,131	\$ 1,136,676
General revenues:		
Contributions	57,120	54,777
Other income	<u>40,680</u>	<u>43,641</u>
Total revenues	<u>1,292,931</u>	<u>1,235,094</u>
Expenses:		
Program expenses:		
Program management fees	1,200,441	1,142,570
Management and general	19,983	21,299
General expenses:		
Non-cash lease expense	<u>81,864</u>	<u>81,864</u>
Total expenses	<u>1,302,288</u>	<u>1,245,733</u>
Decrease in net assets	<u>\$ (9,357)</u>	<u>\$ (10,639)</u>

The operating revenue from the property tax assessment reported for the period ended December 31, 2009 is consistent with management expectations and that reported for the period ended December 31, 2008. The assessment revenues from the CBID are materially consistent with the ordinance established by the Metropolitan Council for 2008 through 2017 which expanded the geographic area and assessment rate.

Similarly, the program operating expenses reported for the period ended December 31, 2009 are consistent with those reported for the period ended December 31, 2008. As is reported in the accompanying notes to the financial statements, the NDMC provides substantially all of the support and services to its constituents through a management contract with the Nashville Downtown Partnership, Inc. Therefore, other than necessary administrative expenses, the remainder of the operating costs are incurred as a part of this contract.

As mentioned above, the net assets of the NDMC represent the difference between its assets and its liabilities at a point in time. A change in the net asset balance from one year to the next is typically a result of the excess of revenues over expenses for the time period, or in some cases the excess of expenses over revenues. In most years, the NDMC will not experience a significant change in its net assets, as substantially all of its available revenue is designed to be utilized immediately to provide services to its target area. For the year ended December 31, 2009, and much like prior years, the NDMC experienced a decrease in net assets. This was due to the annual depreciation expense recognized on the capital (fixed asset) acquisitions incurred related to its office space.

NASHVILLE DISTRICT MANAGEMENT CORPORATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2009

FINANCIAL HIGHLIGHTS (Continued)

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 198,722	\$ 138,718
Capital assets	<u>18,125</u>	<u>27,482</u>
Total assets	<u>216,847</u>	<u>166,200</u>
Other liabilities	(194,334)	(134,330)
Net assets:		
Invested in capital assets	18,125	27,482
Unrestricted	<u>4,388</u>	<u>4,388</u>
Total net assets	<u>\$ 22,513</u>	<u>\$ 31,870</u>

OTHER ISSUES

Management is not aware of any facts or conditions that are expected to have a significant impact on either the NDMC financial position or the results of its operations after the reporting date. A further discussion of the significant business relationships of the NDMC can be found in the accompanying notes to the financial statements.

Respectfully submitted,



Thomas Turner
 President & CEO
 June 3, 2010

NASHVILLE DISTRICT MANAGEMENT CORPORATION, INC.
STATEMENTS OF NET ASSETS
December 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 195,693	\$ 135,689
Prepaid expenses	3,029	3,029
Total current assets	198,722	138,718
Capital assets:		
Leasehold improvements	134,290	134,290
Furniture and equipment	43,599	43,599
Computer equipment	2,000	2,000
Total capital assets	179,889	179,889
Less accumulated depreciation	(161,764)	(152,407)
Total capital assets (net of accumulated depreciation)	18,125	27,482
Total assets	\$ 216,847	\$ 166,200
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accrued expenses	\$ -	\$ 11,938
Accounts payable-Nashville Downtown Partnership, Inc.	155,336	122,392
Deferred revenue	38,998	-
Total current liabilities	194,334	134,330
Total liabilities	194,334	134,330
Net assets:		
Invested in capital assets	18,125	27,482
Unrestricted	4,388	4,388
Total net assets	22,513	31,870
Total liabilities and net assets	\$ 216,847	\$ 166,200

See accompanying notes to the financial statements.

NASHVILLE DISTRICT MANAGEMENT CORPORATION, INC.
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Charges for services	<u>\$ 1,195,131</u>	<u>\$ 1,136,676</u>
Operating expenses:		
Program management fees	1,200,441	1,142,570
Management and general	<u>19,983</u>	<u>21,299</u>
Total operating expense	<u>1,220,424</u>	<u>1,163,869</u>
Operating loss	<u>(25,293)</u>	<u>(27,193)</u>
Nonoperating income (expense):		
Contributions	57,120	54,777
Other income	40,680	43,641
Non-cash lease expense	<u>(81,864)</u>	<u>(81,864)</u>
Total nonoperating income (expense)	<u>15,936</u>	<u>16,554</u>
Change in net assets	(9,357)	(10,639)
Net assets - beginning of year	<u>31,870</u>	<u>42,509</u>
Net assets - end of year	<u><u>\$ 22,513</u></u>	<u><u>\$ 31,870</u></u>

See accompanying notes to the financial statements.

