



Metropolitan Nashville Airport Authority

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



Building on Change

Metropolitan Nashville Airport Authority



# **METROPOLITAN NASHVILLE AIRPORT AUTHORITY**

**Nashville, Tennessee**

*A Component Unit of the Metropolitan Government  
of Nashville and Davidson County, Tennessee*

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

*For the Fiscal Year Ended  
June 30, 2004*

*Prepared by the Finance Department*

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# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

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# INTRODUCTORY SECTION

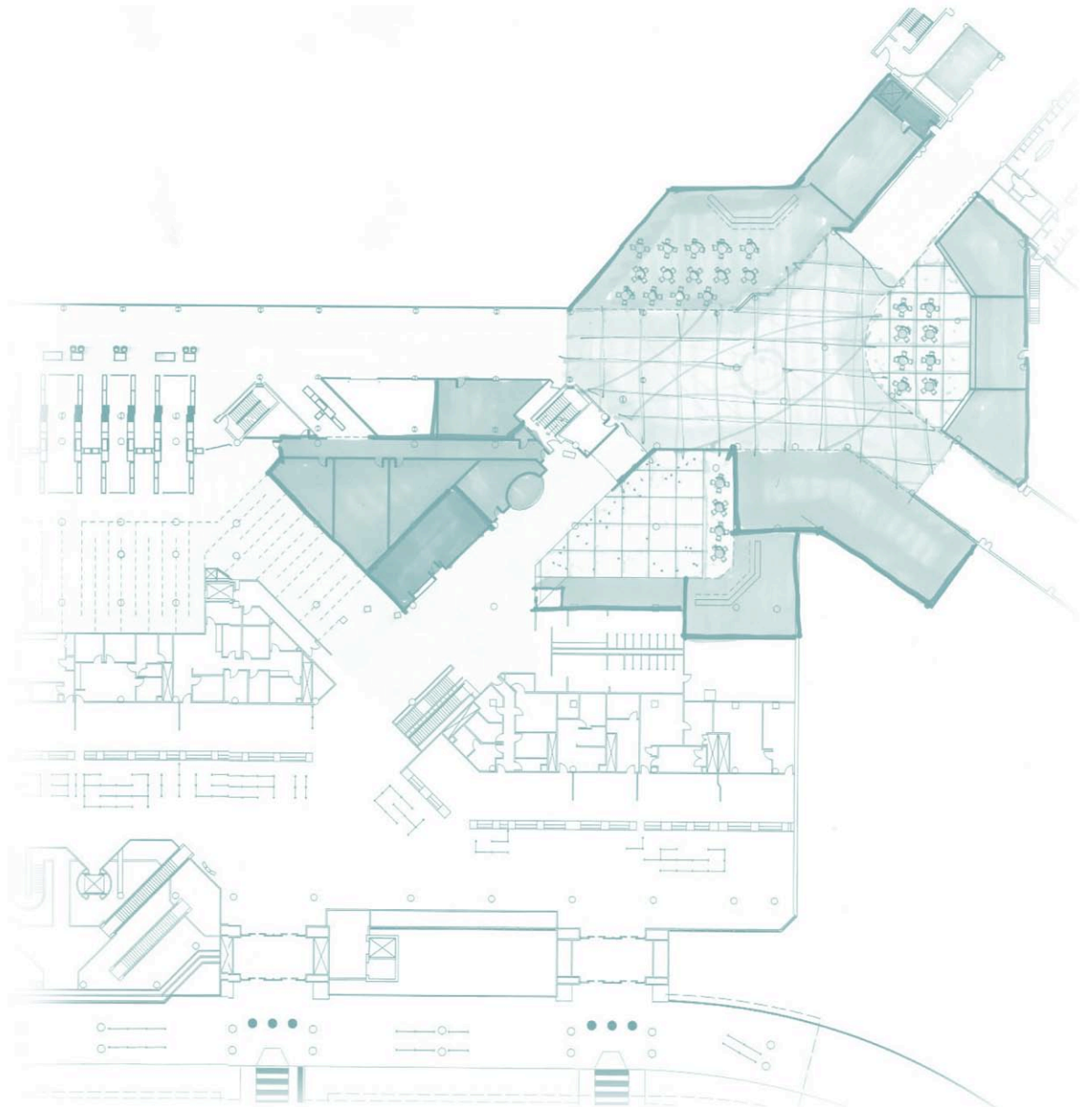
*This Section Contains the Following Subsections:*

**Letter of Transmittal**

**Board of Commissioners**

**Organization Chart & Senior Management**

**Certificate of Achievement for Excellence  
in Financial Reporting**



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## **METROPOLITAN NASHVILLE AIRPORT AUTHORITY**

ONE TERMINAL DRIVE • SUITE 501 • NASHVILLE, TENNESSEE 37214-4114 • (615) 275-1600

December 13, 2004

To the Board of Commissioners of the  
Metropolitan Nashville Airport Authority

The Comprehensive Annual Financial Report (“CAFR”) of the Metropolitan Nashville Airport Authority (the “Authority”) for the fiscal year ended June 30, 2004, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Finance Department of the Authority. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority’s financial activities have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a list of the current Authority Board of Commissioners, and the Authority’s organizational chart and listing of senior management. The financial section includes the independent auditors’ report, Management’s Discussion and Analysis (MD&A), and the Authority’s financial statements (with related footnotes). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

### **REPORTING ENTITY**

The Authority is a metropolitan airport authority created February 9, 1970, pursuant to state statute and is an independent political subdivision of the State of Tennessee. The major purposes of the Authority are developing, financing and operating the Nashville International Airport and the John C. Tune Airport, a general aviation reliever airport. The Authority has all the powers of a governmental entity necessary to accomplish its purposes, such as acquiring land and constructing airport facilities; issuing revenue bonds and other tax-exempt indebtedness; maintaining its own police and crash/fire/rescue force; and setting rates, charges and rentals for activities on airport properties.

The Authority is governed by a Board of Commissioners, who serve without compensation. The Board of Commissioners is made up of ten members, nine of whom are appointed by the Mayor with the tenth being the Mayor. The Metropolitan Council of Nashville and Davidson County confirm all appointments. The appointments are for a term of four years, and terms are staggered to provide continuity of airport development and management. By state law, the Commissioners represent different professional and management disciplines, including: engineering, aviation, law, commerce, finance and industry. The Board appoints the Authority’s President who is the chief executive and administrative officer responsible for day-to-day operations and planning for all Authority airports. The President heads a full-time staff of professional and technical personnel totaling a budgeted headcount for fiscal year 2004 of 257 positions. Based upon the criteria set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, it has been determined that the Authority is a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee.

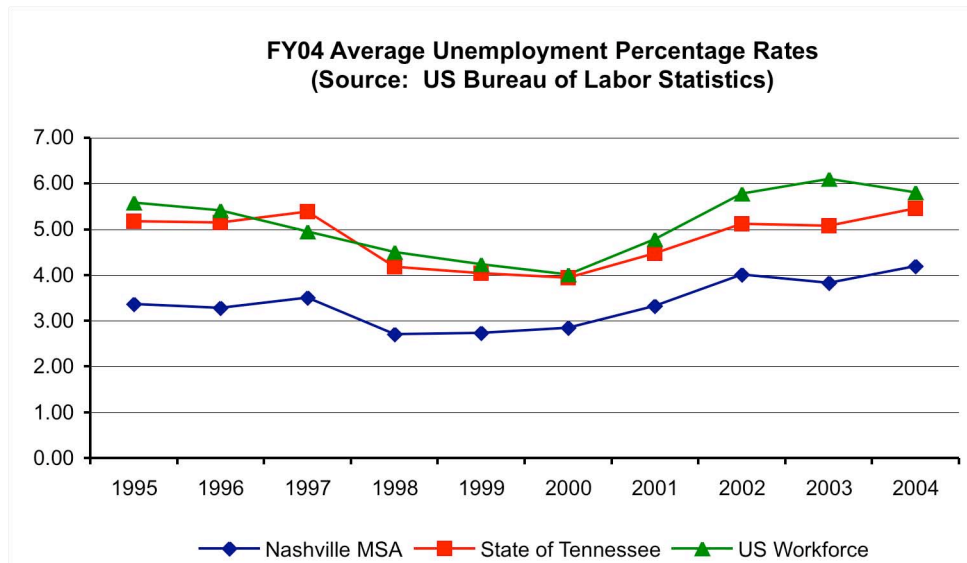
## ***ECONOMIC CONDITIONS AND OUTLOOK***

The financial condition of the Authority is primarily dependent upon the number of passengers using the Nashville International Airport. Passenger levels, in turn, are dependent upon several factors, including the economic condition of the airline industry, which influences the airlines' willingness and ability to provide service; the local economy, which influences the willingness and ability of consumers to purchase air travel; and the cost of air travel.

The economy of Nashville is diverse and, due to the large presence of many industries, is relatively stable. Nashville is not dependent upon one or two industries for its economic strength and therefore is able to withstand and survive economic downturns. Because Nashville has much to offer employers in the way of location, work force, and quality of life, many national and international companies have located their headquarters in Nashville. Some companies with corporate, U.S., divisional or regional headquarters located in the Nashville Metropolitan Statistical Area ("MSA") include Bridgestone/Firestone, Inc., Dell Computer Corporation, Gaylord Entertainment, Nissan Motor Manufacturing Corporation U.S.A., HCA Inc. and Shoney's Inc.

The Nashville MSA, 39<sup>th</sup> largest in the United States in terms of overall population, is also the largest MSA in the State of Tennessee. According to June, 2004, Bureau of Labor Statistics data, the Nashville MSA labor force surpassed 700,000 – 18% greater than that of Memphis and 77% more than Knoxville's MSA, and a positive indicator of the economic energy in the Nashville area.

As seen in graphical format, the average unemployment rates for the Nashville MSA have been consistently lower than that of the entire U.S. workforce and the State of Tennessee. For the years presented below, the Nashville MSA unemployment rates have been lower on average by 34% and 30% than the U.S. workforce and Tennessee, respectively.



Because of the strong local economy, demand for expanded air service should continue. As a result, non-airline sources of revenue to the Authority (i.e. parking and concessions) should remain strong. However, in any event, the residual lease agreements entered into with six airlines ensures the continuing economic viability of the Authority. Under the total residual approach method, the airlines pay fees and rents sufficient to generate total airport revenues, which at a minimum, guarantee break-even operations.

Standard & Poor's Ratings Services published an A- rating on the Authority's airport revenue bonds on October 19, 2004. The organization recognized the Authority's low cost structure, moderate debt per enplanement, and strong origination and destination (O & D) passenger traffic as some of the reasons for its rating. On December 3, 2004, Moody's Investors Service assigned a rating of A2 with a stable outlook to the airport revenue bonds. It considered some of the same strengths that Standard & Poor's did when issuing its rating. These ratings are further indication of the Metropolitan Nashville Airport Authority's diverse sources of revenue, encouraging enplanement levels, favorable debt service ratios, positive general financial health, and the vibrant and diverse economic base in Middle Tennessee.

### ***MAJOR INITIATIVES AND DEVELOPMENTS***

The strengthening of the U. S. economy and passenger confidence are contributing to the restoration of passenger enplanement levels experienced a few years ago. Enplanements this year reached 93% of those in fiscal year 2001. This is a significant recovery compared to last year's traffic levels that were approximately 11% below peak levels experienced in the year prior to the terrorist attack. Interestingly enough, nearly three times as many passengers boarded regional carriers in fiscal year 2004 as did during that record setting year.

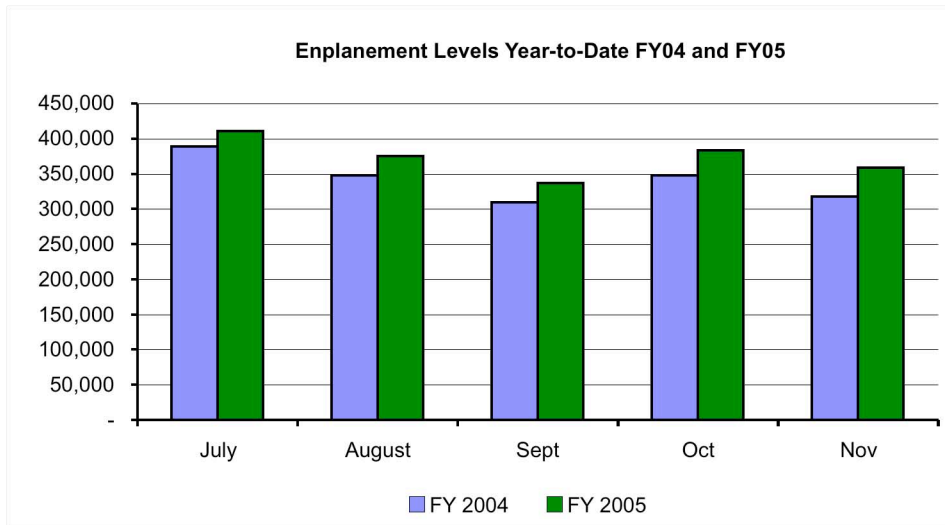
Several capital improvement projects began in fiscal year 2004. One of the major initiatives was an airfield reconstruction project designed to improve the condition of runways and taxiways at Nashville International Airport. This \$8 million multi-year project will be funded with receipts from passenger facility charges (PFCs) appropriated over the next five years as the project progresses.

Another significant project relates to widening five taxiway areas. A combination of federal funding in the amount of \$1.875 million plus Tennessee and PFC funding in the amount of \$312,500 each have been dedicated to fund this important project. This \$2.5 million project will accommodate Design Group V aircraft taxiing to the Air Cargo ramp area.

Middle Tennessee's air service needs continue to grow and expand. Frontier Airlines began daily non-stop flights between Denver International Airport and Nashville on June 20, 2004, featuring new Airbus jets. Independence Air, America's newest low-fare airline started service between Washington Dulles International Airport and Nashville on July 1, 2004, at the beginning of the new fiscal year. The former Atlantic Coast Airlines, is operating newly-upgraded 50-seat iJETs and has several daily departures.

### **Outlook for Fiscal Year 2005**

As can be seen in the following graph, enplaned passenger levels during the first five months of fiscal year 2005 are above the comparable months of the prior year. More than 1,864,000 passengers boarded carriers in the first five months of fiscal year 2005, almost 9% more than for the first five months of the prior year. November experienced the greatest single monthly increase of 13%. If this trend continues, the Nashville International Airport should see record passenger levels in fiscal year 2005 and will have likely erased its enplanement deficit.



The Authority has positioned itself favorably to be able to fulfill obligations set forth in the 2004 – 2008 Capital Improvement Program approved in fiscal year 2003. Several projects outlined in this \$101 million budget are underway. One of the most exciting and visible projects for the coming year will be a \$35 million terminal remodel that will offer passengers and visitors many more exciting concession choices for a real “taste” of Nashville. This long awaited project represents most of the budgeted capital for planned terminal, airfield, and other capital improvement expenditures approved for fiscal year 2005. These terminal renovations and concession upgrades will be funded by Authority resources.

The emphasis turns to the airfield for improvements in fiscal year 2006 with more than half the planned \$13.3 million in capital improvements being dedicated to a taxiway and ramp expansion project. The Authority wants to position the northwest portion of the airport’s 4,400-acre property for future aviation maintenance development. This area will require an ingress/egress taxiway connector that will accommodate aircraft expected to utilize this ramp area. The collection of PFCs will cover the cost of this \$7 million project. Infrastructure improvements such as site and roadway grading and installing utility services are also planned for fiscal year 2006 at a cost of \$5 million split among federal, state, and PFC resources.

Eighteen acres in the existing general aviation area have been identified for redevelopment to accommodate large corporate hangar facilities. One hangar is scheduled for completion and others under construction by the end of calendar year 2004. To address the needs of existing private aircraft owners and fixed base operators at Nashville International Airport, additional land has also been selected for future development.

## ***FINANCIAL INFORMATION***

### **Financial Position and Results of Operations**

Management’s Discussion and Analysis (MD&A, starting on page 20) summarizes the Authority’s *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* and reviews the changes from the beginning to the end of fiscal year 2004, as well as certain comparisons of the current year to the prior year. The actual financial statements and related footnotes are presented on pages 20 to 50. The information contained in the MD&A should be considered in conjunction with the information contained in this report.

## **Internal Control Structure Framework**

The financial statements of the Authority are prepared following generally accepted accounting principles applicable to governmental unit enterprise funds. This results in financial statements prepared on the full accrual basis.

Internal control is a process affected by an entity's board of commissioners, management and other personnel and designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) safeguarding of assets from loss from unauthorized use or disposition; (b) execution of transactions in accordance with management's authorization; (c) reliability of financial records for preparing financial statements and maintaining accountability for assets; (d) effectiveness and efficiency of operations; and (e) compliance with applicable laws and regulations.

Internal controls, no matter how well designed and operated, can provide only reasonable assurance to management and the board of commissioners regarding achievement of an entity's control objectives. The likelihood of achievement is affected by limitations inherent to internal control. Such limitations include:

1. Human judgment in decision-making can be faulty;
2. Breakdowns in internal controls can occur due to errors or mistakes;
3. Controls can be circumvented by the collusion of two or more people or management override of internal controls;
4. Costs of an entity's internal controls should not exceed the benefits that are expected to be derived; and
5. Custom, culture and the corporate governance system inhibit irregularities by management, but they are not absolute deterrents.

All internal control evaluations occur within the above framework. We believe that the Authority's internal controls adequately meet the objectives listed above.

