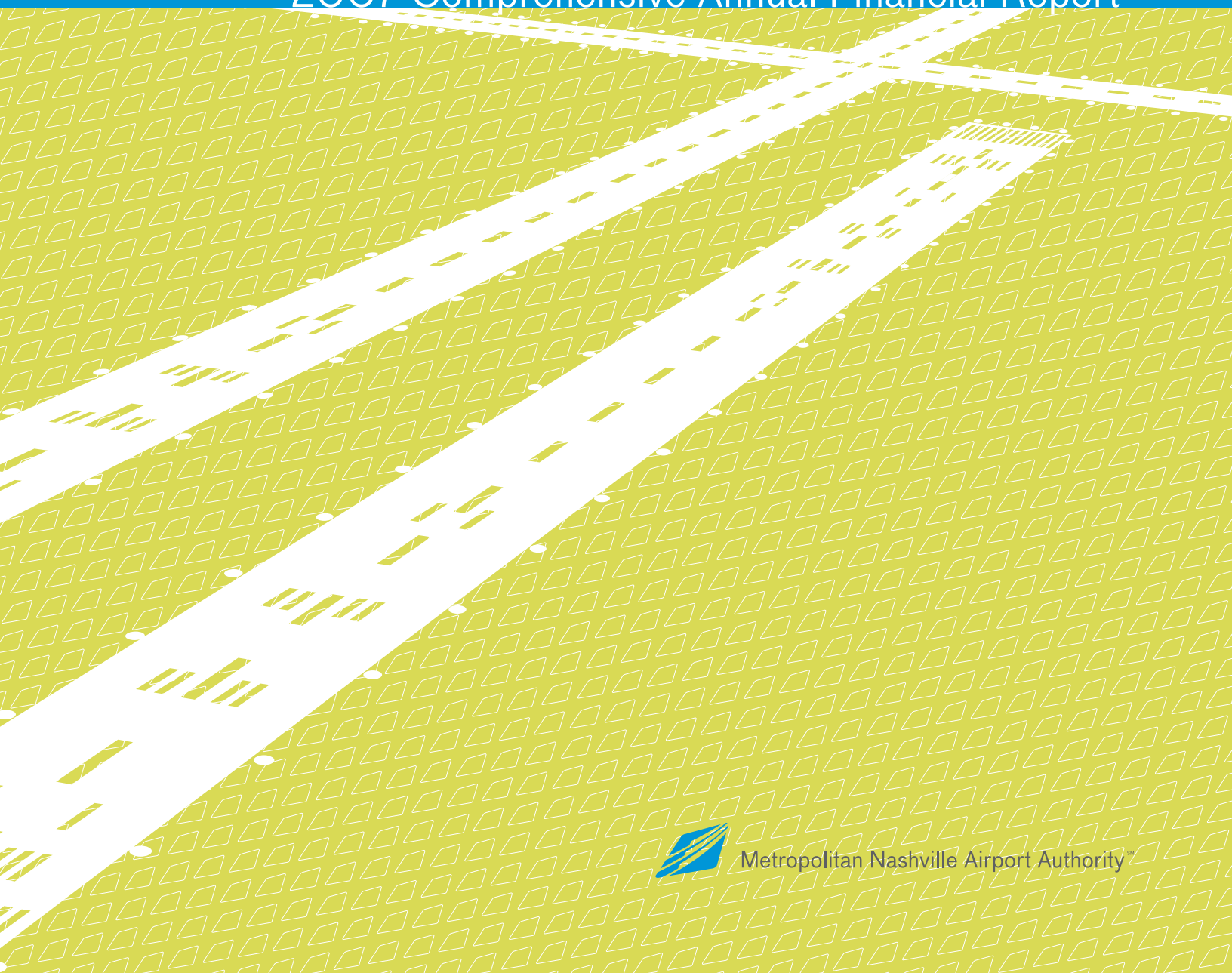
2007 Comprehensive Annual Financial Report



Metropolitan Nashville Airport Authority™

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



Metropolitan Nashville Airport Authority℠

2007 Comprehensive Annual Financial Report

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

For the Fiscal Year Ended **June 30, 2007**

Prepared by the Finance Department

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Introductory Section

This section contains the following subsections:

Letter of Transmittal

Board of Commissioners

Organization Chart and Executive Staff

Certificate of Achievement for Excellence in Financial Reporting



Metropolitan Nashville Airport Authority

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

September 28, 2007

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, 2007, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the finance department of the Authority. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

Reporting Entity

The Authority is a metropolitan airport authority created February 9, 1970, pursuant to state statute and is an independent political subdivision of the State of Tennessee. The major purposes of the Authority are the development, financing and operation of the Nashville International Airport and 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 aircraft rescue and firefighting (ARFF); and setting rates, charges and rentals for activities on airport properties. During fiscal year 2007, the Authority's Board of Commissioners approved the formation of MNAA Properties Corporation ("MPC"), a Tennessee nonprofit corporation, whose purpose is to support and facilitate the operations of the Authority and to help the economic development of the surrounding area. 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.

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 confirms all appointments. The appointments are four-year terms, and terms are staggered to provide for continuity of airport development and management. By state law, the Commissioners represent different professional and management disciplines, including engineering, aviation, law, commerce, finance and industry. The Board appoints the Authority's President who is the chief executive and administrative officer responsible for day-to-day operations and planning for all Authority airports and MPC. The President heads a full-time staff of professional and technical personnel totaling budgeted headcount for fiscal year 2007 of 280.5 positions.

Economic Conditions and Outlook

The economy of Middle Tennessee 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. Organizations like Bridgestone Firestone North American Tire, LLC, Caremark Rx, Inc., Nissan North America, HCA Inc., Dollar General Corp., Louisiana – Pacific Corp., CBRL Group Inc., Tractor Supply Co., Vanderbilt University, Central Parking Corp., and Genesco Inc. contribute to the economic strength of the area. The Bureau of Labor Statistics published declines in unemployment for the Nashville Metropolitan Statistical Area,

Tennessee, and the United States for the 12 months ended June 30, 2007, over the same period in 2006 as shown below. Additional information is provided in the statistical section of this report.

	Nashville MSA	Tennessee	United States
6/30/07	4.3%	5.2%	4.5%
6/30/06	4.7%	5.8%	4.8%

The strong local economy and manageable unemployment rate attest to the optimistic outlook for the continued strength in the airport's revenue generating activities. Non-airline sources of revenue to the Authority such as public parking, news, gift, and food concessions, and car rental activity should remain strong. A multi-year terminal renovation program is well underway. Delaware North Companies of Buffalo, New York, and HMSHost of Bethesda, Maryland, will provide the food and beverage concessions in over 26,000 square feet of space when the renovation project is completed. Hudson Group of East Rutherford, New Jersey, is providing an exciting array of news and gift retail opportunities to the traveling public at BNA. The transition into the new concession spaces continues into 2008. These non-airline revenue sources do not cover all operating costs, and the residual lease agreements entered into with eight airlines requires these airlines to pay fees and rents sufficient to guarantee break-even operations. This ensures the continuing economic viability of the Authority.

The Authority recently completed an economic impact study which noted that 26% of passengers were business visitors. They stayed in Nashville an average of 2.6 days and spent approximately $250 per person per day. Leisure visitors stayed slightly longer, 2.9 days, and spent $160 per person per day. This decrease is likely due to the alternative lodging arrangements that leisure travelers typically make. The study further identified that approximately 16.25 full-time jobs are supported for every $1 million spent by visitors arriving in Middle Tennessee by air. Another 12.5 full-time jobs are supported for every $1 million in capital spending at BNA. There are over 80 on-airport businesses and agencies at BNA, 5,600 jobs representing nearly $300 million in payroll and $1 billion in output.

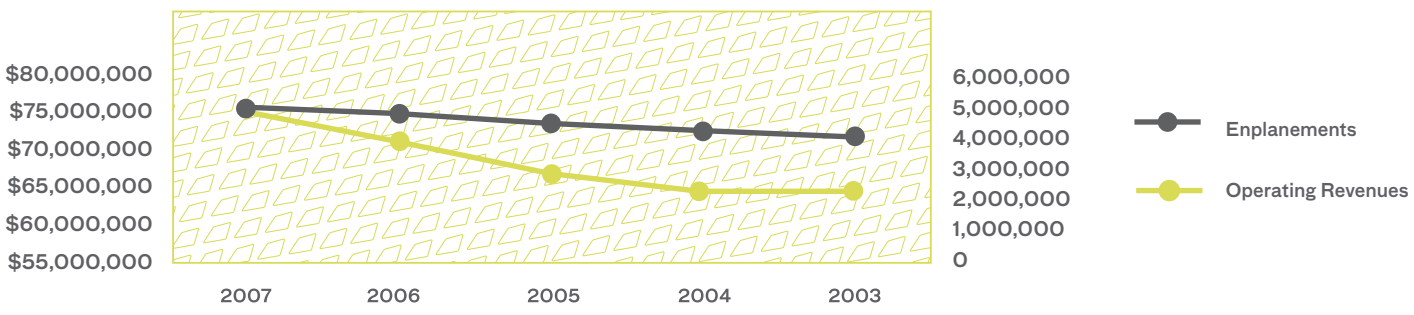
On November 16, 2006, Standard & Poor's Ratings Services published an "A" rating on the Authority's airport revenue bonds. This upgrade was based on the Authority's continued enplanement growth, the airport's strong service area economy, low cost structure, limited additional debt needs, and management's commitment to reducing its debt significantly by 2017. On December 3, 2004, Moody's Investors Service assigned a rating of "A2" with a stable outlook to the airport revenue bonds. It considered some of the same strengths that Standard & Poor's did when issuing its rating. These ratings are further indication of the Authority's diverse sources of revenue, encouraging passenger levels, favorable debt service ratios, positive general financial health, and the vibrant and diverse economic base in Middle Tennessee.

Major Initiatives and Developments

The financial condition of the airline industry has improved, and there are no commercial carriers in bankruptcy at this time that offer service at BNA. Travel continues to increase, evidenced by a 4.3% increase in enplanements to 4,938,191 from 4,735,910 in 2006. This represents an 11.2% increase in two years from 4,438,392 reported in 2005. A comparison of operating revenues and enplanements for the last five years is as follows:

The Authority formed MPC in 2007 to promote economic development in the area of Nashville immediately surrounding the airport property. The first major acquisition just occurred, a 9-story commercial office building on airport land west of the airfield. Other opportunities are under consideration at this time as well.

Operating Revenues and Enplanements



Outlook for Fiscal Year 2008

The renovation project will continue to dominate the capital program and the public's attention in the coming year with completion expected in about three years. Preliminary work has begun to consolidate the two security checkpoints into one centralized 11-lane location, greatly improving the passenger flow to the airside concessions and boarding areas. A 1,200-space valet lot will open in November of 2007, and restore 1,085 spaces of overflow area to public use. In late 2008 the existing employee lot will transition to public space expanding capacity by 1,400 spaces and relocating employees and commuters to a new remote lot. Runway safety areas are being constructed to address a Federal Aviation Administration mandate, and major reconstruction is in the planning stage for two of the four runways identified as needing significant attention in 2008 through 2010. For the first two months of fiscal 2008, federal and state funded capital project activity is already $3.3 million at Nashville International Airport. John C. Tune Airport's hangars enjoy a high occupancy rate, and ramp projects are underway to facilitate safe aircraft maneuvering on airport property.

Enplanements for July and August of 2007, were 457,623 and 420,572, compared with 433,565 and 408,710 for the same two months in 2006. Several of the public parking areas have already been at capacity many times in just the first two months of fiscal year 2008. For the same two months operating revenues have outpaced July and August of 2006, by over $400,000 or 3%. Expenditures increased by a similar dollar amount over the same period. Nashville International Airport continues to be a very busy, vital contributor to economic health of Middle Tennessee.

Financial Information

Financial Position and Results of Operations

Management's Discussion and Analysis (MD&A), starting on page 16 summarizes the Authority's Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets and reviews the changes from the beginning to the end of fiscal year 2007 as well as certain comparisons of the current year to the prior year. The actual financial statements and related footnotes are presented on pages 23 to 45. The information contained in the MD&A should be considered in conjunction with the information contained in this report.

Internal Control Structure Framework

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

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

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

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

All internal control evaluations occur within the above framework. We believe that the Authority's internal controls adequately meet the objectives listed above and have devoted considerable time this past year to attract and retain individuals in our finance department who embrace the concept of a healthy internal control environment.

Budgetary Controls

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, secured repurchase agreements, and specifically rated obligations of state governments, commercial paper, and money market funds.

Under the criteria developed by the Governmental Accounting Standards Board, all 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, 2007 and 2006, were $51,894,721 and $70,576,081, 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 $239,886,437 with various deductibles depending upon the loss category involved. The Authority's tenant and contractor insurance requirements and indemnifications have been coordinated with the aforementioned policies to further reduce the risk of loss through actions beyond management's control.

Other Information

Independent Audit

The Authority's independent auditor, Crosslin, Vaden & Associates, P.C., has rendered an unqualified opinion that the Authority's financial statements as of and for the year ended June 30, 2007, present fairly, in all material respects, the Authority's financial position, changes in net assests and cash flows. The financial statements as of and for the year ended June 30, 2006, were audited by other auditors, whose report dated November 8, 2006, expressed an unqualified opinion on those financial statements. The Authority participates in the Federal single audit program, which consists of a single audit of all federally funded programs administered by the Authority. Participation in the single audit program is mandatory as a condition for continued funding eligibility. The single audit performed by Crosslin, Vaden & Associates, P.C., 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, 2007.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Nashville Airport Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

Respectfully submitted,



Douglas P. Wolfe

Senior Vice President



Jamesina McLeod

Controller

Chairman

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

Vice Chair

Ann Butterworth
State of Tennessee, Comptroller's Office

Board Secretary

Irby Simpkins, Jr.
Phillips-Robinson Funeral Home

Commissioners

Jack Bovender
HCA Inc.

Rosalyn Carpenter
Urban League of Middle Tennessee

Frank Garrison
Courage Capitol Management, LLC

Bert Mathews
The Mathews Company

Deb McDermott
Young Broadcasting, Inc.

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

Bill Purcell
Mayor, Metropolitan Government
of Nashville & Davidson County

Metropolitan Nashville Airport Authoriy Organization Chart



Executive Staff

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

Montford O. Burgess
Senior Vice President & Chief Operating Officer

Douglas P. Wolfe
Senior Vice President & Chief Financial Officer

Robert Watson
Senior Vice President, Legal Affairs & Government Relations

Kinney Baxter
Senior Vice President & Chief Engineer

Vanessa Hickman
Chief Information Officer

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, 2006

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

CROSSLIN VADEN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Board of Commissioners
Metropolitan Nashville Airport Authority

Nashville, Tennessee

We have audited the accompanying statement of net assets of the Metropolitan Nashville Airport Authority (the "Authority"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of June 30, 2007, and the related statements of revenues, expenses and changes in net assets and cash flows for the year 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 audit. The financial statements as of and for the year ended June 30, 2006 were audited by other auditors, whose report dated November 8, 2006, expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

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

Management's Discussion and Analysis and the pension plan schedule of funding progress as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This required supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Metropolitan Nashville Airport Authority's basic financial statements. The introductory section and the statistical section as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the Authority's management. The introductory section and statistical section have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Crosslin, Vaden & Associates, P.C.

Nashville, Tennessee
September 28, 2007

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

Basic Financial Statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and (except land and construction in progress) are depreciated over their useful lives. Please refer to Note 2 to the financial statements for a summary of the Authority's significant accounting policies.

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

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

The *Statement of Cash Flows* relates to the inflows and outflows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is within the Statement of Cash Flows to assist in understanding 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.

Airport Activity Highlights

Enplanements of 4,938,191 at Nashville International Airport during 2007 increased 4.3% from 4,735,910 in 2006 and were 11.3% greater than 4,438,392 enplanements reported in 2005. Southwest Airlines captured 49.3% market share in 2007 compared to 50.6% in 2006 and 47.3% in 2005. The Authority anticipates total passenger traffic, defined by combining enplanement and deplanement activity, to exceed 10 million in fiscal year 2008.

Fiscal year 2007 also marked the beginning of a comprehensive capital program of renovations to the 20-year-old terminal building. Enhancements outlined in Phase I began with the reconfiguration of all news and gift spaces and all food and beverage concessions. These are nearing completion. Phase I will wrap up in 2009 with the consolidation of the security checkpoints into one centralized location and the addition of skylights throughout the concourses. The design for baggage claim area renovation, escalator replacement, and various other public space improvements is currently underway.

Another highlight was the introduction of non-signatory passenger service by JetBlue to John F. Kennedy airport in New York and air cargo service provided by Federal Express. Both continue to see excellent demand in their respective markets.

On April 19, 2007, the Authority's Board of Commissioners approved an interlocal cooperation agreement with the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County. As a result of this action, MNAA Properties Corporation ("MPC"), a Tennessee nonprofit corporation, was formed for the purpose of supporting and facilitating the operations of the Authority and to help the economic development of the surrounding area.

Nashville International Airport continues to experience growth in its operations. Signatory carriers include American Airlines, American Eagle, Express Jet doing business as Continental Express, Delta, Frontier, Northwest, Southwest, and US Airways. These carriers account for 86% of total enplanements. All carriers previously under bankruptcy protection have emerged from bankruptcy. Daily departures increased in 2007 from 197 to 202, due in part to the addition of JetBlue, a non-signatory carrier with three daily flights to John F. Kennedy airport in New York.

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

	2007	2006	2005
Enplanements	4,938,191	4,735,910	4,438,392
% increase	4.3%	6.7%	6.5%
Aircraft Landed Weight (all – 000)	7,179,472	6,911,575	7,299,758
% increase (decrease)	3.9%	(5.3%)	3.5%
Aircraft Operations (all)	217,561	216,431	236,452
% increase (decrease)	0.5%	(8.5%)	1.2%
Cargo Activity (tons)	74,921	73,831	74,942
% increase (decrease)	1.5%	(1.5%)	9.0%

The Authority is approaching the passenger activity level enjoyed when American Airlines maintained a hub at this location. Total passenger activity (enplaned and deplaned) increased 4.3% to 9,881,745 compared with 9,476,729 in 2006 which increased 6.8% from 8,877,481 in 2005.

