



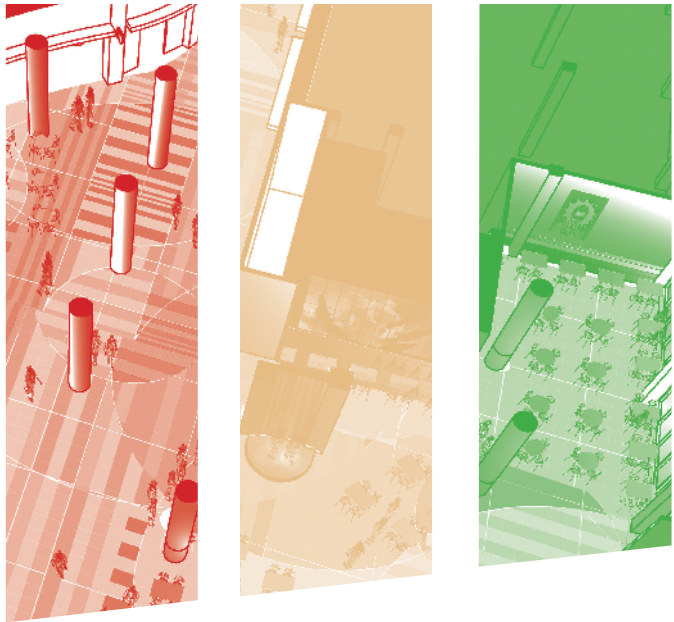
METROPOLITAN NASHVILLE AIRPORT AUTHORITY
Nashville, Tennessee | A Component Unit of the Metropolitan Government of Nashville and
Davidson County, Tennessee 2006 Comprehensive Annual Financial Report
Bringing People and Business Together

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, 2006



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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) 275-1745

November 8, 2006

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, 2006, 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 the development, financing and operation of 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, which serves 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 for 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 budgeted headcount for fiscal year 2006 of 280.5 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.

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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 number of passengers enplaning at the Nashville International Airport increased 297,518 over the prior year, a 6.7% increase.

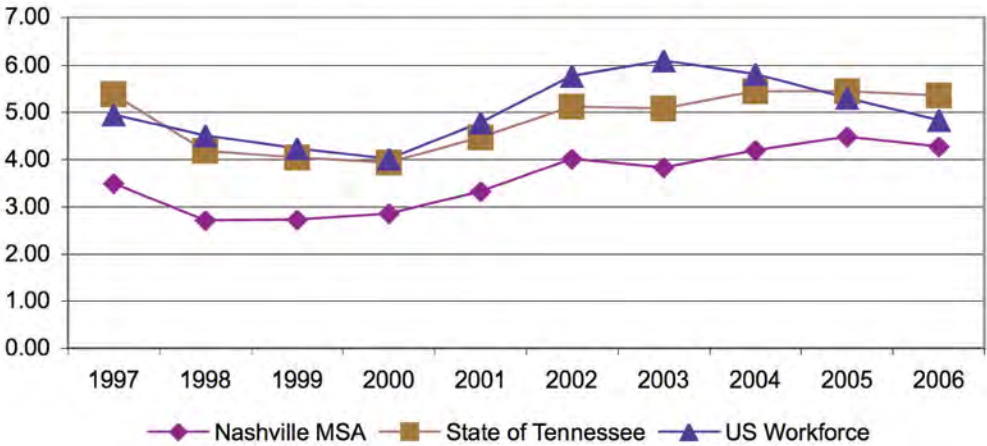
The economy of Nashville is diverse and, due to the large presence of many industries, is relatively stable. Nashville is not dependent upon one or two industries for its economic strength and therefore is able to withstand and survive economic downturns. Because Nashville has much to offer employers in the way of location, work force, and quality of life, many national and international companies have located certain headquarters in Nashville. The largest ten public companies with headquarters in the Nashville Metropolitan Statistical Area (“MSA”) based on revenue include Caremark Rx, Inc., HCA Inc., Dollar General Corp., Community Health Systems Inc., Louisiana – Pacific Corp., CBRL Group Inc., Tractor Supply Co., Renal Care Group, Central Parking Corp, and Genesco Inc.

The Nashville MSA continues to be the largest MSA in the State of Tennessee. According to June, 2006, Bureau of Labor Statistics data, the Nashville MSA unemployment rate was 4.3% while Tennessee’s was 5.4%. The United States unemployment rate averaged 4.8% over the 12-month period.

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, Tennessee’s unemployment rate averaged 36% higher than Nashville’s. In addition, the national unemployment rate averaged 39% greater than the Nashville MSA. The civilian labor force for each of the three largest MSA’s in Tennessee all increased in June 2006 over June 2005 as did the state’s labor force. Labor statistics from the Bureau of Labor Statistics revealed the following:

	6/2005	6/2006
Knoxville MSA	341,900	354,500
Memphis MSA	604,900	621,500
Nashville MSA	746,100	780,400
Tennessee	2,932,500	3,021,500

10-Year Average Unemployment Percentage Rates
(Source: US Bureau of Labor Statistics)



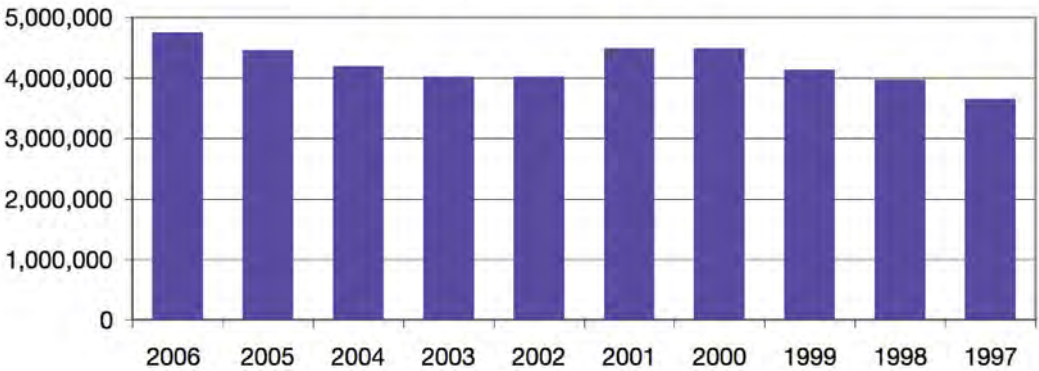
The strong local economy and manageable unemployment rate attest to the optimistic outlook for the continued strength in airport’s revenue generating activities. Non-airline sources of revenue to the Authority such as public parking, news, gift, and food concessions, and car rental activity should remain strong. However, in any event, the residual lease agreements entered into with seven 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 November 16, 2006. This upgrade was based on the Authority’s continued enplanement growth, airport’s strong service area economy, low cost structure, limited additional debt needs, and management’s commitment to reducing its debt significantly by 2017. 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 airline industry continues to face escalating costs, especially for fuel and labor, and continued pressure to maintain low airfares. Although airlines are reorganizing and emerging from bankruptcy protection, there continues to be some instability. However, in Nashville passengers boarded aircraft at the highest level since 1993 when American Airlines maintained a hub. Enplanements for the last ten years are as follows:

Passenger Enplanements - Last 10 Years



Companies continued to recognize Music City and its benefits. Forbes Magazine named Nashville one of its ten “Best Places for Business and Careers”. Nissan North America began moving its corporate headquarters to Franklin in Williamson County, Tennessee (just south of Nashville), from southern California. Federal Express opened a new 71,000 square foot sorting facility on the west side of airport property. Embraer Aircraft Maintenance Services Inc. began its \$11.6 million renovation project at its airport facility creating 150 new jobs in Davidson County. It is the only North American-based full service aircraft maintenance company working from the airport.

In 2006 over \$18 million in construction costs were recognized during the year for land and runway improvements, building improvements, equipment and other projects. The Authority finalized the design and costs for the highly anticipated and widely advertised terminal renovation. Construction began in November, 2006. As part of the overall program, new contracts for food and beverage sales were awarded to Delaware North Companies of Buffalo, New York, and to HMSHost of Bethesda, Maryland. Each will manage over 12,000 square feet of space. In addition, a multi-year contract was awarded to Hudson Group of East Rutherford, New Jersey, for news and gift concessions. The transition to the new vendors has already begun. Over \$50 million in construction is anticipated over the next three years within the terminal as part of this renovation project including a new centralized 11-lane security checkpoint, multiple user flight information display system, and a general facelift for the 20-year-old facility.

Outlook for Fiscal Year 2007

The renovation project will dominate the capital program and the public’s attention in the coming year with completion expected in about three years and has received a tremendous amount of enthusiastic regional support. Through the first four months of fiscal 2007 more than \$8 million has already been spent on runway and taxiway improvements, the public safety building’s renovation, the terminal renovation, and other projects. John C. Tune Airport’s new hangar facilities began accepting tenants in March, 2006, and is in the planning stages for significant south ramp development and a north ramp expansion. The design of an expansion to the south aircraft parking apron is also underway at that reliever airport.

Passengers continue to travel in and out of the Nashville International Airport. Total passengers for July through October, 2006, were 3,352,728, up 2.7% over last year for the same period. The number of car rental contracts is 3.8% ahead of last year for the same period, another sign of strong business and leisure traffic in Middle Tennessee.

FINANCIAL INFORMATION

Financial Position and Results of Operations

Management’s Discussion and Analysis (MD&A, starting on page 16) 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 2006 as well as certain comparisons of the current year to the prior year. The actual financial statements and related footnotes are presented on pages 26 to 49. 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 and have devoted considerable time this past year to attract and retain individuals in our Finance department who embrace the concept of a healthy internal control environment.

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, 2006 and 2005, were \$70,576,081 and \$59,326,612 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 \$219,053,242 with various deductibles depending upon the loss category involved. 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, 2006 and 2005, 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, 2006.

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, 2005. 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.

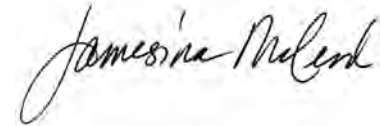
Acknowledgements

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,



Douglas P. Wolfe
Vice-President Finance



Jamesina McLeod
Controller

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.
Phillips-Robinson Funeral Home

COMMISSIONERS
Jack Bovender
HCA Inc.

Rosalyn Carpenter
Urban League of Middle Tennessee

Frank Garrison
Courage Capitol Management, LLC

Bert Mathews
The Mathews Company

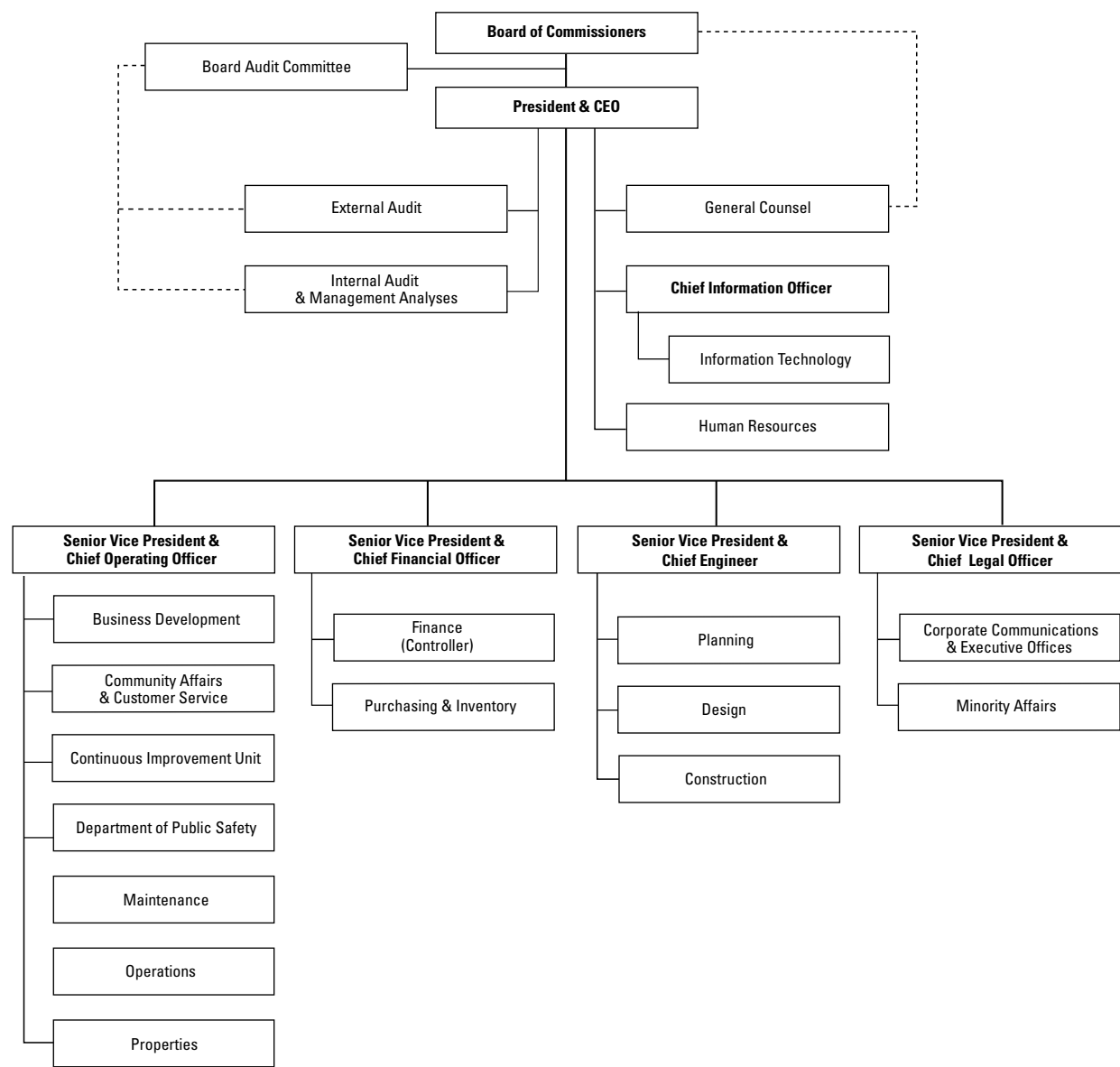
Deb McDermott
Young Broadcasting, Inc.

Juli H. Mosley, P.E.
Barge, Waggoner, Sumner & Cannon

Bill Purcell
Mayor, Metropolitan Government of Nashville
& Davidson County

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METROPOLITAN NASHVILLE AIRPORT AUTHORITY
Organization Chart and Senior Management



SENIOR MANAGEMENT

Raul L. Regalado, C.A.E. <i>President & Chief Executive Officer</i>	Robert Watson <i>Senior Vice President, Legal Affairs & Government Relations</i>
Montford O. Burgess <i>Senior Vice President & Chief Operating Officer</i>	Duane P. McGray <i>Chief, Public Safety</i>
Douglas P. Wolfe <i>Senior Vice President & Chief Financial Officer</i>	Vanessa Hickman <i>Chief Information Officer</i>

**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, 2005

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.



Carla E. Fudge

President

Jeffrey R. Enen

Executive Director

FINANCIAL SECTION

This Section Contains the Following Subsections:

- Independent Auditor’s Report**
- Management’s Discussion & Analysis**
- Financial Statements**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT



Deloitte & Touche LLP
424 Church Street
Suite 2400
Nashville, TN 37219
USA
Tel: 615 259 1800

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, 2006 and 2005, 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2006 and 2005, 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 and the schedule of funding progress 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 1 - 11 and the statistical data on pages 59 - 78 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 8, 2006

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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, 2006 and 2005. 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. Please refer to 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 4,735,910 at Nashville International Airport for fiscal year 2006 increased 6.7% from 4,438,392 for fiscal year 2005 and was 13.7% greater than the 4,166,820 level experienced in fiscal year 2004. The number of enplaned passengers was the highest since 1993 when 5,070,917 passengers boarded commercial aircraft, and American Airlines’s share was 64.7% of the market. The busiest months were July 2005 and June 2006, each enplaning approximately 439,000 passengers. September 2005 saw the greatest percentage increase (8.9%) over the prior year, enplaning 384,393 passengers.