## **Budgetary Controls**

The Authority's individual airports' annual operating and capital budgets are reviewed by various committees of the Board of Commissioners and legally adopted by the full Board of Commissioners. In the case of the Nashville International Airport, the annual capital and operating budgets are additionally reviewed and approved by the airlines that have committed to the residual lease agreement.

Although budget programs are approved by the Board of Commissioners, individual expenditures, whether for capital or operating purposes, must comply with the Authority's bylaws and policies and procedural requirements for competitive acquisition.

## **Cash Management**

The Authority utilizes a cash management and investment policy intended to achieve maximum financial return (while minimizing risk of loss) on all available funds. The trust indenture and supplemental resolutions, which govern the investment of bond proceeds, generally authorizes the Authority to invest in direct obligations of or obligations guaranteed by the U.S. Government, obligations issued or guaranteed by specific agencies of the U.S. Government, secured certificates of deposit, secure repurchase agreements, and specifically rated obligations of state governments, commercial paper, and money market funds.

Under the criteria developed by the Governmental Accounting Standards Board, all of the Authority's deposits are insured or collateralized with securities held by the Authority or its agent in the Authority's name (Category 1). Additionally, all investments are insured or registered or are held by the Authority or its agent in the Authority's name (also Category 1). The carrying amount and market value of the investments at June 30, 2004 and 2003 were \$60,488,387 and \$53,394,436, respectively. For more detailed information relating to the Authority's cash and investments, refer to Note 3, *Cash and Cash Equivalents and Investments*, to the Authority's financial statements included in the financial section of this CAFR.

## **Risk Management**

The Authority's policy is to protect its assets to the greatest degree economically feasible to comply with all statutory and revenue bond trust indenture requirements. It is management's opinion that this policy has been executed fully through the services of an independent risk management firm, various nationally recognized insurance carriers, and sophisticated airport industry sponsored policies. The Authority's exposure to loss has been minimized through the acquisition of a \$300,000,000 general liability policy that requires self-retention of \$5,000 per occurrence and a \$50,000 aggregate deductible. Additionally, real and personal property is insured for \$90,479,952 with self-retention of \$50,000. The Authority's tenant and contractor insurance requirements and indemnifications have been coordinated with the aforementioned policies to further reduce the risk of loss through actions beyond management's control.

## **OTHER INFORMATION**

### **Independent Audit**

The Authority's independent auditor, Deloitte & Touche LLP, has rendered an unqualified opinion that the Authority's financial statements for June 30, 2004 and 2003, and the years then ended, present fairly, in all material respects, the results of the Authority's financial position, operations and cash flows.

The Authority participates in the Federal single audit program, which consists of a single audit of all federally funded programs administered by the Authority. Participation in the single audit program is mandatory as a condition for continued funding eligibility. The single audit performed by Deloitte & Touche LLP met the requirements set forth by the State of Tennessee and the Federal Single Audit Act of 1996 and related Office of Management and Budget Circular A-133. The independent auditors' reports issued based upon work performed in accordance with those requirements noted no instances of material noncompliance by the Authority with any applicable state or Federal laws or regulations for the fiscal year ending June 30, 2004.

### **Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officer Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Nashville Airport Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements**

The preparation of this CAFR would not be possible without the desire of the Authority's Board of Commissioners and senior management to maintain the Authority as a model of excellence with respect to management of both the Nashville International and John C. Tune airports in an effort to meet the air service needs of Middle Tennessee and the surrounding communities.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'DP Wolfe', with a stylized flourish at the end.

Douglas P. Wolfe  
Vice-President Finance

**METROPOLITAN NASHVILLE AIRPORT AUTHORITY**  
**Board of Commissioners**

**CHAIRMAN**

**James H. Cheek, III**

*Bass, Berry & Sims, P.L.C.*

**VICE-CHAIRMAN**

**Ann Butterworth**

*State of Tennessee, Comptroller's Office*

**BOARD SECRETARY**

**Irby Simpkins, Jr.**

*MTM Company*

**COMMISSIONERS**

**Jack Bovender**

*HCA Inc.*

**Rosalyn Carpenter**

*Urban League of Middle Tennessee*

**Frank Garrison**

*Overton Capitol, LLC*

**Bert Mathews**

*The Mathews Company*

**Deb McDermott**

*Young Broadcasting, Inc.*

**Juli H. Mosley, P.E.**

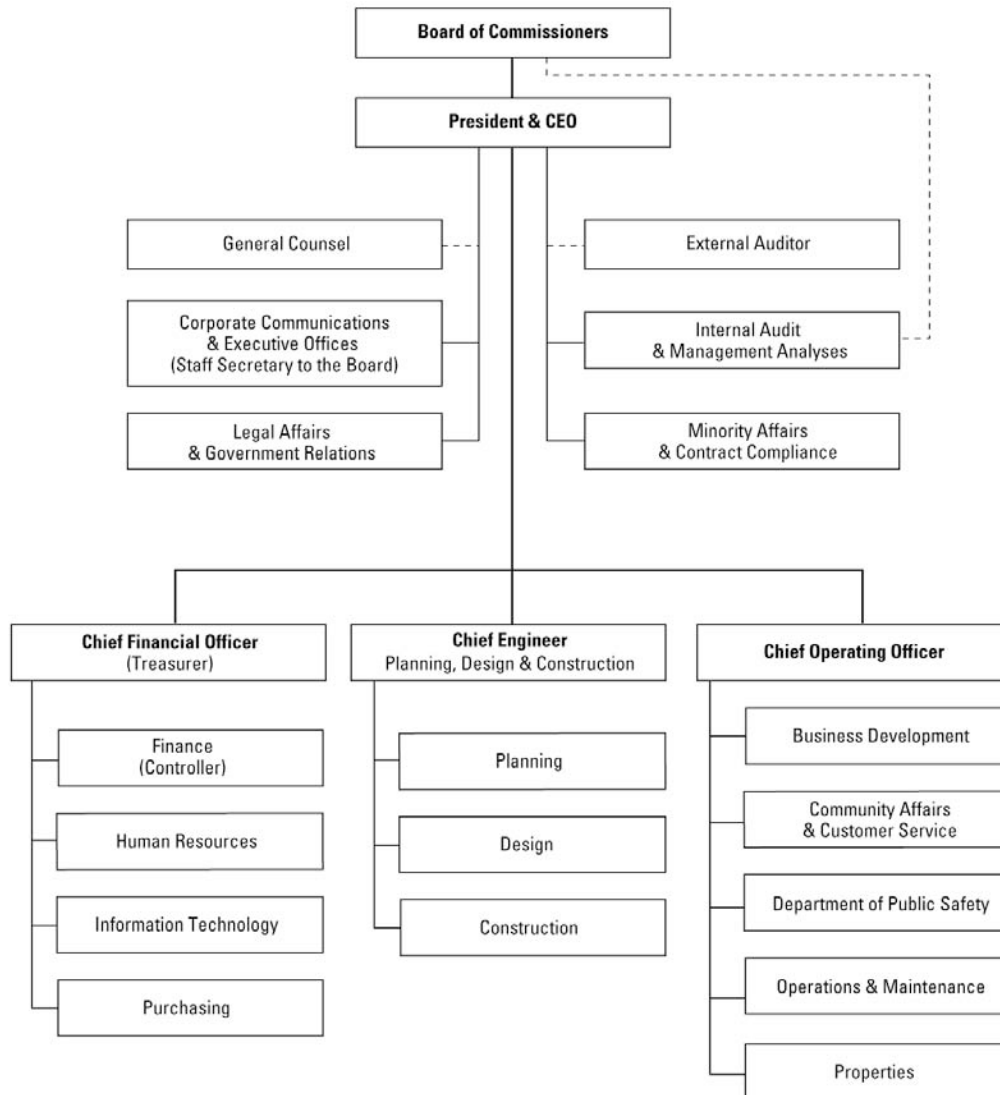
*Barge, Waggoner, Sumner & Cannon*

**Bill Purcell**

*Mayor, Metropolitan Government of Nashville  
& Davidson County*

# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

## Organization Chart and Senior Management



### SENIOR MANAGEMENT

**Raul L. Regalado, C.A.E.**  
*President & Chief Executive Officer*

**Montford O. Burgess**  
*Senior Vice President & Chief Operating Officer*

**Douglas P. Wolfe**  
*Senior Vice President & Chief Financial Officer*

**Nancy A. Vincent, Esq.**  
*Vice President  
 Legal Affairs & Government Relations*

**Iftikhar Ahmad, P.E.**  
*Vice President  
 Planning, Design & Construction*

**Duane P. McGray**  
*Chief, Public Safety*

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
Metropolitan  
Nashville Airport Authority,  
Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



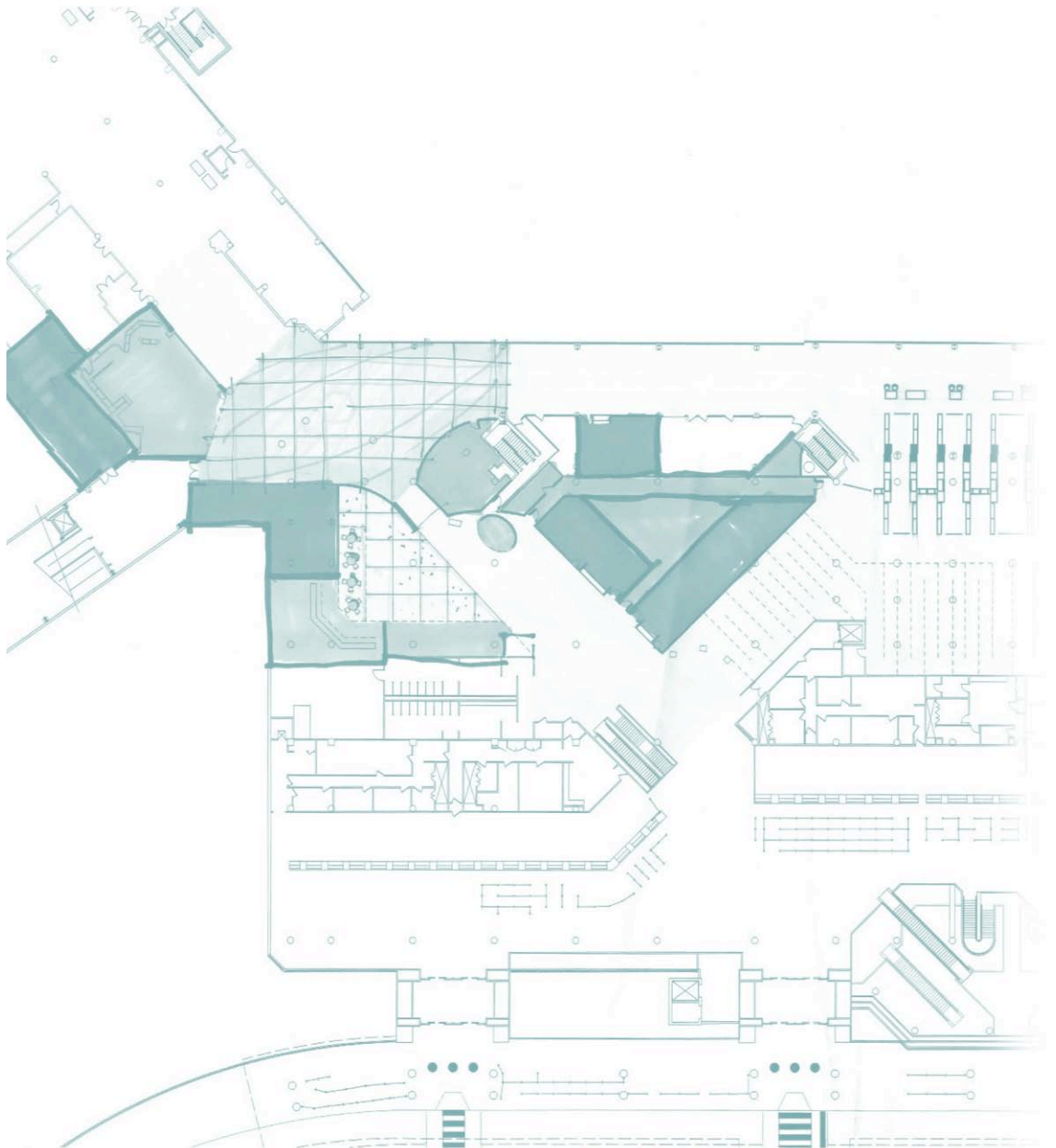
*Edward Henry*  
President

*Jeffrey R. Emer*  
Executive Director

## FINANCIAL SECTION

*This Section Contains the Following Subsections:*

**Independent Auditors' Report  
Management's Discussion & Analysis  
Financial Statements**



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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of  
Metropolitan Nashville Airport Authority  
Nashville, Tennessee

We have audited the accompanying statements of net assets of the Metropolitan Nashville Airport Authority (the "Authority"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee as of June 30, 2004 and 2003, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective 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, such financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2004 and 2003, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The introductory section on pages 5 - 16 and the statistical data on pages 51 - 62 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the Authority's management. The introductory section and statistical data have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

*Deloitte & Touche LLP*

November 23, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the Metropolitan Nashville Airport Authority's (the "Authority") financial performance provides an introduction to the financial statements for the years ended June 30, 2004 and 2003. The information contained in this MD&A should be considered in conjunction with the information contained in the Authority's financial statements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and (except land) are depreciated over their useful lives. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

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

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

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing the change in the Authority'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 Authority's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

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.

### SIGNIFICANT EVENTS/FINANCIAL HIGHLIGHTS

The enplaned passenger level of 4,166,822 at Nashville International Airport for fiscal year 2004 increased 4.2% and 4.1%, respectively, from the 3,997,980 and 4,004,407 experienced in fiscal years 2003 and 2002. The increase in fiscal year 2004 annual enplaned passengers occurred primarily in the January to June 2004 time period when compared to fiscal years 2003 and 2002.

Although the Authority's total operating revenue for fiscal year 2004 was essentially the same as 2003, the composition of operating revenue changed. Operating revenue generated by signatory airlines decreased 19% from fiscal year 2003 while operating revenue from all other sources increased 10%.

The primary reason for the decrease in signatory airline revenue was the result of the application of a portion of approximately \$70 million of Passenger Facility Charges (PFC's) approved by the Federal Aviation Administration (FAA) for Nashville International Airport. The specific PFC use approved by the FAA allows the Authority to reimburse its operating funds with PFC's for approximately \$70 million in capital outlays and interest expense incurred during the period from 1991 through 2003. The anticipated period for full reimbursement of the outlays is through fiscal year 2011. The Authority is applying a portion of the reimbursement to the signatory airlines annual revenue requirement.

The Authority realized revenue gains in a number of other important non-aeronautical segments. The most significant increase occurred in parking revenue. During fiscal year 2004, revenue from parking activity increased by 10% because of increases in the Authority's short-term parking fees and a 32% increase in the valet parking service.

In addition to the aforementioned increases, the Authority realized an overall gain in concession revenue of 2% compared to 2003 and 5% compared to 2002. Restaurant commission revenue and News and Gift commission revenue increased by 10% and 19% respectively compared to 2003. Significant portions of these gains can be attributed to greater passenger dwell time in the secured terminal areas.

The Authority's space rental revenue increased 22% and 30% from 2003 and 2002, respectively. Several non-signatory airlines rented terminal facilities from the Authority in 2004. Non-signatory airlines had not previously rented terminal facilities from the Authority.

Other operating revenue increased 20% and 36% from 2003 and 2002, respectively. Increased utilization of non-signatory contract passenger airlines by the signatory airlines accounted for a 70% increase in landing fees.

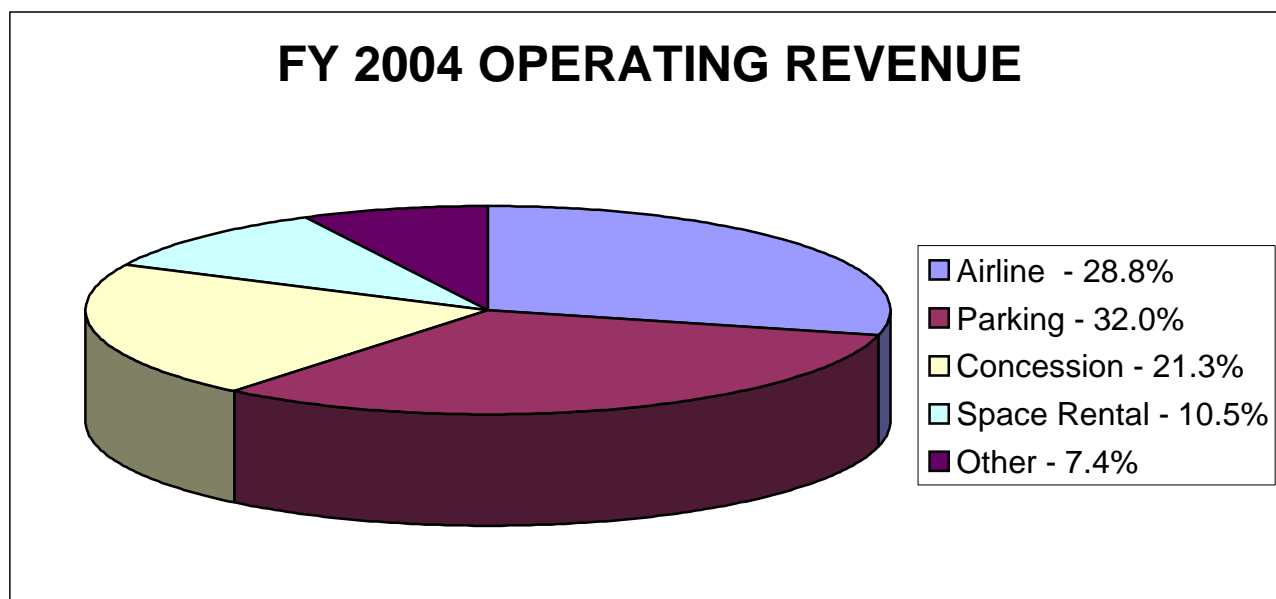
The Authority also continued to control operating expenses during fiscal year 2004. Total operating expenses decreased by 2%. Salaries and wages stayed approximately the same from fiscal years 2003 and 2002 despite increased employee health care expenses. During 2004, the Authority issued \$19,585,000 in Airport Improvement Revenue Bonds, Series 2003B (see footnote 5). The purpose of the bonds was to fund a portion of the unfunded defined benefit pension liability for the employees of the Authority. The amortization of \$1,280,837 in prepaid pension expense in 2004 was \$517,163 less than the pension expense recorded in 2003.

