METROPOLITAN NASHVILLE
AIRPORT AUTHORITY

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

AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2009

Table of Contents

CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Metropolitan Nashville Airport Authority
Nashville, Tennessee

We have audited the accompanying statements of net assets of the Metropolitan Nashville Airport Authority (the "Authority"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Nashville Airport Authority as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audits were conducted for the purpose of forming an opinion on the Metropolitan Nashville Airport Authority's basic financial statements. The accompanying schedule of expenditures of federal and state awards, as listed in the table of contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in the audits 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.

The schedule of net assets information by entity, the schedule of revenues, expenses and changes in net assets information by entity, and the schedule of airport revenue bonds, principal and interest requirements by fiscal year, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in our audit of the 2009 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 23, 2009

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 the 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 provided 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

There was a variety of milestones and events to highlight in fiscal year 2009, despite traffic declines and the overall contraction in the economy. Terminal Renovation Phase I and associated projects such as the flight information display system replacement, all part of the comprehensive terminal renovation program, were completed during the year for $46 million, on time and under budget. The Authority began the ambitious multi-year, multi-phase renovation program in October 2006. More than 30 new food, beverage, and retail vendors now serve the public at BNA, along with new meeter-greeter areas, a consolidated security checkpoint with 12 screening lanes as well as access to the checkpoint area through self-select lanes designated by signage that direct passengers based on their travel needs and knowledge (Expert, Casual, and Family/Special Assistance). Nashville International Airport also became the first airport location of *redbox*, the fully automated DVD rental system. Efficient navigation from landside to airside and the availability of national and local concession brands all further enhanced the Nashville Airports Experience. Two runways, Runway 13-31 (the crosswind and longest runway at BNA) and Runway 2R-20L (the eastern-most runway and that runs north/south) re-opened during the year after concrete pavement and joint repairs, safety area improvements, and taxiway work. These airfield projects represented most of the $40 million in land improvement projects capitalized during the year. The lone runway at John C. Tune Airport, where approximately 150 customers have aircraft based, reopened after being closed for rehabilitation and repaving. In addition, a new hangar, ramp, roadway and entrance to the property were completed in 2009.

Just as these projects were wrapping up, others began. Design continued for renovation and replacement of restrooms, floor and wall coverings, HVAC units, airline gate hold rooms, and baggage claim under Terminal Renovation Phase II. A few of these construction elements were underway by the end of the fiscal year. Much needed roof repairs continued under a multi-phase roof replacement program. In 2002, several explosive trace detection machines were installed in the ticketing lobby and the ticketing curbside. To accommodate this activity, the ticket counters in the lobby were moved out 11 feet, and various additions and alterations took place curbside. A new project for an in-line explosive detection system ("EDS") began this year and will remove the existing machines, restore lobby space, and install a new automated sort controlled, outbound baggage handling system with two separate, in-line screening matrices. This project has been anticipated since 2002 and is expected to be completed around the end of 2010 at a cost of $32 million, funded primarily through federal and state grant dollars.

Outside the terminal, more activity took place. A project to improve navigation on the terminal ring road thoroughfare began during the year. The ring road surrounds the airport's short- and long-term parking lots and provides access to the terminal and access to the planned consolidated rental car facility ("CONRAC"). This $15 million phase of a more comprehensive Terminal Access Roadway Improvements ("TARI") project will be completed in October 2009. The Economic Recovery and Reinvestment Act of 2009 will pay for the $4.8 million Terminal Apron Rehab and Reconstruction project that includes milling and removal of existing pavement, 3.6 acres of apron reconstruction to concrete, apron lighting, signage, shoulder grading, pavement marking, and apron crack and trench drain repairs. About ten percent of the project was completed at fiscal year end, but the project is expected to be finished in November 2009. Reconstruction of Runway 2L-20R began during the year and is expected to be operational by the end of calendar year 2010. Most of the 7,703 foot long runway will be replaced along with shoulder widening and installation of in-pavement lights and centerline lights on the 2L approach only.

Traffic declined during the year in every category. In 2009, there were 4,460,962 enplanements, down 8.6% from 4,880,360 the prior year and off 9.7% from 4,938,191 in 2007. This decline influenced parking and concession revenues, passenger facility charge collections, and other revenue and expense activity sensitive to passenger traffic. Aircraft operations declined 12.3% from 203,890 operations in 2008 to 178,731 in 2009. This downward trend began in 2007 when 217,561 operations occurred, resulting in a decrease of 17.8% from 2007 to 2009. Cargo activity also declined at an aggressive rate of 17.2% in 2009, down to 65,632 tons from 79,266 tons the prior year and off 12.4% since 2007 when there were 74,921 tons of cargo reported. China Airlines maintained a presence at BNA throughout the year, however, gave notice of its intention to suspend operations, and left the Nashville market shortly after year-end in August 2009. Further declines in cargo traffic are expected in the coming year. Passenger aircraft market share was dominated by Southwest Airlines as it captured 52.5% of enplanement activity in 2009 compared to 50.7% in the prior year and 49.3% in 2007.

The big news from the air service perspective was the merger of Northwest Airlines with Delta Airlines, preserving the Delta brand. Delta's consolidation of services at BNA went very smoothly. All carriers adjusted their flight schedules to anticipate seasonal demand throughout the year. Thirteen carriers continued to provide more than 370 average daily arriving and departing flights at Nashville International Airport with direct air service to 70 markets. There were no new entrants during the year. Republic Airways Holdings is in the process of purchasing Frontier Airlines out of bankruptcy, and is continuing scheduled operations under the Frontier name. United Airlines was restored to signatory airline status, and eight signatory carriers captured 85.6% of the total enplanements, up from 84.3% in FY08 but down slightly from 86.0% in FY07. Daily departures stabilized at 190 for a typical weekday in June 2009 compared to 188 at the end of FY08 and 202 for FY07.

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

	2009	2008	2007
Enplanements	4,460,962	4,880,360	4,938,191
% increase (decrease)	(8.6%)	(1.2%)	4.3%
Aircraft landed weight (all – 000)	6,431,869	7,004,753	7,179,472
% increase (decrease)	(8.2%)	(2.4%)	3.9%
Aircraft operations (all)	178,731	203,890	217,561
% increase (decrease)	(12.3%)	(6.3%)	0.5%
Cargo activity (tons)	65,632	79,266	74,922
% increase (decrease)	(17.2%)	5.8%	1.5%
Load factors (all aircraft)	70.2%	71.4%	70.0%
% increase (decrease)	(1.7%)	2.0%	0.1%

Load factors are the percentages of seats occupied on all passenger aircraft, both arriving and departing airplanes. A decline from 71.4% of the seats occupied to 70.2% represents a declining trend at a rate of 1.7% while the actual percentage of seats not filled changed 1.2%. Total passenger activity declined 8.8% to 8,913,741, from 9,772,467 in FY08 and down 9.8% from 9,881,745 in 2007.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

The following represents the Authority's summary of changes in net assets over the past three fiscal years with % Change representing the change from 2008 to 2009 and 2007 to 2009:

	2009	2008	%Change	2007	%Change
Operating revenues	$ 80,252,252	$ 76,315,326	5.2%	$ 74,899,596	7.1%
Operating expenses	(53,076,173)	(50,444,188)	5.2%	(44,599,143)	19.0%
Operating income before depreciation	**27,176,079**	**25,871,138**	**5.0%**	**30,300,453**	**(10.3)%**
Depreciation	(25,151,547)	(20,424,563)	23.1%	(18,121,419)	38.8%
Operating income	**2,024,532**	**5,446,575**	**(62.8%)**	**12,179,034**	**(83.4%)**
Nonoperating revenues	20,519,666	21,727,074	(5.6%)	18,194,793	12.8%
Nonoperating expenses	(15,298,162)	(16,195,124)	(5.5%)	(15,426,246)	(0.8%)
Income before capital contributions	7,246,036	10,978,525	(34.0%)	14,947,581	(51.5%)
Capital contributions	24,316,658	22,299,530	9.0%	13,168,339	84.7%
Increase in net assets	**31,562,694**	**33,278,055**	**(5.2%)**	**28,115,920**	**12.3%**
Net assets, beginning of year	282,656,396	249,378,341	13.3%	221,262,421	27.7%
Net assets, end of year	**$314,219,090**	**$282,656,396**	**11.2%**	**$249,378,341**	**26.0%**

OPERATING AND NONOPERATING REVENUE HIGHLIGHTS

Eight signatory carriers operate under a residual lease agreement and are responsible to provide the funds if revenues are insufficient to cover the operating costs, including annual debt service, at Nashville International Airport. In 2009, the signatory rental rates were adjusted to provide additional revenue to cover operating expenses. This is the reason for the operating revenue increase in 2009. As a function of the agreement's rate computation, most of the additional $7,265,000 these airlines paid was charged to main terminal rent and landing fees. The total contribution made by these carriers of $17,017,714 was the most they have paid to the Authority to operate at BNA since 2004 when signatory airline operating revenue was $18,545,916. Despite the increase in fees, this airport continues to be one of the most affordable at a cost of $4.45 per signatory enplaned passenger.

Parking lot revenue continued to be the primary source of operating revenue and declined by $2,230,290 or 7.3% over the prior year. Over the two-year period, however, revenue increased 1.4%, or $380,251. Parking traffic declined in 2009 due to a combination of reduced passenger activity and the TARI project previously mentioned. This project is not expected to be complete until October. In addition to the impact on parking due to the TARI project, the planned CONRAC facility would eliminate approximately 1,400 long-term parking spaces. A comprehensive analysis to rebrand and reconfigure public parking in various other locations on airport property is currently underway. All other lots, including the new $4.1 million employee parking lot, were fully operational when needed. The number of transactions in the short-term, long-term, economy, and overflow lots declined 13.9% from 1,728,149 in 2008 to 1,488,071 in 2009.

Additional sources of operating revenue continued to contribute to the net assets of the Authority. Concessions, space rentals, and other revenue represented $35,059,805 or 43.7% of operating income in 2009. This is less than 1% lower than $35,382,575 or 46.4% of operating income in 2008 and is encouraging since the number of travelers at BNA declined during the year. The transition to the new food and beverage, as well as news and gift concession programs, was completed and earned national recognition from industry media. Public response to the new restaurant mix was favorable with a 9.8% revenue increase, or $250,976. The increase since 2007 was 12.2%, or $304,628. Concession revenue for news and gift shops increased as well, an amazing 33.6% or $573,836 over the prior year. There was actually a fractional decline from 2007 to 2008 during the height of the construction. The number, variety, and square footage dedicated to this type of revenue source proved very popular as the results demonstrate. Car rental revenue struggled nationwide during the past two years as the economy contracted. At BNA the 13.4% decline of $1,412,315 outpaced the passenger traffic decline. Over two years, a $984,861 or a 9.7% reduction in revenue was very similar to passenger activity. The most dramatic indication of the emerging trends at the Nashville International Airport was that the main terminal non-signatory rental revenue shrank to $636,356 from $1,709,021 in just one year, 62.8%. This source of revenue was off 73.0% over two years as regional and other non-signatory carriers vacated markets all over the country. This was part of the reason for the $7.265 million true-up the signatory carriers paid late in the year to make up for the shortfall. The completion of a general aviation land use plan at BNA will provide guidance to staff in pursuing some additional sources of operating revenue, with several sites already identified for development or revitalization.