Summary of Operations and Changes in Net Assets

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

	2007	2006	% Change	2005
Operating Revenues	$ 74,899,596	$ 71,133,277	5.3%	$ 66,769,863
Operating Expenses	(44,599,143)	(40,748,604)	9.4%	(36,696,955)
Operating Income before Depreciation	**30,300,453**	**30,384,673**	**(0.2%)**	**30,072,908**
Depreciation	(18,121,419)	(17,640,198)	2.7%	(17,546,203)
Operating Income	**12,179,034**	**12,744,475**	**(4.4%)**	**12,526,705**
Nonoperating Revenues	31,337,739	21,712,361	44.3%	21,379,609
Nonoperating Expenses	(15,400,853)	(13,980,239)	10.2%	(17,355,066)
Increase in Net Assets	**28,115,920**	**20,476,597**	**37.3%**	**16,551,248**
Net Assets, beginning of year	221,262,421	200,785,824	10.2%	184,234,576
Net Assets, end of year	**$ 249,378,341**	**$ 221,262,421**	**12.7%**	**$ 200,785,824**

Operating and Nonoperating Revenue Highlights

The Authority achieved a significant milestone in 2007 surpassing $100 million in total revenues, including operating and nonoperating revenues. The increases in grant revenues associated with various airfield projects, investment income, and public parking activity contributed $11,600,536 more than the prior year toward this total. Signatory rates for use of the ramp, terminal, and concourses declined again this year resulting in a 3.3% decrease in signatory airline revenue. Eight carriers have now signed the residual agreement in effect through September of 2017. The annual $3 million reimbursement from passenger facility charge revenues continues to support the attractive signatory rates. This reimbursement is a result of $70 million of capital projects completed as far back as 1991 that were approved by the Federal Aviation Administration in 2003 to be retroactively funded with passenger facility charges and continues through fiscal year 2011 to cover the portion of activity that the signatory airlines supported through rental rates. The remaining balance will be drawn down to fund the terminal expansion project through completion.

A summary of revenues for the fiscal years ended June 30, 2007, 2006, and 2005, is as follows:

	2007	2006	% Change	2005
Operating Revenues				
Signatory Airline	$ 13,116,169	$ 13,559,361	(3.3%)	$ 15,164,912
Parking	27,794,482	25,159,487	10.5%	22,787,740
Concession	16,631,319	15,597,529	6.6%	14,481,791
Space Rental	10,135,718	9,888,852	2.5%	8,935,551
Other	7,221,908	6,928,048	4.2%	5,399,869
Total Operating Revenues	**74,899,596**	**71,133,277**	**5.3%**	**66,769,863**
Nonoperating Revenues				
Investment Income	4,931,594	2,889,516	70.7%	2,769,432
Passenger Facility Charges	13,237,806	12,577,969	5.2%	11,640,065
Grant Revenues	13,168,339	6,244,876	110.9%	6,970,112
Total Nonoperating Revenues	**31,337,739**	**21,712,361**	**44.3%**	**21,379,609**
Total Revenues	**$ 106,237,335**	**$ 92,845,638**	**14.4%**	**$ 88,149,472**

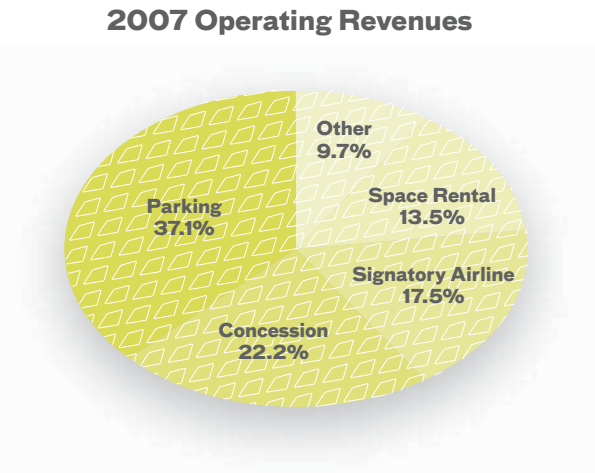
Parking revenue continues to be the greatest source of operating revenue having increased 10.5% in 2007 over 2006, exceeding the 4.3% increase in enplanements. Several factors contributed to the double-digit increase continuing in 2007. One factor is the increased availability in the short term lot now that the valet activity moved to a remote lot. Traffic in the overflow lot increased over 11% as parking at the airport nearly reached capacity on several occasions during the year. A new valet lot will open in November 2007, further easing pressure, and the employee lot will relocate off-site a year later converting the existing lot to approximately 1,400 additional spaces for travelers. There were no parking price increases during fiscal 2007. However, the valet rate increased from $16 to $18 on September 1, 2005, in an effort to redistribute the utilization of the various parking areas on airport property. However, utilization of valet services continues to grow.

In other revenue areas, airport employees and travelers responded favorably to the enhanced concession program that began in January of 2007. Food and beverage rose 7.6% to $2,502,593 in 2007 from $2,325,115 in 2006. Car rental income, another concession, increased 10.1% from $9,211,809 in 2006 to $10,138,836 this year. Space rent increased even though rates charged to non-signatory airlines remained virtually unchanged. Increases were reported in cargo rents and other land and building rent. The Authority continued to pursue opportunities to lease as much land and building space as possible.

Non-signatory carriers continue to provide a significant revenue stream to the Authority and pay substantially higher rates than those airlines that elected to sign the signatory agreement. Revenue from landing fees grew from $2.4 million in 2005 to $3.1 million last year and over $3.2 million in 2007. The rate for terminal and ramp space increased slightly although revenue decreased. Non-signatory carriers are not requiring as much dedicated space, and all carriers have been affected by the temporary space constraints associated with the terminal renovation project. Refer to the statistics section of this report for additional airline rate information.

In 2006, the Authority built additional hangars and assumed direct responsibility for daily operations at John C. Tune Airport ("JWN"), its general aviation airport. Space and hangar rent at this airport increased from $377,481 in 2005 to $506,987 in 2006. In 2007, it increased another $117,909 or 23.3% to $624,896, the first full year that the hangars have been available for use. Fuel flowage fees remain the only other budgeted source of revenue at JWN, and they declined in 2007 due to the decline in general aviation travel and increase in fuel costs. Landing fees are not charged at this airport.

The following chart shows the major sources of operating revenues for the fiscal year ended June 30, 2007:



Several sources of revenue contributed to the 44.3% increase in nonoperating revenue. One is the 70.7% increase in investment income over 2006, and is attributable to the increase in average interest rates. A second contributing factor was the direct impact of increased passenger traffic on the passenger facility charge collections. Over 92% of enplaning passengers paid a $3.00 passenger facility charge, $2.89 net to the Authority after the airline handling fee. Passenger facility charge revenue increased proportionately to the 4.3% increase in enplaned passengers. Additionally, federal and state grants supported $13,168,339 in capital projects. The relocation of the electrical vault on the west side of the airfield and four airfield projects received almost $8 million in funding during the year. These same five projects received more than $100,000 each in funding at the state level. Also included in grant revenues is $711,090 in pass-through revenues for a Department of Economic and Community Development FastTrack Infrastructure Development Program grant to assist Embraer Aircraft Maintenance Services, Inc. in hangar renovations. The same amount is later identified as nonoperating expense.

Operating and Nonoperating Expenses Highlights

A summary of expenses for the fiscal years ended June 30, 2007, 2006 and 2005 is as follows:

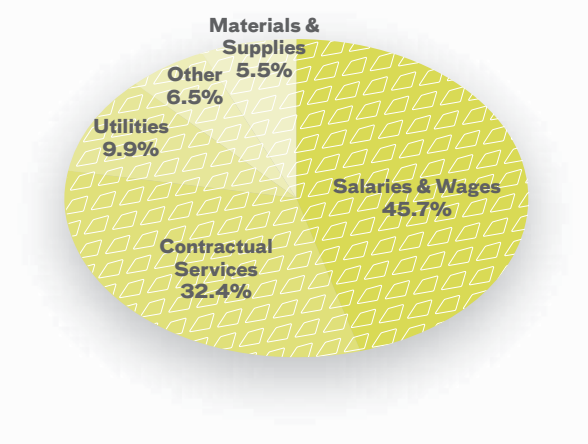
	2007	2006	% Change	2005
Operating Expenses				
Salaries and Wages	$ 20,379,376	$ 18,657,132	9.2%	$ 16,412,494
Contractual Services	14,430,214	12,916,582	11.7%	12,453,870
Materials and Supplies	2,437,293	1,702,182	43.2%	1,894,344
Utilities	4,408,582	4,178,081	5.5%	3,662,175
Other	2,943,678	3,294,627	(10.7%)	2,274,072
Total Operating Expenses before Provision for Depreciation	**44,599,143**	**40,748,604**	**9.4%**	**36,696,955**
Provision for Depreciation	18,121,419	17,640,198	2.7%	17,546,203
Nonoperating Expenses				
(Gain) Loss on Disposal of Property and Equipment	(25,393)	359,849	>100.0%	11,175
Interest Expense	14,396,542	15,629,637	(7.9%)	16,416,304
Loss (Gain) on Derivative Financial Instrument	318,614	(2,009,247)	>100.0%	927,587
Other Nonoperating Expense	711,090	-	>100.0%	-
Total Nonoperating Expenses	**15,400,853**	**13,980,239**	**10.2%**	**17,355,066**
Total Expenses	**$ 78,121,415**	**$ 72,369,041**	**7.9%**	**$71,598,224**

Higher passenger traffic naturally requires additional uses of financial resources to maintain the airport property. In 2007, operating expenses before depreciation increased $3,850,539 or 9.4% over 2006 and increased $4,051,649 or 11.0% in 2006 over 2005. Much of this increase in costs can be explained by the emergence from cost containment and deferment initiatives associated with the events in 2001. In 2007, salaries and wages increased as several new positions were added to the organization to meet emerging needs. This $1,722,244 increase was the largest single dollar item in the $3,850,539 increase over 2006. The prior year saw a higher percentage increase at 13.7%. Medical and related benefits as well as the pension costs are included in this item and increased $848,178 over the prior year. Overall, salaries and wages represented 45.7% of operating expenses before depreciation in 2007 compared with 45.8% in 2006 and 44.7% in 2005. Nearly $160,000 in salary expense was incurred at John C. Tune Airport as it began its first full year of on-site administrative and maintenance services. Total operating expenses before depreciation at the general aviation airport were $365,484 in 2007 compared with $275,022 in 2006. The Authority's provision for depreciation increased 2.7% as several projects were capitalized.

A comprehensive, multi-media campaign promoting the terminal renovation project and various projects through the Authority's Planning, Design, and Construction department highlighted the increase in contractual services. Materials and supplies increased 43.2% or $735,111 for a variety of reasons, some of which included weather-related activities, to support various building maintenance projects, and to update the MNAA logo in conjunction with the airport's renovation. Utility costs continued their upward trend. Costs in fiscal year 2007 rose 5.5% over the prior year and a total of 20.4% in two years. The addition of a new HVAC system programmed into the renovation program will be more efficient than what is currently in place. As utility costs continue upward, this improvement is highly anticipated. Other operating expenses decreased, and one notable item was the $200,000 decrease in the allowance for doubtful accounts and credit to bad debts expense as very few customer accounts are delinquent. The charge was $372,456 in 2006.

This chart shows the major cost components of operating expenses for the year ended June 30, 2007:

2007 Operating Expenses before Provision for Depreciation



Nonoperating expenses increased $1,420,614 in 2007. Various fully depreciated items were sold and recorded as a gain of $25,393 on the disposal of these assets. Interest expense decreased 7.9% as the Series 2003A revenue bond was retired. The overall increase of 10.2% in nonoperating expenses was also due to the unrealized loss on the 1993 Interest Rate Swap in the amount of $318,614. In the prior year, this financial instrument reported an unrealized gain of $2,009,247. Lastly, the FastTrack Grant's expenditures of $711,090 were reported as other nonoperating expenses.

Financial Position Summary

The Statements of Net Assets depict the Authority's financial position as of one point in time – June 30 – and includes all assets and liabilities of the Authority. The Authority's assets exceeded liabilities by $249,378,341, a $28,115,920 increase

over 2006. The following represents a condensed summary of the Authority's financial position at June 30, 2007, 2006, and 2005:

	2007	2006	% Change	2005
ASSESTS				
Current	$ 95,096,920	$ 66,560,039	42.9%	$ 54,686,712
Non-current and capital assets	424,093,155	422,827,241	0.3%	432,493,315
Total Assets	**$ 519,190,075**	**$ 489,387,280**	**6.1%**	**$ 487,180,027**
LIABILITIES				
Current liabilities	$ 40,852,673	$ 35,721,214	14.4%	$ 31,560,826
Long-term liabilities	228,959,061	232,403,645	(1.5%)	254,833,377
Total Liabilities	**269,811,734**	**268,124,859**	**0.6%**	**286,394,203**
NET ASSETS				
Invested in capital assets, net of debt	150,410,375	128,751,172	16.8%	101,464,942
Restricted	74,876,391	70,925,772	5.6%	80,899,963
Unrestricted	24,091,575	21,585,477	11.6%	18,420,919
Total Net Assets	**249,378,341**	**221,262,421**	**12.7%**	**200,785,824**
Total Liabilities and Net Assets	**$ 519,190,075**	**$ 489,387,280**	**6.1%**	**$ 487,180,027**

Much of the Authority's $28,115,920 increase in net assets was attributable to the successful year of operations and capital funding support. One series of debt was retired and another issued. The balance of the note receivable from American Airlines was cancelled as the Authority agreed to purchase the associated facility for its operational use. The increase in current liabilities was due to the construction invoices recorded but, not yet paid as of year end.

The portion of the Authority's net assets shown below represents 30.0% of total net assets and are 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	$ 29,759,895
Debt Service	45,116,496
Total Restricted	$ 74,876,391

The unrestricted net assets of $24.1 million may be used to meet the Authority's ongoing obligations.

Cash Management Policies and Cash Flow Activities

All cash receipts are deposited daily into interest-bearing accounts. All investments are in compliance with the laws of the State and the Investment Policy adopted by the Authority's Board of Commissioners. Operations and the proceeds from the sale and maturities of investments accounted for the increase of cash and cash equivalents at June 30, 2007.

	2007	2006	2005
Cash flows provided by (used in):			
Operating	$ 35,828,414	$ 34,030,296	$ 27,754,480
Capital and Related Financing	(31,681,082)	(33,754,560)	(30,352,934)
Investing	23,355,783	(8,816,319)	744,694
Net increase (decrease) in Cash and Cash Equivalents	**27,503,115**	**(8,540,583)**	**(1,853,760)**
Cash and Cash Equivalents:			
Beginning of period	36,018,224	44,558,807	46,412,567
End of period	**$ 63,521,339**	**$ 36,018,224**	**$ 44,558,807**

Capital Activities

The Authority's net investment in capital assets was $378,157,551, a 6.4% increase over the balance of $355,524,866 a year earlier. Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Funding for the capital initiatives is derived from federal and state grants, PFCs, airline rates and charges, airport reserves, and the issuance of debt. The balance of land improvements increased $18,059,113 as projects were completed and capitalized during the year and construction in progress increased $16,290,221 over 2006.

Long-Term Debt Administration

The Authority issued Airport Improvement Revenue Bond Series 2006 in the amount of $18,285,000 to pay for a portion of Phase I of terminal renovation with the first principal payment due July 1, 2009. The Series 2003A revenue bond was retired during the year. As of June 30, 2007, the Authority's debt outstanding amounted to $251,809,553 compared with $255,036,048 at the beginning of the year. The current portion of $22,593,543 due July 1, 2007, was $1,082,048 or 5.0% above the prior year's amount of $21,511,495.