The following represents the Authority's summary of changes in net assets:

	<u>2004</u>	<u>2003</u>	<u>% Change</u>	<u>2002</u>
Operating Revenues	\$ 64,332,971	\$ 64,424,787	(0% )	\$ 53,292,949
Operating Expenses	<u>(34,857,286)</u>	<u>(35,610,282)</u>	(2%)	<u>(33,549,542)</u>
Operating Income before Depreciation	29,475,685	28,814,505	2%	19,743,407
Depreciation	<u>(17,966,519)</u>	<u>(17,741,820)</u>	1%	<u>(17,607,702)</u>
Operating Income	11,509,166	11,072,685	4%	2,135,705
Non-Operating Revenue	17,931,946	18,403,801	(3%)	18,429,521
Non-Operating Expenses	<u>(12,970,020)</u>	<u>(19,097,871)</u>	(32%)	<u>(21,575,036)</u>
Increase (Decrease) in Net Assets	16,471,092	10,378,615	59%	(1,009,810)
Net Assets, beginning of year	<u>167,763,484</u>	<u>157,384,869</u>	7%	<u>158,394,679</u>
Net Assets, end of year	<u>\$184,234,576</u>	<u>\$167,763,484</u>	10%	<u>\$157,384,869</u>

## REVENUES

The following chart shows the major sources of operating revenues for the fiscal year ended June 30, 2004:

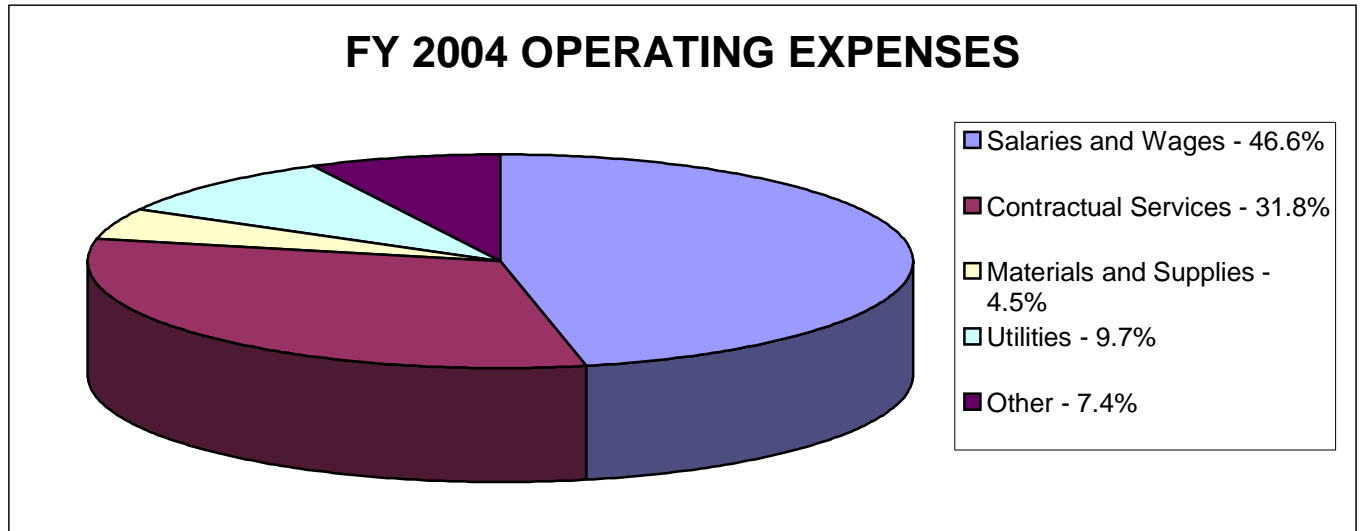


A summary of revenues for the fiscal years ended June 30, 2004, 2003, and 2002, is as follows:

<b>Operating Revenue</b>	<b>2004</b>	<b>2003</b>	<b>% Change</b>	<b>2002</b>
Airline	\$18,545,916	\$22,803,489	(19%)	\$13,611,398
Parking	20,575,301	18,654,487	10%	17,965,180
Concession	13,705,715	13,460,263	2%	13,011,370
Space Rental	6,741,547	5,525,643	22%	5,195,128
Other	4,764,492	3,980,905	20%	3,509,873
<b>Total Operating Revenue</b>	<b>64,332,971</b>	<b>64,424,787</b>	<b>(0%)</b>	<b>53,292,949</b>
<b>Non-Operating Revenue</b>				
Investment Income	1,053,385	3,583,967	(71%)	3,949,999
Passenger Facility Charges	10,790,953	10,763,881	0%	10,698,503
Grant Receipts	5,655,203	3,433,673	65%	3,131,916
Non-operating Transfer	432,405	622,280	(31%)	649,103
<b>Total Non-Operating Revenue</b>	<b>17,931,946</b>	<b>18,403,801</b>	<b>(3%)</b>	<b>18,429,521</b>
<b>Total Revenues</b>	<b>\$82,264,917</b>	<b>\$82,828,588</b>	<b>(1%)</b>	<b>\$71,722,470</b>

## EXPENSES

The following chart shows the major cost components of operating expenses for the year ended June 30, 2004:



A summary of expenses for the fiscal years ended June 30, 2004, 2003 and 2002 is as follows:

<b>Operating Expenses</b>	<b>2004</b>	<b>2003</b>	<b>% Change</b>	<b>2002</b>
Salaries and Wages	\$16,248,675	\$16,301,303	(0%)	\$16,361,252
Contractual Services	11,094,127	11,259,823	(2%)	10,005,484
Materials and Supplies	1,564,994	2,042,158	(23%)	1,720,968
Utilities	3,369,882	3,367,944	0%	3,228,803
Other	2,579,608	2,639,054	(2%)	2,233,035
<b>Total Operating Expenses</b>	<b>34,857,286</b>	<b>35,610,282</b>	<b>(2%)</b>	<b>33,549,542</b>
<b>Non-Operating Expenses</b>				
Depreciation	17,966,519	17,741,820	1%	17,607,702
Interest Expense	16,943,386	18,549,633	(9%)	17,164,475
Unrealized (Gain) Loss on Derivative Financial Instruments	(3,973,366)	548,238	(825%)	4,410,561
<b>Total Non-Operating Expenses</b>	<b>30,936,539</b>	<b>36,839,691</b>	<b>(16%)</b>	<b>39,182,738</b>
<b>Total Expenses</b>	<b>\$65,793,825</b>	<b>\$72,449,973</b>	<b>(9%)</b>	<b>\$72,732,280</b>

## FINANCIAL POSITION

The following represents the Authority's financial position at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>	<u>% Change</u>
<b>ASSETS</b>			
Current Assets—Unrestricted	\$ 13,652,520	\$ 14,117,273	(3%)
Current Assets—Restricted	38,738,363	46,725,678	(17%)
Net Capital Assets	358,081,078	366,643,464	(2%)
Other Assets Unrestricted	45,509,282	23,804,420	91%
Other Assets Restricted	37,752,285	28,611,304	32%
<b>Total Assets</b>	<b><u>\$493,733,528</u></b>	<b><u>\$479,902,139</u></b>	<b>3%</b>
<b>LIABILITIES</b>			
Current payable from Unrestricted Assets	\$ 6,622,362	\$ 6,064,273	9%
Current payable from Restricted Assets	26,804,075	25,208,421	6%
Long-Term Liabilities	276,072,515	280,865,961	(2%)
<b>Total Liabilities</b>	<b><u>309,498,952</u></b>	<b><u>312,138,655</u></b>	<b>(1%)</b>
<b>NET ASSETS</b>			
Invested in Capital Assets—net of Related Debt	84,315,495	78,131,588	8%
Restricted Net Assets	73,571,451	75,263,531	(2%)
Unrestricted Net Assets	26,347,630	14,368,365	83%
<b>Total Net Assets</b>	<b><u>184,234,576</u></b>	<b><u>167,763,484</u></b>	<b>10%</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$493,693,066</u></b>	<b><u>\$479,902,139</u></b>	<b>3%</b>

The Authority's assets exceeded liabilities by \$184.2 million, a \$16.4 million increase from 2003. The largest portion of the Authority's net assets (\$84.3 million or 46% at June 30, 2004) represents its investment in capital assets, less the related debt outstanding used to acquire those capital assets. The Authority uses these capital assets to provide services to its passengers and visitors of the Nashville International Airport and John C. Tune Airport; consequently these assets are not available for future spending.

An additional portion of the Authority's net assets (\$73.6 million or 40% at June 30, 2004) represents resources that are subject to restrictions on use. The restricted net assets are not available for new spending as they have already been committed as follows:

Passenger Facility Charge projects	\$ 34,400,719
Debt Service	<u>39,170,732</u>
Total Restricted	<u>\$ 73,571,451</u>

The remaining unrestricted net assets of \$26.3 million may be used to meet the Authority's ongoing obligations.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets**—The Authority's net investment in capital assets as of June 30, 2004 amounted to \$358,081,078 as compared to \$366,643,464 at June 30, 2003. This investment in capital assets includes land and land improvements (including runways and taxiways), buildings and building improvements, equipment, furniture and fixtures, as well as construction in progress. The total increase in the Authority's investment in capital assets before accumulated depreciation for fiscal year 2004 was 2%. Major capital projects in progress and expenditures incurred during fiscal year 2004 included the following:

➔	Security Enhancements	\$2,206,794
➔	Airfield Improvements	\$2,002,391
➔	Land Improvements	\$1,520,183

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Acquisitions are funded using a variety of financing techniques, including Federal grants, State grants, Passenger Facility Charges, debt issuance, and airline rates and charges. Further detailed information can be found in the notes to the financial statements.

**Debt Administration**—As of June 30, 2004, the Authority's debt outstanding amounted to \$294,755,776. This represents a slight net increase of \$350,426 during fiscal year 2004. A detail of the changes in fiscal year 2004 is as follows:

Series Description	Beginning Balance	Debt Issuance	Principal (Repayment)	Ending Balance
Series 1991A Revenue Bonds	\$ 9,410,000	\$ -	\$ (9,410,000)	\$ -
Series 1992 PFC Revenue Bonds	35,465,000	-	(35,465,000)	-
Series 1993 Revenue Bonds	53,400,000	-	(700,000)	52,700,000
Series 1995 Revenue Bonds	62,415,000	-	(2,545,000)	59,870,000
Series 1998A Revenue Bonds	16,945,000	-	(2,015,000)	14,930,000
Series 1998C Revenue Bonds	27,985,000	-	(1,435,000)	26,550,000
Series 1999 Subordinated Note	1,090,340	-	(154,564)	935,776
Series 2001A Revenue Bonds	87,695,000	-	(4,495,000)	83,200,000
Series 2003A Revenue Bonds	-	5,650,000	-	5,650,000
Series 2003B Revenue Bonds	-	19,585,000	(685,000)	18,900,000
Series 2003 PFC Revenue Bonds	-	32,020,000	-	32,020,000
Total	<u>\$ 294,405,340</u>	<u>\$ 57,255,000</u>	<u>\$ (56,904,564)</u>	<u>\$ 294,755,776</u>

More detailed information about the Authority's debt can be found in the notes to the financial statements.

Respectfully submitted,



Douglas P. Wolfe  
Senior Vice President

# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

## STATEMENTS OF NET ASSETS JUNE 30, 2004 AND 2003

ASSETS	2004	2003
<b>CURRENT ASSETS:</b>		
Unrestricted assets:		
Cash and cash equivalents (Notes 2, 3 and 18)	\$ 9,334,620	\$ 5,958,267
Short term investments (Notes 2, 3 and 18)	656,107	3,196,591
Accounts receivable—net of allowance for doubtful accounts of \$127,445 and \$150,660 in 2004 and 2003, respectively	1,835,380	3,178,882
Inventories (Note 2)	531,993	480,613
Accrued interest receivable	171,494	158,782
Current portion of notes receivable (Notes 9 and 18)	173,497	161,750
Prepaid expenses	949,429	982,388
Total current unrestricted assets	<u>13,652,520</u>	<u>14,117,273</u>
Restricted assets:		
Cash and cash equivalents (Notes 2, 3, 5 and 18)	37,077,947	40,728,335
Short term investments (Notes 2, 3, 5 and 18)	-	3,866,807
Passenger facility charges receivable (Note 7)	1,331,421	1,895,635
Amounts due from governmental agencies	76,356	124,673
Accrued interest receivable	252,639	110,228
Total current restricted assets	<u>38,738,363</u>	<u>46,725,678</u>
Total current assets	<u>52,390,883</u>	<u>60,842,951</u>
<b>NON-CURRENT ASSETS:</b>		
Capital assets (Note 4):		
Land and land improvements	432,487,177	425,825,961
Land held for future expansion	36,701,068	36,701,068
Buildings and building improvements	126,696,865	125,609,435
Equipment, furniture and fixtures	21,367,619	20,949,181
Construction in progress	11,120,299	9,893,301
Total capital assets	<u>628,373,028</u>	<u>618,978,946</u>
Less accumulated depreciation	<u>(270,291,950)</u>	<u>(252,335,482)</u>
Total capital assets (net of accumulated depreciation)	<u>358,081,078</u>	<u>366,643,464</u>
Restricted investments (Notes 2, 3, 5 and 18)	37,752,285	28,611,304
Unrestricted investments (Notes 2, 3, 5 and 18)	22,079,995	17,719,734
Deferred bond issue costs (Note 2)	3,703,088	3,892,955
Notes receivable from tenants (Notes 9 and 18)	1,682,047	1,855,595
Other assets (Note 12)	18,044,152	336,136
Total non-current assets	<u>441,342,645</u>	<u>419,059,188</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 493,733,528</u></u>	<u><u>\$ 479,902,139</u></u>

(Continued)

# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

## STATEMENTS OF NET ASSETS JUNE 30, 2004 AND 2003

LIABILITIES AND NET ASSETS	2004	2003
<b>CURRENT LIABILITIES:</b>		
Payable from unrestricted assets:		
Trade accounts payable	\$ 4,035,731	\$ 3,343,287
Accrued payroll and related items (Notes 2 and 12)	2,391,852	2,531,111
Current maturities of long-term debt (Note 5)	164,549	154,654
Accrued interest payable (Note 5)	30,230	35,221
Total payable from unrestricted assets	<u>6,622,362</u>	<u>6,064,273</u>
Payable from restricted assets:		
Trade accounts payable	1,591,704	434,058
Accrued interest payable (Note 5)	6,107,371	7,084,363
Current maturities of long-term debt (Note 5)	<u>19,105,000</u>	<u>17,690,000</u>
Total payable from restricted assets	<u>26,804,075</u>	<u>25,208,421</u>
Total current liabilities	<u>33,426,437</u>	<u>31,272,694</u>
<b>NON-CURRENT LIABILITIES:</b>		
Airport Revenue Bonds (net of unamortized deferred amount on refunding of \$17,654,125 and \$19,251,919, respectively) (Notes 5 and 18)	257,060,875	256,373,081
Subordinate Revenue Note (Notes 5 and 18)	<u>771,227</u>	<u>935,686</u>
	257,832,102	257,308,767
Synthetic Advance Refunding, Series 2001A (Note 5)	6,722,818	7,629,371
Fair value of derivative financial instruments (Notes 2, 5, 6 and 18)	<u>4,838,433</u>	<u>8,811,799</u>
	269,393,353	273,749,937
Deferred interest income (Notes 3 and 5)	4,619,363	5,065,790
Deferred rental income (Notes 5 and 14)	<u>2,059,799</u>	<u>2,050,234</u>
Total non-current liabilities	<u>276,072,515</u>	<u>280,865,961</u>
Total liabilities	<u>309,498,952</u>	<u>312,138,655</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 11)</b>		
<b>NET ASSETS:</b>		
Invested in capital assets—net of related debt	84,315,495	78,131,588
Restricted:		
Passenger facility charge projects	34,400,719	39,046,042
Debt service	<u>39,170,732</u>	<u>36,217,489</u>
Total restricted net assets	73,571,451	75,263,531
Unrestricted net assets	<u>26,347,630</u>	<u>14,368,365</u>
Total net assets	<u>184,234,576</u>	<u>167,763,484</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 493,733,528</u>	<u>\$ 479,902,139</u>

See notes to financial statements.