At John C. Tune Airport, operating revenues were level with 2008 at $653,586 versus $652,797. This is encouraging as many private and corporate aircraft owners have flooded the market nationwide with aircraft for sale. Most hangar spaces were occupied, and the recently completed capital work has generated some renewed interest in the reliever airport. The two properties owned by MPC were in their first full year of operation, and the transition continued with the Authority making needed building improvements. A challenging rental market in the vicinity of the Airport has resulted in occupancy rates around 70% instead of the desired 85% or greater at the International Plaza building. The four tenants under the previous owner at the multi-purpose building continued their presence during the year, and Staff continues to work with an outside firm to generate interest with potential tenants for both locations.

The following represents a summary of Authority revenues for the fiscal years ended June 30, 2009, 2008, and 2007, with % Change representing the change from 2008 to 2009 and 2007 to 2009:

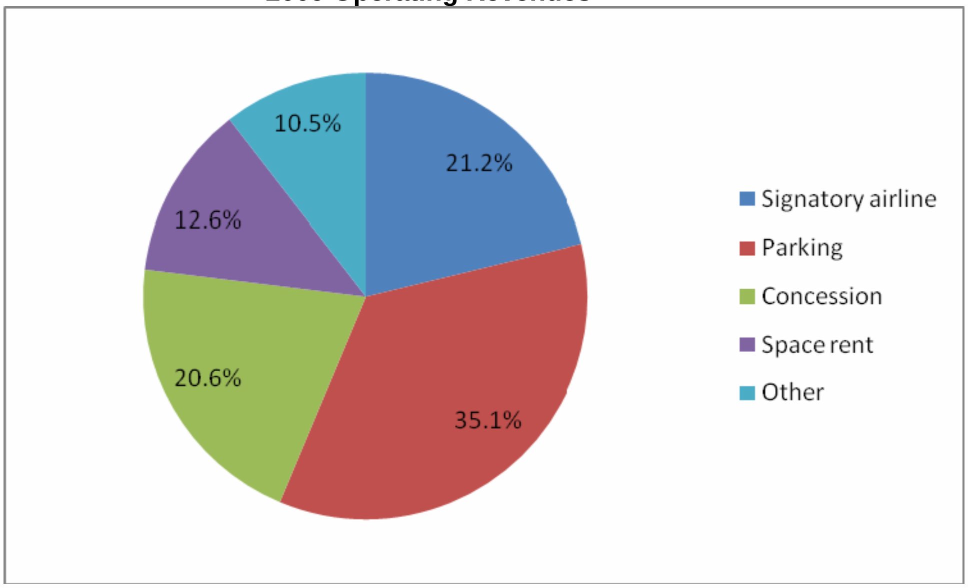
	2009	2008	% Change	2007	% Change
Operating revenues					
Signatory airline	$ 17,017,714	$10,527,728	61.6%	$13,116,169	29.7%
Parking	28,174,733	30,405,023	(7.3%)	27,794,482	1.4%
Concession	16,558,935	17,164,513	(3.5%)	16,631,319	(0.4%)
Space rental	10,077,305	11,050,944	(8.8%)	10,135,718	(0.6%)
Other	8,423,565	7,167,118	17.5%	7,221,908	16.6%
Total operating revenues	**80,252,252**	**76,315,326**	**5.2%**	**74,899,596**	**7.1%**
Nonoperating revenues					
Investment income	1,642,936	4,603,766	(64.3%)	4,931,594	(66.7%)
Passenger facility charges	11,480,154	12,836,344	(10.6%)	13,237,806	(13.3%)
Customer facility charges	7,648,876	4,259,428	79.6%	-	100.0%
Gain (Loss) on disposal of property	(252,300)	27,536	100.0%	25,393	100.0%
Total nonoperating revenues	**20,519,666**	**21,727,074**	**(5.6%)**	**18,194,793**	**12.8%**
Capital contributions	**24,316,658**	**22,299,530**	**9.0%**	**13,169,339**	**84.6%**
Total revenues and capital contributions	**$125,088,576**	**$120,341,930**	**3.9%**	**$106,263,728**	**17.7%**

Nonoperating revenue activity for the Authority became very predictable as the year progressed. Only the most conservative investments were considered, and most cash remained in very liquid accounts. This cash-preservation strategy worked well with an unintended consequence of a 64.3% reduction in investment income, off 66.7% over two years. Fiscal year 2009 marked the first full year collecting the customer facility charge ("CFC"). This $4.00 per contract day fee that rental car agencies collect and remit to the Authority is being used to pay for the planning, design, construction, financing, maintenance, and operation of a consolidated rental car facility as well as other costs, fees, and expenses that may be paid from CFC proceeds. The modest decline in nonoperating revenue was attributable to the passenger facility charge ("PFC") collections during the year, closely mirroring the 8.6% enplanement decline. This follows a national trend whereby travelers were cashing in their frequent flyer miles for 'free' tickets, therefore not resulting in any PFC collected. The percentage of tickets at BNA resulting in a $3.00 PFC ($2.89 net to the Authority after the airline deducts its handling fee) was about 89%. This compared with roughly 92% in each of the two prior years, similar to the average across the country.

Capital contributions reached the highest level in the past ten years at $24,316,658. Most of the State of Tennessee funding supported the TARI and In-Line EDS projects, both still very active at the end of the fiscal year. State grant funding at John C. Tune airport helped finish the north ramp development, extension of the perimeter road, and the Runway 2-20 repair projects. The Department of Homeland Security Administration grant for the EDS project provided $4,764,640 during the year at BNA. Federal Aviation Administration grants supported various projects with the most dollars spent on reconstructing Runway 13-31 in the amount of $7,391,582. No federal dollars were spent at the reliever airport in 2009. At least as much nonoperating revenue from state and federal resources is anticipated in the coming year due to the commencement of Runway 2L-20R reconstruction, In-Line EDS, the comprehensive ramp repair project, and others.

The following chart shows the major sources of operating revenues for the fiscal year ended June 30, 2009:

2009 Operating Revenues



OPERATING AND NONOPERATING EXPENSES HIGHLIGHTS

The following represents the Authority's summary of operating expenses for the fiscal years ended June 30, 2009, 2008, and 2007, with % Change representing the change from 2008 to 2009 and 2007 to 2009:

	2009	2008	% Change	2007	% Change
Operating expenses					
Salaries and wages	$26,339,723	$23,690,248	11.2%	$20,379,376	29.2%
Contractual services	16,358,604	16,299,124	0.4%	14,430,214	13.4%
Materials and supplies	1,704,622	2,228,830	(23.5%)	2,437,293	(30.1%)
Utilities	6,231,268	5,537,335	12.5%	4,408,582	41.3%
Other	2,441,956	2,688,651	(9.2%)	2,943,678	(17.0%)
Total operating expenses before provision for depreciation	**53,076,173**	**50,444,188**	**5.2%**	**44,599,143**	**19.0%**
Provision for depreciation	25,151,547	20,424,563	23.1%	18,121,419	38.8%
Nonoperating expenses					
Interest expense	13,823,696	14,504,722	(4.7%)	14,396,542	(4.0%)
Loss on derivative financial instruments	1,474,466	1,690,402	(12.8%)	318,614	(362.8%)
Other nonoperating expense	-	-	0.0%	711,090	100%
Total nonoperating expenses	**15,298,162**	**16,195,124**	**(5.5%)**	**15,426,246**	**(0.8)%**
Total expenses	**$93,525,882**	**$87,063,875**	**7.4%**	**$78,146,808**	**19.7%**

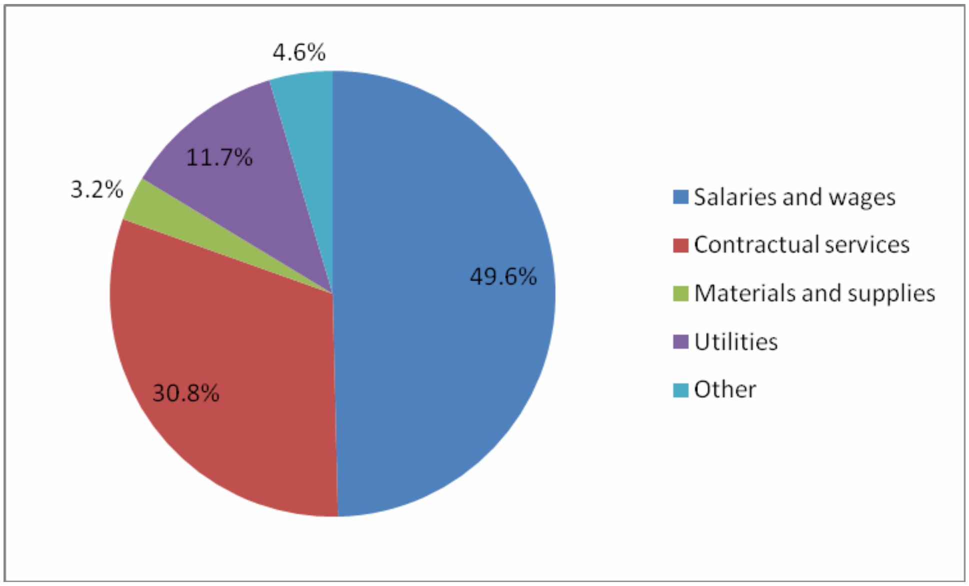
Authority staff continued to work diligently to control expenditures at all three entities. Salaries and wages increased due to the non-cash charge for other post employment benefits ("OPEB") increasing the obligation by $5,043,087. This item is not included in the computation for signatory rates. However, if OPEB liabilities are funded with debt or a trust fund, then cash flows to service the related debt or trust funding will be included in the rate structure. The 2009 OPEB charge compares with $2,529,829 in 2008, the first year of recognizing this unfunded liability. The plan was closed to new entrants on January 1, 2009, in order to better manage future costs of this employee benefit. Refer to Note 16 for more information on OPEB. Pension cost, also a non-cash item, was $1,665,239 in 2009, up $384,152 or 30.0% from the prior year. This was as a result of the pension asset investment performance during the year being unable to offset the costs of the program. Since 2007 pension cost increased $525,009 or 46.0%. There continue to be no employees at MPC, three at John C. Tune Airport, and 270 at BNA. During fiscal year 2009, 13 employees took advantage of an early retirement incentive plan opportunity that required them to retire on or before June 30, 2009.