Aircraft operations, which represents the total number of incoming and outgoing planes to or from the Authority during the year, declined 8.5% from the prior year attributable to the ongoing realignment of flight schedules, the impact of record fuel prices on operating costs, and service impacts from airlines currently under bankruptcy protection or no longer in business. Gross landed weights declined by a corresponding 5.4% from the prior year. Landed weights of regional carriers increased 6.2%, a trend reflected nationally. However, this increase of 60,332,000 pounds was relatively small compared to the overall decline of 394,195,000 pounds, attributable to declines in domestic cargo carrier and major commercial airline activity, off 7.3% and 6.4%, respectively.

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

	2006	2005	% Change	2004
Operating Revenues	\$71,133,277	\$66,769,863	6.5%	\$64,719,991
Operating Expenses	(40,748,604)	(36,696,955)	11.0%	(35,244,306)
Operating Income before Depreciation	30,384,673	30,072,908	1.0%	29,475,685
Depreciation	(17,640,198)	(17,546,203)	0.5%	(17,966,519)
Operating Income	12,744,475	12,526,705	1.7%	11,509,166
Non-Operating Revenue	21,712,361	21,379,609	1.6%	17,931,946
Non-Operating Expenses	(13,980,239)	(17,355,066)	(19.4%)	(12,970,020)
Increase in Net Assets	20,476,597	16,551,248	23.7%	16,471,092
Net Assets, beginning of year	200,785,824	184,234,576	9.0%	167,763,484
Net Assets, end of year	\$221,262,421	\$200,785,824	10.2%	\$184,234,576

REVENUES

The increase in passenger traffic translated into favorable growth in operating revenue for fiscal year 2006. Revenue increased 6.5% from \$66,769,863 in 2005 to \$71,133,277 in 2006. This compares with 3.2% growth in 2005 over 2004. The 2006 results represent a record for total operating revenue for the Authority. The decrease in the “signatory” airlines (see note 9 to the financial statement) revenue is directly related to the residual agreement in place with seven airlines that expires in 2017 and is considered a positive reflection of the economic condition of the Nashville International Airport’s operations.

A summary of revenues for the fiscal years ended June 30, 2006, 2005, and 2004, is as follows:

Operating Revenue	2006	2005	% Change	2004
Airline	\$ 13,559,361	\$ 15,164,912	(10.6%)	\$ 18,545,916
Parking	25,159,487	22,787,740	10.4%	20,575,301
Concession	15,597,529	14,481,791	7.7%	13,705,715
Space Rental	9,888,852	8,935,551	10.7%	7,028,387
Other	6,928,048	5,399,869	28.3%	4,864,672
Total Operating Revenue	71,133,277	66,769,863	6.5%	64,719,991
Non-Operating Revenue				
Investment Income	2,889,516	2,769,432	4.3%	1,053,385
Passenger Facility Charges	12,577,969	11,640,065	8.1%	10,790,953
Grant Receipts	6,244,876	6,970,112	(10.4%)	5,655,203
Non-operating revenue	-	-	0.0%	432,405
Total Non-operating Revenue	21,712,361	21,379,609	1.6%	17,931,946
Total Revenues	\$ 92,845,638	\$ 88,149,472	5.3%	\$ 82,651,937

Non-signatory airline revenue is included in “Other” operating revenue. This source of revenue was responsible for most of the 28.3% increase and is generated from landing fees and concourse and ramp fees invoiced at a compensatory rate significantly higher than the rate paid by the signatory carriers. Signatory airline revenue decreased 10.6% from 2005 to 2006 from \$15,164,912 to \$13,559,361. This decrease is primarily attributable to an annual three million dollar reimbursement from passenger facility charge revenues. This reimbursement is a result of \$70 million of capital projects completed as far back as 1991 that were approved by the Federal Aviation Administration in 2003 to be retroactively funded with passenger facility charges. This reimbursement arrangement is scheduled through fiscal year 2011 to cover the portion of activity that the signatory airlines supported through rental rates. The remaining balance will be drawn down to fund the terminal expansion project through completion.

Another financial milestone was achieved in fiscal year 2006. Revenue from public parking surpassed \$25 million, up 10.4% or \$2,371,747 over the prior year and \$4,584,186 over fiscal year 2004, a 22.3% increase in just two years. The Authority is currently researching a number of alternatives to address the parking capacity situation in anticipation of continued growth in this activity at the Nashville International Airport. One alternative recently initiated was to adjust the valet parking rate and analyze its impact. A valet parking increase of two dollars became effective July 1, 2004, from \$14 per day to \$16 per day. This rate was further increased to \$18 on September 1, 2005, in an effort to redistribute the utilization of the various parking areas on airport property. However, the number of valet transactions did not decline. Instead valet activity slightly increased from 89,060 vehicles served in 2005 to 89,596 in 2006, a 0.6% increase. The terminal renovation project and the possibility of a consolidated rental car facility combine to make the public parking program an exceptional challenge in the near term.

Concession revenue also played a significant role in the Authority’s operations. Overall concession revenue increased 7.7% or \$1,115,738 and is indicative of increased passenger levels. The largest component of concession revenue, car rental revenue contributed 59.1% to this source of funds. Car rental revenue increased 9.9% from \$8,384,983 in fiscal 2005 to \$9,211,809 in

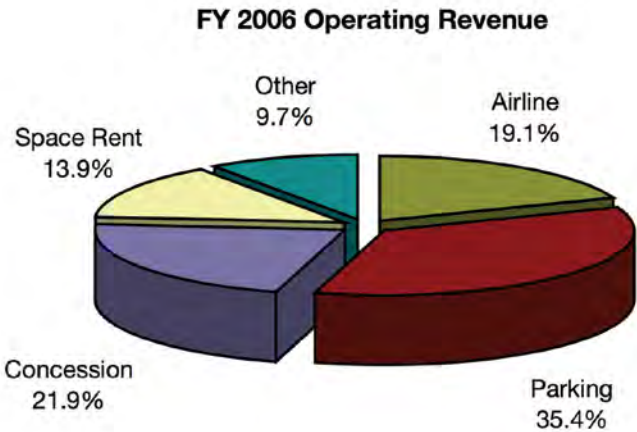
fiscal 2006. Restaurant concessions represented 14.9% of overall concession revenue but remained virtually unchanged, \$2,325,115 for 2006, and \$2,330,151 for 2005. In July 2006 the Authority’s Board of Commissioners approved a new food and beverage program to be implemented in conjunction with the terminal renovation.

During the next two years of construction, and the related relocation of tenant operations throughout the concourses and terminal, revenues may temporarily decline. However, projections are that revenues will rebound and surpass present level following completion of this renovation. News and gift concessions increased from \$1,782,794 to \$1,882, 831, a 5.6% increase, from 2005 to 2006. This program, the third largest contributor to concession revenue at 12.1% is currently in the process of being realigned in conjunction with the terminal renovation project.

Revenue earned from space rental includes activities such as non-signatory airline rents, non-terminal land and building rent, and fixed base operator rent. Rents and fees paid by non-signatory carriers contributed the largest percentage to this category, 35.2% or \$3,478,357. This amount represents an \$844,217 increase over the prior year and is largely due to 2006 being the first full year of full compensatory rates being charged for the baggage claim area. The other sources of revenue for the Nashville International Airport facility were similar to 2005. In 2006, the Authority built additional hangars and assumed direct responsibility for hangar rent collections at John C. Tune Airport, its general aviation airport. Space and hangar rent at this airport increased \$129,506 from \$377,481 in 2005 to \$506,987 in 2006. In 2004 space rent was \$370,396.

All other sources of operating revenue combined for a \$1,528,179 or a 28.3% increase over 2005. Most sources experienced increases over the prior year. Half the increase came from landing fees collected from non-signatory carriers, air cargo carriers, and freight companies that paid \$4,382,049 this year, up \$733,436 or 20.1 % from \$3,648,613 in 2005. The compensatory rate increase from \$2.71 for 2005 to \$2.91 for 2006 combined with the changing mix and frequency of aircraft accounted for the revenue change.

The following chart shows the major sources of operating revenues for the fiscal year ended June 30, 2006:



Non-operating income rose slightly, 1.6%, and includes investment income, passenger facility charges (PFC), and grant receipts. The 4.3% increase in investment income is evidence of the increase in upward trending interest rates. The \$937,904 or 8.1% jump in PFC revenue parallels the enplaned passenger level. An average of 91% of those travelers paid the \$3.00 PFC, \$2.89 net to the Authority after the airline handling fee. Grant receipts from governmental agencies are draws for capital projects currently in progress at the airport. Construction continues, and the volume attributable to federal and state funded activity declined from \$6,970,112 in 2005 to \$6,244,876, a decrease of \$725,236.

EXPENSES

A summary of expenses for the fiscal years ended June 30, 2006, 2005 and 2004 is as follows:

Operating Expenses	2006	2005	% Change	2004
Salaries and Wages	\$ 18,657,132	\$ 16,412,494	13.7%	\$ 16,248,675
Contractual Services	12,916,582	12,453,870	3.7%	11,424,236
Materials and Supplies	1,702,182	1,894,344	(10.1%)	1,564,994
Utilities	4,178,081	3,662,175	14.1%	3,426,793
Other	3,294,627	2,274,072	44.9%	2,579,608
Total Operating Expenses	40,748,604	36,696,955	11.0%	35,244,306
Non-Operating Expenses				
Depreciation	17,640,198	17,546,203	0.5%	17,966,519
Loss on Disposal of Property And Equipment	359,849	11,175	3120.1%	-
Interest Expense	15,629,637	16,416,304	(4.8%)	16,943,386
Loss (Gain) on Derivative Financial Instruments	(2,009,247)	927,587	(316.6%)	(3,973,366)
Total Non-Operating Expenses	31,620,437	34,901,269	(9.4%)	30,936,539
Total Expenses	\$ 72,369,041	\$ 71,598,224	1.1%	\$ 66,180,845

Higher passenger traffic naturally requires additional uses of financial resources to maintain the airport property. Operating expenses increased \$4,051,649 or 11.0% over fiscal year 2005. Personnel costs increased 13.7%, partly due to several new positions added to the organization and 2006 being the first full year of compensation for several new employees hired in fiscal year 2005. Medical benefits are included in this expense, and medical claim payments during the year increased \$499,890, 23.4% over fiscal year 2005. Overall, salaries and wages represented 45.8% of operating expenses in 2006. Nearly \$100,000 was incurred at John C. Tune Airport as it began its first year of on-site administrative and maintenance services.

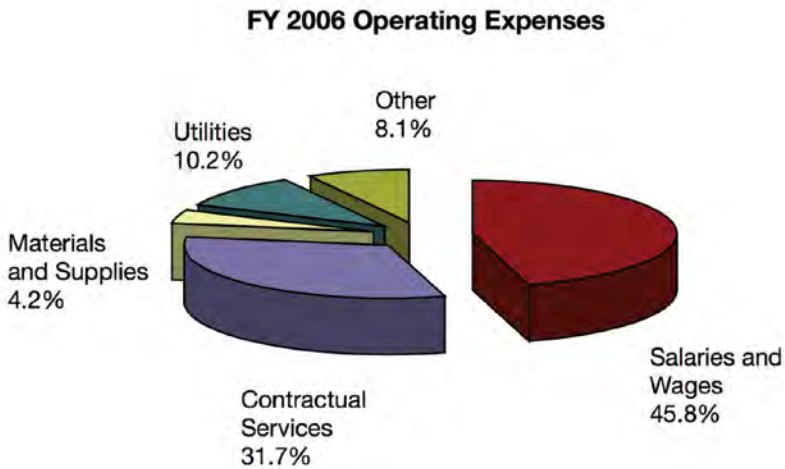
A number of companies provide legal, marketing, custodial, landscaping, human resource consulting, and other types of contractual services to the Authority. Growth in this category leveled off at 3.7% in 2006. Consulting services rose 7.6% from \$1,264,864 in 2005 to \$1,361,052 in 2006. Legal services declined \$114,639 to \$598,391 (16.1%) from \$713,030 in 2005. Parking lot administration expense increased 8.0% to \$2,415,427 for the year, consistent with the increase in passenger volume and parking revenue.

The material and supply costs decreased 10.1% for the year mainly due to a number of significant in-house maintenance projects which were undertaken in 2005 and not extended into 2006. This amount still represents an increase of \$137,188 or 8.8% over a two-year period, consistent with the region’s inflation rate.

Utility costs continued their upward trend. Costs in fiscal year 2006 rose 14.1% over the prior year and a total of 21.9% above two years ago. The Authority purchases both gas and electricity to meet the needs on airport property, and increasing costs are following the national trend. A new heating, ventilation, and air conditioning system is included in the upcoming terminal renovation project, and this HVAC system will be more efficient than what is currently in place. As utility costs continue upward, this improvement is highly anticipated.

The remaining group of operating expenses increased, 44.9%, over 2005. Expense items in this category include advertising, travel, property and liability insurance, employee development, and provision for bad debts. The increase resulted from a combination of fuel cost increases, employee development, and \$111,389 more charged to bad debts expense than in the prior year. Several airlines continue under bankruptcy protection or have terminated operations. However, there is no indication that this increase will be repeated in the coming year. Actual bad debt expense was \$372,456 in 2006 and \$261,067 in 2005.

The following chart shows the major cost components of operating expenses for the year ended June 30, 2006:



The non-operating expenses declined 9.4% primarily because of a valuation adjustment to an interest rate swap agreement in the amount of \$2,009,247. In contrast, during the year the Authority conducted a comprehensive review of its fixed assets and identified various items to be removed from the list. The results of this review along with other fixed assets disposed of during 2006 resulted in a recorded loss of \$359,849. Additionally, it was noted that a number of capital items became fully depreciated in the past year, approximately 20 years after the construction of the existing terminal and surrounding areas. Depreciation expense remained fairly consistent from \$17,546,203 in 2005 to \$17,640,198 in 2006, a change of \$93,995 or 0.5%.

Interest expense also decreased in fiscal year 2006. This 4.8% reduction is a direct result of the decline in long term debt by \$20,450,179 from \$275,486,227 at the end of 2005 to \$255,036,048 at the end of 2006. Since most debt was issued at a fixed rate, this expense is not particularly sensitive to the recent increase in interest rates.

FINANCIAL POSITION

The following represents the Authority’s financial position at June 30, 2006, 2005, and 2004:

ASSETS	2006	2005	% Change	2004
Current Assets—Unrestricted	\$ 18,479,586	\$ 10,111,098	82.8%	\$ 13,652,520
Current Assets—Restricted	48,080,453	44,575,614	7.9%	38,738,363
Net Capital Assets	355,524,866	355,339,214	0.1%	358,081,078
Other Assets Unrestricted	38,868,875	41,582,536	(6.5%)	45,509,282
Other Assets Restricted	28,433,500	35,571,565	(20.1%)	37,752,285
Total Assets	489,387,280	487,180,027	0.5%	493,733,528
LIABILITIES				
Current payable from Unrestricted Assets	8,808,735	5,639,662	56.2%	6,622,362
Current payable from Restricted Assets	26,912,479	25,921,164	3.8%	26,804,075
Long-Term Liabilities	232,403,645	254,833,377	(8.8%)	276,072,515
Total Liabilities	268,124,859	286,394,203	(6.4%)	309,498,952
NET ASSETS				
Invested in Capital Assets, net of Related Debt	116,454,919	101,464,942	14.8%	84,315,495
Restrictd Net Assets	76,276,899	80,899,963	(5.7%)	73,571,451
Unrestricted Net Assets	28,530,603	18,420,919	54.9%	26,347,630
Total Net Assets	221,262,421	200,785,824	10.2%	184,234,576
Total Liabilities and Net Assets	\$ 489,387,280	\$ 487,180,027	0.5%	\$ 493,733,528

The Authority’s total assets rose by \$2,207,253 or 0.5% over fiscal year 2005. However, this balance continues below the amount reported at the end of 2004. Overall total liabilities decreased \$18,269,344 from 2005 to 2006. Long-term liabilities decreased \$22,429,732 primarily due to scheduled payments on long-term debt while current liabilities increased \$4,160,387 due to the timing of payment of normal operating expenses and certain capital expenditures.

Unrestricted current assets increased \$8,368,488 or 82.8% over 2005 primarily due to the Authority anticipating use of these resources to pay for capital projects in the near future.