(Concluded)

# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
OPERATING REVENUES: (Note 16)		
Airline (Notes 9 and 15)	\$ 18,545,916	\$ 22,803,489
Parking	20,575,301	18,654,487
Concession	13,705,715	13,460,263
Space rental (Note 9)	6,741,547	5,525,643
Other	4,764,492	3,980,905
	<u>64,332,971</u>	<u>64,424,787</u>
OPERATING EXPENSES: (Note 16)		
Salaries and wages (Notes 12 and 13)	16,248,675	16,301,303
Contractual services	11,094,127	11,259,823
Materials and supplies	1,564,994	2,042,158
Utilities	3,369,882	3,367,944
Other	2,579,608	2,639,054
	<u>34,857,286</u>	<u>35,610,282</u>
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	29,475,685	28,814,505
PROVISION FOR DEPRECIATION (Notes 4 and 16)	<u>17,966,519</u>	<u>17,741,820</u>
OPERATING INCOME	<u>11,509,166</u>	<u>11,072,685</u>
NONOPERATING REVENUES:		
Interest income	1,053,385	3,583,967
Passenger facility charges (Note 7)	10,790,953	10,763,881
Grant receipts from governmental agencies (Note 2)	5,655,203	3,433,673
Nonoperating transfer (Note 17)	432,405	622,280
	<u>17,931,946</u>	<u>18,403,801</u>
NONOPERATING EXPENSES:		
Interest expense (Notes 2 and 5)	16,943,386	18,549,633
Unrealized (gain) loss on derivative financial instruments (Notes 2 and 6)	(3,973,366)	548,238
	<u>12,970,020</u>	<u>19,097,871</u>
CHANGES IN NET ASSETS:		
Increase (decrease) in net assets	16,471,092	10,378,615
Total net assets—beginning of year	<u>167,763,484</u>	<u>157,384,869</u>
Total net assets—end of year	<u>\$ 184,234,576</u>	<u>\$ 167,763,484</u>

See notes to financial statements.

# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 65,687,117	\$ 63,523,958
Cash paid to employees	(16,387,933)	(16,470,518)
Cash paid to suppliers	(31,906,429)	(17,155,469)
Other payments	<u>(2,579,608)</u>	<u>(2,639,054)</u>
Net cash provided by operating activities	<u>14,813,147</u>	<u>27,258,917</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Receipt of passenger facility charges	11,355,167	10,583,292
Additions to deferred bond issue costs	(998,271)	-
Additions to property and equipment	(9,496,404)	(8,651,896)
Proceeds from sale of property and equipment	91,300	-
Interest paid on long-term debt	(15,718,441)	(16,878,142)
Payments on long-term debt	(56,904,564)	(16,320,185)
Premium paid to refund Series 1992 bonds	(327,550)	-
Contributions from governmental agencies	5,703,520	3,657,795
Nonoperating transfer	432,405	622,280
Proceeds from long term debt	<u>57,255,000</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(8,607,838)</u>	<u>(26,986,856)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(80,820,318)	(143,383,139)
Proceeds from the sale and maturities of investments	72,880,384	160,969,859
Payments made by tenants	161,800	463,274
Interest received on investments	<u>1,298,790</u>	<u>5,636,905</u>
Net cash (used in) provided by investing activities	<u>(6,479,344)</u>	<u>23,686,899</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(274,035)</b>	<b>23,958,960</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b><u>46,686,602</u></b>	<b><u>22,727,642</u></b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b><u>\$ 46,412,567</u></b>	<b><u>\$ 46,686,602</u></b>

(Continued)

# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 11,509,166	\$ 11,072,685
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for depreciation	17,966,519	17,741,820
Amortization of deferred real estate leasing commission	1,080	1,080
Loss on disposal of property and equipment	-	36,208
Amortization of deferred rental income	(34,904)	(46,259)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	1,343,502	(901,265)
(Increase) decrease in inventories	(51,380)	58,290
Decrease (increase) in prepaid expenses	32,959	(43,048)
(Increase) decrease in other assets	(17,709,097)	10,066
Increase (decrease) in trade accounts payable	1,850,091	(510,853)
Decrease in accrued payroll and related items	(139,258)	(169,215)
Increase (decrease) in deferred rental income	44,469	9,408
Net cash provided by operating activities	<u>\$ 14,813,147</u>	<u>\$ 27,258,917</u>
CASH AND CASH EQUIVALENTS—END OF YEAR CONSIST OF:		
Unrestricted cash and cash equivalents	\$ 9,334,620	\$ 5,958,267
Restricted cash and cash equivalents	<u>37,077,947</u>	<u>40,728,335</u>
	<u>\$ 46,412,567</u>	<u>\$ 46,686,602</u>

### NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

During 2004 and 2003, \$3,113,482 and \$2,975,155, respectively, were charged to interest expense for amortization of deferred bond issue costs and amortization of deferred loss on refunding of debt

During 2004 and 2003, interest expense was reduced by \$906,553 and \$898,888, respectively for the amortization of the synthetic advance refunding.

During 2004 and 2003, \$446,427 and \$452,678, respectively is included in interest income related to the amortization of deferred interest income.

See notes to financial statements.

(Concluded)

# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2004 AND 2003

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### 1. METROPOLITAN NASHVILLE AIRPORT AUTHORITY

The creation of the Metropolitan Nashville Airport Authority (the “Authority”) was authorized by Public Chapter 174 of the Public Acts of the 86th General Assembly of the State of Tennessee, 1969 Session.

The Metropolitan Council of The Metropolitan Government of Nashville and Davidson County, Tennessee, created the Authority to operate as a separate enterprise. The Authority owns and operates the Nashville International Airport and the John C. Tune Airport, a general aviation reliever airport.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**—The financial statements of the Authority have been prepared using the accrual basis of accounting and include the operations of the Nashville International and John C. Tune airports noted above. Based upon the criteria set forth in Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, it has been determined that the Authority is a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee (the “Metropolitan Government”). The Authority’s Board of Commissioners consists of ten members who serve without compensation, nine of whom are appointed by the Metropolitan Government Mayor and approved by the Metropolitan Government Council, with the tenth being the Mayor (or his designee). There are also provisions whereby commissioners may be removed by vote of the Metropolitan Government Council. All appointments to the Authority are for a term of four years. The terms are staggered to provide for continuity of Airport development and management. The Board of Commissioners appoints a president and charges him with the responsibility for day-to-day operations. There are no governmental units that would qualify as a component unit of the Authority.

Revenues from space rental and fees, landing fees, parking and other miscellaneous income are reported as operating revenues. Transactions which are capital, financing or investing related, are reported as non-operating revenues. Passenger facility charges are reported as non-operating revenues (see Note 7). Expenses from employee wages and benefits, purchases of services, materials and supplies and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all Financial Accounting Standards Board (“FASB”) Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

**Budgets**—The Authority is required to prepare an annual operating budget which must be approved by the Airlines Affairs Committee, composed of the signatory airlines, and the Board of Commissioners. A six-year capital improvement program, including modifications and reasons therefore, is also required to be submitted each year.

The Authority is not required to demonstrate statutory compliance with its annual operating budget. Accordingly, budgetary data is not included in the basic financial statements. All budgets are prepared in accordance with bond covenants and airport lease and use agreements. Unexpended operating appropriations lapse at year-end.

***Cash and cash equivalents***—Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less.

***Amounts due from governmental agencies***—Amounts due from governmental agencies under the terms of grant agreements are accrued as the related reimbursable costs are incurred.

***Inventories***—Inventories are stated at the lower of cost or market under the first-in, first-out method and consist primarily of supplies and maintenance repair parts.

***Investments***—Investments consist primarily of U. S. Government securities, commercial paper and repurchase agreements. Investments are accounted for in accordance with GASB Statement No. 31, *Accounting and Financial Requirements for Certain Investments and for External Investment Pools*, which requires that certain investments be recorded at fair value. Short-term, highly liquid debt instruments that have a remaining maturity at time of purchase of one year or less are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

***Restricted assets***—Restricted assets consist of cash and cash equivalents, investments and other assets to be used for purposes specified in the respective bond indentures.

***Capital assets.*** Capital assets are stated at cost, except for contributions of property received from governmental agencies, which are recorded at fair market value. The Authority's policy is to capitalize assets with a cost of \$5,000 or more. Routine maintenance and repairs are expensed as incurred. Net interest cost incurred during the construction of facilities is capitalized as part of the cost. Provision for depreciation of property and equipment is made on a basis considered adequate to depreciate the cost of depreciable assets over their estimated useful lives and is computed on the straight-line method.

Asset lives used in the calculation of depreciation are generally as follows:

Land improvements	20 to 30 years
Buildings and building improvements	10 to 30 years
Equipment, furniture and fixtures	3 to 15 years

***Derivative Financial Instruments***—SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, requires that all derivatives be recorded in the statement of net assets as either an asset or liability measured at fair value and that changes in fair value be recognized currently in earnings unless specific hedge accounting criteria are met. As of and for the years ending June 30, 2004 and 2003, the derivative financial instruments are accounted for at fair value in accordance with SFAS No. 133, as amended, with any gains or losses resulting from the fair value measurements being recorded as a non-operating expense.

***Deferred bond issue costs***—Deferred bond issue costs associated with issuance of the Airport Revenue Bonds are being amortized as interest expense using the effective interest rate method over the term of the bonds.

***Postretirement benefits***—Postretirement benefits are accounted for under GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information.

***Compensated absences***—Compensated absences are accrued as payable when earned and are cumulative from one fiscal year to the next. The liability is grouped with accrued payroll and related items in the financial statements.

**Taxes**—The Authority is exempt from payment of federal and state income, property, and certain other taxes.

**Estimates**—Estimates used in the preparation of financial statements require management to make assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**New Accounting Pronouncements**—In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. GASB Statement No. 40 amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, to limit the custodial credit risk disclosures previously required by GASB Statement No. 3 related to deposits that are not covered by depository insurance and investment securities that are uninsured. GASB Statement No. 40 is effective for financial statements for periods beginning after June 15, 2004, with earlier application encouraged. The adoption of GASB Statement No. 40 is not anticipated to have an impact on the Authority’s accounting policies; however, it will require modification to the Authority’s custodial credit risk note disclosures.

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries. The provisions of GASB Statement No. 42 are effective for fiscal periods beginning after December 15, 2004.

In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 43 establishes uniform financial reporting standards for other postemployment benefits (“OPEB”) plans and supersedes the interim guidance included in GASB Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. GASB Statement No. 43 is effective for the Authority’s OPEB plan reporting for periods beginning after December 15, 2005. The Authority has not yet determined the impact of the adoption of GASB Statement No. 43 on its financial statements and note disclosures.

In May 2004, the GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section—an amendment of NCGA Statement 1*. GASB Statement No. 44 amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section for governmental entities that prepare a comprehensive annual financial report (“CAFR”). The statistical section of the CAFR presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. GASB Statement No. 44 is effective for financial statements for periods beginning after June 15, 2005. The adoption of GASB Statement No. 44 is not anticipated to have an impact on the Authority’s accounting policies; however, it may require modification to the Authority’s statistical section disclosures in the CAFR.

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. GASB Statement No. 45 is effective for the Authority’s financial

statements for periods beginning after December 15, 2006. The Authority has not yet determined the impact of the adoption of GASB Statement No. 45 on its financial statements and note disclosures.

### 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The trust indenture and supplemental resolutions, which govern the investment of bond proceeds, generally authorizes the Authority to invest in direct obligations of, or obligations guaranteed by, the U.S. Government, obligations issued or guaranteed by specific agencies of the U.S. Government, secured certificates of deposit, secured repurchase agreements, and specifically rated obligations of state governments, commercial paper, and money market funds.

The Authority's unrestricted and restricted investments at June 30, 2004 and 2003, are categorized below to give an indication of the level of risk assumed by the Authority. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Authority's name.

	2004			Fair Value
	Category			
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Government Securities	\$57,416,287	\$ -	\$ -	\$57,416,287
Corporate Bonds	2,972,100	-	-	2,972,100
Other investments	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
	<u>\$60,488,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$60,488,387</u>
	2003			Fair Value
	Category			
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Government Securities	\$53,294,436	\$ -	\$ -	\$53,294,436
Other investments	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
	<u>\$53,394,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$53,394,436</u>

The carrying amount of investments is reflected in the accompanying statements of net assets as follows:

	2004	2003
Short-term unrestricted investments	\$ 656,107	\$ 3,196,591
Short-term restricted investments	-	3,866,807
Non-current unrestricted investments	22,079,995	17,719,734
Non-current restricted investments	<u>37,752,285</u>	<u>28,611,304</u>
	<u>\$60,488,387</u>	<u>\$53,394,436</u>

The Authority's unrestricted and restricted cash and cash equivalent bank balances totaling \$37,281,042 and \$60,479,571 at June 30, 2004 and 2003, respectively (with a carrying value of \$46,412,567 and \$46,686,602) represent a variety of time deposits with banks and are categorized below to give an indication of the level of risk assumed by the Authority. Category 1 includes bank balances that are

insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes bank balances that are uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name).

	<b>2004</b>		
	<b>Category</b>		
	<b><u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>
Unrestricted cash and cash equivalents	\$ 9,334,620	\$ -	\$ -
Restricted cash and cash equivalents	<u>37,077,947</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 46,412,567</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
	<b>2003</b>		
	<b>Category</b>		
	<b><u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>
Unrestricted cash and cash equivalents	\$ 5,958,267	\$ -	\$ -
Restricted cash and cash equivalents	<u>40,728,335</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 46,686,602</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

In August 1994, the Authority entered into a Forward Delivery Agreement ("FDA"), with a financial institution for the continuous investment of the Series 1991A principal and interest investments through the term of the bonds; Series 1991C principal and interest investments through June 2009; and Series 1993 principal investments through June 2009. The future investment earnings under these contracts, discounted at the financial institution's cost of funds on the contract date, were received by the Authority upfront in a lump sum payment of \$2,870,735. The amount of the upfront payment was recorded as deferred interest income and is being amortized into income over the term of the agreement. The Series 1991C principal and interest investments were replaced with the Series 2001A principal and interest investments upon refunding of the Series 1991C bonds with the Series 2001A bonds (see Note 5).

In November 1999, the Authority entered into a Debt Service Forward Delivery Agreement ("1999 DSFDA") with a financial institution for the continuous investment of the Series 1991C principal and interest investments from July 2009 through the term of the bonds; Series 1993 principal investments from July 2009 through the term of the bonds; Series 1995 principal and interest investments through the term of the bonds; and Series 1988A, B and C principal and interest investments through the term of the bonds. The present value of future investment earnings under the 1999 DSFDA were received by the Authority in a lump sum payment of \$3,275,000. These proceeds were used to fund a portion of the construction of the short-term parking lot expansion. The amount of the upfront payment was recorded as deferred interest income and is being amortized into income over the term of the agreement. The Series 1991C principal and interest investments were replaced with the series 2001A principal and interest investments upon refunding of the Series 1991C bonds with the Series 2001A bonds (see Note 5).

In November 2001, the Authority entered into a Debt Service Forward Delivery Agreement ("2001 DSFDA") with a financial institution for the continuous investment of the Series 1993 bond reserve fund through the term of the bonds. The present value of future investment earnings under the 2001 DSFDA were received by the Authority in a lump sum payment of \$1,325,000. These proceeds were used to fund

various capital improvement projects during fiscal year 2002. The amount of the upfront payment was recorded as deferred interest income and is being amortized into income over the term of the agreement.

#### 4. CAPITAL ASSETS

Capital assets and related accumulated depreciation activity for the years ended June 30, 2004 and 2003 was as follows:

	<b>Balance 6/30/2003</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance 6/30/2004</b>
Capital Assets not being depreciated:					
Land	\$ 62,725,326	\$ -	\$ (92,271)	\$ -	\$ 62,633,055
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	<u>9,893,301</u>	<u>9,358,994</u>	<u>-</u>	<u>(8,131,996)</u>	<u>11,120,299</u>
Total capital assets not being depreciated	<u>109,319,695</u>	<u>9,358,994</u>	<u>(92,271)</u>	<u>(8,131,996)</u>	<u>110,454,422</u>
Capital Assets being depreciated:					
Land improvements	363,100,635	-	-	6,753,487	369,854,122
Buildings and building improvements	125,609,435	-	-	1,087,430	126,696,865
Equipment, furniture and fixtures	<u>20,949,181</u>	<u>137,410</u>	<u>(10,051)</u>	<u>291,079</u>	<u>21,367,619</u>
Total capital assets being depreciated	<u>509,659,251</u>	<u>137,410</u>	<u>(10,051)</u>	<u>8,131,996</u>	<u>517,918,606</u>
Less accumulated depreciation:					
Land improvements	(185,601,099)	(11,564,396)	-	-	(197,165,495)
Buildings and building improvements	(54,612,954)	(4,426,224)	-	-	(59,039,178)
Equipment, furniture and fixtures	<u>(12,121,429)</u>	<u>(1,975,899)</u>	<u>10,051</u>	<u>-</u>	<u>(14,087,277)</u>
Total accumulated depreciation	<u>(252,335,482)</u>	<u>(17,966,519)</u>	<u>10,051</u>	<u>-</u>	<u>(270,291,950)</u>
Total capital assets being depreciated	<u>257,323,769</u>	<u>17,829,109</u>	<u>-</u>	<u>8,131,996</u>	<u>247,626,656</u>
Net capital assets	<u>\$ 366,643,464</u>	<u>\$ (8,470,115)</u>	<u>\$ (92,271)</u>	<u>\$ -</u>	<u>\$ 358,081,078</u>

	<b>Balance 6/30/2002</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance 6/30/2003</b>
Capital Assets not being depreciated:					
Land	\$ 62,725,326	\$ -	\$ -	\$ -	\$ 62,725,326
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	<u>9,856,095</u>	<u>8,530,447</u>	<u>-</u>	<u>(8,493,241)</u>	<u>9,893,301</u>
Total capital assets not being depreciated	<u>109,282,489</u>	<u>8,530,447</u>	<u>-</u>	<u>(8,493,241)</u>	<u>109,319,695</u>
Capital Assets being depreciated:					
Land improvements	361,109,552	-	-	1,991,083	363,100,635
Buildings and building improvements	119,946,469	121,449	(51,750)	5,593,267	125,609,435
Equipment, furniture and fixtures	<u>20,040,290</u>	<u>-</u>	<u>-</u>	<u>908,891</u>	<u>20,949,181</u>
Total capital assets being depreciated	<u>501,096,311</u>	<u>121,449</u>	<u>(51,750)</u>	<u>8,493,241</u>	<u>509,659,251</u>
Less accumulated depreciation:					
Land improvements	(174,087,825)	(11,513,274)	-	-	(185,601,099)
Buildings and building improvements	(50,448,698)	(4,179,798)	15,542	-	(54,612,954)
Equipment, furniture and fixtures	<u>(10,072,681)</u>	<u>(2,048,748)</u>	<u>-</u>	<u>-</u>	<u>(12,121,429)</u>
Total accumulated depreciation	<u>(234,609,204)</u>	<u>(17,741,820)</u>	<u>15,542</u>	<u>-</u>	<u>(252,335,482)</u>
Total capital assets being depreciated	<u>266,487,107</u>	<u>(17,620,371)</u>	<u>(36,208)</u>	<u>8,493,241</u>	<u>257,323,769</u>
Net capital assets	<u>\$ 375,769,596</u>	<u>\$ (9,089,924)</u>	<u>\$ (36,208)</u>	<u>\$ -</u>	<u>\$ 366,643,464</u>

## 5. LONG-TERM DEBT

***Airport Revenue Bonds, Series 1991***—During August 1991, the Authority issued Series 1991A bonds in the principal amount of \$37,000,000. The Series 1991A bonds were issued to purchase land and construct an extension of an existing runway. The Series 1991A bonds were repaid in July 2003 (discussed later).