A summary of the Authority's outstanding bonds is as follows:

Series Description	Beginning Balance	Principal Repayment	Ending Balance
Series 1993 Revenue Bonds	$ 48,500,000	$ (5,300,000)	$ 43,200,000
Series 1995 Revenue Bonds	53,990,000	(3,390,000)	50,600,000
Series 1998A Revenue Bonds	11,035,000	(1,850,000)	9,185,000
Series 1998C Revenue Bonds	23,445,000	(1,675,000)	21,770,000
Series 1999 Subordinated Note	596,048	(186,495)	409,553
Series 2001A Revenue Bonds	73,355,000	(5,410,000)	67,945,000
Series 2003 PFC Revenue Bonds	25,525,000	(3,380,000)	22,145,000
Series 2003B Revenue Bonds	18,590,000	(320,000)	18,270,000
Series 2006 Revenue Bonds (new)	-	-	18,285,000
Total	**$ 255,036,048**	**$ (21,511,495)**	**$ 251,809,553**

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

Request for Information

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

Respectfully submitted,

Douglas P. Wolfe
Senior Vice President

Jamesina McLeod
Controller

Nashville, Tennessee

Statements of Net Assets June 30, 2007 and 2006

ASSETS

	2007	2006
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents	$ 21,450,189	$ 4,920,490
Short term investments	2,070,862	9,299,631
Accounts receivable (net of allowance for doubtful accounts of $172,253 and $185,740 in 2007 and 2006, respectively)	2,371,229	2,426,944
Inventories	482,644	421,613
Accrued interest receivable	100,439	253,491
Current portion of notes receivable	-	117,184
Prepaid expenses	1,001,382	1,040,233
Total current unrestricted assets	27,476,745	18,479,586
Restricted assets:		
Cash and cash equivalents	42,071,150	31,097,734
Short term investments	22,382,611	14,859,466
Passenger facility charges receivable	1,873,399	1,529,407
Amounts due from governmental agencies	952,727	228,211
Accrued interest receivable	340,288	365,635
Total current restricted assets	67,620,175	48,080,453
Total current assets	95,096,920	66,560,039
NONCURRENT ASSETS:		
Capital assets:		
Land and land improvements	450,142,139	432,083,026
Land held for future expansion	36,701,068	36,701,068
Buildings and building improvements	127,250,001	123,618,070
Equipment, furniture and fixtures	31,813,649	29,163,887
Construction in progress	46,276,385	29,986,164
Total capital assets	692,183,242	651,552,215
Less accumulated depreciation	(314,025,691)	(296,027,349)
Total capital assets, net	378,157,551	355,524,866
Restricted investments	18,876,182	28,433,500
Unrestricted investments	8,565,066	17,983,484
Deferred bond issue costs	2,844,266	2,775,658
Notes receivable from tenants	-	1,402,314
Other assets	15,650,090	16,707,419
Total noncurrent assets	424,093,155	422,827,241
TOTAL ASSETS	$ 519,190,075	$ 489,387,280

LIABILITIES AND NET ASSETS

	2007	2006
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Trade accounts payable	$ 7,462,806	$ 6,154,704
Accrued payroll and related items	2,582,218	2,448,277
Current maturities of long-term debt	198,543	186,495
Accrued interest payable	13,232	19,259
Total payable from unrestricted assets	10,256,799	8,808,735
Payable from restricted assets:		
Trade accounts payable	3,254,959	255,612
Accrued interest payable	4,945,915	5,331,867
Current maturities of long-term debt	22,395,000	21,325,000
Total payable from restricted assets	30,595,874	26,912,479
Total current liabilities	40,852,673	35,721,214
NONCURRENT LIABILITIES:		
Airport Revenue Bonds (net of unamortized deferred amount on refunding of $10,813,988 and $12,636,036, respectively)	218,191,012	220,478,964
Subordinate Revenue Note	211,010	409,553
Synthetic Advance Refunding, Series 2001A	4,095,791	4,932,632
Fair value of derivative financial instrument	1,169,988	851,374
Deferred interest income	3,305,261	3,740,830
Deferred rental income	1,985,999	1,990,292
Total noncurrent liabilities	228,959,061	232,403,645
Total liabilities	269,811,734	268,124,859
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS:		
Invested in capital assets - net of related debt	150,410,375	128,751,172
Restricted:		
Passenger facility charge projects	29,759,895	40,849,597
Debt service	45,116,496	30,076,175
Total restricted net assets	74,876,391	70,925,772
Unrestricted net assets	24,091,575	21,585,477
Total net assets	249,378,341	221,262,421
TOTAL LIABILITIES AND NET ASSETS	$ 519,190,075	$ 489,387,280

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30, 2007 and 2006

	2007	2006
OPERATING REVENUES:		
Signatory Airline	$ 13,116,169	$ 13,559,361
Parking	27,794,482	25,159,487
Concession	16,631,319	15,597,529
Space Rental	10,135,718	9,888,852
Other	7,221,908	6,928,048
	74,899,596	71,133,277
OPERATING EXPENSES:		
Salaries and wages	20,379,376	18,657,132
Contractual services	14,430,214	12,916,582
Materials and supplies	2,437,293	1,702,182
Utilities	4,408,582	4,178,081
Other	2,943,678	3,294,627
	44,599,143	40,748,604
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	30,300,453	30,384,673
PROVISION FOR DEPRECIATION	18,121,419	17,640,198
OPERATING INCOME	12,179,034	12,744,475
NONOPERATING REVENUES:		
Investment income	4,931,594	2,889,516
Passenger facility charges	13,237,806	12,577,969
Grant revenue from governmental agencies	13,168,339	6,244,876
	31,337,739	21,712,361
NONOPERATING EXPENSES:		
(Gain) loss on disposal of property and equipment	(25,393)	359,849
Interest expense	14,396,542	15,629,637
Loss (gain) on derivative financial instrument	318,614	(2,009,247)
Other nonoperating expense	711,090	-
	15,400,853	13,980,239
INCREASE IN NET ASSETS:	28,115,920	20,476,597
TOTAL NET ASSETS - BEGINNING OF YEAR	221,262,421	200,785,824
TOTAL NET ASSETS - END OF YEAR	$ 249,378,341	$ 221,262,421

See accompanying notes to financial statements.

Statements of Cash Flows for the Years Ended June 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 74,952,098	$ 70,788,855
Cash paid to employees	(20,245,435)	(18,495,105)
Cash paid to suppliers	(15,934,571)	(14,968,827)
Other payments	(2,943,678)	(3,294,627)
Net cash provided by operating activities	35,828,414	34,030,296
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Payments on long-term debt	(320,000)	(310,000)
Interest paid on long-term debt	(1,034,471)	(1,038,780)
Net cash used in non-capital financing activities:	(1,354,471)	(1,348,780)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipt of passenger facility charges	12,893,814	12,513,386
Purchases of property and equipment	(39,234,606)	(18,235,253)
Proceeds from sale of property and equipment	25,393	49,554
Interest paid on long-term debt	(12,372,969)	(12,891,406)
Proceeds from issuance of long-term debt	18,285,000	-
Payment of bond issue costs	(464,482)	-
Payments on long-term debt	(21,191,495)	(20,140,179)
Contributions from governmental agencies	11,732,734	6,298,118
Net cash used in capital and related financing activities	(30,326,611)	(32,405,780)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(113,680,743)	(88,657,675)
Proceeds from the sale and maturities of investments	131,870,136	76,414,240
Payments made by tenants	-	162,550
Interest received on investments	5,166,390	3,264,566
Net cash provided by (used in) investing activities	23,355,783	(8,816,319)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,503,115	(8,540,583)
CASH AND CASH EQUIVALENTS -		
Beginning of year	36,018,224	44,558,807
End of year	$ 63,521,339	$ 36,018,224

(Continued)

See accompanying notes to financial statements.

Statements of Cash Flows for the Years Ended June 30, 2007 and 2006

	2007	2006
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 12,179,034	$ 12,744,475
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for depreciation	18,121,419	17,640,198
Amortization of deferred real estate leasing commission	1,080	1,080
Amortization of deferred rental income	(34,904)	(34,904)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	55,715	(340,788)
(Increase) decrease in inventories	(61,031)	55,187
Decrease (increase) in prepaid expenses	38,851	(120,899)
Decrease in other assets	1,056,249	648,963
Increase in trade accounts payable	4,307,449	3,244,767
Increase in accrued payroll and related items	133,941	162,027
Increase in deferred rental income	30,611	30,190
Net cash provided by operating activities	$ 35,828,414	$ 34,030,296
CASH AND CASH EQUIVALENTS – END OF YEAR CONSIST OF:		
Unrestricted cash and cash equivalents	$ 21,450,189	$ 4,920,490
Restricted cash and cash equivalents	42,071,150	31,097,734
	$ 63,521,339	$ 36,018,224

NONCASH INVESTING AND FINANCING ACTIVITIES:

During 2007 and 2006, $2,217,922 and $2,885,386, respectively, were charged to interest expense for amortization of deferred bond issue costs and amortization of deferred loss on refunding of debt.

During 2007 and 2006, interest expense was reduced by $836,841 and $878,214, respectively, for the amortization of the synthetic advance refunding.

During 2007 and 2006, $435,569 and $437,336, respectively, were included in interest income related to the amortization of deferred interest income.

During 2007 and 2006, a loss of $318,614 and a gain of $2,009,247, respectively, were recognized for the change in fair value of derivative financial instrument.

During 2007, the Authority received, and assumed ownership of, a building in exchange for cancelation of a note receivable totaling $1,519,498.

See accompanying notes to financial statements.

1. Metropolitan Nashville Airport Authority

The creation of Metropolitan Nashville Airport Authority (the "Authority") was authorized by Public Chapter 174 of the Public Acts of the 86th General Assembly of the State of Tennessee, 1969 Session. The Metropolitan Council of The Metropolitan Government of Nashville and Davidson County, Tennessee created the Authority to operate as a separate enterprise. The Authority owns and operates Nashville International Airport and John C. Tune Airport, a general aviation reliever airport. Based upon the criteria set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, it has been determined that the Authority is a component unit of the Metropolitan Government 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 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.

On April 19, 2007, the Board of Commissioners of the Authority approved an interlocal cooperation agreement with the Industrial Development Board of the Metropolitan Government. As a result of this action, MNAA Properties Corporation ("MPC"), a Tennessee nonprofit corporation, was formed for the purpose of supporting and facilitating the operations of the Authority and to help the economic development of the surrounding area. The Commissioners of the Authority constitute the Board of Directors of MPC. No capital contribution was made as of June 30, 2007. However, nine million dollars ($9,000,000) was transferred from the Authority to MPC in August 2007, in anticipation of the acquisition of two separate multi-tenant buildings on Airport property. It is currently expected that no other property or assets of the Authority will be pledged or committed to support MPC or any subsidiaries of MPC. On September 28, 2007, MNAA Holdings, LLC, a limited liability company in which MNAA Properties Corporation is the sole member, purchased International Plaza for $7,500,000, the first of two purchases under consideration.

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

2. Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the useful lives of capital assets, the fair value of the derivative financial instrument, the allowance for doubtful accounts, and certain self-insured liabilities. Actual results could differ from those estimates.

Budgets

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

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

Operating and Nonoperating Revenues and Expenses

The Authority distinguishes operating revenues and operating expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. Revenues from space rental and fees, landing fees, parking and other miscellaneous income are reported as operating revenues. Transactions which are capital, financing or investing related, are reported as nonoperating revenues. Passenger facility charges are reported as nonoperating revenues (see Note 7). Expenses from employe wages and benefits, purchases of services, materials and supplies and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

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

Signatory Airline – Signatory airline revenue consists of the revenues earned from eight signatory airlines primarily for terminal space rentals and landing fees. Terminal rents and landing fees charged to the signatory airlines are based on a residual agreement which takes into account all revenues, expenses and debt service of the Authority. The residual agreement is designed to minimize the landing fees and terminal rents of the signatory airlines while assuring the payment of all net operating costs and debt service relating to the Authority (see Note 9).

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

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

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

Other – Other revenue consists primarily of non-signatory airline landing fees, cargo airline landing fees and the Authority's portion of fixed based operators' fuel sales.

Cash and Cash Equivalents

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

Investments

Investments consist primarily of U. S. Government securities and corporate bonds. Investments are accounted for in accordance with GASB Statement No. 31, *Accounting and Financial 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.

Amounts Due from Governmental Agencies

The Authority has grants for aid in construction from the Federal Airport Improvement Program ("AIP"). Amounts due from governmental agencies under the terms of grant agreements are accrued as the related reimbursable costs are incurred.

Inventories

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

Restricted Assets

Restricted assets consist of cash and cash equivalents, investments and other resources which are restricted legally or by enabling legislation. The Authority's restricted assets are to be used for purposes specified in the respective bond indentures or

for purposes specified by the passenger facility charge program, as administered by the Federal Aviation Administration.

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

Capital Assets

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

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

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

Derivative Financial Instrument

As of and for the years ending June 30, 2007 and 2006, the Authority's derivative financial instrument is accounted for at fair value in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, with any gains or losses resulting from the fair value measurements being recorded as nonoperating.

Deferred Bond Issue Costs

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

Postemployment Benefits

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

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

Compensated Absences

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

Self-Insurance

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

Deferred Revenue

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

Components of Net Assets

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

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

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

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

Taxes

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

Reclassifications

Certain reclassifications have been made to the fiscal 2006 financial information in order to conform with the presentation adopted for fiscal 2007 including the following: (i) a reclassification of $6,945,127 from net assets invested in capital assets, net of related debt to unrestricted net assets relating primarily to certain pension assets and accounts payable, (ii) a reclassification of $5,351,127 from invested in capital assets, net of related debt to net assets restricted for debt service relating to accrued interest payable.

Recent Accounting Pronouncements

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefits ("OPEB") expenses and related assets and liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. GASB Statement No. 45 is effective for periods beginning after December 15, 2006 (fiscal 2008 for the Authority). The Authority is currently developing a course of action on this matter, analyzing its current program of postemployment benefits, and has engaged the services of an actuarial firm to estimate the initial obligation at June 30, 2008.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and 27.* GASB Statement No. 50 amends applicable note disclosure and required supplementary information (RSI) to more closely align current pension disclosure requirements for governments with those that governments are beginning to implement for retiree health and other postemployment benefits under GASB Statements No. 43 and 45. GASB 50 requires that the notes to financial statements disclose information about pension plans previously confined to RSI or not presented at all. Statement No. 50 is effective for periods beginning after June 15, 2007 (fiscal 2008 for the Authority).

3. Cash and Cash Equivalents and Investments

The Authority's deposit and investment policy is governed by the laws of the State of Tennessee and bond trust indentures and supplemental resolutions, which govern the investment of bond proceeds. Permissible investments generally include direct obligations of, or obligations guaranteed by, the U.S. Government, obligations issued or guaranteed by specific agencies of the U.S. Government, secured certificates of deposit, secured repurchase agreements, and specifically rated obligations of state governments, commercial paper, and money market funds.

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

Cash and Cash Equivalents

The Authority's unrestricted and restricted cash and cash equivalent bank balances totaling $50,062,927 and $34,150,818 at June 30, 2007 and 2006, respectively (with a carrying value of $63,521,339 and $36,018,224) represent a variety of time deposits with banks. All cash deposits are in a single financial institution and are carried at cost plus interest which approximates fair value. The carrying amount of cash deposits is separately reported as cash and cash equivalents in the accompanying statements of net assets.

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

Investments

As of June 30, 2007, the Authority had the following investments and maturities:

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1– 5	6–10
U.S. Agencies	$ 37,319,762	$ 20,021,122	$ 17,298,640	$ -
Corporate bonds	8,844,976	4,356,488	4,488,488	-
Asset Backed Securities	895,541	-	895,541	-
Mortgage Backed Securities	4,834,442	75,862	3,001,762	1,756,818
	$ 51,894,721	$ 24,453,472	$ 25,684,431	$ 1,756,818

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

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

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

	2007	2006
Short-term unrestricted investments	$ 2,070,862	$ 9,299,631
Short-term restricted investments	22,382,611	14,859,466
Noncurrent unrestricted investments	8,565,066	17,983,484
Noncurrent restricted investments	18,876,182	28,433,500
	$ 51,894,721	$ 70,576,081

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

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

Custodial Credit Risk - All investment securities purchased by the Authority or held as collateral on either deposits or investments are held in third-party safekeeping at a financial institution, acting solely as agent of the Authority and qualified to act in this capacity. As a means to limit custodial credit risk, all trades of marketable securities are executed on the basis of delivery versus payment and avoid the physical delivery of securities (bearer form) to ensure that securities are deposited with a custodian prior to the release of Authority funds. The Authority's unrestricted and restricted investments at June 30, 2007 and 2006, are all insured or collateralized by securities held by the Authority's agent in the Authority's name.

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

Forward Delivery Agreements

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

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

In November 2001, the Authority entered into a Debt Service Forward Delivery Agreement ("2001 DSFDA") with a financial institution for the continuous investment of the Series 1993 bond reserve fund through the term of the bonds. The present value of future investment earnings under the 2001 DSFDA was received by the Authority in an upfront, lump sum payment of

$1,325,000. These proceeds were used to fund various capital improvement projects. The amount of the upfront payment was recorded as deferred interest income and is being amortized into income over the term of the agreement.

The remaining unearned amounts relating to the forward delivery agreements were $3,305,261 and $3,740,830 at June 30, 2007 and 2006, respectively. Such amounts are reported as deferred interest income in the accompanying statements of net assets.

4. Capital Assets

Capital assets and related accumulated depreciation activity for the years ended June 30, 2007 and 2006, were as follows:

	Balance June 30, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Capital assets not being depreciated:					
Land	$ 62,659,897	$ -	$ -	$ -	$ 62,659,897
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	29,986,164	39,194,633	-	(22,904,412)	46,276,385
Total capital assets not being depreciated	129,347,129	39,194,633	-	(22,904,412)	145,637,350
Capital assets being depreciated:					
Land improvements	369,423,129	-	-	18,059,113	387,482,242
Buildings and building improvements	123,618,070	-	(12,970)	3,644,901	127,250,001
Equipment, furniture and fixtures	29,163,887	1,559,471	(110,107)	1,200,398	31,813,649
Total capital assets being depreciated	522,205,086	1,559,471	(123,077)	22,904,412	546,545,892
Less accumulated depreciation:					
Land improvements	(214,988,464)	(11,349,474)	-	-	(226,337,938)
Buildings and building improvements	(64,645,060)	(4,384,791)	12,970	-	(69,016,881)
Equipment, furniture and fixtures	(16,393,825)	(2,387,154)	110,107	-	(18,670,872)
Total accumulated depreciation	(296,027,349)	(18,121,419)	123,077	-	(314,025,691)
Total capital assets being depreciated	226,177,737	(16,561,948)	-	22,904,412	232,520,201
Net capital assets	$ 355,524,866	$ 22,632,685	$ -	$ -	$ 378,157,551

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

5. Long-Term Debt

Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1993

During October 1993, the Authority issued Series 1993 bonds in the principal amount of $53,500,000. The bonds were issued to provide funds to refund $11,400,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1989B and $36,000,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1991B. The Series 1989B bonds were redeemed on July 1, 1998, at a redemption price of 102% of the principal amount thereof, while the Series 1991B bonds were redeemed on July 1, 2001, at a redemption price of 102% of the principal amount thereof.