Restricted current assets also increased, although that 7.9% increase was approximately half the dollar increase for unrestricted current assets, \$3,504,839. Unrestricted short term investments increased significantly, from \$1,538,739 in 2005 to \$9,299,631 in 2006. Similarly, restricted short term investments increased from \$2,967,852 to \$14,859,466 over the same period, a 400.7% increase. These increases correspond to the restricted and unrestricted non-current investments that declined \$8,403,037. Accounts receivable increased 16.3% from \$2,086,156 for fiscal year 2005 to \$2,426,944 the following year. Most of this increase was due to the change in the allowance for doubtful accounts balance of \$185,740 at June 30, 2006, compared to \$356,932 in 2005. The change in the allowance was principally due to the write-off of several at risk accounts. Total write-offs of uncollectible accounts totaled approximately \$691,000 for the year ended June 30, 2006, related to the bankruptcy and reorganization of several major airlines.

Land and land improvements declined slightly as a result of the adjustments recorded as a result of the fixed asset review. Buildings and building improvements declined for the same reason. However construction in progress increased \$7,633,845 from \$22,352,319 to \$29,986,164 as numerous projects near completion. Funds from federal and state grants as well as passenger facility charges contributed to this activity. The Authority reported \$16,700,427 to the Federal Aviation Administration in PFC activity for fiscal year 2006, including \$3 million in reimbursement for previously capitalized projects. Most of this funding is captured in the construction in progress balance.

The combination of the increase in total assets of \$2,207,253 and the decrease in total liabilities of \$18,269,344 resulted in an increase in total net assets of \$20,476,597. The largest portion of the Authority’s net assets (\$116.5 million or 52.6% at June 30, 2006) represents its investment in capital assets, less the related debt outstanding used to acquire those 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 (\$76.3 million or 34.5% at June 30, 2006) 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	\$ 40,849,597
Debt Service	35,427,302
Total Restricted	\$ 76,276,899

The remaining unrestricted net assets of \$28.5 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, 2006, amounted to \$355,524,866 as compared to \$355,339,214 at June 30, 2005. 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 capital asset balance before depreciation increased \$9,187,851 with most of that change captured in construction in progress. The investment after depreciation increased less than 1%.

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, 2006, the Authority’s debt outstanding amounted to \$255,036,048. This represents a decrease of \$20,450,179 over the \$275,486,227 balance recorded at the end of fiscal year 2005. Principal repayment in 2005 was \$19,269,549. A detail of the changes in fiscal year 2006 is as follows:

Series Description	Beginning Balance	Principal Repayment	Ending Balance
Series 1993 Revenue Bonds	\$ 52,000,000	\$ (3,500,000)	\$ 48,500,000
Series 1995 Revenue Bonds	57,070,000	(3,080,000)	53,990,000
Series 1998A Revenue Bonds	12,955,000	(1,920,000)	11,035,000
Series 1998C Revenue Bonds	25,035,000	(1,590,000)	23,445,000
Series 1999 Subordinated Note	771,227	(175,179)	596,048
Series 2001A Revenue Bonds	78,425,000	(5,070,000)	73,355,000
Series 2003 PFC Revenue Bonds	28,825,000	(3,300,000)	25,525,000
Series 2003 A Revenue Bonds	1,505,000	(1,505,000)	-
Series 2003 B Revenue Bonds	18,900,000	(310,000)	18,590,000
Total	<u>\$ 275,486,227</u>	<u>\$ (20,450,179)</u>	<u>\$ 255,036,048</u>


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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



Jamesina McLeod
Controller

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

**STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2006 AND 2005**

ASSETS	2006	2005
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents	\$4,920,490	\$4,774,734
Short term investments	9,299,631	1,538,739
Accounts receivable—net of allowance for doubtful accounts of \$185,740 and \$356,932 in 2006 and 2005, respectively	2,426,944	2,086,156
Inventories	421,613	476,800
Accrued interest receivable	253,491	152,785
Current portion of notes receivable	117,184	162,550
Prepaid expenses	1,040,233	919,334
Total current unrestricted assets	<u>18,479,586</u>	<u>10,111,098</u>
Restricted assets:		
Cash and cash equivalents	31,097,734	39,784,073
Short term investments	14,859,466	2,967,852
Passenger facility charges receivable	1,529,407	1,464,824
Amounts due from governmental agencies	228,211	74,104
Accrued interest receivable	365,635	284,761
Total current restricted assets	<u>48,080,453</u>	<u>44,575,614</u>
Total current assets	<u>66,560,039</u>	<u>54,686,712</u>
NONCURRENT ASSETS:		
Capital assets:		
Land and land improvements	432,083,026	433,641,552
Land held for future expansion	36,701,068	36,701,068
Buildings and building improvements	123,618,070	126,696,865
Equipment, furniture and fixtures	29,163,887	22,972,560
Construction in progress	29,986,164	22,352,319
Total capital assets	<u>651,552,215</u>	<u>642,364,364</u>
Less accumulated depreciation	<u>(296,027,349)</u>	<u>(287,025,150)</u>
Total capital assets (net of accumulated depreciation)	<u>355,524,866</u>	<u>355,339,214</u>
Restricted investments	28,433,500	35,571,565
Unrestricted investments	17,983,484	19,248,456
Deferred bond issue costs	2,775,658	3,249,771
Notes receivable from tenants	1,402,314	1,519,498
Other assets	<u>16,707,419</u>	<u>17,564,811</u>
Total noncurrent assets	<u>422,827,241</u>	<u>432,493,315</u>
TOTAL	<u>\$489,387,280</u>	<u>\$487,180,027</u>

See notes to financial statements.

LIABILITIES AND NET ASSETS	2006	2005
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Trade accounts payable	\$6,154,704	\$3,153,317
Accrued payroll and related items	2,448,277	2,286,250
Current maturities of long-term debt	186,495	175,179
Accrued interest payable	19,259	24,916
Total payable from unrestricted assets	<u>8,808,735</u>	<u>5,639,662</u>
Payable from restricted assets:		
Trade accounts payable	255,612	12,232
Accrued interest payable	5,331,867	5,633,932
Current maturities of long-term debt	21,325,000	20,275,000
Total payable from restricted assets	<u>26,912,479</u>	<u>25,921,164</u>
Total current liabilities	<u>35,721,214</u>	<u>31,560,826</u>
NONCURRENT LIABILITIES:		
Airport Revenue Bonds (net of unamortized deferred amount on refunding of \$12,636,036 and \$15,047,310, respectively)	220,478,964	239,392,690
Subordinate Revenue Note	409,553	596,048
	<u>220,888,517</u>	<u>239,988,738</u>
Synthetic Advance Refunding, Series 2001A	4,932,632	5,810,846
Fair value of derivative financial instruments	851,374	2,860,621
	<u>226,672,523</u>	<u>248,660,205</u>
Deferred interest income	3,740,830	4,178,166
Deferred rental income	1,990,292	1,995,006
Total noncurrent liabilities	<u>232,403,645</u>	<u>254,833,377</u>
Total liabilities	<u>268,124,859</u>	<u>286,394,203</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Invested in capital assets—net of related debt	116,454,919	101,464,942
Restricted:		
Passenger facility charge projects	40,849,597	43,257,624
Debt service	35,427,302	37,642,339
Total restricted net assets	<u>76,276,899</u>	<u>80,899,963</u>
Unrestricted net assets	<u>28,530,603</u>	<u>18,420,919</u>
Total net assets	<u>221,262,421</u>	<u>200,785,824</u>
TOTAL	<u>\$489,387,280</u>	<u>\$487,180,027</u>

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
OPERATING REVENUES:		
Airline	\$ 13,559,361	\$ 15,164,912
Parking	25,159,487	22,787,740
Concession	15,597,529	14,481,791
Space rental	9,888,852	8,935,551
Other	6,928,048	5,399,869
	<u>71,133,277</u>	<u>66,769,863</u>
OPERATING EXPENSES:		
Salaries and wages	18,657,132	16,412,494
Contractual services	12,916,582	12,453,870
Materials and supplies	1,702,182	1,894,344
Utilities	4,178,081	3,662,175
Other	3,294,627	2,274,072
	<u>40,748,604</u>	<u>36,696,955</u>
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	30,384,673	30,072,908
PROVISION FOR DEPRECIATION	<u>17,640,198</u>	<u>17,546,203</u>
OPERATING INCOME	<u>12,744,475</u>	<u>12,526,705</u>
NONOPERATING REVENUES:		
Investment income	2,889,516	2,769,432
Passenger facility charges	12,577,969	11,640,065
Grant receipts from governmental agencies	6,244,876	6,970,112
	<u>21,712,361</u>	<u>21,379,609</u>
NONOPERATING EXPENSES:		
Loss on disposal of property and equipment	359,849	11,175
Interest expense	15,629,637	16,416,304
(Gain) loss on derivative financial instruments	(2,009,247)	927,587
	<u>13,980,239</u>	<u>17,355,066</u>
CHANGES IN NET ASSETS:		
Increase in net assets	20,476,597	16,551,248
Total net assets—Beginning of year	<u>200,785,824</u>	<u>184,234,576</u>
Total net assets—End of year	<u>\$ 221,262,421</u>	<u>\$ 200,785,824</u>

See notes to financial statements.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 70,788,855	\$ 66,455,373
Cash paid to employees	(18,495,105)	(16,518,096)
Cash paid to suppliers	(14,968,827)	(19,908,725)
Other payments	<u>(3,294,627)</u>	<u>(2,274,072)</u>
Net cash provided by operating activities	<u>34,030,296</u>	<u>27,754,480</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipt of passenger facility charges	12,513,386	11,506,662
Additions to property and equipment	(18,235,253)	(14,815,514)
Proceeds from sale of property and equipment	49,554	-
Interest paid on long-term debt	(13,930,186)	(14,746,897)
Payments on long-term debt	(20,450,179)	(19,269,549)
Contributions from governmental agencies	<u>6,298,118</u>	<u>6,972,364</u>
Net cash used in capital and related financing activities	<u>(33,754,560)</u>	<u>(30,352,934)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(88,657,675)	(75,414,526)
Proceeds from the sale and maturities of investments	76,414,240	76,340,026
Payments made by tenants	162,550	173,496
Payment made to terminate 2001 Knock-In Barrier Swap	-	(2,905,399)
Interest received on investments	<u>3,264,566</u>	<u>2,551,097</u>
Net cash (used in) provided by investing activities	<u>(8,816,319)</u>	<u>744,694</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,540,583)	(1,853,760)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>44,558,807</u>	<u>46,412,567</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 36,018,224</u>	<u>\$ 44,558,807</u>

(Continued)

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 12,744,475	\$ 12,526,705
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for depreciation	17,640,198	17,546,203
Amortization of deferred real estate leasing commission	1,080	1,079
Amortization of deferred rental income	(34,904)	(34,904)
Changes in assets and liabilities:		
(Increase) in accounts receivable	(340,788)	(250,776)
Decrease in inventories	55,187	55,193
(Increase) decrease in prepaid expenses	(120,899)	30,095
Decrease in other assets	648,963	478,262
Increase (decrease) in trade accounts payable	3,244,767	(2,461,886)
Decrease (increase) in accrued payroll and related items	162,027	(105,602)
Increase (decrease) in deferred rental income	30,190	(29,889)
Net cash provided by operating activities	\$ 34,030,296	\$ 27,754,480
CASH AND CASH EQUIVALENTS—END OF YEAR CONSIST OF:		
Unrestricted cash and cash equivalents	\$4,920,490	\$4,774,734
Restricted cash and cash equivalents	31,097,734	39,784,073
	\$ 36,018,224	\$ 44,558,807

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

During 2006 and 2005, \$2,885,386 and \$3,060,132, respectively, were charged to interest expense for amortization of deferred bond issue costs and amortization of deferred loss on refunding of debt

During 2006 and 2005, interest expense was reduced by \$878,214 and \$911,972, respectively for the amortization of the synthetic advance refunding.

During 2006 and 2005, \$437,336 and \$441,197, respectively is included in interest income related to the amortization of deferred interest income.

During 2006 and 2005, a gain of \$2,009,247 and a loss of \$927,587, respectively, was recogized for the change in fair value of derivative financial instruments.

See notes to financial statements.

(Concluded)

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

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. The accompanying financial statements also include the accounts of the Arts at the Airport Foundation, a nonprofit organization that facilitates the display and performance of artists within the Nashville International Airport terminal. The Arts at the Airport Foundation qualifies as a component unit of the Authority due to it being fiscally dependent on the Authority and due to the Authority’s appointment of the voting majority of its governing board.

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 that must be approved by the Airlines Affairs Committee, composed of the seven signatory airlines, and the Board of Commissioners. A five-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 and corporate bonds. 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—Statement of Financial Accounting Standards (“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, 2006 and 2005, 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.

Other postemployment healthcare benefits other than pension benefits are accounted for under GASB statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employer*.

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 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 adoption of GASB Statement No. 43 did not have a significant impact on the Authority’s 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 did not have an impact on the Authority’s financial statements and note disclosures; however, it required 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.

In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Legislation—an amendment of GASB Statement No. 34*. GASB Statement No. 46 amends GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, by establishing and modifying requirements related to restrictions of net assets resulting from enabling legislation. GASB Statement No. 46 is effective for financial statement periods beginning after June 15, 2005, with earlier application encouraged. The adoption of GASB Statement No. 46 did not have an impact on the Authority’s financial statements and note disclosures.

In July 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 47 establishes standards of accounting and financial reporting for termination benefits offered by an employer to an employee both voluntarily and involuntarily. The provisions of GASB Statement No. 47 should be applied simultaneously with the requirements of GASB Statement No. 45 for termination benefits that affect an employer’s obligations for defined benefit plans covering other post employment benefits. For all other termination benefits, including those that affect an employer’s obligations for defined benefit pension benefits, GASB Statement No. 47 is effective for financial statements for periods beginning after June 15, 2005. The adoption of the effective portion of GASB Statement No. 47 did not have a significant impact on the Authority’s financial statements and note disclosures. The Authority has not yet determined the impact of the remaining portion of GASB Statement No. 47 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 cash and cash equivalent bank balances totaling \$34,150,818 and \$34,680,034 at June 30, 2006 and 2005, respectively (with a carrying value of \$36,018,224 and \$44,558,807) represent a variety of time deposits with banks

and are Category 1. 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. All the cash deposits are in a single financial institution and are carried at cost plus interest which approximates market. The carrying amount of cash deposits is separately reported as cash in the accompanying statements of net assets.

These deposits are insured up to the federal depository insurance coverage level. The financial institution is a member of the State of Tennessee’s collateral pool that collateralizes public funds accounts including those of the Metropolitan Nashville Airport Authority.

As of June 30, 2006, the Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1– 5	6–10
U.S. Treasuries	\$ 2,387,329	\$ 745,163	\$ 1,642,166	\$ -
U.S. Agencies	46,647,078	14,889,553	22,178,863	9,578,662
Commercial paper	4,058,296	4,058,296	-	-
Corporate bonds	11,791,275	4,466,085	7,325,190	-
Asset Backed Securities	1,476,733	-	931,024	545,709
Mortgage Backed Securities	4,215,370	-	981,623	3,233,747
	<u>\$ 70,576,081</u>	<u>\$ 24,159,097</u>	<u>\$ 33,058,866</u>	<u>\$ 13,358,118</u>

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

	2006	2005
Short-term unrestricted investments	\$ 9,299,631	\$1,538,739
Short-term restricted investments	14,859,466	2,967,852
Noncurrent unrestricted investments	17,983,484	19,248,456
Noncurrent restricted investments	<u>28,433,500</u>	<u>35,571,565</u>
	<u>\$ 70,576,081</u>	<u>\$ 59,326,612</u>

Interest Rate Risk—The investment policy states that the portfolio may be allocated among US Treasury Obligations (0 – 100%), US Agency Instruments (0 – 100%), Repurchase Agreements (0 – 20%), Commercial Paper (0 – 25%), Money market Mutual Funds (0 – 25%), Corporate Debt (0 – 15%), Asset Backed Securities (0 – 25%), and CMOs/Mortgage Backed Securities (0 – 25%). In addition, the maximum maturity of investments is 270 days (commercial paper), 180 days (repurchase agreements), 365 days (certificates of deposit, time deposits, and bankers acceptances), five years (all other corporate debt), and ten years (all other investments). To control the volatility of the portfolio and limit exposure to interest rate risk, the chief financial officer will determine a duration target for the portfolio, which typically will not exceed three years.

