

# 2008

## 2008 Comprehensive Annual Financial Report

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Metropolitan Nashville Airport Authority<sup>SM</sup>  
*A Six Sigma Organization*

# 2008

## 2008 Comprehensive Annual Financial Report

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

For the Fiscal Year Ended **June 30, 2008**  
*Prepared by the Finance Department*



Metropolitan Nashville Airport Authority<sup>SM</sup>  
*A Six Sigma Organization*

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# Introductory Section

Metropolitan Nashville Airport Authority | Comprehensive Annual Financial Report

This section contains the following subsections:

**Letter of Transmittal**

**Board of Commissioners**

**Organization Chart and Executive Staff**

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



## Metropolitan Nashville Airport Authority

One Terminal Drive, Suite 501 • Nashville, TN 37214-4114 • 615-275-1600

October 1, 2008

To the Board of Commissioners of the Metropolitan Nashville Airport Authority:

The Comprehensive Annual Financial Report ("CAFR") of the Metropolitan Nashville Airport Authority (Nashville, Tennessee) for the fiscal year ended June 30, 2008, 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.

### **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 John C. Tune Airport, a general aviation reliever airport. These activities collectively provided the framework to deliver the Nashville Airports Experience, the Authority's core competency, to nearly 10 million passengers and many other stakeholders in fiscal year 2008. The Authority also owns MNAA Properties Corporation ("MPC"), a Tennessee nonprofit corporation, whose purpose is to support and facilitate the operations of the Authority and to help the economic development of the surrounding area.

The Authority has all the powers of a governmental entity necessary to accomplish its purpose, such as acquiring land and constructing airport facilities; issuing revenue bonds and other tax-exempt indebtedness; maintaining its own police and aircraft rescue and firefighting ("ARFF"); and setting rates, charges and rentals for activities on airport properties. 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.

A Board of Commissioners governs the Authority and serves without compensation. The Board of Commissioners is made up of 10 members, nine of whom are appointed by the Mayor with the 10<sup>th</sup> being the Mayor. The Metropolitan Council of Nashville and Davidson County confirms all appointments. The appointments are four-year terms, 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 both Authority airports and MPC. The President heads a full-time staff of professional and technical personnel totaling budgeted headcount for fiscal year 2008 of 293.5 positions.

### **ECONOMIC CONDITIONS AND OUTLOOK**

Middle Tennessee's economy is diverse and, due to the presence of many industries, is relatively stable. According to the Nashville Business Journal's Book of Lists 2008, the area's largest public companies based upon the prior 12 months' revenue, included Community Health Systems Inc., Delek US Holdings Inc., LifePoint Hospitals Inc., Tractor Supply Co., CBRL Group Inc., Louisiana-Pacific Corp., Genesco Inc., HealthSpring Inc., Corrections Corp. of America, and Psychiatric Solutions Inc. The top 10 employers included federal, state, and local governments and schools plus Vanderbilt University and Medical Center, HCA Inc., Saint Thomas Health Services, Nissan North America Inc., Wal-Mart Stores Inc., and Bridgestone Americas Holding Inc. Additional information is provided in the

statistical section of this report. The average unemployment for the Nashville – Davidson – Murfreesboro Metropolitan Statistical Area ("Nashville MSA"), state of Tennessee, and United States during fiscal years 2008 and 2007 was as follows:

	Nashville MSA	Tennessee	United States
June 30, 2008	4.45%	5.29%	4.95%
June 30, 2007	4.28%	5.23%	4.54%

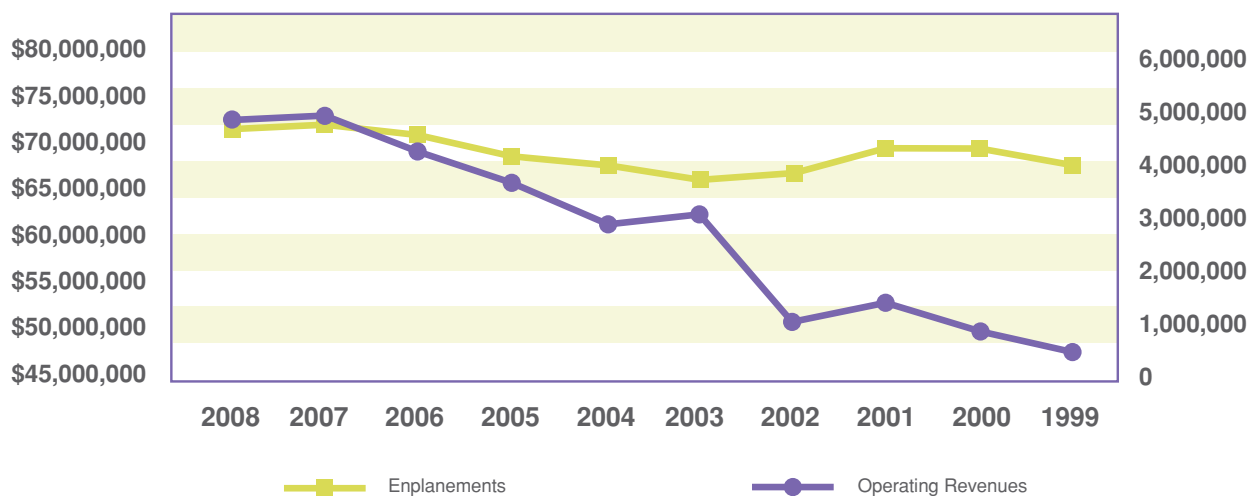
The Authority received much positive national attention during the year. In May, 2008, Site Selection magazine named Tennessee the most competitive state in terms of attracting economic development. The magazine's rankings were determined by an index based on completed economic development deals. This marks the second time the state has won this award this decade. Forbes magazine's annual study of the Best Places for Business Careers ranked the Nashville MSA 15th when it released its findings in March 2008. Overall job growth, educational attainment, and the cost of doing business in 200 metro areas were reviewed for the study. Sperry Van Ness International, a national commercial real estate brokerage firm, named Nashville as one of the 2008 Top 10 industrial markets to watch for industrial investment. The Irvine, California, firm's report helps individuals review a matrix of forward-looking economic factors when they are deciding where to acquire property. Dynamics such as tax incentives, labor costs, rental trends, vacancy factors, and utility costs were mentioned as key considerations when assessing a potential industrial market.

On November 16, 2006, Standard & Poor's Ratings Services published an "A" rating on the Authority's airport revenue bonds. This rating was based on the Authority's continued enplanement growth, the 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 were affirmed earlier this year as the Authority pursued several revenue bond refundings. A negative outlook comment was attached specifically due to a portion of the Authority's fixed rate debt insured by one carrier. To address this matter, the Authority entered into an agreement with a financial institution to provide a \$15 million letter of credit to support meeting debt service obligations. However, it is not anticipated that this letter of credit will ever be drawn upon.

## MAJOR INITIATIVES AND DEVELOPMENTS

The aviation industry has seen stress and unexpected challenges in 2008 due primarily to the escalating oil prices. One signatory carrier sought bankruptcy protection, and all have been reviewing their operations to be as efficient as possible. Service schedules have been adjusted. For example, on a typical weekday in June 2007, there were 202 daily departures. One year later that number declined by 14 flights to 188 daily departures. However, this schedule decrease only impacted Nashville International Airport's enplanement decline by 1.2% during the year from 4,938,191 in fiscal year 2007 to 4,880,360 in fiscal year 2008.

Operating Revenues and Enplanements



There were a number of significant highlights during the year. In 2007, the Authority formed MPC to promote economic development in the geographic area on and around airport property. By the end of 2008, two multi-tenant buildings had been acquired and generated \$1.6 million in operating revenue. John C. Tune Airport's operating revenue reached an all-time high of \$696,220 with very high occupancy rates at that facility. At Nashville International Airport, most of Phase I of the terminal renovation program had been completed with more than a dozen new local theme and national brand food and beverage establishments. This phase will wrap up shortly.

### ***Outlook for Fiscal Year 2009***

Airports nationwide have been reevaluating projections for everything from operating revenue to enplanements to capital project programming, and the Authority is no exception. We anticipate no growth in passenger activity or flight schedules. Early indications are that revenues are at or near budgeted amounts, and every effort is being made to control expenditures. The first phase of the terminal renovation project will be completed. Phase II is scheduled to begin early in calendar 2009. The consolidated rental car facility continues in design and may progress to construction if all financing is secured during the year. Significant airfield work will continue during the year on at least one of Nashville International Airport's four runways.

## **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 2008 as well as certain comparisons of the current year to the prior year. The actual financial statements and related footnotes are presented on Pages 25-51. 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 governing board, 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 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**

Authority staff prepares operating and capital budgets for both airports and MPC. These 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 eight 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, 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 authorize 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.

Under the criteria developed by the Governmental Accounting Standards Board, all 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, 2008 and 2007, were \$40,563,327 and \$51,894,721, 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 \$286,033,235 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, Crosslin & Associates, PC, has rendered an unqualified opinion that the Authority's financial statements as of and for the years ended June 30, 2008 and 2007, present fairly, in all material respects, the Authority's financial position, changes in net assets 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 Crosslin & Associates, PC 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 years ending June 30, 2008 and 2007.

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

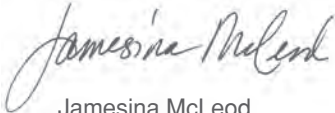
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Nashville Airport Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. In order 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 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 Nashville International Airport, John C. Tune Airport, and MNAA Properties Corporation in an effort to meet the air service needs of Middle Tennessee and the surrounding communities.

Respectfully submitted,

A handwritten signature in cursive script, reading "Jamesina McLeod".

Jamesina McLeod

Controller

**Chairman**

James H. Cheek, III  
Bass, Berry & Sims, P.L.C.

**Vice Chair**

Juli H. Mosley, P.E.

**Secretary**

Dr. A. Dexter Samuels  
Tennessee State University

**Commissioners**

Jack O. Bovender, Jr.  
HCA Inc.

Rosalyn Carpenter  
HealthTrust Purchasing Group

Karl F. Dean  
Mayor, Metropolitan Government of Nashville & Davidson County

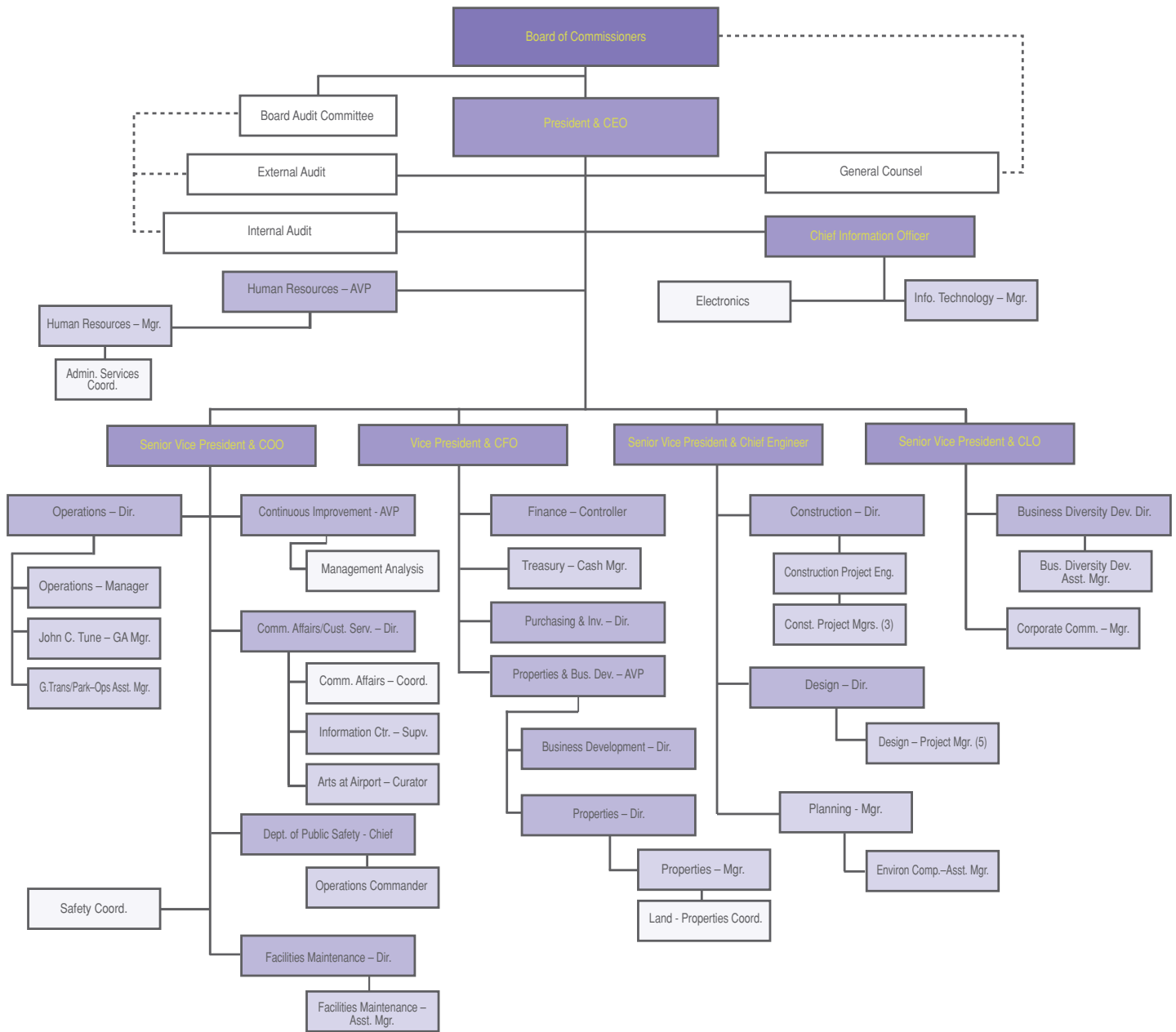
Rod Essig  
Creative Artists Agency

Frank M. Garrison  
Overton Capital Management

Bill A. Martin  
Cushion Employer Services Corporation

Robert J. Walker  
Walker, Tipps & Malone

# METROPOLITAN NASHVILLE AIRPORT AUTHORITY ORGANIZATION CHART



## Executive Staff

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

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

**Robert Watson**  
Senior Vice President, Legal Affairs & Government Affairs

**Kinney Baxter**  
Senior Vice President & Chief Engineer

**Vanessa Hickman**  
Chief Information Officer

**Walt Matwijec**  
Assistant Vice President, Continuous Improvement

**John Howard**  
Assistant Vice President, Properties and Business Development

**Amy Armstrong**  
Assistant Vice President, Human Resources

# 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, 2007

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.

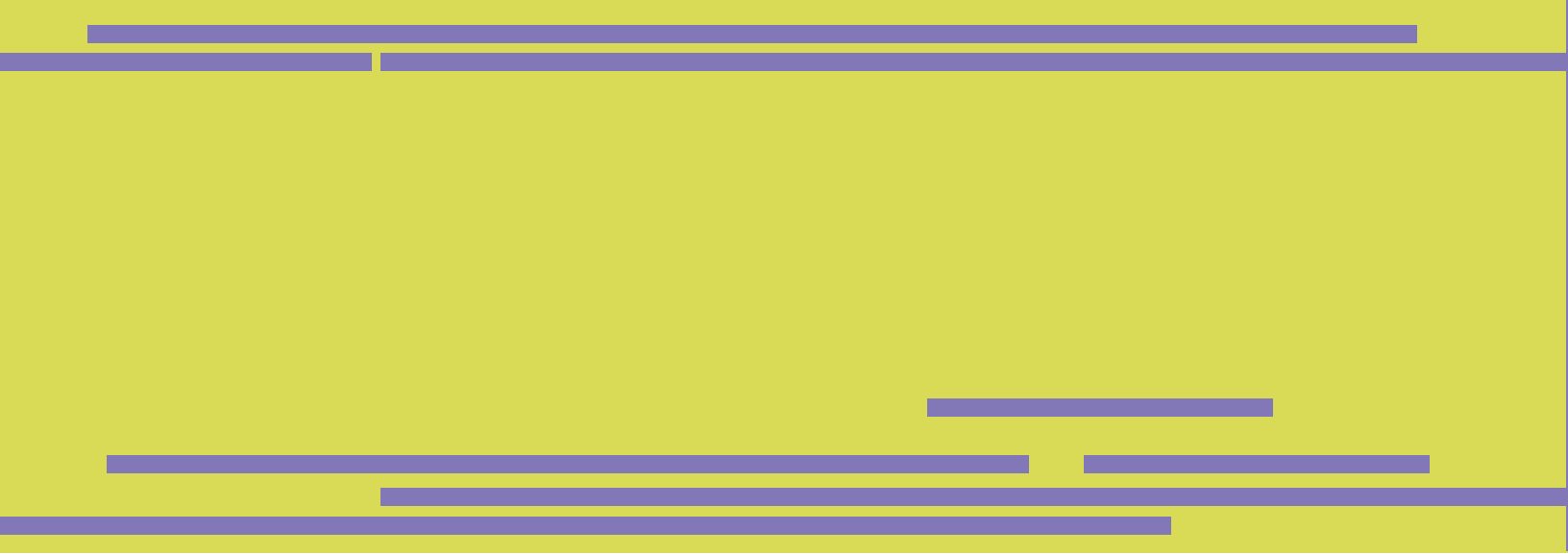


*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director



## Financial Section

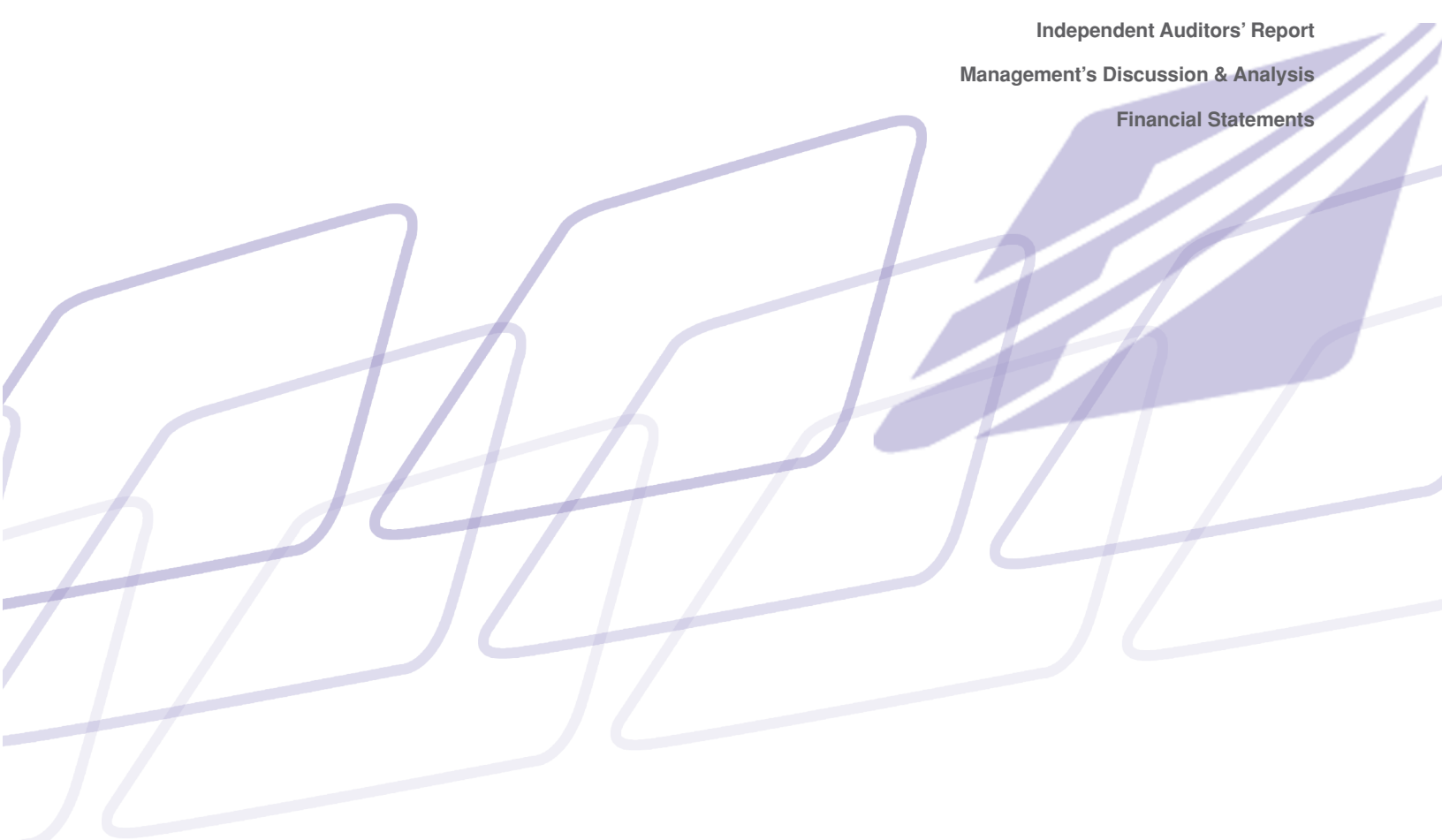
Metropolitan Nashville Airport Authority | Comprehensive Annual Financial Report

This section contains the following subsections:

**Independent Auditors' Report**

**Management's Discussion & Analysis**

**Financial Statements**





Board of Commissioners  
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, 2008 and 2007, 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Nashville Airport Authority as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16 to the financial statements, the Authority adopted Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, which changed its method of accounting for postemployment benefits for the year ended June 30, 2008.

Management's Discussion and Analysis and the schedules of funding progress, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This required 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Metropolitan Nashville Airport Authority's basic financial statements. The introductory section, and the statistical section, as listed in the table of contents, 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 section have not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on them.

The schedule of net assets information by entity, the schedule of revenues, expenses and changes in net assets information by entity, and the schedule of airport revenue bonds, principal and interest requirements by fiscal year, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in our 2008 audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Crosslin & Associates, P.C.*

Nashville, Tennessee  
September 29, 2008

The following Management's Discussion and Analysis ("MD&A") of the Metropolitan Nashville Airport Authority (the "Authority") is presented to assist the reader in focusing on significant financial issues, by providing an overview of the Authority's financial activity, and in identifying changes in the Authority's financial position. Management encourages the reader to consider MD&A in conjunction with the information contained in the Authority's financial statements.

## **BASIC 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 and construction in progress) are depreciated over their useful lives. Please refer to Note 2 to the financial statements for a summary of the Authority's significant accounting policies.

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. Refer to Pages 25-26.

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 when the underlying events occur, 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. Refer to Page 27.

The *Statement of Cash Flows* relates to the inflows and outflows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is provided within the Statement of Cash Flows to assist in understanding the difference between cash flows from operating activities and operating income. Refer to Pages 28 and 29.

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. They can be found on Pages 30-51.

## **AIRPORT ACTIVITY HIGHLIGHTS**

Fiscal year (FY) 2008 began where the prior year left off, with slight increases in most monitored activities. As the year progressed, some of the trends experienced in other markets began to manifest themselves, but to a lesser degree, at Nashville International Airport. Enplanements declined 1.2% from 4,938,191 in FY07 to 4,880,360 in FY08. Enplanements were 4,735,910 in FY06, which represents a 3.1% increase over two years. Market share was also dominated by Southwest Airlines as it captured 50.7% of enplanement activity in FY08 compared to 49.3% in FY07 and 50.6% in FY06.

Phase I of the comprehensive terminal renovation project progressed on time and on budget during the year. Some of the enhancements to the 20-year-old terminal building included the reconfiguration of all news and gift spaces and all food and beverage concessions, a consolidation of the security checkpoints into one centralized location, and the addition of skylights throughout the concourses. This \$50 million phase is expected to be completed in January 2009. Design continues for the \$34 million Phase II and includes programming for such things as bathroom renovations, wall and floor coverings throughout the concourses, HVAC improvements, elevator and escalator replacements and additions. Construction is scheduled to begin shortly after the completion of Phase I.

Various changes in aviation services occurred during the year. Service increased to markets such as Chicago O'Hare, New York La Guardia, Atlanta, and New Orleans. Direct non-stop service to Norfolk, Virginia, began May 10, 2008. This was one of 40 roundtrip flights that Southwest Airlines added in key growth markets across the country. Scheduled service reductions affected destinations like Baltimore, Detroit, Las Vegas, Orlando, Phoenix, and Salt Lake City. Frontier Airlines discontinued direct non-stop flights to Cancun on June 1, 2008. Escalating fuel costs, charges levied by the Mexican government and their contract airport operators were mentioned as contributing factors to this service termination.