Contractual services were renegotiated or brought in-house wherever possible. This operating item included $858,959 spent on CONRAC-related activity, all paid for with dollars collected from CFC's. Necessary repairs were undertaken at International Plaza, accounting for much of the $1,495,264 spent on operating items. Management authorized only the most critical expenditures at John C. Tune as it is conserving cash in anticipation of some major capital work in coming years. The increase in utility costs was anticipated, due to rate increases and construction-related activity. New chillers installed during the year will help offset some future increases in rates and usage. In two years, operating expenses increased $8,477,030 or 19.0%, and OPEB accounted for $7,572,913 of this amount. Depreciation increased dramatically at BNA as all completed projects of the terminal renovation program were capitalized along with multi-million dollar airfield projects. The original terminal, built in 1987, had not fully depreciated by the time the Phase I improvements were placed in service. However, some individual elements had.

Nonoperating activity included interest owed on $249,925,000 in long-term debt, monthly interest payments on the two MPC loans, and a small amount associated with a line of credit with a local financial institution during the construction of In-Line EDS. A similar arrangement will be entered into when Runway 2L-20R is reconstructed. Remarketing fees associated with some of the variable debt spiked for a short time during the year and retreated to more favorable levels by the end of the year. No bonds were refunded during the year, but the Series 2009A bonds were issued in March 2009 to provide funds sufficient to pay for the Phase II terminal renovation construction. The only interest expense at John C. Tune resulted from a short-term note with BNA early in the year to pay for Runway 2-20 reconstruction. This was repaid two months later when grant reimbursements were received. The low interest rates contributed to the additional losses on the derivatives associated with bonds and loans. Refer to Notes 5 through 8 for more information on long-term debt, loans, and derivatives.

This chart shows the major cost components of the Authority's operating expenses for the year ended June 30, 2009:

2009 Operating Expenses before Provision for Depreciation



For further information about each of the three MNAA entities, please refer to the schedule of revenues, expenses, and changes in net assets information by entity for the year ended June 30, 2009, in the supplementary information section later in this report.

FINANCIAL POSITION SUMMARY

The Statements of Net Assets depict the Authority's financial position as of one point in time – June 30 – and include all assets and liabilities of the Authority. The Authority's assets exceeded liabilities by $314,219,090, a $31,562,694 or 11.1% increase over 2008 and a two-year increase of $64,840,749 or 26.0% over 2007. In the current year, the capital program and CFC collections were responsible for the increase. Over two years, the increase was a combination of operational income and capital activity funded with federal and state dollars.

Following is a condensed summary of the Authority's financial position at June 30, 2009, 2008, and 2007. The % Change reflects changes from 2008 to 2009 and 2007 to 2009 as follows:

	2009	2008	% Change	2007	% Change
Assets					
Current assets	$138,007,855	$110,849,165	24.5%	$ 95,096,920	45.1%
Noncurrent and capital assets	462,525,003	443,663,579	4.3%	424,093,155	9.1%
Total assets	**$600,532,858**	**$554,512,744**	**8.3%**	**$519,190,075**	**15.7%**
Liabilities					
Current liabilities	$ 44,077,363	$ 45,446,204	(3.0%)	$ 40,852,673	7.9%
Noncurrent liabilities	242,236,405	226,410,144	7.0%	228,959,061	5.8%
Total liabilities	**286,313,768**	**271,856,348**	**5.3%**	**269,811,734**	**6.1%**
Net assets					
Invested in capital assets, net of debt	235,035,655	202,605,751	16.0%	150,379,604	56.3%
Restricted	68,634,046	70,242,815	(2.3%)	74,876,391	(8.3%)
Unrestricted	10,549,389	9,807,830	7.6%	24,122,346	(56.3%)
Total net assets	**314,219,090**	**282,656,396**	**11.1%**	**249,378,341**	**26.0%**
Total liabilities and net assets	**$600,532,858**	**$554,512,744**	**8.3%**	**$519,190,075**	**15.7%**

Current assets increased $27,158,690 or 24.5% due to proceeds from the Series 2009A bonds issued to pay for Terminal Renovation Phase II in the next two years. As investments matured, cash balances increased or were reinvested in very conservative and low yield investments. Collections from PFCs have exceeded expenditures since MNAA began participating in the program in the mid-1990's, building up a balance of $33 million at the end of 2008. This balance declined to less than $26 million at June 30, 2009, as dollars were used to support pay-as-you-go PFC projects and debt service on the Series 2003 special revenue PFC bond and the Series 2008B and Series 2009A bonds, both issued under MNAA's master resolution due to more favorable pricing.

Liabilities increased $14,457,420 or 5.3% from one year earlier reflecting the impact of debt service reductions offset by issuance of the Series 2009A bonds in the amount of $36,000,000 and the increasing OPEB balance of $7,572,913. Noncurrent liabilities specifically increased $15,826,261 or 7.0%. In contrast, current unrestricted liabilities decreased from $16,279,071 to $9,126,315 as the Authority continued to meet its obligations in a timely fashion. There were also fewer outstanding invoices at year-end than in the prior year. Current liabilities overall increased only slightly, 3.0% or $1,368,841 in 2009. This compares with a two-year increase of $3,224,690 or 7.9% on the $40,852,673 balance reported at June 30, 2007.

The portion of the Authority's net assets shown below, $68,634,046, represents 21.8% of total net assets. This compares with $70,242,815 in restricted net assets at June 30, 2008, or 24.9%, and $74,876,391 or 30.0% of total net assets in 2007. These resources are subject to restrictions on use. The restricted net assets are not available for new spending as they have already been committed as follows:

Passenger facility charge projects	$30,014,741
Debt service	32,430,731
Other	6,188,574
Total restricted net assets	$68,634,046

The unrestricted net assets of $10,549,389 may be used to meet the Authority's ongoing obligations. This represents a slight increase from $9,807,830 in 2008 and is less than half the $24,122,346 balance available two years earlier in 2007. Those reserves were used to pay for capital projects that received no funding from other sources.

For further information about the Authority's financial position by entity, please refer to the schedule of net assets information by entity at June 30, 2009, in the supplementary information section later in this report.

CASH MANAGEMENT POLICIES AND CASH FLOW ACTIVITIES

All cash receipts are deposited daily into interest-bearing accounts. All investments are in compliance with the laws of the State of Tennessee and the Investment Policy adopted by the Authority's Board of Commissioners. The proceeds from issuance of the Series 2009A bond, to cover construction costs on Terminal Renovation Phase II, account for the increase of cash and cash equivalents at June 30, 2009.

	2009	2008	2007
Cash flows provided by (used in):			
Operating	$ 26,658,600	$ 32,899,204	$ 35,828,414
Non-capital financing	(1,341,987)	(1,344,510)	(1,354,471)
Capital and related financing	(8,165,269)	(42,978,508)	(30,326,611)
Investing	26,981,622	15,742,938	23,355,783)
Net increase in cash and cash equivalents	**44,132,966**	**4,319,124**	**27,503,115**
Cash and cash equivalents:			
Beginning of year	67,840,463	63,521,339	36,018,224
End of year	**$ 111,973,429**	**$ 67,840,463**	**$ 63,521,339**

CAPITAL ACTIVITIES

Capital assets, net of accumulated depreciation, increased from $420,827,810 to $442,763,034 at year-end. This $21,935,224 or 5.2% increase was due to the various project activity occurring both landside and on the airfield mentioned earlier. A similar trend is likely in 2010 and beyond as several large projects are under consideration at this time. Staff continued to secure federal and state support for eligible projects. Additional funding is provided through PFCs, airline rates and charges, and the issuance of debt. Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Note 4 provides additional information about the additions, retirements, and transfers during the years ended June 30, 2009 and 2008.

DEBT ADMINISTRATION

The Authority issued Airport Improvement Revenue Bond Series 2009A in the amount of $36,000,000 on March 31, 2009, to pay for most of Phase II of the comprehensive terminal renovation project. Interest payments in the total amount of $382,942 were made during the year, and the first principal payment, $715,000, is due on July 1, 2010. This bond matures on July 1, 2019, and was issued at a $180,568 premium. As of June 30, 2009, the Authority's balance of outstanding long-term revenue bonds was $249,925,000 compared with $238,325,000 at the end of the prior year. The current portion of revenue bonds totaled $26,170,000 and is due on July 1, 2009. This amount would have been higher, however the Authority tendered $980,000 of 2003 PFC bonds early. The only bond issued under the PFC resolution will mature July 1, 2012, with $14,145,000 in principal owed on or before that date. In addition, the Series 2008B bonds were issued under the MNAA master resolution but are being paid for under a unique arrangement. A PFC application approved in 2003 included reimbursements for projects undertaken in the 1990's. These dollars are being reimbursed back to the Authority as needed to cover both principal and interest payments until maturity. Under PFC Application 14, approved during fiscal year 2009, debt service on the Series 2009A will also be paid with PFC collections. However, this bond series was actually issued under the MNAA master resolution as a general airport revenue bond rather than as a special revenue bond (under the PFC resolution) resulting in lower financing costs. Refer to Note 5 for more information about long-term debt.

