METROPOLITAN NASHVILLE AIRPORT AUTHORITY

NASHVILLE, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

leadership in the sky

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

FOR THE FISCAL YEAR ENDED

JUNE 20, 2003

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

Nashville, Tennessee

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

For the
Fiscal Year Ended
June 30, 2003

Prepared by the Finance Department

Metropolitan Nashville Airport Authority
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INTRODUCTORY SECTION

This Section Contains the Following Subsections:

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

December 19, 2003

To the Board of Commissioners of the
Metropolitan Nashville Airport Authority

The Comprehensive Annual Financial Report ("CAFR") of the Metropolitan Nashville Airport Authority (the "Authority") for the fiscal year ended June 30, 2003, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Finance Department of the Authority. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

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

REPORTING ENTITY

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

The Authority is governed by a Board of Commissioners, which serves without compensation. The Board of Commissioners is made up of ten members, nine of whom are appointed by the Mayor with the tenth being the Mayor. The Metropolitan Council of Nashville and Davidson County confirm all appointments. The appointments are for a term of four years, and terms are staggered to provide for continuity of airport development and management. By state law, the Commissioners represent different professional and management disciplines, including: engineering, aviation, law, commerce, finance and industry. The Board appoints the Authority's President who is the chief executive and administrative officer responsible for day-to-day operations and planning for all Authority airports. The President heads a full-time staff of professional and technical personnel totaling budgeted headcount for fiscal year 2003 of 257 positions. Based upon the criteria set forth in Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, it has been determined that the Authority is a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee.

ECONOMIC CONDITIONS AND OUTLOOK

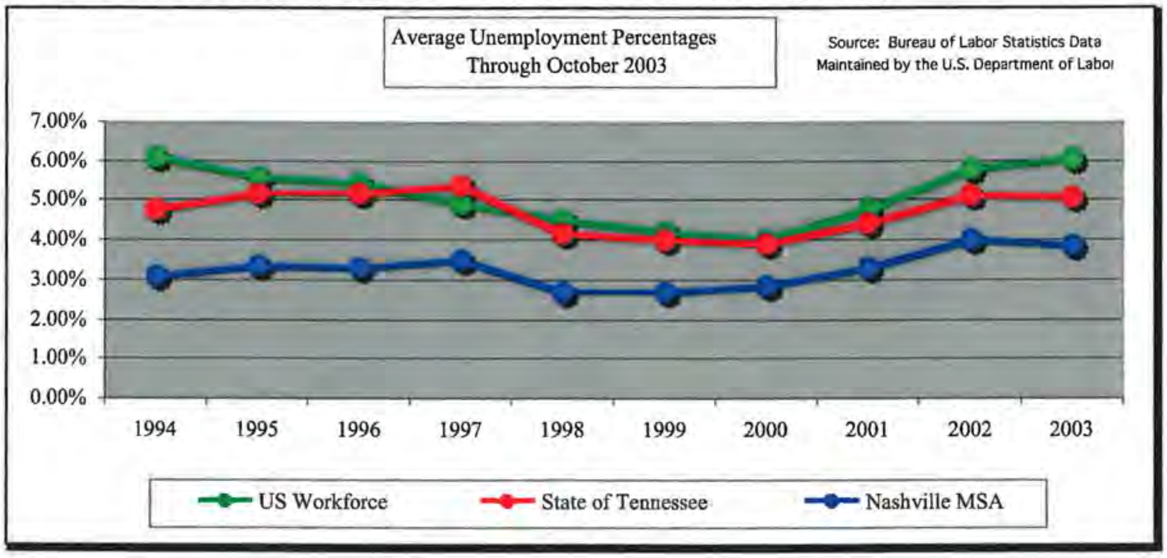
The financial condition of the Authority is primarily dependent upon the number of passengers using the Nashville International Airport. Passenger levels, in turn, are dependent upon several factors, including the economic condition of the airline industry, which influences the airlines' willingness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

According to a 2001 study entitled, The Economic Role of Nashville International Airport, prepared by PA Consulting Services, Inc., "the economic impact of Nashville International Airport on the Nashville region is substantial, generating in 1999 in Nashville-Davidson County alone more than 56,611 jobs, $1.3 billion in wages and $3.6 billion in sales." Additionally, the study documents that "the airport's capital spending for 1999 created 273 jobs, wages of $7.9 million and sales amounting to $32 million." Based upon these numbers, it is easy to see that the Nashville International Airport provides a large economic benefit to Nashville and the surrounding region.

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

According to the U.S. Census Bureau's Ranking Tables for Metropolitan Areas: Population in 2000 and Population Change from 1990 to 2000, the Nashville MSA was ranked 37th in the United States in percentage population growth (25%) from 1990 to 2000. The Nashville MSA moved from a ranking of 42nd in population in April 1990 to 39th in population in April 2000. Additionally, the Nashville MSA has overtaken the Memphis MSA as the largest MSA in the state of Tennessee.

As seen in graphical format, the average unemployment rates for the Nashville MSA have been consistently lower than that of the entire U.S. workforce and the state of Tennessee. For the years presented below, the Nashville MSA unemployment rates have been lower on average by 35.50% and 30.49% than the U.S. workforce and the state of Tennessee, respectively.

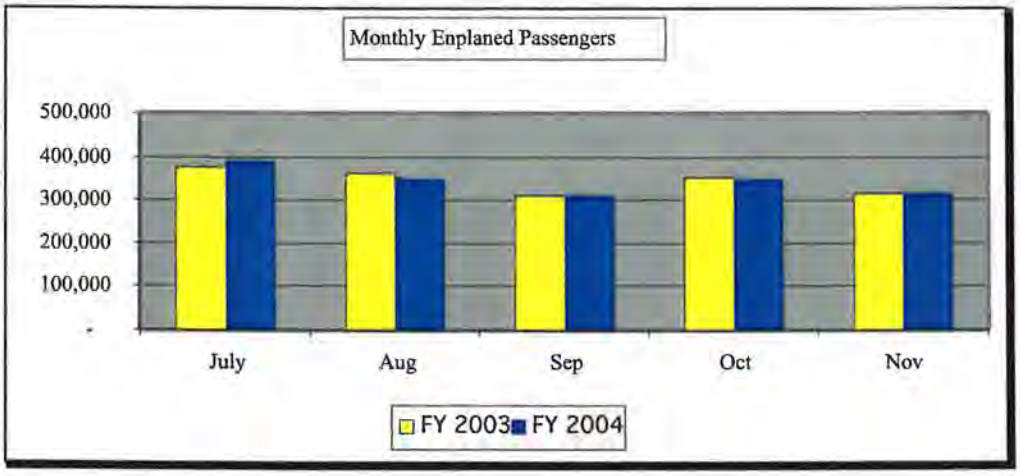


Because of the strong local economy, demand for expanded air service should continue. As a result, non-airline sources of revenue to the Authority (i.e. parking and concessions) should remain strong. However, in any event, the residual lease agreements entered into with eight airlines ensures the continuing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

MAJOR INITIATIVES AND DEVELOPMENTS

U.S. economic conditions and the lingering effects from the events of September 11, 2001, continued as impediments to growth in our passenger enplanement levels during fiscal year 2003.

Current traffic levels experienced by Nashville International Airport remain approximately 11% below the peak levels experienced in fiscal year 2001. As can be seen in the graph below, enplaned passenger levels during the first five months of fiscal year 2004 are basically flat when compared with the same periods in the prior year.



In our estimation, our enplanements will not return to peak levels in the current year, but we forecast that our enplanements will gradually increase as the economy and consumer confidence improve. However, as an origination and destination (O&D) airport with a low-cost dominant carrier, Nashville International Airport is in a better position than most airports to restore its air passenger traffic.

Offsetting the lack of growth in passenger traffic, the Authority implemented changes in several other business components, which drove operating revenue growth of 21% for fiscal year 2003. See MD&A for further discussion of these changes.

Outlook for Fiscal Year 2004

During the fiscal year 2003, we updated our 20-year master plan for Nashville International Airport and completed the first phase of our long-term strategic business plan. The Authority's record proudly reflects our region's progressive nature. It provides a strong foundation upon which to build the highest quality and environmentally responsible air transportation. With more than 4,400 acres, Nashville International Airport has an excellent real estate base on which to expand its services. Infrastructures, like runway and terminal facilities, are sufficient to accommodate significant growth from commercial carriers, general aviation operations, cargo operators and other related aviation businesses.

During fiscal year 2003, the Authority completed a 5-year Capital Improvement Budget, covering fiscal years 2004 through 2008, and including over $100 million in planned expenditures. This budget gained the approval of all signatory airlines as well as the Authority's Board of Commissioners. Approved capital expenditures for fiscal year 2004 total $16.9 million, including $10.8 million for airfield reconstruction and improvements. Forward looking to fiscal year 2005, planned expenditures total over $70 million, including $35 million for terminal renovation and concession upgrades, and $30 million for the permanent Explosive Detection System. We believe these initiatives will position the Authority well to provide excellence in customer service and foster its competitive advantage as the region's hub for transportation and related business.

FINANCIAL INFORMATION

Financial Position and Results of Operations

Management's Discussion and Analysis (MD&A, starting on page 18) summarizes the Authority's Statement of Net Assets and Statement of Revenues, Expenses and Changes and reviews the changes from the beginning to the end of fiscal year 2003 as well as certain comparisons of the current year to the prior year. The actual financial statements and related footnotes are presented on pages 17 to 46. The information contained in the MD&A should be considered in conjunction with the information contained in this report.

Internal Control Structure Framework

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

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

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

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

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

Budgetary Controls

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

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

Cash Management

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

Under the criteria developed by the Governmental Accounting Standards Board, all of the Authority's deposits are insured or collateralized with securities held by the Authority or its agent in the Authority's name (Category 1). Additionally, all investments are insured or registered or are held by the Authority or its agent in the Authority's name (also Category 1). The carrying amount and market value of the investments at June 30, 2003 and 2002 were $53,394,436 and $71,958,203, 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 $188,078,845 with self-retention of $50,000. The Authority's tenant and contractor insurance requirements and indemnifications have been coordinated with the aforementioned policies to further reduce the risk of loss through actions beyond management's control.

OTHER INFORMATION

Independent Audit

The Authority's independent auditor, Deloitte & Touche LLP, has rendered an unqualified opinion that the Authority's financial statements for June 30, 2003 and 2002, and the years then ended, present fairly, in all material respects, the results of the Authority's financial position, operations and cash flows.