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

The Series 1993 bonds were issued bearing interest at a weekly rate and any Series 1993 bond may from time to time bear one of six variable rates: daily, weekly, monthly, quarterly, semiannual or term rates. In addition, any or all of the Series 1993 bonds may bear interest at a fixed rate at the option of the Authority. The Authority has an agreement with a remarketing agent to remarket any bonds presented for redemption. In the event the bonds cannot be remarketed in the normal course of business, the Authority has a liquidity facility agreement with a bank expiring on July 1, 2019. Draws on the liquidity facility agreement can be used to pay up to $53,500,000 plus an amount equal to 35 days interest on the bonds computed as though the bonds bore interest at a rate of 24% per annum notwithstanding the actual rate borne from time to time by the bonds. At June 30, 2007, the liquidity facility provider did not hold any of these bonds. The costs incurred during the years ended June 30, 2007 and 2006, for the liquidity facility agreement were $137,236 and $137,032, respectively, and were recorded as additional interest expense. Principal maturities of the Series 1993 issue vary in annual amounts ranging from $5,600,000 on July 1, 2007, to $3,800,000 on July 1, 2019.

The Authority entered into an interest rate swap agreement on the Series 1993 bonds, which is discussed in more detail in Note 6.

Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1995

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

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

The Series 1995 bonds contain serial bonds at interest rates ranging from 4.45% to 5.00%, maturing in progressive annual amounts ranging from $3,725,000 on July 1, 2007, to $7,990,000 on July 1, 2015. At the option of the Authority, the Series 1995 bonds maturing on and after July 1, 2009, may be repaid beginning July 1, 2008, at 102% of the principal balance outstanding, declining 1% annually to 100% on July 1, 2010.

Airport Improvement Revenue Bonds, Series 1998

During December 1997, the Authority issued Series 1998A and Series 1998B bonds in the principal amount of $19,695,000 and $9,740,000, respectively. The bonds were issued for the purpose of paying the Termination Payment under the 1995 Swap Agreement entered into in connection with the Series 1995 Bonds. The Series 1998A issue (with an outstanding principal

balance of $9,185,000 at June 30, 2007) contains serial bonds at interest rates ranging from 4.55% to 5.15%, maturing in annual amounts ranging from $1,750,000 on July 1, 2007, 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 $21,770,000 at June 30, 2007) contains serial bonds at interest rates ranging from 5.00% to 5.38%, maturing in progressive annual amounts ranging from $1,760,000 on July 1, 2007, 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 used to redeem the series 1991C bonds on July 1, 2001, at a redemption price of 102% of the principal amount thereof.

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

The issue contains serial bonds at interest rates ranging from 6.60% to 6.63%, maturing in progressive annual amounts ranging from $5,765,000 on July 1, 2007, to $9,615,000 on July 1, 2015.

Synthetic Advance Refunding, Series 2001A

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

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

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

Passenger Facility Charge and Airport Improvement Revenue Bonds, Series 2003

During July 2003, the Authority issued Refunding Series 2003 bonds in the principal amount of $32,020,000. These bonds were issued together with other available funds of the Authority to provide funds to refund $29,885,000 aggregate principal amount of the Authority's Passenger Facility Charge and Airport Improvement Revenue Bonds, Series 1992, to fund a reserve with respect to the Series 2003 bonds and to pay for certain costs in connection with issuance of the bonds. The Series 1992 bonds were redeemed on July 24, 2003, at a redemption price of 101% of the principal amount thereof.

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

The Series 2003 bonds initially bore interest at a weekly rate determined by SunTrust Capital Markets, Inc. Subject to the satisfaction of certain conditions in the Supplemental Resolution, the Authority may from time to time change the method of determining the interest rate on the Series 2003 Bonds to a daily rate, weekly rate, a commercial paper rate or a fixed rate. The bonds mature in progressive annual amounts ranging from $3,470,000 on July 1, 2007, to $3,925,000 on July 1, 2012.

Airport Improvement Revenue Bonds, Series 2003A

During July 2003, the Authority issued Series 2003A bonds in the principal amount of $5,650,000. These bonds were issued along with other available funds of the Authority to provide funds to refund $5,620,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1991A, to fund a reserve with respect to the Series 2003A Bonds and to pay for certain costs in connection with the issuance of the bonds. The difference between the reacquisition price and the net carrying amount of the old debt resulting from the refunding was immaterial.

The Series 2003A bonds were issued bearing interest payable monthly at the rate of 2.34%. The Series 2003A bonds matured on July 1, 2005.

Airport Improvement Revenue Bonds, Series 2003B

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

The Series 2003B bonds contain serial bonds at interest rates ranging from 2.69% to 5.94%, maturing in progressive annual amounts ranging from $325,000 on July 1, 2007, to $1,280,000 on July 1, 2033. The 2003B bonds are subject to an extraordinary optional redemption, in whole at any time, at a redemption price equal to the principal amount plus accrued interest to the date of redemption only in the event of the destruction or damage to all or substantially all of the Nashville International Airport or the condemnation of the airport facility.

Airport Improvement Revenue Bonds, Series 2006

During December 2006, the Authority issued Series 2006 bonds in the principal amount of $18,285,000. The bonds were issued to provide funds for a portion of the first phase of the multiple-phase terminal renovation project that began in October of 2006. Project completion is expected in 2010. The Series 2006 bonds were issued bearing interest at a weekly variable rate. Principal maturities of the Series 2006 issue vary in annual amounts ranging from $680,000 on July 1, 2009, to $1,445,000 on July 1, 2026.

All of the Authority's bonds, except for the Series 2003 Bonds, were issued under the General Resolution and are secured by a pledge of and lien on net revenues derived by the Authority from the operation of the Airport. The 2003 PFC Bonds were issued under the PFC Resolution and were secured by an additional pledge of and lien on PFC revenues less operating expenses.

The following shows the composition of restricted cash and cash equivalents and investments as of June 30, 2007 and 2006:

	2007	2006
Principal and Interest Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	$ 3,467,794	$ 3,305,897
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1993	5,551,158	5,300,077
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1995	4,963,964	4,699,936
Airport Improvement Revenue Bonds, Series 1998	4,314,439	4,410,234
Airport Improvement Revenue Bonds Refunding Series 2001A	7,959,614	7,832,278
Airport Improvement Revenue Bonds, Series 2003B	843,571	839,558
Airport Improvement Revenue Bonds, Series 2006	7,386,762	-
Bond Reserve Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	5,010,000	5,321,198
Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1993	2,675,000	2,675,000
Construction Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	34,399,549	40,006,522
Airport Improvement Revenue Bonds, Series 2006	6,758,092	-
	$ 83,329,943	$ 74,390,700

Long-term revenue bond activity for the year ended June 30, 2007, is summarized as follows:

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

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

Series Description	Balance June 30, 2005	New Borrowings	Principal Repayment	Amortization	Balance June 30, 2006
Series 1993 Revenue Bonds	$ 52,000,000	$ -	$ (3,500,000)	$ -	$ 48,500,000
Series 1995 Revenue Bonds	57,070,000	-	(3,080,000)	-	53,990,000
Series 1998A Revenue Bonds	12,955,000	-	(1,920,000)	-	11,035,000
Series 1998C Revenue Bonds	25,035,000	-	(1,590,000)	-	23,445,000
Series 1999 Subordinated Note	771,227	-	(175,179)	-	596,048
Series 2001A Revenue Bonds	78,425,000	-	(5,070,000)	-	73,355,000
Series 2003 PFC Revenue Bonds	28,825,000	-	(3,300,000)	-	25,525,000
Series 2003A Revenue Bonds	1,505,000	-	(1,505,000)	-	-
Series 2003B Revenue Bonds	18,900,000	-	(310,000)	-	18,590,000
Total	275,486,227	-	(20,450,179)	-	255,036,048
Less unamortized deferred amount on refunding	(15,047,310)	-	-	2,411,274	(12,636,036)
	260,438,917	$ -	$ (20,450,179)	$ 2,411,274	242,400,012
Less current portion	(20,450,179)				(21,511,495)
	$ 239,988,738				$ 220,888,517

Aggregate maturities of revenue bonds at June 30, 2007, are as follows:

Year Ending June 30,	Principal	Interest	Net Cash Flow Related to Interest Rate Swap	Total
2008	$ 22,593,543	$ 12,393,557	$ 202,600	$ 35,189,700
2009	23,631,010	11,282,447	155,550	35,069,007
2010	25,275,000	10,209,384	104,735	35,589,119
2011	26,545,000	8,949,701	51,640	35,546,341
2012	27,855,000	7,618,709	(3,735)	35,469,974
2013-2017	88,900,000	19,612,027	380,020	108,892,047
2018-2022	18,985,000	6,378,638	327,580	25,691,218
2023-2027	10,440,000	3,731,464	-	14,171,464
2028-2032	5,095,000	1,530,888	-	6,625,888
2033-2038	2,490,000	149,985	-	2,639,985
	251,809,553	81,856,800	1,218,390	334,884,743
Less: unamortized deferred amount on refunding	(10,813,988)	-	-	(10,813,988)
	$ 240,995,565	$ 81,856,800	$ 1,218,390	$ 324,070,755

Other long-term liabilities activity for the years ended June 30, 2007 and 2006, is summarized as follows:

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

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

6. Derivative Financial Instrument

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"). In general, the 1993 Swap Agreement provides that the Authority will pay a fixed rate of 4.49% to the 1993 Swap Provider on a notional amount equal to the principal amount of the Series 1993 bonds outstanding and the 1993 Swap Provider will pay interest at the rates borne by the Series 1993 bonds. Arrangements made in the 1993 Swap Agreement do not alter the Authority's obligation to pay the principal of, premium, if any, and interest on the Series 1993 bonds. Since the counterparty to the 1993 Swap Agreement is a major bank, the Authority does not anticipate credit related losses from nonperformance by such counterparty.

In accordance with SFAS No. 133, the Authority has recorded the fair value of the 1993 Swap Agreement as of June 30, 2007, (a liability of $1,169,988) and as of June 30, 2006, (a liability of $851,374) in the respective statements of net assets. The fair value of this financial instrument at June 30, 2007, has been calculated by a third-party service provider taking into consideration current interest rates. The change in the fair value of this financial instrument for the years ended June 30, 2007 and 2006, has been recorded as a (gain) loss on derivative financial instrument in the statements of revenues, expenses and changes in net assets under nonoperating expenses.

7. Passenger Facility Charges

On January 1, 1993, the airlines began collecting a Passenger Facility Charge ("PFC") on qualifying enplaning passengers at Nashville International Airport on behalf of the Authority. PFCs are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. Both the fee and intended projects must be reviewed and approved by the Federal Aviation Administration ("FAA"). Federal guidance on the PFC program has been updated from time to time since 1993, and the current maximum fee that can be authorized through federal regulation is $4.50 per enplaning passenger. PFCs are recorded as nonoperating revenue. PFC revenue during fiscal years 2007 and 2006 totaled $13,237,806 and $12,577,969, respectively.

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

Airfield development	$ 173,611,255
Terminal development	26,727,200
Land acquisition	64,158,054
	$ 264,496,509

As of June 30, 2007, cumulative expenditures to date on approved PFC projects totaled $137,051,025.

8. Special Facility Revenue Bonds

Special Facility Revenue Bonds, Series 2005

During April 2005, the Authority issued $9,500,000 of Special Facility Revenue Bonds, Series 2005, on behalf of Embraer Aircraft Maintenance Services, Inc. The bonds were issued to finance the development and construction of an aircraft maintenance facility at Nashville International Airport.

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

Special Facility Revenue Bonds, Series 2006

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

The outstanding Special Facility Revenue Bonds, Series 2006, are special obligations of the Authority and the debt service thereon shall be payable solely from revenues provided by Aero Nashville, LLC pursuant to a special facility sublease agreement or from letter of credit drawings made by the trustee. Since these bonds do not represent a claim on the Authority's assets or require the Authority to incur future obligations, they represent conduit debt and have not been recorded in the Authority's financial statements.

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

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

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

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. 30, *Risk Financing Omnibus*. The liability for reported claims and claims incurred but not reported, an estimate of which is based on historical experience and management projections, is grouped with accrued payroll and related items in the financial statements. This liability does not include nonincremental claims adjustment expenses.

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

	2007	2006
Balance—Beginning of year	$ 270,909	$ 216,938
Provision for incurred claims	3,754,342	2,906,164
Claim payments	(3,668,891)	(2,852,193)
Balance—End of year	$ 356,360	$ 270,909

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, 2007, relate to various projects. These amounts are as follows:

Amount to be directly reimbursed by governmental agencies under existing governmental contracts	$ 12,556,917
Amount to be funded by passenger facility charges collected	28,956,258
Amount to be funded by the Authority	35,740,721
	$ 77,253,896

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. Postemployment and Retirement Benefits

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

The Plan is a non-contributory defined benefit pension plan administered by the Authority. The plan provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Authority. Benefit provisions are established and may be amended by the Authority. Effective June 27, 2003, the Plan was closed to new participants; therefore, employees hired after June 27, 2003, are not eligible to participate in the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Metropolitan Nashville Airport Authority, One Terminal Drive, Suite 501, Nashville, Tennessee, 37214, or by calling (615) 275-1600.

For the year ended June 30, 2007, the Authority's annual pension cost of $1,140,231 was equal to the annual required contribution of $956,151 less interest in the amount of $1,286,357 on the net pension asset plus the annual required contribution adjustment of $1,470,437. For the year ended June 30, 2006, the Authority's annual pension cost of $964,150 was equal to the annual required contribution of $785,382 less interest in the amount of $1,363,490 on the net pension asset plus the annual required contribution adjustment of $1,542,258. No actual contribution was made to the Plan during 2007 or 2006 due to a contribution of $19,000,000 made in 2004 through the issuance of Airport Improvement Revenue Bonds, Series 2003B (see Note 5). The annual required contribution for the current year was determined as part of the July 1, 2006, actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 4.0%. Neither (a) nor (b) included an inflation adjustment. The assumptions did not include postemployment benefit increases which are funded by the Authority when granted. The actuarial value of Plan assets was calculated based on the three-year weighted average of asset gains and losses.

The following table presents the annual pension cost and the net pension asset for the years ended June 30, 2007, 2006, and 2005:

Year Ended June 30	Annual Pension Cost	% of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
2007	$ 1,140,231	0%	$ (14,939,238)
2006	964,150	0%	(16,079,468)
2005	675,544	0%	(17,043,619)

In addition to the pension benefits described above, the Authority provides postemployment health care benefits to all employees who retire under either the Authority's PERS or the Metropolitan Government's PERS. Payments for these postemployment benefits are expensed as they are incurred.

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, 71 retirees are receiving benefits under the PERS. During the years ended June 30, 2007 and 2006, payments of $381,527 and $539,353, respectively, were made by the Authority for postemployment 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, 21 retirees are receiving benefits under the PERS. During the years ended June 30, 2007 and 2006, payments of $61,332 and $35,849, respectively, were made to the Metropolitan Government for postemployment benefits under this PERS.

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 $538,891 and $488,950 in 2007 and 2006, 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. In accordance with the terms of the lease agreements, the Authority received advance rental payments totaling $2,533,613. This amount is being amortized into income over the terms of the leases. The unamortized amount was $1,982,009 and $1,987,327

at June 30, 2007 and 2006, respectively. The buildings and any other improvements constructed on the land become the property of the Authority upon the expiration or termination of the leases.

15. Major Customers

The two largest airlines serving Nashville International Airport accounted for approximately 60.2% and 61.4% of the total enplanements of 4,938,191 and 4,735,910 in fiscal years 2007 and 2006, 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, 2007	Nashville International Airport	John C. Tune Airport	Total
Operating revenues	$ 74,231,101	$ 668,495	$ 74,899,596
Operating expenses	44,233,659	365,484	44,599,143
Provision for depreciation	17,405,936	715,483	18,121,419
Operating income (loss)	$ 12,591,506	$ (412,472)	$ 12,179,034

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

17. Fair Value of Financial Instruments

The fair value of financial instruments has been estimated by the Authority using available market information as of June 30, 2007 and 2006, and valuation methodologies considered appropriate to the circumstances.

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 63,521,339	$ 63,521,339	$ 36,018,224	$ 36,018,224
Investments	51,894,721	51,894,721	70,576,081	70,576,081
Notes receivable from tenants	-	-	1,519,498	1,445,261
Long-term debt	251,809,553	259,652,592	255,036,048	266,392,747

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

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

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

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 (see Note 6).

18. Subsequent Events

Issuance of Bonds

During August, 2007, the Authority issued Airport Improvement Revenue Bonds, Series 2007 in the principal amount of $8,700,000. The Series 2007 bonds were issued to provide a portion of the funding needed for the first phase of the multi-phase terminal renovation project. The Series 2007 bonds were issued at a weekly variable rate and mature in progressive principal amounts ranging from $310,000 on July 1, 2009, to $710,000 on July 1, 2026.

Formation of MNAA Properties Corporation

On April 19, 2007, the Board of Commissioners of the Authority approved an interlocal cooperation agreement with the Industrial Development Board of the Metropolitan Government. As a result of this action, MNAA Properties Corporation ("MPC"), a Tennessee nonprofit corporation, was formed for the purpose of supporting and facilitating the operations of the Authority and to help the economic development of the surrounding area. No capital contribution was made as of June 30, 2007. However, nine million dollars ($9,000,000) was transferred from the Authority to MPC in August 2007, in anticipation of the acquisition of two separate multi-tenant buildings on Airport property. It is currently expected that no other property or assets of the Authority will be pledged or committed to support MPC or any subsidiaries of MPC. On September 28, 2007, MNAA Holdings, LLC, a limited liability company in which MNAA Properties Corporation is the sole member, purchased International Plaza for $7,500,000, the first of two purchases under consideration.