A summary of the Authority's bonds that remained outstanding at June 30, 2009, is as follows:

Series Description	Beginning Balance	New Bonds	Principal Repayment	Ending Balance
Series 1995 Revenue Bonds	$ 46,875,000	$ -	$ (4,100,000)	$ 42,775,000
Series 1998A Revenue Bonds	7,435,000	-	(1,625,000)	5,810,000
Series 1998C Revenue Bonds	20,010,000	-	(1,860,000)	18,150,000
Series 2001A Revenue Bonds	62,180,000	-	(6,150,000)	56,030,000
Series 2003 PFC Revenue Bonds	18,675,000	-	(4,530,000)	14,145,000
Series 2003 B Revenue Bonds	17,945,000	-	(335,000)	17,610,000
Series 2008A Revenue Bonds	37,600,000	-	(5,800,000)	31,800,000
Series 2008B Revenue Bonds	27,605,000	-	-	27,605,000
Series 2009A Revenue Bonds	-	36,000,000	-	36,000,000
Total	$ 238,325,000	$ 36,000,000	$ (24,400,000)	$ 249,925,000

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

REQUEST FOR INFORMATION

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

Respectfully Submitted,

Stan Van Ostran
VP & Chief Financial Officer
Nashville, Tennessee

Jamesina McLeod
Controller

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008

ASSETS

	2009	2008
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents	$ 23,381,738	$ 24,844,223
Short-term investments	196,641	1,986,197
Accounts receivable (net of allowance for doubtful accounts of $86,484 and $112,741, respectively)	5,927,326	2,394,058
Inventories	425,140	446,335
Accrued interest receivable	51,103	100,689
Prepaid expenses and other	892,794	1,212,018
Total current unrestricted assets	30,874,742	30,983,520
Restricted assets:		
Cash and cash equivalents	88,591,691	42,996,240
Short-term investments	10,826,130	32,894,847
Passenger facility charges receivable	1,495,791	930,404
Customer facility charges receivable	685,512	832,804
Amounts due from governmental agencies	5,483,457	2,106,704
Accrued interest receivable	50,532	104,646
Total current restricted assets	107,133,113	79,865,645
Total current assets	138,007,855	110,849,165
NONCURRENT ASSETS:		
Capital assets:		
Land and land improvements	509,009,664	469,124,672
Land held for future expansion	36,701,068	36,701,068
Buildings and building improvements	171,150,808	156,272,307
Equipment, furniture and fixtures	50,436,887	44,528,367
Construction in progress	32,813,869	48,447,958
Total capital assets	800,112,296	755,074,372
Less accumulated depreciation	(357,349,262)	(334,246,562)
Total capital assets, net	442,763,034	420,827,810
Restricted investments	18,018	978,683
Unrestricted investments	3,929,156	4,703,600
Deferred bond issue costs	2,782,067	2,422,427
Other assets	13,032,728	14,731,059
Total noncurrent assets	462,525,003	443,663,579
TOTAL ASSETS	$ 600,532,858	$ 554,512,744

LIABILITIES AND NET ASSETS

	2009	2008
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Trade accounts payable	$ 6,565,078	$ 13,163,279
Accrued payroll and related items	2,113,237	2,667,792
Current maturities of notes payable	448,000	448,000
Total payable from unrestricted assets	9,126,315	16,279,071
Payable from restricted assets:		
Trade accounts payable	4,339,137	1,249,122
Accrued interest payable	4,441,911	4,498,011
Current maturities of airport revenue bonds	26,170,000	23,420,000
Total payable from restricted assets	34,951,048	29,167,133
Total current liabilities	44,077,363	45,446,204
NONCURRENT LIABILITIES:		
Airport revenue bonds, less current maturities (net of unamortized deferred amount on refunding of $7,675,177 and $9,493,871, respectively)	216,260,391	205,411,129
Notes payable, less current maturities	7,825,333	8,273,333
Synthetic advance refunding, Series 2001A	2,577,768	3,308,619
Fair value of derivative financial instruments	4,334,856	2,860,390
Deferred interest income	1,686,297	2,044,693
Deferred rental income	1,978,847	1,982,151
Other postemployment benefits obligation	7,572,913	2,529,829
Total noncurrent liabilities	242,236,405	226,410,144
Total liabilities	286,313,768	271,856,348
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS:		
Invested in capital assets - net of related debt	235,035,655	202,605,751
Restricted:		
Passenger facility charge projects	30,014,741	34,949,517
Debt service	32,430,731	31,048,968
Other	6,188,574	4,244,330
Total restricted net assets	68,634,046	70,242,815
Unrestricted net assets	10,549,389	9,807,830
Total net assets	314,219,090	282,656,396
TOTAL LIABILITIES AND NET ASSETS	$600,532,858	$554,512,744

See accompanying notes to financial statements.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Signatory airline	$ 17,017,714	$ 10,527,728
Parking	28,174,733	30,405,023
Concession	16,558,935	17,164,513
Space rental	10,077,305	11,050,944
Other	8,423,565	7,167,118
	80,252,252	76,315,326
OPERATING EXPENSES:		
Salaries and wages	26,339,723	23,690,248
Contractual services	16,358,604	16,299,124
Materials and supplies	1,704,622	2,228,830
Utilities	6,231,268	5,537,335
Other	2,441,956	2,688,651
	53,076,173	50,444,188
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	27,176,079	25,871,138
PROVISION FOR DEPRECIATION	25,151,547	20,424,563
OPERATING INCOME	2,024,532	5,446,575
NONOPERATING REVENUES:		
Investment income	1,642,936	4,603,766
Passenger facility charges	11,480,154	12,836,344
Customer facility charges	7,648,876	4,259,428
(Loss) gain on disposal of property and equipment	(252,300)	27,536
	20,519,666	21,727,074
NONOPERATING EXPENSES:		
Interest expense	13,823,696	14,504,722
Loss on derivative financial instruments	1,474,466	1,690,402
	15,298,162	16,195,124
INCOME BEFORE CAPITAL CONTRIBUTIONS	7,246,036	10,978,525
CAPITAL CONTRIBUTIONS	24,316,658	22,299,530
INCREASE IN NET ASSETS	31,562,694	33,278,055
TOTAL NET ASSETS - BEGINNING OF YEAR	282,656,396	249,378,341
TOTAL NET ASSETS - END OF YEAR	$ 314,219,090	$ 282,656,396

See accompanying notes to financial statements.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 76,716,760	$ 76,289,729
Cash paid to employees	(21,851,194)	(21,074,845)
Cash paid to suppliers	(25,765,010)	(19,627,029)
Other payments	(2,441,956)	(2,688,651)
Net cash provided by operating activities	26,658,600	32,899,204
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments on long-term debt	(335,000)	(325,000)
Interest paid on long-term debt	(1,006,987)	(1,019,510)
Net cash used in noncapital financing activities	(1,341,987)	(1,344,510)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipt of passenger facility charges	10,914,767	13,779,339
Receipt of customer facility charges	7,796,168	3,426,624
Purchases of property and equipment	(47,414,719)	(63,099,797)
Proceeds from sale of property and equipment	75,648	32,511
Interest paid on long-term debt	(11,389,045)	(11,923,555)
Proceeds from issuance of long-term debt, net of refundings	36,180,568	18,280,000
Payment of bond issue costs	(755,561)	(820,963)
Payments on long-term debt	(24,513,000)	(22,718,220)
Repayment related to debt service forward delivery agreement	-	(1,080,000)
Contributions from governmental agencies	20,939,905	21,145,553
Net cash used in capital and related financing activities	(8,165,269)	(42,978,508)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(35,173,191)	(87,163,281)
Proceeds from the sale and maturities of investments	60,942,382	98,568,343
Interest received on investments	1,212,431	4,337,876
Net cash provided by investing activities	26,981,622	15,742,938
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,132,966	4,319,124
CASH AND CASH EQUIVALENTS		
Beginning of year	67,840,463	63,521,339
End of year	$ 111,973,429	$ 67,840,463

See accompanying notes to financial statements.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS - Continued
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 2,024,532	$ 5,446,575
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for depreciation	25,151,547	20,424,563
Amortization of deferred real estate leasing commission	1,080	1,080
Amortization of deferred rental income	(34,904)	(34,904)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(3,533,268)	(22,829)
Decrease in inventories	21,195	36,309
Decrease (increase) in prepaid expenses	319,224	(210,636)
Decrease in other assets	1,697,251	917,951
(Decrease) increase in trade accounts payable	(3,508,186)	3,694,636
(Decrease) increase in accrued payroll and related items	(554,555)	85,574
Increase in deferred rental income	31,600	31,056
Increase in other postemployment benefit obligation	5,043,084	2,529,829
Net cash provided by operating activities	$ 26,658,600	$ 32,899,204
CASH AND CASH EQUIVALENTS - END OF YEAR CONSIST OF:		
Unrestricted cash and cash equivalents	$ 23,381,738	$24,844,223
Restricted cash and cash equivalents	88,591,691	42,996,240
	$111,973,429	$67,840,463

NONCASH INVESTING AND FINANCING ACTIVITIES:

During 2009 and 2008, $2,214,615 and $2,562,919, respectively, were charged to interest expense for amortization of deferred bond issue costs and amortization of deferred loss on refunding of debt.

During 2009 and 2008, interest expense was reduced by $730,851 and $787,172, respectively, for the amortization of the synthetic advance refunding.

During 2009 and 2008, $358,396 and $427,615, respectively, were included in interest income related to the amortization of deferred interest income.

During 2009 and 2008, losses of $1,474,466 and $1,690,402, respectively, were recognized for the change in fair value of derivative financial instruments.

See accompanying notes to financial statements.

1. METROPOLITAN NASHVILLE AIRPORT AUTHORITY

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

The Authority's Board of Commissioners consists of 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.

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

The accompanying financial statements also include the accounts of the Arts at the Airport Foundation, a nonprofit organization that facilitates the display and performance of artists within the Nashville International Airport terminal. The Arts at the Airport Foundation qualifies as a component unit of the Authority due to 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 Airport, John C. Tune Airport, and MPC as noted above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Use of Estimates in the Preparation of Financial Statements

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

Budgets

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

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

Operating and Nonoperating Revenues and Expenses

The Authority distinguishes operating revenues and operating expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. Revenues from space rental and fees, landing fees, parking and other miscellaneous income are reported as operating revenues. Transactions that are capital, financing or investing related, are reported as nonoperating revenues. Such nonoperating revenues include passenger facility charges (PFCs) as described in Note 9 and customer facility charges (CFCs) as described in Note 10. Expenses from employee wages and benefits, purchases of services, materials and supplies and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

Other - Other revenue consists primarily of nonsignatory airline landing fees, cargo airline landing fees and the Authority's portion of fixed 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 Reporting for Certain Investments and for External Investment Pools,* which requires that certain investments be recorded at fair value (e.g., quoted market prices). Short-term, highly liquid debt instruments that have a remaining maturity at time of purchase of one year or less are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

Amounts Due from Governmental Agencies

The Authority has grants for aid in construction from the Federal Airport Improvement Program ("AIP"), the American Recovery and Reinvestment Act of 2009 ("ARRA"), and the U. S. Department of Homeland Security ("DHS"). Amounts due from governmental agencies under the terms of grant agreements are accrued as the related reimbursable costs are incurred.

Inventories

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

Restricted Assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets are stated at cost, except for contributions of property received from governmental agencies, which are recorded at fair value at the time of contribution. The Authority's policy is to capitalize assets with a cost of $5,000 or more at Nashville International Airport and $10,000 at John C. Tune Airport and MNAA Properties Corporation. Routine maintenance and repairs are expensed as incurred. Net interest cost incurred during the construction of facilities is capitalized as part of the cost. Provision for depreciation of property and equipment is made on a basis considered adequate to depreciate the cost of depreciable assets over their estimated useful lives and is computed on the straight-line method.