***Passenger Facility Charge and Airport Improvement Revenue Bonds, Series 1992***—During October 1992, the Authority issued Series 1992 bonds in the principal amount of \$55,325,000. The bonds were issued to provide funds to construct certain improvements to the Nashville International Airport, including the relocation of an existing runway, the extension of an existing runway, land acquisition, concourse connection and Federal Inspection Service Facility design, ramp expansion and extension of an existing taxiway. The Series 1992 bonds were repaid in July 2003 (discussed later).

***Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1993***—During October 1993, the Authority issued Series 1993 bonds in the principal amount of \$53,500,000. The bonds were issued to provide funds to refund \$11,400,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1989B and \$36,000,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1991B. The proceeds from the issue were used to purchase direct obligations of the U.S. Government which are held in an escrow fund by a trustee for the purpose of making principal, applicable redemption premium and interest payments on the Series 1989B and 1991B bonds as they become due. The Series 1989B bonds were redeemed on July 1, 1998 at a redemption price of 102% of the principal amount thereof, while the Series 1991B bonds were redeemed on July 1, 2001 at a redemption price of 102% of the principal amount thereof. At June 30, 2004 and 2003, \$36,000,000 of Series 1991B bonds are considered defeased and are not included in the Authority's financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7,764,447. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2019 using the effective-interest method. The Authority completed the advance refunding to reduce its total debt service payments over 25 years by \$7,922,976 and to obtain an economic gain of approximately \$3,400,000.

The Series 1993 bonds were issued bearing interest at a weekly rate and any Series 1993 bond may from time to time bear one of six variable rates: daily, weekly, monthly, quarterly, semiannual or term rates. In addition, any or all of the Series 1993 bonds may bear interest at a fixed rate at the option of the Authority. The Authority has an agreement with a remarketing agent to remarket any bonds presented for redemption. In the event the bonds cannot be remarketed in the normal course of business, the Authority has a liquidity facility agreement with a bank expiring on July 1, 2019. Draws on the liquidity facility agreement can be used to pay up to \$53,500,000 plus an amount equal to 35 days interest on the bonds computed as though the bonds bore interest at a rate of 24% per annum notwithstanding the actual rate borne from time to time by the bonds. At June 30, 2004 the liquidity facility provider did not hold any of these bonds. The cost incurred during the year ended June 30, 2004 for the liquidity facility agreement was \$137,059 and was recorded as additional interest expense. Principal maturities of the Series 1993 issue vary in annual amounts ranging from \$700,000 on July 1, 2004 to \$3,800,000 on July 1, 2019.

The Authority entered into an interest rate swap agreement on the Series 1993 bonds. This has been discussed in more detail in Note 6.

***Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1995***—During June 1995, the Authority issued Series 1995 bonds in the principal amount of \$74,810,000. The bonds were issued to

provide funds to refund \$74,810,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1985. The Series 1995 bonds were issued bearing interest at a weekly rate. To manage its exposure to market risks from fluctuations in interest rates, the Authority entered into a forward interest rate swap agreement (the "1995 Swap Agreement") eliminating any basis risk to the Authority, resulting in a net fixed rate of 9.29% on the Series 1995 bonds.

During January 1998, the Series 1995 bonds were remarketed with a fixed rate. In connection with the remarketing, the 1995 Swap Agreement was terminated requiring the Authority to pay a Termination Payment. The Termination Payment was funded through the issuance of the Series 1998A and Series 1998B bonds (discussed later). The remarketing of the Series 1995 bonds and termination of the 1995 Swap Agreement resulted in a difference between the remarketing price and the net carrying amount of the original debt of \$19,804,773 (including unamortized loss on refunding of Series 1985 bonds of \$4,224,093). In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2016 using the effective-interest method. The Authority completed the remarketing and termination of the 1995 Swap Agreement to reduce its total debt service payments over 17 years by \$681,220. No significant economic gain or loss resulted from this refunding transaction.

The Series 1995 bonds contain serial bonds at interest rates ranging from 4.45% to 5.00%, maturing in progressive annual amounts ranging from \$2,800,000 on July 1, 2004 to \$7,990,000 on July 1, 2015. At the option of the Authority, the Series 1995 bonds maturing on and after July 1, 2009 may be repaid beginning July 1, 2008 at 102% of the principal balance outstanding, declining 1% annually to 100% on July 1, 2010.

In connection with the Series 1995 Bonds, the Series 1998A Bonds and the Series 1998B Bonds, to generate interest savings, the Authority entered into an interest rate swap agreement dated July 8, 1999 (the "1999 Swap Agreement") with a financial institution (the "1999 Swap Provider") on a notional amount of \$80,000,000 declining in accordance with the amortization schedule of the designated bonds. The 1999 Swap Agreement provided that the Authority would pay a variable rate based on the BMA Municipal Swap Index to the 1999 Swap Provider and the 1999 Swap Provider would pay a fixed rate of 4.865% to the Authority. The original termination date of the 1999 Swap Agreement was July 1, 2015, which represented the maturity of the Series 1995 Bonds, however, the 1999 Swap Provider had the option to cancel the 1999 Swap Agreement on July 1, 2002. Such option was exercised and the agreement was terminated effective July 1, 2002.

***Airport Improvement Revenue Bonds, Series 1998***—During December 1997, the Authority issued Series 1998A and Series 1998B bonds in the principal amount of \$19,695,000 and \$9,740,000, respectively. The bonds were issued for the purpose of paying the Termination Payment under the 1995 Swap Agreement entered into in connection with the Series 1995 Bonds. The Series 1998A issue (with an outstanding principal balance of \$14,930,000 at June 30, 2004) contains serial bonds at interest rates ranging from 4.45% to 5.15%, maturing in progressive annual amounts ranging from \$1,975,000 on July 1, 2004 to \$350,000 on July 1, 2014. At the option of the Authority, the 1998A bonds maturing on and after July 1, 2009 may be repaid beginning July 1, 2008 at 102% of the principal balance outstanding, declining 1% annually to 100% on July 1, 2010.

During March 1998, the Authority issued Series 1998C bonds in the principal amount of \$32,660,000. The bonds were issued to provide funds to refund \$30,940,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1989A. The 1998C issue (with an outstanding principal balance of \$26,550,000 at June 30, 2004) contains serial bonds at interest rates ranging from 5.00% to 5.375%, maturing in progressive annual amounts ranging from \$1,515,000 on July 1, 2004 to \$1,900,000

on July 1, 2016. At the option of the Authority, the bonds may be repaid beginning July 1, 2008 at 102% of the principal balance outstanding, declining 1% annually to 100% on July 1, 2010.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,710,369. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2017 using the effective-interest method. The Authority completed the advance refunding to reduce its total debt service payments over 19 years by \$3,511,337 and to obtain an economic gain of approximately \$2,300,000.

***Airport Improvement Revenue Bonds, Series 2001A***—During April 2001, the Authority issued Series 2001A bonds in the principal amount of \$91,930,000. The bonds were issued to provide funds to refund \$91,930,000 aggregate principal amount of the Authority’s Airport Revenue Bonds, Series 1991C. The proceeds from the issue were held by the Authority at June 30, 2001 and were used to redeem the series 1991C bonds on July 1, 2001 at a redemption price of 102% of the principal amount thereof.

The advance refunding resulted in a difference between the reacquisition and the net carrying amount of the old debt of \$2,701,472. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting of Debt Reported by Proprietary Activities*, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2015 using the effective-interest method. The Authority completed the advance refunding to facilitate the upfront payment under the synthetic advance refunding (discussed below) and to obtain an economic gain of approximately \$5,500,000. The economic gain is inclusive of funds made available through the upfront payment resulting from the synthetic advance refunding (discussed below).

The issue contains serial bonds at interest rates ranging from 6.20% to 6.60%, maturing in progressive annual amounts ranging from \$4,775,000 on July 1, 2004 to \$9,615,000 on July 1, 2015.

***Synthetic Advance Refunding, Series 2001A***—During September 1998, the Authority completed a synthetic advance refunding of \$91,930,000 of the callable Airport Revenue Bonds, Series 1991C (the “1991C Bonds”), to take advantage of significantly lower interest rates.

As discussed above, during April 2001, the Authority issued debt (the “2001A Bonds”), the proceeds of which were used to redeem the long-term portion of the outstanding 1991C Bonds on July 1, 2001.

The Authority accelerated annual savings resulting from the synthetic advance refunding transaction. This was done through an off-market swap in which the fixed rate liability was set at an artificially higher interest rate such that its net debt service liability approximated that of the refunded 1991C Bonds. In exchange for the higher payments, the Authority received a net upfront payment of \$7,947,134 based on the increased value of the swap. The net upfront payment was recorded as a deferred credit upon receipt and will be repaid over the term of the Airport Revenue Bonds, Series 2001A. Interest accretion began upon receipt resulting in a charge to operations, based upon the discount rate used in determining the present value of the accelerated annual savings, with a corresponding increase in the deferred credit.

All of the Authority’s bonds, except for the Series 1992 Bonds, were issued under the General Resolution and are secured by a pledge of and lien on Net Revenues derived by the Authority from the operation of the Airport. The 1992 Bonds were issued under the PFC Resolution and were secured by an additional pledge of and lien on PFC Revenues less Operating Expenses.

***Passenger Facility Charge and Airport Improvement Revenue Bonds, Series 2003***—During July 2003, the Authority issued Refunding Series 2003 bonds in the principal amount of \$32,020,000. These bonds

were issued together with other available funds of the Authority to provide funds to refund \$29,885,000 aggregate principal amount of the Authority's Passenger Facility Charge and Airport Improvement Revenue Bonds, Series 1992, to fund a reserve with respect to the Series 2003 bonds and to pay for certain costs in connection with issuance of the bonds. The Series 1992 bonds were redeemed on July 24, 2003 at a redemption price of 101% of the principal amount thereof.

The refunding resulted in a difference between the reacquisition and the net carrying amount of the old debt of \$988,946. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting of Debt Reported by Proprietary Activities*, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2012 using the effective-interest method.

The Series 2003 bonds initially bore interest at a weekly rate determined by SunTrust Capital Markets, Inc. Subject to the satisfaction of certain conditions in the Supplemental Resolution, the Authority may from time to time change the method of determining the interest rate on the Series 2003 Bonds to a daily rate, weekly rate, a commercial paper rate or a fixed rate. The bonds mature in progressive annual amounts ranging from \$3,195,000 on July 1, 2004 to \$3,925,000 on July 2012.

***Airport Improvement Revenue Bonds, Series 2003A***—During July 2003, the Authority issued Series 2003A bonds in the principal amount of \$5,650,000. These bonds were issued along with other available funds of the Authority to provide funds to refund \$5,620,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1991A, to fund a reserve with respect to the Series 2003A Bonds and to pay for certain costs in connection with the issuance of the bonds.

The difference between the reacquisition price and the net carrying amount of the old debt resulting from the refunding was immaterial.

The Series 2003A bonds were issued bearing interest payable monthly on the first business day of each month at the rate of 2.335%. Principal maturities for the Series 2003A bonds are \$4,145,000 on July 1, 2004 and \$1,505,000 on July 1, 2005.

***Airport Improvement Revenue Bonds, Series 2003B***—During November 2003, the Authority issued Series 2003B taxable bonds in the principal amount of \$19,585,000. These bonds were issued to provide funding for a portion of the projected unfunded liability of the Metropolitan Nashville Airport Authority Retirement Plan for Employees and to pay for the cost of issuance of the bonds.

The Series 2003B bonds contain serial bonds at interest rates ranging from 1.32% to 5.94%, maturing in progressive annual amounts ranging from \$310,000 on July 1, 2005 to \$1,280,000 on July 1, 2033. The 2003B bonds are subject to an extraordinary optional redemption, in whole at any time, at a redemption price equal to the principal amount plus accrued interest to the date of redemption only in the event of the destruction or damage to all or substantially all of the Nashville International Airport or the condemnation of the airport facility.

The following shows the composition of restricted cash and cash equivalents and investments as of June 30, 2004 and 2003:

	<b>2004</b>	<b>2003</b>
Principal and Interest Funds:		
Airport Revenue Bonds, Series 1991A	\$ -	\$ 4,103,735
PFC and Airport Improvement Revenue Bonds, Series 1992	-	3,954,051
PFC and Airport Improvement Revenue Bonds, Series 2003	3,360,335	-
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1993	695,998	700,000
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1995	4,256,877	4,065,502
Airport Improvement Revenue Bonds, Series 1998	4,539,802	4,579,503
Airport Improvement Revenue Bonds Refunding Series 2001A	7,485,490	7,372,426
Airport Improvement Revenue Bonds, Series 2003A	2,554,877	-
Airport Improvement Revenue Bonds, Series 2003B	665,833	-
Bond Reserve Funds:		
PFC and Airport Improvement Revenue Bonds, Series 1992	-	4,937,125
PFC and Airport Improvement Revenue Bonds, Series 2003	5,046,320	-
Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1993	2,675,000	2,675,000
Construction Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	<u>43,549,700</u>	<u>40,819,104</u>
	<u>\$ 74,830,232</u>	<u>\$ 73,206,446</u>

Long-term revenue bond activity for the year ended June 30, 2004 is summarized as follows:

Series Description	Beginning Balance	Principal Borrowing	Principal Repayment	Loss on Refunding	Amortization	Ending Balance
Series 1991A Revenue Bonds	\$ 9,410,000	\$ -	\$ (9,410,000)	\$ -	\$ -	\$ -
Series 1992 PFC Revenue Bonds	35,465,000	-	(35,465,000)	-	-	-
Series 1993 Revenue Bonds	53,400,000	-	(700,000)	-	-	52,700,000
Series 1995 Revenue Bonds	62,415,000	-	(2,545,000)	-	-	59,870,000
Series 1998A Revenue Bonds	16,945,000	-	(2,015,000)	-	-	14,930,000
Series 1998C Revenue Bonds	27,985,000	-	(1,435,000)	-	-	26,550,000
Series 1999 Subordinated Note	1,090,340	-	(154,564)	-	-	935,776
Series 2001A Revenue Bonds	87,695,000	-	(4,495,000)	-	-	83,200,000
Series 2003 PFC Revenue Bonds	-	32,020,000	-	-	-	32,020,000
Series 2003 A Revenue Bonds	-	5,650,000	-	-	-	5,650,000
Series 2003 B Revenue Bonds	-	19,585,000	(685,000)	-	-	18,900,000
Total	294,405,340	57,255,000	(56,904,564)	-	-	294,755,776
Less unamortized deferred amount on refunding	(19,251,919)	-	-	(988,946)	2,586,740	(17,654,125)
	275,153,421	\$ 57,255,000	\$ (56,904,564)	\$ (988,946)	\$ 2,586,740	277,101,651
Less current portion	(17,844,654)					(19,269,549)
	<u>\$ 257,308,767</u>					<u>\$ 257,832,102</u>

Aggregate maturities of revenue bonds at June 30, 2004 are as follows:

Year Ending June 30	Principal	Interest	Net Cash Flow Related to Interest Rate Swap	Total
2005	\$ 19,269,549	\$ 11,894,397	\$ 1,807,610	\$ 32,971,556
2006	20,450,179	11,570,808	1,783,600	33,804,587
2007	21,511,495	10,825,334	1,663,550	34,000,379
2008	22,593,543	10,071,308	1,481,760	34,146,611
2009	23,631,010	9,265,912	1,289,680	34,186,602
2010	24,595,000	8,409,727	1,090,740	34,095,467
2011-2015	113,030,000	26,947,989	3,431,830	143,409,819
2016-2020	37,015,000	5,707,853	1,945,060	44,667,913
2021-2025	3,415,000	3,368,409	-	6,783,409
2026-2030	4,540,000	2,237,598	-	6,777,598
2031-2034	4,705,000	719,037	-	5,424,037
	294,755,776	101,018,372	14,493,830	410,267,978
Less: unamortized deferred amount on refunding	(17,654,125)	-	-	(17,654,125)
	<u>\$ 277,101,651</u>	<u>\$ 101,018,372</u>	<u>\$ 14,493,830</u>	<u>\$ 392,613,853</u>