NASHVILLE DISTRICT MANAGEMENT CORPORATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received for services	\$ 1,234,129	\$ 1,136,676
Cash payments to suppliers for goods and services	<u>(1,190,061)</u>	<u>(1,085,666)</u>
Net cash provided by operating activities	<u>44,068</u>	<u>51,010</u>
Cash flows from noncapital financing activities:		
Cash received from contributors	<u>15,000</u>	<u>10,000</u>
Net cash provided by noncapital and related financing activities	<u>15,000</u>	<u>10,000</u>
Cash flows from capital and related financing activities:		
Capital contributions	-	2,657
Purchases of capital assets	<u>-</u>	<u>(14,596)</u>
Net cash used in capital and related financing activities	<u>-</u>	<u>(11,939)</u>
Cash flows from investing activities:		
Interest income	<u>936</u>	<u>3,897</u>
Net cash provided by investing activities	<u>936</u>	<u>3,897</u>
Net increase in cash and cash equivalents	60,004	52,968
Cash and cash equivalents - beginning of year	<u>135,689</u>	<u>82,721</u>
Cash and cash equivalents - end of year	<u><u>\$ 195,693</u></u>	<u><u>\$ 135,689</u></u>

See accompanying notes to the financial statements.

NASHVILLE DISTRICT MANAGEMENT CORPORATION, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
For the years ended December 31, 2009 and 2008

	2009	2008
Reconciliation of operating loss to net cash provided		
by operating activities:		
Operating loss	\$ (25,293)	\$ (27,193)
Adjustments to reconcile operating loss to net		
cash provided by operating activities:		
Depreciation	9,357	13,296
Changes in operating assets and liabilities:		
Prepaid expenses	-	(3,029)
Accounts payable	21,006	67,936
Deferred revenue	38,998	-
	\$ 44,068	\$ 51,010
Net cash provided by operating activities	\$ 44,068	\$ 51,010

See accompanying notes to the financial statements.

NASHVILLE DISTRICT MANAGEMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Nashville District Management Corporation, Inc. (the "Organization") was established in 1998 as a not-for-profit organization to administer special assessment revenues collected by the Metropolitan Government of Nashville and Davidson County, Tennessee ("Metro") for the Nashville Central Business Improvement District ("CBID") under a memorandum of understanding with Metro. The agreement may be terminated by Metro upon thirty days notice. The assessments collected are to be used to make improvements to CBID and to provide services within CBID. Accordingly, the Organization is considered a component unit of Metro.

The financial statements of the Organization have been prepared using the accrual basis of accounting. Based upon the criteria set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, Metro has determined that the Organization is a component unit due to it being fiscally dependent on Metro.

Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains its deposits in financial institutions at balances that, at times, may exceed federally insured limits.

Capital Assets

Capital assets are reported at cost at the date of purchase, at fair market value at the date of gift, if the value is readily determinable, or other reasonable basis, as determined by management, if such value is unknown. Depreciation is calculated using the straight-line method to allocate the cost of the assets, as so determined, to operations over their estimated useful lives, which range from three to seven years.

Taxation

The Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for federal income taxes in the accompanying financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Revenue Recognition

Charges for services relates to revenue under the Organization's contract with Metro and is generally recognized as revenue when received or as deemed payable by Metro.

NASHVILLE DISTRICT MANAGEMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Organization's unrestricted cash and cash equivalent bank balances totaling \$195,693 and \$135,689 at December 31, 2009 and 2008, respectively, represent time deposits with banks. All the cash deposits are in a single financial institution and are carried at cost plus interest which approximates market. The carrying amount of cash deposits is separately reported as cash in the accompanying statements of net assets. These deposits are insured up to the federal depository insurance coverage level. The Organization is authorized by its board of directors to make deposits into various checking, savings, and money market accounts.

NOTE 3 – CAPITAL ASSETS

Capital assets and related accumulated depreciation activity for the year ended December 31, 2009 was as follows:

	<u>Balance</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2009</u>
Capital assets:				
Leasehold improvements	\$ 134,290	\$ -	\$ -	\$ 134,290
Furniture and equipment	43,599	-	-	43,599
Computer equipment	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Total capital assets	<u>179,889</u>	<u>-</u>	<u>-</u>	<u>179,889</u>
Less accumulated depreciation:				
Leasehold improvements	(108,834)	(8,485)	-	(117,319)
Furniture and equipment	(41,573)	(872)	-	(42,445)
Computer equipment	<u>(2,000)</u>	<u>-</u>	<u>-</u>	<u>(2,000)</u>
Total accumulated depreciation	<u>(152,407)</u>	<u>(9,357)</u>	<u>-</u>	<u>(161,764)</u>
Net capital assets	<u>\$ 27,482</u>	<u>\$ (9,357)</u>	<u>\$ -</u>	<u>\$ 18,125</u>

NASHVILLE DISTRICT MANAGEMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 3 – CAPITAL ASSETS (Continued)

Capital assets and related accumulated depreciation activity for the year ended December 31, 2008 was as follows:

	Balance <u>12/31/2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/2008</u>
Capital assets:				
Leasehold improvements	\$ 100,350	\$ 33,940	\$ -	\$ 134,290
Furniture and equipment	51,694	-	(8,095)	43,599
Computer equipment	12,996	-	(10,996)	2,000
Computer equipment	<u>19,344</u>	<u>-</u>	<u>(19,344)</u>	<u>-</u>
Total capital assets	<u>184,384</u>	<u>33,940</u>	<u>(38,435)</u>	<u>179,889</u>
Less accumulated depreciation:				
Leasehold improvements	(100,350)	(8,484)	-	(108,834)
Furniture and equipment	(44,856)	(4,812)	8,095	(41,573)
Computer equipment	<u>(12,996)</u>	<u>-</u>	<u>10,996</u>	<u>(2,000)</u>
Total accumulated depreciation	<u>(158,202)</u>	<u>(13,296)</u>	<u>19,091</u>	<u>(152,407)</u>
Net capital assets	<u>\$ 26,182</u>	<u>\$ 20,644</u>	<u>\$ (19,344)</u>	<u>\$ 27,482</u>

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The Organization leases office space under a noncancelable operating lease which expires May 2012. The space is paid for and used by Nashville Downtown Partnership, Inc. (Note 5), a related nonprofit organization. In connection with the lease, the lessor provided reduced rent totaling \$42,120 during 2009 and 2008 that has been reflected in the accompanying financial statements as contributions, with a corresponding charge to non-cash lease expense. Under the terms of the lease, the lessor will continue to provide reduced rent of similar amounts each year of the lease. The lease provides for additional rent to be payable in the event property taxes and/or building operating costs increase from base year amounts. Rent expense totaled \$81,864 for the years ended December 31, 2009 and 2008, respectively. Future minimum lease payments required under the lease as of December 31, 2009 are as follows:

<u>Year ending December 31,</u>	
2010	\$ 46,613
2011	47,944
2012	<u>20,204</u>
	<u>\$ 114,761</u>

NASHVILLE DISTRICT MANAGEMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 5 – CONTRACTS AND AGREEMENTS

The Organization has entered into various contracts and agreements in order to carry out its purpose of administering special assessment revenue collected by Metro for the benefit of CBID. A brief description of such contracts and agreements follows.

Memorandum of Agreement with Metro – This agreement provides for the Organization to oversee program administration of CBID in accordance with Tennessee law. The Organization's duties and responsibilities under the agreement include, but are not limited to, providing services for improvement and operation of CBID through security enhancement, downtown marketing, and improving downtown beautification, sanitation, and maintenance. The agreement expired December 31, 2007. Effective January 1, 2008, the Organization entered into a new agreement under similar terms extending to December 31, 2017. The agreement may be terminated by Metro upon thirty days notice.

Service Agreement – Effective July 1, 2001, the Organization entered into an agreement with Nashville Downtown Partnership, Inc., a related nonprofit organization, to perform all the duties and responsibilities for day-to-day management and implementation of services and improvements for the CBID, as defined in the Memorandum of Agreement with Metro, in exchange for substantially all revenues received from CBID assessments. During the years ended December 31, 2009 and 2008, the Organization recognized expense of \$1,200,441 and \$1,142,570, respectively, related to the agreement. Amounts payable under the agreement totaled \$155,336 and \$122,392 at December 31, 2009 and 2008, respectively. The agreement expired December 31, 2007. Effective January 1, 2008, the Organization entered into a new agreement under similar terms extending to December 31, 2017.

NOTE 6 – CONCENTRATIONS

The Organization receives substantially all of its revenue from its agreement with Metro through local government special assessments. Should Metro discontinue this arrangement, the Organization would no longer be able to continue its operations without obtaining alternative sources of revenue.

NOTE 7 – LINE OF CREDIT

During 2009, the Organization extended its line of credit with a financial institution. Borrowings under this agreement bear interest at a variable rate of LIBOR plus 3.6% adjusted quarterly (currently 3.85%) and require monthly payments of interest only. As of December 31, 2009 and 2008, the Organization had no borrowings on this line of credit. The amount available under the agreement is \$100,000. The agreement matures in November 2010 and is guaranteed by Nashville Downtown Partnership, Inc.

NOTE 8 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through June 3, 2010, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

ADDITIONAL INFORMATION

NASHVILLE DISTRICT MANAGEMENT CORPORATION, INC.
SCHEDULE OF EXPENDITURES OF METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY, TENNESSEE AWARDS
For the year ended December 31, 2009

<u>Grantor Agency</u>	<u>Program Name</u>	<u>Award Period</u>	<u>Cash Expenditures</u>
Metropolitan Government of Nashville and Davidson County, Tennessee	Nashville Central Business Improvement District	January 1, 2009 to December 31, 2009	<u>\$ 1,190,061</u>



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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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 of
Nashville District Management Corporation, Inc.

We have audited the financial statements of Nashville District Management Corporation, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated June 3, 2010. 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 Nashville District Management Corporation, Inc.'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 Nashville District Managements Corporation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nashville District Management Corporation, Inc.'s internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control, described below, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Adjustments

During our audit, we proposed several adjustments for transactions that were not recorded in accordance with the accrual basis of accounting. These included adjustments to properly record CBID contract expense and depreciation expense.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nashville District Management Corporation, Inc.'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, others within the organization, and awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Frazier, Dean + Howard, PLLC

June 3, 2010