Credit Risk—The investment policy specifies acceptable credit ratings by instrument type but overall long-term credit rating ranges from “A2” to “AAA” by Moody’s and “A” to “AAA” by Standard & Poor’s. Acceptable short term credit rating levels are “A1” or better by Standard & Poor’s and “P1” or better by Moody’s.

Custodial Credit Risk—All investment securities purchased by the Authority or held as collateral on either deposits or investments are held in third-party safekeeping at a financial institution, acting solely as agent of the Authority and qualified to act in this capacity. As a means to limit custodial credit risk, all trades of marketable securities are executed on the basis of delivery versus payment and avoid the physical delivery securities (bearer form) to ensure that securities are deposited with a custodian prior to the release of Authority funds. The Authority’s unrestricted and restricted investments at June 30, 2006 and 2005 are all Category 1. 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.

Concentration of Credit Risk—The investment policy requires that no more than 10% of the Authority’s portfolio may be invested in the securities of any single issuer with a maturity of less than 365 days and not more than 5% of the Authority’s portfolio may be invested in the securities of any single issuer with a maturity greater than one year except that 100% of the Authority’s portfolio may be invested in US Treasury Obligations and US Agency Instruments.

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; and Series 1995 principal and interest investments through the term of the bonds. The present value of future investment earnings under the 1999 DSFDA was 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 was 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, 2006 and 2005 were as follows:

	Balance 6/30/2005	Additions	Retirements	Transfers	Balance 6/30/2006
Capital Assets not being depreciated:					
Land	\$ 62,659,897	\$ -	\$ -	\$ -	\$ 62,659,897
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	22,352,319	18,235,253	-	(10,601,408)	29,986,164
Total capital assets not being depreciated	121,713,284	18,235,253	-	(10,601,408)	129,347,129
Capital Assets being depreciated:					
Land improvements	370,981,655	-	(4,552,575)	2,994,049	369,423,129
Buildings and building improvements	126,696,865	-	(3,324,692)	245,897	123,618,070
Equipment, furniture and fixtures	22,972,560	-	(1,170,135)	7,361,462	29,163,887
Total capital assets being depreciated	520,651,080	-	(9,047,402)	10,601,408	522,205,086
Less accumulated depreciation:					
Land improvements	(208,747,119)	(10,911,649)	4,354,307	315,997	(214,988,464)
Buildings and building improvements	(63,431,562)	(4,353,102)	3,114,580	25,024	(64,645,060)
Equipment, furniture and fixtures	(14,846,469)	(2,375,447)	1,169,112	(341,021)	(16,393,825)
Total accumulated depreciation	(287,025,150)	(17,640,198)	8,637,999	-	(296,027,349)
Total capital assets being depreciated	233,625,930	(17,640,198)	(409,403)	10,601,408	226,177,737
Net capital assets	\$ 355,339,214	\$ 595,055	\$ (409,403)	\$ -	\$ 355,524,866

	Balance 6/30/2004	Additions	Retirements	Transfers	Balance 6/30/2005
Capital Assets not being depreciated:					
Land	\$ 62,633,055	\$ 26,842	\$ -	\$ -	\$ 62,659,897
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	11,120,299	14,536,603	-	(3,304,583)	22,352,319
Total capital assets not being depreciated	110,454,422	14,563,445	-	(3,304,583)	121,713,284
Capital Assets being depreciated:					
Land improvements	369,854,122	126,143	-	1,001,390	370,981,655
Buildings and building improvements	126,696,865	-	-	-	126,696,865
Equipment, furniture and fixtures	21,367,619	125,926	(824,178)	2,303,193	22,972,560
Total capital assets being depreciated	517,918,606	252,069	(824,178)	3,304,583	520,651,080
Less accumulated depreciation:					
Land improvements	(197,165,495)	(11,581,624)	-	-	(208,747,119)
Buildings and building improvements	(59,039,178)	(4,392,384)	-	-	(63,431,562)
Equipment, furniture and fixtures	(14,087,277)	(1,572,195)	813,003	-	(14,846,469)
Total accumulated depreciation	(270,291,950)	(17,546,203)	813,003	-	(287,025,150)
Total capital assets being depreciated	247,626,656	(17,294,134)	(11,175)	3,304,583	233,625,930
Net capital assets	\$ 358,081,078	\$ (2,730,689)	\$ (11,175)	\$ -	\$ 355,339,214

5. LONG-TERM DEBT

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.

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, 2006, the liquidity facility provider did not hold any of these bonds. The cost incurred during the years ended June 30, 2006 and 2005, for the liquidity facility agreement was approximately \$137,000, respectively, and was recorded as additional interest expense. Principal maturities of the Series 1993 issue vary in annual amounts ranging from \$5,300,000 on July 1, 2006, 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 \$3,390,000 on July 1, 2006, 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.

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 \$11,035,000 at June 30, 2006) contains serial bonds at interest rates ranging from 4.55% to 5.15%, maturing in progressive annual amounts ranging from \$1,850,000 on July 1, 2006, 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 \$23,445,000 at June 30, 2006) contains serial bonds at interest rates ranging from 5.00% to 5.375%, maturing in progressive annual amounts ranging from \$1,675,000 on July 1, 2006, 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 price 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 6.625% to 6.60%, maturing in progressive annual amounts ranging from \$5,410,000 on July 1, 2006, 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.

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 \$3,380,000 on July 1, 2006, to \$3,925,000 on July 1, 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%. The outstanding principal of \$1,505,000 on the Series 2003A bonds matured 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 2.69% to 5.94%, maturing in progressive annual amounts ranging from \$320,000 on July 1, 2006, 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.

All of the Authority’s bonds, except for the Series 2003 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.

The following shows the composition of restricted cash and cash equivalents and investments as of June 30, 2006 and 2005:

	2006	2005
Principal and Interest Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	\$ 3,305,897	\$ 3,232,176
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1993	5,300,077	3,500,074
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1995	4,699,936	4,466,930
Airport Improvement Revenue Bonds, Series 1998	4,410,234	4,478,167
Airport Improvement Revenue Bonds Refunding Series 2001A	7,832,278	7,660,208
Airport Improvement Revenue Bonds, Series 2003A	-	3,678,882
Airport Improvement Revenue Bonds, Series 2003B	839,558	832,556
Bond Reserve Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	5,321,198	5,151,128
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	40,006,523	42,648,369
	<u>\$ 74,390,701</u>	<u>\$ 78,323,490</u>

Long-term revenue bond activity for the year ended June 30, 2006, is summarized as follows:

Series Description	Beginning Balance	Principal Repayment	Amortization	Ending Balance
Series 1993 Revenue Bonds	\$ 52,000,000	\$ (3,500,000)	\$ -	\$ 48,500,000
Series 1995 Revenue Bonds	57,070,000	(3,080,000)	-	53,990,000
Series 1998A Revenue Bonds	12,955,000	(1,920,000)	-	11,035,000
Series 1998C Revenue Bonds	25,035,000	(1,590,000)	-	23,445,000
Series 1999 Subordinated Note	771,227	(175,179)	-	596,048
Series 2001A Revenue Bonds	78,425,000	(5,070,000)	-	73,355,000
Series 2003 PFC Revenue Bonds	28,825,000	(3,300,000)	-	25,525,000
Series 2003 A Revenue Bonds	1,505,000	(1,505,000)	-	-
Series 2003 B Revenue Bonds	18,900,000	(310,000)	-	18,590,000
Total	275,486,227	(20,450,179)	-	255,036,048
Less unamortized deferred amount on refunding	(15,047,310)	-	2,411,274	(12,636,036)
	260,438,917	<u>\$ (20,450,179)</u>	<u>\$ 2,411,274</u>	242,400,012
Less current portion	(20,450,179)			(21,511,495)
	<u>\$ 239,988,738</u>			<u>\$ 220,888,517</u>

Aggregate maturities of revenue bonds at June 30, 2006, are as follows :

Year Ending June 30	Principal	Interest	Net Cash Flow Related to	Total
			Interest Rate Swap	
2007	\$ 21,511,495	\$ 12,621,853	\$ 203,540	\$ 34,336,888
2008	22,593,543	11,571,140	161,560	34,326,243
2009	23,631,010	10,457,615	119,830	34,208,455
2010	24,595,000	9,288,467	74,525	33,957,992
2011	25,835,000	8,055,147	27,225	33,917,372
2012-2016	108,185,000	22,037,512	(35,540)	130,186,972
2017-2021	16,635,000	5,386,681	(104,290)	21,917,391
2022-2026	3,610,000	3,062,754	-	6,672,754
2027-2031	4,810,000	1,825,065	-	6,635,065
2032-2034	3,630,000	331,749	-	3,961,749
	255,036,048	84,637,983	446,850	340,120,881
Less: unamortized deferred amount on refunding	(12,636,036)	-	-	(12,636,036)
	<u>\$ 242,400,012</u>	<u>\$ 84,637,983</u>	<u>\$ 446,850</u>	<u>\$ 327,484,845</u>

Other Long-term liabilities activity for the year ended June 30, 2006, is summarized as follows:

Other Long-Term Liabilities Description	Balance 6/30/2005	Net Cash Receipts (Disbursements)	Amortization	(Gain) Loss on Derivative Financial Instruments	Balance 6/30/2006
Synthetic advance refunding, Series 2001A	\$ 5,810,846	\$ -	\$ (878,214)	\$ -	\$ 4,932,632
Fair value of derivative financial instruments	2,860,621	-	-	(2,009,247)	851,374
Deferred interest income	4,178,166	-	(437,336)	-	3,740,830
Deferred rental income	1,995,006	30,190	(34,904)	-	1,990,292
	<u>\$ 14,844,639</u>	<u>\$ 30,190</u>	<u>\$ (1,350,454)</u>	<u>\$ (2,009,247)</u>	<u>\$ 11,515,128</u>

Other Long-Term Liabilities Description	Balance 6/30/2004	Net Cash Receipts (Disbursements)	Amortization	(Gain) Loss on Derivative Financial Instruments	Balance 6/30/2005
Synthetic advance refunding, Series 2001A	\$ 6,722,818	\$ -	\$ (911,972)	\$ -	\$ 5,810,846
Fair value of derivative financial instruments	4,838,433	(2,905,399)	-	927,587	2,860,621
Deferred interest income	4,619,363	-	(441,197)	-	4,178,166
Deferred rental income	2,059,799	(29,889)	(34,904)	-	1,995,006
	<u>\$ 18,240,413</u>	<u>\$ (2,935,288)</u>	<u>\$ (1,388,073)</u>	<u>\$ 927,587</u>	<u>\$ 14,844,639</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, 2006, (a liability of \$851,374) and as of June 30, 2005, (a liability of \$2,860,621) in the statements of net assets. The fair value of this financial instrument at June 30, 2006, 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, 2006 and 2005 has been recorded as a (gain) loss on derivative financial instruments 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 Authority terminated the interest rate swap in December 2004, and recorded a net loss of \$679,099.

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	\$ 155,674,060
Terminal development	41,873,429
Land acquisition	<u>26,027,200</u>
	<u>\$ 223,574,689</u>

Effective April 5, 2000, public agencies may qualify to charge PFC fees of \$4.00 or \$4.50 provided that the additional criteria for approval are met. The Authority continues to impose a \$3.00 charge. PFC’s are recorded as non-operating revenue.

8. SPECIAL FACILITY REVENUE BONDS

Special Facility Revenue Bonds, Series 2005—During April 2005, the Authority issued \$9,500,000 of Special Facility Revenue Bonds, Series 2005, on behalf of Embraer Aircraft Maintenance Services, Inc. The bonds were issued to finance the development and construction of an aircraft maintenance facility at Nashville International Airport. On April 1, 2006, Embraer redeemed \$195,000 of these bonds. The outstanding balance at June 30, 2006 was \$9,305,000.

The outstanding Special Facility Revenue Bonds, Series 2005, are special obligations of the Authority and the debt service thereon shall be payable solely from revenues provided by Embraer Aircraft Maintenance Services, Inc. pursuant to a special facility sublease agreement or from letter of credit drawings made by the trustee. Since these bonds do not represent a claim on the Authority’s assets or require the Authority to incur future obligations, they have not been recorded in the Authority’s financial statements.

Special Facility Revenue Bonds, Series 2006—During July 2006, the Authority approved an amendment to the ground lease with Aero Nashville, LLC whereby the Authority agreed to issue \$6,515,000 of Special Facility Revenue Bonds, Series 2006, on behalf of Aero Nashville, LLC. Aero Nashville is an affiliate of Aeroterm US, Inc., the firm selected by Federal Express Corporation to be the developer of a 69,000 square foot cargo and support facility on approximately 15 acres of land at Nashville International Airport in 2005.

The outstanding Special Facility Revenue Bonds, Series 2006, are special obligations of the Authority and the debt service thereon shall be payable solely from revenues provided by Aero Nashville, LLC pursuant to a special facility sublease agreement or from letter of credit drawings made by the trustee. Since these bonds do not represent a claim on the Authority’s assets or 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 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 \$1,519,498 and \$1,682,048 at June 30, 2006 and 2005, 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:

Balance — Beginning of year	\$ 216,938	\$ 172,789
Provision for incurred claims	2,906,164	2,353,398
Claim payments	(2,852,193)	(2,309,249)
Balance — End of year	<u>\$ 270,909</u>	<u>\$ 216,938</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, 2006, relate to various projects. These amounts are as follows:

Amount to be directly reimbursed by governmental agencies under existing governmental contracts	\$ 9,440,249
Amount to be funded by passenger facility charges collected	33,402,788
Amount to be funded by the Authority	<u>36,363,266</u>
Total Amount	<u>\$ 79,206,303</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.

For the year ended June 30, 2006, the Authority’s annual pension cost of \$964,150 was equal to the annual required contribution of \$785,382 less interest in the amount of \$1,363,490 on the net pension asset plus the annual required contribution adjustment of \$1,542,258. No actual contribution was made to the Plan due to a contribution of \$19,000,000 made in 2004 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, 2005, 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.

Year Ended June 30	Annual Pension Cost	% of Annual Pension Cost Contributed	Net Pension Obligation (Asset) at June 30,
2006	\$964,150	0%	\$(16,079,468)
2005	675,544	0%	(17,043,619)
2004	2,167,504	876.6%	(17,719,163)

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, 69 retirees are receiving benefits under the PERS. During the years ended June 30, 2006 and 2005, payments of \$539,353 and \$335,940, 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, 2006 and 2005, payments of \$35,849 and \$48,727, 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, 2006 and 2005, \$575,202 and \$384,667, respectively, of post-retirement 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 \$488,950 and \$604,302 in 2006 and 2005, 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 (\$1,987,327 unamortized as of June 30, 2006) that 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 61.4% and 56.4% of the total enplanements of 4,735,910 and 4,438,392 in fiscal years 2006 and 2005, 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).

Year Ended June 30, 2006	Nashville International Airport	John C. Tune Airport	Total
Operating revenues	\$ 70,512,444	\$ 620,833	\$ 71,133,277
Operating expenses	40,473,582	275,022	40,748,604
Provision for depreciation	17,026,588	613,610	17,640,198
Operating income (loss)	<u>\$ 13,012,274</u>	<u>\$ (267,799)</u>	<u>\$ 12,744,475</u>

Year Ended June 30, 2005	Nashville International Airport	John C. Tune Airport	Total
Operating revenues	\$ 66,351,208	\$ 418,655	\$ 66,769,863
Operating expenses	36,576,563	120,392	36,696,955
Provision for depreciation	16,928,467	617,736	17,546,203
Operating income (loss)	<u>\$ 12,846,178</u>	<u>\$ (319,473)</u>	<u>\$ 12,526,705</u>

17. 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, 2006 and 2005, and valuation methodologies considered appropriate to the circumstances.