The Authority participates in the Federal single audit program, which consists of a single audit of all federally funded programs administered by the Authority. Participation in the single audit program is mandatory as a condition for continued funding eligibility. The single audit performed by Deloitte & Touche LLP met the requirements set forth by the State of Tennessee and the Federal Single Audit Act of 1996 and related Office of Management and Budget Circular A-133. The independent auditors' reports issued based upon work performed in accordance with those requirements noted no instances of material noncompliance by the Authority with any applicable state or Federal laws or regulations for the fiscal year ending June 30, 2003.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officer Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

Respectfully submitted,

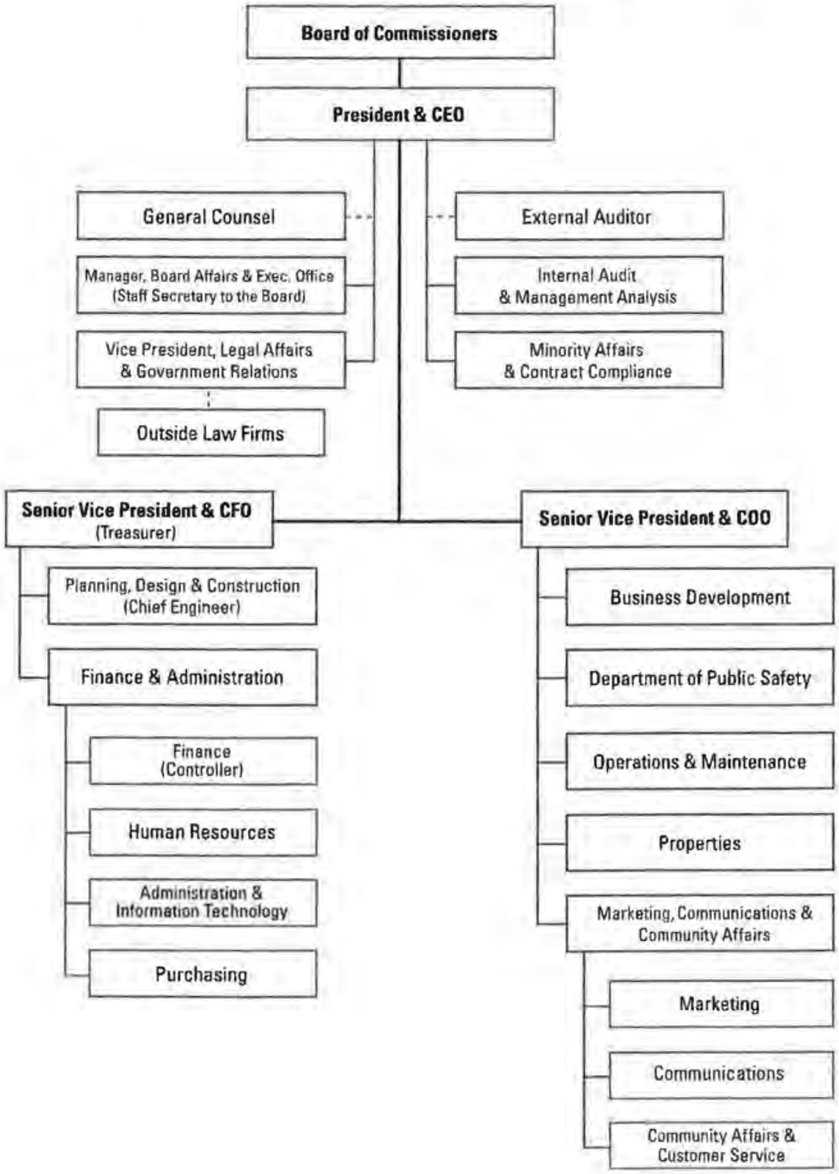
DPWolfe

Douglas P. Wolfe
Vice-President Finance

Metropolitan Nashville Airport Authority

Board of Commissioners

Metropolitan Nashville Airport Authority
Organization Chart and Senior Management



SENIOR MANAGEMENT

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

Hubert G. Smith
Senior Vice President

Douglas P. Wolfe
Senior Vice President

Montford O. Burgess
Vice President of Operations & Maintenance

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

Duane P. McGray
Chief of Public Safety

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Nashville Airport Authority, Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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.

President

Executive Director

FINANCIAL SECTION

This Section Contains the Following Subsections:

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

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF COMMISSIONERS OF
Metropolitan Nashville Airport Authority
Nashville, Tennessee

We have audited the accompanying statements of net assets of Metropolitan Nashville Airport Authority (the "Authority"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee as of June 30, 2003 and 2002, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, such financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The statistical data on pages 47-58 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the Authority's management. The statistical data has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

September 25, 2003

Deloitte
Touche
Tohmatsu

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

SIGNIFICANT EVENTS/FINANCIAL HIGHLIGHTS

The enplaned passenger level of 3,997,980 at Nashville International Airport for fiscal year 2003 stabilized from the 4,004,407 experienced in fiscal year 2002. Although passenger levels were essentially equivalent from year to year, the Authority's operating revenues increased by 21% during fiscal year 2003.

The primary reason for the increase in revenue was a 68% increase in landing fees and space rental charged to the signatory airlines. This significant increase in fees had been planned for several years prior to its implementation and was not the result of adverse business conditions created by the terrorist attacks on September 11, 2001.

Even though passenger levels were materially unchanged from fiscal year 2002, the Authority realized revenue gains in a number of other important non-aeronautical segments. The most significant increase occurred in parking revenue. During fiscal year 2003, revenue from parking activity increased by 4% because of increases in the Authority's short-term parking fees and a 65% increase in the valet parking service.

In addition to the aforementioned increases, the Authority realized gains in several business components related to passenger activities. Restaurant commission revenue and News and Gift commission revenue increased by 10% and 3% respectively. Significant portions of these gains can be attributed to greater passenger dwell time in the secured terminal areas.

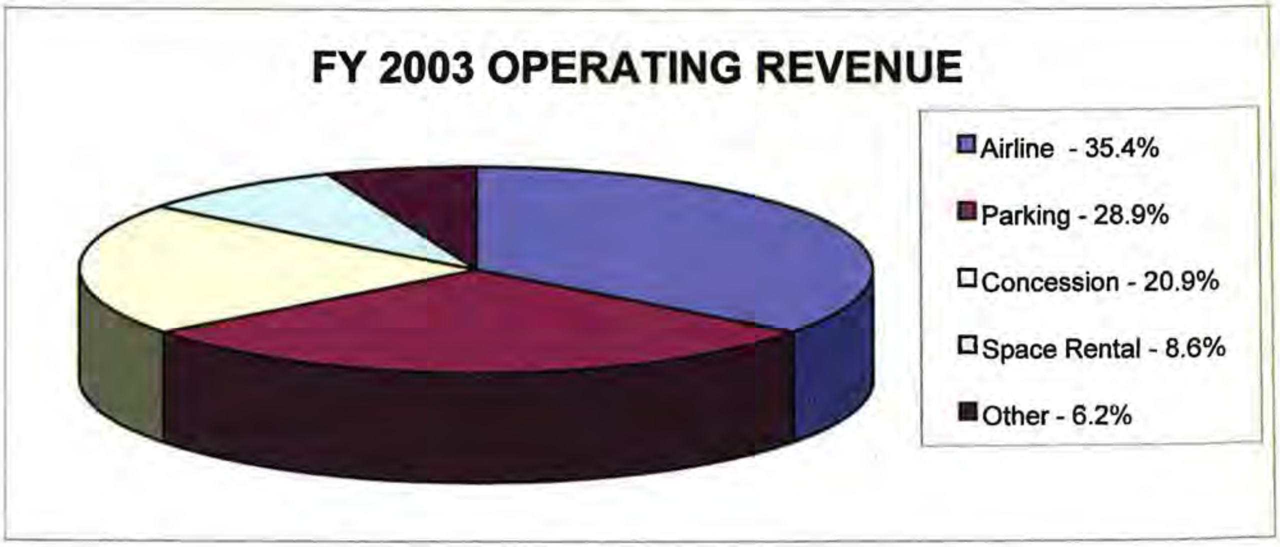
The Authority also continued to control operating expenses during fiscal year 2003. Total operating expenses increased by only 6% despite significantly higher security requirements. Salaries and wages decreased slightly from fiscal year 2002 despite increased employee health care and retirement expenses.

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

	2003	2002	% Change
Operating Revenues	$ 64,424,787	$ 53,292,949	21%
Operating Expenses	(35,610,282)	(33,549,542)	6%
Operating Income before Depreciation	28,814,505	19,743,407	46%
Depreciation	(17,741,820)	(17,607,702)	1%
Operating Income	11,072,685	2,135,705	418%
Non-Operating Revenue	18,403,801	18,429,521	(0%)
Non-Operating Expenses	(19,097,871)	(21,575,036)	(11%)
Increase (decrease) in Net Assets	10,378,615	(1,009,810)	1,128%
Net Assets, beginning of year	157,384,869	158,394,679	(1%)
Net Assets, end of year	$167,763,484	$157,384,869	7%

REVENUES

The following chart shows the major sources of operating revenues for the fiscal year ended June 30, 2003:

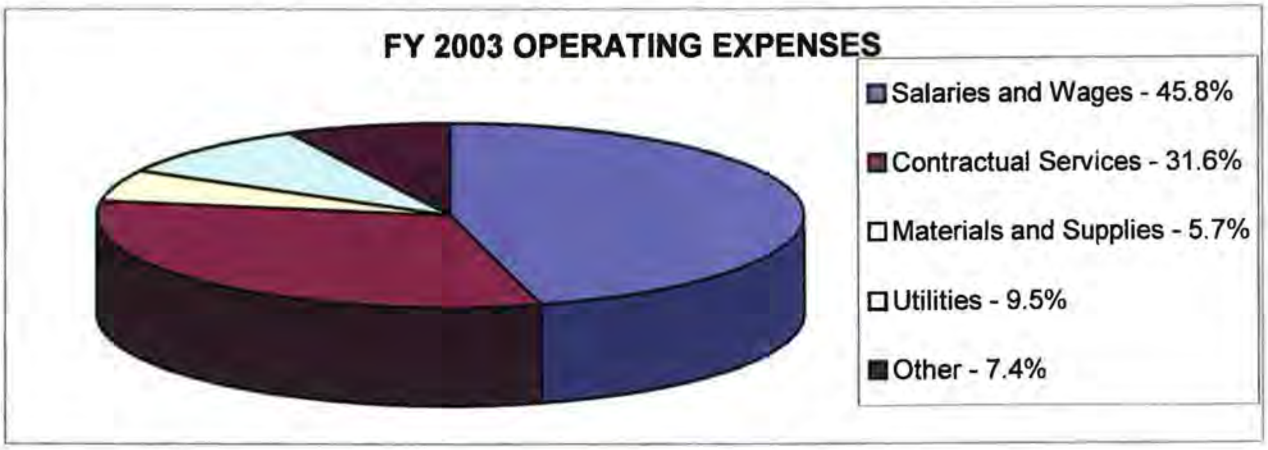


A summary of revenues for the fiscal years ended June 30, 2003, and 2002, is as follows:

Operating Revenue	**2003**	**2002**	**% Change**
Airline	$22,803,489	$13,611,398	68%
Parking	18,654,487	17,965,180	4%
Concession	13,460,263	13,011,370	3%
Space Rental	5,525,643	5,195,128	6%
Other	3,980,905	3,509,873	13%
Total Operating Revenue	**64,424,787**	**53,292,949**	**21%**
Non-Operating Revenue			
Investment Income	3,583,967	3,949,999	(9%)
Passenger Facility Charges	10,763,881	10,698,503	1%
Grant Receipts	3,433,673	3,131,916	10%
Non-operating Transfer	622,280	649,103	(4%)
Total Non-Operating Revenue	**18,403,801**	**18,429,521**	**0%**
Total Revenues	**$82,828,588**	**$71,722,470**	**15%**

EXPENSES

The following chart shows the major cost components of operating expenses for the year ended June 30, 2003:



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

Operating Expenses	2003	2002	% Change
Salaries and Wages	$16,301,303	$16,361,252	(0%)
Contractual Services	11,259,823	10,005,484	13%
Materials and Supplies	2,042,158	1,720,968	19%
Utilities	3,367,944	3,228,803	4%
Other	2,639,054	2,233,035	18%
Total Operating Expenses	**35,610,282**	**33,549,542**	**6%**
Non-Operating Expenses			
Depreciation	17,741,820	17,607,702	1%
Interest Expense	18,549,633	17,164,475	8%
Unrealized Loss on Derivative Financial Instruments	548,238	4,410,561	(88%)
Total Non-Operating Expenses	**36,839,691**	**39,182,738**	**(6%)**
Total Expenses	**$72,449,973**	**$72,732,280**	**(0%)**

FINANCIAL POSITION

The following represents the Authority's financial position at June 30, 2003 and 2002:

	2003	2002	% Change
ASSETS			
Current Assets - Unrestricted	$ 14,117,273	$ 12,415,349	14%
Current Assets – Restricted	46,725,678	38,148,754	22%
Net Capital Assets	366,643,464	375,769,596	(2%)
Other Assets Unrestricted	23,804,420	28,416,111	(16%)
Other Assets Restricted	28,611,304	30,580,424	(6%)
Total Assets	**$479,902,139**	**$485,330,234**	**(1%)**
LIABILITIES			
Current payable from Unrestricted Assets	$ 6,064,273	$ 7,069,042	(14%)
Current payable from Restricted Assets	25,208,421	23,764,027	6%
Long-Term Liabilities	280,865,961	297,112,296	(5%)
Total Liabilities	**312,138,655**	**327,945,365**	**(5%)**
NET ASSETS			
Invested in Capital Assets, net of Related Debt	78,131,588	74,172,612	5%
Restricted Net Assets	75,263,531	68,379,766	10%
Unrestricted Net Assets	14,368,365	14,832,491	(3%)
Total Net Assets	**167,763,484**	**157,384,869**	**7%**
Total Liabilities and Net Assets	**$479,902,139**	**$485,330,234**	**(1%)**

The Authority's assets exceeded liabilities by $167.8 million, a $10.4 million increase from 2002. The largest portion of the Authority's net assets ($78.1 million or 47% at June 30, 2003) represents its investment in capital assets, less the related debt outstanding used to acquire those capital assets. The Authority uses these capital assets to provide services to its passengers and visitors to the Nashville International Airport and John C. Tune Airport; consequently these assets are not available for future spending.

An additional portion of the Authority's net assets ($75.3 million or 45% at June 30, 2003) represents resources that are subject to restrictions on use. The restricted net assets are not available for new spending as they have already been committed as follows:

Passenger Facility Charge projects	$39,046,042
Debt Service	36,217,489
Total Restricted	$75,263,531

The remaining unrestricted net assets of $14.4 million may be used to meet the Authority's ongoing obligations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The Authority's net investment in capital assets as of June 30, 2003 amounted to $366,643,464. This investment in capital assets includes land and land improvements (including runways and taxiways), buildings and building improvements, equipment, furniture and fixtures, as well as construction in progress. The total increase in the Authority's investment in capital assets before accumulated depreciation for fiscal year 2003 was 1%. Major capital projects in progress and expenditures incurred during fiscal year 2003 included the following:

- ➔ Expansion of Air Cargo Ramp $ 3,629,507
- ➔ Airfield Lighting (SMGCS) $ 1,258,148

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

Debt Administration –As of June 30, 2003, the Authority's debt outstanding amounted to $294,405,340. This represents a decrease of $16,320,185 during fiscal year 2003 due to principal redemption. A detail of the principal redemption in fiscal year 2003 is as follows:

Series Description	Beginning Balance	Principal Repayment	Ending Balance
Series 1991A Revenue Bonds	$ 12,965,000	$ 3,555,000	$ 9,410,000
Series 1992 PFC Revenue Bonds	38,025,000	2,560,000	35,465,000
Series 1993 Revenue Bonds	53,500,000	100,000	53,400,000
Series 1995 Revenue Bonds	64,730,000	2,315,000	62,415,000
Series 1998A Revenue Bonds	18,985,000	2,040,000	16,945,000
Series 1998C Revenue Bonds	29,355,000	1,370,000	27,985,000
Series 1999 Subordinated Note	1,235,525	145,185	1,090,340
Series 2001A Revenue Bonds	91,930,000	4,235,000	87,695,000
Total	$310,725,525	$ 16,320,185	$294,405,340

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

Respectfully submitted,

Douglas P. Wolfe
Senior Vice President

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

STATEMENTS OF NET ASSETS
JUNE 30, 2003 AND 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents (Notes 2, 3 and 18)	$ 5,958,267	$ 6,633,792
Short term investments (Notes 2, 3 and 18)	3,196,591	96,710
Accounts receivable—net of allowance for doubtful accounts of $150,660 and $115,131 in 2003 and 2002, respectively	3,178,882	2,277,617
Inventories (Note 2)	480,613	538,903
Accrued interest receivable	158,782	1,465,712
Current portion of notes receivable (Notes 9 and 18)	161,750	463,275
Prepaid expenses	982,388	939,340
Total current unrestricted assets	14,117,273	12,415,349
Restricted assets:		
Cash and cash equivalents (Notes 2, 3, 5 and 18)	40,728,335	16,093,850
Short term investments (Notes 2, 3, 5 and 18)	3,866,807	19,659,196
Passenger facility charges receivable (Note 7)	1,895,635	1,715,046
Amounts due from governmental agencies	124,673	348,795
Accrued interest receivable	110,228	331,867
Total current restricted assets	46,725,678	38,148,754
Total current assets	60,842,951	50,564,103
NON-CURRENT ASSETS:		
Capital assets (Note 4):		
Land	67,725,326	67,725,326
Land held for future expansion	36,701,068	36,701,068
Land improvements	358,100,635	356,109,552
Buildings and building improvements	125,609,435	119,946,469
Equipment, furniture and fixtures	20,949,181	20,040,290
Construction in progress	9,893,301	9,856,095
Total capital assets	618,978,946	610,378,800
Less accumulated depreciation	(252,335,482)	(234,609,204)
Total capital assets (net of accumulated depreciation)	366,643,464	375,769,596
Restricted investments (Notes 2, 3, 5 and 18)	28,611,304	30,580,424
Unrestricted investments (Notes 2, 3, 5 and 18)	17,719,734	21,621,873
Deferred bond issue costs (Note 2)	3,892,955	4,429,612
Notes receivable from tenants (Notes 9 and 18)	1,855,595	2,017,344
Other assets	336,136	347,282
Total non-current assets	419,059,188	434,766,131
TOTAL ASSETS	$ 479,902,139	$ 485,330,234

See notes to financial statements.

LIABILITIES AND NET ASSETS	2003	2002
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Trade accounts payable	$ 3,343,287	$ 4,183,622
Accrued payroll and related items (Notes 2 and 12)	2,531,111	2,700,326
Current maturities of long-term debt (Note 5)	154,654	145,185
Accrued interest payable (Note 5)	35,221	39,909
Total payable from unrestricted assets	6,064,273	7,069,042
Payable from restricted assets:		
Trade accounts payable	434,058	104,576
Accrued interest payable (Note 5)	7,084,363	7,484,451
Current maturities of long-term debt (Note 5)	17,690,000	16,175,000
Total payable from restricted assets	25,208,421	23,764,027
Total current liabilities	31,272,694	30,833,069
NON-CURRENT LIABILITIES:		
Airport Revenue Bonds (net of unamortized deferred amount on refunding of $19,251,919 and $21,690,417, respectively) (Notes 5 and 18)	256,373,081	271,624,583
Subordinate Revenue Note (Notes 5 and 18)	935,686	1,090,340
	257,308,767	272,714,923
Synthetic Advance Refunding, Series 2001A (Note 5)	7,629,371	8,528,259
Fair value of derivative financial instruments (Notes 2, 5, 6 and 18)	8,811,799	8,263,561
	273,749,937	289,506,743
Deferred interest income (Notes 2 and 5)	5,065,790	5,518,468
Deferred rental income (Notes 5 and 14)	2,050,234	2,087,085
Total non-current liabilities	280,865,961	297,112,296
Total liabilities	312,138,655	327,945,365
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS:		
Invested in capital assets, net of related debt	78,131,588	74,172,612
Restricted:		
Passenger facility charge projects	39,046,042	42,211,448
Debt service	36,217,489	26,168,318
Total restricted net assets	75,263,531	68,379,766
Unrestricted net assets	14,368,365	14,832,491
Total net assets	167,763,484	157,384,869
TOTAL LIABILITIES AND NET ASSETS	$ 479,902,139	$ 485,330,234

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
OPERATING REVENUES: (Note 16)		
Airline (Notes 9 and 15)	$ 22,803,489	$ 13,611,398
Parking	18,654,487	17,965,180
Concession	13,460,263	13,011,370
Space rental (Note 9)	5,525,643	5,195,128
Other	3,980,905	3,509,873
	64,424,787	53,292,949
OPERATING EXPENSES: (Note 16)		
Salaries and wages (Notes 12 and 13)	16,301,303	16,361,252
Contractual services	11,259,823	10,005,484
Materials and supplies	2,042,158	1,720,968
Utilities	3,367,944	3,228,803
Other	2,639,054	2,233,035
	35,610,282	33,549,542
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	28,814,505	19,743,407
PROVISION FOR DEPRECIATION (Notes 4 and 16)	17,741,820	17,607,702
OPERATING INCOME	11,072,685	2,135,705
NONOPERATING REVENUES:		
Interest income	3,583,967	3,949,999
Passenger facility charges (Note 7)	10,763,881	10,698,503
Grant receipts from governmental agencies (Note 2)	3,433,673	3,131,916
Nonoperating transfer (Note 17)	622,280	649,103
	18,403,801	18,429,521
NONOPERATING EXPENSE:		
Interest expense (Notes 2 and 5)	18,549,633	17,164,475
Unrealized loss on derivative financial instruments (Notes 2 and 6)	548,238	4,410,561
	19,097,871	21,575,036
CHANGES IN NET ASSETS:		
Increase (decrease) in net assets	10,378,615	(1,009,810)
Total net assets, beginning of year	157,384,869	158,394,679
Total net assets, end of year	$ 167,763,484	$ 157,384,869