In 2008, MNAA Properties Corporation ("MPC") began its operations with two acquisitions, both multi-tenant facilities. Fiscal year 2009 will be the first full year of operations at these facilities. The building known as International Plaza was purchased for \$7.5 million, and the second building was purchased from a major tenant (that still occupies a portion of the building) for \$1.36 million.

Eight signatory carriers maintained operations during the year. Of those, only Frontier Airlines operated under some form

## MANAGEMENT'S DISCUSSION AND ANALYSIS

of bankruptcy protection. United Airlines and the Authority continued the process to restore United to signatory status, a designation it enjoyed as recently as 2002. Signatory carriers represented 84.3% of total enplanements during the year, down slightly from 86.0% in the prior year. Daily departures declined to 188 at the end of fiscal year 2008, the lowest level in at least 10 years. Daily departures at the end of fiscal years 2007 and 2006 were 202 and 197, respectively.

The mix of non-signatory carriers changed slightly during the year. This group, along with any charter operations, represented 15.7% of all enplanement activity during the year. In October 2007, JetBlue announced that it would discontinue operations in Nashville effective January 6, 2008.

The following shows major indicators of the activity during the past three years:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Enplanements</b>	4,880,360	4,938,191	4,735,910
% increase (decrease)	(1.2%)	4.3%	6.7%
<b>Aircraft landed weight (all – 000)</b>	7,004,753	7,179,472	6,911,575
% increase (decrease)	(2.4%)	3.9%	(5.3%)
<b>Aircraft operations (all)</b>	203,890	217,561	216,431
% increase (decrease)	(6.3%)	0.5%	(8.5%)
<b>Cargo activity (tons)</b>	79,266	74,921	73,831
% increase (decrease)	5.8%	1.5%	(1.5%)
<b>Load factors</b>	71.4%	70.0%	69.9%
% increase (decrease)	2.0%	0.1%	13.1%

Total passenger activity declined 1.1% to 9,772,467 from 9,881,745 in 2007. The Authority still served 295,738 more passengers than it did in 2006, when the total was 9,476,729.

## SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

The following represents the Authority's summary of changes in net assets over the past three fiscal years:

	<u>2008</u>	<u>2007</u>	<u>% Change</u>	<u>2006</u>
Operating revenues	\$ 76,315,326	\$ 74,899,596	1.9%	\$ 71,133,277
Operating expenses	(50,444,188)	(44,599,143)	13.1%	(40,748,604)
<b>Operating income before depreciation</b>	<b>25,871,138</b>	<b>30,300,453</b>	<b>(14.6%)</b>	<b>30,384,673</b>
Depreciation	(20,424,563)	(18,121,419)	12.7%	(17,640,198)
<b>Operating income</b>	<b>5,446,575</b>	<b>12,179,034</b>	<b>(55.3%)</b>	<b>12,744,475</b>
Nonoperating revenues	21,727,074	18,194,793	19.4%	15,467,485
Nonoperating expenses	(16,195,124)	(15,426,246)	5.0%	(13,980,239)
<b>Income before capital contributions</b>	<b>10,978,525</b>	<b>14,947,581</b>	<b>(26.6%)</b>	<b>14,231,721</b>
Capital contributions	22,299,530	13,168,339	69.3%	6,244,876
<b>Increase in net assets</b>	<b>33,278,055</b>	<b>28,115,920</b>	<b>18.4%</b>	<b>20,476,597</b>
Net assets, beginning of year	249,378,341	221,262,421	12.7%	200,785,824
<b>Net assets, end of year</b>	<b>\$ 282,656,396</b>	<b>\$ 249,378,341</b>	<b>13.3%</b>	<b>\$ 221,262,421</b>

**OPERATING AND NONOPERATING REVENUE HIGHLIGHTS**

Total revenues and capital contributions increased in 2008 in spite of the decline in enplanements, topping \$120 million for the first time in the Authority's history. When analyzing operating revenue, it should be noted that all five signatory rates declined at Nashville International Airport for the year. All rates except landing fees also decreased in 2007. Reduced rates and the contraction in scheduled service contributed to the 19.7% decline in signatory airline revenue over 2007. The biggest percentage decrease in signatory revenue was in ramp fees, a decline of 31.6% from \$551,328 to \$376,976. The largest dollar decrease was attributed to main terminal rent, off \$988,443 from 2007 and \$1,597,559 less than that same source of revenue in 2006.

Parking lot revenue continued to be the primary source of revenue of any kind and increased \$2,610,541 or 9.4% during the year, up \$5,245,536 or 20.8% since 2006. The 2008 increase in parking revenue is attributable to a rate increase that went into effect in January 2008. Revenue increased even though transaction activity actually declined approximately 9%. The new valet lot opened in November 2007, and this increased the availability of premier short-term spaces for public use. A new employee lot is scheduled to open in November 2008 making available approximately 1,200 additional spaces of public parking in the former employee lot just in time for the holiday season.

Additional sources of operating revenue continued to contribute to the net assets of the Authority. Concessions, space rentals, and other revenue represented \$35,382,575 or 46.4% of operating income in 2008. The news and gift as well as food and beverage concession programs continued their transition during terminal renovation in the current year and have received rave reviews from the traveling public. Concession renovations should be substantially complete in December 2008. Restaurant activity managed a slight 4.1% increase to \$2,556,245 over 2007 and increased 9.9% from \$2,325,115 in 2006. Car rental revenue was up 4.2% to \$10,566,290, a 14.7% increase since 2006. The increase in space rentals in 2008 was entirely due to the addition of MPC's two properties. The partial year of operations resulted in \$1,531,114 in space rent. At Nashville International Airport, main terminal non-signatory rent declined \$644,581, a direct result of the decline in passenger activity. At John C. Tune Airport, operating revenue increased from \$668,495 in 2007 to \$696,220 in 2008, an increase of \$27,725 or 4.1% from the prior year. The addition of a new 18,000-square-foot hangar should boost rental revenue going forward. Other operating revenue remained relatively constant for all three years presented below.

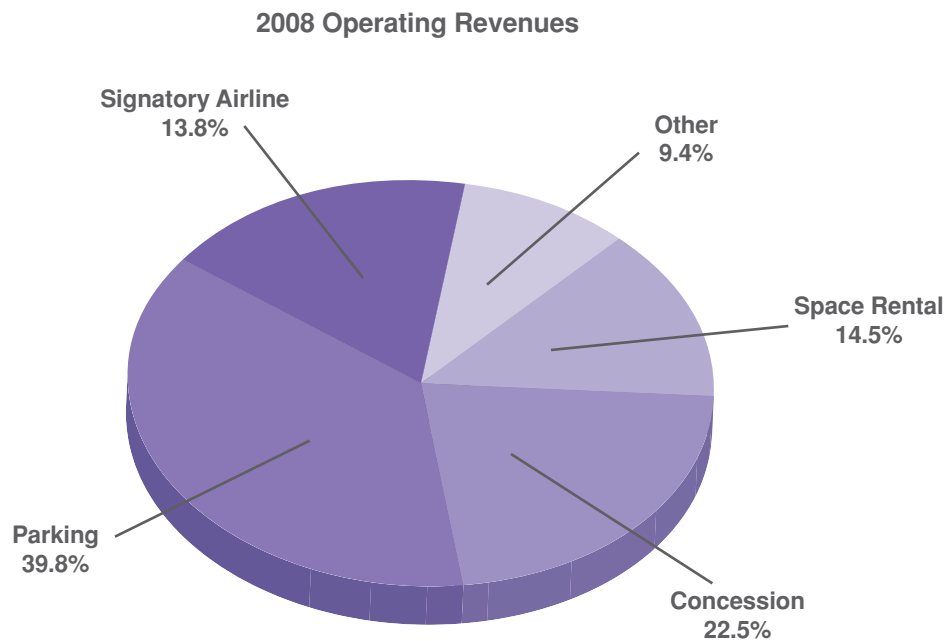
A summary of Authority revenues for the fiscal years ended June 30, 2008, 2007, and 2006, is as follows:

	<u>2008</u>	<u>2007</u>	<u>% Change</u>	<u>2006</u>
<b>Operating revenues</b>				
Signatory airline	\$ 10,527,728	\$ 13,166,169	(19.7%)	\$ 13,559,361
Parking	30,405,023	27,794,482	9.4%	25,159,487
Concession	17,164,513	16,631,319	3.2%	15,597,529
Space rental	11,050,944	10,135,718	9.0%	9,888,852
Other	<u>7,167,118</u>	<u>7,221,908</u>	(0.8%)	<u>6,928,048</u>
<b>Total operating revenues</b>	<b><u>76,315,326</u></b>	<b><u>74,899,596</u></b>	<b>1.9%</b>	<b><u>71,133,277</u></b>
<b>Nonoperating revenues</b>				
Investment income	4,603,766	4,931,594	(6.6%)	2,889,516
Passenger facility charges	12,836,344	13,237,806	(3.0%)	12,577,969
Customer facility charges	4,259,428	-	100.0%	-
Gain on disposal of property	<u>27,536</u>	<u>25,393</u>	8.4%	<u>-</u>
<b>Total nonoperating revenues</b>	<b><u>21,727,074</u></b>	<b><u>18,194,793</u></b>	<b>19.4%</b>	<b><u>15,467,485</u></b>
<b>Capital contributions</b>	<b><u>22,299,530</u></b>	<b><u>13,168,339</u></b>	<b>69.3%</b>	<b><u>6,244,876</u></b>
<b>Total revenues</b>	<b><u>\$ 120,341,930</u></b>	<b><u>\$ 106,262,728</u></b>	<b>13.2%</b>	<b><u>\$ 92,845,638</u></b>

A new source of nonoperating revenue began in 2008. In January, rental car agencies started collecting and remitting to the Authority a \$4.00 per contract day customer facility charge ("CFC"). It contributed over \$4 million to revenue with six months of collections. This source of revenue will be used to pay for the planning, design, construction, financing, maintenance, and operation of a consolidated rental car facility as well as other costs, fees, and expenses that may be paid from CFC proceeds. All costs incurred to date were reflected in construction in progress at June 30, 2008. Without CFCs, nonoperating revenue would have declined by \$727,147 over the prior year. Passenger facility charges ("PFCs") closely mirrored the 1.2% enplanement decline recording a 3.0% decrease from 2007 and just 2.1% above collections in 2006, \$258,375 more than that year.

Capital contributions reached the highest level in the past 10 years at \$22,299,530. The average over the same period was just \$6,210,287. At John C. Tune Airport, \$2,073,765 in federal and state assistance supported several capital projects, most notably the north ramp development and improvements to Runway 2-20. Several capital projects with grant funding are planned for the coming years, so this level of support is anticipated to continue. At Nashville International Airport, runway safety area projects on Runways 2L-20R and 2R-20L resulted in \$3,941,030 in federal support and another \$750,311 from Tennessee. Another significant airfield project, the reconstruction of Runway 13-31 East, and related taxiway tie-ins represented an additional \$5,248,080 in federal assistance.

The following chart shows the Authority's major sources of operating revenues for the fiscal year ended June 30, 2008:



**OPERATING AND NONOPERATING EXPENSES HIGHLIGHTS**

A summary of Authority expenses for the fiscal years ended June 30, 2008, 2007, and 2006 is as follows:

	2008	2007	% Change	2006
<b>Operating expenses</b>				
Salaries and wages	\$ 23,690,248	\$ 20,379,376	16.2%	\$ 18,657,132
Contractual services	16,299,124	14,430,214	13.0%	12,916,582
Materials and supplies	2,228,830	2,437,293	(8.6%)	1,702,182
Utilities	5,537,335	4,408,582	25.6%	4,178,081
Other	2,688,651	2,943,678	(8.7%)	3,294,627
<b>Total operating expenses before provision for depreciation</b>	<b>50,444,188</b>	<b>44,599,143</b>	<b>13.1%</b>	<b>40,748,604</b>
Provision for depreciation	20,424,563	18,121,419	12.7%	17,640,198
<b>Nonoperating expenses</b>				
Loss on disposal of property and equipment	-	-	0.0%	359,849
Interest expense	14,504,722	14,396,542	0.8%	15,629,637
Loss on derivative financial instrument	1,690,402	318,614	430.5%	(2,009,247)
Other nonoperating expense	-	711,090	100.0%	-
<b>Total nonoperating expenses</b>	<b>16,195,124</b>	<b>15,426,246</b>	<b>5.0%</b>	<b>13,980,239</b>
<b>Total expenses</b>	<b>\$ 87,063,875</b>	<b>\$ 78,146,808</b>	<b>11.4%</b>	<b>\$ 72,369,041</b>

Authority staff worked diligently to ensure the Nashville Airports Experience would be a positive one for all customers amid the various challenges that faced them as part of air travel in 2008. This team of 280 employees controlled expenses wherever possible as the Authority recorded an overall increase of 11.4% in total expenses for the fiscal year ended June 30, 2008. The increase in operating expenses before depreciation of \$5,845,045 (13.1%) outpaced the \$1,415,730 (1.9%) increase in operating revenue. However, nonoperating revenue outpaced nonoperating expenses by contributing \$3,532,281 to net assets compared with the nonoperating expense reduction in net assets of \$768,878.

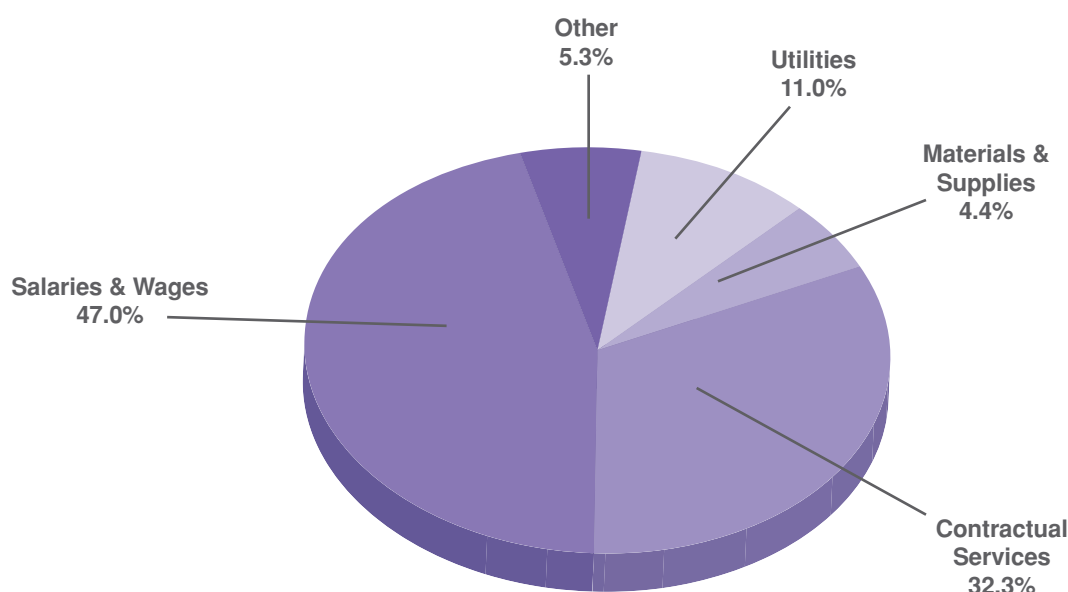
The largest dollar increase in operating expenses was attributable to salaries and wages. Benefits and taxes are included in this category. Authority costs for employee medical benefits leveled off in 2008, due in part to contracting with a new insurance broker and benefits provider. Approximately four out of every five employees participated in the deferred compensation program. More information is provided in Note 17. It should also be noted that \$2,529,829 of the \$23,690,248 salaries and wages expense was due to the first year of implementation of GASB Statement 45, Accounting for Financial Reporting by Employers of Postemployment Benefits Other than Pensions. See Note 2 and Note 16 for more information. Setting this expense aside, the remaining salary and wage increase was \$781,043, up 3.8% from 2007.

The highest percentage increase for operating expenses occurred with utilities, a 25.6% increase over 2007. Most of this was anticipated and approved in the Authority's budget. The dramatic increase was due to a combination of terminal renovation construction activity and some resulting new service in finished spaces and rate increases across all types of utilities. Further rate increases are expected in the coming year. New HVAC systems are planned for Phase II of the terminal renovation project and are projected to help ease some of the demand. Depreciation costs increased 12.7% compared to 2007 as several major capital projects were placed into service.

Costs of operating at John C. Tune Airport increased \$47,814 over the prior year, a blend of contractual services and materials and supplies activity. The expenses attributable to MPC and its two acquisitions accounted for \$1,036,999 and represented 2.1% of the total operating expenses of the MNAA. Various maintenance projects will continue into fiscal year 2009 as needed attention is given to both buildings.

This chart shows the major cost components of the Authority's operating expenses for the year ended June 30, 2008:

### 2008 Operating Expenses before Provision for Depreciation



Nonoperating expenses increased 5.0% or \$768,878 in 2008. This compares with a \$1,446,007 increase in 2007 over 2006 when \$711,090 in a FastTrack pass-through grant was recorded. Interest costs were significantly under budget early in fiscal year 2008. However, various financial market factors caused rates for the Authority's variable rate debt to escalate. Within three months of the first indication that weekly resets were climbing, the Series 1993, Series 2006, and Series 2007A bonds were all refunded. Refer to Note 5 and Note 8 for more information about these bonds and interest rate swaps associated with them. The loss on derivative financial instruments from several interest rate swaps contributed the most to the increase in nonoperating expenses and rose from a \$318,614 loss in 2007 to \$1,690,402 in 2008. Both loans relating to MPC also include interest rate swap agreements. One swap experienced a loss, and the other a slight gain. Just two years ago, in 2006, the Authority's only derivative financial instrument reported a \$2,009,247 gain.

For further information about each of the three MNAA entities, please refer to the schedule of revenues, expenses, and changes in net assets information by entity for the year ended June 30, 2008, on Page 59 of this report.

### FINANCIAL POSITION SUMMARY

The Statements of Net Assets depict the Authority's financial position as of one point in time – June 30 – and include all assets and liabilities of the Authority. The Authority's assets exceeded liabilities by \$282,656,396, a \$33,278,055 or 13.3% increase over 2007 and a two-year increase of \$61,393,975 over 2006. Three very successful years and an aggressive capital improvement program contributed greatly to these results. New in 2008 were customer facility charges receivable (recording that revenue source earned but not collected as a restricted current asset) and the two notes payable for MPC's building acquisitions.

The following represents a condensed summary of the Authority's financial position at June 30, 2008, 2007, and 2006:

	<u>2008</u>	<u>2007</u>	<u>% Change</u>	<u>2006</u>
<b>Assets</b>				
Current assets	\$ 110,849,165	\$ 95,096,920	16.6%	\$ 66,560,039
Noncurrent and capital assets	<u>443,663,579</u>	<u>424,093,155</u>	4.6%	<u>422,827,241</u>
<b>Total assets</b>	<b>\$ 554,512,744</b>	<b>\$ 519,190,075</b>	<b>6.8%</b>	<b>\$ 489,387,280</b>
<b>Liabilities</b>				
Current liabilities	\$ 45,446,204	\$ 40,852,673	11.2%	\$ 35,721,214
Noncurrent liabilities	<u>226,410,144</u>	<u>228,959,061</u>	(1.1%)	<u>232,403,645</u>
<b>Total liabilities</b>	<b>271,856,348</b>	<b>269,811,734</b>	<b>0.8%</b>	<b>268,124,859</b>
<b>Net Assets</b>				
Invested in capital assets, net of debt	198,589,040	150,379,604	32.1%	128,751,172
Restricted	70,242,815	74,876,391	(6.2%)	70,925,772
Unrestricted	<u>13,824,541</u>	<u>24,122,346</u>	(42.7%)	<u>21,585,477</u>
<b>Total net assets</b>	<b>282,656,396</b>	<b>249,378,341</b>	<b>13.3%</b>	<b>221,262,421</b>
<b>Total liabilities and net assets</b>	<b>\$ 554,512,744</b>	<b>\$ 519,190,075</b>	<b>6.8%</b>	<b>\$ 489,387,280</b>

The increase in net assets of \$33,278,055 in 2008 was indicative of the continuation of successful operations and significant capital funding support from both state and federal sources begun the year before. Customers continued to fulfill their obligations to the Authority in a timely fashion resulting in a nominal doubtful accounts balance of \$112,741. Most of the trade accounts payable balance consisted of construction invoices recorded but not yet paid at June 30. The Authority refunded three variable rate revenue bond issues in June 2008, in response to market conditions with a minimum amount of negative impact on the Authority's net assets at the end of the year.

The portion of the Authority's net assets shown below represents 24.9% of total net assets. These resources 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	\$ 26,123,855
Debt service	39,874,630
Other	<u>4,244,330</u>
Total restricted net assets	<u>\$ 70,242,815</u>

The unrestricted net assets of \$13,824,541 may be used to meet the Authority's ongoing obligations. This represents a decline from \$24,122,346 in 2007.

For further information about the Authority's financial position by entity, please refer to the schedule of net assets information by entity at June 30, 2008, on Pages 55-56 in the Supplementary Information Section later in this report.

**CASH MANAGEMENT POLICIES AND CASH FLOW ACTIVITIES**

All cash receipts are deposited daily into interest-bearing accounts. All investments are in compliance with the laws of the state of Tennessee and the Investment Policy adopted by the Authority's Board of Commissioners. The proceeds from the sale and maturities of investments accounted for the increase of cash and cash equivalents at June 30, 2008.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash flows provided by (used in):			
Operating	\$ 32,899,204	\$ 35,828,414	\$ 34,030,296
Non-capital financing	( 1,344,510)	( 1,354,471)	( 1,348,780)
Capital and related financing	(42,978,508)	(30,326,611)	(32,405,780)
Investing	<u>15,742,938</u>	<u>23,355,783</u>	<u>( 8,816,319)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,319,124</b>	<b>27,503,115</b>	<b>( 8,540,583)</b>
Cash and cash equivalents:			
Beginning of period	<u>63,521,339</u>	<u>36,018,224</u>	<u>44,558,807</u>
<b>End of period</b>	<b><u>\$ 67,840,463</u></b>	<b><u>\$ 63,521,339</u></b>	<b><u>\$ 36,018,224</u></b>

**CAPITAL ACTIVITIES**

The Authority's net investment in capital assets of \$420,827,810 at June 30, 2008, included a number of landside improvements, both inside the terminal and in surrounding areas, as well as several long anticipated airfield projects and major equipment purchases. Much of the support for this \$42,670,259 or 11.3% increase over the prior year was a result of Authority staff's excellent efforts in pursuing federal and state funding. Additional funding is provided through PFCs, airline rates and charges, and the issuance of debt. Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Note 4 provides additional information about the additions, retirements, and transfers during the years ended June 30, 2007 and 2008.

**DEBT ADMINISTRATION**

The Authority issued Airport Improvement Revenue Bond Series 2007A in the amount of \$8,700,000 to pay for a portion of Phase I of terminal renovation in August 2007. As the variable rate debt became more vulnerable during the year, this bond was refunded along with the Series 2006 bond issued the year before as the Airport Improvement Revenue Bond Series 2008B. The first principal payment, \$2,555,000, is due on July 1, 2009. This bond matures on July 1, 2018. The Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1993 was also refunded in June 2008, to become the Airport Improvement Revenue Bonds, Refunding Series 2008A in the amount of \$37,600,000. The debt service schedule and interest rate swap continued uninterrupted for this particular refunding. As of June 30, 2008, the Authority's balance of outstanding long-term revenue bonds was \$238,325,000 compared with \$251,809,553 at the end of the prior year. The current portion of \$23,420,000 due July 1, 2008, was slightly above the \$22,593,543 principal balance retired July 1, 2007.