Activity for the years ended June 30, 2004 and 2003 of other long-term liabilities was as follows:

Other Long-Term Liabilities Description	Balance 6/30/2003	Net Cash Receipts (Disbursements)	Amortization	Unrealized (Gain) Loss	Balance 6/30/2004
Synthetic advance refunding, Series 2001A	\$ 7,629,371	\$ -	\$ (906,553)	\$ -	\$ 6,722,818
Fair value of derivative financial instruments	8,811,799	-	-	(3,973,366)	4,838,433
Deferred interest income	5,065,790	-	(446,427)	-	4,619,363
Deferred rental income	<u>2,050,234</u>	<u>44,469</u>	<u>(34,904)</u>	<u>-</u>	<u>2,059,799</u>
	<u>\$ 23,557,194</u>	<u>\$ 44,469</u>	<u>\$ (1,387,884)</u>	<u>\$ (3,973,366)</u>	<u>\$ 18,240,413</u>

Other Long-Term Liabilities Description	Balance 6/30/2002	Net Cash Receipts (Disbursements)	Amortization	Unrealized (Gain) Loss	Balance 6/30/2003
Synthetic advance refunding, Series 2001A	\$ 8,528,259	\$ -	\$ (898,888)	\$ -	\$ 7,629,371
Fair value of derivative financial instruments	8,263,561	-	-	548,238	8,811,799
Deferred interest income	5,518,468	-	(452,678)	-	5,065,790
Deferred rental income	<u>2,087,085</u>	<u>9,408</u>	<u>(46,259)</u>	<u>-</u>	<u>2,050,234</u>
	<u>\$ 24,397,373</u>	<u>\$ 9,408</u>	<u>\$ (1,397,825)</u>	<u>\$ 548,238</u>	<u>\$ 23,557,194</u>

## 6. DERIVATIVE FINANCIAL INSTRUMENTS

**1993 Interest Rate Swap Agreement**—In connection with the Series 1993 bonds, so as to manage its exposure to market risks from fluctuations in interest rates, the Authority entered into an interest rate swap agreement dated November 1, 1993 (the “1993 Swap Agreement”) with a bank (the “1993 Swap Provider”), which, in general, provides that the Authority will pay a fixed rate of 4.49% to the 1993 Swap Provider on a notional amount equal to the principal amount of the Series 1993 bonds outstanding and the 1993 Swap Provider will pay interest at the rates borne by the Series 1993 bonds. Arrangements made in the 1993 Swap Agreement do not alter the Authority’s obligation to pay the principal of, premium, if any, and interest on the Series 1993 bonds. Since the counterparty to the 1993 Swap Agreement is a major bank, the Authority does not anticipate credit related losses from nonperformance by such counterparty.

In accordance with SFAS No. 133, the Authority has recorded the fair value of the 1993 Swap Agreement as of June 30, 2004 (a liability of \$2,612,133) and as of June 30, 2003 (a liability of \$5,150,000) in the statements of net assets. The fair value of this financial instrument at June 30, 2004 represents the amount the Authority would pay to terminate the agreement, taking into consideration current interest rates. The change in the fair value of this financial instrument for the years ended June 30, 2004 and 2003 has been recorded as an unrealized (gain) loss in the statements of revenues, expenses and changes in net assets under non-operating expenses.

**2001 Knock-In Barrier Swap**—The Authority entered into a Knock-in Barrier Swap dated October 26, 2001 (“2001 Barrier Swap”) with a counterparty that generated a cash payment to the Authority of

\$3,853,000. The 2001 Barrier Swap is comprised of three options. The three options have different notional amounts, amortization schedules, termination dates, fixed coupons, premiums and barrier levels. In exchange for the payment to the Authority, the counterparty has the right to exercise its option to enter into an interest rate swap agreement when the Bond Market Association (“BMA”) rate averages above the negotiated barrier(s) for any six-month period. Upon exercise of the option, the Authority will pay the counterparty a floating rate at BMA plus 1.2%, and the counterparty will pay the Authority the fixed rate of the underlying debt. As of June 30, 2004 and 2003, the BMA rate had not penetrated any of the barriers. Thus, the options had not been delivered by the counterparty to the Authority.

The underlying bond issues, notional amounts, and barrier level interest rates are as follows as of June 30, 2004:

<b>Bond Issue</b>	<b>Maturity Date</b>	<b>Notional Amount</b>	<b>Barrier Level Interest Rate</b>
Series 1993	July 1, 2019	\$ 52,700,000	6.0%
Series 1995	July 1, 2015	\$ 59,870,000	6.5%
Series 1998C	July 1, 2016	\$ 26,550,000	7.0%

In accordance with SFAS No. 133, the Authority has recorded the fair value of the 2001 Barrier Swap (a liability of \$2,226,300 and \$3,661,799 at June 30, 2004 and 2003, respectively) in the statements of net assets. The fair value of this financial instrument at June 30, 2004 represents the amount the Authority would pay to terminate the agreement, taking into consideration current interest rates. The change in the fair value of this financial instrument for the years ended June 30, 2004 and 2003 has been recorded as an unrealized (gain) loss in the statements of revenues, expenses and changes in net assets under non-operating expenses.

## **7. PASSENGER FACILITY CHARGES**

On January 1, 1993, the airlines began collecting a Passenger Facility Charge (“PFC”) on qualifying enplaning passengers at Nashville International Airport on behalf of the Authority. PFC’s are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. Both the fee and intended projects must be reviewed and approved by the Federal Aviation Administration (“FAA”). The fee can be set at \$1, \$2, or \$3 per enplaning passenger.

The Authority received approval to impose a \$3 PFC. The following project summary has been approved by the FAA:

Airfield development	\$ 156,481,739
Terminal development	63,123,216
Land acquisition	<u>30,027,200</u>
	<u>\$ 249,632,155</u>

Effective April 5, 2000, public agencies may qualify to charge PFC fees of \$4.00 or \$4.50 provided that the additional criterion for approval are met. PFC’s are recorded as non-operating revenue.

## **8. SPECIAL FACILITY REVENUE BONDS**

During October 1985, the Authority issued \$68,435,000 Special Facility Revenue Bonds on behalf of American Airlines, Inc. The bonds were issued to finance the acquisition, construction and improvement of certain airport facilities as a result of American Airlines' decision to locate a hub operation at Nashville International Airport. During the year ended June 30, 1996, the Authority issued \$68,435,000 Special Facility Revenue Bonds (American Airlines, Inc. Project), Refunding Series 1995A and 1995B. The bonds were issued to provide funds to refund the Special Facility Revenue Bonds, Series 1985.

The outstanding Special Facility Revenue Bonds and related costs are payable only with funds from American Airlines, Inc. or one of its related entities. Since these bonds do not represent a claim on the Authority's assets nor do they require the Authority to incur future obligations, they have not been recorded in the Authority's financial statements.

## **9. AIRLINE LEASE AGREEMENTS**

During the year ended June 30, 1975, the Authority entered into long-term lease agreements with certain of the airlines serving Nashville for use of the facilities at Nashville International Airport. Rentals and fees due under terms of the leases are based upon the Authority's projected cost of providing the facilities to the airlines.

These long-term lease agreements have been subsequently amended and restated with extension through September 14, 2017, which is 30 years from the occupancy date of the new terminal.

Costs recovered through rentals and fees include expenses of operating and maintaining the airport plus 110% of debt service on all bonds outstanding.

The notes receivable from tenants of \$1,855,544 and \$2,017,344 at June 30, 2004 and 2003, respectively, represent expenditures made by the Authority on behalf of certain tenants for improvements at the new terminal. The signatory tenant notes accrue interest at 7% while the nonsignatory tenant notes accrue interest at 9%. The notes are to be repaid on a monthly basis through 2015.

## **10. RISK MANAGEMENT AND INSURANCE ARRANGEMENTS**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; illnesses or injuries to employees; and natural disasters.

Self-insured employee medical benefit claims are accrued as incurred in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. The liability for reported claims and claims incurred but not reported, an estimate of which is based on historical experience and management projections, is grouped with accrued payroll and related items in the financial statements. This liability does not include nonincremental claims adjustment expenses.

The following summarizes the changes in the estimated claims payable liability:

	2004	2003
Balance—beginning of year	\$ 400,858	\$ 400,057
Provision for incurred claims	2,500,484	2,458,411
Claim payments	<u>(2,728,553)</u>	<u>(2,457,610)</u>
Balance—end of year	<u>\$ 172,789</u>	<u>\$ 400,858</u>

The Authority carries commercial insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 11. COMMITMENTS AND CONTINGENCIES

Estimated costs of completion of construction in progress at June 30, 2004 relate to various projects. These amounts are as follows:

Amount to be directly reimbursed by governmental agencies under existing governmental grants	\$ 6,786,856
Amount not reimbursable by governmental grants	37,049,219
Amount to be funded by passenger facility charges collected	<u>45,635,121</u>
	<u>\$ 89,471,196</u>

The Authority is a defendant to various legal proceeding incidental to its operations. In the opinion of management and the Authority's legal counsel, while the ultimate outcome of these matters, including an estimate of potential loss, cannot presently be determined, any losses sustained would be recoverable through the Authority's leases with certain airlines discussed in Note 9.

## 12. POSTRETIREMENT AND RETIREMENT BENEFITS

Effective September 1989, the Authority adopted a new single-employer public employee retirement system ("PERS") for its employees whereby the net assets available for benefits relative to the Authority's employees were transferred from the Metropolitan Government's pension system to the Metropolitan Nashville Airport Authority Retirement Plan for Employees (the "Plan"). Certain Authority employees participate in the pension system of the Metropolitan Government of Nashville and Davidson County, Tennessee, a cost-sharing multiple employer PERS. Employees participate in either "Fund B" (pension benefits for credited service other than credited Fire and Police service) or "Fund C" (pension benefits for credited Fire and Police service) of the Metropolitan Employees' Benefit Trust Fund (the "Fund"). New employees of the Authority and those previously selecting the new Metropolitan Nashville Airport Authority's single-employer PERS are not eligible for participation in the Metropolitan Government's pension system. As a result of the relatively few number of employee participants, additional postemployment benefits information in regards to the Fund has not been presented.

The Plan is a non-contributory defined benefit pension plan administered by the Authority. The plan provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Authority. Benefit provisions are established and may be amended by the Authority. Effective June 27, 2003, the plan was closed to new participants. Employees hired after June 27, 2003 are not eligible to participate in the plan. The plan issues a publicly available financial report that includes financial statements and required

supplementary information. That report may be obtained by writing to the Metropolitan Nashville Airport Authority, One Terminal Drive, Suite 501, Nashville, Tennessee 37214 or by calling (615) 275-1600.

Contribution requirements are established and may be amended by the Authority. The Authority is required to contribute at an actuarially-determined rate; the current rate is 20.17% of annual covered payroll.

For the year ended June 30, 2004, the Authority's annual pension cost of \$1,280,837 was equal to the annual required contribution of \$2,167,504 less interest of \$886,667 on the negative net pension obligation. Actual contributions made to the Plan were \$19,000,000 which were funded through the issuance of Airport Improvement Revenue Bonds, Series 2003B (see Note 5). The annual required contribution for the current year was determined as part of the July 1, 2003 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 4.0%. Neither (a) nor (b) included an inflation adjustment. The assumptions did not include postretirement benefit increases which are funded by the Authority when granted. The actuarial value of Plan assets was calculated based on the three-year weighted average of asset gains and losses.

<b>Year Ending June 30,</b>	<b>Annual Pension Cost</b>	<b>% of Annual Pension Cost Contributed</b>	<b>Net Pension Obligation (Asset) at June 30,</b>
2004	\$ 2,167,504	876.6%	\$ (17,719,163)
2003	1,792,245	100.0%	-
2002	1,218,134	100.0%	-

In addition to the pension benefits described above, the Authority provides postretirement health care benefits to all employees who retire under either the Authority's PERS or the Metropolitan Government's PERS.

Under the Authority's PERS, the Authority pays 75% of the medical coverage cost, with the retirees paying the remaining 25%. The Authority also pays 100% of the premium cost of a \$7,500 life insurance policy on each retiree. In addition, the retirees have the option to pay 100% of the cost of dental, vision, and supplemental life insurance coverage. Currently, 67 retirees are receiving benefits under the PERS. During the years ended June 30, 2004 and 2003, payments of \$227,693 and \$229,187, respectively, were made by the Authority for postretirement benefits under this PERS.

Under the Metropolitan Government's PERS, the Authority pays 75% of the cost of medical and dental coverage, while the retirees pay the remaining 25%. The Authority also pays 100% of the premium cost of a \$7,500 life insurance policy on each retiree. Currently, 22 retirees are receiving benefits under the PERS. During the years ended June 30, 2004 and 2003, payments of \$93,475 and \$52,380, respectively, were made to the Metropolitan Government for postretirement benefits under this PERS.

Payments for these postretirement benefits are expensed as they are incurred. During the years ended June 30, 2004 and 2003, \$321,168 and \$281,567, respectively, of postretirement benefits were recognized as expense.

### **13. DEFERRED COMPENSATION PLAN**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits the deferral of a

portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, and accordingly, the related assets of the plan are not reflected on the Authority's statement of net assets.

Beginning January 1, 2001, the Authority's matching contributions are made to a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a). Amounts contributed by the Authority to the deferred compensation plan were \$628,528 and \$431,795 in 2004 and 2003, respectively.

#### **14. LAND LEASES AND LAND OPTIONS**

The Authority leases, or has entered into options to lease, several tracts of land to developers. The leases expire in 2058. The Authority has received advance payments totaling \$2,533,613 which are being amortized into income over the terms of the leases. The buildings and any other improvements constructed on the land become the property of the Authority upon the expiration or termination of the leases.

#### **15. MAJOR CUSTOMERS**

The two largest airlines accounted for approximately 59.9% and 60.4% of the total enplanements of 4,166,822 and 3,997,980 in fiscal years 2004 and 2003, respectively.

#### **16. INFORMATION ON AUTHORITY OPERATING RESULTS BY AIRPORT**

Operating income (loss) consists of revenues from operations less operating expenses and depreciation. Interest income, passenger facility charges and interest expense are not considered in determining operating income (loss).

	<b>Nashville International Airport</b>	<b>John C. Tune Airport</b>	<b>Total</b>
<b>Year Ended June 30, 2004</b>			
Operating revenues	\$ 63,919,305	\$ 413,666	\$ 64,332,971
Operating expenses	34,755,508	101,778	34,857,286
Provision for depreciation	<u>17,328,639</u>	<u>637,880</u>	<u>17,966,519</u>
Operating income (loss)	<u>\$ 11,835,158</u>	<u>\$ (325,992)</u>	<u>\$ 11,509,166</u>

	<b>Nashville International Airport</b>	<b>John C. Tune Airport</b>	<b>Total</b>
<b>Year Ended June 30, 2003</b>			
Operating revenues	\$ 64,011,197	\$ 413,590	\$ 64,424,787
Operating expenses	35,475,355	134,927	35,610,282
Provision for depreciation	<u>17,115,552</u>	<u>626,268</u>	<u>17,741,820</u>
Operating income (loss)	<u>\$ 11,420,290</u>	<u>\$ (347,605)</u>	<u>\$ 11,072,685</u>

## 17. NON-OPERATING TRANSFER

The Authority receives a percentage of ad valorem taxes imposed on the airlines by the Metropolitan Government under an agreement that expired in March 2004. Under the terms of the agreement, such receipts are to be expended by the Authority for land acquisition related to airport expansion. Amounts received during the years ended June 30, 2004 and 2003 of \$432,405 and \$622,280, respectively, have been recorded as non-operating revenue.

## 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been estimated by the Authority using available market information as of June 30, 2004 and 2003, and valuation methodologies considered appropriate to the circumstances.

	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 46,412,567	\$ 46,412,567	\$ 46,686,602	\$ 46,686,602
Investments	60,488,387	60,488,387	53,394,436	53,394,436
Notes receivable from tenants	1,855,544	2,139,091	2,017,344	2,346,886
Long-term debt	294,755,776	237,098,670	294,405,340	324,216,220

The following methods were used to estimate fair value of each class of significant financial instruments:

***Cash and cash equivalents (both restricted and nonrestricted)***—Carrying amount approximates fair value due to short-term nature of those instruments.

***Investments (both restricted and nonrestricted)***—Fair value is estimated based upon quoted market prices.

***Notes receivable from tenants***—Fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

***Long-term debt***—Fair value is estimated based upon quoted market prices.

***Other financial instruments***—The fair value of derivative financial instruments including interest rate swap agreements is estimated based on quotes from dealers of these instruments, and represent the estimated amounts the Authority could expect to pay or receive to terminate the agreements (see Note 6).