See notes to financial statements.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 63,523,958	$ 52,790,410
Cash paid to employees	(16,470,518)	(15,771,301)
Cash paid to suppliers	(17,155,469)	(15,004,779)
Other payments	(2,639,054)	(2,233,035)
Net cash provided by operating activities	27,258,917	19,781,295
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipt of passenger facility charges	10,583,292	11,210,772
Additions to deferred bond issue costs	-	(31,500)
Premium paid to fund 1991C refunding	-	(1,838,600)
Additions to property and equipment	(8,651,896)	(11,070,089)
Proceeds from sale of property and equipment	-	200,000
Interest paid on long-term debt	(16,878,142)	(16,349,547)
Proceeds from issuance of derivative financial instruments	-	3,853,000
Payments on long-term debt	(16,320,185)	(107,126,375)
Contributions from governmental agencies	3,657,795	2,805,330
Nonoperating transfer	622,280	649,103
Receipt of upfront payment relating to debt service forward delivery agreement	-	1,325,000
Net cash used in capital and related financing activities	(26,986,856)	(116,372,906)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(143,383,139)	(218,465,397)
Proceeds from the sale and maturities of investments	160,969,859	207,076,314
Payments made by tenants	463,274	984,772
Interest received on investments	5,636,905	3,003,579
Net cash provided by (used in) investing activities	23,686,899	(7,400,732)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,958,960	(103,992,343)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,727,642	126,719,985
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 46,686,602	$ 22,727,642

(Continued)

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 11,072,685	$ 2,135,705
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for depreciation	17,741,820	17,607,702
Amortization of deferred real estate leasing commission	1,080	1,080
Loss (gain) on disposal of property and equipment	36,208	(58,608)
Amortization of deferred rental income	(46,259)	(102,972)
Changes in assets and liabilities:		
Increase in accounts receivable	(901,265)	(326,465)
Decrease in inventories	58,290	116,554
Increase in prepaid expenses	(43,048)	(277,198)
Decrease in other assets	10,066	15,102
(Decrease) increase in trade accounts payable	(510,853)	96,018
(Decrease) increase in accrued payroll and related items	(169,215)	589,951
Increase (decrease) in deferred rental income	9,408	(15,574)
Net cash provided by operating activities	$ 27,258,917	$ 19,781,295
CASH AND CASH EQUIVALENTS, END OF YEAR CONSIST OF:		
Unrestricted cash and cash equivalents	$ 5,958,267	$ 6,633,792
Restricted cash and cash equivalents	40,728,335	16,093,850
	$ 46,686,602	$ 22,727,642

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

During 2003 and 2002, $2,975,155 and $2,962,099, respectively, were charged to interest expense for amortization of deferred bond issue costs, amortization of deferred loss on refunding of debt, and accretion of the synthetic advance refunding. During 2003 and 2002, interest expense was reduced by $898,888 and $808,218, respectively, for the amortization of the synthetic advance refunding.

During 2003 and 2002, $452,678 and $426,075, respectively is included in interest income related to the amortization of deferred interest income.

See notes to financial statements. (Concluded)

1. METROPOLITAN NASHVILLE AIRPORT AUTHORITY

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Adoption of accounting pronouncements. In 2002, the Authority adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These pronouncements establish standards for external financial reporting for all state and local governmental entities. In addition to providing guidance for basic financial statements and related note disclosures, these pronouncements require presentation of Management's Discussion and Analysis ("MD&A") as required supplementary information.

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

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

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

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

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

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

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

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

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

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

Derivative Financial Instruments. SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, requires that all derivatives be recorded in the statement of net assets as either an asset or liability measured at fair value and that changes in fair value be recognized currently in earnings unless specific hedge accounting criteria are met. As of and for the years ending June 30, 2003 and 2002, the derivative financial instruments are accounted for at fair value in accordance with SFAS No. 133, as amended, with any gains or losses resulting from the fair value measurements being recorded as a non-operating expense.

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

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

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

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

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

In May 2003, the GASB issued Statement No. 41, *Budgetary Comparison Schedules—Perspective Differences—an amendment of GASB Statement No. 34.* GASB No. 41 amends GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* to clarify the budgetary presentation requirements for entities which are legally required to adopt a budget that are not able to present budgetary comparison information. The adoption of GASB No. 41 did not have an impact on the Authority's accounting policies or financial statement disclosures as the Authority is not legally required to adopt a budget.

In June 2003, the GASB issued Technical Bulletin 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*. GASB Technical Bulletin 2003-1 is designed to increase the public's understanding of the significance of derivatives to a governmental entity's financial position and to provide key information about the potential effects on future cash flows. GASB Technical Bulletin 2003-1 is effective for periods ending after June 15, 2003. The adoption of GASB Technical Bulletin 2003-1 did not have an impact on the Authority's accounting policies or disclosures as the Authority's derivative financial instruments are reported at fair value in the accompanying financial statements.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

The Authority's unrestricted and restricted investments at June 30, 2003 and 2002, are categorized below to give an indication of the level of risk assumed by the Authority. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, in the Authority's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Authority's name.

	2003			
	Category			Fair
	1	2	3	Value
U.S. Government Securities	$53,294,436	$ -	$ -	$53,294,436
Certificates of deposit	100,000	-	-	100,000
	$53,394,436	$ -	$ -	$53,394,436

	2002			
	Category			Fair
	1	2	3	Value
U.S. Government Securities	$67,086,198	$ -	$ -	$67,086,198
Certificates of deposit	100,000	-	-	100,000
Repurchase agreements	4,772,005	-	-	4,772,005
	$71,958,203	$ -	$ -	$71,958,203

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

	2003	2002
Short-term unrestricted investments	$ 3,196,591	$ 96,710
Short-term restricted investments	3,866,807	19,659,196
Non-current unrestricted investments	17,719,734	21,621,873
Non-current restricted investments	28,611,304	30,580,424
	$53,394,436	$71,958,203

The Authority's unrestricted and restricted cash and cash equivalent bank balances totaling $60,479,571 and $23,911,221 at June 30, 2003 and 2002, respectively (with a carrying value of $46,686,602 and $22,727,642) represent a variety of time deposits with banks and are categorized below to give an indication of the level of risk assumed by the Authority. Category 1 includes bank balances that are insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes bank balances that are uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name).

	2003		
	Category		
	1	2	3
Unrestricted cash and cash equivalents	$ 5,958,267	$ -	$ -
Restricted cash and cash equivalents	40,728,335	-	-
	$ 46,686,602	$ -	$ -

	2002		
	Category		
	1	2	3
Unrestricted cash and cash equivalents	$ 6,633,792	$ -	$ -
Restricted cash and cash equivalents	16,093,850	-	-
	$ 22,727,642	$ -	$ -

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

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

In November 2001, the Authority entered into a Debt Service Forward Delivery Agreement ("2001 DSFDA") with a financial institution for the continuous investment of the Series 1993 bond reserve fund through the term of the bonds. The present value of future investment earnings under the 2001 DSFDA were received by the Authority in a lump sum payment of $1,325,000. These proceeds were used to fund various capital improvement projects during fiscal year 2002. The amount of the upfront payment was recorded as deferred interest income and will be amortized into income over the term of the agreement.

4. CAPITAL ASSETS

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

	Balance 7/1/2002	Additions	Retirements	Transfers	Balance 6/30/2003
Capital assets not being depreciated:					
Land	$ 67,725,326	$ -	$ -	$ -	$ 67,725,326
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	9,856,095	8,530,447	-	(8,493,241)	9,893,301
Total capital assets not being depreciated	114,282,489	8,530,447	-	(8,493,241)	114,319,695
Capital assets being depreciated:					
Land improvements	356,109,552	-	-	1,991,083	358,100,635
Buildings and building improvements	119,946,469	121,449	(51,750)	5,593,267	125,609,435
Equipment, furniture and fixtures	20,040,290	-	-	908,891	20,949,181
Total capital assets being depreciated	496,096,311	121,449	(51,750)	8,493,241	504,659,251
Less accumulated depreciation:					
Land improvements	(174,087,825)	(11,513,274)	-	-	(185,601,099)
Buildings and building improvements	(50,448,698)	(4,179,798)	15,542	-	(54,612,954)
Equipment, furniture and fixtures	(10,072,681)	(2,048,748)	-	-	(12,121,429)
Total accumulated depreciation	(234,609,204)	(17,741,820)	15,542	-	(252,335,482)
Total capital assets being depreciated	261,487,107	(17,620,371)	(36,208)	8,493,241	252,323,769
Net capital assets	$ 375,769,596	$ (9,089,924)	$ (36,208)	$ -	$ 366,643,464

5. LONG-TERM DEBT

Airport Revenue Bonds, Series 1991: During August 1991, the Authority issued Series 1991A bonds in the principal amount of $37,000,000. The Series 1991A bonds were issued to purchase land and construct an extension of an existing runway. The Series 1991A issue (with an outstanding principal balance of $9,410,000 at June 30, 2003) contains serial bonds at interest rates ranging from 6.60% to 6.75%, maturing in varying annual amounts ranging from $3,790,000 on July 1, 2003 to $1,580,000 on July 1, 2005. The Series 1991A bonds were repaid in July 2003 (see Note 20).

During November 1991, the Authority issued Series 1991C bonds in the principal amount of $122,360,000. The bonds were issued to provide funds to call the Airport Revenue Bonds, Series 1988 during December 1991. The bonds were repaid on the July 1, 2001 optional call date at 102% of the long-term principal balance outstanding of $91,930,000 (discussed later).

Passenger Facility Charge and Airport Improvement Revenue Bonds, Series 1992: During October 1992, the Authority issued Series 1992 bonds in the principal amount of $55,325,000. The bonds were issued to provide funds to construct certain improvements to the Nashville International Airport, including the relocation of an existing runway, the extension of an existing runway, land acquisition, concourse connection and Federal Inspection Service Facility design, ramp expansion and extension of an existing taxiway. The Series 1992 issue (with an outstanding principal balance of $35,465,000 at June 30, 2003) contains serial bonds at an interest rate of 6.00%, maturing in progressive annual amounts ranging from $2,710,000 on July 1, 2003 to $2,870,000 on July 1, 2004. The remainder of the issue is composed of $6,255,000 term bonds at 5.50% due July 1, 2006, $10,785,000 term bonds at 6.00% due July 1, 2009 and $12,845,000 term bonds at 6.00% due July 1, 2012. At the option of the Authority, the bonds may be repaid beginning on July 1, 2002 at 102% of the principal balance outstanding, declining 1% annually to 100% on July 1, 2004. The Authority exercised this option and the Series 1992 bonds were repaid in July 2003 (see Note 20).

Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1993: During October 1993, the Authority issued Series 1993 bonds in the principal amount of $53,500,000. The bonds were issued to provide funds to refund $11,400,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1989B and $36,000,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1991B. The proceeds from the issue were used to purchase direct obligations of the U.S. Government which are held in an escrow fund by a trustee for the purpose of making principal, applicable redemption premium and interest payments on the Series 1989B and 1991B bonds as they become due. The Series 1989B bonds were redeemed on July 1, 1998 at a redemption price of 102% of the principal amount thereof, while the Series 1991B bonds were redeemed on July 1, 2001 at a redemption price of 102% of the principal amount thereof. At June 30, 2003 and 2002, $36,000,000 of Series 1991B bonds are considered defeased and are not included in the Authority's financial statements.