A summary of the Authority's bonds that remained outstanding at June 30, 2008, is as follows:

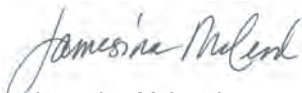
<u>Series Description</u>	<u>Beginning Balance</u>	<u>New Bonds and Refundings</u>	<u>Principal Repayment</u>	<u>Ending Balance</u>
Series 1995 Revenue Bonds	\$ 50,600,000	\$ -	\$ (3,725,000)	\$ 46,875,000
Series 1998A Revenue Bonds	9,185,000	-	(1,750,000)	7,435,000
Series 1998C Revenue Bonds	21,770,000	-	(1,760,000)	20,010,000
Series 1999 Subordinated Note	409,553	-	(409,553)	-
Series 2001A Revenue Bonds	67,945,000	-	(5,765,000)	62,180,000
Series 2003 PFC Revenue Bonds	22,145,000	-	(3,470,000)	18,675,000
Series 2003 B Revenue Bonds	18,270,000	-	(325,000)	17,945,000
Series 2008A Revenue Bonds	-	37,600,000	-	37,600,000
Series 2008B Revenue Bonds	-	27,605,000	-	27,605,000
<b>Total</b>	<b><u>\$190,324,553</u></b>	<b><u>\$65,205,000</u></b>	<b><u>\$(17,204,553)</u></b>	<b><u>\$238,325,000</u></b>

More detailed information about the Authority's debt can be found in Note 5 to the financial statements.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide detail information on the Authority's operations to the Authority's Board of Commissioners, management, investors, creditors, customers and all others with an interest in the Authority's financial affairs and to demonstrate the Authority's accountability for the assets it controls and the funds it receives and expends. Questions concerning any of the information provided in this report or any request for additional information should be made in writing to MNAA, One Terminal Drive, Suite 501, Nashville, TN 37214-4114, or by calling (615) 275-1600.

Respectfully submitted,

  
Jamesina McLeod  
Controller

Nashville, Tennessee

**STATEMENTS OF NET ASSETS**  
**JUNE 30, 2008 AND 2007**

**ASSETS**

	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS:</b>		
Unrestricted assets:		
Cash and cash equivalents	\$ 24,844,223	\$ 21,450,189
Short-term investments	1,986,197	2,070,862
Accounts receivable (net of allowance for doubtful accounts of \$112,741 and \$172,253 in 2008 and 2007, respectively)	2,394,058	2,371,229
Inventories	446,335	482,644
Accrued interest receivable	100,689	100,439
Prepaid expenses and other	1,212,018	1,001,382
Total current unrestricted assets	<u>30,983,520</u>	<u>27,476,745</u>
Restricted assets:		
Cash and cash equivalents	42,996,240	42,071,150
Short-term investments	32,894,847	22,382,611
Passenger facility charges receivable	930,404	1,873,399
Customer facility charges receivable	832,804	-
Amounts due from governmental agencies	2,106,704	952,727
Accrued interest receivable	104,646	340,288
Total current restricted assets	<u>79,865,645</u>	<u>67,620,175</u>
Total current assets	<u>110,849,165</u>	<u>95,096,920</u>
<b>NONCURRENT ASSETS:</b>		
Capital assets:		
Land and land improvements	469,124,672	450,142,139
Land held for future expansion	36,701,068	36,701,068
Buildings and building improvements	156,272,307	127,250,001
Equipment, furniture and fixtures	44,528,367	31,813,649
Construction in progress	48,447,958	46,276,385
Total capital assets	755,074,372	692,183,242
Less accumulated depreciation	<u>(334,246,562)</u>	<u>(314,025,691)</u>
Total capital assets, net	<u>420,827,810</u>	<u>378,157,551</u>
Restricted investments	978,683	18,876,182
Unrestricted investments	4,703,600	8,565,066
Deferred bond issue costs	2,422,427	2,844,266
Other assets	14,731,059	15,650,090
Total noncurrent assets	<u>443,663,579</u>	<u>424,093,155</u>
<b>TOTAL ASSETS</b>	<u>\$ 554,512,744</u>	<u>\$ 519,190,075</u>

**LIABILITIES AND NET ASSETS**

	<u>2008</u>	<u>2007</u>
<b>CURRENT LIABILITIES:</b>		
Payable from unrestricted assets:		
Trade accounts payable	\$ 13,163,279	\$ 7,462,806
Accrued payroll and related items	2,667,792	2,582,218
Current maturities of notes payable	448,000	198,543
Accrued interest payable	-	13,232
Total payable from unrestricted assets	<u>16,279,071</u>	<u>10,256,799</u>
Payable from restricted assets:		
Trade accounts payable	1,249,122	3,254,959
Accrued interest payable	4,498,011	4,945,915
Current maturities of airport revenue bonds	23,420,000	22,395,000
Total payable from restricted assets	<u>29,167,133</u>	<u>30,595,874</u>
Total current liabilities	<u>45,446,204</u>	<u>40,852,673</u>
<b>NONCURRENT LIABILITIES:</b>		
Airport revenue bonds (net of unamortized deferred amount on refunding of \$9,493,871 and \$10,813,988, respectively)	205,411,129	218,191,012
Notes payable, less current maturities	8,273,333	-
Subordinate revenue note	-	211,010
Synthetic advance refunding, Series 2001A	3,308,619	4,095,791
Fair value of derivative financial instruments	2,860,390	1,169,988
Deferred interest income	2,044,693	3,305,261
Deferred rental income	1,982,151	1,985,999
Other postemployment benefit obligation	2,529,829	-
Total noncurrent liabilities	<u>226,410,144</u>	<u>228,959,061</u>
Total liabilities	<u>271,856,348</u>	<u>269,811,734</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	-	-
<b>NET ASSETS:</b>		
Invested in capital assets - net of related debt	198,589,040	150,379,604
Restricted:		
Passenger facility charge projects	26,123,855	29,759,895
Debt service	39,874,630	45,116,496
Other	4,244,330	-
Total restricted net assets	<u>70,242,815</u>	<u>74,876,391</u>
Unrestricted net assets	<u>13,824,541</u>	<u>24,122,346</u>
Total net assets	<u>282,656,396</u>	<u>249,378,341</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$554,512,744</u>	<u>\$519,190,075</u>

See accompanying notes to financial statements.

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
OPERATING REVENUES:		
Signatory airline	\$ 10,527,728	\$ 13,116,169
Parking	30,405,023	27,794,482
Concession	17,164,513	16,631,319
Space rental	11,050,944	10,135,718
Other	7,167,118	7,221,908
	<u>76,315,326</u>	<u>74,899,596</u>
OPERATING EXPENSES:		
Salaries and wages	23,690,248	20,379,376
Contractual services	16,299,124	14,430,214
Materials and supplies	2,228,830	2,437,293
Utilities	5,537,335	4,408,582
Other	2,688,651	2,943,678
	<u>50,444,188</u>	<u>44,599,143</u>
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	25,871,138	30,300,453
PROVISION FOR DEPRECIATION	<u>20,424,563</u>	<u>18,121,419</u>
OPERATING INCOME	<u>5,446,575</u>	<u>12,179,034</u>
NONOPERATING REVENUES:		
Investment income	4,603,766	4,931,594
Passenger facility charges	12,836,344	13,237,806
Customer facility charges	4,259,428	-
Gain on disposal of property and equipment	27,536	25,393
	<u>21,727,074</u>	<u>18,194,793</u>
NONOPERATING EXPENSES:		
Interest expense	14,504,722	14,396,542
Loss on derivative financial instruments	1,690,402	318,614
Other nonoperating expense	-	711,090
	<u>16,195,124</u>	<u>15,426,246</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	10,978,525	14,947,581
CAPITAL CONTRIBUTIONS	<u>22,299,530</u>	<u>13,168,339</u>
INCREASE IN NET ASSETS	33,278,055	28,115,920
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>249,378,341</u>	<u>221,262,421</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 282,656,396</u>	<u>\$ 249,378,341</u>

*See accompanying notes to financial statements.*

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 76,289,729	\$ 74,952,098
Cash paid to employees	(23,604,674)	( 20,245,435)
Cash paid to suppliers	(17,097,200)	( 15,934,571)
Other payments	<u>( 2,688,651)</u>	<u>( 2,943,678)</u>
Net cash provided by operating activities	<u>32,899,204</u>	<u>35,828,414</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Payments on long-term debt	( 325,000)	( 320,000)
Interest paid on long-term debt	<u>( 1,019,510)</u>	<u>( 1,034,471)</u>
Net cash used in noncapital financing activities	<u>( 1,344,510)</u>	<u>( 1,354,471)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Receipt of passenger facility charges	13,779,339	12,893,814
Receipt of customer facility charges	3,426,624	-
Purchases of property and equipment	(63,099,797)	( 39,234,606)
Proceeds from sale of property and equipment	32,511	25,393
Interest paid on long-term debt	(11,923,555)	( 12,372,969)
Proceeds from issuance of long-term debt, net of refundings	18,280,000	18,285,000
Payment of bond issue costs	( 820,963)	( 464,482)
Payments on long-term debt	(22,718,220)	( 21,191,495)
Repayment related to debt service forward delivery agreement	( 1,080,000)	-
Contributions from governmental agencies	<u>21,145,553</u>	<u>11,732,734</u>
Net cash used in capital and related financing activities	<u>(42,978,508)</u>	<u>( 30,326,611)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(87,163,281)	(113,680,743)
Proceeds from the sale and maturities of investments	98,568,343	131,870,136
Interest received on investments	<u>4,337,876</u>	<u>5,166,390</u>
Net cash provided by investing activities	<u>15,742,938</u>	<u>23,355,783</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,319,124</b>	<b>27,503,115</b>
<b>CASH AND CASH EQUIVALENTS -</b>		
Beginning of year	<u>63,521,339</u>	<u>36,018,224</u>
End of year	<u>\$ 67,840,463</u>	<u>\$ 63,521,339</u>

See accompanying notes to financial statements.

(Continued)

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING INCOME		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 5,446,575	\$ 12,179,034
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for depreciation	20,424,563	18,121,419
Amortization of deferred real estate leasing commission	1,080	1,080
Amortization of deferred rental income	( 34,904)	( 34,904)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	( 22,829)	55,715
Decrease (increase) in inventories	36,309	( 61,031)
(Increase) decrease in prepaid expenses	( 210,636)	38,851
Decrease in other assets	917,951	1,056,249
Increase in trade accounts payable	3,694,636	4,307,449
Increase in accrued payroll and related items	85,574	133,941
Increase in deferred rental income	31,056	30,611
Increase in other postemployment benefit obligation	2,529,829	-
Net cash provided by operating activities	<u>\$ 32,899,204</u>	<u>\$ 35,828,414</u>
CASH AND CASH EQUIVALENTS - END OF YEAR		
CONSIST OF:		
Unrestricted cash and cash equivalents	\$ 24,844,223	\$ 21,450,189
Restricted cash and cash equivalents	<u>42,996,240</u>	<u>42,071,150</u>
	<u>\$ 67,840,463</u>	<u>\$ 63,521,339</u>

**NONCASH INVESTING AND FINANCING ACTIVITIES:**

During 2008 and 2007, \$2,562,919 and \$2,217,922, respectively, were charged to interest expense for amortization of deferred bond issue costs and amortization of deferred loss on refunding of debt.

During 2008 and 2007, interest expense was reduced by \$787,172 and \$836,841, respectively, for the amortization of the synthetic advance refunding.

During 2008 and 2007, \$427,615 and \$435,569, respectively, were included in interest income related to the amortization of deferred interest income.

During 2008 and 2007, losses of \$1,690,402 and \$318,614, respectively, were recognized for the change in fair value of derivative financial instruments.

*See accompanying notes to financial statements.*

## **1. METROPOLITAN NASHVILLE AIRPORT AUTHORITY**

The creation of 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, ("Metropolitan Government") created the Authority to operate as a separate enterprise. The Authority owns and operates Nashville International Airport and John C. Tune Airport, a general aviation reliever airport. 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.

The Authority's Board of Commissioners consists of 10 members who serve without compensation, nine of whom are appointed by the Metropolitan Government Mayor and approved by the Metropolitan Government Council, with the 10<sup>th</sup> being the Mayor (or his designee). There are 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.

During April 2007, the Board of Commissioners of the Authority approved an interlocal cooperation agreement with the Industrial Development Board of the Metropolitan Government. As a result of this action, MNAA Properties Corporation ("MPC"), a Tennessee nonprofit corporation, was formed for the purpose of supporting and facilitating the operations of the Authority and to help the economic development of the surrounding area. The Commissioners of the Authority constitute the Board of Directors of MPC. For financial reporting purposes, MPC is a blended component unit of the Authority. A capital contribution of \$9,000,000 was transferred from the Authority to MPC in August 2007. During fiscal year 2008, MPC Holdings, LLC, a limited liability company in which MPC is the sole member, purchased two separate multi-tenant buildings and commenced operation. Both facilities are on Nashville International Airport property. It is currently expected that no other property or assets of the Authority will be pledged or committed to support MPC or any subsidiaries of MPC.

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 its being fiscally dependent on the Authority and due to the Authority's appointment of the voting majority of its governing board.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***Measurement Focus, Basis of Accounting, and Basis of Presentation***

The financial statements of the Authority are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred. The financial statements include the operations of the Nashville International Airport, John C. Tune Airport, and MPC as noted above.

The Authority applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. 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.

### ***Use of Estimates in the Preparation of Financial Statements***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 revenues and expenses during the reporting period. Significant estimates include the useful lives of capital assets, the fair value of derivative financial instruments, the allowance for doubtful accounts, and certain self-insured liabilities. Actual results could differ from those estimates.

### ***Budgets***

The Authority is required to prepare an annual operating budget to obtain the support of the Airline Affairs Committee, which is composed of the eight signatory airlines, and the approval of the Board of Commissioners. A five-year capital improvement program, including modifications and reasons therefore, is also required to be submitted each year. In addition, an operating budget and capital improvement program are submitted to the Board of Commissioners for approval for John C. Tune Airport and MPC.

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.

### ***Operating and Nonoperating Revenues and Expenses***

The Authority distinguishes operating revenues and operating expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. 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 nonoperating revenues. Such nonoperating revenues include passenger facility charges (PFCs) as described in Note 9 and customer facility charges (CFCs) as described in Note 10. 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 nonoperating expenses.

The Authority's operating revenues are presented in five components as follows:

*Signatory Airline* - Signatory Airline revenue consists of the revenues earned from eight signatory airlines primarily for terminal space rentals and landing fees. Terminal rents and landing fees charged to the signatory airlines are based on a residual agreement which takes into account all eligible revenues, expenses and debt service of the Authority. The residual agreement is designed to minimize the landing fees and terminal rents of the signatory airlines while assuring the payment of all net operating costs and debt service relating to the Authority (see Note 12).

*Parking* - Parking revenue is generated primarily from the operation of Authority-owned parking facilities at Nashville International Airport.

*Concession* - Concession revenue is generated through concessionaires and tenants who pay monthly fees for using airport facilities to offer their goods and services to the public. Payments to the Authority are based on negotiated agreements with concessionaires to remit amounts usually based on either a minimum guarantee or on a percentage of gross receipts.

*Space Rental* - Space rental revenue includes nonsignatory airline terminal space rental, car rental companies' space rental, and certain other income received from leases of Authority-owned property.

*Other* - Other revenue consists primarily of nonsignatory airline landing fees, cargo airline landing fees and the Authority's portion of fixed base operators' fuel sales.

### ***Cash and Cash Equivalents***

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

### ***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 Reporting for Certain Investments and for External Investment Pools*, which requires that certain investments be recorded at fair value (e.g., quoted market prices). 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.

### ***Amounts Due from Governmental Agencies***

The Authority has grants for aid in construction from the federal Airport Improvement Program ("AIP"). 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.

### ***Restricted Assets***

Restricted assets consist of cash and cash equivalents, investments and other resources which are restricted legally or by enabling legislation. The Authority's restricted assets are to be used for purposes specified in the respective bond indentures, other authoritative or legal documents as is the case with the collection of CFCs for building a consolidated rental car facility, or for purposes specified by the PFC program, as administered by the Federal Aviation Administration.

When restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then use unrestricted resources as needed.

### ***Capital Assets***

Capital assets are stated at cost, except for contributions of property received from governmental agencies, which are recorded at fair market value at the time of contribution. 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***

The Authority's derivative financial instruments are accounted for at fair value in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, with any gains or losses resulting from the fair value measurements being recorded as nonoperating.

### ***Deferred Bond Issue Costs***

Deferred bond issue costs incurred in connection with issuance of the airport revenue bonds are being amortized to interest expense using the effective interest method over the term of the respective bonds.

### ***Postemployment Benefits***

Postemployment 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 health care benefits other than pension benefits are accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which establishes standards for the measurement, recognition, and display of postemployment health care benefits expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information.

### ***Compensated Absences***

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

### ***Self insurance***

The Authority is self insured, up to certain limits, for employee group health insurance claims. The Authority has purchased reinsurance in order to limit its exposure. The cost of claims reported and an estimate of claims incurred but not reported are charged to operating expenses. Liabilities for unpaid claims are accrued based on management's estimate using historical experience and current trends. The appropriateness of the self-insurance accrued liabilities are continually reviewed and updated by management.

### **Deferred Revenue**

Deferred revenue consists of deferred interest income and deferred rental income. Deferred interest income relates to the Authority's debt forward delivery agreements entered into in connection with certain bond financing transactions. The deferred interest income is being amortized to income using the effective interest method over the term of the related agreements. Deferred rental income represents lease rentals, received in advance, for certain ground leases entered into with developers. The deferred rental income is being recognized in income on a straight-line basis over the terms of the related leases.

### **Components of Net Assets**

The Authority's net asset classifications are defined as follows:

*Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, capital lease obligations or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

*Restricted net assets* - This component of net assets represents restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law or through constitutional provisions or enabling legislation.

*Unrestricted net assets* - This component of net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

### **Taxes**

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

### **Reclassifications**

Certain reclassifications have been made to the fiscal year 2007 financial information in order to conform with the presentation adopted for fiscal year 2008.

### **Recent Accounting Pronouncements**

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This standard will require state and local governments to provide the public with better information about the financial impact of environmental cleanups. Specifically, GASB 49 identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. A government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and if certain events have occurred (e.g., the government has violated a pollution prevention-related permit or license). GASB 49 is applicable for the Authority in fiscal year 2009. Management does not anticipate that the implementation of this Statement will have a material effect on the financial statements.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB 51 provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. GASB 51 provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. The requirements of GASB 51 are applicable to the Authority in fiscal year 2010, and management is currently evaluating the impact of the requirements on the financial statements.

In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held As Investments by Endowments*. This statement establishes new standards for the reporting of land and other real estate held as investments by endowments. Under this Statement, endowments are required to report their land and other real estate investments at fair value. Governments are required to report changes in the fair value of land and other real estate investments as investment income and to disclose the methods and significant assumptions employed to determine fair value. The requirements of GASB 52 are applicable to the Authority in fiscal year 2009; however, management does not anticipate the adoption to have a material impact on the financial statements.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how state and local governments report information about derivative instruments in their financial statements. Specifically, GASB 53 requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. GASB 53 also addresses hedge accounting requirements, providing specific criteria that governments will use to determine whether a derivative instrument results in an effective hedge. The requirements of GASB 53 are applicable to the Authority in fiscal year 2010, and management is currently evaluating the impact of the requirements on the financial statements.

### 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Authority's deposit and investment policy is governed by the laws of the state of Tennessee and bond trust indentures and supplemental resolutions, which govern the investment of bond proceeds. Permissible investments generally include 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.

Deposits and investments held by financial institutions are required by state statute to be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount projected by federal depository insurance.

#### *Cash and Cash Equivalents*

The Authority's unrestricted and restricted cash and cash equivalent bank balances totaling \$65,178,542 and \$50,062,927 at June 30, 2008 and 2007, respectively (with a carrying value of \$67,840,463 and \$63,521,339) represent a variety of time deposits with banks. All cash deposits are in a single financial institution and are carried at cost plus interest which approximates fair value. The carrying amount of cash deposits is separately reported as cash and cash equivalents in the accompanying statements of net assets.

Cash deposits are insured up to the federal depository insurance coverage level. The Authority's financial institution is a member of the State of Tennessee's Bank Collateral Pool that collateralizes public funds accounts including those of the Authority. Financial institutions participating in the Collateral Pool determine the aggregate balance of their public fund accounts and the required collateral for the Authority. The amount of collateral required to secure these public deposits must be equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

#### *Investments*

As of June 30, 2008, 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. agencies	\$ 22,945,098	\$ 19,261,431	\$ 3,683,667	\$ -
Commercial paper	9,327,596	9,327,596	-	-
Corporate bonds	2,023,332	1,598,272	425,060	-
Asset-backed securities	224,824	-	224,824	-
Mortgage-backed securities	1,348,732	-	829,476	519,256
Certificate of deposit	4,693,745	4,693,745	-	-
	<u>\$ 40,563,327</u>	<u>\$ 34,881,044</u>	<u>\$ 5,163,027</u>	<u>\$ 519,256</u>

**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

As of June 30, 2007, 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. agencies	\$ 37,319,762	\$ 20,021,123	\$ 17,298,639	\$ -
Corporate bonds	8,844,976	4,356,488	4,488,488	-
Asset-backed securities	895,541	-	895,541	-
Mortgage-backed securities	4,834,442	75,862	3,001,762	1,756,818
	<u>\$ 51,894,721</u>	<u>\$ 24,453,473</u>	<u>\$ 25,684,430</u>	<u>\$ 1,756,818</u>

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

	2008	2007
Short-term unrestricted investments	\$ 1,986,197	\$ 2,070,862
Short-term restricted investments	32,894,847	22,382,611
Noncurrent unrestricted investments	4,703,600	8,565,066
Noncurrent restricted investments	<u>978,683</u>	<u>18,876,182</u>
	<u>\$ 40,563,327</u>	<u>\$ 51,894,721</u>

**Interest Rate Risk** - The investment policy states that the portfolio may be allocated among U.S. Treasury Obligations (0 - 100%), U.S. 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 10 years (all other investments). To control the volatility of the portfolio and limit exposure to interest rate risk, the Authority's Chief Financial Officer determines 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 ratings range 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 of 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, 2008 and 2007, are all insured by securities held by the Authority's 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 U.S. Treasury Obligations and U.S. Agency Instruments.

### ***Forward Delivery Agreements***

In August 1994, the Authority entered into a Forward Delivery Agreement ("1994 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 in an upfront, lump sum payment of \$2,870,735. The amount of the upfront payment was recorded as deferred interest income and is being amortized into income over the term of the agreement. The Series 1991C principal and interest investments were replaced with the Series 2001A principal and interest investments upon refunding of the Series 1991C bonds with the Series 2001A bonds (see Note 5).

In November 1999, the Authority entered into a Debt Service Forward Delivery Agreement ("1999 DSFDA") with a financial institution for the continuous investment of the Series 1991C principal and interest investments from July 2009 through the term of the bonds; Series 1993 principal investments from July 2009 through the term of the bonds; Series 1995 principal and interest investments through the term of the bonds; Series 1998A principal and interest investments through the term of the bonds; Series 1998C 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 an upfront, 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. The 1993 principal and interest investments were replaced with the Series 2008A principal and interest investments upon refunding of the Series 1993 bonds with the Series 2008A 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 an upfront, lump sum payment of \$1,325,000. These proceeds were used to fund various capital improvement projects. The amount of the upfront payment was recorded as deferred interest income and was being amortized into income over the term of the agreement. This agreement was terminated in June 2008 when Series 1993 bonds were refunded with the Series 2008A bonds. A termination payment of \$1,080,000 was paid at that time. The balance of unamortized deferred interest income at the time of termination was \$832,953.

The remaining unearned amounts relating to the forward delivery agreements were \$2,044,693 and \$3,305,261 at June 30, 2008 and 2007, respectively. Such amounts are reported as deferred interest income in the accompanying statements of net assets.

**NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

**4. CAPITAL ASSETS**

Capital assets and related accumulated depreciation activity for the years ended June 30, 2008 and 2007, were as follows:

	Balance June 30, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
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	<u>46,276,385</u>	<u>63,099,797</u>	<u>-</u>	<u>(60,928,224)</u>	<u>48,447,958</u>
Total capital assets not being depreciated	<u>145,637,350</u>	<u>63,099,797</u>	<u>-</u>	<u>(60,928,224)</u>	<u>147,808,923</u>
Capital assets being depreciated:					
Land improvements	387,482,242	-	-	18,982,533	406,464,775
Buildings and building improvements	127,250,001	-	-	29,022,306	156,272,307
Equipment, furniture and fixtures	<u>31,813,649</u>	<u>-</u>	<u>(208,667)</u>	<u>12,923,385</u>	<u>44,528,367</u>
Total capital assets being depreciated	<u>546,545,892</u>	<u>-</u>	<u>(208,667)</u>	<u>60,928,224</u>	<u>607,265,449</u>
Less accumulated depreciation:					
Land improvements	(226,337,938)	(11,995,955)	-	-	(238,333,893)
Buildings and building improvements	(69,016,881)	(5,564,705)	-	-	(74,581,589)
Equipment, furniture and fixtures	<u>(18,670,872)</u>	<u>(2,863,900)</u>	<u>203,692</u>	<u>-</u>	<u>(21,331,080)</u>
Total accumulated depreciation	<u>(314,025,691)</u>	<u>(20,424,563)</u>	<u>203,692</u>	<u>-</u>	<u>(334,246,562)</u>
Total capital assets being depreciated	<u>232,520,201</u>	<u>(20,424,563)</u>	<u>(4,975)</u>	<u>60,928,224</u>	<u>273,018,887</u>
Net capital assets	<u>\$ 378,157,551</u>	<u>\$ 42,675,234</u>	<u>\$ (4,975)</u>	<u>\$ -</u>	<u>\$ 420,827,810</u>

	Balance June 30, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
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	<u>29,986,164</u>	<u>39,194,633</u>	<u>-</u>	<u>(22,904,412)</u>	<u>46,276,385</u>
Total capital assets not being depreciated	<u>129,347,129</u>	<u>39,194,633</u>	<u>-</u>	<u>(22,904,412)</u>	<u>145,637,350</u>
Capital assets being depreciated:					
Land improvements	369,423,129	-	-	18,059,113	387,482,242
Buildings and building improvements	123,618,070	-	(12,970)	3,644,901	127,250,001
Equipment, furniture and fixtures	<u>29,163,887</u>	<u>1,559,471</u>	<u>(110,107)</u>	<u>1,200,398</u>	<u>31,813,649</u>
Total capital assets being depreciated	<u>522,205,086</u>	<u>1,559,471</u>	<u>(123,077)</u>	<u>22,904,412</u>	<u>546,545,892</u>
Less accumulated depreciation:					
Land improvements	(214,988,464)	(11,349,474)	-	-	(226,337,938)
Buildings and building improvements	(64,645,060)	(4,384,791)	12,970	-	(69,016,881)
Equipment, furniture and fixtures	<u>(16,393,825)</u>	<u>(2,387,154)</u>	<u>110,107</u>	<u>-</u>	<u>(18,670,872)</u>
Total accumulated depreciation	<u>(296,027,349)</u>	<u>(18,121,419)</u>	<u>123,077</u>	<u>-</u>	<u>(314,025,691)</u>
Total capital assets being depreciated	<u>226,177,737</u>	<u>(16,561,948)</u>	<u>-</u>	<u>22,904,412</u>	<u>232,520,201</u>
Net capital assets	<u>\$ 355,524,866</u>	<u>\$ 22,632,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 378,157,551</u>

## 5. AIRPORT BONDS

### ***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 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. The Authority had an agreement with a remarketing agent to remarket any bonds presented for redemption. In the event the bonds could not be remarketed in the normal course of business, the Authority had 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 the outstanding principal amount 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. The costs incurred during the years ended June 30, 2008 and 2007, for the liquidity facility agreement were \$172,907 and \$137,245, respectively, and were recorded as additional interest expense. The Series 1993 bonds were refunded in their entirety with the Series 2008A bonds in June 2008. See further discussion of the 2008A bonds below. The Authority entered into an interest rate swap agreement on the Series 1993 bonds. This swap agreement continued uninterrupted with the Series 2008A bonds (see Note 8).

### ***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). 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 4.60% to 5.00%, maturing in progressive annual amounts ranging from \$4,100,000 on July 1, 2008, 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 contains serial bonds at interest rates ranging from 4.70% to 5.15%, maturing in decreasing annual amounts ranging from \$1,625,000 on July 1, 2008, 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. The Series 1998B bonds have been repaid, and there is no outstanding balance at June 30, 2008.

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 contains serial bonds at interest rates ranging from 5.25% to 5.38%, maturing in progressive annual amounts ranging from \$1,860,000 on July 1, 2008, 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. 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 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. 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 Series 2001A issue contains serial bonds at interest rates ranging from 6.60% to 6.63%, maturing in progressive annual amounts ranging from \$6,150,000 on July 1, 2008, 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 credited to interest expense 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. 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 \$3,550,000 on July 1, 2008, to \$3,925,000 on July 1, 2012.

***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 3.74% to 5.94%, maturing in progressive annual amounts ranging from \$335,000 on July 1, 2008, 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.

***Airport Improvement Revenue Bonds, Series 2006***

During December 2006, the Authority issued Series 2006 bonds in the principal amount of \$18,285,000. The bonds were issued to provide funds for a portion of the first phase of the multiple-phase terminal renovation project that began in October 2006. Project completion is expected in 2011. The Series 2006 bonds were issued bearing interest at a weekly variable rate. These bonds were refunded with the Series 2008B bonds in June 2008.

***Airport Improvement Bonds, Series 2007A***

During August 2007, the Authority issued Series 2007A bonds in the principal amount of \$8,700,000. The bonds were issued to provide funds for a portion of the first phase of the multi-phase terminal renovation project that began in October 2006. Project completion is expected in 2011. The Series 2007A bonds were issued bearing interest at a weekly variable rate. These bonds were refunded with the Series 2008B bonds in June 2008.

***Airport Improvement Revenue Bonds, Refunding Series 2008A***

During June 2008, the Authority issued Refunding Series 2008A in the principal amount of \$37,600,000. These bonds were issued to provide funds to refund \$37,600,000 aggregate outstanding principal amount of the Authority's Series 1993 bonds. The purpose of the refunding was to replace the liquidity facility agreement with a direct pay letter of credit. There was no significant economic gain as a result of the refunding. There were no changes to the debt service schedule or other terms of the bonds. The refunding of the Series 1993 bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,124,070. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through fiscal year 2020 using the effective interest method.

The Series 2008A issue contains serial bonds bearing interest at a weekly variable rate. In order to limit its exposure to changes in interest rates, the Authority transferred its existing 1993 interest rate swap agreement to the 2008A bonds ("2008A Swap Agreement"), resulting in a fixed interest rate of 4.49% (See Note 8). The 2008A bonds mature in various annual amounts ranging from \$5,800,000 on July 1, 2008, to \$3,800,000 on July 1, 2019.

***Airport Improvement Revenue Bonds, Refunding Series 2008B***

During June 2008, the Authority issued Refunding Series 2008B in the principal amount of \$27,605,000. These bonds were issued to provide funds to refund \$26,985,000 aggregate outstanding principal amounts of both the Series 2006 and Series 2007A bonds and to pay for costs of issuances. The purpose of the refunding was to replace the liquidity facility with a direct pay letter of credit. There were no significant changes to the terms of the bonds, and there was no significant economic gain as a result of the refunding.

The refunding of the Series 2006 and 2007A bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$547,608. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through fiscal year 2018 using the effective interest method.

The Series 2008B issue contains serial bonds bearing interest at a weekly variable rate. To manage its exposure to market risks from fluctuations in interest rates, the Authority entered into an interest rate swap agreement (the "2008B Swap Agreement") eliminating any basis risk to the Authority, resulting in a net fixed rate of 3.32% on the Series 2008B bonds (see Note 8). The Series 2008B bonds mature in various progressive annual amounts ranging from \$2,555,000 on July 1, 2009, to \$3,590,000 on July 1, 2018.

**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

In summary, all of the Authority's bonds, except for the Series 2003 PFC 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 airports. The 2003 PFC 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, 2008 and 2007 (the restricted funds relate primarily to airport bonds and related activity):

	<u>2008</u>	<u>2007</u>
Principal and Interest Funds:		
Airport Improvement Revenue Bonds,		
Adjustable Rate Refunding, Series 1993	\$ -	\$ 5,551,158
Airport Improvement Revenue Bonds,		
Adjustable Rate Refunding, Series 1995	5,559,129	4,963,964
Airport Improvement Revenue Bonds, Series 1998	3,940,647	4,314,439
Airport Improvement Revenue Bonds Series 2001A	8,143,230	7,959,614
Airport Improvement Revenue Bonds, Series 2003B	846,260	843,571
PFC and Airport Improvement Revenue Bonds, Series 2003	3,642,913	3,467,794
Airport Improvement Revenue Bonds, Series 2006	-	7,386,762
Airport Improvement Revenue Bonds, Series 2008A	5,736,369	-
Airport Improvement Revenue Bonds, Series 2008B	5,370,407	-
Bond Reserve Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	4,670,632	5,010,000
Airport Improvement Revenue Bonds,		
Adjustable Rate Refunding Series 1993	-	2,675,000
Construction Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	29,332,451	34,399,549
Airport Improvement Revenue Bonds, Series 2006	4,332,466	6,758,092
Airport Improvement Revenue Bonds, Series 2007	1,899,495	-
Other Funds (not bond related):		
CFC Construction Funds	2,417,088	-
Capital Sales Assistance Funds	978,683	-
	<u>\$ 76,869,770</u>	<u>\$ 83,329,943</u>

**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

Revenue bond activity for the year ended June 30, 2008, is summarized as follows:

<b>Series Description</b>	<b>Balance June 30, 2007</b>	<b>New Borrowings</b>	<b>Principal Repayment</b>	<b>Refundings</b>	<b>Amortization</b>	<b>Balance June 30, 2008</b>
Series 1993	\$ 43,200,000	\$ -	\$ (5,600,000)	\$ (37,600,000)	\$ -	\$ -
Series 1995	50,600,000	-	(3,725,000)	-	-	46,875,000
Series 1998A	9,185,000	-	(1,750,000)	-	-	7,435,000
Series 1998C	21,770,000	-	(1,760,000)	-	-	20,010,000
1999 Subordinated Note	409,553	-	(409,553)	-	-	-
Series 2001A	67,945,000	-	(5,765,000)	-	-	62,180,000
Series 2003 PFC	22,145,000	-	(3,470,000)	-	-	18,675,000
Series 2003B	18,270,000	-	(325,000)	-	-	17,945,000
Series 2006	18,285,000	-	-	(18,285,000)	-	-
Series 2007A	-	8,700,000	-	(8,700,000)	-	-
Series 2008A	-	37,600,000	-	-	-	37,600,000
Series 2008B	-	27,605,000	-	-	-	27,605,000
Total	251,809,553	73,905,000	(22,804,553)	(64,585,000)	-	238,325,000
Less unamortized deferred amount on refunding	(10,813,988)	-	-	(799,825)	2,119,942	(9,493,871)
	<u>240,995,565</u>	<u>\$ 73,905,000</u>	<u>\$ (22,804,553)</u>	<u>\$ (65,384,825)</u>	<u>\$ 2,119,942</u>	<u>228,831,129</u>
Less current portion	(22,593,543)					(23,420,000)
	<u>\$ 218,402,022</u>					<u>\$ 205,411,129</u>

Revenue bond activity for the year ended June 30, 2007, is summarized as follows:

<b>Series Description</b>	<b>Balance June 30, 2006</b>	<b>New Borrowings</b>	<b>Principal Repayment</b>	<b>Amortization</b>	<b>Balance June 30, 2007</b>
Series 1993	\$ 48,500,000	\$ -	\$ (5,300,000)	\$ -	\$ 43,200,000
Series 1995	53,990,000	-	(3,390,000)	-	50,600,000
Series 1998A	11,035,000	-	(1,850,000)	-	9,185,000
Series 1998C	23,445,000	-	(1,675,000)	-	21,770,000
1999 Subordinated Note	596,048	-	(186,495)	-	409,553
Series 2001A	73,355,000	-	(5,410,000)	-	67,945,000
Series 2003 PFC	25,525,000	-	(3,380,000)	-	22,145,000
Series 2003B	18,590,000	-	(320,000)	-	18,270,000
Series 2006	-	18,285,000	-	-	18,285,000
Total	255,036,048	18,285,000	(21,511,495)	-	251,809,553
Less unamortized deferred amount on refunding	(12,636,036)	-	-	1,822,048	(10,813,988)
	<u>242,400,012</u>	<u>\$ 18,285,000</u>	<u>\$ (21,511,495)</u>	<u>\$ 1,822,048</u>	<u>240,995,565</u>
Less current portion	(21,511,495)				(22,593,543)
	<u>\$ 220,888,517</u>				<u>\$ 218,402,022</u>

**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

Aggregate maturities of revenue bonds at June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 23,420,000	\$ 11,189,374	\$ 34,609,374
2010	27,150,000	10,395,150	37,545,150
2011	28,545,000	9,024,432	37,569,432
2012	29,935,000	7,577,026	37,512,026
2013	24,505,000	6,203,863	30,708,863
2014-2018	83,590,000	13,890,838	97,480,838
2019-2023	10,455,000	3,981,147	14,436,147
2024-2028	4,045,000	2,611,833	6,656,833
2029-2033	5,400,000	1,219,186	6,619,186
2034	1,280,000	38,016	1,318,016
	<u>238,325,000</u>	<u>66,130,865</u>	<u>304,455,865</u>
Less: unamortized deferred amount on refunding	(9,493,871)	-	(9,493,871)
	\$ <u>228,831,129</u>	\$ <u>66,130,865</u>	\$ <u>294,961,994</u>

The interest amounts on the variable rate debt that have interest rate swap agreements associated with them were computed based on the fixed rates in the agreements. The Series 2003 PFC bond's interest computation was based on the weekly reset in place at June 30, 2008.

During September 2008, the Authority entered into a \$15,000,000 line-of-credit agreement with a financial institution. Proceeds from the line-of-credit shall be used solely to pay accrued debt services on certain bond issues designated for refunding by the Authority. There were no draws on the line-of-credit as of the date of issuance of these financial statements. The line-of-credit bears interest at LIBOR plus 40 basis points and expires in September 2010.

## **6. OTHER NONCURRENT DEBT - MPC NOTES PAYABLE**

In October 2007, MPC Holdings, LLC, entered into a term note in the amount of \$7,600,000 with a financial institution. Proceeds were used to replenish MPC Holdings, LLC's cash balance shortly after its purchase of International Plaza for \$7,500,000 plus associated costs in September 2007. The variable rate loan was entered into bearing interest at a monthly rate. Principal payments are due in level monthly installments of \$31,667. The obligation matures in November 2012, at which time the remaining balance will be \$5,700,000. The principal balance at June 30, 2008, was \$7,378,333. In order to reduce its exposure to fluctuations in interest rates, MPC Holdings, LLC, entered into an interest rate swap agreement ("2007 MPC Swap Agreement") that fixes the interest rate at 5.67% (see Note 8).

In March 2008, MPC Holdings, LLC, entered into a term note in the amount of \$1,360,000 with a financial institution. Proceeds were used to purchase a multi-purpose building on airport property from a major tenant. The variable rate loan was entered into bearing interest at a monthly rate. Principal payments are due in level monthly installments of \$5,666. The obligation matures in February 2013, at which time the remaining balance will be \$1,020,000. The principal balance at June 30, 2008, was \$1,343,000. MPC Holdings, LLC, entered into an interest rate swap agreement ("2008 MPC Swap Agreement") that fixes the interest rate at 4.33% (see Note 8).

The aggregate principal maturities of the MPC notes payable are \$448,000 in fiscal years 2009, 2010, 2011, 2012 and \$6,929,333 in fiscal 2013.

## 7. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities activity for the years ended June 30, 2008 and 2007, is summarized as follows:

Other Noncurrent Liabilities Description	Balance June 30, 2007	Net Cash Receipts (Repayments)	Amortization	Loss on Derivative Instruments	Balance June 30, 2008
Synthetic advance refunding, Series 2001A	\$ 4,095,791	\$ -	\$ (787,172)	\$ -	\$ 3,308,619
Fair value of derivative financial instruments	1,169,988	-	-	1,690,402	2,860,390
Deferred interest income	3,305,261	(832,953)	(427,615)	-	2,044,693
Deferred rental income	1,985,999	31,056	(34,904)	-	1,982,151
	<u>\$10,557,039</u>	<u>\$ (801,897)</u>	<u>\$(1,249,691)</u>	<u>\$ 1,690,402</u>	<u>\$ 10,195,853</u>

Other Noncurrent Liabilities Description	Balance June 30, 2006	Net Cash Receipts (Repayments)	Amortization	Loss on Derivative Instruments	Balance June 30, 2007
Synthetic advance refunding, Series 2001A	\$ 4,932,632	\$ -	\$ (836,841)	\$ -	\$ 4,095,791
Fair value of derivative financial instruments	851,374	-	-	318,614	1,169,988
Deferred interest income	3,740,830	-	(435,569)	-	3,305,261
Deferred rental income	1,990,292	30,611	(34,904)	-	1,985,999
	<u>\$11,515,128</u>	<u>\$ 30,611</u>	<u>\$(1,307,314)</u>	<u>\$ 318,614</u>	<u>\$ 10,557,039</u>

## 8. DERIVATIVE FINANCIAL INSTRUMENTS

**1993/2008A 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"). In general, the 1993 Swap Agreement 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. During 2008, in connection with the refunding of the Series 1993 bonds with the Series 2008A bonds, the 1993 Swap Agreement was transferred from the 1993 bonds to the 2008A bonds. All the terms of the 1993 Swap Agreement remained intact and apply to the Series 2008A bonds.

**2008B Interest Rate Swap Agreement** - In connection with the Series 2008B 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 June 9, 2008, (the "2008B Swap Agreement") with a bank (the "2008B Swap Provider"). In general, the 2008B Swap Agreement provides that the Authority will pay a fixed rate of 3.32% to the 2008B Swap Provider on a notional amount equal to the principal amount of the Series 2008B bonds outstanding, and the 2008B Swap Provider will pay interest at the rates borne by the Series 2008B bonds. Arrangements made in the 2008B Swap Agreement do not alter the Authority's obligation to pay the principal of, premium, if any, and interest on the 2008B bonds. Since the counterparty to the 2008B Swap Agreement is a major bank, the Authority does not anticipate credit-related losses from nonperformance by such counterparty.

**MPC 2007 Interest Rate Swap Agreement** - In October 2007, MPC Holdings, LLC entered into an interest rate swap agreement (the "2007 MPC Swap Agreement") in order to manage its exposure to market risks from fluctuations in interest rates in connection with a term loan used to purchase a multi-tenant structure. In general, this agreement provides that MPC will pay a fixed rate of 5.67% on the outstanding principal amount. This agreement terminates November 1, 2012, to correspond with the termination of the loan. Since the counterparty to this agreement is a major bank, MPC does not anticipate credit related losses from nonperformance by such counterparty.

**MPC 2008 Interest Rate Swap Agreement** - In March 2008, MPC Holdings, LLC entered into an interest rate swap agreement (the "2008 MPC Swap Agreement") in order to manage its exposure to market risks from fluctuations in interest rates in connection with a term loan used to purchase a multi-purpose structure. In general, this agreement provides that MPC will pay a fixed rate of 4.33% on the outstanding principal amount. This agreement terminates March 1, 2013, to correspond with the termination of the loan. Since the counterparty to this agreement is a major bank, MPC does not anticipate credit-related losses from nonperformance by such counterparty.

In accordance with SFAS No. 133, the Authority has recorded the fair values of the interest rate swap agreements in the respective statements of net assets. The fair values of these financial instruments at June 30, 2008, have been calculated by a third-party service provider taking into consideration current interest rates. The change in the fair values of these financial instruments for the years ended June 30, 2008 and 2007, has been recorded as loss on derivative financial instruments in the statements of revenues, expenses and changes in net assets under nonoperating expenses.

The following presents the (asset)/liability fair values of the interest rate swaps as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
1993/2008A Swap Agreement	\$ 2,446,422	\$ 1,169,988
2008B Swap Agreement	188,519	-
2007 MPC Swap Agreement	249,844	-
2008 MPC Swap Agreement	( 24,395)	-
	<u>\$ 2,860,390</u>	<u>\$ 1,169,988</u>

## **9. 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. PFCs 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"). Federal guidance on the PFC program has been updated from time to time since 1993, and the current maximum fee that can be authorized through federal regulation is \$4.50 per enplaning passenger. PFCs are recorded as nonoperating revenue. PFC revenue during fiscal years 2008 and 2007 totaled \$12,836,344 and \$13,237,806, respectively.

The Authority has received approval from the FAA to impose a \$3.00 PFC. The following project summary has been approved by the FAA:

Airfield development	\$ 172,827,695
Terminal development	26,727,200
Land acquisition	<u>62,124,236</u>
	<u>\$ 261,679,131</u>

As of June 30, 2008, cumulative expenditures to date on approved PFC projects totaled \$168,567,627.

## **10. CUSTOMER FACILITY CHARGES**

On January 1, 2008, the Authority began requiring the car rental companies at Nashville International Airport to charge a Customer Facility Charge ("CFC") to be used to pay, or to reimburse the Authority, for costs, fees and expenses associated with the planning, design, construction, financing, maintenance and operation of the Consolidated Rental Car Facility ("CONRAC facility"), and other costs, fees and expenses that may be paid from CFC proceeds. The CFC is a \$4.00 per transaction day fee and is collected by the on-airport car rental companies from each of their customers and subsequently remitted to the Authority. The Authority has the right to pledge the CFC proceeds as collateral security for the payment of any debt obligations incurred by the Authority in connection with the planning, design, construction, financing, maintenance and operation of the CONRAC facility. CFCs are recorded as nonoperating revenue. CFC revenue during fiscal year 2008 totaled \$4,259,428. Restricted net assets relating to CFCs totaled \$3,294,892 at June 30, 2008, and are included in other restricted net assets in the statement of net assets. As of June 30, 2008, the CONRAC facility was in the design phase.

## 11. 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.

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 represent conduit debt and 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 represent conduit debt and have not been recorded in the Authority's financial statements.

## 12. AIRLINE LEASE AGREEMENTS

During the year ended June 30, 1975, the Authority entered into long-term lease agreements with certain 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. Costs recovered through rentals and fees include expenses of operating and maintaining the airport plus 110% of debt service on all bonds outstanding.

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 airport terminal.

The note receivable from American Airlines, which had a balance of \$1,519,498 at June 30, 2006, was forgiven March 1, 2007, and retroactive to February 1, 2006. In exchange for forgiving the receivable, the Authority received title to the facility that the note proceeds were used to construct. The value of the asset received by the Authority was \$1,559,471. As of June 30, 2008, there were no notes receivable outstanding.

## 13. 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. 30, *Risk Financing Omnibus*. 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:

	2008	2007
Balance—Beginning of year	\$ 356,360	\$ 270,909
Provision for incurred claims	3,250,627	3,754,342
Claim payments	(3,322,349)	(3,668,891)
Balance—End of year	\$ 284,638	\$ 356,360

Compensated absences is another component of the Authority's employee benefits program. Based on years of service, employees earn annual leave and may accumulate earned hours to certain limits for future use. The accrued annual leave liability decreased \$150,802 in fiscal year 2008 to an ending balance of \$1,130,844 at June 30, 2008, down from \$1,281,646 at June 30, 2007. Payments of \$171,021 were made during the year, and the change in accrued compensated absences balance is charged to salaries and wages expense.

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.

#### **14. COMMITMENTS AND CONTINGENCIES**

Estimated costs of completion of construction in progress at June 30, 2008, relate to various projects. These amounts are as follows:

Amount to be directly reimbursed by governmental agencies under existing governmental contracts	\$ 17,526,055
Amount to be funded by passenger facility charges collected	52,512,466
Amount to be funded by customer facility charges collected	61,691,288
Amount to be funded by the Authority	<u>28,953,422</u>
	<u>\$160,683,231</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 12.

#### **15. RETIREMENT BENEFIT PLANS**

Effective September 1989, the Authority adopted a 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; therefore, 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 Metropolitan Nashville Airport Authority, One Terminal Drive, Suite 501, Nashville, TN 37214, or by calling (615) 275-1600.

For the year ended June 30, 2008, the Authority's annual pension cost of \$1,281,087 was equal to the annual required contribution of \$1,094,240 less interest in the amount of \$1,195,139 on the net pension asset plus the annual required contribution adjustment of \$1,381,986. For the year ended June 30, 2007, the Authority's annual pension cost of \$1,140,231 was equal to the annual required contribution of \$956,151 less interest in the amount of \$1,286,357 on the net pension asset plus the annual required contribution adjustment of \$1,470,437. No actual contribution was made to the Plan during 2008 or 2007 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, 2007, actuarial valuation using the projected unit credit method.