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

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

Derivative Financial Instruments

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

Deferred Bond Issue Costs

Deferred bond issue costs incurred in connection with issuance of the airport revenue bonds are being amortized to interest expense using the effective interest method, or the straight-line method when not materially different, 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.

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

Compensated Absences

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

Effective January 1, 2008, the Authority adopted SFAS No. 157, "Fair Value Measurements," which established a framework for measuring fair value in accordance with GAAP, and expands disclosures about the use of fair value measures. The adoption of SFAS No. 157 did not have an impact on the Authority's financial position or operating results. Assets recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by SFAS No. 157, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Authority's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Reclassifications

Certain reclassifications have been made to the fiscal year 2008 financial information in order to conform with the presentation adopted for fiscal year 2009.

Recent Accounting Pronouncements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In March 2009, the GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* GASB 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. It is intended to make it easier for preparers of state and local government financial statements to identify and apply the "GAAP hierarchy," which consists of sources of accounting principles used in the preparation of financial statements so that they are presented in conformity with GAAP and the framework for selecting those principles. GASB 55 was effective upon issuance and contributes to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source. The Authority's financial statements have been prepared under the GAAP hierarchy prescribed in GASB 55.

In March 2009, the GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.* GASB 56 incorporates accounting and financial reporting guidance previously only contained in the AICPA auditing literature into the GASB's accounting and financial reporting literature for state and local governments. GASB 56 addresses three issues from the AICPA's literature: (1) related party transactions; (2) going concern considerations; and (3) subsequent events. GASB 56 brings existing guidance (to the extent appropriate in a governmental environment) without substantive changes into the GASB's body of standards. GASB 56 is part of the GASB's effort to codify all generally accepted accounting principles for state and local governments so that they derive from a single source. This is intended to make it easier for preparers of state and local government financial statements to identify and apply relevant accounting guidance. GASB 56 was effective April 16, 2009, and the Authority's financial statements have been prepared in accordance with the provisions of the Statement.

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.

Cash and Cash Equivalents

The Authority's unrestricted and restricted cash and cash equivalent bank balances totaling $113,225,858 and $65,178,542 at June 30, 2009 and 2008, respectively (with a carrying value of $111,973,429 and $67,840,463) represent a variety of time deposits and cash equivalents with banks.

All cash deposits are in a single financial institution and are carried at cost plus interest, which approximates fair value. Cash deposits 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 protected by federal depository insurance.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

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*.

Cash equivalents are held at another financial institution, and consist of money market and other short-term investments with original maturities of three months or less. Cash equivalents are collateralized at 105%, as required by state statute

Investments

As of June 30, 2009, 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	$ 7,476,220	$ 4,277,470	$ 3,198,750	$ -
Corporate bonds	2,001,160	2,001,160	-	-
Asset - backed securities	298,122	-	298,122	-
Mortgage - backed securities	646,943	196,641	201,802	248,500
Certificate of deposit	4,547,500	4,547,500	-	-
	$ 14,969,945	$ 11,022,771	$ 3,698,674	$ 248,500

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

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

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

	2009	2008
Short-term unrestricted investments	$ 196,641	$ 1,986,197
Short-term restricted investments	10,826,130	32,894,847
Noncurrent unrestricted investments	3,929,156	4,703,600
Noncurrent restricted investments	18,018	978,683
	$ 14,969,945	$ 40,563,327

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, 2009 and 2008, are all insured by securities held by the Authority's agent in the Authority's name.

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

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

Forward Delivery Agreements

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

In November 1999, the Authority entered into a Debt Service Forward Delivery Agreement (“1999 DSFDA”) with a financial institution for the continuous investment of the Series 1991C principal and interest investments from July 2009 through the term of the bonds; Series 1993 principal investments from July 2009 through the term of the bonds; Series 1995 principal and interest investments through the term of the bonds; Series 1998A principal and interest investments through the term of the bonds; and Series 1998C principal and interest investments through the term of the bonds. The present value of future investment earnings under the 1999 DSFDA was received by the Authority in an upfront, lump sum payment of $3,275,000. These proceeds were used to fund a portion of the construction of the short-term parking lot expansion. The amount of the upfront payment was recorded as deferred interest income and is being amortized into income over the term of the agreement. The Series 1991C principal and interest investments were replaced with the Series 2001A principal and interest investments upon refunding of the Series 1991C bonds with the Series 2001A bonds. The 1993 principal and interest investments were replaced with the Series 2008A principal and interest investments upon refunding of the Series 1993 bonds with the Series 2008A bonds (see Note 5).

In November 2001, the Authority entered into a Debt Service Forward Delivery Agreement (“2001 DSFDA”) with a financial institution for the continuous investment of the Series 1993 bond reserve fund through the term of the bonds. The present value of future investment earnings under the 2001 DSFDA was received by the Authority in an upfront, lump sum payment of $1,325,000. These proceeds were used to fund various capital improvement projects. The amount of the upfront payment was recorded as deferred interest income and was being amortized into income over the term of the agreement. This agreement was terminated in June 2008 when Series 1993 bonds were refunded with the Series 2008A bonds. A termination payment of $1,080,000 was paid at that time. The balance of unamortized deferred interest income at the time of termination was $832,953.

The remaining unearned amounts relating to the forward delivery agreements were $1,686,297 and $2,044,693 at June 30, 2009 and 2008, 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, 2009 and 2008, were as follows:

	Balance June 30, 2008	Additions	Retirements	Transfers	Balance June 30, 2009
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	48,447,958	47,406,516	-	(63,040,605)	32,813,869
Total capital assets not being depreciated	147,808,923	47,406,516	-	(63,040,605)	132,174,834
Capital assets being depreciated:					
Land improvements	406,464,775	-	(950,908)	40,835,900	446,349,767
Buildings and building improvements	156,272,307	-	-	14,878,501	171,150,808
Equipment, furniture and fixtures	44,528,367	8,203	(1,425,887)	7,326,204	50,436,887
Total capital assets being depreciated	607,265,449	8,203	(2,376,795)	63,040,605	667,937,462
Less accumulated depreciation:					
Land improvements	(238,333,893)	(14,245,702)	723,811	-	(251,855,784)
Buildings and building improvements	(74,581,589)	(7,002,384)	-	-	(81,583,973)
Equipment, furniture and fixtures	(21,331,080)	(3,903,461)	1,325,036	-	(23,909,505)
Total accumulated depreciation	(334,246,562)	(25,151,547)	2,048,847	-	(357,349,262)
Total capital assets being depreciated	273,018,887	(25,143,344)	(327,948)	63,040,605	310,588,200
Net capital assets	$ 420,827,810	$ 22,263,172	$ (327,948)	$ -	$ 442,763,034

	Balance June 30, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Capital assets not being depreciated:					
Land	$ 62,659,897	$ -	$ -	$ -	$ 62,659,897
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	46,276,385	63,099,797	-	(60,928,224)	48,447,958
Total capital assets not being depreciated	145,637,350	63,099,797	-	(60,928,224)	147,808,923
Capital assets being depreciated:					
Land improvements	387,482,242	-	-	18,982,533	406,464,775
Buildings and building improvements	127,250,001	-	-	29,022,306	156,272,307
Equipment, furniture and fixtures	31,813,649	-	(208,667)	12,923,385	44,528,367
Total capital assets being depreciated	546,545,892	-	(208,667)	60,928,224	607,265,449
Less accumulated depreciation:					
Land improvements	(226,337,938)	(11,995,955)	-	-	(238,333,893)
Buildings and building improvements	(69,016,881)	(5,564,708)	-	-	(74,581,589)
Equipment, furniture and fixtures	(18,670,872)	(2,863,900)	203,692	-	(21,331,080)
Total accumulated depreciation	(314,025,691)	(20,424,563)	203,692	-	(334,246,562)
Total capital assets being depreciated	232,520,201	(20,424,563)	(4,975)	60,928,224	273,018,887
Net capital assets	$ 378,157,551	$ 42,675,234	$ (4,975)	$ -	$ 420,827,810

5. AIRPORT BONDS

Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1993

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

The Series 1993 bonds were refunded in their entirety with the Series 2008A bonds in June 2008. See further discussion of the 2008A bonds below.

The Authority entered into an interest rate swap agreement on the Series 1993 bonds. This swap agreement continued uninterrupted with the Series 2008A bonds (see Note 8).

Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1995

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

During January 1998, the Series 1995 bonds were remarketed with a fixed rate. In connection with the remarketing, the 1995 Swap Agreement was terminated requiring the Authority to pay a Termination Payment. The Termination Payment was funded through the issuance of the Series 1998A and Series 1998B bonds (discussed below). 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 is reported in the accompanying financial statements as a deduction from long-term debt, and 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 4.70% to 5.00%, maturing in progressive annual amounts ranging from $4,510,000 on July 1, 2009, 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 at 101% of the principal balance outstanding, declining to 100% on July 1, 2010.

5. AIRPORT BONDS - Continued

Airport Improvement Revenue Bonds, Series 1998

During December 1997, the Authority issued Series 1998A and Series 1998B bonds in the principal amount of $19,695,000 and $9,740,000, respectively. The bonds were issued for the purpose of paying the Termination Payment under the 1995 Swap Agreement entered into in connection with the Series 1995 Bonds. The Series 1998A issue contains serial bonds at interest rates ranging from 4.80% to 5.15%, maturing in decreasing annual amounts ranging from $1,480,000 on July 1, 2009, 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 at 101% of the principal balance outstanding, declining to 100% on July 1, 2010. The Series 1998B bonds have been repaid and there is no outstanding balance at June 30, 2009 or 2008.

During March 1998, the Authority issued Series 1998C bonds in the principal amount of $32,660,000. The bonds were issued to provide funds to refund $30,940,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1989A. The 1998C issue contains serial bonds at the interest rate of 5.38% (except bonds maturing July 1, 2011, at 5.00%), maturing in annual amounts ranging from $1,960,000 on July 1, 2009, to $1,900,000 on July 1, 2016. At the option of the Authority, the bonds may be repaid beginning July 1, 2009, at 101% of the principal balance outstanding, declining to 100% on July 1, 2010.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,710,369. The difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2017 using the effective interest method. The Authority completed the advance refunding to reduce its total debt service payments over 19 years by $3,511,337 and to obtain an economic gain of approximately $2,300,000.

Airport Improvement Revenue Bonds, Series 2001A

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,701,472. The difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2015 using the effective-interest method. The Authority completed the advance refunding to facilitate the upfront payment under the synthetic advance refunding (discussed below) and to obtain an economic gain of approximately $5,500,000. The economic gain is inclusive of funds made available through the upfront payment resulting from the synthetic advance refunding (discussed below).