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

The Series 1993 bonds were issued bearing interest at a weekly rate and any Series 1993 bond may from time to time bear one of six variable rates: daily, weekly, monthly, quarterly, semiannual or term rates. In addition, any or all of the Series 1993 bonds may bear interest at a fixed rate at the option of the Authority. The Authority has an agreement with a remarketing agent to remarket any bonds presented for redemption. In the event the bonds cannot be remarketed in the normal course of business, the Authority has a liquidity facility agreement with a bank expiring on July 1, 2019. Draws on the liquidity facility agreement can be used to pay up to $53,500,000 plus an amount equal to 35 days interest on the bonds computed as though the bonds bore interest at a rate of 24% per annum notwithstanding the actual rate borne from time to time by the bonds. At June 30, 2003 the liquidity facility provider did not hold any of these bonds. The cost incurred during the year ended June 30, 2003 for the liquidity facility agreement was $136,620 and was recorded as additional interest expense. Principal maturities of the Series 1993 issue vary in annual amounts ranging from $700,000 on July 1, 2003 to $3,800,000 on July 1, 2019.

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

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

During January 1998, the Series 1995 bonds were remarketed with a fixed rate. In connection with the remarketing, the 1995 Swap Agreement was terminated requiring the Authority to pay a Termination Payment. The Termination Payment was funded through the issuance of the Series 1998A and Series 1998B bonds (discussed later). The remarketing of the Series 1995 bonds and termination of the 1995 Swap Agreement resulted in a difference between the remarketing price and the net carrying amount of the original debt of $19,804,773 (including unamortized loss on refunding of Series 1985 bonds of

$4,224,093). In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2016 using the effective-interest method. The Authority completed the remarketing and termination of the 1995 Swap Agreement to reduce its total debt service payments over 17 years by $681,220. No significant economic gain or loss resulted from this refunding transaction.

The Series 1995 bonds contain serial bonds at interest rates ranging from 4.45% to 5.00%, maturing in progressive annual amounts ranging from $2,545,000 on July 1, 2003 to $7,990,000 on July 1, 2015. At the option of the Authority, the Series 1995 bonds maturing on and after July 1, 2009 may be repaid beginning July 1, 2008 at 102% of the principal balance outstanding, declining 1% annually to 100% on July 1, 2010.

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

Airport Improvement Revenue Bonds, Series 1998: During December 1997, the Authority issued Series 1998A and Series 1998B bonds in the principal amount of $19,695,000 and $9,740,000, respectively. The bonds were issued for the purpose of paying the Termination Payment under the 1995 Swap Agreement entered into in connection with the Series 1995 Bonds. The Series 1998A issue (with an outstanding principal balance of $16,945,000 at June 30, 2003) contains serial bonds at interest rates ranging from 4.35% to 5.15%, maturing in progressive annual amounts ranging from $2,015,000 on July 1, 2003 to $350,000 on July 1, 2014. At the option of the Authority, the 1998A bonds maturing on and after July 1, 2009 may be repaid beginning July 1, 2008 at 102% of the principal balance outstanding, declining 1% annually to 100% on July 1, 2010.

During March 1998, the Authority issued Series 1998C bonds in the principal amount of $32,660,000. The bonds were issued to provide funds to refund $30,940,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1989A. The 1998C issue (with an outstanding principal balance of $27,985,000 at June 30, 2003) contains serial bonds at interest rates ranging from 5.00% to 5.375%, maturing in progressive annual amounts ranging from $1,435,000 on July 1, 2003 to $1,900,000 on July 1, 2016. At the option of the Authority, the bonds may be repaid beginning July 1, 2008 at 102% of the principal balance outstanding, declining 1% annually to 100% on July 1, 2010.

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

Airport Improvement Revenue Bonds, Series 2001A: During April 2001, the Authority issued Series 2001A bonds in the principal amount of $91,930,000. The bonds were issued to provide funds to refund

$91,930,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1991C. The proceeds from the issue were held by the Authority at June 30, 2001 and were used to redeem the series 1991C bonds on July 1, 2001 at a redemption price of 102% of the principal amount thereof.

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

The issue contains serial bonds at interest rates ranging from 6.20% to 6.60%, maturing in progressive annual amounts ranging from $4,495,000 on July 1, 2003 to $9,615,000 on July 1, 2015.

Security for the Revenue Bonds: All rights, title and interest of the Nashville International Airport in and to the rents and other monies payable under the terms of the airline lease agreements, and all airport revenue as defined in the trust indenture pertaining to the series of bonds described above, are expressly assigned to the trustee for deposit pursuant to the terms of the trust indenture as amended securing all of the outstanding revenue bond issues.

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

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

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

The following shows the composition of restricted cash and cash equivalents and investments as of June 30, 2003 and 2002:

	2003	2002
Principal and Interest Funds:		
Airport Revenue Bonds, Series 1991A	$ 4,103,735	$ 3,986,050
PFC and Airport Improvement Revenue Bonds, Series 1992	3,954,051	3,631,529
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1993	700,000	100,000
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1995	4,065,502	3,893,377
Airport Improvement Revenue Bonds, Series 1998	4,579,503	4,613,678
Airport Improvement Revenue Bonds Refunding Series 2001A	7,372,426	7,218,301
Bond Reserve Funds:		
PFC and Airport Improvement Revenue Bonds, Series 1992	4,937,125	4,772,005
Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1993	2,675,000	2,675,000
Construction Funds:		
PFC and Airport Improvement Revenue Bonds, Series 1992	40,819,104	35,443,530
	$ 73,206,446	$ 66,333,470

Long-term revenue bond activity for the year ended June 30, 2003 is summarized as follows:

Series Description	Beginning Balance	Borrowings	Principal Repayment	Loss on Refunding	Amortization	Ending Balance
Series 1991A Revenue Bonds	$ 12,965,000	$ -	$ (3,555,000)	$ -	$ -	$ 9,410,000
Series 1992 PFC Revenue Bond	38,025,000	-	(2,560,000)	-	-	35,465,000
Series 1993 Revenue Bonds	53,500,000	-	(100,000)	-	-	53,400,000
Series 1995 Revenue Bonds	64,730,000	-	(2,315,000)	-	-	62,415,000
Series 1998A Revenue Bonds	18,985,000	-	(2,040,000)	-	-	16,945,000
Series 1998C Revenue Bonds	29,355,000	-	(1,370,000)	-	-	27,985,000
Series 1999 Subordinated Note	1,235,525	-	(145,185)	-	-	1,090,340
Series 2001A Revenue Bonds	91,930,000	-	(4,235,000)	-	-	87,695,000
Total	310,725,525	-	(16,320,185)	-	-	294,405,340
Less unamortized deferred amount on refunding	(21,690,417)	-	-	-	2,438,498	(19,251,919)
	289,035,108	$ -	$ (16,320,185)	$ -	$2,438,498	275,153,421
Less current portion	(16,320,185)					(17,844,654)
	$272,714,923					$257,308,767

Aggregate maturities of revenue bonds at June 30, 2003 are as follows:

Year Ending June 30	Principal	Interest	Total
2004	$ 17,844,654	$ 15,737,207	$ 33,581,861
2005	18,839,549	14,685,147	33,524,696
2006	19,960,179	13,593,647	33,553,826
2007	21,021,495	12,492,580	33,514,075
2008	22,188,453	11,345,642	33,534,095
2009-2013	122,481,010	37,088,068	159,569,078
2014-2018	64,670,000	8,081,134	72,751,134
2019-2020	7,400,000	336,750	7,736,750
	294,405,340	113,360,175	407,765,515
Less: unamortized deferred amount on refunding	(19,251,919)	-	(19,251,919)
	$275,153,421	$113,360,175	$388,513,596

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

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

6. DERIVATIVE FINANCIAL INSTRUMENTS

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

In accordance with SFAS No. 133, the Authority has recorded the fair value of the 1993 Swap Agreement as of June 30, 2003 (a liability of $5,150,000) and as of June 30, 2002 (a liability of $2,685,700) in the statements of net assets. The fair value of this financial instrument at June 30, 2003 represents the amount the Authority would pay to terminate the agreement, taking into consideration current interest rates. The change in the fair value of this financial instrument for the years ended

June 30, 2003 and 2002 has been recorded as an unrealized loss in the statements of revenues, expenses and changes in net assets under non-operating expenses.

2001 Knock-In Barrier Swap: The Authority entered into a Knock-in Barrier Swap dated October 26, 2001 ("2001 Barrier Swap") with a counterparty that generated a cash payment to the Authority of $3,853,000. The 2001 Barrier Swap is comprised of three options. The three options have different notional amounts, amortization schedules, termination dates, fixed coupons, premiums and barrier levels. In exchange for the payment to the Authority, the counterparty has the right to exercise its option to enter into an interest rate swap agreement when the Bond Market Association ("BMA") rate averages above the negotiated barrier(s) for any six-month period. Upon exercise of the option, the Authority will pay the counterparty a floating rate at BMA plus 1.2%, and the counterparty will pay the Authority the fixed rate of the underlying debt. As of June 30, 2003 and 2002, the BMA rate had not penetrated any of the barriers. Thus, the options had not been delivered by the counterparty to the Authority.

The underlying bond issues, notional amounts, and barrier level interest rates are as follows as of June 30, 2003:

Bond Issue	Maturity Date	Notional Amount	Barrier Level Interest Rate
Series 1993	July 1, 2019	$53,400,000	6.0%
Series 1995	July 1, 2015	$62,415,000	6.5%
Series 1998C	July 1, 2016	$27,985,000	7.0%

In accordance with SFAS No. 133, the Authority has recorded the fair value of the 2001 Barrier Swap (a liability of $3,661,799 and $5,577,861 at June 30, 2003 and 2002, respectively) in the statements of net assets. The fair value of this financial instrument at June 30, 2003 represents the amount the Authority would pay to terminate the agreement, taking into consideration current interest rates. The change in the fair value of this financial instrument for the year ended June 30, 2003 and the difference between the fair value at June 30, 2002 and the amount of upfront cash received has been recorded as an unrealized loss in the statements of revenues, expenses and changes in net assets under non-operating expenses for the years ended June 30, 2003 and 2002, respectively.

7. PASSENGER FACILITY CHARGES

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

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

Airfield development	$ 75,654,850
Terminal development	62,432,050
Land acquisition	30,027,200
	$168,114,100

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

8. SPECIAL FACILITY REVENUE BONDS

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

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

9. AIRLINE LEASE AGREEMENTS

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

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

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

The notes receivable from tenants of $2,017,344 and $2,480,619 at June 30, 2003 and 2002, respectively, represent expenditures made by the Authority on behalf of certain tenants for improvements at the new terminal. The signatory tenant notes accrue interest at 7% while the nonsignatory tenant notes accrue interest at 9%. The notes are to be repaid on a monthly basis through 2015.