The following table presents the annual pension cost, percentage of annual pension cost contributed, and the net pension asset for the years ended June 30, 2008, 2007, and 2006:

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation (Assets)</u>
2008	\$1,281,087	0%	\$(13,658,151)
2007	1,140,231	0%	(14,939,238)
2006	964,150	0%	(16,079,468)

The funded status of the pension plan as of the most recent actuarial valuation date, July 1, 2007, is detailed below:

Actuarial accrued liability (a)	\$33,173,924
Actuarial value of plan assets (b)	<u>31,554,953</u>
Unfunded actuarial accrued liability (a) - (b)	<u>1,618,971</u>
Funded ratio (b) / (a)	95.1%
Covered payroll (c)	\$8,612,671
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	18.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the projected salary increases. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Significant actuarial methods and assumptions as of July 1, 2007, the latest actuarial valuation, are detailed below:

Actuarial valuation method	Projected unit credit method
Amortization method	Level percentage over 30 years
Discount rate	8.0%
Asset valuation method	3-year weighted average of asset gains and losses
Rate of investment return	8.0%
Projected salary increases	4.0%
Cost-of-living adjustments	5.0% effective January 1, 2007

See further information in the Pension Plan Schedule of Funding Progress (unaudited) on Page 52.

#### **16. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The Authority provides postemployment 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 approximately 75% of the medical, dental, vision, and prescription coverage cost, with the retirees paying the remaining 25%. The Authority also pays 100% of the premium cost of a \$10,000 life insurance policy on each retiree. In addition, the retirees have the option to pay 100% of the cost of supplemental life insurance coverage. Currently, 73 retirees are receiving benefits under the PERS. During the years ended June 30, 2008 and 2007, payments of \$644,171 and \$381,527, respectively, were made by the Authority for postemployment benefits under this PERS. The monthly contribution requirements for participants in the Authority's medical plan range from \$3 (single "Core Wellness" premium) to \$225 (family "Core Plus" premium).

**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

Fiscal year 2008 is the first year of implementation for GASB Statement 45 as described in Note 2. For the year ended June 30, 2008, the Authority's annual OPEB cost of \$3,174,000 was equal to its annual required contribution. The Authority's contributions during fiscal year 2008 totaled \$644,171. The Authority's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for 2008 are as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$3,174,000	20.3%	\$2,529,829

The funded status of the medical plan as of the most recent actuarial valuation date, July 1, 2007, is detailed below:

Actuarial accrued liability (a)	\$26,394,000
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$26,394,000</u>
Funded ratio (b) / (a)	<u>0%</u>
Covered payroll (c)	\$13,279,000
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	198.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007, actuarial valuation, the following significant actuarial methods and assumptions were used:

Actuarial valuation method	Entry age normal method
Amortization method	Level percentage over 30 years
Discount rate	6.00%
Health care cost trend rate	9% graded to 5% uniformly over 4 years
Mortality	RP-2000 Combined Mortality Table
Retirement rates	Varying rates beginning with 5% at age 50 - 54 to 100% retirement at age 65

The Authority adopted the requirements of GASB Statement No. 45 for fiscal year 2008. It elected to apply the provisions of the Statement on a prospective basis, and accordingly, the disclosures presented in Note 16 and the information in the OPEB Plan Schedule of Funding Progress (unaudited) on Page 52 are presented for fiscal year 2008 only.

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 \$10,000 life insurance policy on each retiree. Currently, 17 retirees are receiving benefits under the PERS. During the years ended June 30, 2008 and 2007, payments of \$36,665 and \$61,332, respectively, were made to the Metropolitan Government for postemployment benefits under this PERS.

### 17. 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 have been 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 \$601,320 and \$538,891 in 2008 and 2007, respectively.

### 18. 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. In accordance with the terms of the lease agreements, the Authority received advance rental payments totaling \$2,533,613. This amount is being amortized into income over the terms of the leases. The unamortized amount was \$1,929,352 and \$1,982,009 at June 30, 2008 and 2007, respectively. The buildings and any other improvements constructed on the land become the property of the Authority upon the expiration or termination of the leases.

### 19. MAJOR CUSTOMERS

The two largest airlines serving Nashville International Airport accounted for approximately 62.4% and 60.2% of the total enplanements of 4,880,360 and 4,938,191 in fiscal years 2008 and 2007, respectively.

### 20. INFORMATION ON AUTHORITY OPERATING RESULTS BY ENTITY

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

	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation	Total
Year Ended June 30, 2008				
Operating revenues	\$ 74,041,224	\$ 696,220	\$ 1,577,882	\$ 76,315,326
Operating expenses	48,993,890	413,299	1,036,999	50,444,188
Provision for depreciation	19,241,605	872,602	310,356	20,424,563
Operating income (loss)	\$ 5,805,729	\$ (589,681)	\$ 230,527	\$ 5,446,575

	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation	Total
Year Ended June 30, 2007				
Operating revenues	\$ 74,231,101	\$ 668,495	\$ -	\$ 74,899,596
Operating expenses	44,233,659	365,484	-	44,599,143
Provision for depreciation	17,405,936	715,483	-	18,121,419
Operating income (loss)	\$ 12,591,506	\$ (412,472)	\$ -	\$ 12,179,034

## 21. 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, 2008 and 2007, and valuation methodologies considered appropriate to the circumstances.

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 67,840,463	\$ 67,840,463	\$ 63,521,339	\$ 63,521,339
Investments	40,563,327	40,563,327	51,894,721	51,894,721
Long-term debt	247,046,333	298,776,048	251,809,553	259,652,592

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 unrestricted)* - Fair value is estimated based upon quoted market prices.

*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 (see Note 8).

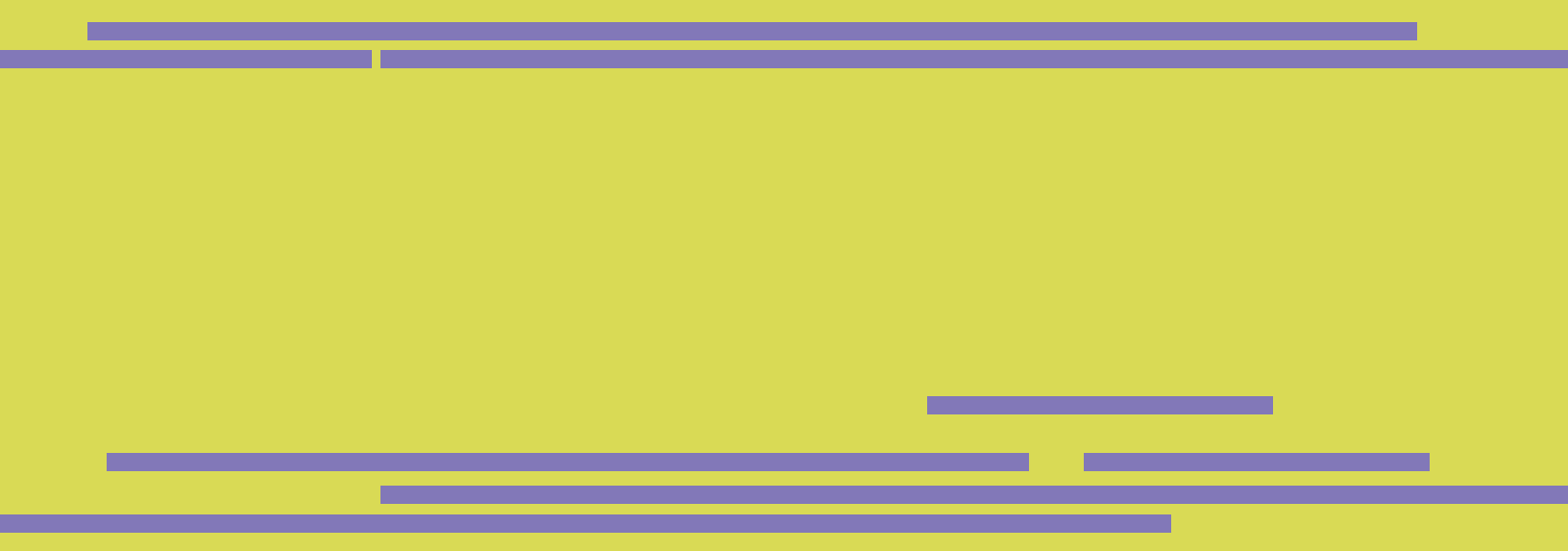
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS  
JUNE 30, 2008 (UNAUDITED)**

**PENSION PLAN:**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Underfunded) Overfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	
July 1, 2005	\$ 31,301,721	\$ 28,474,840	\$ 2,826,881	109.93%	\$ 9,380,863	(30.13%)
July 1, 2006	31,266,571	29,890,861	1,375,710	104.60%	9,215,800	(14.93%)
July 1, 2007	31,554,953	33,173,924	(1,618,971)	95.12%	8,612,671	18.80%

**OPEB PLAN:**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Underfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	
July 1, 2007	\$ -	\$ 26,394,000	\$(26,394,000)	- %	\$ 13,279,000	198.76%



## Supplementary Information

Metropolitan Nashville Airport Authority | Comprehensive Annual Financial Report



**SCHEDULE OF NET ASSETS INFORMATION BY ENTITY  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Nashville International Airport</b>	<b>John C. Tune Airport</b>	<b>MNAA Properties Corporation</b>	<b>Total</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Unrestricted assets:				
Cash and cash equivalents	\$ 15,333,033	\$ 1,243,578	\$ 8,267,612	\$ 24,844,223
Short-term investments	1,986,197	-	-	1,986,197
Accounts receivable—net of allowance for doubtful accounts of \$112,741	2,209,549	4,864	179,645	2,394,058
Inventories	446,335	-	-	446,335
Accrued interest receivable	100,689	-	-	100,689
Due from (to) other funds	35,097	(14,726)	(20,371)	-
Prepaid expenses and other	1,212,018	-	-	1,212,018
Total current unrestricted assets	<u>21,322,918</u>	<u>1,233,716</u>	<u>8,426,886</u>	<u>30,983,520</u>
Restricted assets:				
Cash and cash equivalents	42,996,240	-	-	42,996,240
Short-term investments	32,894,847	-	-	32,894,847
Passenger facility charges receivable	930,404	-	-	930,404
Customer facility charges receivable	832,804	-	-	832,804
Amounts due from governmental agencies	1,955,335	151,369	-	2,106,704
Accrued interest receivable	104,646	-	-	104,646
Total current restricted assets	<u>79,714,276</u>	<u>151,369</u>	<u>-</u>	<u>79,865,645</u>
Total current assets	<u>101,037,194</u>	<u>1,385,085</u>	<u>8,426,886</u>	<u>110,849,165</u>
<b>NONCURRENT ASSETS:</b>				
Capital assets:				
Land and land improvements	450,523,115	18,601,557	-	469,124,672
Land held for future expansion	36,701,068	-	-	36,701,068
Buildings and building improvements	143,306,865	3,754,748	9,210,694	156,272,307
Equipment, furniture and fixtures	44,234,777	293,590	-	44,528,367
Construction in progress	45,586,650	2,477,238	384,070	48,447,958
Total capital assets	720,352,475	25,127,133	9,594,764	755,074,372
Less accumulated depreciation	<u>(321,617,977)</u>	<u>(12,318,230)</u>	<u>(310,355)</u>	<u>(334,246,562)</u>
Total capital assets, net	<u>398,734,498</u>	<u>12,808,903</u>	<u>9,284,409</u>	<u>420,827,810</u>
Restricted investments	978,683	-	-	978,683
Unrestricted investments	4,703,600	-	-	4,703,600
Deferred bond issue costs	2,382,152	-	40,275	2,422,427
Other assets	14,366,215	-	364,844	14,731,059
Total noncurrent assets	<u>421,165,148</u>	<u>12,808,903</u>	<u>9,689,528</u>	<u>443,663,579</u>
<b>TOTAL ASSETS</b>	<u>\$ 522,202,342</u>	<u>\$ 14,193,988</u>	<u>\$ 18,116,414</u>	<u>\$ 554,512,744</u>

**SCHEDULE OF NET ASSETS INFORMATION BY ENTITY  
FOR THE YEAR ENDED JUNE 30, 2008**

	Nashville International Airport	John C. Tune Airport	MNA Properties Corporation	Total
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Payable from unrestricted assets:				
Trade accounts payable	\$ 12,683,860	\$ 387,834	\$ 91,585	\$ 13,163,279
Accrued payroll and related items	2,662,029	5,763	-	2,667,792
Current maturities of notes payable	-	-	448,000	448,000
Total payable from unrestricted assets	<u>15,345,889</u>	<u>393,597</u>	<u>539,585</u>	<u>16,279,071</u>
Payable from restricted assets:				
Trade accounts payable	1,249,122	-	-	1,249,122
Accrued interest payable	4,498,011	-	-	4,498,011
Current maturities of airport revenue bonds	23,420,000	-	-	23,420,000
Total payable from restricted assets	<u>29,167,133</u>	<u>-</u>	<u>-</u>	<u>29,167,133</u>
Total current liabilities	<u>44,513,022</u>	<u>393,597</u>	<u>539,585</u>	<u>45,446,204</u>
<b>NONCURRENT LIABILITIES:</b>				
Airport revenue bonds (net of unamortized deferred amount on refunding of \$9,493,871)	205,411,129	-	-	205,411,129
Notes payable, less current maturities	-	-	8,273,333	8,273,333
Synthetic advance refunding, Series 2001A	3,308,619	-	-	3,308,619
Fair value of derivative financial instruments	2,634,941	-	225,449	2,860,390
Deferred interest income	2,044,693	-	-	2,044,693
Deferred rental income	1,929,352	7,931	44,868	1,982,151
Other postemployment benefit obligation	2,529,829	-	-	2,529,829
Total noncurrent liabilities	<u>217,858,563</u>	<u>7,931</u>	<u>8,543,650</u>	<u>226,410,144</u>
Total liabilities	<u>262,371,585</u>	<u>401,528</u>	<u>9,083,235</u>	<u>271,856,348</u>
COMMITMENTS AND CONTINGENCIES	-	-	-	-
<b>NET ASSETS:</b>				
Invested in capital assets—net of related debt	<u>185,176,784</u>	<u>12,808,904</u>	<u>603,352</u>	<u>198,589,040</u>
Restricted:				
Passenger facility charge projects	26,123,855	-	-	26,123,855
Debt service	39,874,630	-	-	39,874,630
Other	4,244,330	-	-	4,244,330
Total restricted net assets	<u>70,242,815</u>	<u>-</u>	<u>-</u>	<u>70,242,815</u>
Unrestricted net assets	<u>4,411,158</u>	<u>983,556</u>	<u>8,429,827</u>	<u>13,824,541</u>
Total net assets	<u>259,830,757</u>	<u>13,792,460</u>	<u>9,033,179</u>	<u>282,656,396</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 522,202,342</u>	<u>\$ 14,193,988</u>	<u>\$ 18,116,414</u>	<u>\$ 554,512,744</u>

See independent auditors' report.

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION BY ENTITY  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Nashville International Airport</b>	<b>John C. Tune Airport</b>	<b>MNAA Properties Corporation</b>	<b>Total</b>
OPERATING REVENUES:				
Signatory airline	\$ 10,527,728	\$ -	\$ -	\$ 10,527,728
Parking	30,405,023	-	-	30,405,023
Concession	17,164,513	-	-	17,164,513
Space rental	8,867,032	652,797	1,531,115	11,050,944
Other	7,076,928	43,423	46,767	7,167,118
	<u>74,041,224</u>	<u>696,220</u>	<u>1,577,882</u>	<u>76,315,326</u>
OPERATING EXPENSES:				
Salaries and wages	23,503,461	186,787	-	23,690,248
Contractual services	15,606,318	144,634	548,172	16,299,124
Materials and supplies	2,194,447	32,009	2,374	2,228,830
Utilities	5,188,776	31,848	316,711	5,537,335
Other	2,500,888	18,021	169,742	2,688,651
	<u>48,993,890</u>	<u>413,299</u>	<u>1,036,999</u>	<u>50,444,188</u>
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	25,047,334	282,921	540,883	25,871,138
PROVISION FOR DEPRECIATION	<u>19,241,605</u>	<u>872,602</u>	<u>310,356</u>	<u>20,424,563</u>
OPERATING INCOME (LOSS)	<u>5,805,729</u>	<u>(589,681)</u>	<u>230,527</u>	<u>5,446,575</u>
NONOPERATING REVENUES:				
Investment income	4,252,028	37,002	314,736	4,603,766
Passenger facility charges	12,836,344	-	-	12,836,344
Customer facility charges	4,259,428	-	-	4,259,428
Gain on disposal of property and equipment	24,536	3,000	-	27,536
Total nonoperating revenue	<u>21,372,336</u>	<u>40,002</u>	<u>314,736</u>	<u>21,727,074</u>
NONOPERATING EXPENSES:				
Interest expense	14,218,087	-	286,635	14,504,722
Loss on derivative financial instruments	1,464,953	-	225,449	1,690,402
Total nonoperating expenses	<u>15,683,040</u>	<u>-</u>	<u>512,084</u>	<u>16,195,124</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	11,495,025	(549,679)	33,179	10,978,525
CAPITAL CONTRIBUTIONS	20,225,765	2,073,765	-	22,299,530
TRANSFERS	<u>(9,000,000)</u>	<u>-</u>	<u>9,000,000</u>	<u>-</u>
INCREASE IN NET ASSETS	22,720,790	1,524,086	9,033,179	33,278,055
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>237,109,967</u>	<u>12,268,374</u>	<u>-</u>	<u>249,378,341</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$259,830,757</u>	<u>\$ 13,792,460</u>	<u>\$ 9,033,179</u>	<u>\$282,656,396</u>

*See independent auditors' report.*

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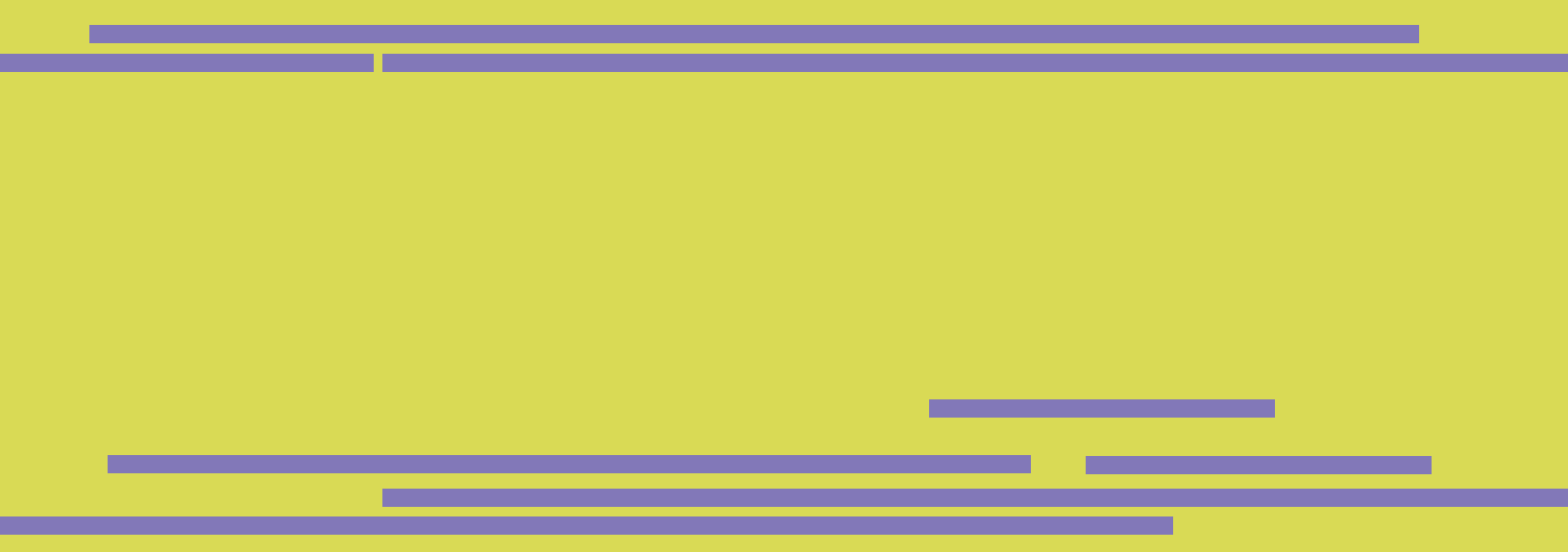
**SCHEDULE OF AIRPORT REVENUE BONDS, PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR  
JUNE 30, 2008 (UNAUDITED)**

Year Ending June 30,	Series 1995 Revenue Bonds		Series 1998A Revenue Bonds		Series 1998C Revenue Bonds		Series 2001A Revenue Bonds		Series 2003 PFC Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 4,100,000	\$ 2,206,873	\$ 1,625,000	\$ 326,033	\$ 1,860,000	\$ 1,016,194	\$ 6,150,000	\$ 3,900,930	\$ 3,550,000	\$ 709,650
2010	4,510,000	2,006,588	1,480,000	252,325	1,960,000	914,694	6,555,000	3,481,665	3,640,000	574,750
2011	4,960,000	1,781,563	1,315,000	184,588	2,075,000	806,253	6,985,000	3,034,845	3,735,000	436,430
2012	5,455,000	1,527,511	1,120,000	124,370	2,185,000	695,863	7,450,000	2,558,490	3,825,000	294,500
2013	6,000,000	1,242,500	900,000	73,645	2,305,000	579,291	7,940,000	2,050,620	3,925,000	149,150
2014	6,600,000	927,500	645,000	34,473	2,435,000	451,903	8,465,000	1,509,255		
2015	7,260,000	581,000	350,000	9,013	2,570,000	317,394	9,020,000	932,250		
2016	7,990,000	199,750			2,720,000	175,225	9,615,000	317,295		
2017					1,900,000	51,063				
2018										
2019										
2020										
2021										
2022										
2023										
2024										
2025										
2026										
2027										
2028										
2029										
2030										
2031										
2032										
2033										
2034										
Totals	46,875,000	10,473,285	7,435,000	1,004,447	20,010,000	5,007,880	62,180,000	17,785,350	18,675,000	2,164,480
Loss on Refunding:	(4,960,363)	-	-	-	(716,177)	-	(957,335)	-	(188,318)	-
Net	\$41,914,637	\$10,473,285	\$ 7,435,000	\$ 1,004,447	\$19,293,823	\$ 5,007,880	\$61,222,665	\$17,785,350	\$18,486,682	\$ 2,164,480

**SCHEDULE OF AIRPORT REVENUE BONDS, PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR  
JUNE 30, 2008 (UNAUDITED)**

Series 2003B Revenue Bonds		Series 2008A Revenue Bonds		Series 2008B Revenue Bonds		Total Debt Service		
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
\$ 335,000	\$ 1,013,145	\$ 5,800,000	\$ 1,558,030	\$ -	\$ 458,519	\$23,420,000	\$11,189,374	\$34,609,374
350,000	999,653	6,100,000	1,290,875	2,555,000	874,600	27,150,000	10,395,150	37,545,150
365,000	983,355	6,400,000	1,010,250	2,710,000	787,148	28,545,000	9,024,432	37,569,432
380,000	964,842	6,700,000	716,155	2,820,000	695,295	29,935,000	7,577,026	37,512,026
400,000	945,459	100,000	563,495	2,935,000	599,703	24,505,000	6,203,863	30,708,863
420,000	924,977	100,000	559,005	3,055,000	500,210	21,720,000	4,907,323	26,627,323
445,000	903,043	200,000	552,270	3,180,000	396,646	23,025,000	3,691,616	26,716,616
465,000	879,515	200,000	543,290	3,310,000	288,848	24,300,000	2,403,923	26,703,923
490,000	853,928	1,200,000	511,860	3,450,000	176,565	7,040,000	1,593,416	8,633,416
515,000	826,340	3,400,000	408,590	3,590,000	59,630	7,505,000	1,294,560	8,799,560
545,000	797,243	3,600,000	251,440			4,145,000	1,048,683	5,193,683
575,000	765,551	3,800,000	85,310			4,375,000	850,861	5,225,861
610,000	731,067					610,000	731,067	1,341,067
645,000	694,547					645,000	694,547	1,339,547
680,000	655,989					680,000	655,989	1,335,989
720,000	615,249					720,000	615,249	1,335,249
760,000	571,725					760,000	571,725	1,331,725
805,000	525,245					805,000	525,245	1,330,245
855,000	475,943					855,000	475,943	1,330,943
905,000	423,671					905,000	423,671	1,328,671
960,000	368,280					960,000	368,280	1,328,280
1,015,000	309,623					1,015,000	309,623	1,324,623
1,075,000	247,550					1,075,000	247,550	1,322,550
1,140,000	181,764					1,140,000	181,764	1,321,764
1,210,000	111,969					1,210,000	111,969	1,321,969
1,280,000	38,016					1,280,000	38,016	1,318,016
17,945,000	16,807,689	37,600,000	8,050,570	27,605,000	4,837,164	238,325,000	66,130,865	304,455,865
-	-	(2,124,070)	-	(547,608)	-	(9,493,871)	-	(9,493,871)
\$17,945,000	\$16,807,689	\$34,475,930	\$ 8,050,570	\$27,057,392	\$ 4,837,164	\$228,831,129	\$66,130,865	\$294,961,994

See independent auditors' report.