\* \* \* \* \*

# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

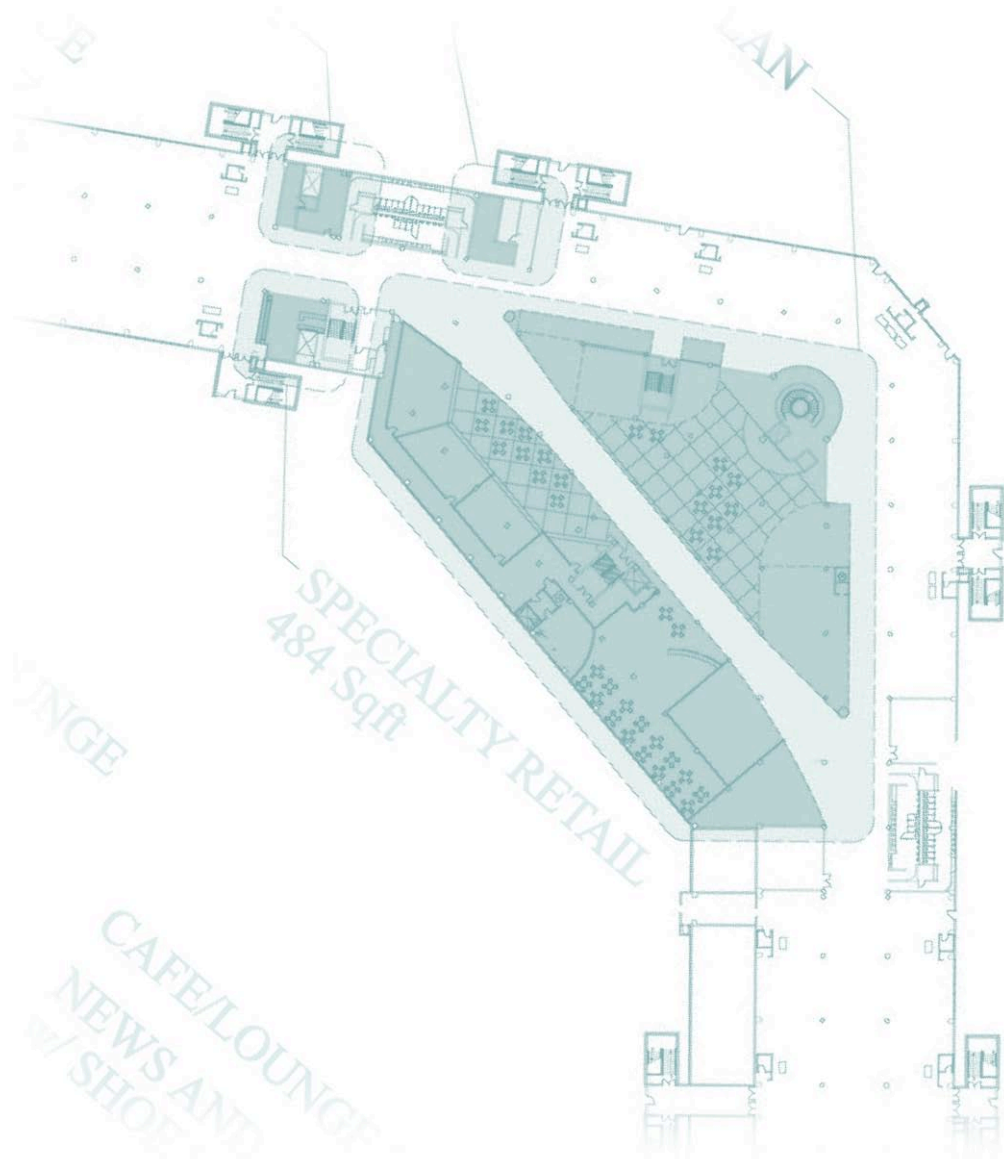
## REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF FUNDING PROGRESS YEAR ENDED JUNE 30, 2004

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b) – (a)	(a/b)	(c)	((b-a)/c)
July 1, 2001	\$14,007,423	\$19,289,738	\$ 5,282,315	72.62%	\$ 9,739,369	54.24%
July 1, 2002	\$13,343,373	\$23,715,848	\$10,372,475	56.26%	\$ 9,444,699	109.82%
July 1, 2003	\$12,974,174	\$25,145,164	\$12,170,990	51.60%	\$10,310,796	118.04%

## STATISTICAL SECTION (Unaudited)

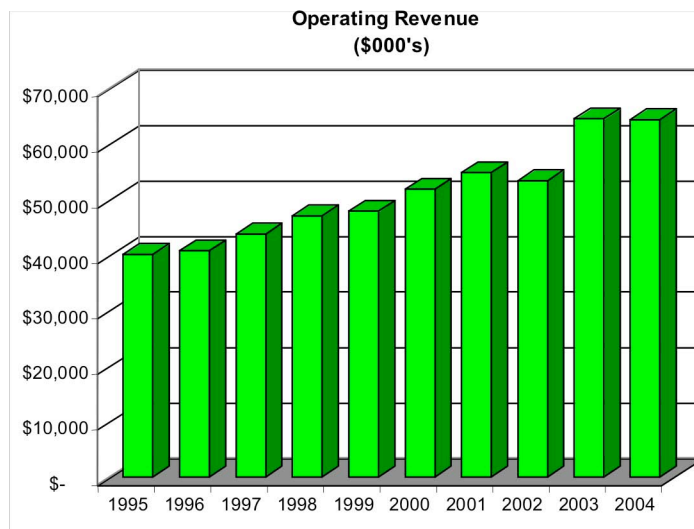
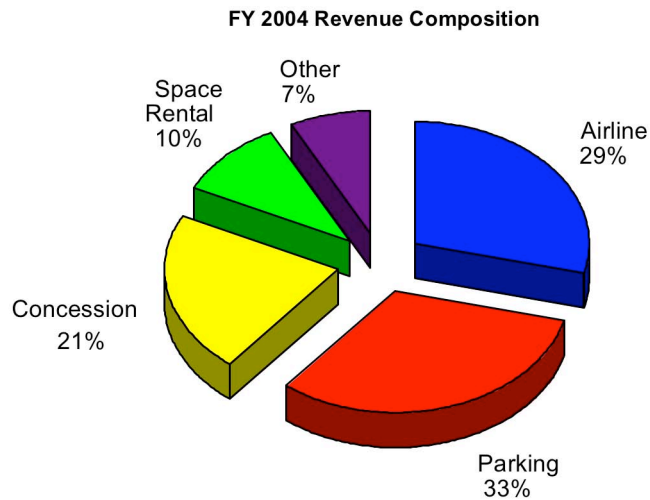
*Statistical information differs from financial statements because it usually covers more than one fiscal year and may present non-accounting data. This information reflects social and economic data and financial trends of the Authority.*



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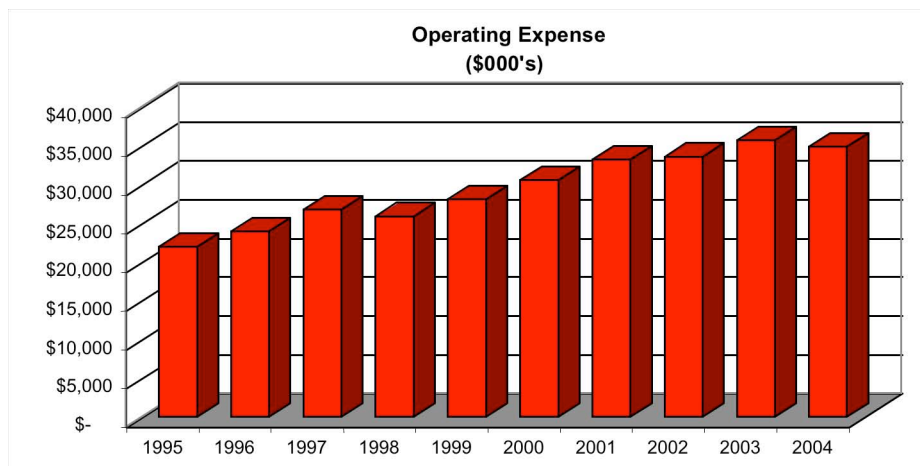
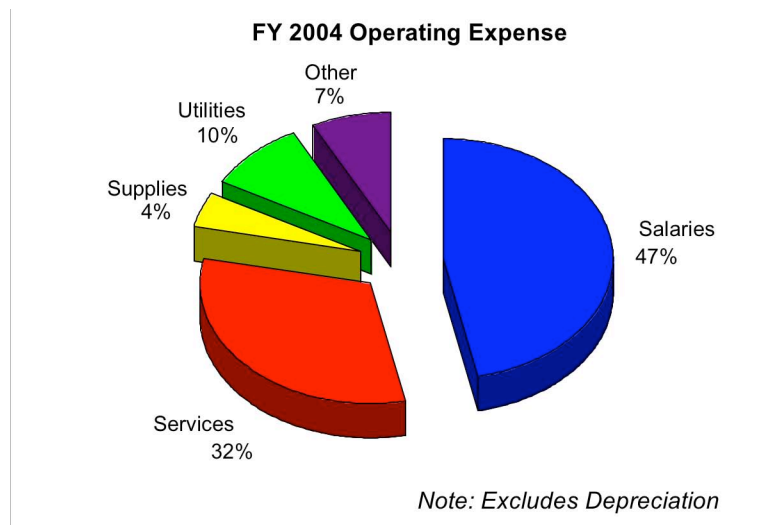
**METROPOLITAN NASHVILLE AIRPORT AUTHORITY**  
**Operating Revenue Analysis (000's)**

Operating Revenues	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Airline	\$18,546	\$22,804	\$13,612	\$13,193	\$13,284	\$12,969	\$13,287	\$11,909	\$11,686	\$12,935
Parking	20,575	18,654	17,965	19,655	16,803	16,495	16,158	15,188	13,280	11,902
Concession	13,706	13,460	13,011	13,806	12,483	11,641	11,026	10,356	9,720	9,505
Space Rental	6,742	5,526	5,195	5,157	4,474	4,175	4,215	3,946	3,856	3,358
Other	4,764	3,981	3,510	2,940	4,806	2,558	2,301	2,327	2,224	2,374
<b>TOTAL</b>	<b>\$64,333</b>	<b>\$64,425</b>	<b>\$53,293</b>	<b>\$54,751</b>	<b>\$51,850</b>	<b>\$47,838</b>	<b>\$46,987</b>	<b>\$43,726</b>	<b>\$40,766</b>	<b>\$40,074</b>



# **METROPOLITAN NASHVILLE AIRPORT AUTHORITY** **Operating Expense Analysis (000's)**

Operating Expenses	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Salaries and Wages	16,249	16,301	16,361	\$15,760	\$14,567	\$13,123	\$12,042	\$11,821	\$11,437	\$10,550
Contractual Services	11,094	11,260	10,005	9,693	8,794	8,683	7,794	7,776	6,797	5,939
Supplies and Materials	1,565	2,042	1,721	1,773	1,928	1,664	1,465	1,593	1,673	1,622
Utilities	3,370	3,368	3,229	3,364	3,180	2,765	2,704	2,566	2,578	2,518
Depreciation	17,967	17,742	17,608	15,880	16,832	20,050	20,514	20,664	20,070	18,562
Other	2,580	2,639	2,233	2,585	2,085	1,773	1,819	2,947	1,387	1,274
<b>Total</b>	<b>\$52,824</b>	<b>\$53,352</b>	<b>\$51,157</b>	<b>\$49,055</b>	<b>\$47,386</b>	<b>\$48,058</b>	<b>\$46,338</b>	<b>\$47,367</b>	<b>\$43,942</b>	<b>\$40,465</b>



# NASHVILLE INTERNATIONAL AIRPORT

## Debt Service Coverage Analysis (000's)

Description	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Operating Revenue	63,919	64,011	52,897	\$54,368	\$51,478	\$47,582	\$46,792	\$43,547	\$40,613	\$39,973
Less Operating Expenses	(34,756)	(35,475)	(33,447)	(33,084)	(30,468)	(27,920)	(25,761)	(26,639)	(23,782)	(21,822)
Change in Working Capital & Other Items	3,562	(1,563)	62	(1,487)	(2,921)	3,063	577	1,462	(242)	178
Add Interest Income	1,035	3,560	3,911	6,552	4,275	5,935	6,474	6,317	6,638	6,983
Add Passenger Facility Charges	10,791	10,764	10,699	12,303	12,148	11,041	11,005	10,128	9,790	11,030
Add Transfer from CIF*	6,189	9,429	18,074	13,764	14,796	15,751	16,807	20,854	17,878	10,651
COVERAGE CASH FLOW	\$50,740	\$50,726	\$52,196	\$52,416	\$49,308	\$55,452	\$55,894	\$55,669	\$50,895	\$46,993
TOTAL DEBT SERVICE	32,972	33,582	33,003	\$33,167	\$32,904	\$32,955	\$34,179	\$33,204	\$33,189	\$30,779
DEBT SERVICE COVERAGE	153.9%	151.1%	158.2%	158.0%	149.9%	168.3%	163.5%	167.7%	153.3%	152.7%

\* Capital Improvement Fund

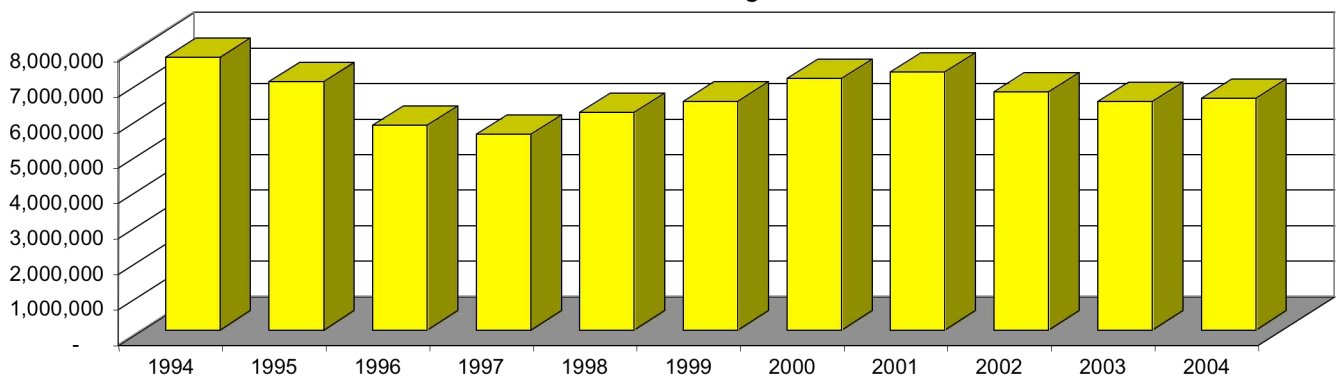
Working Capital & Other Changes	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
<b>Decrease (Increase) in:</b>										
Accounts Receivable	\$1,336	\$(934)	\$(325)	\$147	\$711	\$(317)	\$(196)	\$(347)	\$91	\$(260)
PFC Receivable	565	(181)	512	(258)	(265)	(16)	(209)	242	(237)	387
Receivables from Gov't Agencies	26	204	(302)	1,332	(639)	(538)	137	(298)	(16)	45
Inventory	(51)	58	117	31	(84)	(91)	(25)	(41)	(4)	(8)
Prepaid Expenses	34	(43)	(277)	(120)	31	99	(192)	(22)	1	(10)
Due to/from Other Airports	46	66	35	38	38	(9)	(499)	27	(16)	12
<b>Increase (Decrease) in:</b>										
Accounts Payable	680	(475)	82	(1,596)	(1,452)	3,791	1,670	440	(86)	(97)
Accrued Payroll	139	(169)	590	(61)	233	34	45	398	168	252
<b>Other Adjustments:</b>										
Amortization of Def Real Estate	1	1	1	1	1	1	1	1	1	1
Amortization of Def Rental Income	(35)	(46)	(103)	(181)	(63)	(185)	(170)	(208)	(144)	(47)
(Appreciation)/Depreciation of Investments	821	(80)	(209)	(770)	581	289				
(Gain)/ Loss on Disposal of PP&E	-	36	(59)	(50)	(2,013)	5	15	1,270	-	(97)
<b>Working Capital &amp; Other Change</b>	<b>\$3,562</b>	<b>\$(1,563)</b>	<b>\$62</b>	<b>\$(1,487)</b>	<b>\$(2,921)</b>	<b>\$3,063</b>	<b>\$577</b>	<b>\$1,462</b>	<b>\$(242)</b>	<b>\$178</b>