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 36,018,224	\$ 36,018,224	\$ 44,558,807	\$ 44,558,807
Investments	70,576,081	70,576,081	59,326,612	59,326,612
Notes receivable from tenants	1,519,498	1,445,261	1,682,048	1,737,980
Long-term debt	\$ 255,036,048	\$ 266,392,747	\$ 275,486,227	\$ 292,833,938

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
FOR THE YEAR ENDED JUNE 30, 2006

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b)–(a)	(a/b)	(c)	((b–a)/c)
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%
July 1, 2004	31,093,608	26,901,552	(4,192,056)	115.58%	8,907,904	(47.06%)
July 1, 2005	31,301,721	28,474,840	(2,826,881)	109.93%	9,380,863	(30.13%)

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INDEPENDENT AUDITORS’ REPORT ON ADDITIONAL INFORMATION

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Authority’s management. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

November 8, 2006

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METROPOLITAN NASHVILLE AIRPORT AUTHORITY

STATEMENT OF NET ASSETS INFORMATION BY AIRPORT
AS OF JUNE 30, 2006

ASSETS	Nashville International Airport	John C. Tune Airport	Total
CURRENT ASSETS:			
Unrestricted assets:			
Cash and cash equivalents	\$ 4,099,299	\$ 821,191	\$ 4,920,490
Short term investments	9,299,631	-	9,299,631
Accounts receivable—net of allowance for doubtful accounts of \$185,740	2,387,179	39,765	2,426,944
Inventories	421,613	-	421,613
Accrued interest receivable	253,491	-	253,491
Due (to) from other funds	(776)	776	-
Current portion of notes receivable	117,184	-	117,184
Prepaid expenses	1,040,233	-	1,040,233
Total current unrestricted assets	17,617,854	861,732	18,479,586
Restricted assets:			
Cash and cash equivalents	31,097,734	-	31,097,734
Short term investments	14,859,466	-	14,859,466
Passenger facility charges receivable	1,529,407	-	1,529,407
Amounts due from governmental agencies	185,963	42,248	228,211
Accrued interest receivable	365,635	-	365,635
Total current restricted assets	48,038,205	42,248	48,080,453
Total current assets	65,656,059	903,980	66,560,039
NONCURRENT ASSETS			
Capital assets:			
Land and land improvements	416,627,904	15,455,122	432,083,026
Land held for future expansion	36,701,068	-	36,701,068
Buildings and building improvements	119,863,321	3,754,749	123,618,070
Equipment, furniture and fixtures	29,073,835	90,052	29,163,887
Construction in progress	26,854,390	3,131,774	29,986,164
Total capital assets	629,120,518	22,431,697	651,552,215
Less accumulated depreciation	(285,297,204)	(10,730,145)	(296,027,349)
Total capital assets (net of accumulated depreciation)	343,823,314	11,701,552	355,524,866
Restricted investments	28,433,500	-	28,433,500
Unrestricted investments	17,983,484	-	17,983,484
Deferred bond issue costs	2,775,658	-	2,775,658
Notes receivable from tenants	1,402,314	-	1,402,314
Other assets	16,707,419	-	16,707,419
Total noncurrent assets	411,125,689	11,701,552	422,827,241
TOTAL	\$ 476,781,748	\$ 12,605,532	\$ 489,387,280

(Continued)

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

STATEMENT OF NET ASSETS INFORMATION BY AIRPORT
AS OF JUNE 30, 2006

LIABILITIES AND NET ASSETS	Nashville International Airport	John C. Tune Airport	Total
CURRENT LIABILITIES:			
Payable from unrestricted assets:			
Trade accounts payable	\$ 6,137,600	\$ 17,104	\$ 6,154,704
Accrued payroll and related items	2,443,917	4,360	2,448,277
Current maturities of long-term debt	186,495	-	186,495
Accrued interest payable	19,259	-	19,259
Total payable form unrestricted assets	8,787,271	21,464	8,808,735
Payable from restricted assets:			
Trade accounts payable	255,612	-	255,612
Accrued interest payable	5,331,867	-	5,331,867
Current maturities of long-term debt	21,325,000	-	21,325,000
Total payable from restricted assets	26,912,479	-	26,912,479
Total current liabilities	35,699,750	21,464	35,721,214
NONCURRENT LIABILITIES:			
Airport Revenue Bonds (net of unamortized deferred amount on refunding of \$12,636,036)	220,478,964	-	220,478,964
Subordinate Revenue Note	409,553	-	409,553
	220,888,517	-	220,888,517
Synthetic Advance Refunding, Series 2001	4,932,632	-	4,932,632
Fair value of derivative financial instruments	851,374	-	851,374
	226,672,523	-	226,672,523
Deferred interest income	3,740,830	-	3,740,830
Deferred rental income	1,987,327	2,965	1,990,292
Total noncurrent liabilities	232,400,680	2,965	232,403,645
Total liabilities	268,100,430	24,429	268,124,859
NET ASSETS:			
Invested in capital assets—net of related debt	104,735,547	11,719,372	116,454,919
Restricted:			
Passenger Facility Charge projects	40,849,597	-	40,849,597
Debt service	35,427,302	-	35,427,302
Total restricted net assets	76,276,899	-	76,276,899
Unrestricted net assets	27,668,872	861,731	28,530,603
Total net assets	208,681,318	12,581,103	221,262,421
TOTAL	\$ 476,781,748	\$ 12,605,532	\$ 489,387,280

(Concluded)

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INFORMATION BY AIRPORT
FOR THE YEAR ENDED JUNE 30, 2006

	Nashville International Airport	John C. Tune Airport	Total
OPERATING REVENUES:			
Airline	\$13,559,361	\$ -	\$13,559,361
Parking	25,159,487	-	25,159,487
Concession	15,597,529	-	15,597,529
Space rental	9,381,865	506,987	9,888,852
Other	6,814,202	113,846	6,928,048
	<u>70,512,444</u>	<u>620,833</u>	<u>71,133,277</u>
OPERATING EXPENSES:			
Salaries and wages	18,559,881	97,251	18,657,132
Contractual services	12,801,297	115,285	12,916,582
Materials and supplies	1,665,670	36,512	1,702,182
Utilities	4,156,039	22,042	4,178,081
Other	3,290,695	3,932	3,294,627
	<u>40,473,582</u>	<u>275,022</u>	<u>40,748,604</u>
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	30,038,862	345,811	30,384,673
PROVISION FOR DEPRECIATION	<u>17,026,588</u>	<u>613,610</u>	<u>17,640,198</u>
OPERATING INCOME (LOSS)	<u>13,012,274</u>	<u>(267,799)</u>	<u>12,744,475</u>
NONOPERATING REVENUES:			
Investment income	2,837,344	52,172	2,889,516
Passenger facility charges	12,577,969	-	12,577,969
Grant receipts	4,650,336	1,594,540	6,244,876
	<u>20,065,649</u>	<u>1,646,712</u>	<u>21,712,361</u>
NONOPERATING EXPENSES:			
Loss on disposal of property and equipment	359,849	-	359,849
Interest expense	15,624,181	5,456	15,629,637
Loss on derivative financial instruments	(2,009,247)	-	(2,009,247)
	<u>13,974,783</u>	<u>5,456</u>	<u>13,980,239</u>
CHANGES IN NET ASSETS:			
Increase (decrease) in net assets	19,103,140	1,373,457	20,476,597
Total net assets—Beginning of year	<u>189,578,179</u>	<u>11,207,645</u>	<u>200,785,824</u>
Total net assets—End of year	<u>\$208,681,319</u>	<u>\$12,581,102</u>	<u>\$221,262,421</u>

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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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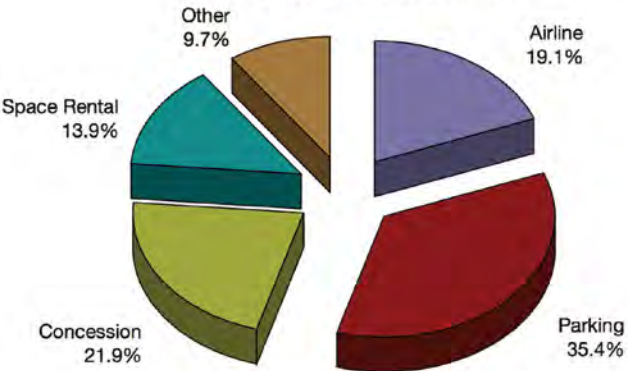


COMPREHENSIVE ANNUAL FINANCIAL REPORT

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
Operating Revenue Analysis (000s)

Operating Revenues	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Airline	\$ 13,559	\$ 15,165	\$ 18,546	\$ 22,804	\$ 13,612	\$ 13,193	\$ 13,284	\$ 12,969	\$ 13,287	\$ 11,909
Parking	25,159	22,788	20,575	18,654	17,965	19,655	16,803	16,495	16,158	15,188
Concession	15,598	14,482	13,706	13,460	13,011	13,806	12,483	11,641	11,026	10,356
Space Rental	9,889	8,935	7,028	5,526	5,195	5,157	4,474	4,175	4,215	3,946
Other	6,928	5,400	4,865	3,981	3,510	2,940	4,806	2,558	2,301	2,327
TOTAL	\$ 71,133	\$ 66,770	\$ 64,720	\$ 64,425	\$ 53,293	\$ 54,751	\$ 51,850	\$ 47,838	\$ 46,987	\$ 43,726

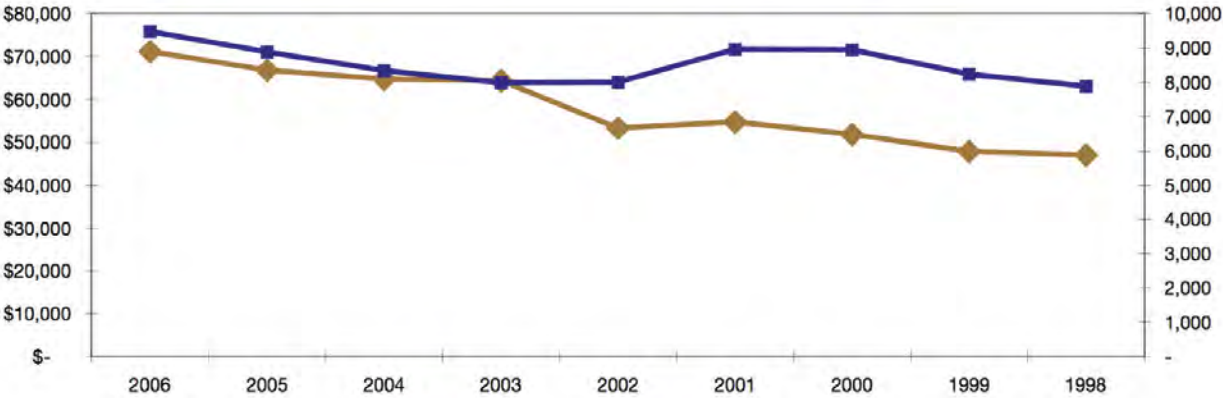
FY 2006 Revenue Composition



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Airline revenue continued to decline in FY 2006 as a result in the decrease in rental rates charged to the signatory airlines. Parking and concession revenue increased in response to passenger activity at the Nashville International Airport. The 6.5% increase in operating revenue, especially the \$2.4 million increase in public parking revenue, offsets the airline rate relief.

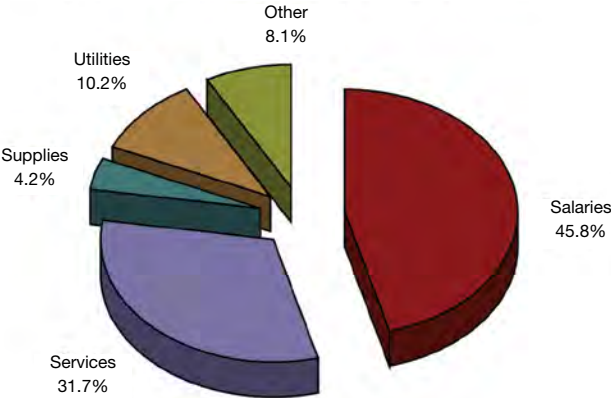
Operating Revenue & Total Passengers
(000s)



METROPOLITAN NASHVILLE AIRPORT AUTHORITY
Operating Expense Analysis (000s)

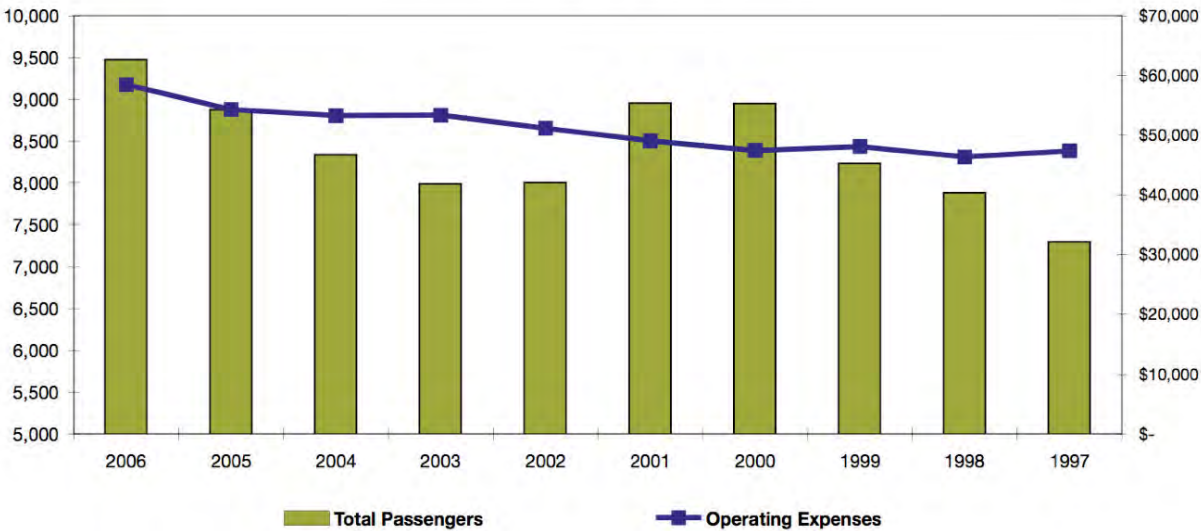
Operating Expenses	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Salaries and Wages	\$ 18,657	\$ 16,412	\$ 16,249	\$ 16,301	\$ 16,361	\$ 15,760	\$ 14,567	\$ 13,123	\$ 12,042	\$ 11,821
Contractual Services	12,917	12,454	11,424	11,260	10,005	9,693	8,794	8,683	7,794	7,776
Supplies and Materials	1,702	1,894	1,565	2,042	1,721	1,773	1,928	1,664	1,465	1,593
Utilities	4,178	3,662	3,427	3,368	3,229	3,364	3,180	2,765	2,704	2,566
Depreciation	17,640	17,546	17,967	17,742	17,608	15,880	16,832	20,050	20,514	20,664
Other	3,295	2,274	2,580	2,639	2,233	2,585	2,085	1,773	1,819	2,947
TOTAL	\$ 58,389	\$ 54,242	\$ 53,211	\$ 53,352	\$ 51,157	\$ 49,055	\$ 47,386	\$ 48,058	\$ 46,338	\$ 47,367

FY 2006 Operating Expense Before Depreciation



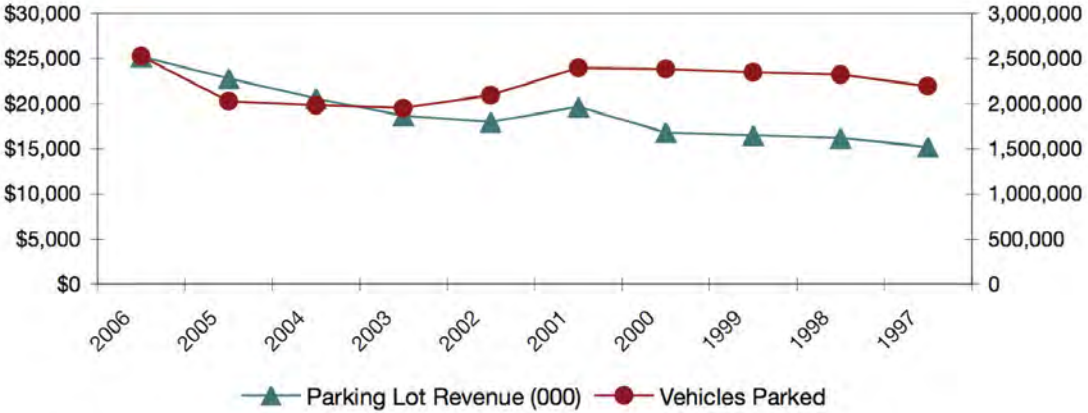
Costs to operate the terminal have continued to increase as the 20-year-old facility ages. Over \$50M in capital improvements will begin in October, 2006. Utility costs are expected to continue to rise in the near term but should be positively impacted when the new HVAC system is in place in FY08. Total passenger activity reached its highest level since 1993 when American Airlines maintained a hub at BNA. This trend is expected to continue.