## Statistical Section

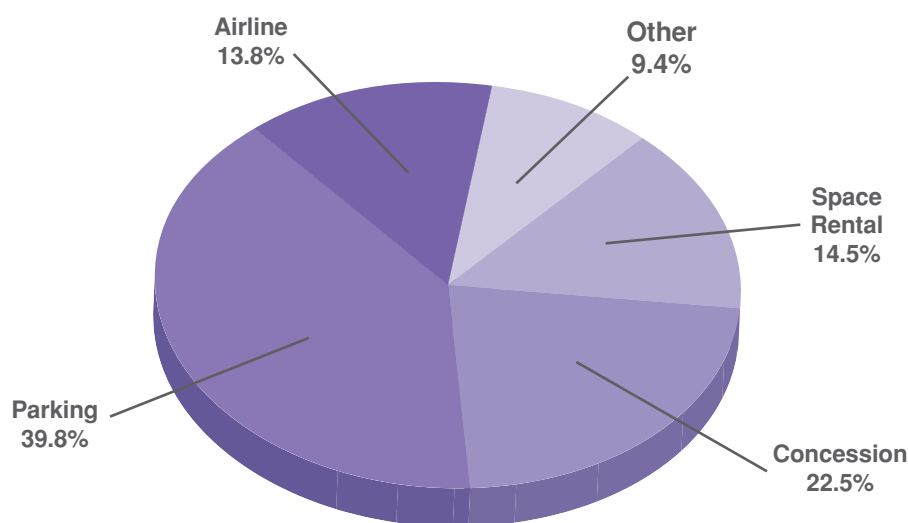
Metropolitan Nashville Airport Authority | Comprehensive Annual Financial Report

Statistical information differs from financial statements because it usually covers more than one fiscal year and may present non-accounting data. Implementation of an accounting system in 1999 makes it impractical for the Authority to present 10 years of historic information in some instances. Available financial trend data is presented to assist the reader in understanding the Authority's primary business activities and to identify emerging financial trends. Operational data further supports this. The residual lease agreement with eight signatory airlines dictates their responsibility to cover any revenue shortfall in the form of rates and charges. Therefore, special attention is placed on operating revenues, operating expenses, and related indicators. Readers are interested in the Authority's debt burden as it provides some insight as to the ability of the Authority to finance major capital projects such as runways, taxiways, and terminal improvements in the future. Finally, demographic, economic, and operating information is presented to further explain the interrelationship of key indicators in Middle Tennessee with the activities of the Authority.

### Metropolitan Nashville Airport Authority Operating Revenues Analysis (000s)

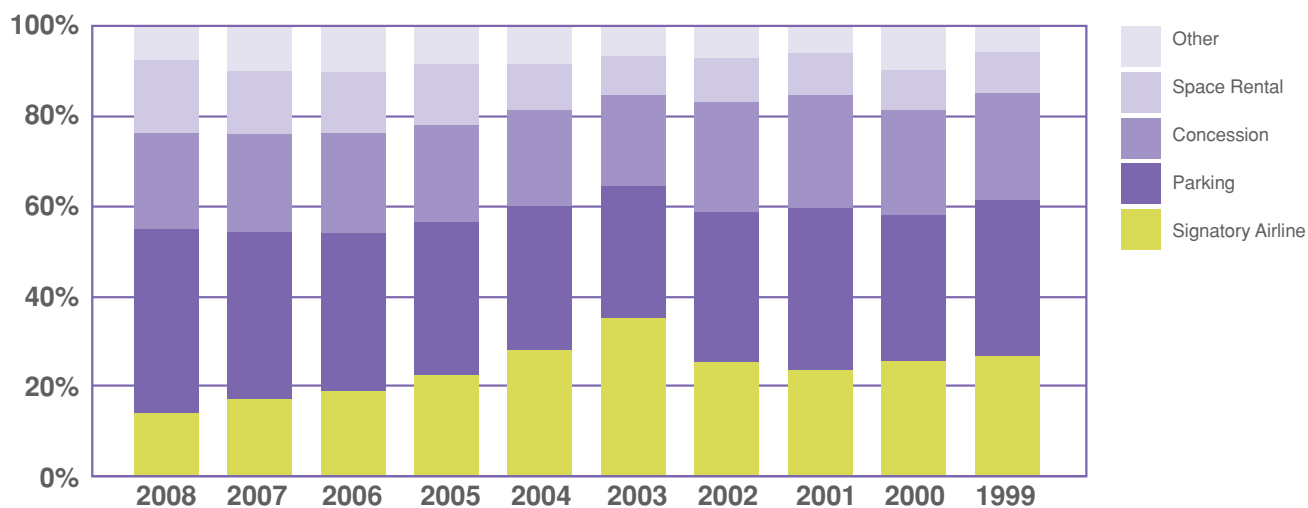
Operating Revenues	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Signatory airline	\$ 10,528	\$ 13,116	\$ 13,559	\$ 15,165	\$ 18,546	\$ 22,804	\$ 13,612	\$ 13,193	\$ 13,284	\$ 12,969
Parking	30,405	27,794	25,159	22,788	20,575	18,654	17,965	19,655	16,803	16,495
Concession	17,165	16,631	15,598	14,482	13,706	13,460	13,011	13,806	12,483	11,641
Space rental	11,051	10,136	9,889	8,935	7,028	5,526	5,195	5,157	4,474	4,175
Other	7,167	7,222	6,928	5,400	4,865	3,981	3,510	2,940	4,806	2,558
<b>Total</b>	<b>\$ 76,316</b>	<b>\$ 74,899</b>	<b>\$ 71,133</b>	<b>\$ 66,770</b>	<b>\$ 64,720</b>	<b>\$ 64,425</b>	<b>\$ 53,293</b>	<b>\$ 54,751</b>	<b>\$ 51,850</b>	<b>\$ 47,838</b>

#### FY 2008 Operating Revenues Composition



Operating revenues have increased 59.5% since 1999. During the same time, total passenger activity increased 18.6%. The most significant increase in revenue over this time period is reflected in parking revenue at \$13.91 million, an 84.3% increase. Scheduled service and enplanement activity contributed to the decline in signatory airline revenue. This source of revenue represented 13.8% of total operating revenues for the fiscal year, down from 17.5% in 2007.

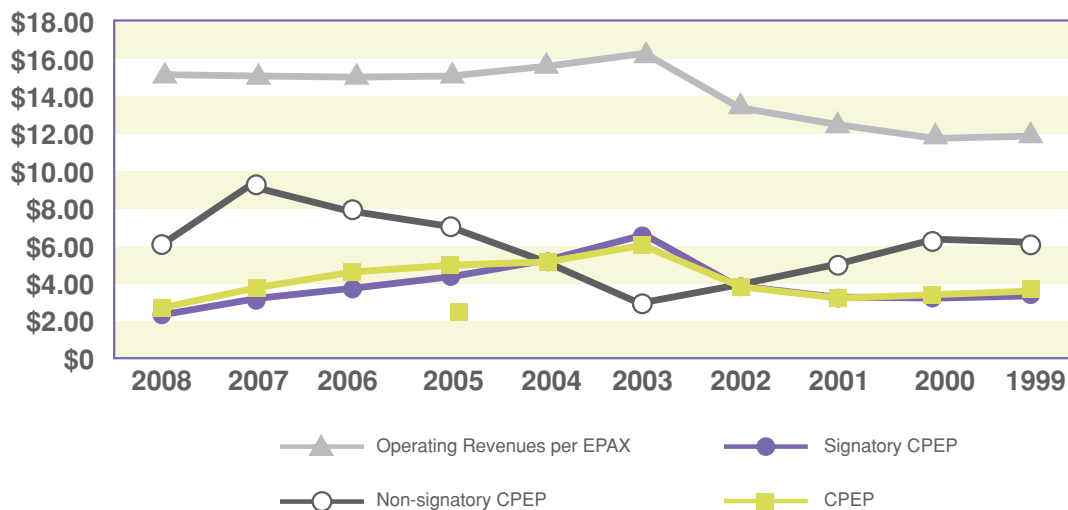
#### 10-year Revenues Composition



### Nashville International Airport - Cost Per Enplaned Passenger (CPEP)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Signatory Airlines:</b>										
Space and Ramp Fees	\$ 9,293	\$ 11,504	\$ 12,838	\$ 13,498	\$ 14,655	\$ 15,514	\$ 11,204	\$ 10,754	\$ 10,648	\$ 10,386
Landing Fees	1,235	1,612	721	1,667	3,891	7,290	2,408	2,439	2,636	2,583
Total Signatory Revenue	10,528	13,116	13,559	15,165	18,546	22,804	13,612	13,193	13,284	12,969
Signatory Enplaned (000)	4,113	4,247	3,874	3,716	3,622	3,532	3,699	4,258	4,281	3,922
Cost per Signatory Enplaned	\$ 2.56	\$ 3.09	\$ 3.50	\$ 4.08	\$ 5.12	\$ 6.46	\$ 3.68	\$ 3.10	\$ 3.10	\$ 3.31
<b>Non-signatory Airlines:</b>										
Space and Ramp Fees	\$ 2,081	\$ 3,027	\$ 3,520	\$ 2,652	\$ 604	\$ 10	\$ 24	\$ 126	\$ 280	\$ 294
Landing Fees	2,748	3,216	3,068	2,362	2,148	1,263	1,097	837	821	775
Total Non-signatory Revenue	4,829	6,243	6,588	5,014	2,752	1,273	1,121	963	1,101	1,069
Non-signatory Enplaned (000)	766	692	861	720	543	465	298	199	174	178
Cost per Non-signatory Enplaned	\$ 6.30	\$ 9.02	\$ 7.65	\$ 6.96	\$ 5.07	\$ 2.74	\$ 3.76	\$ 4.84	\$ 6.33	\$ 6.01
<b>Summary Analysis:</b>										
Total Signatory & Non-signatory Revenue	\$ 15,357	\$ 19,359	\$ 20,147	\$ 20,179	\$ 21,298	\$ 24,077	\$ 14,733	\$ 14,156	\$ 14,385	\$ 14,038
Blended Cost per Enplaned	\$ 3.15	\$ 3.92	\$ 4.25	\$ 4.55	\$ 5.11	\$ 6.02	\$ 3.68	\$ 3.16	\$ 3.22	\$ 3.41
Operating Revenues (BNA only)	\$ 74,041	\$ 74,541	\$ 70,512	\$ 66,351	\$ 64,306	\$ 64,011	\$ 52,897	\$ 54,368	\$ 51,478	\$ 47,582
Total Enplaned (includes charters)	4,880	4,938	4,736	4,438	4,167	3,998	4,004	4,474	4,474	4,114
Operating Revenues per Enplaned	\$ 15.17	\$ 15.10	\$ 14.89	\$ 14.95	\$ 15.43	\$ 16.01	\$ 13.21	\$ 12.15	\$ 11.51	\$ 11.57

### Enplanement (EPAX) Revenues Analysis



## Metropolitan Nashville Airport Authority Operating Revenues Analysis - Activity Detail (000's)

Signatory and Non-signatory rate history effective July 1 of each year.

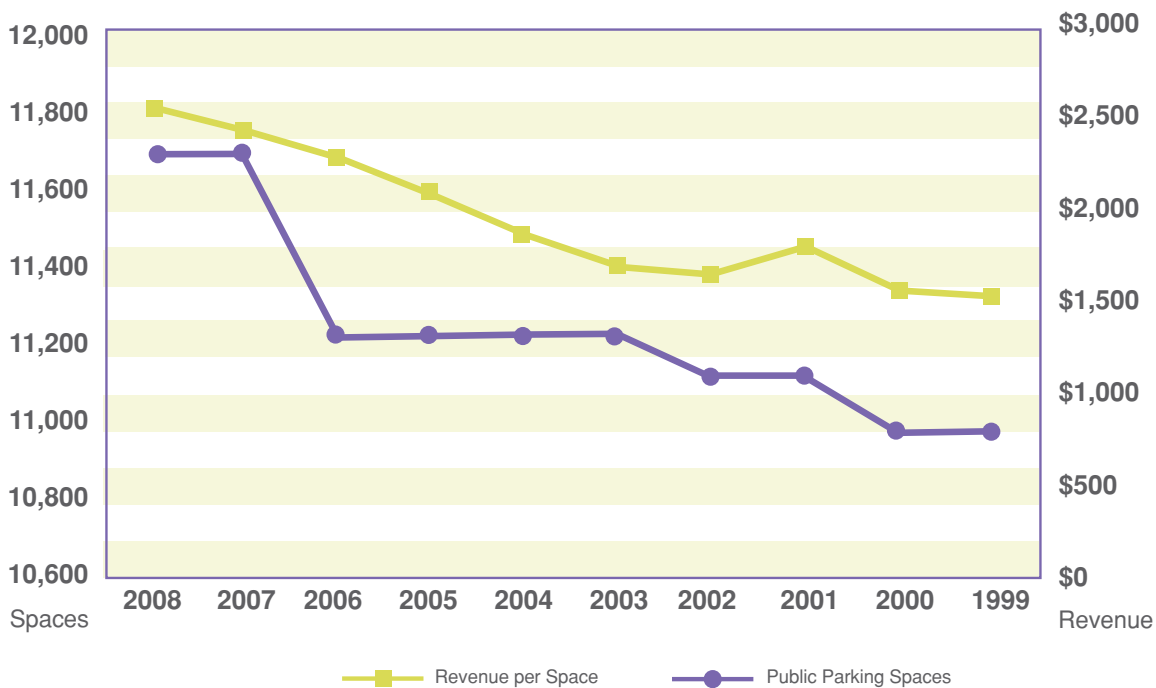
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Signatory Rates</b>										
Landing Fee	\$ 0.19	\$ 0.29	\$ 0.12	\$ 0.29	\$ 0.17	\$ 1.19	\$ 0.38	\$ 0.35	\$ 0.39	\$ 0.42
Ramp	71.20	95.80	104.97	114.40	114.33	118.20	95.51	90.26	91.20	89.00
Main Terminal	63.24	81.91	90.08	90.91	88.34	91.34	64.02	59.87	60.50	59.00
North Concourse	29.82	39.04	43.64	45.59	43.49	44.85	33.89	30.43	30.75	30.00
South Concourse	22.24	25.45	24.87	26.87	27.47	27.90	19.33	18.68	18.45	18.00

Note: The Signatory FY2004 rate was effective for the last half of the year and changed from a rate similar to FY2003.

### Non-signatory Rates

Landing Fee	\$ 3.26	\$ 3.24	\$ 2.91	\$ 2.71	\$ 2.97	\$ 3.01	\$ 2.53	\$ 2.43	\$ 2.55	\$ 2.55
Ramp	317.96	304.37	297.52	289.61	293.07	289.95	272.00	262.77	260.50	239.42
Main Terminal	195.11	176.79	173.44	155.59	151.81	150.22	141.18	135.15	123.61	108.02
North Concourse	88.87	80.67	80.45	77.67	76.78	75.77	76.38	74.39	71.93	66.43
South Concourse	84.76	67.48	67.13	64.19	61.43	60.53	60.99	59.22	54.95	49.51

### Public Parking Analysis



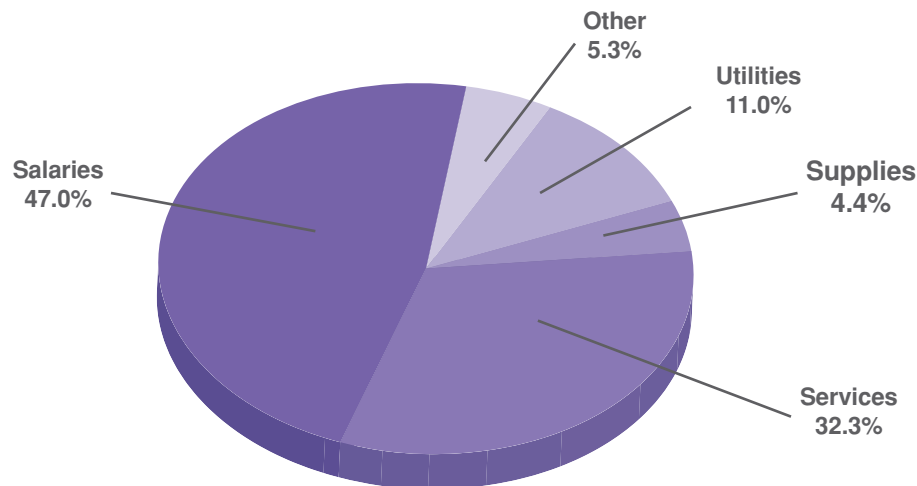
Parking Lot Revenue (000)	\$ 30,405	\$ 27,794	\$ 25,159	\$ 22,788	\$ 20,575	\$ 18,654	\$ 17,965	\$ 19,655	\$ 16,803	\$ 16,495
Spaces Available (actual)	11,675	11,675	11,216	11,216	11,216	11,216	11,112	11,112	10,974	10,974
Revenue per Space	\$ 2,604	\$ 2,381	\$ 2,243	\$ 2,032	\$ 1,834	\$ 1,663	\$ 1,617	\$ 1,769	\$ 1,531	\$ 1,503

As of June 30, 2008, parking spaces totaled 3,883 (long-term), 1,706 (short-term), 3,957 (economy), and 2,129 (overflow). A new valet lot with 1,150 spaces opened November 2007 and restored 1,085 spaces of overflow area for general public use. In late 2008 the employee lot will transition to public parking space expanding capacity by approximately 1,200 by relocating employees and commuters to a new lot.

### Metropolitan Nashville Airport Authority Operating Expenses Analysis (000's)

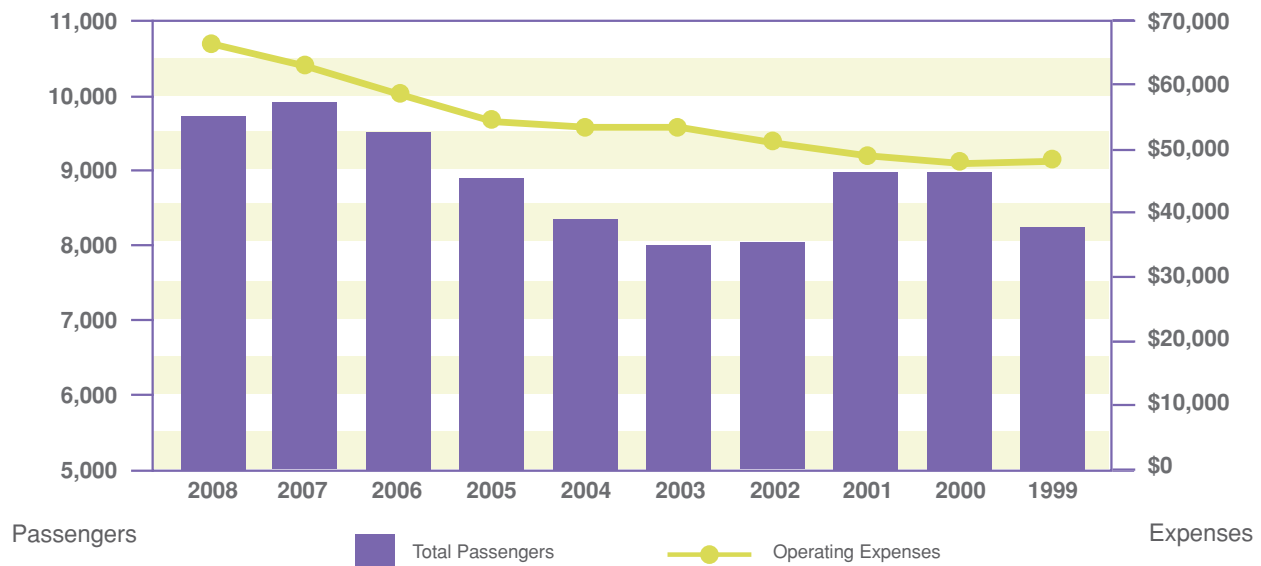
Operating Expenses	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Salaries and wages	\$ 23,690	\$ 20,379	\$ 18,657	\$ 16,412	\$ 16,249	\$ 16,301	\$ 16,361	\$15,760	\$ 14,567	\$ 13,123
Contractual services	16,299	14,430	12,917	12,454	11,424	11,260	10,005	9,693	8,794	8,683
Supplies and materials	2,229	2,437	1,702	1,894	1,565	2,042	1,721	1,773	1,928	1,664
Utilities	5,537	4,409	4,178	3,662	3,427	3,368	3,229	3,364	3,180	2,765
Depreciation	20,425	18,121	17,640	17,546	17,967	17,742	17,608	15,880	16,832	20,050
Other	2,689	2,944	3,295	2,274	2,580	2,639	2,233	2,585	2,085	1,773
<b>Total</b>	<b>\$ 70,869</b>	<b>\$ 62,720</b>	<b>\$ 58,389</b>	<b>\$ 54,242</b>	<b>\$ 53,212</b>	<b>\$ 53,352</b>	<b>\$ 51,157</b>	<b>\$ 49,055</b>	<b>\$ 47,386</b>	<b>\$ 48,058</b>

### FY 2008 Operating Expenses before Provision for Depreciation



2008 was the first year implementing GASB Statement No. 45 recognizing other postemployment benefits (OPEB) expenses and related assets and liabilities. Escalating utility costs are expected to continue to challenge the Authority's management. Recent facility improvements will mitigate some of those increases.