10. RISK MANAGEMENT AND INSURANCE ARRANGEMENTS

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

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

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

	2003	2002
Balance, beginning of year	$ 400,057	$ 413,929
Provision for incurred claims	2,458,411	2,616,534
Claim payments	(2,457,610)	(2,630,406)
Balance, end of year	$ 400,858	$ 400,057

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

11. COMMITMENTS AND CONTINGENCIES

Estimated costs of completion of construction in progress at June 30, 2003 relate to various projects. These amounts are as follows:

Amount to be directly reimbursed by governmental agencies under existing governmental grants	$ 243,878
Amount not reimbursable by governmental grants	2,245,897
Amount to be funded by passenger facility charges collected	25,661,878
	$28,151,653

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

12. POSTRETIREMENT AND RETIREMENT BENEFITS

Postretirement benefits are accounted for under GASB 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.

Effective September 1989, the Authority adopted a new single-employer public employee retirement system ("PERS") for its employees whereby the net assets available for benefits relative to the Authority's employees were transferred from the Metropolitan Government's pension system to the Metropolitan Nashville Airport Authority Retirement Plan for Employees (the "Plan"). Certain Authority employees participate in the pension system of the Metropolitan Government of Nashville and Davidson County, Tennessee, a cost-sharing multiple employer PERS. Employees participate in either

"Fund B" (pension benefits for credited service other than credited Fire and Police service) or "Fund C" (pension benefits for credited Fire and Police service) of the Metropolitan Employees' Benefit Trust Fund (the "Fund"). New employees of the Authority and those previously selecting the new Metropolitan Nashville Airport Authority's single-employer PERS are not eligible for participation in the Metropolitan Government's pension system. As a result of the relatively few number of employee participants, additional postemployment benefits information in regards to the Fund has not been presented.

The Plan is a non-contributory defined benefit pension plan administered by the Authority. The plan provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Authority. Benefit provisions are established and may be amended by the Authority. The plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Metropolitan Nashville Airport Authority, One Terminal Drive, Suite 501, Nashville, Tennessee 37214 or by calling (615) 275-1600.

Contribution requirements are established and may be amended by the Authority. The Authority is required to contribute at an actuarially-determined rate; the current rate is 18.98% of annual covered payroll.

For the year ended June 30, 2003, the Authority's annual pension cost was equal to the annual required contribution of $1,792,245. Actual contributions made to the Plan were $1,792,245. The annual required contribution for the current year was determined as part of the July 1, 2002 actuarial valuation using the aggregate actuarial funding method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 4.0%. Neither (a) nor (b) included an inflation adjustment. The assumptions did not include postretirement benefit increases which are funded by the Authority when granted. The actuarial value of Plan assets was calculated as the average of the market and book values of plan assets as of July 1, 2002. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

Year Ending June 30,	Annual Pension Cost	% of Annual Pension Cost Contributed	Net Pension Obligation at June 30,
2003	$ 1,792,245	100.00 %	$ -
2002	1,218,134	100.00 %	-
2001	1,057,258	100.00 %	-

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

Under the Authority's PERS, the Authority pays 75% of the medical coverage cost, with the retirees paying the remaining 25%. The Authority also pays 100% of the premium cost of a $7,500 life insurance policy on each retiree. In addition, the retirees have the option to pay 100% of the cost of dental, vision, and supplemental life insurance coverage. Currently, 61 retirees are receiving benefits under the PERS. During the years ended June 30, 2003 and 2002, payments of $229,187 and $387,732, respectively, were made by the Authority for postretirement benefits under this PERS.

Under the Metropolitan Government's PERS, the Authority pays 75% of the cost of medical and dental coverage, while the retirees pay the remaining 25%. The Authority also pays 100% of the premium cost of a $7,500 life insurance policy on each retiree. Currently, 22 retirees are receiving benefits under the

PERS. During the years ended June 30, 2003 and 2002, payments of $52,380 and $86,525, respectively, were made to the Metropolitan Government for postretirement benefits under this PERS.

Payments for these postretirement benefits are expensed as they are incurred. During the years ended June 30, 2003 and 2002, $281,567 and $474,257, respectively, of postretirement benefits were recognized as expense.

13. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits the deferral of a portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, and accordingly, the related assets of the plan are not reflected on the Authority's statement of net assets.

Beginning January 1, 2001, the Authority's matching contributions are made to a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a). Amounts contributed by the Authority to the deferred compensation plan were $431,795 and $496,765 in 2003 and 2002, respectively.

14. LAND LEASES AND LAND OPTIONS

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

15. MAJOR CUSTOMERS

The two largest airlines accounted for approximately 60.4% and 63.1% of the total enplanements of 3,997,980 and 4,004,407 in fiscal years 2003 and 2002, respectively.

16. INFORMATION ON AUTHORITY OPERATING RESULTS BY AIRPORT

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

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

Year Ended June 30, 2002	Nashville International Airport	John C. Tune Airport	Total
Operating revenues	$52,896,939	$ 396,010	$53,292,949
Operating expenses	33,446,786	102,756	33,549,542
Provision for depreciation	16,989,456	618,246	17,607,702
Operating income (loss)	$ 2,460,697	$ (324,992)	$ 2,135,705

17. NON-OPERATING TRANSFER

The Authority receives a percentage of ad valorem taxes imposed on the airlines by the Metropolitan Government under an agreement that expires in March 2004. Under the terms of the agreement, such receipts are to be expended by the Authority for land acquisition related to airport expansion. Amounts received during the years ended June 30, 2003 and 2002 of $622,280 and $649,103, respectively, have been recorded as non-operating revenue.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been estimated by the Authority using available market information as of June 30, 2003 and 2002, and valuation methodologies considered appropriate to the circumstances.

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 46,686,602	$ 46,686,602	$ 22,727,642	$ 22,727,642
Investments	53,394,436	53,394,436	71,958,203	71,958,203
Notes receivable from tenants	2,017,344	2,346,886	2,480,619	2,690,875
Long-term debt	294,405,340	324,216,220	310,725,525	327,987,622

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

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

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

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

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

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

19. RELATED-PARTY TRANSACTION

During 2002, the Authority purchased the right-of-way of State Route 255, commonly known as Donelson Pike, from the Metropolitan Government for approximately $1,500,000. The acquisition of this right-of-way was completed as part of the Authority's long-range aviation plan, which projects Donelson Pike to become an airport service road upon completion of a planned state highway extension east of the Authority's property boundary. Under the terms of the transaction, the Metropolitan Government is required, among other things, to maintain, repair, patrol and protect the property until such time as the planned highway extension is completed.

20. SUBSEQUENT EVENT

In June 2003, the Board of Commissioners approved the issuance of Passenger Facility Charge Bonds, Refunding Series 2003, in the amount of $31,975,000 to refund the PFC and Airport Improvement Revenue Bonds, Series 1992. The bonds were issued July 30, 2003.

In June 2003, the Board of Commissioners approved the issuance of Airport Improvement Revenue Bonds, Refunding Series 2003A, in the amount of $5,700,000 to refund the Airport Improvement Revenue Bonds, Series 1991. The bonds were issued July 30, 2003.

* * * * * *

STATISTICAL SECTION
(UNAUDITED)

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

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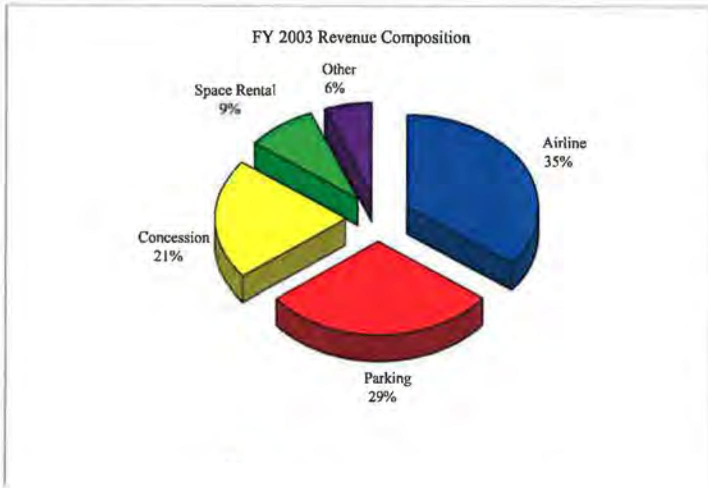
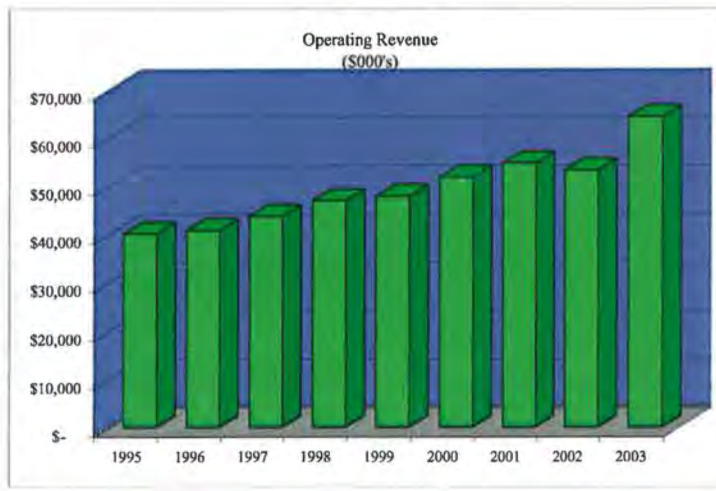
Metropolitan Nashville Airport Authority
Operating Revenue Analysis
(000's)

Operating Revenues	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Airline	22,804	13,612	$ 13,193	$ 13,284	$ 12,969	$ 13,287	$ 11,909	$ 11,686	$ 12,935	$ 9,453
Parking	18,654	17,965	19,655	16,803	16,495	16,158	15,188	13,280	11,902	10,157
Concession	13,460	13,011	13,806	12,483	11,641	11,026	10,356	9,720	9,505	8,743
Space Rental	5,526	5,195	5,157	4,474	4,175	4,215	3,946	3,856	3,358	3,252
Other	3,981	3,510	2,940	4,806	2,558	2,301	2,327	2,224	2,374	2,292
Total	$ 64,425	$ 53,293	$ 54,751	$ 51,850	$ 47,838	$ 46,987	$ 43,726	$ 40,766	$ 40,074	$ 33,897

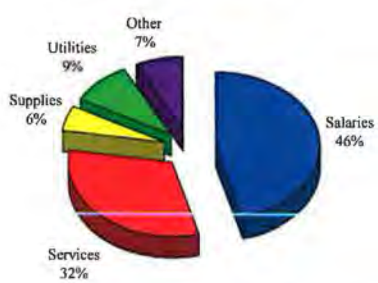




Metropolitan Nashville Airport Authority
Operating Expense Analysis
(000's)