Required Supplementary Information Schedule of Funding Progress June 30, 2007 (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded AAL (OAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	OAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2004	$ 31,093,608	$ 26,901,552	($ 4,192,056)	115.58%	$ 8,907,904	(47.06%)
July 1, 2005	31,301,721	28,474,840	(2,826,881)	109.93%	9,380,863	(30.13%)
July 1, 2006	31,266,571	29,890,861	(1,375,710)	104.60%	9,215,800	(14.93%)

Supplementary Information

Schedule of Net Assets Information by Airport for the Year Ended June 30, 2007

	Nashville International Airport	John C. Tune Airport	Total
ASSETS			
CURRENT ASSETS:			
Unrestricted assets:			
Cash and cash equivalents	$ 20,377,147	$ 1,073,042	$ 21,450,189
Short term investments	2,070,862	-	2,070,862
Accounts receivable—net of allowance for doubtful accounts of $172,253	2,348,792	22,437	2,371,229
Inventories	482,644	-	482,644
Accrued interest receivable	100,439	-	100,439
Due from (to) other funds	13,638	(13,638)	-
Prepaid expenses	1,001,382	-	1,001,382
Total current unrestricted assets	26,394,904	1,081,841	27,476,745
Restricted assets:			
Cash and cash equivalents	42,071,150	-	42,071,150
Short term investments	22,382,611	-	22,382,611
Passenger facility charges receivable	1,873,399	-	1,873,399
Amounts due from governmental agencies	921,956	30,771	952,727
Accrued interest receivable	340,288	-	340,288
Total current restricted assets	67,589,404	30,771	67,620,175
Total current assets	93,984,308	1,112,612	95,096,920
NONCURRENT ASSETS			
Capital assets:			
Land and land improvements	431,540,582	18,601,557	450,142,139
Land held for future expansion	36,701,068	-	36,701,068
Buildings and building improvements	123,495,252	3,754,749	127,250,001
Equipment, furniture and fixtures	31,595,688	217,961	31,813,649
Construction in progress	46,214,515	61,870	46,276,385
Total capital assets	669,547,105	22,636,137	692,183,242
Less accumulated depreciation	(302,580,064)	(11,445,627)	(314,025,691)
Total capital assets, net	366,967,041	11,190,510	378,157,551
Restricted investments	18,876,182	-	18,876,182
Unrestricted investments	8,565,066	-	8,565,066
Deferred bond issue costs	2,844,266	-	2,844,266
Other assets	15,650,090	-	15,650,090
Total noncurrent assets	412,902,645	11,190,510	424,093,155
TOTAL ASSETS	$ 506,886,953	$ 12,303,122	$ 519,190,075

Schedule of Net Assets Information by Airport for the Year Ended June 30, 2007

	Nashville International Airport	John C. Tune Airport	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Payable from unrestricted assets:			
Trade accounts payable	$ 7,437,004	$ 25,802	$ 7,462,806
Accrued payroll and related items	2,577,260	4,958	2,582,218
Current maturities of long-term debt	198,543	-	198,543
Accrued interest payable	13,232	-	13,232
Total payable form unrestricted assets	10,226,039	30,760	10,256,799
Payable from restricted assets:			
Trade accounts payable	3,254,959	-	3,254,959
Accrued interest payable	4,945,915	-	4,945,915
Current maturities of long-term debt	22,395,000	-	22,395,000
Total payable from restricted assets	30,595,874	-	30,595,874
Total current liabilities	40,821,913	30,760	40,852,673
NONCURRENT LIABILITIES:			
Airport Revenue Bonds (net of unamortized deferred amount on refunding of $10,813,988)	218,191,012	-	218,191,012
Subordinate Revenue Note	211,010	-	211,010
Synthetic Advance Refunding, Series 2001A	4,095,791	-	4,095,791
Fair value of derivative financial instruments	1,169,988	-	1,169,988
Deferred interest income	3,305,261	-	3,305,261
Deferred rental income	1,982,009	3,990	1,985,999
Total noncurrent liabilities	228,955,071	3,990	228,959,061
Total liabilities	269,776,984	34,750	269,811,734
COMMITMENTS AND CONTINGENCIES	-	-	-
NET ASSETS:			
Invested in capital assets—net of related debt	139,189,093	11,221,282	150,410,375
Restricted:			
Passenger facility charge projects	29,759,895	-	29,759,895
Debt service	45,116,496	-	45,116,496
Total restricted net assets	74,876,391	-	74,876,391
Unrestricted net assets	23,044,485	1,047,090	24,091,575
Total net assets	237,109,969	12,268,372	249,378,341
TOTAL LIABILITIES AND NET ASSETS	$ 506,886,953	$ 12,303,122	$ 519,190,075

Schedule of Revenues, Expenses and Changes in Net Assets Information by Airport for the Year Ended June 30, 2007

	Nashville International Airport	John C. Tune Airport	Total
OPERATING REVENUES:			
Signatory Airline	$ 13,116,169	$ -	$ 13,116,169
Parking	27,794,482	-	27,794,482
Concession	16,631,319	-	16,631,319
Space rental	9,510,822	624,896	10,135,718
Other	7,178,309	43,599	7,221,908
	74,231,101	668,495	74,899,596
OPERATING EXPENSES:			
Salaries and wages	20,221,150	158,226	20,379,376
Contractual services	14,284,380	145,834	14,430,214
Materials and supplies	2,413,685	23,608	2,437,293
Utilities	4,379,187	29,395	4,408,582
Other	2,935,257	8,421	2,943,678
	44,233,659	365,484	44,599,143
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	29,997,442	303,011	30,300,453
PROVISION FOR DEPRECIATION	17,405,936	715,483	18,121,419
OPERATING INCOME (LOSS)	12,591,506	(412,472)	12,179,034
NONOPERATING REVENUES:			
Investment income	4,877,276	54,318	4,931,594
Passenger facility charges	13,237,806	-	13,237,806
Grant revenue from governmental agencies	13,122,916	45,423	13,168,339
	31,237,998	99,741	31,337,739
NONOPERATING EXPENSES:			
Gain on disposal of property and equipment	(25,393)	-	(25,393)
Interest expense	14,396,542	-	14,396,542
Loss on derivative financial instrument	318,614	-	318,614
Other Nonoperating Expense	711,090	-	711,090
	15,400,853	-	15,400,853
INCREASE (DECREASE) IN NET ASSETS	28,428,651	(312,731)	28,115,920
TOTAL NET ASSETS—BEGINNING OF YEAR	208,681,318	12,581,103	221,262,421
TOTAL NET ASSETS—END OF YEAR	$ 237,109,969	$ 12,268,372	$ 249,378,341

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Schedule of Long-Term Debt, Principal and Interest Requirements by Fiscal Year June 30, 2007 (Unaudited)

Year Ending June 30,	Series 1993 Revenue Bonds		Series 1995 Revenue Bonds		Series 1998A Revenue Bonds		Series 1998C Revenue Bonds		Series 2001A Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 5,600,000	$ 1,813,960	$ 3,725,000	$ 2,384,985	$ 1,750,000	$ 404,470	$ 1,760,000	$ 1,111,219	$ 5,765,000	$ 4,294,846
2009	5,800,000	1,558,030	4,100,000	2,206,873	1,625,000	326,033	1,860,000	1,016,194	6,150,000	3,900,930
2010	6,100,000	1,290,875	4,510,000	2,006,588	1,480,000	252,325	1,960,000	914,694	6,555,000	3,481,665
2011	6,400,000	1,010,250	4,960,000	1,781,563	1,315,000	184,588	2,075,000	806,253	6,985,000	3,034,845
2012	6,700,000	716,155	5,455,000	1,527,511	1,120,000	124,370	2,185,000	695,863	7,450,000	2,558,490
2013	100,000	563,495	6,000,000	1,242,500	900,000	73,645	2,305,000	579,291	7,940,000	2,050,620
2014	100,000	559,005	6,600,000	927,500	645,000	34,473	2,435,000	451,903	8,465,000	1,509,255
2015	200,000	552,270	7,260,000	581,000	350,000	9,013	2,570,000	317,394	9,020,000	932,250
2016	200,000	543,290	7,990,000	199,750			2,720,000	175,225	9,615,000	317,295
2017	1,200,000	511,860					1,900,000	51,063		
2018	3,400,000	408,590								
2019	3,600,000	251,440								
2020	3,800,000	85,310								
2021										
2022										
2023										
2024										
2025										
2026										
2027										
2028										
2029										
2030										
2031										
2032										
2033										
2034										
Totals	43,200,000	9,864,530	50,600,000	12,858,270	9,185,000	1,408,917	21,770,000	6,119,099	67,945,000	22,080,196
Loss on Refunding:	(2,294,822)	-	(6,156,232)	-	-	-	(872,219)	-	(1,185,100)	-
Net	$ 40,905,178	$ 9,864,530	$ 44,443,768	$ 12,858,270	$ 9,185,000	$ 1,408,917	$ 20,897,781	$ 6,119,099	$ 66,759,900	$ 22,080,196

Series 1999 Subordinated Note		Series 2003 PFC Revenue Bonds		Series 2003B Revenue Bonds		Series 2006 Revenue Bonds		Total Debt Service		
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
$ 198,543	$ 20,063	$ 3,470,000	$ 841,510	$ 325,000	$ 1,024,788	$ -	$ 700,316	$ 22,593,543	$ 12,596,157	$ 35,189,700
211,010	6,826	3,550,000	709,650	335,000	1,013,145	-	700,316	23,631,010	11,437,997	35,069,007
		3,640,000	574,750	350,000	999,653	680,000	793,569	25,275,000	10,314,119	35,589,119
		3,735,000	436,430	365,000	983,355	710,000	764,057	26,545,000	9,001,341	35,546,341
		3,825,000	294,500	380,000	964,842	740,000	733,243	27,855,000	7,614,974	35,469,974
		3,925,000	149,150	400,000	945,459	775,000	701,127	22,345,000	6,305,287	28,650,287
				420,000	924,977	810,000	667,492	19,475,000	5,074,605	24,549,605
				445,000	903,043	845,000	632,338	20,690,000	3,927,308	24,617,308
				465,000	879,515	885,000	595,665	21,875,000	2,710,740	24,585,740
				490,000	853,928	925,000	557,256	4,515,000	1,974,107	6,489,107
				515,000	826,340	970,000	517,111	4,885,000	1,752,041	6,637,041
				545,000	797,243	1,010,000	475,013	5,155,000	1,523,696	6,678,696
				575,000	765,551	1,055,000	431,179	5,430,000	1,282,040	6,712,040
				610,000	731,067	1,105,000	385,392	1,715,000	1,116,459	2,831,459
				645,000	694,547	1,155,000	337,435	1,800,000	1,031,982	2,831,982
				680,000	655,989	1,210,000	287,308	1,890,000	943,297	2,833,297
				720,000	615,249	1,265,000	234,794	1,985,000	850,043	2,835,043
				760,000	571,725	1,320,000	179,893	2,080,000	751,618	2,831,618
				805,000	525,245	1,380,000	122,605	2,185,000	647,850	2,832,850
				855,000	475,943	1,445,000	62,713	2,300,000	538,656	2,838,656
				905,000	423,671			905,000	423,671	1,328,671
				960,000	368,280			960,000	368,280	1,328,280
				1,015,000	309,623			1,015,000	309,623	1,324,623
				1,075,000	247,550			1,075,000	247,550	1,322,550
				1,140,000	181,764			1,140,000	181,764	1,321,764
				1,210,000	111,969			1,210,000	111,969	1,321,969
				1,280,000	38,016			1,280,000	38,016	1,318,016
409,553	26,889	22,145,000	3,005,990	18,270,000	17,832,477	18,285,000	9,878,822	251,809,553	83,075,190	334,884,743
-	-	(305,615)	-	-	-	-	-	(10,813,988)	-	(10,813,988)
$ 409,553	$ 26,889	$21,839,385	$ 3,005,990	$ 18,270,000	$ 17,832,477	$ 18,285,000	$ 9,878,822	$240,995,565	$ 83,075,190	$324,070,755

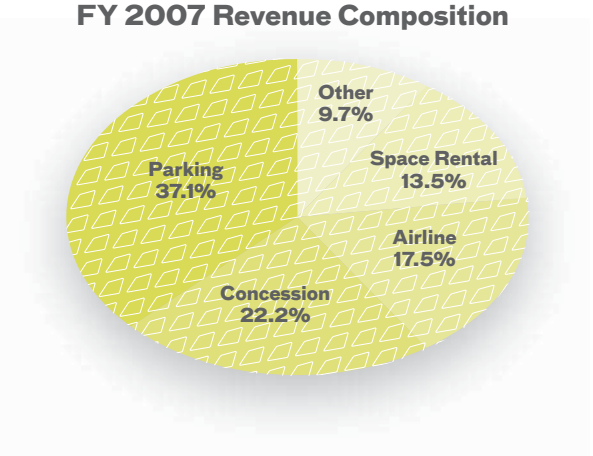
Statistical Section

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.

Metropolitan Nashville Airport Authority Operating Revenues Analysis (000s)

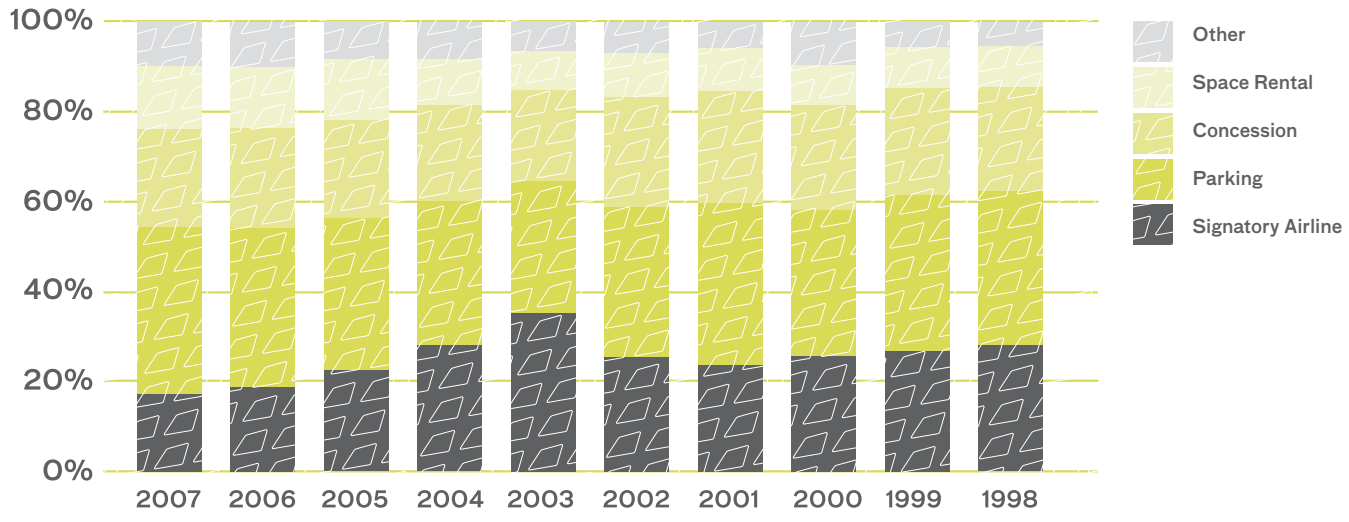
Operating Revenues	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Signatory Airline	$ 13,116	$ 13,559	$ 15,165	$ 18,546	$ 22,804	$ 13,612	$ 13,193	$ 13,284	$ 12,969	$ 13,287
Parking	27,794	25,159	22,788	20,575	18,654	17,965	19,655	16,803	16,495	16,158
Concession	16,631	15,598	14,482	13,706	13,460	13,011	13,806	12,483	11,641	11,026
Space Rental	10,136	9,889	8,935	7,028	5,526	5,195	5,157	4,474	4,175	4,215
Other	7,222	6,928	5,400	4,865	3,981	3,510	2,940	4,806	2,558	2,301
Total	**$ 74,899**	**$ 71,133**	**$ 66,770**	**$ 64,720**	**$ 64,425**	**$ 53,293**	**$ 54,751**	**$ 51,850**	**$ 47,838**	**$ 46,987**

FY 2007 Revenue Composition



Operating revenues increased 59.4% since 1998. During the same time, total passenger activity increased 25.3%. The most significant increase in revenue over this time period is reflected in parking revenue at $11,636,000 (72.0% growth). Airline rates increased significantly in 2003 and 2004 to cover operating costs as other sources of revenue remained relatively level. As air travel recovered and the other sources of revenue increased, airline costs per enplaned passenger have experienced steady decline.