Total Passengers & Operating Expenses (before Depr)
(000s)



NASHVILLE INTERNATIONAL AIRPORT
Public Parking Analysis

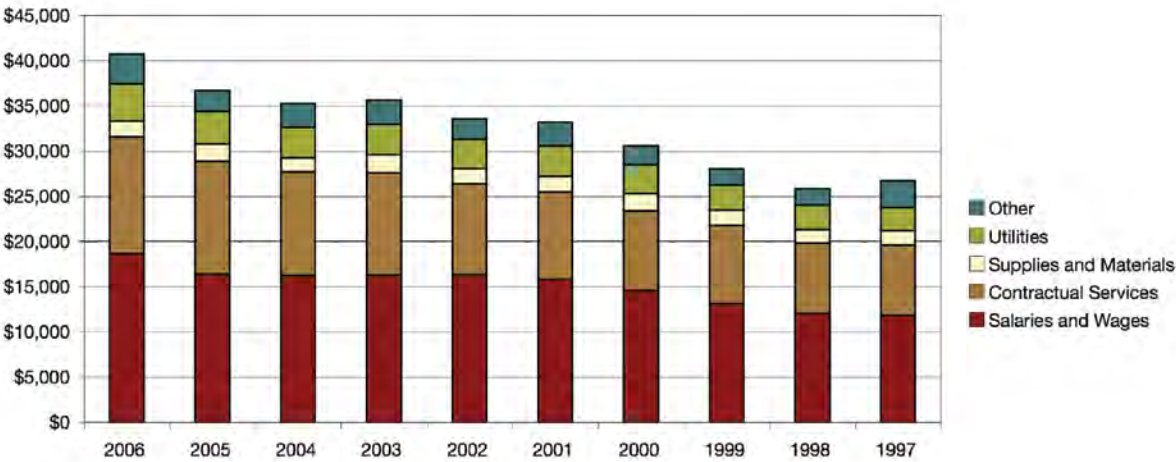
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Parking Lot Revenue (000)	\$ 25,159	\$ 22,788	\$ 20,575	\$ 18,654	\$ 17,965	\$ 19,655	\$ 16,803	\$ 16,495	\$ 16,158	\$ 15,188
Vehicles Parked	2,522,396	2,025,149	1,982,363	1,949,864	2,094,787	2,393,654	2,380,939	2,343,864	2,320,638	2,190,506



In fiscal year 2002 the number of vehicles entering the public parking areas declined over 12% as a result of September 11. During 2006 the number of vehicles parked increased 24.6%, and total parking lot revenue increase of 10.4% over the prior year.

Operating Expenses (000) before Provision for Depreciation

Salaries and Wages	\$ 18,657	\$ 16,412	\$ 16,249	\$ 16,301	\$ 16,361	\$ 15,760	\$ 14,567	\$ 13,123	\$ 12,042	\$ 11,821
Contractual Services	12,917	12,454	11,424	11,260	10,005	9,693	8,794	8,683	7,794	7,776
Supplies and Materials	1,702	1,894	1,565	2,042	1,721	1,773	1,928	1,664	1,465	1,593
Utilities	4,178	3,662	3,427	3,368	3,229	3,364	3,180	2,765	2,704	2,566
Other	3,295	2,274	2,580	2,639	2,233	2,585	2,085	1,773	1,819	2,947
Total Operating Expenses	\$ 40,749	\$ 36,696	\$ 35,245	\$ 35,610	\$ 33,549	\$ 33,175	\$ 30,554	\$ 28,008	\$ 25,824	\$ 26,703



Supplies and materials expenditures returned to their historic levels in 2006. However, utility costs rose dramatically 14.1% over 2005 due to increases in the costs of these items, not increased consumption. After several years of modest increases for salaries and wages (and associated benefits), the workforce expanded significantly in response to increased activity at BNA and the upcoming terminal renovation project. However, these costs as a percentage of total operating expenses are only 2.4% higher than ten years ago.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY Schedule of Capital Assets As of Each of Last Five Years Ended June 30						
	2006	%	2005	2004	2003	2002
Land	\$ 62,659,897	48.4%	\$ 62,659,897	\$ 62,633,055	\$ 62,725,326	\$ 67,725,326
Land held for future expansion	36,701,068	28.4%	36,701,068	36,701,068	36,701,068	36,701,068
Construction in Progress	29,986,164	23.2%	22,352,319	11,120,299	9,893,301	9,856,095
Total capital assets not being depreciated	129,347,129	100.0%	121,713,284	110,454,422	109,319,695	114,282,489
Land improvements	369,423,129	70.7%	370,981,655	369,854,122	363,100,635	356,109,552
Buildings and building improvements	123,618,070	23.7%	126,696,865	126,696,865	125,609,435	119,946,469
Equipment, furniture and fixtures	\$29,163,887	5.6%	22,972,560	21,367,619	20,949,181	20,040,290
Total capital assets being depreciated	522,205,086	100.0%	520,651,080	517,918,606	509,659,251	496,096,311
Less accumulated depreciation	(296,027,349)	56.7%	(287,025,150)	(270,291,950)	(252,335,482)	(234,609,204)
Net capital assets	\$ 355,524,866	n/a	\$ 355,339,214	\$ 358,081,078	\$ 366,643,464	\$ 375,769,596

Ratios of Outstanding Debt as a Percentage of Total Debt As of Each of Last Five Years Ended June 30						
	2006	%	2005	2004	2003	2002
Series 1991 A Revenue Bonds					\$ 9,410,000	\$ 12,965,000
Series 1992 PFC Revenue Bonds					35,465,000	38,025,000
Series 1993 Revenue Bonds	\$ 48,500,000	19.1%	\$ 52,000,000	\$ 52,700,000	53,400,000	53,500,000
Series 1995 Revenue Bonds	53,990,000	21.2%	57,070,000	59,870,000	62,415,000	64,730,000
Series 1998 A Revenue Bonds	11,035,000	4.3%	12,955,000	14,930,000	16,945,000	18,985,000
Series 1998 C Revenue Bonds	23,445,000	9.2%	25,035,000	26,550,000	27,985,000	29,355,000
Series 2001 A Revenue Bonds	73,355,000	28.8%	78,425,000	83,200,000	87,695,000	91,930,000
Series 2003 PFC Revenue Bonds	25,525,000	10.0%	28,825,000	32,020,000		
Series 2003 A Revenue Bonds			1,505,000	5,650,000		
Series 2003 B Revenue Bonds	18,590,000	7.3%	18,900,000	18,900,000		
Total Revenue Bonds	254,440,000	100.0%	274,715,000	293,820,000	293,315,000	309,490,000
Series 1999 Subordinated Note	596,048	n/a	771,227	935,776	1,090,340	1,235,525
Less unamortized deferred amount on refunding	(12,636,036)	n/a	(15,047,310)	(17,654,125)	(19,251,919)	(21,690,417)
Net Outstanding Debt	\$ 242,400,012	n/a	\$ 260,438,917	\$ 277,101,651	\$ 275,153,421	\$ 289,035,108

METROPOLITAN NASHVILLE AIRPORT AUTHORITY Change in Net Assets As of Each of Last Five Years Ended June 30					
	2006	2005	2004	2003	2002
Operating Revenues					
Airline	\$ 13,559,361	\$ 15,164,912	\$ 18,545,916	\$ 22,803,489	\$ 13,611,398
Parking	25,159,487	22,787,740	20,575,301	18,654,487	17,965,180
Concession	15,597,529	14,481,791	13,705,715	13,460,263	13,011,370
Space Rental	9,888,852	8,935,551	7,028,387	5,525,643	5,195,128
Other	6,928,048	5,399,869	4,864,672	3,980,905	3,509,873
Total Operating Revenues	71,133,277	66,769,863	64,719,991	64,424,787	53,292,949
Operating Expenses					
Salaries and wages	18,657,132	16,412,494	16,248,675	16,301,303	16,361,252
Contractual Services	12,916,582	12,453,870	11,424,236	11,259,823	10,005,484
Materials and Supplies	1,702,182	1,894,344	1,564,994	2,042,158	1,720,968
Utilities	4,178,081	3,662,175	3,426,793	3,367,944	3,228,803
Other	3,294,627	2,274,072	2,579,608	2,639,054	2,233,035
Total Operating Expenses	40,748,604	36,696,955	35,244,306	35,610,282	33,549,542
Provision for Depreciation	17,640,198	17,546,203	17,966,519	17,741,820	17,607,702
Nonoperating Revenues					
Investment income	2,889,516	2,769,432	1,053,385	3,583,967	3,949,999
Passenger facility charges	12,577,969	11,640,065	10,790,953	10,763,881	10,698,503
Grant receipts	6,244,876	6,970,112	5,655,203	3,433,673	3,131,916
Other nonoperating revenue	0	0	432,405	622,280	649,103
Total Nonoperating Revenues	21,712,361	21,379,609	17,931,946	18,403,801	18,429,521
Nonoperating Expenses					
Interest expense	15,629,637	16,416,304	16,943,386	18,549,633	17,164,475
Other nonoperating expenses	(1,649,398)	938,762	(3,973,366)	548,238	4,410,561
Total Nonoperating Expenses	13,980,239	17,355,066	12,970,020	19,097,871	21,575,036
Increase in Net Assets	20,476,597	16,551,248	16,471,092	10,378,615	(1,009,810)
Total Net Assets - End of Year	\$ 221,262,421	\$ 200,785,824	\$ 184,234,576	\$ 167,763,484	\$ 157,384,869

Fund Balances As of Each of Last Five Years Ended June 30					
	2006	2005	2004	2003	2002
Net Assets:					
Invested in capital assets, net of related debt	\$ 116,454,919	\$ 101,464,942	\$ 84,315,495	\$ 78,131,588	\$ 74,172,612
Restricted - passenger facility charge projects	40,849,597	43,257,624	34,400,719	39,046,042	42,211,448
Restricted - debt service	35,427,302	37,642,339	39,170,732	36,217,489	26,168,318
Unrestricted net assets	28,530,603	18,420,919	26,347,630	14,368,365	14,832,491
Total Net Assets	\$ 221,262,421	\$2 00,785,824	\$ 184,234,576	\$ 167,763,484	\$ 157,384,869

NASHVILLE INTERNATIONAL AIRPORT (BNA & PFC Programs)
Debt Service Coverage Analysis (000s)

Description	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Operating Revenue	\$ 70,512	\$ 66,351	\$ 63,919	\$ 64,011	\$ 52,897	\$ 54,368	\$ 51,478	\$ 47,582	\$ 46,792	\$ 43,547
Less Operating Expenses	(40,474)	(36,577)	(34,756)	(35,475)	(33,447)	(33,084)	(30,468)	(27,920)	(25,761)	(26,639)
Change in Working Capital & Other Items	4,229	(2,413)	4,720	(1,563)	62	(1,487)	(2,921)	3,063	577	1,462
Add Interest Income	2,837	2,734	1,035	3,560	3,911	6,552	4,275	5,935	6,474	6,317
Add Passenger Facility Charges	12,578	11,640	10,791	10,764	10,699	12,303	12,148	11,041	11,005	10,128
Add Transfer from CIF*	10,599	9,828	9,486	9,429	18,074	13,764	14,796	15,751	16,807	20,854
COVERAGE CASH FLOW	\$ 60,281	\$ 51,561	\$ 55,195	\$ 50,726	\$ 52,196	\$ 52,416	\$ 49,308	\$ 55,452	\$ 55,894	\$ 55,669
INTEREST PRINCIPAL	\$ 13,615 20,450	\$ 14,265 19,269	\$ 14,725 17,845	\$ 16,878 17,845	\$ 16,350 16,320	\$ 17,532 15,196	\$ 18,209 14,133	\$ 19,967 17,845	\$ 21,090 17,845	\$ 24,046 17,845
TOTAL DEBT SERVICE**	\$ 34,065	\$ 33,534	\$ 32,570	\$ 34,723	\$ 32,670	\$ 32,728	\$ 32,342	\$ 37,812	\$ 38,935	\$ 41,891
DEBT SERVICE COVERAGE	177.0%	153.8%	169.5%	146.1%	159.8%	160.2%	152.5%	146.7%	143.6%	132.9%

*Capital Improvement Fund

**Total Debt Service is the sum of the scheduled portion of principal payable during the fiscal year, interest expense, and related financing costs.

NASHVILLE INTERNATIONAL AIRPORT (BNA only)
Debt Service Coverage Analysis (000s)

Description	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Operating Revenue	\$ 70,512	\$ 66,351	\$ 63,919	\$ 64,011	\$ 52,897	\$ 54,368	\$ 51,478	\$ 47,582	\$ 46,792	\$ 43,547
Less Operating Expenses	(40,474)	(36,577)	(34,756)	(35,475)	(33,447)	(33,084)	(30,468)	(27,920)	(25,761)	(26,639)
Change in Working Capital & Other Items	3,522	(184)	2,195	(1,382)	(450)	(1,229)	(2,656)	3,079	786	1,220
Add Interest Income	1,407	1,424	756	2,025	2,160	4,555	2,249	4,254	4,190	4,678
Add Transfer from CIF*	10,599	9,828	9,486	9,429	18,074	13,764	14,796	15,751	16,807	20,854
COVERAGE CASH FLOW	\$ 45,566	\$ 40,841	\$ 41,601	\$ 38,608	\$ 39,234	\$ 38,374	\$ 35,399	\$ 42,746	\$ 42,814	\$ 43,660
INTEREST PRINCIPAL	12,725 17,150	13,544 16,074	13,951 15,135	14,708 15,285	14,038 13,895	15,090 12,896	15,647 11,948	17,295 15,765	18,319 15,860	21,183 15,945
TOTAL DEBT SERVICE	29,875	29,618	29,086	29,993	27,933	27,986	27,595	33,060	34,179	37,128
DEBT SERVICE COVERAGE	152.5%	137.9%	143.0%	128.7%	140.5%	137.1%	128.3%	129.3%	125.3%	117.6%

* Capital Improvement Fund

NASHVILLE INTERNATIONAL AIRPORT (PFC only)
Debt Service Coverage Analysis (000s)