### Total Passengers and Operating Expenses (before Depreciation) (000's)



**Metropolitan Nashville Airport Authority Schedule of Capital Assets  
At June 30 for Each Year Presented**

	2008	%	2007	2006	2005	2004	2003	2002	2001
Land	\$ 62,659,897	42.4%	\$ 62,659,897	\$ 62,659,897	\$ 62,659,897	\$ 62,633,055	\$ 62,725,146	\$ 62,725,146	\$ 61,225,276
Land held for future expansion	36,701,068	24.8%	36,701,068	36,701,068	36,701,068	36,701,068	36,701,068	36,701,068	36,701,068
Construction in progress	48,447,956	32.8%	46,276,385	29,986,164	22,352,319	11,120,299	9,893,301	9,856,095	3,259,643
Total capital assets not being depreciated	147,808,921	100.0%	145,637,350	129,347,129	121,713,284	110,454,422	109,319,515	109,282,309	101,185,987
Land improvements	406,464,775	66.9%	387,482,242	369,423,129	370,981,655	369,854,122	358,100,635	361,109,732	359,678,807
Buildings and building improvements	156,272,307	25.7%	127,250,001	123,618,070	126,696,865	126,696,865	125,609,435	119,946,469	119,741,122
Equipment, furniture and fixture	44,528,369	7.3%	31,813,649	29,163,887	22,972,560	21,367,619	20,949,181	20,040,290	19,236,541
Total capital assets being depreciated	607,265,451	100.0%	546,545,892	522,205,086	520,651,080	517,918,606	504,659,251	501,096,491	498,656,470
Less accumulated depreciation	(334,246,562)	55.0%	(314,025,691)	(296,027,349)	(287,025,150)	(270,291,950)	(252,335,482)	(234,609,204)	(217,393,859)
<b>Net capital assets</b>	<b>\$420,827,810</b>	<b>n/a</b>	<b>\$378,157,551</b>	<b>\$355,524,866</b>	<b>\$355,339,214</b>	<b>\$358,081,078</b>	<b>\$361,643,284</b>	<b>\$375,769,596</b>	<b>\$382,448,598</b>

**Ratios of Outstanding Revenue Bond Debt as a Percentage of Total Revenue Bond Debt  
At June 30 for Each Year Presented**

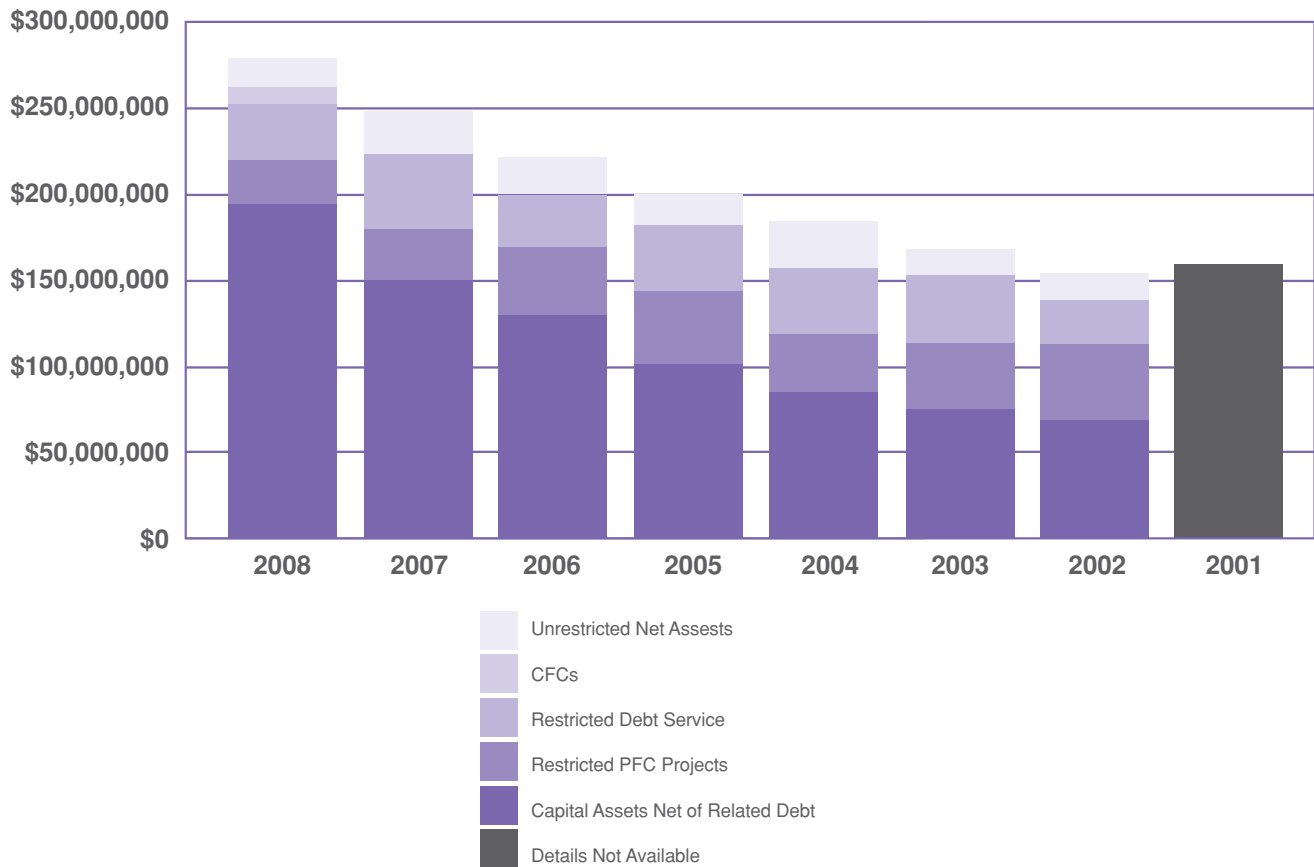
	2008	%	2007	2006	2005	2004	2003	2002	2001
Series 1991 A Revenue Bonds	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ 9,410,000	\$ 12,965,000	\$ 16,305,000
Series 1991 C Revenue Bonds	-	-	-	-	-	-	-	-	95,775,000
Series 1992 PFC Revenue Bonds	-	-	-	-	-	-	35,465,000	38,025,000	40,450,000
Series 1993 Revenue Bonds	-	-	43,200,000	48,500,000	52,000,000	52,700,000	53,400,000	53,500,000	53,500,000
Series 1995 Revenue Bonds	46,875,000	19.7%	50,600,000	53,990,000	57,070,000	59,870,000	62,415,000	64,730,000	66,835,000
Series 1998 A Revenue Bonds	7,435,000	3.1%	9,185,000	11,035,000	12,955,000	14,930,000	16,945,000	18,985,000	19,695,000
Series 1998 B Revenue Bonds	-	-	-	-	-	-	-	-	1,330,000
Series 1998 C Revenue Bonds	20,010,000	8.4%	21,770,000	23,445,000	25,035,000	26,550,000	27,985,000	29,355,000	30,660,000
Series 2001 A Revenue Bonds	62,180,000	26.1%	67,945,000	73,355,000	78,425,000	83,200,000	87,695,000	91,930,000	91,930,000
Series 2003 PFC Revenue Bonds	18,675,000	7.8%	22,145,000	25,525,000	28,825,000	32,020,000	-	-	-
Series 2003 A Revenue Bonds	-	-	-	-	-	1,505,000	5,650,000	-	-
Series 2003 B Revenue Bonds	17,945,000	7.5%	18,270,000	18,590,000	18,900,000	18,900,000	-	-	-
Series 2006 Revenue Bonds	-	-	18,285,000	-	-	-	-	-	-
Series 2008A Revenue Bonds	37,600,000	15.8%	-	-	-	-	-	-	-
Series 2008B Revenue Bonds	27,605,000	11.6%	-	-	-	-	-	-	-
Total Revenue Bonds	238,325,000	100.0%	251,400,000	254,440,000	274,715,000	293,820,000	293,315,000	309,490,000	416,480,000
Series 1999 Subordinated Note		n/a	409,553	771,227	771,227	935,776	1,090,340	1,235,525	1,371,900
Less unamortized deferred amount on refunding	(9,493,871)	n/a	(10,813,988)	(12,636,036)	(15,047,310)	(17,654,125)	(19,251,919)	(21,690,417)	(21,412,334)
<b>Net outstanding debt</b>	<b>\$228,831,129</b>	<b>n/a</b>	<b>\$240,995,565</b>	<b>\$242,575,191</b>	<b>\$260,438,917</b>	<b>\$277,101,651</b>	<b>\$275,153,421</b>	<b>\$289,035,108</b>	<b>\$396,439,566</b>
Enplanements	4,880,360	-	4,938,191	4,735,910	4,438,392	4,166,820	3,997,980	4,004,407	4,474,163
Net outstanding debt per enplanement	\$ 48.69	-	\$ 48.80	\$ 51.22	\$ 58.68	\$ 66.50	\$ 68.82	\$ 72.18	\$ 88.61

The reduction in the outstanding debt balance and increase in enplanements the past eight years have combined to cut nearly in half the debt burden per enplaned in 2008.

**Metropolitan Nashville Airport Authority Change in Net Assets  
As of June 30 for Each of Last Eight Years Presented**

	2008	2007	2006	2005	2004	2003	2002	2001
<b>Operating revenues</b>								
Signatory airline	\$ 10,527,728	\$ 13,116,169	\$ 13,559,361	\$ 15,164,912	\$ 18,545,916	\$ 22,803,489	\$ 13,611,398	\$ 13,193,249
Parking	30,405,023	27,794,482	25,159,487	22,787,740	20,575,301	18,654,487	17,965,180	19,654,353
Concession	17,164,513	16,631,319	15,597,529	14,481,791	13,705,715	13,460,263	13,011,370	13,805,999
Space rental	11,050,944	10,135,718	9,888,852	8,935,551	7,028,387	5,525,643	5,195,128	5,157,182
Other	7,167,118	7,221,908	6,928,048	5,399,869	4,864,672	3,980,905	3,509,873	2,940,136
<b>Total operating revenues</b>	<b>76,315,326</b>	<b>74,899,596</b>	<b>71,133,277</b>	<b>66,769,863</b>	<b>64,719,991</b>	<b>64,424,787</b>	<b>53,292,949</b>	<b>54,750,919</b>
<b>Operating expenses</b>								
Salaries and wages	23,690,248	20,379,376	18,657,132	16,412,494	16,248,675	16,301,303	16,361,252	15,759,952
Contractual services	16,299,124	14,430,214	12,916,582	12,453,870	11,424,236	11,259,823	10,005,484	9,693,111
Materials and supplies	2,228,830	2,437,293	1,702,182	1,894,344	1,564,994	2,042,158	1,720,968	1,773,385
Utilities	5,537,335	4,408,582	4,178,081	3,662,175	3,426,793	3,367,944	3,228,803	3,363,815
Other	2,688,651	2,943,678	3,294,627	2,274,072	2,579,608	2,639,054	2,233,035	2,585,520
<b>Total operating expenses</b>	<b>50,444,188</b>	<b>44,599,143</b>	<b>40,748,604</b>	<b>36,696,955</b>	<b>35,244,306</b>	<b>35,610,282</b>	<b>33,549,542</b>	<b>33,175,783</b>
<b>Provision for depreciation</b>	<b>20,424,563</b>	<b>18,121,419</b>	<b>17,640,198</b>	<b>17,546,203</b>	<b>17,966,519</b>	<b>17,741,820</b>	<b>17,607,702</b>	<b>15,879,569</b>
<b>Nonoperating revenues</b>								
Investment income	4,603,766	4,931,594	2,889,516	2,769,432	1,053,385	3,583,967	3,949,999	6,593,176
Passenger facility charges	12,836,344	13,237,806	12,577,969	11,640,065	10,790,953	10,763,881	10,698,503	12,303,122
Customer facility charges	4,259,428							
Other nonoperating revenue	27,536	25,393	-	-	432,405	622,280	649,103	530,062
<b>Total nonoperating revenues</b>	<b>21,727,074</b>	<b>18,194,793</b>	<b>15,467,485</b>	<b>14,409,497</b>	<b>12,276,743</b>	<b>14,970,128</b>	<b>15,297,605</b>	<b>19,426,360</b>
<b>Nonoperating expenses</b>								
Interest expense	14,504,722	14,396,542	15,629,637	16,416,304	16,943,386	18,549,633	17,164,475	20,981,659
Other nonoperating expenses	1,690,402	1,029,704	(1,649,398)	938,762	(3,973,366)	548,238	4,410,561	(5,226,452)
<b>Total nonoperating expenses</b>	<b>16,195,124</b>	<b>15,426,246</b>	<b>13,980,239</b>	<b>17,355,066</b>	<b>12,970,020</b>	<b>19,097,871</b>	<b>21,575,036</b>	<b>15,755,207</b>
<b>Capital contributions</b>	<b>22,299,530</b>	<b>13,168,339</b>	<b>6,244,876</b>	<b>6,970,112</b>	<b>5,655,203</b>	<b>3,433,673</b>	<b>3,131,916</b>	<b>1,199,221</b>
<b>Increase in net assets</b>	<b>33,278,055</b>	<b>28,115,920</b>	<b>20,476,597</b>	<b>16,551,248</b>	<b>16,471,092</b>	<b>10,378,615</b>	<b>(1,009,810)</b>	<b>10,565,941</b>
<b>Total net assets - end of year</b>	<b>\$282,656,396</b>	<b>\$249,378,341</b>	<b>\$221,262,421</b>	<b>\$200,785,824</b>	<b>\$184,234,576</b>	<b>\$167,763,484</b>	<b>\$157,384,869</b>	<b>\$158,394,679</b>

### Net Assets as of June 30 for Each of the Years Presented



	2008	2007	2006	2005	2004	2003	2002	2001
<b>Net Assets:</b>								
Invested in capital assets, net of related debt	\$ 198,589,040	\$ 150,379,604	\$ 128,751,172	\$ 101,464,942	\$ 84,315,495	\$ 78,131,588	\$ 74,172,612	n/a
Restricted - passenger facility charge projects	26,123,855	29,759,895	40,849,597	43,257,624	34,400,719	39,046,042	42,211,448	n/a
Restricted - debt service	39,874,630	45,116,496	30,076,175	37,642,339	39,170,732	36,217,489	26,168,318	n/a
Restricted - customer facility charge projects	4,244,330							n/a
Unrestricted net assets	13,824,541	24,122,346	21,585,477	18,420,919	26,347,630	14,368,365	14,832,491	n/a
<b>Total Net Assets</b>	<b>\$ 282,656,396</b>	<b>\$ 249,378,341</b>	<b>\$ 221,262,421</b>	<b>\$ 200,785,824</b>	<b>\$ 84,234,576</b>	<b>\$ 167,763,484</b>	<b>\$ 157,384,869</b>	<b>\$ 158,394,679</b>

**Nashville International Airport (BNA & PFC Programs) Debt Service Coverage Analysis (000's)**

Description	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Operating Revenues	\$ 74,041	\$ 74,231	\$ 70,512	\$ 66,351	\$ 63,919	\$ 64,011	\$ 52,897	\$ 54,368	\$ 51,478	\$ 47,582
Less Operating Expenses	(48,994)	(44,234)	(40,474)	(36,577)	(34,756)	(35,475)	(33,447)	(33,084)	(30,468)	(27,920)
Change in Working Capital & Other Items	3,022	3,786	4,229	(2,415)	4,720	(1,563)	62	(1,487)	(2,921)	3,063
Add Interest Income	4,252	4,877	2,837	2,734	1,035	3,560	3,911	6,552	4,275	5,935
Add Passenger Facility Charges	12,836	13,238	12,578	11,640	10,791	10,764	10,699	12,303	12,148	11,041
Add Transfer from CIF*	12,152	9,005	10,599	9,828	9,486	9,429	18,074	13,764	14,796	15,751
COVERAGE CASH FLOW	\$ 57,309	\$ 60,903	\$ 60,281	\$ 51,561	\$ 55,195	\$ 50,726	\$ 52,196	\$ 52,416	\$ 49,308	\$ 55,452
INTEREST	12,422	13,013	13,615	14,265	14,725	16,878	16,350	17,532	18,209	19,967
PRINCIPAL	23,420	22,594	20,450	19,269	17,845	17,845	16,320	15,196	14,133	17,845
TOTAL DEBT SERVICE**	35,842	35,607	34,065	33,534	32,570	34,723	32,670	32,728	32,342	37,812
DEBT SERVICE COVERAGE	159.9%	171.0%	177.0%	153.8%	169.5%	146.1%	159.8%	160.2%	152.5%	146.7%

\*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.

Working Capital & Other Changes	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Decrease (Increase) in:										
Accounts Receivable	\$ 139	\$ 38	\$ (336)	\$ (216)	\$ 1,336	\$ (934)	\$ (325)	\$ 147	\$ 711	\$ (317)
PFC Receivable	943	(344)	(65)	(133)	565	(181)	512	(258)	(265)	(16)
Receivables from Gov't Agencies	(1,033)	(736)	(175)	38	26	204	(302)	1,332	(639)	(538)
Inventory	12	(61)	55	55	(51)	58	117	31	(84)	(91)
Prepaid Expenses	(211)	39	(121)	29	34	(43)	(277)	(120)	31	99
Due to/from Other Airports	(21)	(14)	247	40	46	66	35	38	38	(9)
Increase (Decrease) in:										
Accounts Payable	3,241	4,299	3,233	(2,427)	1,838	(475)	82	(1,596)	(1,452)	3,791
Accrued Payroll	85	133	157	(106)	139	(169)	590	(61)	233	34
Other Adjustments:										
Amortization of Def Real Estate	1	1	1	1	1	1	1	1	1	1
Amortization of Def Rental Income	(35)	(35)	(35)	(35)	(35)	(46)	(103)	(181)	(63)	(185)
(Appreciation)/Depreciation of Investments	(74)	491	908	330	821	(80)	(209)	(770)	581	289
(Gain)/ Loss on Disposal of PP&E	(25)	(25)	360	9	-	36	(59)	(50)	(2,013)	5
Working Capital & Other Change	\$ 3,022	\$ 3,786	\$ 4,229	\$ (2,415)	\$ 4,720	\$ (1,563)	\$ 62	\$ (1,487)	\$ (2,921)	\$ 3,063

### Nashville International Airport (only BNA) Debt Service Coverage Analysis (000's)

Description	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Operating Revenues	\$ 74,041	\$ 74,541	\$ 70,512	\$ 66,351	\$ 64,306	\$ 64,011	\$ 52,897	\$ 54,368	\$ 51,478	\$ 47,582
Less Operating Expenses	(48,994)	(44,235)	(40,474)	(36,577)	(35,143)	(35,475)	(33,447)	(33,084)	(30,468)	(27,920)
Change in Working Capital & Other Items	4,061	793	3,522	(184)	2,195	(1,382)	(450)	(1,229)	(2,656)	3,079
Add Interest Income	2,440	2,618	1,407	1,423	757	2,025	2,160	4,555	2,249	4,254
Add Transfer from CIF*	12,152	9,005	10,599	9,828	9,486	9,429	18,074	13,764	14,796	15,751
COVERAGE CASH FLOW	\$ 43,700	\$ 42,722	\$ 45,566	\$ 40,841	\$ 41,601	\$ 38,608	\$ 39,234	\$ 38,374	\$ 35,399	\$ 42,746
INTEREST	11,729	12,147	12,725	13,544	13,951	14,708	14,038	15,090	15,647	17,295
PRINCIPAL	19,870	19,124	17,150	16,074	15,135	15,285	13,895	12,896	11,948	15,765
TOTAL DEBT SERVICE	31,599	31,271	29,875	29,618	29,086	29,993	27,933	27,986	27,595	33,060
DEBT SERVICE COVERAGE	138.3%	136.6%	152.5%	137.9%	143.0%	128.7%	140.5%	137.1%	128.3%	129.3%

\*-Capital Improvement Fund

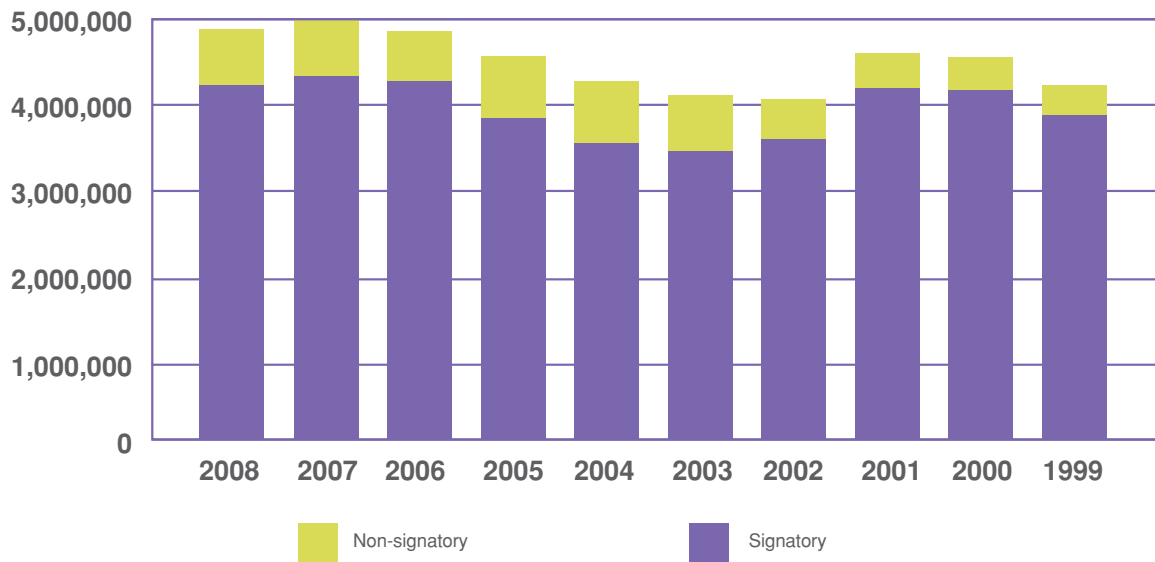
### Nashville International Airport (only PFC) Debt Service Coverage Analysis (000's)

Description	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Passenger Facility Charges (net)	\$ 12,836	\$ 12,929	\$ 12,578	\$ 11,640	\$ 10,791	\$ 10,764	\$ 10,699	\$ 12,303	\$ 12,148	\$ 11,041
Change in Working Capital & Other Items	(1,039)	2,992	707	(2,229)	2,525	(181)	512	(258)	(265)	(16)
Add Interest Income	1,812	2,259	1,430	1,309	279	1,535	1,751	1,997	2,026	1,681
COVERAGE CASH FLOW	\$ 13,609	\$ 18,180	\$ 14,715	\$ 10,720	\$ 13,595	\$ 12,118	\$ 12,962	\$ 14,042	\$ 13,909	\$ 12,706
INTEREST	693	866	890	721	774	2,170	2,312	2,442	2,562	2,672
PRINCIPAL	3,550	3,470	3,300	3,195	2,710	2,560	2,425	2,300	2,185	2,080
TOTAL DEBT SERVICE	4,243	4,336	4,190	3,916	3,484	4,730	4,737	4,742	4,747	4,752
DEBT SERVICE COVERAGE	320.7%	419.3%	351.2%	273.8%	390.3%	256.2%	273.6%	296.1%	293.0%	267.4%

## Nashville International Airport Passenger Enplanements Market Share

	% of Total	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>SIGNATORY AIRLINES</b>											
American Airlines	11.7%	569,878	537,270	511,263	405,642	404,473	394,741	459,884	448,155	528,165	580,932
American Eagle	2.9%	143,476	139,338	139,691	148,527	91,112	47,698	14,970	18,854	17,807	25,583
Continental Express d/b/a ExpressJet	4.3%	211,931	214,507	196,633	67,513	-	-	-	-	-	-
Delta Air Lines Inc.	3.8%	186,493	276,209	268,272	329,373	296,148	328,344	375,817	515,790	569,408	577,238
Frontier Airlines	2.5%	121,853	120,921	96,023	66,344	2,046	-	-	-	-	-
Northwest Airlines Inc.	4.5%	220,949	306,451	338,020	372,211	355,339	334,019	310,036	352,263	379,399	341,804
Southwest Airlines	50.7%	2,474,783	2,435,801	2,396,765	2,097,881	2,089,884	2,019,190	2,065,784	2,190,997	1,988,147	1,586,435
TWA	0.0%	-	-	-	-	-	-	50,426	128,389	132,676	124,608
United Airlines	0.0%	-	-	-	-	-	-	1,198	119,894	156,783	167,069
USAirways	3.8%	184,660	216,102	220,104	248,946	214,379	235,533	244,062	302,781	317,026	349,450
Sub Total	84.3%	4,113,423	4,246,599	4,166,771	3,736,437	3,453,381	3,359,525	3,522,177	4,077,123	4,089,411	3,753,119
<b>NON-SIGNATORY AIRLINES</b>											
Air Canada d/b/a Jazz Air	0.4%	21,138	19,471	11,219	9,894	17,689	19,520	20,395	26,933	28,944	28,589
Air Wisconsin	1.0%	47,476	50,069	45,414	36,447	43,331	19,466	31,549	22,477	-	-
American Connection/Chautauqua	0.3%	14,211	21,899	13,965	10,092	13,322	72,111	-	-	-	-
Astral Aviation d/b/a Skyway	0.6%	27,387	22,097	20,695	15,101	12,787	13,494	11,985	11,124	8,074	7,148
Comair	1.7%	81,958	106,866	112,353	108,084	77,733	98,917	62,555	40,789	59,099	63,753
Continental Airlines	0.0%	288	110	344	113,293	170,460	172,331	176,600	181,295	191,334	168,551
Delta/Chautauqua	0.8%	39,816	36,306	21,763	54,716	64,511	15,563	-	-	-	-
Delta Connection/Atlantic Coast	0.0%	-	-	-	6,990	25,972	16,829	24,276	5,863	-	-
JetBlue Airways	0.8%	40,219	65,273	-	-	-	-	-	-	-	-
Mesa Airlines	1.9%	94,816	207,224	190,725	208,941	104,977	3,982	5,508	13,877	11,858	4,854
Regionsair Inc	0.0%	0	229	7,400	15,085	16,784	20,800	13,727	10,832	11,506	13,169
Republic	1.1%	53,616	26,104	14,995	-	-	-	-	-	-	-
US Air d/b/a US Air Express	0.0%	0	49	5,591	5,519	4,804	-	13,556	13,577	14,605	12,790
Various/Trans State Airlines	1.2%	59,315	42,673	26,023	34,026	33,983	10,557	1,899	-	-	-
United/Skywest	1.4%	67,357	44,788	57,951	17,624	15,309	21,049	-	-	-	-
Pace Airlines	0.0%	-	-	-	4,332	9,569	10,428	4,622	-	-	-
Air Midwest	0.0%	-	-	-	-	-	2,548	4,650	9,523	6,507	9,732
Atlantic Coast Airlines	0.0%	-	-	-	-	65,943	100,239	84,722	-	-	-
Delta/Skywest	0.6%	27,141	8,524	-	-	24,494	19,132	4,469	-	-	-
All Others (includes Charters)	3.9%	192,199	39,910	40,701	61,811	11,771	21,489	21,717	60,750	52,319	52,341
Sub Total	15.7%	766,937	691,592	569,139	701,955	713,439	638,455	482,230	397,040	384,246	360,927
<b>TOTAL</b>	<b>100.0%</b>	<b>4,880,360</b>	<b>4,938,191</b>	<b>4,735,910</b>	<b>4,438,392</b>	<b>4,166,820</b>	<b>3,997,980</b>	<b>4,004,407</b>	<b>4,474,163</b>	<b>4,473,657</b>	<b>4,114,046</b>

### Enplanement History



JetBlue Airways Corporation began service in 2006 in a non-signatory carrier status and terminated service in January 2008.