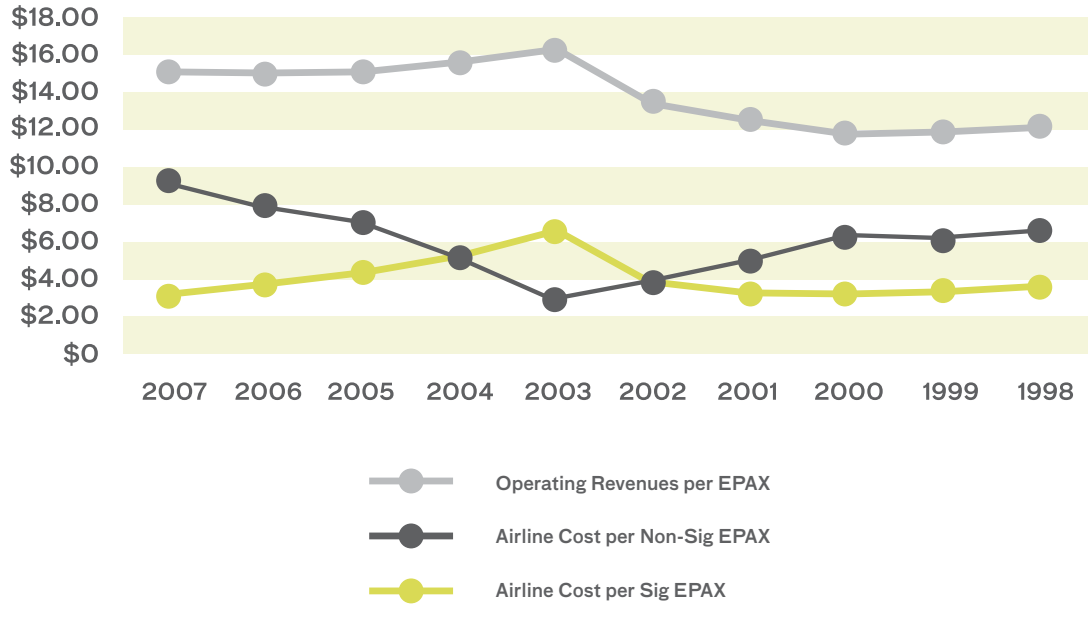
10-Year Revenue Composition



Metropolitan Nashville Airport Authority Operating Revenues Analysis - Airline Activity (000s)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Signatory Airlines:										(est)
Space and Ramp Fees	$ 11,504	$ 12,838	$ 13,498	$ 14,655	$ 15,514	$ 11,204	$ 10,754	$ 10,648	$ 10,386	$ 10,630
Landing Fees	1,612	721	1,667	3,891	7,290	2,408	2,439	2,636	2,583	2,657
Total Signatory Revenue	13,116	13,559	15,165	18,546	22,804	13,612	13,193	13,284	12,969	13,287
Signatory Enplaned (000)	4,247	3,874	3,716	3,622	3,532	3,699	4,258	4,281	3,922	3,773
Cost per Signatory Enplaned	$ 3.09	$ 3.50	$ 4.08	$ 5.12	$ 6.46	$ 3.68	$ 3.10	$ 3.10	$ 3.31	$ 3.52
Non-Signatory Airlines:										
Space and Ramp Fees	$ 3,027	$ 3,520	$ 2,652	$ 604	$ 10	$ 24	$ 126	$ 280	$ 294	$ 259
Landing Fees	3,216	3,068	2,362	2,148	1,263	1,097	837	821	775	778
Total Non-Signatory Revenue	6,243	6,588	5,014	2,752	1,273	1,121	963	1,101	1,069	1,037
Non-Signatory Enplaned (000)	692	861	720	543	465	298	199	174	178	161
Cost per Non-Signatory Enplaned	$ 9.02	$ 7.65	$ 6.96	$ 5.07	$ 2.74	$ 3.76	$ 4.84	$ 6.33	$ 6.01	$ 6.44
Operating Revenues	$ 74,899	$ 71,133	$ 66,770	$6 4,720	$ 64,425	$ 53,293	$ 54,751	$ 51,850	$ 47,838	$ 46,987
Total Enplaned (includes charters)	4,938	4,736	4,438	4,167	3,998	4,004	4,474	4,474	4,114	3,954
Operating Revenues per Enplaned	$ 15.17	$ 15.02	$ 15.05	$ 15.53	$ 16.11	$ 13.31	$ 12.24	$ 11.59	$ 11.63	$ 11.88

Enplanement (EPAX) Revenues Analysis



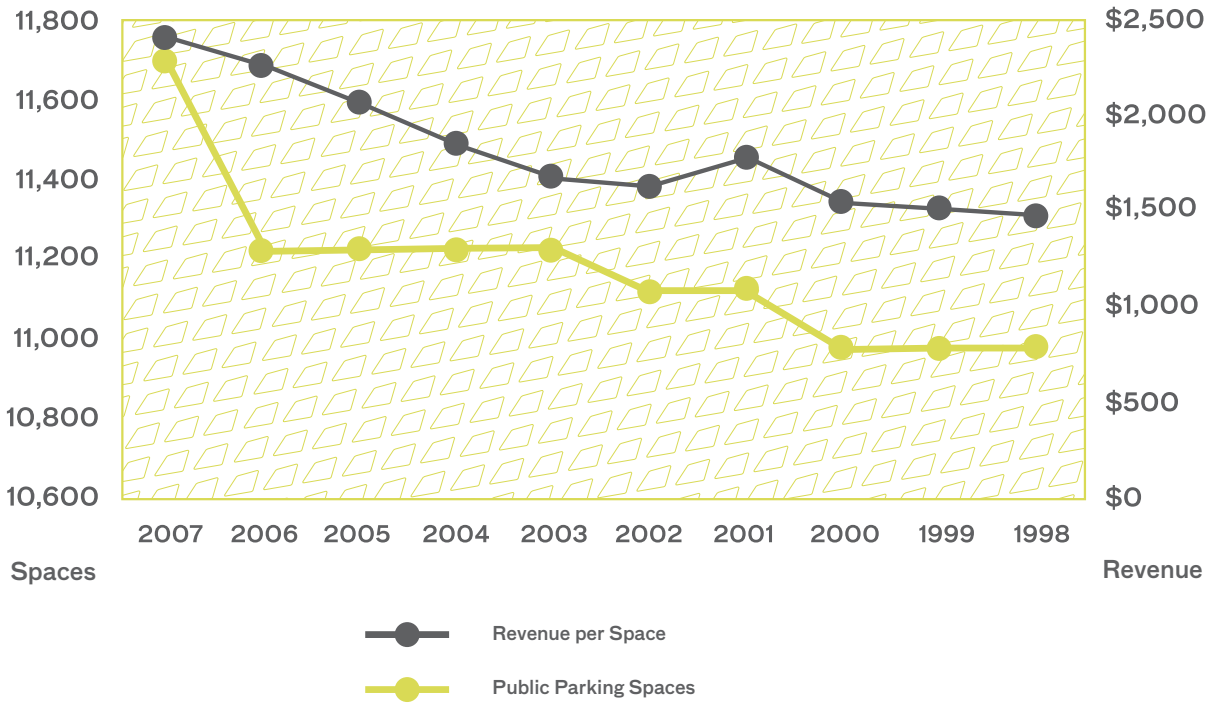
Metropolitan Nashville Airport Authority Operating Revenues Analysis - Activity Detail (000's)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Signatory Rates										
Landing Fee	$ 0.29	$ 0.12	$ 0.29	$ 0.17	$ 1.19	$ 0.38	$ 0.35	$ 0.39	$ 0.42	$ 0.45
Ramp	95.80	104.97	114.40	114.33	118.20	95.51	90.26	91.20	89.00	90.00
Main Terminal	81.91	90.08	90.91	88.34	91.34	64.02	59.87	60.50	59.00	62.00
North Concourse	39.04	43.64	45.59	43.49	44.85	33.89	30.43	30.75	30.00	30.50
South Concourse	25.45	24.87	26.87	27.47	27.90	19.33	18.68	18.45	18.00	18.00

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

Non-Signatory Rates										
Landing Fee	$ 3.24	$ 2.91	$ 2.71	$ 2.97	$ 3.01	$ 2.53	$ 2.43	$ 2.55	$ 2.55	$ 2.53
Ramp	304.37	297.52	289.61	293.07	289.95	272.00	262.77	260.50	239.42	237.08
Main Terminal	176.79	173.44	155.59	151.81	150.22	141.18	135.15	123.61	108.02	111.22
North Concourse	80.67	80.45	77.67	76.78	75.77	76.38	74.39	71.93	66.43	64.11
South Concourse	67.48	67.13	64.19	61.43	60.53	60.99	59.22	54.95	49.51	47.20

Public Parking Analysis



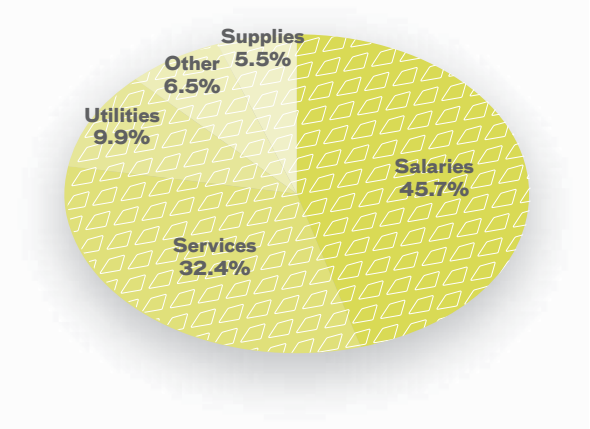
Parking Lot Revenue (000)	$ 27,794	$ 25,159	$ 22,788	$ 20,575	$ 18,654	$ 17,965	$ 19,655	$ 16,803	$ 16,495	$ 16,158
Spaces Available (actual)	11,675	11,216	11,216	11,216	11,216	11,112	11,112	10,974	10,974	10,974
Revenue per Space	$ 2,381	$ 2,243	$ 2,032	$ 1,834	$ 1,663	$ 1,617	$ 1,769	$ 1,531	$ 1,503	$ 1,472

As of June 30, 2007, parking spaces totaled 3,883 (long term), 1,706 (short term), 3,957 (economy), and 2,129 (overflow & valet). A new valet lot with 1,200 spaces will open in November of 2007, and make 1,085 spaces of overflow area for general public use. In late 2008, the employee lot will transition to public parking space expanding capacity by 1,400 relocating employees and commuters to a new lot.

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

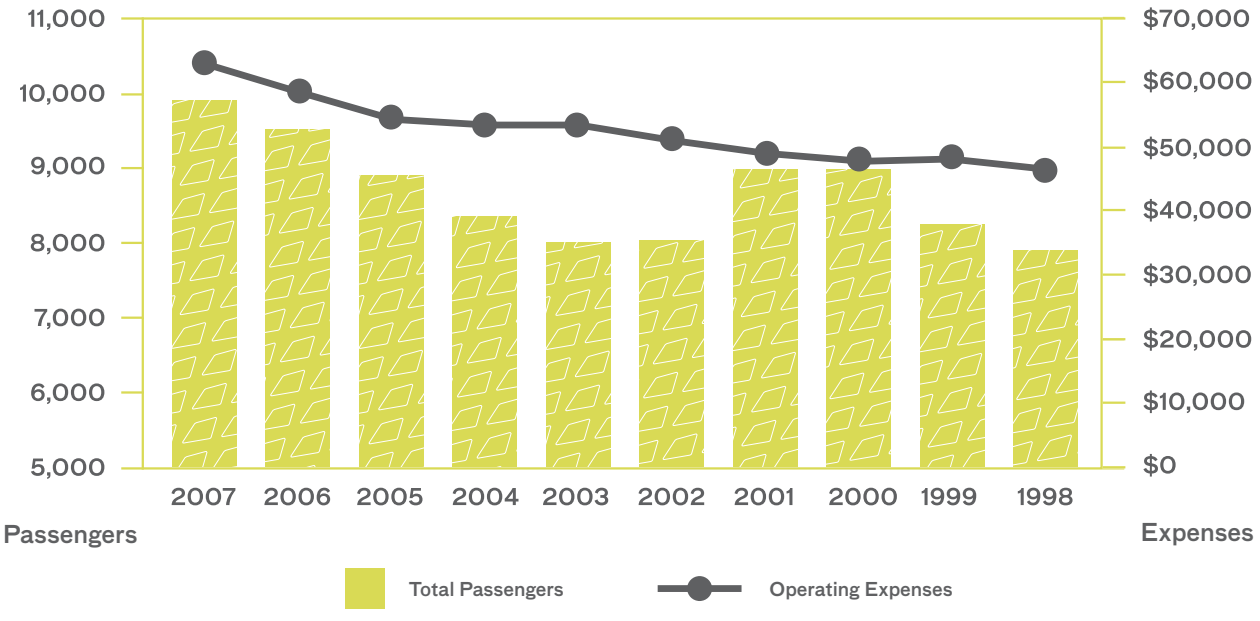
Operating Expenses	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Salaries and Wages	20,379	18,657	16,412	16,249	16,301	16,361	$ 15,760	$14,567	$ 13,123	$ 12,042
Contractual Services	14,430	12,917	12,454	11,424	11,260	10,005	9,693	8,794	8,683	7,794
Supplies and Materials	2,437	1,702	1,894	1,565	2,042	1,721	1,773	1,928	1,664	1,465
Utilities	4,409	4,178	3,662	3,427	3,368	3,229	3,364	3,180	2,765	2,704
Depreciation	18,121	17,640	17,546	17,967	17,742	17,608	15,880	16,832	20,050	20,514
Other	2,944	3,295	2,274	2,580	2,639	2,233	2,585	2,085	1,773	1,819
Total	**$ 62,720**	**$ 58,389**	**$ 54,242**	**$ 53,211**	**$ 53,352**	**$ 51,157**	**$ 49,055**	**$47,386**	**$ 48,058**	**$ 46,338**

FY 2007 Operating Expenses before Provision for Depreciation



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

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



Metropolitan Nashville Airport Authority Schedule of Capital Assets As of Each of Last Five Years Ended June 30

	2007	%	2006	2005	2004	2003
Land	$ 62,659,897	43.0%	$ 62,659,897	$ 62,659,897	$ 62,633,055	$ 67,725,326
Land held for future expansion	36,701,068	25.2%	36,701,068	36,701,068	36,701,068	36,701,068
Construction in Progress	46,276,385	31.8%	29,986,164	22,352,319	11,120,299	9,893,301
Total capital assets not being depreciated	145,637,350	100.0%	129,347,129	121,713,284	110,454,422	114,319,695
Land improvements	387,482,242	70.9%	369,423,129	370,981,655	369,854,122	358,100,635
Buildings and building improvements	127,250,001	23.3%	123,618,070	126,696,865	126,696,865	125,609,435
Equipment, furniture and fixtures	31,813,649	5.8%	29,163,887	22,972,560	21,367,619	20,949,181
Total capital assets being depreciated	546,545,892	100.0%	522,205,086	520,651,080	517,918,606	504,659,251
Less accumulated depreciation	(314,025,691)	57.5%	(296,027,349)	(287,025,150)	(270,291,950)	(252,335,482)
Net capital assets	**$ 378,157,551**	**n/a**	**$ 355,524,866**	**$ 355,339,214**	**$ 358,081,078**	**$ 366,643,464**

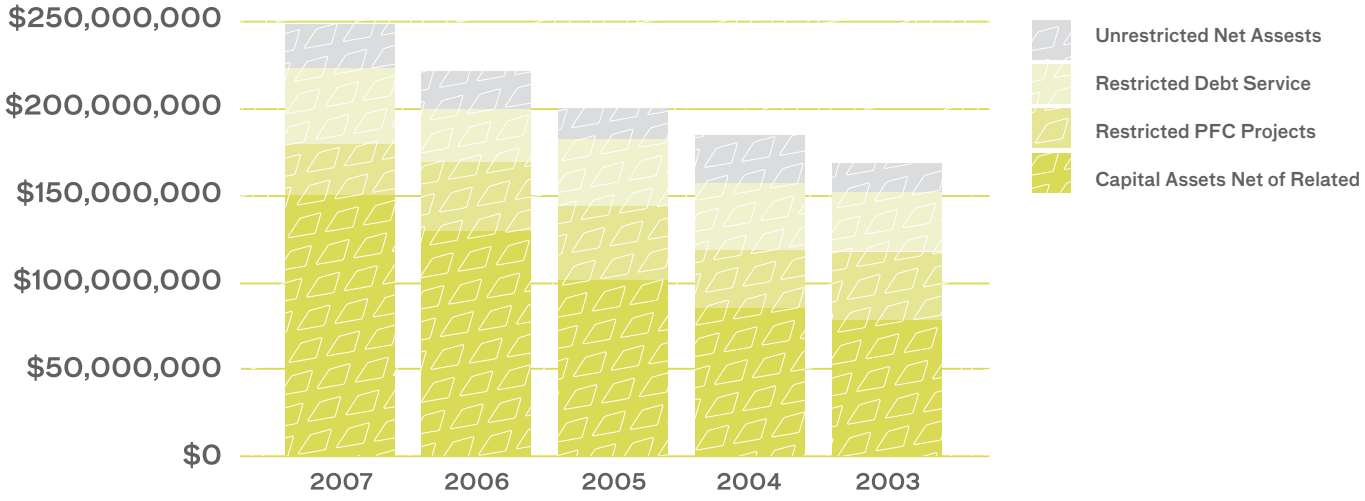
Ratios of Outstanding Debt as a Percentage of Total Debt As of Each of Last Five Years Ended June 30

	2007	%	2006	2005	2004	2003
Series 1991A Revenue Bonds	-	-	-	-	-	9,410,000
Series 1992 PFC Revenue Bonds	-	-	-	-	-	35,465,000
Series 1993 Revenue Bonds	$ 43,200,000	17.2%	$ 48,500,000	$ 52,000,000	$ 52,700,000	53,400,000
Series 1995 Revenue Bonds	50,600,000	20.1%	53,990,000	57,070,000	59,870,000	62,415,000
Series 1998A Revenue Bonds	9,185,000	3.7%	11,035,000	12,955,000	14,930,000	16,945,000
Series 1998C Revenue Bonds	21,770,000	8.7%	23,445,000	25,035,000	26,550,000	27,985,000
Series 2001A Revenue Bonds	67,945,000	27.0%	73,355,000	78,425,000	83,200,000	87,695,000
Series 2003 PFC Revenue Bonds	22,145,000	8.8%	25,525,000	28,825,000	32,020,000	-
Series 2003A Revenue Bonds	-	0%	-	1,505,000	5,650,000	-
Series 2003B Revenue Bonds	18,270,000	7.3%	18,590,000	18,900,000	18,900,000	-
Series 2006 Revenue Bonds	18,285,000	7.3%	-	-	-	-
Total Revenue Bonds	251,400,000	100.0%	254,440,000	274,715,000	293,820,000	293,315,000
Series 1999 Subordinated Note	409,553	n/a	771,227	771,227	935,776	1,090,340
Less unamortized deferred amount on refunding	(10,813,988)	n/a	(12,636,036)	(15,047,310)	(17,654,125)	(19,251,919)
Net Outstanding Debt	**$ 240,995,565**	**n/a**	**$ 242,575,191**	**$ 260,438,917**	**$ 277,101,651**	**$ 275,153,421**

Metropolitan Nashville Airport Authority Change in Net Assets
As of Each of Last Five Years Ended June 30