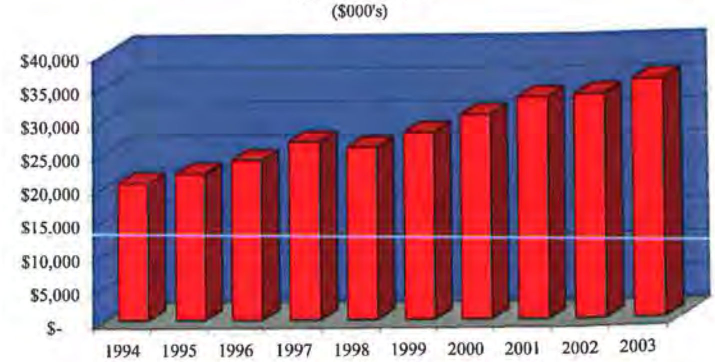
Operating Expenses	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Salaries and Wages	16,301	16,361	$ 15,760	$ 14,567	$ 13,123	$ 12,042	$ 11,821	$ 11,437	$ 10,550	$ 9,811
Contractual Services	11,260	10,005	9,693	8,794	8,683	7,794	7,776	6,797	5,939	5,265
Supplies and Materials	2,042	1,721	1,773	1,928	1,664	1,465	1,593	1,673	1,622	1,470
Utilities	3,368	3,229	3,364	3,180	2,765	2,704	2,566	2,578	2,518	2,625
Depreciation	17,742	17,608	15,880	16,832	20,050	20,514	20,664	20,070	18,562	16,125
Other	2,639	2,233	2,585	2,085	1,773	1,819	2,947	1,387	1,274	1,317
Total	$ 53,352	$ 51,157	$ 49,055	$ 47,386	$ 48,058	$ 46,338	$ 47,367	$ 43,942	$ 40,465	$ 36,613

FY 2003 Operating Expense



Note: Excludes Depreciation

Operating Expense
($000's)



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

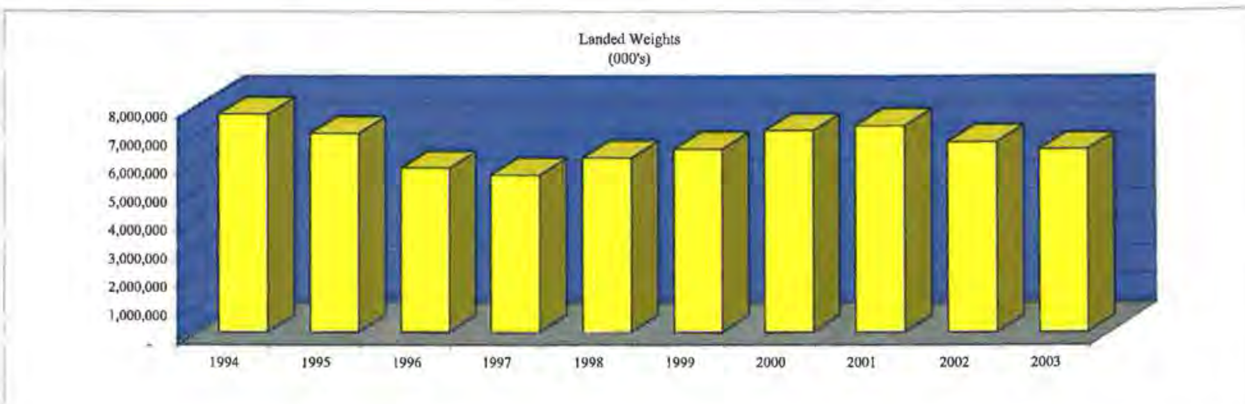
Description	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Operating Revenue	64,011	52,897	$ 54,368	$ 51,478	$ 47,582	$ 46,792	$ 43,547	$ 40,613	$ 39,973	$ 33,794
Less Operating Expenses	(35,475)	(33,447)	(33,084)	(30,468)	(27,920)	(25,761)	(26,639)	(23,782)	(21,822)	(20,405)
Change in Working Capital & Other Items	(1,563)	62	(1,487)	(2,921)	3,063	577	1,462	(242)	178	(1,022)
Add Interest Income	3,560	3,911	6,552	4,275	5,935	6,474	6,317	6,638	6,983	6,187
Add Passenger Facility Charges	10,764	10,699	12,303	12,148	11,041	11,005	10,128	9,790	11,030	12,419
Add Transfer from CIF*	9,429	18,074	13,764	14,796	15,751	16,807	20,854	17,878	10,651	13,743
COVERAGE CASH FLOW	$ 50,726	$ 52,196	$ 52,416	$ 49,308	$ 55,452	$ 55,894	$ 55,669	$ 50,895	$ 46,993	$ 44,716
TOTAL DEBT SERVICE	33,582	33,003	$ 33,167	$ 32,904	$ 32,955	$ 34,179	$ 33,204	$ 33,189	$ 30,779	$ 33,522
DEBT SERVICE COVERAGE	151.1%	158.2%	158.0%	149.9%	168.3%	163.5%	167.7%	153.3%	152.7%	133.4%

*-Capital Improvement Fund

Working Capital & Other Changes	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Decrease (Increase) in:										
Accounts Receivable	$ (934)	$ (325)	$ 147	$ 711	$ (317)	$ (196)	$ (347)	$ 91	$ (260)	$ (447)
PFC Receivable	(181)	512	(258)	(265)	(16)	(209)	242	(237)	387	(813)
Receivables from Gov't Agencies	204	(302)	1,332	(639)	(538)	137	(298)	(16)	45	(41)
Inventory	58	117	31	(84)	(91)	(25)	(41)	(4)	(8)	(20)
Prepaid Expenses	(43)	(277)	(120)	31	99	(192)	(22)	1	(10)	(27)
Due to/from Other Airports	66	35	38	38	(9)	(499)	27	(16)	12	3
Increase (Decrease) in:										
Accounts Payable	(475)	82	(1,596)	(1,452)	3,791	1,670	440	(86)	(97)	430
Accrued Payroll	(169)	590	(61)	233	34	45	398	168	252	(95)
Other Adjustments:										
Amortization of Def Real Estate	1	1	1	1	1	1	1	1	1	1
Amortization of Def Rental Income	(46)	(103)	(181)	(63)	(185)	(170)	(208)	(144)	(47)	(10)
(Appreciation)/Depreciation of Investments	(80)	(209)	(770)	581	289					
(Gain)/ Loss on Disposal of PP&E	36	(59)	(50)	(2,013)	5	15	1,270	-	(97)	(3)
Working Capital & Other Change	$ (1,563)	$ 62	$ (1,487)	$ (2,921)	$ 3,063	$ 577	$ 1,462	$ (242)	$ 178	$ (1,022)

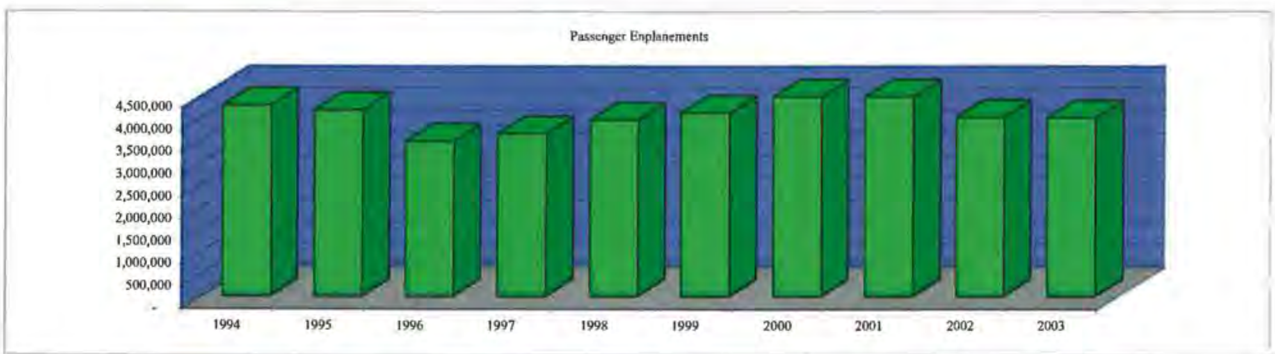
Nashville International Airport
Airline Landed Weights
(000's)

MAJOR AIRLINES	% of Total	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
American Airlines	9.1%	585,052	755,178	725,448	798,569	746,910	771,565	889,393	1,458,711	3,417,109	4,260,667
Continental Airlines	3.6%	228,955	256,644	253,386	285,965	256,718	248,681	278,141	208,517		
Delta	7.6%	490,498	672,503	902,990	960,768	990,504	1,055,083	953,842	726,253	612,989	650,595
Northwest Airlines	7.9%	511,171	454,697	529,846	535,730	494,015	501,118	481,295	470,983	413,604	371,024
Southwest	55.3%	3,560,773	3,577,728	3,585,272	3,226,360	2,706,833	2,269,760	1,706,746	1,294,069	690,905	673,684
TWA	0.0%		93,869	212,066	219,643	205,254	187,901	177,982	186,968	168,525	166,937
United	0.0%		1,560	194,098	232,839	221,499	211,828	198,159	165,084	123,529	115,720
USAir	5.8%	375,039	427,338	496,831	504,236	488,274	524,925	476,773	456,381	351,861	257,912
Sub Total	89.4%	5,751,488	6,239,517	6,899,936	6,764,111	6,110,006	5,770,862	5,162,330	4,966,966	5,778,522	6,496,539
REGIONAL AIRLINES											
Air Canada	0.5%	33,765	35,457	45,567	46,680	45,257	36,942	39,818	7,223		
Air Midwest	0.1%	7,072	10,453	16,736	13,712	22,095	43,140				
Air Wisconsin	0.3%	21,103	35,120	18,252							
American Eagle/Flagship	0.9%	58,641	32,413	37,889	25,568	29,914	34,714	39,590	470,020	1,001,283	1,057,150
American Connect/Chautauqua	1.2%	80,207	6,777								
Astral Aviation/Skyway	0.4%	23,605	23,126	19,620	13,144	9,821	10,159	12,268			
Atlantic Coast Jet, Inc.	0.3%	22,207	40,099	11,643							
Chautauqua/Delta	0.3%	20,848									
Comair	2.0%	131,318	80,652	56,917	92,167	96,640	81,056	95,836	101,422	50,922	41,070
Corporate Express	0.5%	34,886	23,394	16,983	18,106	18,840	52,275	49,699			
Great Plains	0.3%	21,216	24,447	4,691							
MESA	0.1%	5,300	6,673	20,354	15,275	6,533					
Midway	0.2%	9,682									
Pace Airlines	0.3%	18,920	7,480								
Shuttle America	0.1%	7,235	7,290								
Skywest Airlines/Delta	0.3%	22,419	5,546								
Skywest Airlines/United	0.4%	22,560									
Trans States	0.2%	10,978	2,350								
US Air Express/Chautauqua	0.0%		20,377	28,758	29,291	26,477	25,128	26,949	21,473	30,229	10,598
United Express/Atlantic Coast	2.0%	127,746	97,952	50,305	50,243	50,243	28,670				
All Others	0.0%	0	0	14,552	0	5,445	4,300	68,780	38,614	13,818	8,978
Sub Total	10.6%	679,708	459,606	342,266	304,186	316,709	316,383	344,308	799,282	1,203,013	1,155,020
CHARTERS	0.0%	3,296	9,602	30,966	27,878	27,104	49,850	22,547	4,240	21,482	27,960
TOTAL	100.0%	6,434,492	6,708,725	7,273,168	7,096,175	6,453,819	6,137,094	5,529,185	5,770,488	7,003,017	7.679,519