## NASHVILLE INTERNATIONAL AIRPORT

### Airline Landed Weights (000's)

<b>MAJOR AIRLINES</b>	<b>% of Total</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
American Airlines	9.6%	624,363	585,052	755,178	725,448	798,569	746,910	771,565	889,393	1,458,711	3,417,109
Continental Airlines	3.4%	223,020	228,955	256,644	253,386	285,965	256,718	248,681	278,141	208,517	
Delta	6.7%	435,374	490,498	672,503	902,990	960,768	990,504	1,055,083	953,842	726,253	612,989
Northwest Airlines	7.7%	501,271	511,171	454,697	529,846	535,730	494,015	501,118	481,295	470,983	413,604
Southwest	54.6%	3,566,775	3,560,773	3,577,728	3,585,272	3,226,360	2,706,833	2,269,760	1,706,746	1,294,069	690,905
TWA	0.0%			93,869	212,066	219,643	205,254	187,901	177,982	186,968	168,525
United	0.0%			1,560	194,098	232,839	221,499	211,828	198,159	165,084	123,529
USAir	4.6%	300,443	375,039	427,338	496,831	504,236	488,274	524,925	476,773	456,381	351,861
<b>Sub Total</b>	<b>86.5%</b>	<b>5,651,245</b>	<b>5,751,488</b>	<b>6,239,517</b>	<b>6,899,936</b>	<b>6,764,111</b>	<b>6,110,006</b>	<b>5,770,862</b>	<b>5,162,330</b>	<b>4,966,966</b>	<b>5,778,522</b>
<b>REGIONAL AIRLINES</b>											
Air Canada	0.5%	29,281	33,765	35,457	45,567	46,680	45,257	36,942	39,818	7,223	
Air Wisconsin	0.3%	52,969	21,103	35,120	18,252						
American Eagle/Flagship	0.9%	108,377	58,641	32,413	37,889	25,568	29,914	34,714	39,590	470,020	1,001,283
American Connect/Chautauqua	1.2%	20,448	80,207	6,777							
Astral Aviation/Skyway	0.4%	19,953	23,605	23,126	19,620	13,144	9,821	10,159	12,268		
Atlantic Coast Jet, Inc.	0.3%	34,992	22,207	40,099	11,643						
Chautauqua/Delta	0.3%	81,621	20,848								
Comair	2.0%	113,857	131,318	80,652	56,917	92,167	96,640	81,056	95,836	101,422	50,922
Corporate Airlines	0.5%	26,988	34,886	23,394	16,983	18,106	18,840	52,275	49,699		
Great Plains	0.3%	10,544	21,216	24,447	4,691						
Mesa/US Air	0.1%	68,437	5,300	6,673	20,354	15,275	6,533				
Mesa/United	0.0%	63,588									
Midway	0.2%	6,862	9,682								
Pace Airlines	0.3%	16,109	18,920	7,480							
Skywest Airlines/Delta	0.3%	31,725	22,419	5,546							
Skywest Airlines/United	0.4%	17,625	22,560								
Trans States	0.2%	43,228	10,978	2,350							
US Air Express/Chautauqua	0.0%	6,503		20,377	28,758	29,291	26,477	25,128	26,949	21,473	30,229
United Express/Atlantic Coast	2.0%	83,801	127,746	97,952	50,305	50,243	50,243	28,670			
All Others	0.2%	8,241	14,307	17,743	31,288	13,712	27,540	47,440	17,041	168,178	107,160
<b>Sub Total</b>	<b>12.9%</b>	<b>845,148</b>	<b>679,708</b>	<b>459,606</b>	<b>342,266</b>	<b>304,186</b>	<b>311,264</b>	<b>316,383</b>	<b>281,201</b>	<b>768,316</b>	<b>1,189,594</b>
<b>CHARTERS</b>	<b>0.6%</b>	<b>36,049</b>	<b>3,296</b>	<b>9,602</b>	<b>30,966</b>	<b>27,878</b>	<b>27,104</b>	<b>49,850</b>	<b>22,547</b>	<b>4,240</b>	<b>21,482</b>
<b>TOTAL</b>	<b>100.0%</b>	<b>6,532,442</b>	<b>6,434,492</b>	<b>6,708,725</b>	<b>7,273,168</b>	<b>7,096,175</b>	<b>6,448,374</b>	<b>6,137,094</b>	<b>5,466,078</b>	<b>5,739,522</b>	<b>6,989,598</b>

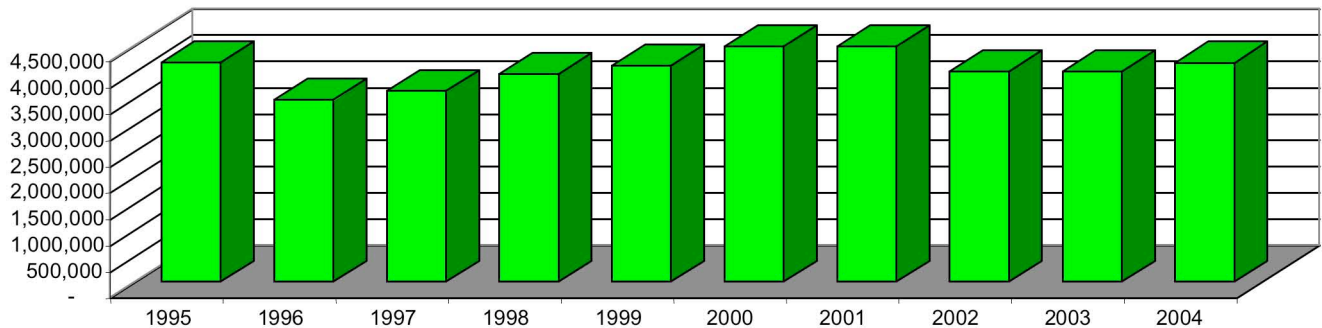
**Major & Regional Carriers, Charters  
Landed Weights**



## NASHVILLE INTERNATIONAL AIRPORT Passenger Enplanements

MAJOR AIRLINES	% of Total	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
American Airlines	9.7%	404,473	394,741	459,884	448,155	528,165	580,932	610,522	688,883	951,151	2,062,662
Continental Airlines	4.1%	170,460	172,331	176,600	181,295	191,334	168,551	174,808	189,292	122,657	-
Delta	7.1%	296,148	328,344	375,817	515,790	569,408	577,238	599,052	578,875	417,470	355,076
Northwest Airlines	8.5%	355,339	334,019	310,036	352,263	379,399	341,804	350,448	332,415	304,987	244,754
Southwest	50.2%	2,089,884	2,019,190	2,065,784	2,190,997	1,988,147	1,586,435	1,362,600	1,035,214	642,789	307,564
TWA	0.0%	-	-	50,426	128,389	132,676	124,608	120,597	104,356	97,788	87,509
United	0.0%	-	-	1,198	119,894	156,783	167,069	153,243	159,831	120,321	88,586
USAir	5.1%	214,379	235,533	244,062	302,781	317,026	349,450	376,541	371,317	307,918	210,023
<b>Sub Total</b>	<b>84.7%</b>	<b>3,530,683</b>	<b>3,484,158</b>	<b>3,683,807</b>	<b>4,239,564</b>	<b>4,262,938</b>	<b>3,896,087</b>	<b>3,747,811</b>	<b>3,460,183</b>	<b>2,965,081</b>	<b>3,356,174</b>
<b>REGIONAL AIRLINES</b>											
Air Canada	0.4%	17,689	19,520	20,395	26,933	28,944	28,589	23,591	-	-	-
Air Midwest	0.0%	-	2,548	4,650	9,523	6,507	9,732	16,475	-	-	-
Air Wisconsin	1.0%	43,331	19,466	31,549	22,477	-	-	-	-	-	-
American Eagle/Flagship	2.2%	91,112	47,698	14,970	18,854	17,807	25,583	25,008	26,777	313,938	694,829
American Connect/Chautauqua	0.3%	13,322	72,111	-	-	-	-	-	-	-	-
Astral Aviation/Skyway	0.3%	12,787	13,494	11,985	11,124	8,074	7,148	6,468	6,311	570	-
Atlantic Coast Airlines	1.6%	65,943	100,239	84,722	-	-	-	-	-	-	-
Chautauqua/Delta	1.5%	64,511	15,563	-	-	-	-	-	-	-	-
Comair	1.9%	77,733	98,917	62,555	40,789	59,099	63,753	48,389	57,816	68,286	31,240
Corporate Express	0.4%	16,784	20,800	13,727	10,832	11,506	13,169	30,793	18,295	-	-
Delta Connection/Atlantic Coast	0.6%	25,972	16,829	24,276	5,863	-	-	-	-	-	-
Great Plains	0.1%	6,035	12,506	12,426	3,199	-	-	-	-	-	-
MESA	2.5%	104,977	3,982	5,508	13,877	11,858	4,854	-	-	-	-
Pace Airlines	0.2%	9,569	10,428	4,622	-	-	-	-	-	-	-
Trans State Airlines	0.8%	33,983	10,557	1,899	-	-	-	-	-	-	-
Skywest Airlines/Delta	0.6%	24,494	19,132	4,469	-	-	-	-	-	-	-
Skywest Airlines/United	0.4%	15,311	21,049	-	-	-	-	-	-	-	-
US Air Express	0.1%	4,804	-	13,556	13,577	14,605	12,790	13,227	14,926	12,612	11,042
All Others	0.2%	7,275	7,568	1,960	40,642	33,051	38,304	21,976	32,740	95,524	72,955
<b>Sub Total</b>	<b>15.3%</b>	<b>635,632</b>	<b>512,407</b>	<b>313,269</b>	<b>217,690</b>	<b>191,451</b>	<b>203,922</b>	<b>185,927</b>	<b>156,865</b>	<b>490,930</b>	<b>810,066</b>
<b>CHARTERS</b>	<b>0.0%</b>	<b>507</b>	<b>1,415</b>	<b>7,331</b>	<b>16,909</b>	<b>19,268</b>	<b>14,037</b>	<b>19,940</b>	<b>12,442</b>	<b>10,302</b>	<b>6,702</b>
<b>TOTAL</b>	<b>100.0%</b>	<b>4,166,822</b>	<b>3,997,980</b>	<b>4,004,407</b>	<b>4,474,163</b>	<b>4,473,657</b>	<b>4,114,046</b>	<b>3,953,678</b>	<b>3,629,490</b>	<b>3,466,313</b>	<b>4,172,942</b>

**Passenger Enplanements**



**METROPOLITAN NASHVILLE AIRPORT AUTHORITY**  
**Schedule of Insurance in Force**

**As of June 30, 2003**

<b>Type of Coverage</b>	<b>Insurer</b>	<b>Coverage Amount</b>	<b>Expiration Date</b>
Automobile	St. Paul Fire & Marine Insurance Co.	\$1,000,000	3/1/05
Crime Coverage	Chubb / Federal Insurance Co.	\$1,000,000	3/1/05
Fiduciary	Chubb / Federal Insurance Co.	\$2,000,000	3/1/05
General Liability	ACE USA	\$300,000,000	3/1/05
Property	Fireman's Fund	\$190,479,952	3/1/05
Public Official Liability	Zurich America	\$5,000,000	3/1/05
Employment Practices	XL Specialty Insurance Co.	\$5,000,000	3/1/05
	Chubb / Federal Insurance Co.	\$5,000,000	3/1/05
	XL Specialty Insurance Co.	\$5,000,000	3/1/05
Worker's Compensation	AIG National Union Fire Insurance Co.	\$1,000,000	3/1/05

## MAJOR TENANTS AT NASHVILLE INTERNATIONAL AIRPORT

### **Airlines - Major/National**

American Airlines  
Continental Airlines  
Delta Airlines  
Northwest Airlines  
Southwest Airlines  
USAir, Inc.

### **Airlines - Regional/Commuter**

Air Canada  
Air Wisconsin  
American Eagle Airlines  
Atlantic Coast Airlines  
Chautauqua  
ComAir  
Corporate Airlines  
Mesa Airlines  
Pace  
Skyway Airlines (dba Astral Aviation)  
Skywest  
Trans States  
US Air Express

### **Cargo Carriers**

Airborne Express, Inc.  
Baron Aviation Services, Inc.  
Bax Global  
China Airlines  
Kitty Hawk Cargo, Inc.  
Menlo Worldwide

### **Fixed Base Operators**

Mercury Air  
Signature Flight Support

### **Ground Transportation**

Hotel Shuttles  
Taxicab Companies  
Limousine Companies

### **Ground Handlers**

Cargo Charter Services  
Dynair/Swissport  
Jet III B  
Metro Air Services  
Resource Airways

### **Vehicle Parking**

Central Parking Systems

### **Other Airport Tenants**

101<sup>st</sup> Airborne Restaurant  
118<sup>th</sup> Airlift Wing  
Aeronautical Radio  
Aircraft Services International  
Cahill & Dunn  
Compass Transportation  
Days Inn Hotel  
Embraer Aircraft Maintenance  
FAA  
Industrial Development Board  
Lamar Outdoor Advertising  
Metro Government  
New Orleans Manor  
Seafood Systems  
Sky Chefs Flight Kitchen  
State of Tennessee  
Stiles Corporation  
TN Aeronautics Commission  
TN Dept of Transportation  
Tower Group International  
US Customs  
US Govt Weather Service  
US Postal Service  
USDA

### **Rental Car**

ANC (Alamo & National)  
Avis  
Budget  
Burgner (Thrifty)  
Dollar  
Enterprise  
Hertz

### **Other Terminal Tenants**

24 Hour Flower  
CA One Service (Food & Beverage Concession)  
Country Western Tours/Grayline Tours  
Interspace Airport Advertising  
J&B Enterprises (Shoeshine Concession)  
Jarmon Limousine  
Massage Bar Inc  
Nashville Nails  
Opryland Hotel  
Paradies Shops (News & Gift Concession)  
SmarteCarte  
SunTrust Bank  
TSA  
Wright Travel Business Center

### **Tenants at John C. Tune Airport**

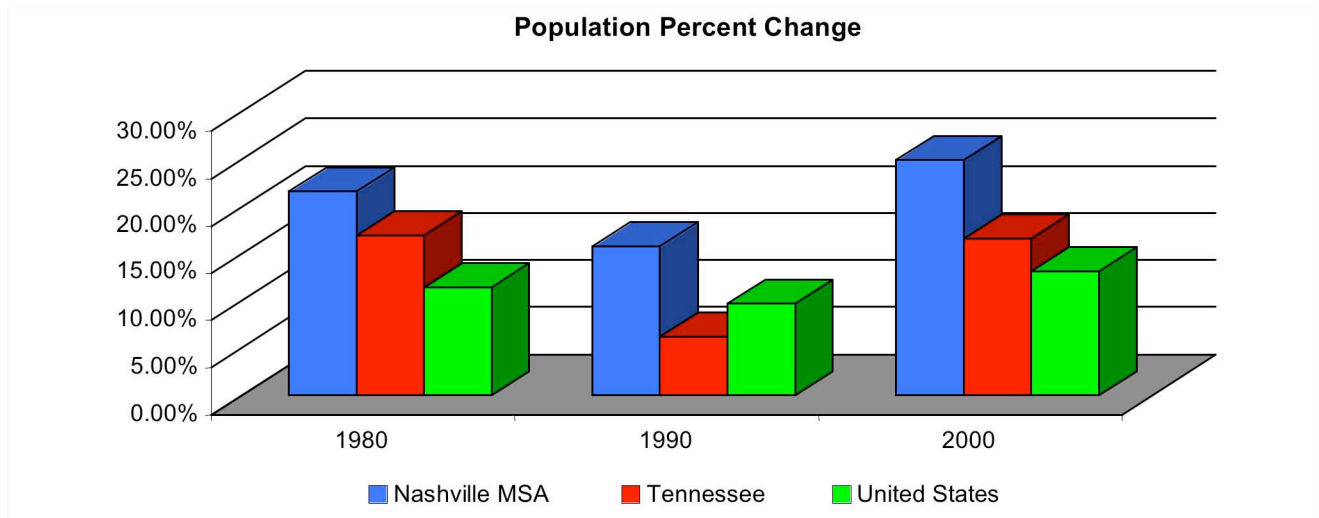
Corporate Flight Management  
Robert Orr/Sysco

## NASHVILLE METROPOLITAN STATISTICAL AREA\* POPULATION

<u>Year</u>	<u>Nashville MSA</u>	<u>Tennessee</u>	<u>United States</u>
1970	699,144	3,923,687	203,211,926
1980	850,505	4,591,120	226,545,805
1990	985,026	4,877,185	248,709,873
2000	1,231,311	5,689,283	281,421,906

\* Metropolitan Statistical Area consists of Cheatham, Davidson, Dickson, Robertson, Rutherford, Sumner, Williamson, and Wilson Counties, Tennessee.

Sources: U.S Census Bureau, Nashville Area Chamber of Commerce



**NASHVILLE METROPOLITAN STATISTICAL AREA\*  
UNEMPLOYMENT RATE**

<u>Year</u>	<u>Nashville MSA</u>	<u>Tennessee</u>	<u>United States</u>
2004	4.19%	5.45%	5.81%
2003	3.83%	5.08%	6.10%
2002	4.01%	5.12%	5.78%
2001	3.32%	4.47%	4.79%
2000	2.85%	3.94%	4.01%
1999	2.73%	4.04%	4.23%
1998	2.71%	4.18%	4.51%
1997	3.50%	5.39%	4.95%
1996	3.28%	5.15%	5.41%
1995	3.37%	5.17%	5.58%

\* Metropolitan Statistical Area consists of Cheatham, Davidson, Dickson, Robertson, Rutherford, Sumner, Williamson, and Wilson Counties, Tennessee.

Source: U.S Bureau of Labor Statistics

**NASHVILLE METROPOLITAN AREA  
25 LARGEST NON-GOVERNMENTAL EMPLOYERS**

	<u><b># of Local Employees</b></u>
* Vanderbilt University and Medical Center	15,279
* Saint Thomas Health Service	10,000
* HCA Inc.	9,493
* Nissan Motor Manufacturing Corporation USA	8,200
* Gaylord Entertainment	4,150
* Shoney's Inc.	4,000
* CBRL Group Inc.	3,300
* Wal-Mart Stores Inc.	3,110
* BellSouth Inc.	3,077
* Bridgestone/Firestone Inc.	2,832
* Ingram Industries Inc.	2,700
* Kroger Company	2,595
* Randstad NA	2,010
* Century II Staffing Inc.	2,000
* Whirlpool Corporation	2,000
* Middle Tennessee State University	1,835
* State Industries, Inc.	1,800
* Primus Automotive Financial Services	1,800
* AmSouth Bank	1,726
* Viatoon Corp/Nashville Glass Plant	1,800
* United Parcel Service	1,600
* Tyson Foods Inc.	1,600
* Lifeway Christian Resources	1,518
* Electrolux Home Products	1,500
* Tennessee State University	1,475

\* Indicates National, State, or Corporate Headquarters located in Nashville MSA

**FIVE LARGEST GOVERNMENTAL EMPLOYERS**

Tennessee State Government	18,800
United States Government	11,184
Metropolitan Government of Nashville & Davidson County	10,700
Metropolitan Nashville & Davidson County Schools	9,781
Sumner County Public Schools & Government	3,878

Source: 2004 Book of Lists, Nashville Business Journal