	2007	2006	2005	2004	2003
Operating Revenues					
Signatory Airline	$ 13,116,169	$ 13,559,361	$ 15,164,912	$ 18,545,916	$ 22,803,489
Parking	27,794,482	25,159,487	22,787,740	20,575,301	18,654,487
Concession	16,631,319	15,597,529	14,481,791	13,705,715	13,460,263
Space Rental	10,135,718	9,888,852	8,935,551	7,028,387	5,525,643
Other	7,221,908	6,928,048	5,399,869	4,864,672	3,980,905
Total Operating Revenues	**74,899,596**	**71,133,277**	**66,769,863**	**64,719,991**	**64,424,787**
Operating Expenses					
Salaries and wages	20,379,376	18,657,132	16,412,494	16,248,675	16,301,303
Contractual Services	14,430,214	12,916,582	12,453,870	11,424,236	1,259,823
Materials and Supplies	2,437,293	1,702,182	1,894,344	1,564,994	2,042,158
Utilities	4,408,582	4,178,081	3,662,175	3,426,793	3,367,944
Other	2,943,678	3,294,627	2,274,072	2,579,608	2,639,054
Total Operating Expenses	**44,599,143**	**40,748,604**	**36,696,955**	**35,244,306**	**35,610,282**
Provision for Depreciation	**18,121,419**	**17,640,198**	**17,546,203**	**17,966,519**	**17,741,820**
Nonoperating Revenues					
Investment income	4,931,594	2,889,516	2,769,432	1,053,385	3,583,967
Passenger facility charges	13,237,806	12,577,969	11,640,065	10,790,953	10,763,881
Grant revenue	13,168,339	6,244,876	6,970,112	5,655,203	3,433,673
Other nonoperating revenue	-	-	-	432,405	622,280
Total Nonoperating Revenues	**31,337,739**	**21,712,361**	**21,379,609**	**17,931,946**	**18,403,801**
Nonoperating Expenses					
Interest expense	14,396,542	15,629,637	16,416,304	16,943,386	18,549,633
Other nonoperating expenses	1,004,311	($1,649,398)	938,762	($3,973,366)	548,238
Total Nonoperating Expenses	**15,400,853**	**13,980,239**	**17,355,066**	**12,970,020**	**19,097,871**
Increase in Net Assets	**28,115,920**	**20,476,597**	**16,551,248**	**16,471,092**	**10,378,615**
Total Net Assets - End of Year	**$ 249,378,341**	**$ 221,262,421**	**$ 200,785,824**	**$ 184,234,576**	**$ 167,763,484**

Fund Balances As of Each of Last Five Years Ended June 30



	2007	2006	2005	2004	2003
Net Assets:					
Invested in capital assets, net of related Debt	$ 150,410,375	$ 128,751,172	$ 101,464,942	$ 84,315,495	$ 78,131,588
Restricted - passenger facility charge projects	29,759,895	40,849,597	43,257,624	34,400,719	39,046,042
Restricted - debt service	45,116,496	30,076,175	37,642,339	39,170,732	36,217,489
Unrestricted net assets	24,056,361	21,585,477	18,420,919	26,347,630	14,368,365
Total Net Assets	**$ 249,343,127**	**$ 221,262,421**	**$ 200,785,824**	**$ 184,234,576**	**$ 167,763,484**

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

Description	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Operating Revenue	$ 74,231	70,512	66,351	63,919	64,011	52,897	$ 54,368	$ 51,478	$ 47,582	$ 46,792
Less Operating Expenses	(44,234)	(40,474)	(36,577)	(34,756)	(35,475)	(33,447)	(33,084)	(30,468)	(27,920)	(25,761)
Change in Working Capital & Other Items	3,786	4,229	(2,415)	4,720	(1,563)	62	(1,487)	(2,921)	3,063	577
Add Interest Income	4,877	2,837	2,734	1,035	3,560	3,911	6,552	4,275	5,935	6,474
Add Passenger Facility Charges	13,238	12,578	11,640	10,791	10,764	10,699	12,303	12,148	11,041	11,005
Add Transfer from CIF*	9,005	10,599	9,828	9,486	9,429	18,074	13,764	14,796	15,751	16,807
COVERAGE CASH FLOW	$ 60,903	$ 60,281	$ 51,561	$ 55,195	$ 50,726	$ 52,196	$ 52,416	$ 49,308	$ 55,452	$ 55,894
INTEREST	13,013	13,615	14,265	14,725	16,878	16,350	17,532	18,209	19,967	21,090
PRINCIPAL	22,594	20,450	19,269	17,845	17,845	16,320	15,196	14,133	17,845	17,845
TOTAL DEBT SERVICE**	35,607	34,065	33,534	32,570	34,723	32,670	32,728	32,342	37,812	38,935
DEBT SERVICE COVERAGE	171.0%	177.0%	153.8%	169.5%	146.1%	159.8%	160.2%	152.5%	146.7%	143.6%

*Capital Improvement Fund

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

Working Capital & Other Changes	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Decrease (Increase) in:										
Accounts Receivable	$ 38	$ (336)	$ (216)	$ 1,336	$ (934)	$ (325)	$ 147	$ 711	$ (317)	$ (196)
PFC Receivable	(344)	(65)	(133)	565	(181)	512	(258)	(265)	(16)	(209)
Receivables from Gov't Agencies	(736)	(175)	38	26	204	(302)	1,332	(639)	(538)	137
Inventory	(61)	55	55	(51)	58	117	31	(84)	(91)	(25)
Prepaid Expenses	39	(121)	29	34	(43)	(277)	(120)	31	99	(192)
Due to/from Other Airports	(14)	247	40	46	66	35	38	38	(9)	(499)
Increase (Decrease) in:										
Accounts Payable	4,299	3,233	(2,427)	1,838	(475)	82	(1,596)	(1,452)	3,791	1,670
Accrued Payroll	133	157	(106)	139	(169)	590	(61)	233	34	45
Other Adjustments:										
Amortization of Def Real Estate	1	1	1	1	1	1	1	1	1	1
Amortization of Def Rental Income	(35)	(35)	(35)	(35)	(46)	(103)	(181)	(63)	(185)	(170)
(Appreciation)/Depreciation of Investments	491	908	330	821	(80)	(209)	(770)	581	289	
(Gain)/ Loss on Disposal of PP&E	(25)	360	9	-	36	(59)	(50)	(2,013)	5	15
Working Capital & Other Change	$ 3,786	$ 4,229	$ (2,415)	$ 4,720	$ (1,563)	$ 62	$ (1,487)	$ (2,921)	$ 3,063	$ 577

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

Description	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Operating Revenues	$ 74,541	$ 70,512	$ 66,351	$ 64,306	$ 64,011	$ 52,897	$ 54,368	$ 51,478	$ 47,582	$ 46,792
Less Operating Expenses	(44,235)	(40,474)	(36,577)	(35,143)	(35,475)	(33,447)	(33,084)	(30,468)	(27,920)	(25,761)
Change in Working Capital & Other Items	793	3,522	(184)	2,195	(1,382)	(450)	(1,229)	(2,656)	3,079	786
Add Interest Income	2,618	1,407	1,423	757	2,025	2,160	4,555	2,249	4,254	4,190
Add Transfer from CIF*	9,005	10,599	9,828	9,486	9,429	18,074	13,764	14,796	15,751	16,807
COVERAGE CASH FLOW	$ 42,722	$ 45,566	$ 40,841	$ 41,601	$ 38,608	$ 39,234	$ 38,374	$ 35,399	$ 42,746	$ 42,814
INTEREST	12,147	12,725	13,544	13,951	14,708	14,038	15,090	15,647	17,295	18,319
PRINCIPAL	19,124	17,150	16,074	15,135	15,285	13,895	12,896	11,948	15,765	15,860
TOTAL DEBT SERVICE	31,271	29,875	29,618	29,086	29,993	27,933	27,986	27,595	33,060	34,179
DEBT SERVICE COVERAGE	136.6%	152.5%	137.9%	143.0%	128.7%	140.5%	137.1%	128.3%	129.3%	125.3%

*-Capital Improvement Fund

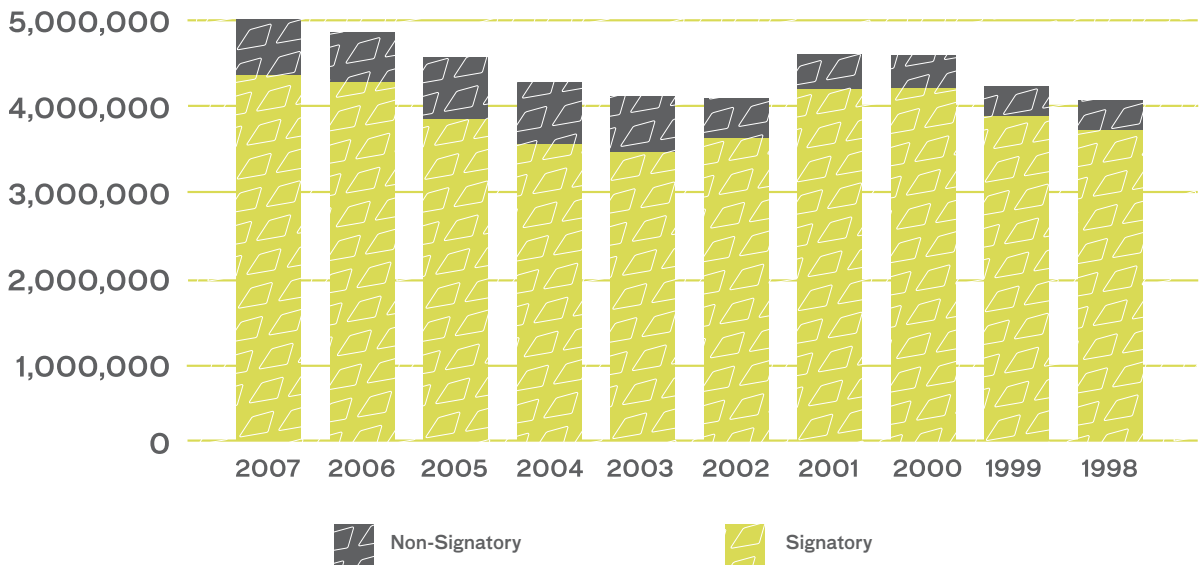
Nashville International Airport (only PFC) Debt Service Coverage Analysis (OOO's)

Description	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Passenger Facility Charges (net)	$ 12,929	$ 12,578	$ 11,640	$ 10,791	$ 10,764	$ 10,699	$ 12,303	$ 12,148	$ 11,041	$ 11,005
Change in Working Capital & Other Items	2,992	707	(2,229)	2,525	(181)	512	(258)	(265)	(16)	(209)
Add Interest Income	2,259	1,430	1,309	279	1,535	1,751	1,997	2,026	1,681	2,284
COVERAGE CASH FLOW	$ 18,180	$ 14,715	$ 10,720	$ 13,595	$ 12,118	$ 12,962	$ 14,042	$ 13,909	$ 12,706	$ 13,080
INTEREST	866	890	721	774	2,170	2,312	2,442	2,562	2,672	2,771
PRINCIPAL	3,470	3,300	3,195	2,710	2,560	2,425	2,300	2,185	2,080	1,985
TOTAL DEBT SERVICE	4,336	4,190	3,916	3,484	4,730	4,737	4,742	4,747	4,752	4,756
DEBT SERVICE COVERAGE	419.3%	351.2%	273.8%	390.3%	256.2%	273.6%	296.1%	293.0%	267.4%	275.0%

Nashville International Airport Passenger Enplanements

	% of Total	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
SIGNATORY AIRLINES											
American Airlines	10.9%	537,270	511,263	405,642	404,473	394,741	459,884	448,155	528,165	580,932	610,522
American Eagle	2.8%	139,338	139,691	148,527	91,112	47,698	14,970	18,854	17,807	25,583	25,008
Continental Express d/b/a ExpressJet	4.3%	214,507	196,633	67,513	-	-	-	-	-	-	-
Delta Air Lines Inc.	5.6%	276,209	268,272	329,373	296,148	328,344	375,817	515,790	569,408	577,238	599,052
Frontier Airlines	2.4%	120,921	96,023	66,344	2,046	-	-	-	-	-	-
Northwest Airlines Inc.	6.2%	306,451	338,020	372,211	355,339	334,019	310,036	352,263	379,399	341,804	350,448
Southwest Airlines	49.3%	2,435,801	2,396,765	2,097,881	2,089,884	2,019,190	2,065,784	2,190,997	1,988,147	1,586,435	1,362,600
TWA	0.0%	-	-	-	-	-	50,426	128,389	132,676	124,608	120,597
United Airlines	0.0%	-	-	-	-	-	1,198	119,894	156,783	167,069	153,243
USAirways	4.4%	216,102	220,104	248,946	214,379	235,533	244,062	302,781	317,026	349,450	376,541
Sub Total	86.0%	4,246,599	4,166,771	3,736,437	3,453,381	3,359,525	3,522,177	4,077,123	4,089,411	3,753,119	3,598,011
NON-SIGNATORY AIRLINES											
Air Canada d/b/a Jazz Air	0.4%	19,471	11,219	9,894	17,689	19,520	20,395	26,933	28,944	28,589	23,591
Air Wisconsin	1.0%	50,069	45,414	36,447	43,331	19,466	31,549	22,477	-	-	-
American Connection/Chautauqua	0.4%	21,899	13,965	10,092	13,322	72,111	-	-	-	-	-
Astral Aviation d/b/a Skyway	0.4%	22,097	20,695	15,101	12,787	13,494	11,985	11,124	8,074	7,148	6,468
Comair	2.2%	106,866	112,353	108,084	77,733	98,917	62,555	40,789	59,099	63,753	48,389
Continental Airlines	0.0%	110	344	113,293	170,460	172,331	176,600	181,295	191,334	168,551	174,808
Delta/Chautauqua	0.7%	36,306	21,763	54,716	64,511	15,563	-	-	-	-	-
Delta Connection/Atlantic Coast	0.0%	-	-	6,990	25,972	16,829	24,276	5,863	-	-	-
Independence Air	0.0%	-	25,858	59,187	-	-	-	-	-	-	-
JetBlue Airways	1.3%	65,273	-	-	-	-	-	-	-	-	-
Mesa Airlines	4.2%	207,224	190,725	208,941	104,977	3,982	5,508	13,877	11,858	4,854	-
Regionsair Inc	0.0%	229	7,400	15,085	16,784	20,800	13,727	10,832	11,506	13,169	30,793
Republic	0.5%	26,104	14,995	-	-	-	-	-	-	-	-
US Air d/b/a US Air Express	0.0%	49	5,591	5,519	4,804	-	13,556	13,577	14,605	12,790	13,227
US Air-AmerWest/Trans State Airlines	0.9%	42,673	26,023	34,026	33,983	10,557	1,899	-	-	-	-
United/Skywest	0.9%	44,788	57,951	17,624	15,309	21,049	-	-	-	-	-
Pace Airlines	0.0%	-	-	4,332	9,569	10,428	4,622	-	-	-	-
Air Midwest	0.0%	-	-	-	-	2,548	4,650	9,523	6,507	9,732	16,475
Atlantic Coast Airlines	0.0%	-	-	-	65,943	100,239	84,722	-	-	-	-
Delta/Skywest	0.2%	8,524	-	-	24,494	19,132	4,469	-	-	-	-
All Others (includes Charters)	0.8%	39,910	14,843	2,624	11,771	21,489	21,717	60,750	52,319	52,341	41,916
Sub Total	14.0%	691,592	569,139	701,955	713,439	638,455	482,230	397,040	384,246	360,927	355,667
TOTAL	**100.0%**	**4,938,191**	**4,735,910**	**4,438,392**	**4,166,820**	**3,997,980**	**4,004,407**	**4,474,163**	**4,473,657**	**4,114,046**	**3,953,678**

Enplanement History



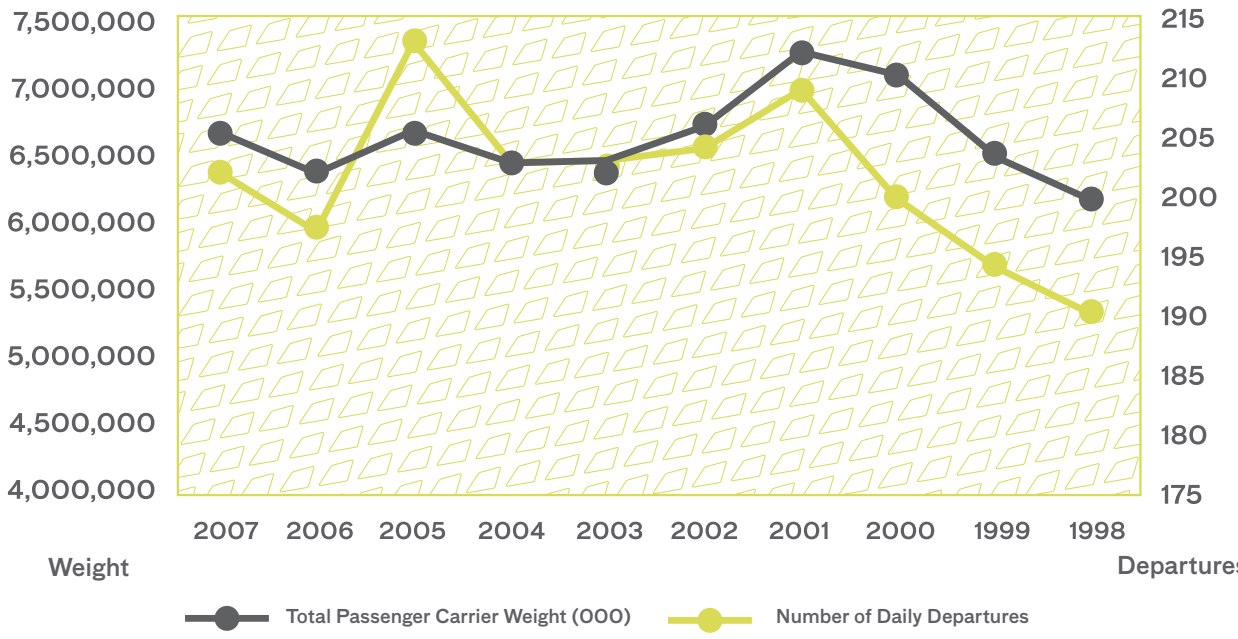
JetBlue Airways Corporation began service Summer 2006 in a non-signatory carrier status.