The Series 2001A issue contains serial bonds at an interest rate of 6.60% maturing in progressive annual amounts ranging from $6,555,000 on July 1, 2009, to $9,615,000 on July 1, 2015.

5. AIRPORT BONDS - Continued

Synthetic Advance Refunding, Series 2001A

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

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

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

Passenger Facility Charge and Airport Improvement Revenue Bonds, Series 2003

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

The refunding resulted in a difference between the reacquisition and the net carrying amount of the old debt of $988,946. The difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2012 using the effective interest method.

The Series 2003 bonds initially bore interest at a weekly rate determined by SunTrust Capital Markets, Inc. Subject to the satisfaction of certain conditions in the Supplemental Resolution, the Authority may from time to time change the method of determining the interest rate on the Series 2003 Bonds to a daily rate, weekly rate, a commercial paper rate or a fixed rate. The bonds mature in progressive annual amounts ranging from $2,660,000 on July 1, 2009, to $3,925,000 on July 1, 2012. During June 2009, the Authority paid $980,000 for bonds maturing on July 1, 2009, thereby reducing the amount due on July 1, 2009.

5. AIRPORT BONDS - Continued

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 4.13% to 5.94%, maturing in progressive annual amounts ranging from $350,000 on July 1, 2009, to $1,280,000 on July 1, 2033. The 2003B bonds are subject to an extraordinary optional redemption, in whole at any time, at a redemption price equal to the principal amount plus accrued interest to the date of redemption only in the event of the destruction or damage to all or substantially all of the Nashville International Airport or the condemnation of the airport facility.

Airport Improvement Revenue Bonds, Series 2006

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

Airport Improvement Bonds, Series 2007A

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

Airport Improvement Revenue Bonds, Refunding Series 2008A

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

The Series 2008A issue contains serial bonds bearing interest at a weekly variable rate. In order to limit its exposure to changes in interest rates, the Authority transferred its existing 1993 interest rate swap agreement to the 2008A bonds ("2008A Swap Agreement"), resulting in a fixed interest rate of 4.49% (See Note 8). The 2008A bonds mature in various annual amounts ranging from $6,100,000 on July 1, 2009, to $3,800,000 on July 1, 2019.

5. AIRPORT BONDS - Continued

Airport Improvement Revenue Bonds, Refunding Series 2008B

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

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

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

Airport Improvement Revenue Bonds, Series 2009A

During March 2009, the Authority issued Series 2009A bonds in the principal amount of $36,000,000. The bonds were issued to provide funds for the majority of the costs associated with the second phase of the terminal renovation project, to fund a deposit to the debt service reserve account for the Series 2009A bonds, and to pay for the cost of issuance of the bonds.

The Series 2009A bonds contain serial bonds at interest rates ranging from 3.00% to 5.25%, maturing in progressive annual amounts ranging from $715,000 on July 1, 2010, to $7,970,000 on July 1, 2019. The debt service reserve account and interest earned on that account will be used to pay a portion of the final principal payment on July 1, 2019.

5. AIRPORT BONDS - Continued

In summary, all of the Authority's bonds, except for the Series 2003 PFC Bonds, were issued under the General Resolution and are secured by a pledge of and lien on net revenues derived by the Authority from the operation of the airports. The 2003 PFC Bonds were issued under the PFC Resolution and were secured by an additional pledge of and lien on PFC revenues less operating expenses. The Authority is also using PFC revenues that were approved under PFC Program Application for its annual debt service costs on the 2008B bonds and the Series 2009A bonds (See Note 9).

The following shows the composition of restricted cash and cash equivalents and investments as of June 30, 2009 and 2008 (the restricted funds relate primarily to airport bonds and related activity):

	2009	2008
Principal and Interest Funds:		
Airport Improvement Revenue Bonds,		
Adjustable Rate Refunding, Series 1995	$ 5,556,007	$ 5,559,129
Airport Improvement Revenue Bonds, Series 1998	4,050,012	3,940,647
Airport Improvement Revenue Bonds Series 2001A	8,339,482	8,143,230
Airport Improvement Revenue Bonds, Series 2003B	407	846,260
PFC and Airport Improvement Revenue Bonds, Series 2003	3,065,676	3,642,913
Airport Improvement Revenue Bonds, Series 2008A	6,166,650	5,736,369
Airport Improvement Revenue Bonds, Series 2008B	5,708,243	5,370,407
Airport Improvement Revenue Bonds, Series 2009A	382,943	-
Bond Reserve Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	4,776,843	4,670,632
Airport Improvement Revenue Bonds, Series 2009A	3,603,631	-
Construction Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	22,318,841	29,332,451
Airport Improvement Revenue Bonds, Series 2006	-	4,332,466
Airport Improvement Revenue Bonds, Series 2007	-	1,899,495
Airport Improvement Revenue Bonds, Series 2009A	29,964,041	-
Other Funds (not bond related):		
CFC Construction Funds	5,070,575	2,417,088
Capital Sales Assistance Funds	432,488	978,683
	$ 99,435,839	$ 76,869,770

5. AIRPORT BONDS - Continued

Airport bond activity for the year ended June 30, 2009, is summarized as follows:

Series Description	Balance June 30, 2008	New Borrowings	Principal Repayment	Refundings	Amortization	Balance June 30, 2009
Series 1995	$ 46,875,000	$ -	$ (4,100,000)	$ -	$ -	$ 42,775,000
Series 1998A	7,435,000	-	(1,625,000)	-	-	5,810,000
Series 1998C	20,010,000	-	(1,860,000)	-	-	18,150,000
Series 2001A	62,180,000	-	(6,150,000)	-	-	56,030,000
Series 2003 PFC	18,675,000	-	(4,530,000)	-	-	14,145,000
Series 2003B	17,945,000	-	(335,000)	-	-	17,610,000
Series 2008A	37,600,000	-	(5,800,000)	-	-	31,800,000
Series 2008B	27,605,000	-	-	-	-	27,605,000
Series 2009A	-	36,000,000	-	-	-	36,000,000
Total	238,325,000	36,000,000	(24,400,000)	-	-	249,925,000
Plus unamortized premium on Series 2009A	-	180,568	-	-	-	180,568
Less unamortized deferred amount on refunding	(9,493,871)	-	-	-	1,818,694	(7,675,177)
	228,831,129	$ 36,180,568	$ (24,400,000)	$ -	$ 1,818,694	242,430,391
Less current portion	(23,420,000)					(26,170,000)
	$ 205,411,129					$ 216,260,391

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

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

5. AIRPORT BONDS - Continued

Aggregate maturities of revenue bonds at June 30, 2009, are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	$ 26,170,000	$ 11,739,890	$ 37,909,890
2011	29,260,000	10,712,182	39,972,182
2012	31,135,000	9,208,676	40,343,676
2013	27,825,000	7,876,708	35,701,708
2014	25,175,000	6,518,121	31,693,121
2015-2019	85,355,000	14,319,960	99,674,960
2020-2024	15,000,000	3,660,103	18,660,103
2025-2029	4,285,000	2,364,864	6,649,864
2030-2034	5,720,000	888,922	6,608,922
	$ 249,925,000	$ 67,289,426	$ 317,214,426

The interest amounts on the variable rate debt that have interest rate swap agreements associated with them were computed based on the fixed rates in the agreements plus an estimate for additional fees where applicable. The Series 2003 PFC bond's interest computation was based on the weekly reset in place at June 30, 2009, of 1.85%.

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

6. OTHER NONCURRENT DEBT - MPC NOTES PAYABLE

In October 2007, MPC Holdings, LLC entered into a term note in the amount of $7,600,000 with a financial institution. Proceeds were used to replenish MPC Holdings, LLC's cash balance shortly after its purchase of International Plaza for $7,500,000 plus associated costs in September 2007. The variable rate loan was entered into bearing interest at a monthly rate. Principal payments are due in level monthly installments of $31,667. The obligation matures in November 2012, at which time the remaining balance will be $5,700,000. The principal balance at June 30, 2009, was $6,998,333. The note is collateralized by the building. In order to reduce its exposure to fluctuations in interest rates, MPC Holdings, LLC entered into an interest rate swap agreement ("2007 MPC Swap Agreement") that fixes the interest rate at 5.67% (see Note 8).

6. OTHER NONCURRENT DEBT - MPC NOTES PAYABLE - Continued

In March 2008, MPC Holdings, LLC entered into a term note in the amount of $1,360,000 with a financial institution. Proceeds were used to purchase a multi-purpose building on airport property from a major tenant. The variable rate loan was entered into bearing interest at a monthly rate. Principal payments are due in level monthly installments of $5,666. The obligation matures in February 2013, at which time the remaining balance will be $1,020,000. The principal balance at June 30, 2009, was $1,275,000. The note is collateralized by the building. MPC Holdings, LLC entered into an interest rate swap agreement (“2008 MPC Swap Agreement”) that fixes the interest rate at 4.33% (see Note 8).

The aggregate principal maturities of the MPC notes payable are $448,000 in fiscal years 2010, 2011, 2012 and $6,929,333 in fiscal year 2013. As part of its loan agreements, MPC is required to comply with debt covenants, including certain financial ratios and minimum balance requirements. As of June 30, 2009, MPC was not in compliance with certain financial covenants; however, MPC has obtained an appropriate waiver of the non-compliance from the financial institution.

7. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities activity for the years ended June 30, 2009 and 2008, is as follows:

Other Noncurrent Liabilities Description	Balance June 30, 2008	Net Cash Receipts (Repayments)	Amortization	Loss on Derivative Instruments	Balance June 30, 2009
Synthetic advance refunding, Series 2001A	$ 3,308,619	$ -	$ (730,851)	$ -	$ 2,577,768
Fair value of derivative financial instruments	2,860,390	-	-	1,474,466	4,334,856
Deferred interest income	2,044,693	-	(358,396)	-	1,686,297
Deferred rental income	1,982,151	31,600	(34,904)	-	1,978,847
	$ 10,195,853	$ 31,600	$ (1,124,151)	$ 1,474,466	$ 10,577,768

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

8. DERIVATIVE FINANCIAL INSTRUMENTS

1993/2008A Interest Rate Swap Agreement - In connection with the Series 1993 bonds, so as to manage its exposure to market risks from fluctuations in interest rates, the Authority entered into an interest rate swap agreement dated November 1, 1993, (the “1993 Swap Agreement”) with a bank (the “1993 Swap Provider”). In general, the 1993 Swap Agreement provides that the Authority will pay a fixed rate of 4.49% to the 1993 Swap Provider on a notional amount equal to the principal amount of the Series 1993 bonds outstanding, and the 1993 Swap Provider will pay interest at the rates borne by the Series 1993 bonds. Arrangements made in the 1993 Swap Agreement do not alter the Authority’s obligation to pay the principal of, premium, if any, and interest on the Series 1993 bonds. During 2008, in connection with the refunding of the Series 1993 bonds with the Series 2008A bonds, the 1993 Swap Agreement was transferred from the 1993 bonds to the 2008A bonds. All the terms of the 1993 Swap Agreement remained intact and apply to the Series 2008A bonds.