Nashville International Airport
Passenger Enplanements

MAJOR AIRLINES	% of Total	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
American Airlines	9.9%	394,741	459,884	448,155	528,165	580,932	610,522	688,883	951,151	2,062,662	2,348,990
Continental Airlines	4.3%	172,331	176,600	181,295	191,334	168,551	174,808	189,292	122,657	-	-
Delta	8.2%	328,344	375,817	515,790	569,408	577,238	599,052	578,875	417,470	355,076	337,536
Northwest Airlines	8.4%	334,019	310,036	352,263	379,399	341,804	350,448	332,415	304,987	244,754	191,286
Southwest	50.5%	2,019,190	2,065,784	2,190,997	1,988,147	1,586,435	1,362,600	1,035,214	642,789	307,564	291,240
TWA	0.0%	-	50,426	128,389	132,676	124,608	120,597	104,356	97,788	87,509	72,227
United	0.0%	-	1,198	119,894	156,783	167,069	153,243	159,831	120,321	88,586	75,988
USAir	5.9%	235,533	244,062	302,781	317,026	349,450	376,541	371,317	307,918	210,023	176,159
Sub Total	87.1%	3,484,158	3,683,807	4,239,564	4,262,938	3,896,087	3,747,811	3,460,183	2,965,081	3,356,174	3,493,426
REGIONAL AIRLINES											
Air Canada	0.5%	19,520	20,395	26,933	28,944	28,589	23,591	-	-	-	-
Air Midwest	0.1%	2,548	4,650	9,523	6,507	9,732	16,475				
Air Wisconsin	0.5%	19,466	31,549	22,477	-						
American Eagle/Flagship	1.2%	47,698	14,970	18,854	17,807	25,583	25,008	26,777	313,938	694,829	709,182
American Connect/Chautauqua	1.8%	72,111									
Astral Aviation/Skyway	0.3%	13,494	11,985	11,124	8,074	7,148	6,468	6,311	570		
Atlantic Coast Airlines	2.5%	100,239	84,722								
Chautauqua/Delta	0.4%	15,563									
Comair	2.5%	98,917	62,555	40,789	59,099	63,753	48,389	57,816	68,286	31,240	25,693
Corporate Express	0.5%	20,800	13,727	10,832	11,506	13,169	30,793	18,295	-	-	-
Delta Connection/Atlantic Coast	0.4%	16,829	24,276	5,863							
Great Plains	0.3%	12,506	12,426	3,199							
MESA	0.1%	3,982	5,508	13,877	11,858	4,854	-	-	-	-	-
Pace Airlines	0.3%	10,428	4,622								
Trans State Airlines	0.3%	10,557	1,899								
Skywest Airlines/Delta	0.5%	19,132	4,469								
Skywest Airlines/United	0.5%	21,049									
US Air Express	0.0%	-	13,556	13,577	14,605	12,790	13,227	14,926	12,612	11,042	4,622
All Others	0.2%	7,568	1,960	40,642	33,051	38,304	21,976	32,740	95,524	72,955	29,430
Sub Total	12.8%	512,407	313,269	217,690	191,451	203,922	185,927	156,865	490,930	810,066	768,927
CHARTERS	0.1%	1,415	7,331	16,909	19,268	14,037	19,940	12,442	10,302	6,702	8,316
TOTAL	100.0%	3,997,980	4,004,407	4,474,163	4,473,657	4,114,046	3,953,678	3,629,490	3,466,313	4,172,942	4,270,669



Metropolitan Nashville Airport Authority
Schedule of Insurance in Force
As of June 30, 2003

Type of Coverage:	Insurer:	Coverage Amount:		Expiration Date:
Automobile	St. Paul Fire & Marine Insurance Co.	$	1,000,000	3/1/04
Contractor's Equipment	Lumberman Mutual Casualty Co.	$	3,324,255	3/1/04
Crime Coverage	Chubb / Federal Insurance Co.	$	1,000,000	3/1/04
Fiduciary	Chubb / Federal Insurance Co.	$	2,000,000	3/1/04
General Liability	ACE USA	$	300,000,000	3/1/04
Property	Fireman's Fund	$	188,078,845	3/1/04
Public Official Liability	Zurich America	$	5,000,000	3/1/04
Employment Practices	XL Specialty Insurance Co.	$	5,000,000	3/1/04
	Chubb / Federal Insurance Co.	$	5,000,000	3/1/04
	XL Specialty Insurance Co.	$	5,000,000	3/1/04
Worker's Compensation	AIG National Union Fire Insurance Co.	$	1,000,000	3/1/04

MAJOR TENANTS AT
NASHVILLE INTERNATIONAL AIRPORT

Airlines - Major/National
American Airlines
American Eagle Airlines
Atlantic Cost Airlines
Continental Airlines
Delta Airlines
Northwest Airlines
Southwest Airlines
USAir, Inc.

Airlines - Regional/Commuter
Air Canada
Air Midwest
ComAir
Corporate Airlines
Great Plains
Mesa Airlines
Northwest Airlink
Shuttle America
Skyway Airlines (dba Astral Aviation)
Skywest
Trans States
US Air Express

Cargo Carriers
Airborne Express, Inc.
Baron Aviation Services, Inc.
Bax Global
Cargo Charter Services
China Airlines
Dynair/Swissport
Emery Worldwide
Federal Express
Kitty Hawk Cargo, Inc.
Metro Air Services
Resource Airways
United Parcel Service
Zantop International Airlines

Fixed Base Operators
Mercury Air
Signature Flight Support

Ground Transportation
Courier Systems Corp.
Hotel Shuttles
Taxicab Companies
Limousine Companies

Vehicle Parking
Central Parking Systems

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

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

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

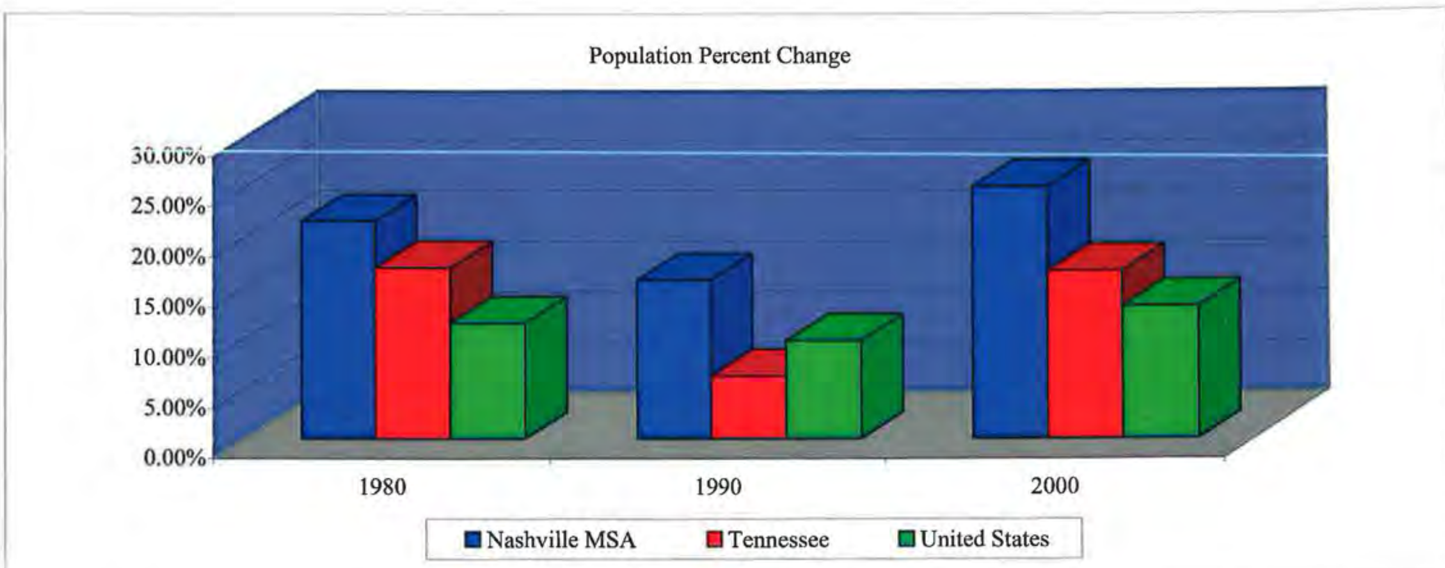
Tenant at John C. Tune Airport
Corporate Flight Management
Robert Orr/Sysco

Nashville Metropolitan Statistical Area *
Population

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

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

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



Nashville Metropolitan Statistical Area *
Unemployment Rate

Year	Nashville MSA	Tennessee	United States
2003	3.83%	5.08%	6.10%
2002	4.01%	5.12%	5.78%
2001	3.32%	4.47%	4.79%
2000	2.85%	3.94%	4.01%
1999	2.73%	4.04%	4.23%
1998	2.71%	4.18%	4.51%
1997	3.50%	5.39%	4.95%
1996	3.28%	5.15%	5.41%
1995	3.37%	5.17%	5.58%
1994	3.11%	4.78%	6.10%

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

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

NASHVILLE METROPOLITAN AREA
25 LARGEST NON-GOVERNMENTAL EMPLOYERS

	# of Local Employees
* Vanderbilt University and Medical Center	14,168
* HCA Inc.	7,976
* Saturn Corporation	7,609
* Comcast	7,122
* Nissan Motor Manufacturing Corporation USA	5,889
* Gaylord Entertainment	4,174
* Shoney's Inc.	4,000
* BellSouth	3,602
* Saint Thomas Hospital	3,468
* CBRL Group Inc.	3,375
* Ingram Industries	3,131
* Dell Corporation	3,000
* Kroger Company	2,950
* Baptist Health Care Systems, Inc.	2,834
* Bridgestone/Firestone Inc.	2,600
* Fleetguard	2,600
* Century II Staffing Inc.	2,550
* The Trane Company	2,500
* Randstad NA	2,340
* YMCA	2,305
* Wal-Mart Stores Inc.	2,250
* The Tennessean	2,200
* AmSouth Bancorp	1,850
* PRIMUS Automotive Financial Services	1,800
* State Industries, Inc.	1,800

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

FIVE LARGEST GOVERNMENTAL EMPLOYERS

Tennessee State Government	18,843
United States Government	11,368
Metropolitan Government of Nashville & Davidson County	10,745
Metropolitan Nashville & Davidson County Schools	8,985
Sumner County Public Schools & Government	4,025