Continental Airlines officially transitioned from signatory to non-signatory status during 2007.

The percentage of signatory enplanements declined from 86.0% in 2007 to 84.3% in 2008. This trend is expected to reverse as the signatory agreement nears expiration in 2017.

Southwest Airlines gained market share to 50.7% from 49.3% the prior year as it was one of few carriers with increased enplanements.

### Passenger Airline – Aircraft Analysis



## Nashville International Airport Passenger Airline Landed Weights (000's)

	% of Total	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>SIGNATORY AIRLINES</b>											
American Airlines	10.8%	689,632	655,872	634,563	567,963	624,363	585,052	755,178	725,448	798,569	746,910
American Eagle	2.9%	187,228	183,165	176,907	201,774	108,377	58,641	32,413	37,889	25,568	29,914
Continental Express d/b/a ExpressJet	3.3%	213,733	217,946	210,740	74,135	-	-	-	-	-	-
Delta Air Lines Inc.	3.4%	220,001	332,566	324,574	449,781	435,374	490,498	672,503	902,990	960,768	990,504
Frontier Airlines	2.3%	150,367	156,727	136,359	104,454	-	-	-	-	-	-
Northwest Airlines	4.1%	262,432	390,255	451,613	508,023	501,271	511,171	454,697	529,846	535,730	494,015
Southwest	56.3%	3,612,516	3,585,140	3,483,250	3,566,231	3,566,775	3,560,773	3,577,728	3,585,272	3,226,360	2,706,833
TWA	0.0%	-	-	-	-	-	-	93,869	212,066	219,643	205,254
United	0.0%	-	-	-	-	-	-	1,560	194,098	232,839	221,499
USAir	3.6%	229,738	286,557	276,570	326,295	300,443	375,039	427,338	496,831	504,236	488,274
Sub Total	86.8%	5,565,647	5,808,228	5,694,576	5,798,656	5,536,603	5,581,174	6,015,286	6,684,439	6,503,714	5,883,203
<b>NON-SIGNATORY AIRLINES</b>											
Air Canada d/b/a Jazz Air	0.5%	29,845	28,848	17,375	17,014	29,281	33,765	35,457	45,567	46,680	45,257
Air Wisconsin	1.0%	67,210	64,719	60,771	41,344	52,969	21,103	35,120	18,252	-	-
American Connection/Chautauqua	0.3%	22,069	35,093	17,686	15,707	20,448	80,207	6,777	-	-	-
Astral Aviation d/b/a Skyway	0.0%	-	-	-	-	19,953	23,605	23,126	19,620	13,144	9,821
Comair	1.5%	98,618	132,699	139,071	151,207	113,857	131,318	80,652	56,917	92,167	96,640
Continental Airlines	0.0%	960	640	656	143,285	223,020	228,955	256,644	253,386	285,965	256,718
Delta/Chautauqua	0.7%	42,535	39,345	26,567	68,125	81,621	20,848	-	-	-	-
Independence Air	0.0%	-	-	34,310	96,350	-	-	-	-	-	-
JetBlue Airways	0.8%	53,009	87,962	-	-	-	-	-	-	-	-
Mesa Airlines	2.5%	158,261	232,618	209,875	189,865	63,588	-	-	-	-	-
Pinnacle Airlines	1.1%	69,143	28,858	-	-	-	-	-	-	-	-
Regionsair	0.0%	-	375	9,943	27,675	26,988	34,886	23,394	16,983	18,106	18,840
Skyway	0.6%	38,778	30,046	30,760	23,605	31,725	22,419	5,546	-	-	-
Trans States Airlines	1.1%	72,332	56,697	33,897	48,943	43,228	10,978	2,350	-	-	-
Skywest	1.3%	85,437	60,141	63,303	19,130	17,625	22,560	-	-	-	-
United Express/Atlantic Coast	0.0%	-	-	-	9,930	83,801	127,746	97,952	50,305	50,243	50,243
All Others (includes charters)	1.7%	108,825	52,582	14,896	19,516	119,298	89,628	119,748	107,345	70,880	81,120
Sub Total	13.2%	847,022	850,623	659,110	871,696	927,402	848,018	686,766	568,375	577,186	558,638
<b>TOTAL PASSENGER</b>											
<b>CARRIER WEIGHT (000)</b>	<b>100.0%</b>	<b>6,412,669</b>	<b>6,658,851</b>	<b>6,353,686</b>	<b>6,670,352</b>	<b>6,464,005</b>	<b>6,429,192</b>	<b>6,702,052</b>	<b>7,252,814</b>	<b>7,080,900</b>	<b>6,441,841</b>
<b>CARGO &amp; MISC</b>											
<b>CARRIER WEIGHT (000)</b>		<b>567,459</b>	<b>520,621</b>	<b>557,889</b>	<b>629,406</b>	<b>588,017</b>	<b>540,335</b>	<b>475,600</b>	<b>405,866</b>	<b>285,884</b>	<b>252,440</b>
<b>TOTAL WEIGHT</b>											
<b>ALL AIRCRAFT (000)</b>		<b>6,980,128</b>	<b>7,179,472</b>	<b>6,911,575</b>	<b>7,299,758</b>	<b>7,052,022</b>	<b>6,969,527</b>	<b>7,177,652</b>	<b>7,658,680</b>	<b>7,366,784</b>	<b>6,694,281</b>
<b>% PASSENGER</b>											
<b>CARRIER WEIGHT</b>		<b>92%</b>	<b>93%</b>	<b>92%</b>	<b>91%</b>	<b>92%</b>	<b>92%</b>	<b>93%</b>	<b>95%</b>	<b>96%</b>	<b>96%</b>

China Airlines continues to be the only signatory cargo carrier with service in and out of Nashville International Airport. Others are negotiating agreements at this time. JetBlue introduced service at BNA in August 2006 and terminated service in January 2008 as a non-signatory carrier. Several commercial passenger carriers have announced service and aircraft mix changes that began to impact landed weight in 2008.

### Nashville International Airport Activity

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Daily Departures	188	202	197	213	203	203	204	209	200	194

This represents a typical business day during June of each fiscal year and the number of departures scheduled for that particular day. Charter activity continues to take place at BNA. However, much of this support services activity is being reported with scheduled service.

#### Aircraft Operations

Cargo Carrier	3,750	4,380	5,592	5,702	5,340	5,184	5,052	5,377	3,678	4,128
Charter Carrier	16	-	14	-	-	36	142	417	464	424
Charter International	4	-	-	-	8	-	-	64,940	75,532	72,048
General Aviation	38,441	44,792	46,268	51,429	54,443	53,012	60,128	40,899	53,616	48,864
General Aviation Air Taxi	61,583	68,086	68,381	36,954	9,052	13,602	23,288	109,907	91,627	85,885
Signatory Carrier	55,661	47,880	43,489	91,747	121,258	120,358	115,532	4,175	4,519	4,664
Military Aircraft	3,102	3,186	3,547	3,947	3,600	3,541	3,827	18,472	18,620	19,136
Non-signatory Carrier	41,333	49,237	49,140	46,673	40,044	34,226	23,414	-	-	-
<b>Total Aircraft Operations</b>	<b>203,890</b>	<b>217,561</b>	<b>216,431</b>	<b>236,452</b>	<b>233,745</b>	<b>229,959</b>	<b>231,383</b>	<b>244,187</b>	<b>248,056</b>	<b>235,149</b>

The Authority does not receive information in order to track gross landed weight for general aviation activity.

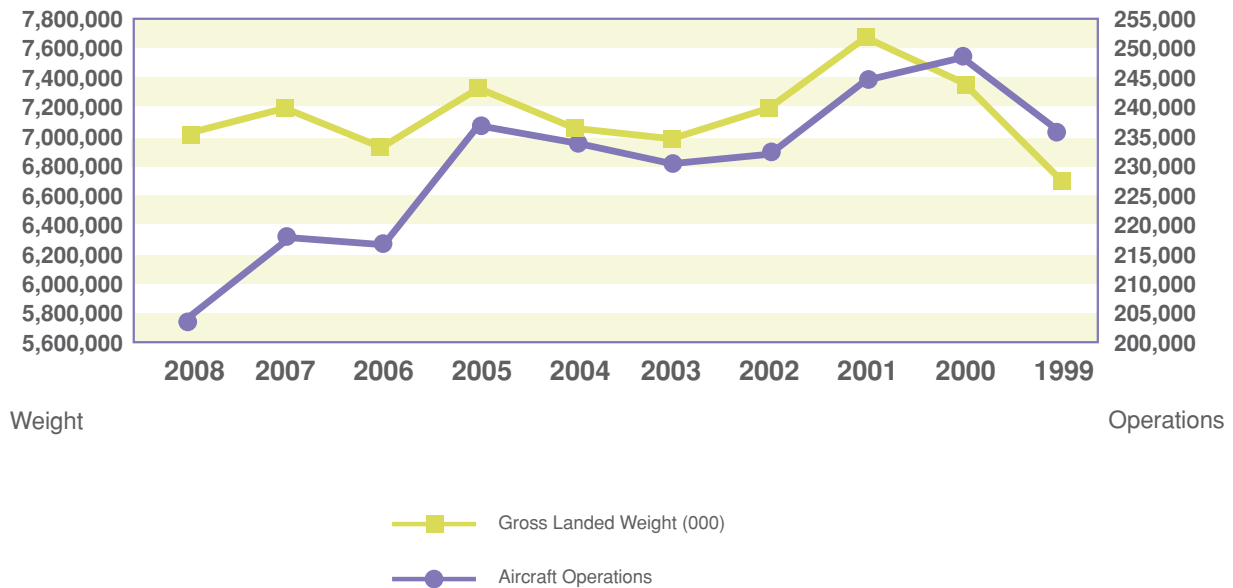
Cargo carrier landed weight is stabilizing as Federal Express ramps up its operations on the west side of the airfield using wide-body aircraft.

#### Gross Landed Weight (000)

Cargo Carrier	506,955	520,620	524,424	560,404	509,962	532,168	464,413	378,975	254,704	244,586
Charter Carrier	1,680	-	-	-	440	1,194	6,491	13,015	1,041	19,683
Charter International	775	-	875	299	35,608	2,102	9,937	23,143	41,729	8,248
Signatory Carrier	5,608,567	5,522,157	5,348,133	5,565,483	5,651,245	5,751,488	6,240,424	6,899,936	6,764,111	6,110,007
Military Aircraft	-	-	-	-	-	2,867	-	-	-	-
Non-signatory Carrier	886,776	1,136,695	1,038,046	1,179,488	845,148	679,707	456,388	343,611	305,199	311,758
<b>Total Gross Landed Weight</b>	<b>7,004,753</b>	<b>7,179,472</b>	<b>6,911,478</b>	<b>7,305,674</b>	<b>7,042,403</b>	<b>6,969,526</b>	<b>7,177,653</b>	<b>7,658,680</b>	<b>7,366,784</b>	<b>6,694,282</b>

Differences between total gross landed weight summarized here and carrier-specific activity is attributable to reclassifications made during the year.

### Aircraft Operations and Gross Landed Weights



Air mail and air freight tonnages have declined as airlines reserve aircraft space for passenger baggage rather than contracted items.

Federal Express began providing daily domestic service in 2007, and China Airlines continues to provide international services.

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Cargo (tons)</b>										
Air Mail	459	543	2,360	3,421	3,479	3,964	7,654	16,223	18,512	16,684
Air Freight	6,912	6,174	6,373	6,369	6,394	5,343	5,682	7,451	8,293	6,177
Air Cargo - Domestic	38,230	38,040	33,013	35,778	34,517	33,555	31,698	40,804	38,382	34,324
Air Cargo - International	33,665	30,164	32,085	29,374	24,373	20,258	8,355	-	-	-
<b>Total Cargo</b>	<b>79,266</b>	<b>74,921</b>	<b>73,831</b>	<b>74,942</b>	<b>68,763</b>	<b>63,120</b>	<b>53,389</b>	<b>64,478</b>	<b>65,187</b>	<b>57,185</b>

## MAJOR TENANTS AT NASHVILLE INTERNATIONAL AIRPORT AND JOHN C. TUNE AIRPORT

### SIGNATORY CARRIERS

American Airlines  
American Eagle Airlines  
Express Jet  
Delta Airlines  
Frontier  
Northwest Airlines  
Southwest Airlines  
USAir, Inc.

### NON-SIGNATORY CARRIERS

Air Canada d/b/a Jazz Air  
Air Wisconsin  
Astral Aviation d/b/a Skyway  
Atlantic Southeast Air  
Chautauqua  
Comair  
Continental  
Freedom Airlines  
Mesa Airlines  
Pinnacle Airlines  
Republic Airlines  
Shuttle America  
Skyway  
Skywest  
Trans States Airline  
US Air Express

### CARGO CARRIERS

ABX Air  
DHL Express  
Baron Aviation Services, Inc.  
Air Transport International  
China Airlines  
Federal Express

### 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  
First Transit, Inc. (airport shuttle)

### OTHER AIRPORT TENANTS

118th Airlift Wing  
Aeronautical Radio  
Aircraft Services International  
Datawave (prepaid phones)  
Embraer Aircraft Maintenance  
Falcon Transport  
Federal Aviation Administration  
Industrial Development Board  
Lamar Outdoor Advertising  
Metro Government  
New Orleans Manor  
Resource Airways  
State of Tennessee  
Stiles Corporation  
TN Aeronautics Commission  
TN Dept. of Transportation  
Tower Group International  
U.S. Customs  
U.S. Gov't Weather Service  
U.S. Postal Service  
USDA

### OTHER TERMINAL TENANTS

24 Hour Flower  
AT&T  
Country Western Tours/Grayline Tours  
Delaware North (Food & Beverage Concession)  
Fifth Third Bank  
First Class Seats  
HMS Host (Food & Beverage Concession)  
Hudson Group (News & Gift Concession)  
Interspace Airport Advertising  
J&B Enterprises (Shoeshine Concession)  
Jarmon Limousine  
Massage Bar Inc.  
Nashville Nails  
Opryland Hotel  
Security Point Media  
Super Shuttle  
SmarteCarte  
SunTrust Bank  
TSA  
Wright Travel Business Center

### RENTAL CAR

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

### TENANTS AT JOHN C. TUNE AIRPORT

Corporate Flight Management  
Robert Orr/Sysco  
Hangar tenants

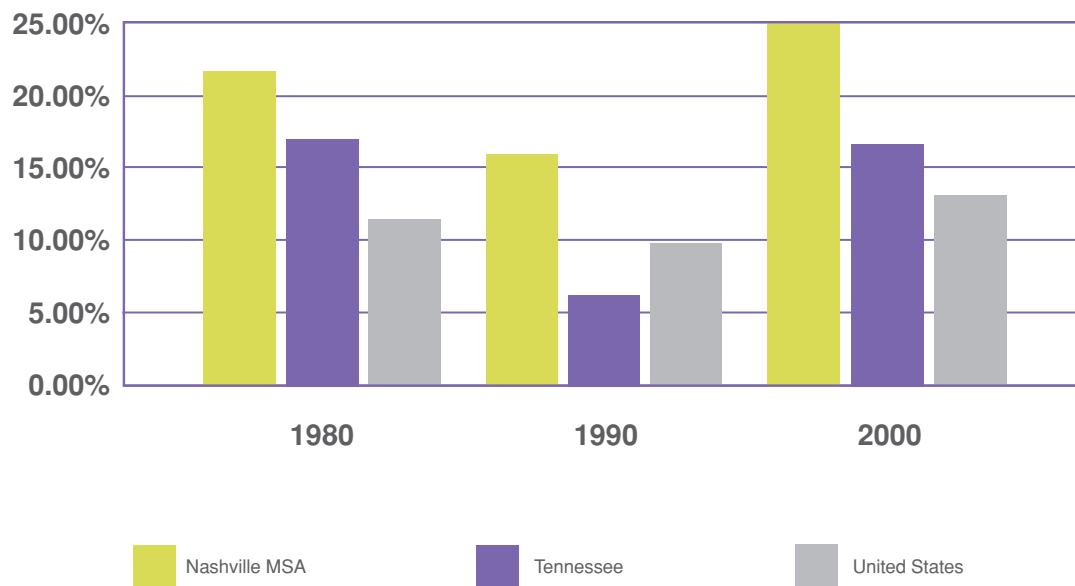
### Nashville – Davidson – Murfreesboro Metropolitan Statistical Area Population

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

\*The Nashville MSA 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

### Population Percent Change



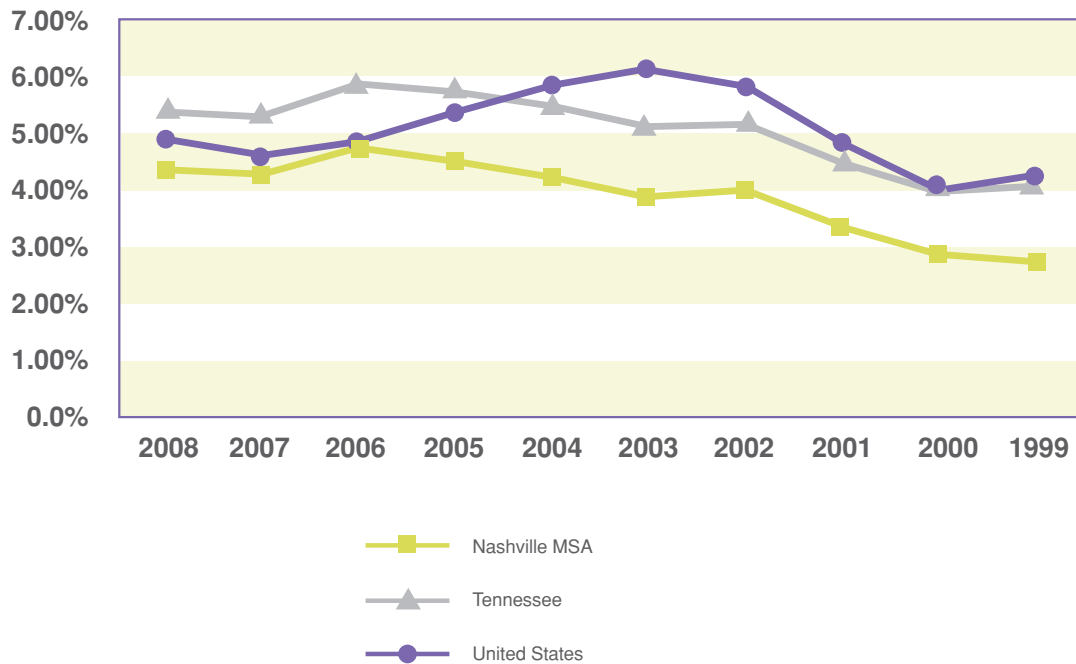
### Nashville Metropolitan Statistical Area\* Average Unemployment Rate

Year	Nashville MSA	Tennessee	United States
2008	4.45%	5.29%	4.95%
2007	4.28%	5.23%	4.54%
2006	4.70%	5.82%	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%

\*The Nashville MSA consists of Canon, Cheatham, Davidson, Dickson, Hickman, Macon, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson, and Wilson counties.

Source: U.S. Bureau of Labor Statistics

### Average Unemployment Rates



### Nashville Area Top 25 Employers (Ranked by Number of Local Employees)

2007	Staff	Employer	Headquarters	2006	Staff
1	20,312	State of Tennessee	Nashville	1	20,312
2	18,968	Vanderbilt University and Medical Center	Nashville	2	18,252
3	11,135	U.S. Government	Washington, DC	3	11,167
4	10,000	Metro Nashville Davidson County Public Schools	Nashville	4	10,000
5	9,666	Metropolitan Gov't of Nashville and Davidson County	Nashville	5	9,188
6	8,703	HCA Inc.	Nashville	6	9,649
7	8,200	Saint Thomas Health Services	Nashville	8	8,200
8	7,750	Nissan North America Inc.	Gardena, CA	7	6,550
9	4,500	Wal-Mart Stores Inc.	Bentonville, AR	11	4,500
10	4,500	Bridgestone Americas Holding Inc.	Nashville	9	4,000
11	4,478	CBRL Group Inc.	Lebanon	14	4,250
12	4,000	Shoney's Inc.	Nashville	13	4,000
13	4,000	Dell Corporation	Round Rock, TX	30	3,000
14	3,900	Sumner County Gov't and Public Schools	Gallatin	12	3,900
15	3,733	Williamson County Public Schools and County Gov't	Franklin	15	3,543
16	3,462	Gaylord Entertainment Co.	Nashville	10	3,334
17	3,000	Century II Staffing Co.	Brentwood	17	3,000
18	2,975	Randstad Work Solutions	Atlanta, GA	23	2,620
19	2,902	Rutherford County Board of Education and County Gov't	Murfreesboro	19	2,748
20	2,650	YMCA of Middle Tennessee	Nashville	16	2,650
21	2,641	Kroger Co.	Cincinnati, OH	18	2,732
22	2,400	Dept. of Veterans Affairs Tennessee Valley Healthcare System	Washington	20	2,400
23	2,100	Verizon Wireless	Basking Ridge, NJ	21	2,100
24	2,100	BellSouth Inc.	Atlanta, GA	49	na
25	2,090	Middle Tennessee State University	Murfreesboro	25	2,090

Source: Nashville Business Journal's Book of Lists 2008 ([nashville.bizjournals.com](http://nashville.bizjournals.com))

Published January 12, 2007

**Nashville Area Top 25 Public Companies (Ranked by Prior Four Quarters' Revenues)**

2007	2006	Employer	Headquarters
1	4	Community Health Systems Inc.	Franklin
2	9	Delek US Holdings Inc.	Franklin
3	7	LifePoint Hospitals Inc.	Brentwood
4	8	Tractor Supply Co.	Brentwood
5	5	CBRL Group Inc.	Lebanon
6	6	Louisiana-Pacific Corp.	Nashville
7	10	Genesco Inc.	Nashville
8	17	HealthSpring Inc.	Nashville
9	11	Corrections Corp. of America	Nashville
10	14	Psychiatric Solutions Inc.	Franklin
11	13	O'Charley's Inc.	Nashville
12	16	Clarcor Inc.	Franklin
13	15	Gaylord Entertainment Co.	Nashville
14	19	National HealthCare Corp.	Murfreesboro
15	22	Healthways Inc.	Nashville
16	18	America Service Group Inc.	Brentwood
17	21	AmSurg Corp.	Nashville
18	26	First Acceptance Corp.	Nashville
19	23	American HomePatient Inc.	Brentwood
20	25	Healthcare Realty Trust Inc.	Nashville
21	27	Advocat Inc.	Brentwood
22	28	National Health Investors Inc.	Murfreesboro
23	29	J Alexander's Corp.	Nashville
24	30	Pinnacle Financial Partners Inc.	Nashville
25	31	Wilson Bank Holding Co.	Lebanon

Source: Nashville Business Journal's Book of Lists 2008 ([nashville.bizjournals.com](http://nashville.bizjournals.com)). Published September 14, 2007