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

Frontier Airlines signed the signatory agreement in 2007. It began service at BNA as a non-signatory carrier in 2004.

Southwest Airlines's market share of 49.3% decreased slightly from 50.6% market share in 2006 although enplaned increased 39,036.

Passenger Airline Activity



JetBlue introduced service at BNA in August 2006 with three daily flights serving John F. Kennedy Airport, contributing to the increase in landed weight and departures. After emerging from bankruptcy protection Delta has increased the number of daily flights and is utilizing mainline aircraft instead of smaller planes. Other airlines in similar situations are considering the same strategy at this time as their financial conditions improve.

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

	% of Total	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
SIGNATORY AIRLINES											
American Airlines	9.8%	655,872	634,563	567,963	624,363	585,052	755,178	725,448	798,569	746,910	771,565
American Eagle	2.8%	183,165	176,907	201,774	108,377	58,641	32,413	37,889	25,568	29,914	34,714
Continental Express d/b/a ExpressJet	3.3%	217,946	210,740	74,135	-	-	-	-	-	-	-
Delta Air Lines Inc.	5.0%	332,566	324,574	449,781	435,374	490,498	672,503	902,990	960,768	990,504	1,055,083
Frontier Airlines	2.4%	156,727	136,359	104,454	-	-	-	-	-	-	-
Northwest Airlines	5.9%	390,255	451,613	508,023	501,271	511,171	454,697	529,846	535,730	494,015	501,118
Southwest	53.8%	3,585,140	3,483,250	3,566,231	3,566,775	3,560,773	3,577,728	3,585,272	3,226,360	2,706,833	2,269,760
TWA	0.0%	-	-	-	-	-	93,869	212,066	219,643	205,254	187,901
United	0.0%	-	-	-	-	-	1,560	194,098	232,839	221,499	211,828
USAir	4.3%	286,557	276,570	326,295	300,443	375,039	427,338	496,831	504,236	488,274	524,925
Sub Total	87.2%	5,808,228	5,694,576	5,798,656	5,536,603	5,581,174	6,015,286	6,684,439	6,503,714	5,883,203	5,556,895
NON-SIGNATORY AIRLINES											
Air Canada d/b/a Jazz Air	0.4%	28,848	17,375	17,014	29,281	33,765	35,457	45,567	46,680	45,257	36,942
Air Wisconsin	1.0%	64,719	60,771	41,344	52,969	21,103	35,120	18,252	-	-	-
American Connection/Chautauqua	0.5%	35,093	17,686	15,707	20,448	80,207	6,777	-	-	-	-
Astral Aviation d/b/a Skyway	0.0%	-	-	-	19,953	23,605	23,126	19,620	13,144	9,821	10,159
Comair	2.0%	132,699	139,071	151,207	113,857	131,318	80,652	56,917	92,167	96,640	81,056
Continental Airlines	0.0%	640	656	143,285	223,020	228,955	256,644	253,386	285,965	256,718	248,681
Delta/Chautauqua	0.6%	39,345	26,567	68,125	81,621	20,848	-	-	-	-	-
Independence Air	0.0%	-	34,310	96,350	-	-	-	-	-	-	-
JetBlue Airways	1.3%	87,962									
Mesa Airlines	3.5%	232,618	209,875	189,865	63,588	-	-	-	-	-	-
Pinnacle Airlines	0.4%	28,858									
Regionsair	0.0%	375	9,943	27,675	26,988	34,886	23,394	16,983	18,106	18,840	52,275
Skyway	0.5%	30,046	30,760	23,605	31,725	22,419	5,546	-	-	-	-
Trans States Airlines	0.9%	56,697	33,897	48,943	43,228	10,978	2,350	-	-	-	-
United/Skywest	0.9%	60,141	63,303	19,130	17,625	22,560	-	-	-	-	-
United Express/Atlantic Coast	0.0%	-	-	9,930	83,801	127,746	97,952	50,305	50,243	50,243	28,670
All Others (includes charters)	0.8%	52,582	14,896	19,516	119,298	89,628	119,748	107,345	70,880	81,120	122,417
Sub Total	12.8%	850,623	659,110	871,696	927,402	848,018	686,766	568,375	577,186	558,638	580,199
TOTAL PASSENGER CARRIER WEIGHT (000)	**100.0%**	**6,658,851**	**6,353,686**	**6,670,352**	**6,464,005**	**6,429,192**	**6,702,052**	**7,252,814**	**7,080,900**	**6,441,841**	**6,137,094**
CARGO & MISC CARRIER WEIGHT (000)		520,621	557,889	629,406	588,017	540,335	475,600	405,866	285,884	252,440	279,001
TOTAL WEIGHT ALL AIRCRAFT (000)		**7,179,472**	**6,911,575**	**7,299,758**	**7,052,022**	**6,969,527**	**7,177,652**	**7,658,680**	**7,366,784**	**6,694,281**	**6,416,095**
% PASSENGER CARRIER WEIGHT		**93%**	**92%**	**91%**	**92%**	**92%**	**93%**	**95%**	**96%**	**96%**	**96%**
NUMBER OF DAILY DEPARTURES		**202**	**197**	**213**	**203**	**203**	**204**	**209**	**200**	**194**	**190**

Metropolitan Nashville Airport Authority Aircraft Activity

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Daily Departures	**202**	**197**	**213**	**203**	**203**	**204**	**209**	**200**	**194**	**190**

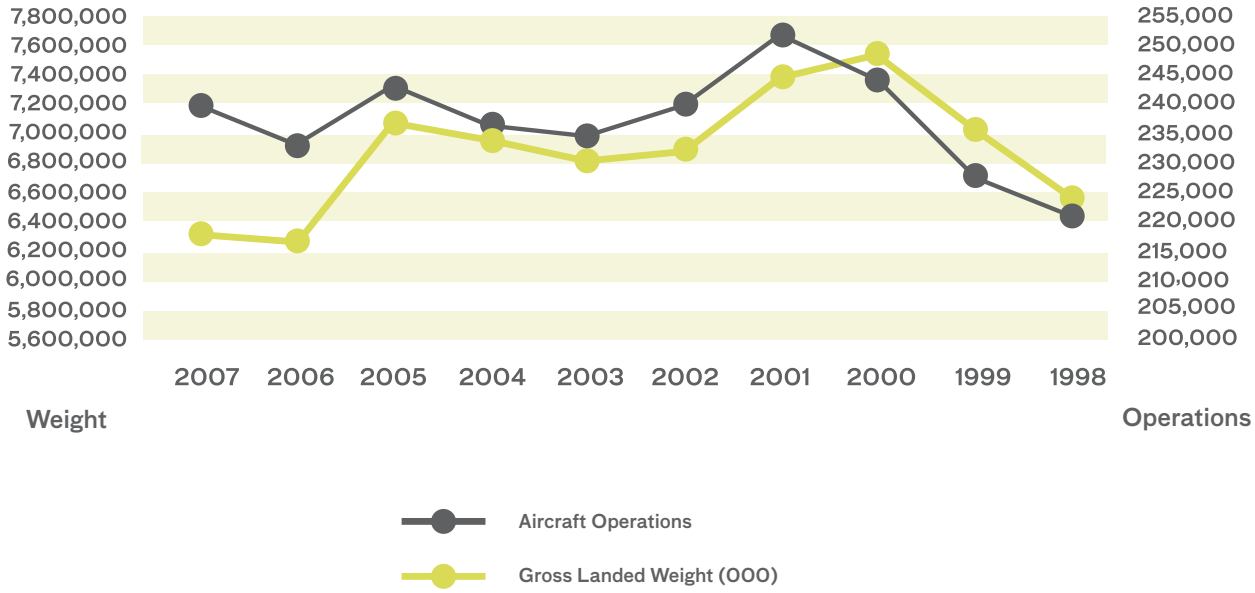
This represents a typical business day during June of each fiscal year and the number of departures scheduled for that particular day. Charter activity continues to take place at BNA. However, the supporting airline has been reporting the information with its scheduled service. The slight increase in signatory carrier activity corresponds to the increase in daily departures. JetBlue added service during the year.

Aircraft Operations										
Cargo Carrier	4,380	5,592	5,702	5,340	5,184	5,052	5,377	3,678	4,128	4,382
Charter Carrier	-	14	-	-	36	142	417	464	424	636
Charter International	-	-	-	8	-	-	64,940	75,532	72,048	69,648
General Aviation	44,792	46,268	51,429	54,443	53,012	60,128	40,899	53,616	48,864	41,802
General Aviation Air Taxi	68,086	68,381	36,954	9,052	13,602	23,288	109,907	91,627	85,885	79,389
Signatory Carrier	47,880	43,489	91,747	121,258	120,358	115,532	4,175	4,519	4,664	4,524
Military Aircraft	3,186	3,547	3,947	3,600	3,541	3,827	18,472	18,620	19,136	23,464
Non-Signatory Carrier	49,237	49,140	46,673	40,044	34,226	23,414	-	-	-	-
Total Aircraft Operations	**217,561**	**216,431**	**236,452**	**233,745**	**229,959**	**231,383**	**244,187**	**248,056**	**235,149**	**223,845**

Gross Landed Weight (000)										
Cargo Carrier	520,620	524,424	560,404	509,962	532,168	464,413	378,975	254,704	244,586	275,586
Charter Carrier	-	-	-	440	1,194	6,491	13,015	1,041	19,683	32,158
Charter International	-	875	299	35,608	2,102	9,937	23,143	41,729	8,248	27,322
Signatory Carrier	5,522,157	5,348,133	5,565,483	5,651,245	5,751,488	6,240,424	6,899,936	6,764,111	6,110,007	5,770,862
Military Aircraft	-	-	-	-	2,867	-	-	-	-	-
Non-Signatory Carrier	1,136,695	1,038,046	1,179,488	845,148	679,707	456,388	343,611	305,199	311,758	310,168
Total Gross Landed Weight	**7,179,472**	**6,911,478**	**7,305,674**	**7,042,403**	**6,969,526**	**7,177,653**	**7,658,680**	**7,366,784**	**6,694,282**	**6,416,096**

The steady decline in general aviation operations is primarily attributable to the high cost of jet fuel.

Aircraft Operations and Gross Landed Weights



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

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

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

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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Cargo (tons)										
Air Mail	543	2,360	3,421	3,479	3,964	7,654	16,223	18,512	16,684	16,716
Air Freight	6,174	6,373	6,369	6,394	5,343	5,682	7,451	8,293	6,177	6,740
Air Cargo - Domestic	38,040	33,013	35,778	34,517	33,555	31,698	40,804	38,382	34,324	39,421
Air Cargo - International	30,164	32,085	29,374	24,373	20,258	8,355	-	-	-	-
Total Cargo	**74,921**	**73,831**	**74,942**	**68,763**	**63,120**	**53,389**	**64,478**	**65,187**	**57,185**	**62,877**

Major Tenants at Nashville International Airport

Signatory Carriers
American Airlines
American Eagle Airlines
Express Jet
Delta Airlines
Jet Blue Airlines
Northwest Airlines
Southwest Airlines
USAir, Inc.

Non-signatory Carriers
Air Canada d/b/a Jazz Air
Air Wisconsin
Astral Aviation d/b/a Skyway
Atlantic Southeast Air
Chautauqua
Comair
Corporate Airlines
Continental
Freedom Airlines
Frontier Airlines
Mesa Airlines
Pinnacle Airlines
Regions Air (formerly Corporate Express)
Republic Airlines
Shuttle America
Skyway
Skywest
Trans States Airline
US Air Express

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

Fixed Base Operators
Mercury Air
Signature Flight Support
Caremark RX, Inc

Ground Transportation
Hotel Shuttles
Taxicab Companies
Limousine Companies

Ground Handlers
Cargo Charter Services
Dynair/Swissport
Resource Airways

Vehicle Parking
Central Parking Systems

Other Airport Tenants
118th Airlift Wing
Aeronautical Radio
Aircraft Services International
Datawave (prepaid phones)
Embraer Aircraft Maintenance
Falcon Transport
Federal Aviation Administration
Industrial Development Board
Lamar Outdoor Advertising
Metro Government
New Orleans Manor
Resource Airways
State of Tennessee
Stiles Corporation
TN Aeronautics Commission
TN Dept of Transportation
Tower Group International
US Customs
US Govt Weather Service
US Postal Service
USDA

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

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

Tenants at John C. Tune Airport
Corporate Flight Management
Robert Orr/Sysco
Hangar tenants

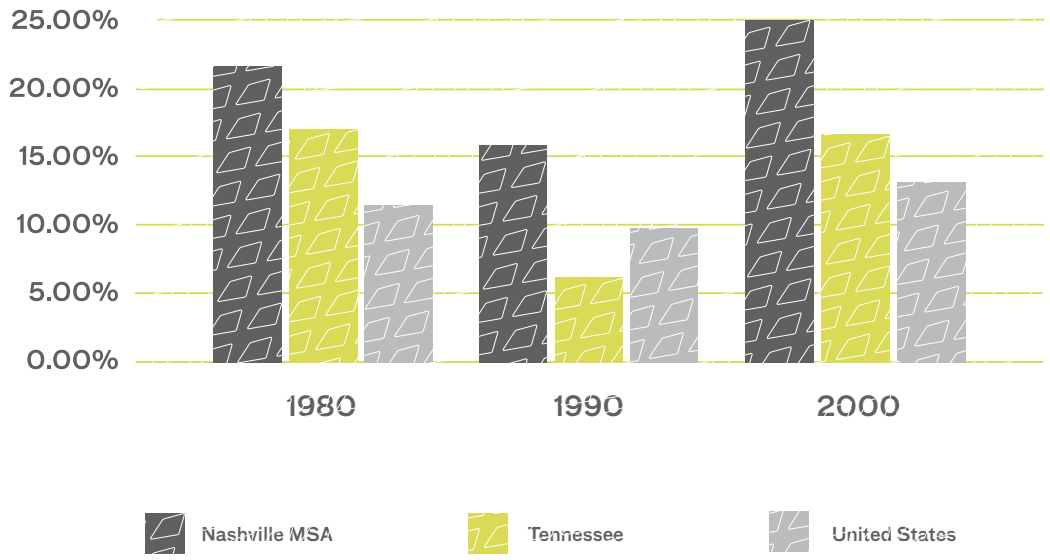
Nashville Metropolitan Statistical Area* Population

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

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

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

Population Percent Change

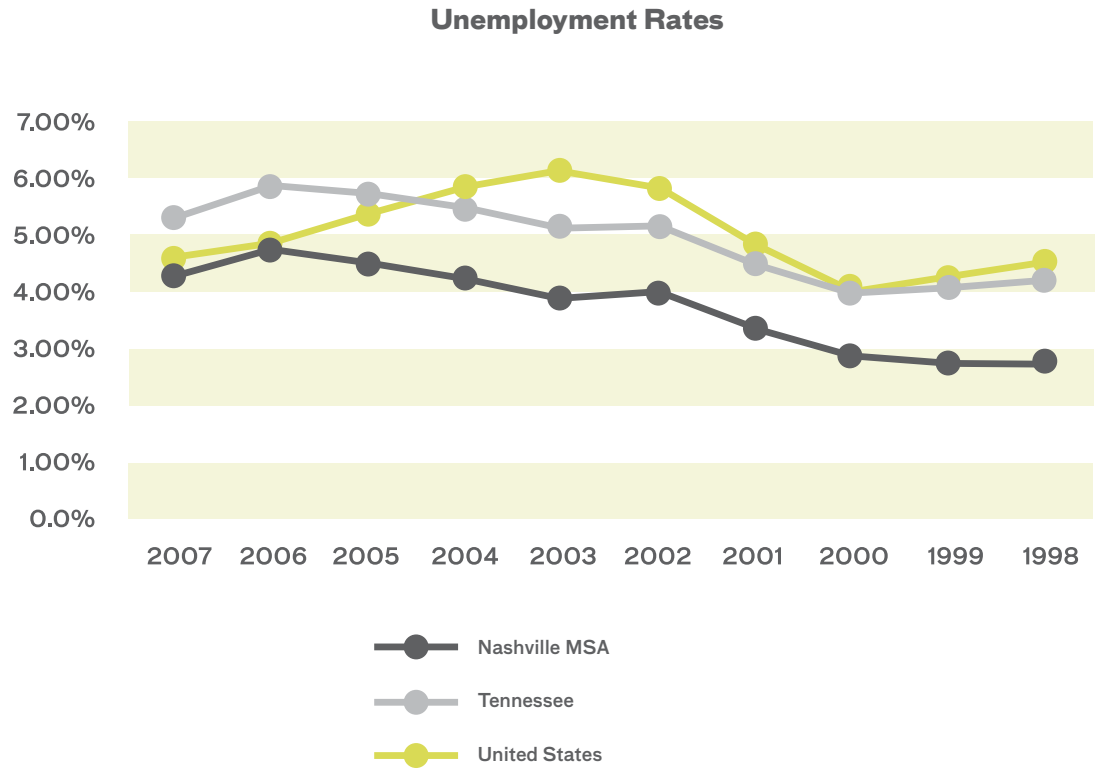


Nashville Metropolitan Statistical Area* Unemployment Rate

Year	Nashville MSA	Tennessee	United States
2007	4.28%	5.23%	4.54%
2006	4.70%	5.82%	4.83%
2005	4.49%	5.68%	5.31%
2004	4.19%	5.45%	5.81%
2003	3.83%	5.08%	6.10%
2002	4.01%	5.12%	5.78%
2001	3.32%	4.47%	4.79%
2000	2.85%	3.94%	4.01%
1999	2.73%	4.04%	4.23%
1998	2.71%	4.18%	4.51%

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

Source: U.S Bureau of Labor Statistics



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

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

Source: Nashville Business Journal's Book of Lists 2006 (nashville.bizjournals.com)

Published April 22, 2005

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

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

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

Metropolitan Nashville Airport Authority℠

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