2008B Interest Rate Swap Agreement - In connection with the Series 2008B bonds, so as to manage its exposure to market risks from fluctuations in interest rates, the Authority entered into an interest rate swap agreement dated June 9, 2008, (the “2008B Swap Agreement”) with a bank (the “2008B Swap Provider”). In general, the 2008B Swap Agreement provides that the Authority will pay a fixed rate of 3.32% to the 2008B Swap Provider on a notional amount equal to the principal amount of the Series 2008B bonds outstanding, and the 2008B Swap Provider will pay interest at the rates borne by the Series 2008B bonds. Arrangements made in the 2008B Swap Agreement do not alter the Authority’s obligation to pay the principal of, premium, if any, and interest on the 2008B bonds.

MPC *2007 Interest Rate Swap Agreement* - In October 2007, MPC Holdings, LLC entered into an interest rate swap agreement (the “2007 MPC Swap Agreement”) in order to manage its exposure to market risks from fluctuations in interest rates in connection with a term loan used to purchase a multi-tenant structure. In general, this agreement provides that MPC will pay a fixed rate of 5.67% on the outstanding principal amount. This agreement terminates November 1, 2012, to correspond with the termination of the loan.

MPC 2008 Interest Rate Swap Agreement - In March 2008, MPC Holdings, LLC entered into an interest rate swap agreement (the “2008 MPC Swap Agreement”) in order to manage its exposure to market risks from fluctuations in interest rates in connection with a term loan used to purchase a multi-purpose structure. In general, this agreement provides that MPC will pay a fixed rate of 4.33% on the outstanding principal amount. This agreement terminates March 1, 2013, to correspond with the termination of the loan.

Since the counterparties to all of the Authority swap agreements are major financial institutions, the Authority does not anticipate credit related losses from nonperformance by such counterparties.

In accordance with SFAS No. 133, the Authority has recorded the fair values of the interest rate swap agreements in the respective statements of net assets. The fair values of these financial instruments at June 30, 2009, have been calculated taking into consideration current and anticipated interest rates. The change in the fair values of these financial instruments for the years ended June 30, 2009 and 2008, has been recorded as loss on derivative financial instruments in the statements of revenues, expenses and changes in net assets under nonoperating expenses.

8. DERIVATIVE FINANCIAL INSTRUMENTS - Continued

The following presents the (asset)/liability fair values of the interest rate swaps as of June 30, 2009 and 2008:

	2009	2008
1993/2008A Swap Agreement	$ 2,577,115	$ 2,446,422
2008B Swap Agreement	1,098,645	188,519
2007 MPC Swap Agreement	603,144	249,844
2008 MPC Swap Agreement	55,952	(24,395)
	$ 4,334,856	$ 2,860,390

9. PASSENGER FACILITY CHARGES

On January 1, 1993, the airlines began collecting a Passenger Facility Charge ("PFC") on qualifying enplaning passengers at Nashville International Airport on behalf of the Authority. PFCs are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. Both the fee and intended projects must be reviewed and approved by the Federal Aviation Administration ("FAA"). Federal guidance on the PFC program has been updated from time to time since 1993, and the current maximum fee that can be authorized through federal regulation is $4.50 per enplaning passenger. PFCs are recorded as nonoperating revenue. PFC revenue during fiscal years 2009 and 2008 totaled $11,480,154 and $12,836,344, respectively.

The Authority has received approval from the FAA to impose a $3.00 PFC. The following project summary has been approved by the FAA as of June 30, 2009:

Airfield development	$182,379,025
Terminal development	26,727,200
Land acquisition	132,818,236
	$341,924,461

As of June 30, 2009, cumulative expenditures to date on approved PFC projects totaled $187,548,988.

10. CUSTOMER FACILITY CHARGES

On January 1, 2008, the Authority began requiring the car rental companies at Nashville International Airport to charge a Customer Facility Charge ("CFC") to be used to pay, or to reimburse the Authority, for costs, fees and expenses associated with the planning, design, construction, financing, maintenance and operation of the Consolidated Rental Car Facility ("CONRAC facility"), and other costs, fees and expenses that may be paid from CFC proceeds. The CFC is a $4.00 per transaction day fee and is collected by the on-Airport car rental companies from each of their customers and subsequently remitted to the Authority. The Authority has the right to pledge the CFC proceeds as collateral security for the payment of any debt obligations incurred by the Authority in connection with the planning, design, construction, financing, maintenance and operation of the CONRAC facility. CFCs are recorded as nonoperating revenue. CFC revenue during fiscal years 2009 and 2008 totaled $7,648,876 and $4,259,428, respectively.

10. CUSTOMER FACILITY CHARGES – Continued

Restricted net assets relating to CFCs totaled $ 5,756,087 and $3,249,892 at June 30, 2009 and 2008, respectively, and are included in other restricted net assets in the statements of net assets. As of June 30, 2009, the CONRAC facility continued in the design phase.

11. SPECIAL FACILITY REVENUE BONDS

Special Facility Revenue Bonds, Series 2005

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

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

Special Facility Revenue Bonds, Series 2006

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

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

12. AIRLINE LEASE AGREEMENTS

During the year ended June 30, 1975, the Authority entered into long-term lease agreements with certain 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.

13. RISK MANAGEMENT AND INSURANCE ARRANGEMENTS

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

Self-insured employee medical benefit claims are accrued as incurred in accordance with GASB Statement No. 30, *Risk Financing Omnibus*. The liability for reported claims and claims incurred but not reported, an estimate of which is based on historical experience and management projections, is reported 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:

	2009	2008
Balance—Beginning of year	$ 284,638	$ 356,360
Provision for incurred claims	3,655,397	3,250,627
Claim payments	(3,562,548)	(3,322,349)
Balance—End of year	$ 377,487	$ 284,638

Compensated absences is another component of the Authority's employee benefits program. Based on years of service, employees earn annual leave and may accumulate earned hours to certain limits for future use. The accrued annual leave liability increased $99,904 in fiscal year 2009 to an ending balance of $1,230,748 at June 30, 2009, up from $1,130,844 at June 30, 2008. Payments of $49,342 and $171,021 were made during the years ended June 30, 2009 and 2008, respectively. The change in accrued compensated absences balance is charged to salaries and wages expense.

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

14. COMMITMENTS AND CONTINGENCIES

Estimated costs of completion of construction in progress at June 30, 2009 relate to various projects. These amounts are as follows:

Amount to be directly reimbursed by governmental agencies under existing governmental contracts	$ 45,108,610
Amount to be funded by passenger facility charges collected	46,829,628
Amount to be funded by customer facility charges collected	59,285,108
Amount to be funded by the Authority	4,727,292
	$ 155,950,638

14. COMMITMENTS AND CONTINGENCIES - Continued

In February 2009, the Authority entered into a $7,500,000 line of credit loan agreement with financial institution to provide bridge financing on the In-Line EDS project. Over half the funding for this project is expected to be received from the Department of Homeland Security (DHS), and it is unclear how long it may take to be reimbursed for ongoing costs associated with the project. The interest rate on any outstanding balance is 3.34%, payable monthly. As costs are incurred, draws are made on the credit line; when grant revenue is received, the credit line is paid down. However, DHS retains 5% of every invoice amount until the project is finalized. Therefore, there will continue to be an increasing balance on the line of credit as the project progresses. The balance at June 30, 2009, was $2,080,996 as a draw had just been made and not yet reimbursed by DHS. This line of credit is available through June 30, 2011. Project completion is expected several months earlier. The balance outstanding on the line of credit is reported in accounts payable in the accompanying statement of net assets.

The Authority is a defendant to various legal proceedings 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 not be material to the Authority's financial position or operations. Additionally, any losses sustained would be recoverable through the Authority's leases with certain airlines discussed in Note 12.

15. RETIREMENT BENEFIT PLANS

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

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

For the year ended June 30, 2009, the Authority's annual pension cost of $1,665,239 was equal to the annual required contribution of $1,478,412 less interest in the amount of $1,092,652 on the net pension asset plus the annual required contribution adjustment of $1,279,479. For the year ended June 30, 2008, the Authority's annual pension cost of $1,281,087 was equal to the annual required contribution of $1,094,240 less interest in the amount of $1,195,139 on the net pension asset plus

15. RETIREMENT BENEFIT PLANS - Continued

the annual required contribution adjustment of $1,381,986. No actual contribution was made to the Plan during 2009 or 2008 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, 2008, actuarial valuation using the projected unit credit method.

The following table presents the annual pension cost, percentage of annual pension cost contributed, and the net pension asset for the years ended June 30, 2009, 2008, and 2007:

Year Ended June 30	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
2009	$1,665,239	-%	$(11,992,912)
2008	1,281,087	-%	(13,658,151)
2007	1,140,231	-%	(14,939,238)

The funded status of the pension plan as of the valuation date, July 1, 2008, is detailed below:

Actuarial accrued liability (a)	$35,683,005
Actuarial value of plan assets (b)	30,589,830
Unfunded actuarial accrued liability (a) - (b)	$ 5,093,175
Funded ratio (b) / (a)	85.7%
Covered payroll (c)	$8,940,848
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	57.0%

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

Significant actuarial methods and assumptions as of July 1, 2008, which were confirmed with the issuance of the July 1, 2009, actuarial valuation, are detailed below:

Actuarial valuation method	Projected unit credit method
Amortization method	Level percentage over 30 years
Discount rate	8.0%
Asset valuation method	3-year weighted average of asset gains and losses
Rate of investment return	8.0% per annum for funding purposes
Projected salary increases	4.0%
Cost-of-living adjustments	None in the current year

15. RETIREMENT BENEFIT PLANS - Continued

The Authority announced an early retirement incentive program (ERIP) in March 2009. Thirteen employees took advantage of the opportunity and completed their service to the organization on or before June 30, 2009. The employees were able to choose between adding three years of service or three years of age to their retiree benefit computation. The 2009 ERIP is expected to add $469,690 to the accumulated benefit balance. See further information in the Pension Plan Schedule of Funding Progress (unaudited) in the required supplementary information section.

16. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Authority provides postemployment health care benefits to all employees who retire under either the Authority's PERS or the Metropolitan Government's PERS.