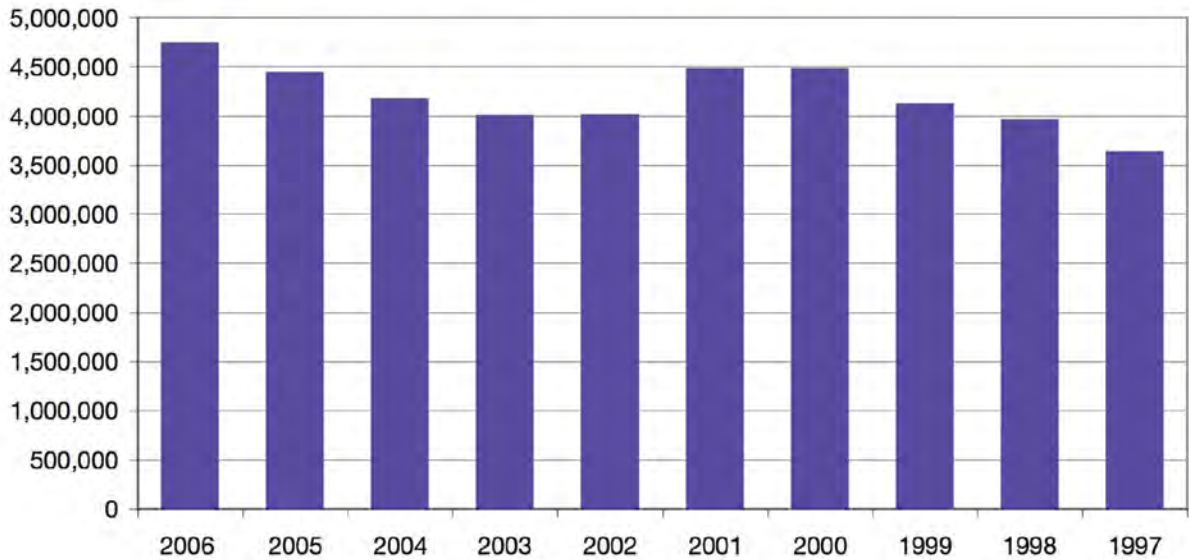
Description	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Passenger Facility Charges	\$ 12,578	\$ 11,640	\$ 10,791	\$ 10,764	\$ 10,699	\$ 12,303	\$ 12,148	\$ 11,041	\$11,005	\$10,128
Change in Working Capital & Other Items	707	(2,229)	2,525	(181)	512	(258)	(265)	(16)	(209)	242
Add Interest Income	1,430	1,310	279	1,535	1,751	1,997	2,026	1,681	2,284	1,639
COVERAGE CASH FLOW	\$ 14,715	\$ 10,721	\$ 13,595	\$ 12,118	\$ 12,962	\$ 14,042	\$ 13,909	\$ 12,706	\$13,080	\$12,009
INTEREST PRINCIPAL	890 3,300	721 3,195	774 2,710	2,170 2,560	2,312 2,425	2,442 2,300	2,562 2,185	2,672 2,080	2,771 1,985	2,863 1,900
TOTAL DEBT SERVICE	4,190	3,916	3,484	4,730	4,737	4,742	4,747	4,752	4,756	4,763
DEBT SERVICE COVERAGE	351.2%	273.8%	390.2%	256.2%	273.6%	296.1%	293.0%	267.4%	275.0%	252.1%

NASHVILLE INTERNATIONAL AIRPORT
Passenger Enplanements

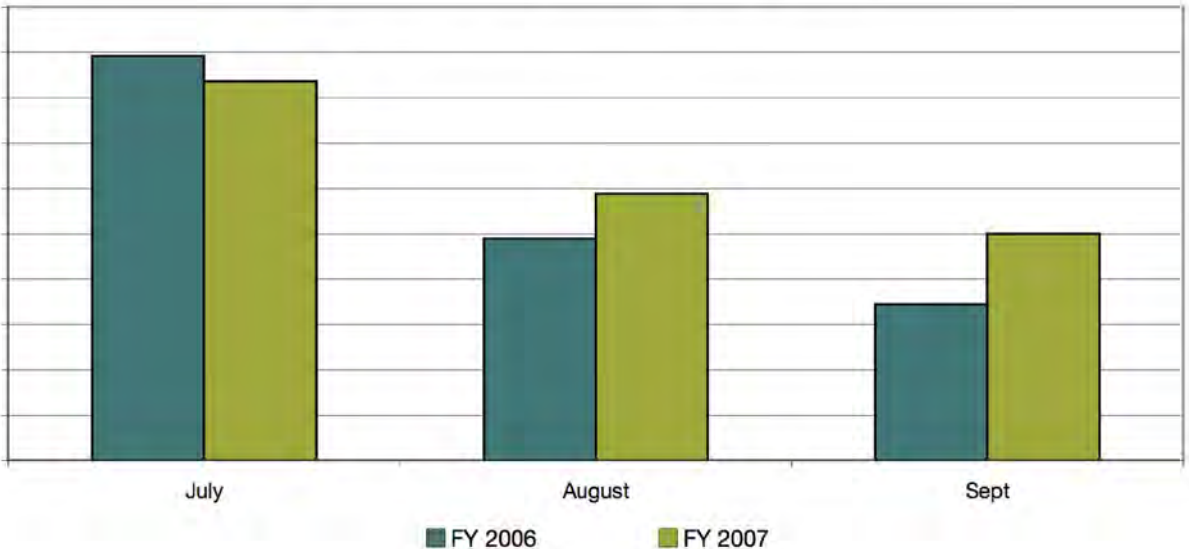
MAJOR / SIGNATORY AIRLINES	% of Total	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
American Airlines	10.8%	511,263	405,642	404,473	394,741	459,884	448,155	528,165	580,932	610,522	688,883
American Eagle	2.9%	139,691	148,527	91,112	47,698	14,970	18,854	17,807	25,583	25,008	26,777
Continental Airlines	0.0%	344	113,293	170,460	172,331	176,600	181,295	191,334	168,551	174,808	189,292
Delta Air Lines Inc.	5.7%	268,272	329,373	296,148	328,344	375,817	515,790	569,408	577,238	599,052	578,875
Northwest Airlines Inc.	7.1%	338,020	372,211	355,339	334,019	310,036	352,263	379,399	341,804	350,448	332,415
Southwest Airlines	50.6%	2,396,765	2,097,881	2,089,884	2,019,190	2,065,784	2,190,997	1,988,147	1,586,435	1,362,600	1,035,214
TWA	0.0%	0	-	-	-	50,426	128,389	132,676	124,608	120,597	104,356
United Airlines	0.0%	0	-	-	-	1,198	119,894	156,783	167,069	153,243	159,831
US Airways	4.6%	220,104	248,946	214,379	235,533	244,062	302,781	317,026	349,450	376,541	371,317
Sub Total	81.8%	3,874,459	3,715,873	3,621,795	3,531,856	3,698,777	4,258,418	4,280,745	3,921,670	3,772,819	3,486,960
REGIONAL / NON-SIGNATORY AIRLINES											
Air Canada d/b/a Jazz Air	0.2%	11,219	9,894	17,689	19,520	20,395	26,933	28,944	28,589	23,591	-
Air Midwest	0.0%	0	-	-	2,548	4,650	9,523	6,507	9,732	16,475	-
Air Wisconsin	1.0%	45,414	36,447	43,331	19,466	31,549	22,477	-	-	-	-
American Connection/ Chautauqua	0.3%	13,965	10,092	13,322	72,111	-	-	-	-	-	-
Astral Aviation d/b/a Skyway	0.4%	20,695	15,101	12,787	13,494	11,985	11,124	8,074	7,148	6,468	6,311
Atlantic Coast Airlines	0.0%		-	65,943	100,239	84,722	-	-	-	-	-
Delta/Chautauqua	0.5%	21,763	54,716	64,511	15,563	-	-	-	-	-	-
Comair	2.4%	112,353	108,084	77,733	98,917	62,555	40,789	59,099	63,753	48,389	57,816
Regionsair Inc	0.2%	7,400	15,085	16,784	20,800	13,727	10,832	11,506	13,169	30,793	18,295
Delta Connection/ Atlantic Coast	0.0%	0	6,990	25,972	16,829	24,276	5,863	-	-	-	-
Continental Express d/b/a ExpressJet	4.2%	196,633	67,513	-	-	-	-	-	-	-	-
Frontier Airlines	2.0%	96,023	66,344	2,046	-	-	-	-	-	-	-
Independence Air	0.5%	25,858	59,187	-	-	-	-	-	-	-	-
Mesa Airlines	4.0%	190,725	208,941	104,977	3,982	5,508	13,877	11,858	4,854	-	-
Pace Airlines	0.0%	0	4,332	9,569	10,428	4,622	-	-	-	-	-
US Air-AmerWest/ Trans State Airlines	0.5%	26,023	34,026	33,983	10,557	1,899	-	-	-	-	-
Delta/Skywest	0.0%		-	24,494	19,132	4,469	-	-	-	-	-
United/Skywest	1.2%	57,951	17,624	15,309	21,049	-	-	-	-	-	-
US Air d/b/a US Air Express	0.1%	5,591	5,519	4,804	-	13,556	13,577	14,605	12,790	13,227	14,926
All Others	0.6%	29,154	-	9,563	20,074	14,386	43,841	33,051	38,304	21,976	32,740
Sub Total	18.2%	860,767	719,895	542,817	464,709	298,299	198,836	173,644	178,339	160,919	130,088
CHARTERS	0.0%	684	2,624	2,208	1,415	7,331	16,909	19,268	14,037	19,940	12,442
TOTAL	100.0%	4,735,910	4,438,392	4,166,820	3,997,980	4,004,407	4,474,163	4,473,657	4,114,046	3,953,678	3,629,490

NASHVILLE INTERNATIONAL AIRPORT
Passenger Enplanements

Passenger Enplanements — Last Ten Years

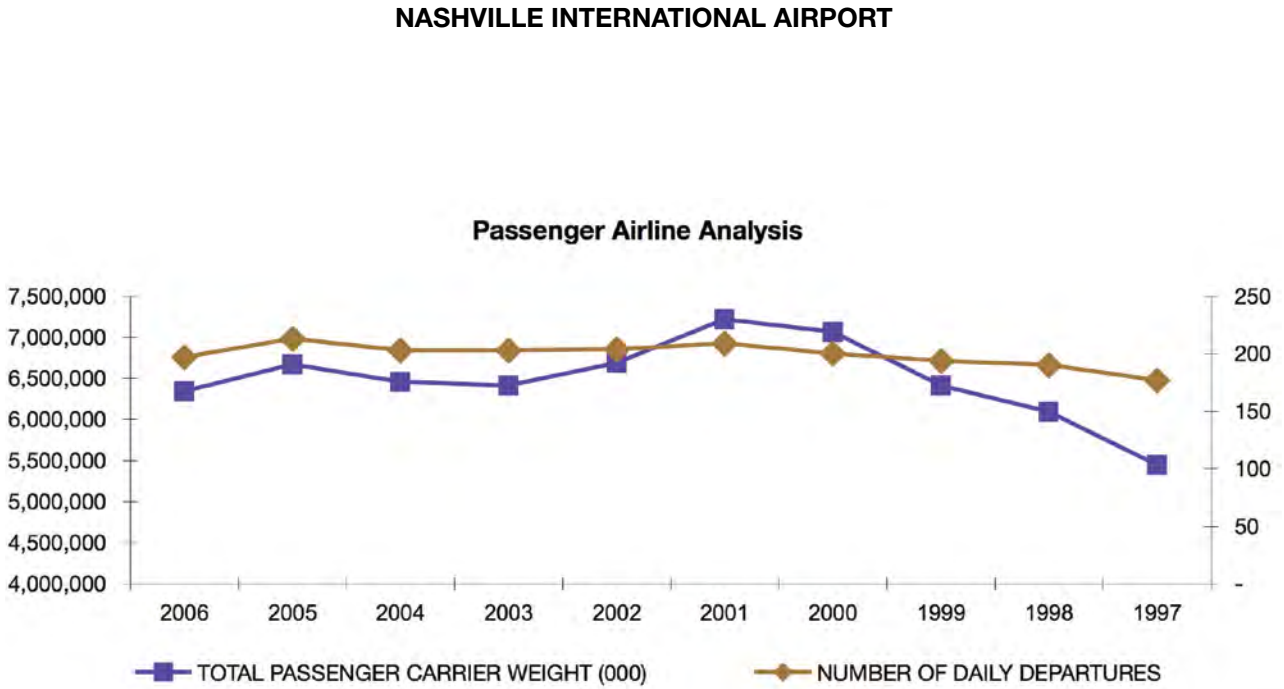


Enplanements for Q1-FY 2006 & 2007 (9/06 est)



NASHVILLE INTERNATIONAL AIRPORT Airline Landed Weights (000s)											
	% of Total	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
MAJOR/ SIGNATORY AIRLINES											
American Airlines	10.0%	634,563	567,963	624,363	585,052	755,178	725,448	798,569	746,910	771,565	889,393
American Eagle	2.8%	176,907	201,774	108,377	58,641	32,413	37,889	25,568	29,914	34,714	39,590
Continental Airlines	0.0%	656	143,285	223,020	228,955	256,644	253,386	285,965	256,718	248,681	278,141
Delta	5.1%	324,574	449,781	435,374	490,498	672,503	902,990	960,768	990,504	1,055,083	953,842
Northwest Airlines	7.1%	451,613	508,023	501,271	511,171	454,697	529,846	535,730	494,015	501,118	481,295
Southwest	55.0%	3,483,250	3,566,231	3,566,775	3,560,773	3,577,728	3,585,272	3,226,360	2,706,833	2,269,760	1,706,746
TWA	0.0%	-	-	-	-	93,869	212,066	219,643	205,254	187,901	177,982
United	0.0%	-	-	-	-	1,560	194,098	232,839	221,499	211,828	198,159
USAir	4.4%	276,570	326,295	300,443	375,039	427,338	496,831	504,236	488,274	524,925	476,773
Sub Total	84.4%	5,348,133	5,763,352	5,759,622	5,810,129	6,271,930	6,937,825	6,789,679	6,139,920	5,805,576	5,201,920
REGIONAL/ NON-SIGNATORY AIRLINES											
Air Canada	0.3%	17,375	17,014	29,281	33,765	35,457	45,567	46,680	45,257	36,942	39,818
Air Wisconsin	1.0%	60,771	41,344	52,969	21,103	35,120	18,252	-	-	-	-
American Connection/Chautauqua	0.3%	17,686	15,707	20,448	80,207	6,777	-	-	-	-	-
Astral Aviation/Skyway	0.0%	-	-	19,953	23,605	23,126	19,620	13,144	9,821	10,159	12,268
Atlantic Coast Jet, Inc.	0.0%	-	-	34,992	22,207	40,099	11,643	-	-	-	-
Chautauqua/Delta	0.4%	26,567	68,125	81,621	20,848	-	-	-	-	-	-
Comair	2.2%	139,071	151,207	113,857	131,318	80,652	56,917	92,167	96,640	81,056	95,836
Regionsair (formerly Corporate Express)	0.2%	9,943	27,675	26,988	34,886	23,394	16,983	18,106	18,840	52,275	49,699
Continental Express d/b/a ExpressJet	3.3%	210,740	74,135	-	-	-	-	-	-	-	-
Frontier Airlines	2.2%	136,359	104,454	-	-	-	-	-	-	-	-
Great Plains	0.0%	-	-	10,544	21,216	24,447	4,691	-	-	-	-
Independence Air	0.5%	34,310	96,350	-	-	-	-	-	-	-	-
Mesa Airlines	3.3%	209,875	189,865	63,588	-	-	-	-	-	-	-
Midway	0.0%	-	-	6,862	9,682	-	-	-	-	-	-
Pace Airlines	0.0%	-	7,354	16,109	18,920	7,480	-	-	-	-	-
Skyway	0.5%	30,760	23,605	31,725	22,419	5,546	-	-	-	-	-
United/Skywest	1.0%	63,303	19,130	17,625	22,560	-	-	-	-	-	-
Trans States Airlines	0.5%	33,897	48,943	43,228	10,978	2,350	-	-	-	-	-
US Air Express/Chautauqua	0.0%	-	7,608	6,503	-	20,377	28,758	29,291	26,477	25,128	26,949
United Express/Atlantic Coast	0.0%	-	9,930	83,801	127,746	97,952	50,305	50,243	50,243	28,670	-
All Others	0.2%	14,896	-	8,241	14,307	17,743	31,288	13,712	27,540	47,440	17,041
Sub Total	15.6%	990,657	902,446	660,093	601,460	402,777	252,735	249,632	247,277	234,229	224,570
CHARTERS	0.0%	-	4,554	36,048	3,296	9,602	30,966	27,878	27,104	49,850	22,547
TOTAL PASSENGER CARRIER WEIGHT (000)	100.0%	6,338,790	6,670,352	6,455,764	6,414,885	6,684,309	7,221,526	7,067,188	6,414,301	6,089,654	5,449,037
CARGO & MISC CARRIER WEIGHT (000)		572,688	629,406	596,258	554,642	493,343	437,154	299,596	279,980	326,441	311,354
TOTAL WEIGHT ALL AIRCRAFT (000)		6,911,478	7,299,758	7,052,022	6,969,527	7,177,652	7,658,680	7,366,784	6,694,281	6,416,095	5,760,391
% PASSENGER CARRIER WEIGHT		92%	91%	92%	92%	93%	94%	96%	96%	95%	95%
NUMBER OF DAILY DEPARTURES		197	213	203	203	204	209	200	194	190	177

The percentage of landed weight attributable to passenger aircraft has stabilized from several years of decline as cargo traffic declines.
The increase in total landed weight for all aircraft has increased the past three years primarily due to the addition of China Airlines and its cargo activity.



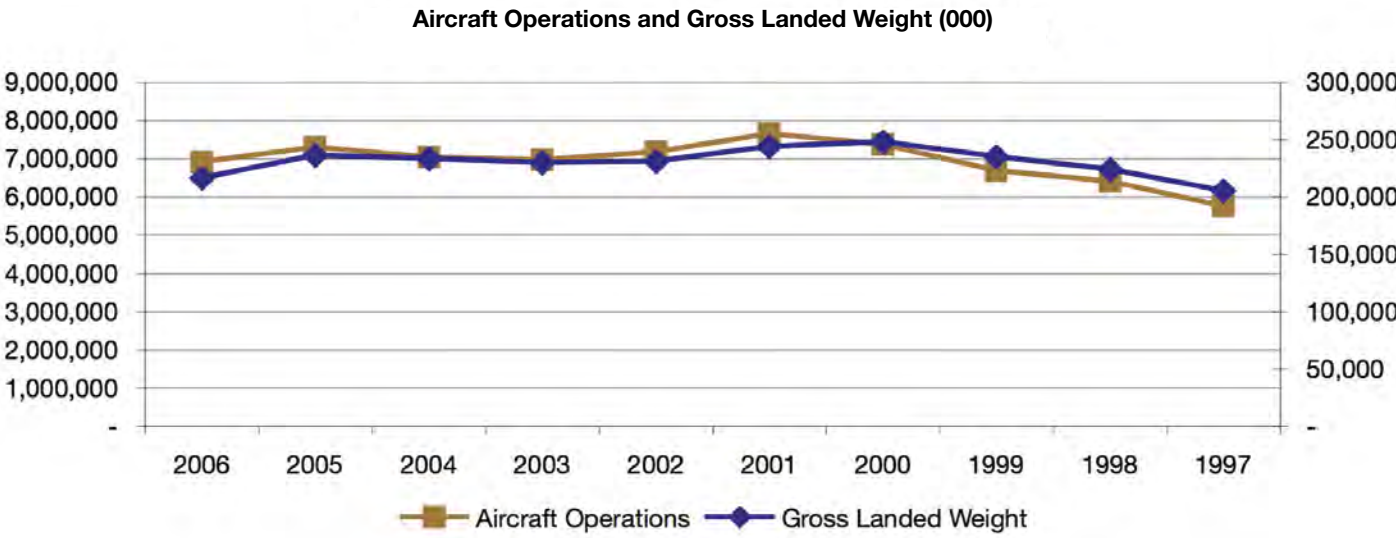
METROPOLITAN NASHVILLE AIRPORT AUTHORITY Aircraft Activity										
Daily Departures	2006 197	2005 213	2004 203	2003 203	2002 204	2001 209	2000 200	1999 194	1998 190	1997 177

This represents a typical business day during June of each fiscal year and the number of departures scheduled for that particular day. Service levels have steadily increased at Nashville International Airport to accommodate increasing passenger demand and destination needs.

Aircraft Operations										
Cargo Carrier	5,592	5,702	5,340	5,184	5,052	5,377	3,678	4,128	4,382	4,144
Charter Carrier	14	-	-	36	142	417	464	424	636	298
Charter International	-	-	8	-	-	64,940	75,532	72,048	69,648	62,720
General Aviation	46,268	51,429	54,443	53,012	60,128	40,899	53,616	48,864	41,802	20,846
General Aviation Air Taxi	68,381	36,954	9,052	13,602	23,288	109,907	91,627	85,885	79,389	90,654
Major Carrier	43,489	91,747	121,258	120,358	115,532	4,175	4,519	4,664	4,524	4,371
Military Aircraft	3,547	3,947	3,600	3,541	3,827	18,472	18,620	19,136	23,464	22,563
Regional Carrier	49,140	46,673	40,044	34,226	23,414					
Total Aircraft Operations	216,431	236,452	233,745	229,959	231,383	244,187	248,056	235,149	223,845	205,596

Gross Landed Weight (000)										
Cargo Carrier	524,424	560,404	509,962	532,168	464,413	378,975	254,704	244,586	275,586	247,310
Charter Carrier	-	-	440	1,194	6,491	13,015	1,041	19,683	32,158	5,636
Charter International	875	299	35,608	2,102	9,937	23,143	41,729	8,248	27,322	16,911
Major Carrier	5,348,133	5,565,483	5,651,245	5,751,488	6,240,424	6,899,936	6,764,111	6,110,007	5,770,862	5,162,330
Military Aircraft	-	-	-	2,867	-	-	-	-	-	-
Regional Carrier	1,038,046	1,179,488	845,148	679,707	456,388	343,611	305,199	311,758	310,168	328,204
Total Gross Landed Weight	6,911,478	7,305,674	7,042,403	6,969,526	7,177,653	7,658,680	7,366,784	6,694,282	6,416,096	5,760,391

METROPOLITAN NASHVILLE AIRPORT AUTHORITY Aircraft Activity



Aircraft operations reflect the activity levels during and after the time American Airlines maintained a hub, following September 2001 events, and recovery since then. Gross landed weight increased 27% from 1996 to 2001 and has declined 5% since that peak as the aircraft mix has changed. In the past three years both benchmarks indicate a stabilization in aircraft frequency and type serving Nashville International Airport.

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Cargo (tons)										
Air Mail	2,360	3,421	3,479	3,964	7,654	16,223	18,512	16,684	16,716	19,396
Air Freight	6,373	6,369	6,394	5,343	5,682	7,451	8,293	6,177	6,740	6,925
Air Cargo - Domestic	33,013	35,778	34,517	33,555	31,698	40,804	38,382	34,324	39,421	37,727
Air Cargo - International	32,085	29,374	24,373	20,258	8,355	-	-	-	-	-
Total Cargo	73,831	74,942	68,763	63,120	53,389	64,478	65,187	57,185	62,877	64,048

The increase in cargo tonnage since fiscal year 2002 is attributable to China Airlines inbound and outbound cargo for Dell Computers and various freight forwarding companies in Middle Tennessee.

MAJOR TENANTS AT NASHVILLE INTERNATIONAL AIRPORT

Major/Signatory Carriers

American Airlines
American Eagle Airlines
Continental Airlines
Delta Airlines
Jet Blue Airlines
Northwest Airlines
Southwest Airlines
USAir, Inc.

Regional/Non-signatory Carriers

Air Canada d/b/a Jazz Air
Air Wisconsin
Astral Aviation d/b/a Skyway
Chautauqua
Comair
Corporate Airlines
Express Jet (Cont'l Express)
Freedom Airlines
Frontier Airlines
Mesa Airlines
Pinnacle Airlines
Regions Air (formerly Corporate Express)
Republic Airlines
Shuttle America
Skywest
Trans States Airline
US Air Express

Cargo Carriers

Airborne Express, Inc.
Astar Air Cargo, Inc.
Baron Aviation Services, Inc.
Bax Global, Inc.
China Airlines
Federal Express
Kitty Hawk Cargo, Inc.
Menlo Worldwide/Emery/UPS
Mountain Air Cargo

Fixed Base Operators

Mercury Air
Signature Flight Support
Caremark RX, Inc.

Ground Transportation

Hotel Shuttles
Taxicab Companies
Limousine Companies

Ground Handlers

Cargo Charter Services
Dynair/Swissport
Resource Airways

Vehicle Parking

Central Parking Systems

Other Airport Tenants

118th Airlift Wing
Aeronautical Radio
Aircraft Services International
Cahill & Dunn
Datawave (prepaid phones)
Embraer Aircraft Maintenance
Falcon Transport
Federal Aviation Administration
Industrial Development Board
Lamar Outdoor Advertising
Metro Government
New Orleans Manor
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

Other Terminal Tenants

24 Hour Flower
AT&T
Bags Inc
Country Western Tours/Grayline Tours
Delaware North (formerly CA One)
Fifth Third Bank
First Class Seats
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

Rental Car

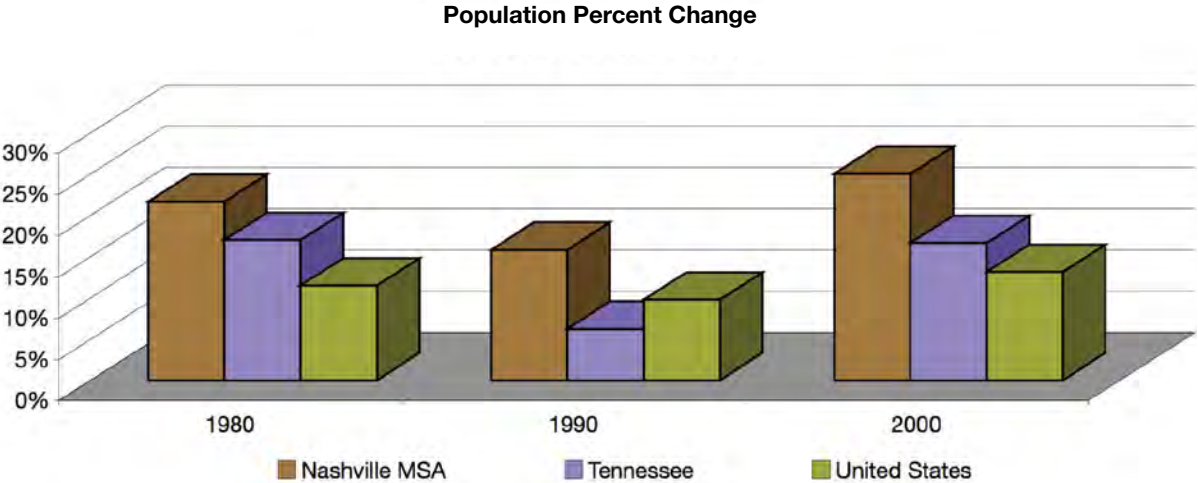
Avis
Budget
Burgner (Thrifty)
Dollar
Enterprise
Hertz
Vanguard (Alamo/National)

NASHVILLE METROPOLITAN STATISTICAL AREA*
POPULATION

Year	Nashville MSA	Tennessee	United States
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 Canon, Cheatham, Davidson, Dickson, Hickman, Macon, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson, and Wilson Counties.

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

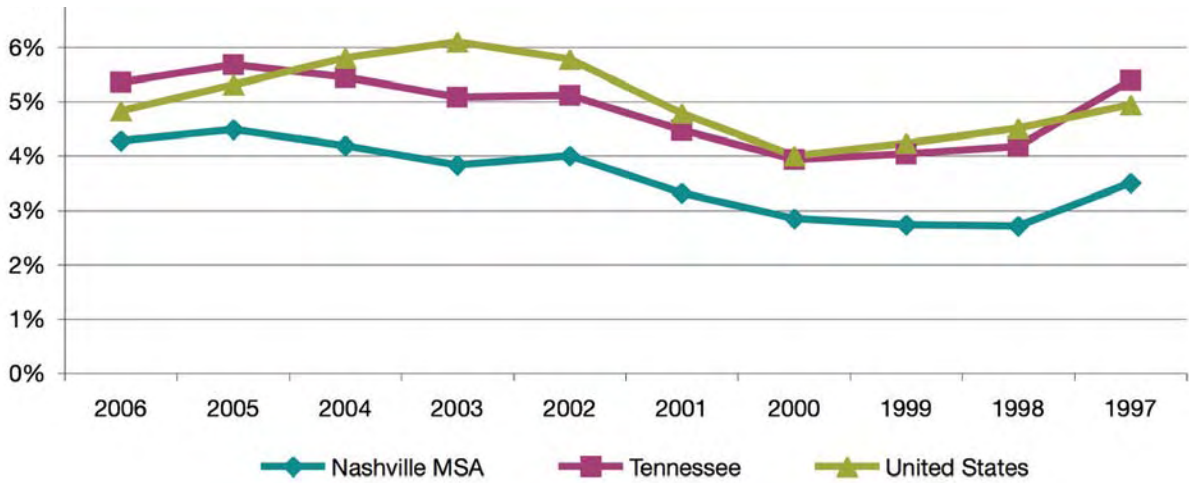


NASHVILLE METROPOLITAN STATISTICAL AREA*
UNEMPLOYMENT RATE

Year	Nashville MSA	Tennessee	United States
2006	4.28%	5.36%	4.83%
2005	4.49%	5.68%	5.31%
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%

*Metropolitan Statistical Area consists of Canon, Cheatham, Davidson, Dickson, Hickman, Macon, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson, and Wilson Counties.

Source: U.S Bureau of Labor Statistics



NASHVILLE AREA TOP 25 EMPLOYERS
(Ranked by Number of Local Employees)

2006	Staff	Employer	Hdqtrs	2005	Staff
1	20,029	State of Tennessee	Nashville	1	19,234
2	17,158	Vanderbilt University and Medical Center	Nashville	2	16,327
3	11,146	U. S. Government	Washington	3	11,116
4	10,000	Metro Nashville Davidson County Public Schools	Nashville	5	10,500
5	9,188	Metropolitan Govt of Nashville and Davidson County	Nashville	4	11,108
6	8,503	HCA Inc.	Nashville	6	9,657
7	8,100	Nissan North America Inc.	Gardena CA	8	6,600
8	6,300	Saint Thomas Health Services	Nashville	7	8,500
9	4,900	Bridgestone Americas Holding Inc.	Nashville	17	2,930
10	4,519	Gaylord Entertainment Co.	Nashville	13	3,451
11	4,500	Wal-Mart Stores Inc.	Bentonville AR	14	3,110
12	4,088	Sumner County Govt and Public Schools	Gallatin	10	3,996
13	4,000	Shoney's Inc.	Nashville	9	4,000
14	3,675	CBRL Group Inc.	Lebanon	11	3,675
15	3,214	Williamson County Public Schools and County Govt	Franklin	12	3,600
16	3,100	YMCA of Middle Tennessee	Nashville	21	2,550
17	3,000	Century II Staffing Co.	Brentwood	16	3,000
18	2,649	Kroger Co.	Cincinnati OH	20	2,596
19	2,597	Rutherford County Board of Education and County Govt	Murfreesboro	15	3,100
20	2,400	Dept of Veterans Affairs Tennessee Valley Healthcare System	Washington	22	2,400
21	2,388	BellSouth Inc.	Atlanta GA	18	2,839
22	2,300	Ingram Industries Inc.	Nashville	19	2,750
23	2,230	Randstad Work Solutions	Atlanta GA	24	2,169
24	2,000	Primus Automotive Financial Services	Franklin	23	2,400
25	1,936	Middle Tennessee State University	Murfreesboro	25	1,867

Source: Nashville Business Journal's Book of Lists 2006 (nashville.bizjournals.com)
Published April 22, 2005

NASHVILLE METROPOLITAN AREA TOP 25 PUBLIC COMPANIES
(Ranked by Prior Four Quarters' Revenue)

2006	2005	Employer	Headquarters
1	2	Caremark Rx Inc.	Nashville
2	1	HCA Inc.	Nashville
3	3	Dollar General Corp.	Goodlettsville
4	4	Community Health Systems Inc.	Brentwood
5	N/R	Louisiana-Pacific Corp	Nashville
6	5	CBRL Group Inc.	Lebanon
7	6	Tractor Supply Co.	Nashville
8	9	Renal Care Group Inc.	Nashville
9	7	Central Parking Corp.	Nashville
10	11	Genesco Inc.	Nashville
11	8	Corrections Corp. of America	Nashville
12	10	LifePoint Hospitals Inc.	Brentwood
13	12	O'Charley's Inc.	Nashville
14	15	Gaylord Entertainment Co.	Nashville
15	N/R	Clarcor Inc.	Franklin
16	14	America Service Group Inc.	Brentwood
17	17	Psychiatric Solutions Inc.	Franklin
18	16	National HealthCare Corp.	Murfreesboro
19	22	iPayment Inc.	Nashville
20	19	Direct General Corp.	Nashville
21	18	American Retirement Corp.	Brentwood
22	21	AmSurg Corp.	Nashville
23	20	American HomePatient Inc.	Brentwood
24	24	American Healthways Inc.	Nashville
25	27	Symbion Inc.	Nashville

Source: Nashville Business Journal's Book of Lists 2006 (nashville.bizjournals.com)
published August 19, 2005