Under the Authority's PERS, the Authority pays approximately 75% of the medical, dental, vision, and prescription coverage cost, with the retirees paying the remaining 25%. The Authority also pays 100% of the premium cost of a $10,000 life insurance policy on each retiree. In addition, the retirees have the option to pay 100% of the cost of supplemental life insurance coverage. Currently, 81 retirees are receiving benefits under the PERS. The monthly contribution requirements for participants in the Authority's medical plan range from $3 (single "Core Wellness" premium) to $225 (family "Core Plus" premium). The plan was closed to new entrants on January 1, 2009. Therefore, any employee hired on or after this date will not be eligible for any post-employment benefits through the Authority.

Fiscal year 2008 was the first year of implementation for GASB Statement No. 45 as described in Note 2. For the year ended June 30, 2009, the Authority's annual OPEB cost of $6,362,894 was equal to the annual required contribution of $6,402,374 plus interest on the net OPEB obligation of $101,193 less the amortization on the net OPEB obligation of $140,673. The Authority's contributions during fiscal years 2009 and 2008 totaled $1,319,807 and $644,171, respectively. The Authority's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for 2009 and 2008 are as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$6,362,894	20.7%	$7,572,913
2008	3,174,000	20.3%	2,529,829

The funded status of the medical plan as of the most recent actuarial valuation date, July 1, 2008, is detailed below:

Actuarial accrued liability (a)	$52,084,263
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	$52,084,263
Funded ratio (b) / (a)	-%
Covered payroll (c)	$13,075,350
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	398.3%

16. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

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

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

The July 1, 2008, actuarial valuation was reaffirmed by the July 1, 2009, valuation in which the following significant actuarial methods and assumptions were used:

Actuarial valuation method	Entry age normal method
Amortization method	Level percentage over 30 years
Discount rate	4.00%
Health care cost trend rate	9% graded down uniformly to 5% for 2012 and beyond
Mortality	RP-2000 Combined Mortality Table
Retirement rates	Varying rates beginning with 10% at age 55 to 100% retirement at age 65

The Authority adopted the requirements of GASB Statement No. 45 during fiscal year 2008. It elected to apply the provisions of the Statement on a prospective basis, and accordingly, the disclosures presented in Note 16, and the information in the OPEB Plan Schedule of Funding Progress (unaudited) in the required supplementary information section, are presented for fiscal years 2009 and 2008 only.

On April 22, 2009, the Board of Commissioners approved MNAA Resolution 2009-07 establishing an investment trust for the purpose of funding OPEB as provided in Tennessee Code Annotated, Title 8, Chapter 50, Part 12. The Tennessee State Funding Board approved the formation of the trust on June 17, 2009. There is no obligation to fund the trust, and management is currently working to develop a plan whereby cash contributions would be made to help offset the anticipated increased outflows in future years to cover retiree benefits.

Under the Metropolitan Government's PERS, the Authority pays 75% of the cost of medical and dental coverage, while the retirees pay the remaining 25%. The Authority also pays 100% of the premium cost of a $10,000 life insurance policy on each retiree. Currently, 17 retirees are receiving benefits under the PERS. During the years ended June 30, 2009 and 2008, payments of $23,650 and $36,665, respectively, were made to the Metropolitan Government for postemployment benefits under this PERS.

17. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits the deferral of a portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, and accordingly, the related assets of the plan are not reflected on the Authority's statement of net assets. Beginning January 1, 2001, the Authority's matching contributions have been made to a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a). Amounts contributed by the Authority to the deferred compensation plan were $662,844 and $601,320 in 2009 and 2008, respectively.

18. LAND LEASES AND LAND OPTIONS

The Authority leases, or has entered into options to lease, several tracts of land to developers. The leases expire in 2058. In accordance with the terms of the lease agreements, the Authority received advance rental payments totaling $2,533,613. This amount is being amortized into income over the terms of the leases. The unamortized amount was $1,701,767 and 1,736,671 at June 30, 2009 and 2008, respectively. The buildings and any other improvements constructed on the land become the property of the Authority upon the expiration or termination of the leases.

19. MAJOR CUSTOMERS

The two largest airlines serving Nashville International Airport accounted for approximately 63.4% and 62.4% of the total enplanements of 4,460,962 and 4,880,360 in fiscal years 2009 and 2008, respectively.

20. INFORMATION ON AUTHORITY OPERATING RESULTS BY ENTITY

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

	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation	Total
Year Ended June 30, 2009				
Operating revenues	$ 77,430,891	$ 693,713	$ 2,127,648	$ 80,252,252
Operating expenses	51,175,683	405,226	1,495,264	53,076,173
Provision for depreciation	23,581,781	997,541	572,225	25,151,547
Operating income (loss)	$ 2,673,427	$ (709,054)	$ 60,159	$ 2,024,532

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

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Authority's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at June 30, 2009:

				Fair Value Measurements at Reporting Date Using		
	Carrying Amount	Estimated Fair Value	Assets/ Liabilities Measured at Fair Value	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$111,973,429	$111,973,429	$111,973,429	$111,973,429	$ -	$ -
Investments	14,969,945	14,969,945	14,969,945	12,023,720	2,946,225	-
Long-term debt	250,703,724	284,289,318	-			
Derivative financial instruments	4,334,856	4,334,856	4,334,856	-	4,334,856	-

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

Cash and Cash Equivalents (both restricted and nonrestricted) Accounts Receivable, Accounts Payable, and Accrued Liabilities - 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, where available, and on Level 2 inputs.

Long-term Debt - Fair value is estimated based upon market prices, and discounted cash flow analysis based on the current incremental borrowing rate.

Derivative Financial Instruments - The fair value is estimated based on quotes from dealers of these instruments (see Note 8).

The fair value estimates presented herein are based on pertinent information available to management as of June 30, 2009. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of the financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

22. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through October 23, 2009, the issuance date of the financial statements, and has determined that there are no subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
JUNE 30, 2009 (UNAUDITED)

PENSION PLAN:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Under) Overfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	$31,266,571	$29,890,861	$1,375,710	104.60%	$9,215,800	(14.93%)
July 1, 2007	31,554,953	33,173,924	(1,618,971)	95.12%	8,612,671	18.80%
July 1, 2008	30,589,830	35,683,005	(5,093,175)	85.73%	8,940,848	56.97%

OPEB PLAN:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Underfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	$ -	$26,393,914	$(26,393,914)	- %	$13,278,414	198.77%
July 1, 2008	-	52,084,263	(52,084,263)	- %	13,075,350	398.34%

See independent auditors' report.

SUPPLEMENTARY INFORMATION

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF NET ASSETS INFORMATION BY ENTITY
JUNE 30, 2009

	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation	Total
ASSETS				
CURRENT ASSETS:				
Unrestricted assets:				
Cash and cash equivalents	$ 14,889,333	$ 837,782	$ 7,654,623	$ 23,381,738
Short term investments	196,641	-	-	196,641
Accounts receivable—net of allowance for doubtful accounts of $86,484	5,864,713	9,500	53,113	5,927,326
Inventories	425,140	-	-	425,140
Accrued interest receivable	51,103	-	-	51,103
Due from (to) other funds	18,801	(15,411)	(3,390)	-
Prepaid expenses and other	892,794	-	-	892,794
Total current unrestricted assets	22,338,525	831,871	7,704,346	30,874,742
Restricted assets:				
Cash and cash equivalents	88,591,691	-	-	88,591,691
Short-term investments	10,826,130	-	-	10,826,130
Passenger facility charges receivable	1,495,791	-	-	1,495,791
Customer facility charges receivable	685,512	-	-	685,512
Amounts due from governmental agencies	5,192,137	291,320	-	5,483,457
Accrued interest receivable	50,532	-	-	50,532
Total current restricted assets	106,841,793	291,320	-	107,133,113
Total current assets	129,180,318	1,123,191	7,704,346	138,007,855
NONCURRENT ASSETS:				
Capital assets:				
Land and land improvements	487,221,190	21,788,474	-	509,009,664
Land held for future expansion	36,701,068	-	-	36,701,068
Buildings and building improvements	157,454,066	3,778,077	9,918,665	171,150,808
Equipment, furniture and fixtures	50,143,294	293,593	-	50,436,887
Construction in progress	30,933,032	1,526,893	353,944	32,813,869
Total capital assets	762,452,650	27,387,037	10,272,609	800,112,296
Less accumulated depreciation	(343,191,350)	(13,275,331)	(882,581)	(357,349,262)
Total capital assets, net	419,261,300	14,111,706	9,390,028	442,763,034
Restricted investments	18,018	-	-	18,018
Unrestricted investments	3,929,156	-	-	3,929,156
Deferred bond issue costs	2,751,085	-	30,982	2,782,067
Other assets	12,688,934	-	343,794	13,032,728
Total noncurrent assets	438,648,493	14,111,706	9,764,804	462,525,003
TOTAL ASSETS	$ 567,828,811	$ 15,234,897	$ 17,469,150	$ 600,532,858

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF NET ASSETS INFORMATION BY ENTITY
JUNE 30, 2009

	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation	Total
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Payable from unrestricted assets:				
Trade accounts payable	$ 6,245,533	$ 79,887	$ 239,658	$ 6,565,078
Accrued payroll and related items	2,106,800	6,437	-	2,113,237
Current maturities of notes payable	-	-	448,000	448,000
Total payable from unrestricted assets	8,352,333	86,324	687,658	9,126,315
Payable from restricted assets:				
Trade accounts payable	4,339,137	-	-	4,339,137
Accrued interest payable	4,441,911	-	-	4,441,911
Current maturities of airport revenue bonds	26,170,000	-	-	26,170,000
Total payable from restricted assets	34,951,048	-	-	34,951,048
Total current liabilities	43,303,381	86,324	687,658	44,077,363
NONCURRENT LIABILITIES:				
Airport revenue bonds (net of unamortized deferred amount on refunding of $7,675,177)	216,260,391	-	-	216,260,391
Notes payable, less current maturities	-	-	7,825,333	7,825,333
Synthetic advance refunding, Series 2001A	2,577,768	-	-	2,577,768
Fair value of derivative financial instruments	3,675,760	-	659,096	4,334,856
Deferred interest income	1,686,297	-	-	1,686,297
Deferred rental income	1,918,165	12,511	48,171	1,978,847
Other postemployment benefits obligation	7,572,913	-	-	7,572,913
Total noncurrent liabilities	233,691,294	12,511	8,532,600	242,236,405
Total liabilities	276,994,675	98,835	9,220,258	286,313,768
COMMITMENTS AND CONTINGENCIES	-	-	-	-
NET ASSETS:				
Invested in capital assets—net of related debt	219,776,273	14,111,706	1,147,676	235,035,655
Restricted:				
Passenger facility charge projects	30,014,741	-	-	30,014,741
Debt service	32,430,731	-	-	32,430,731
Customer facility charge projects	6,188,574	-	-	6,188,574
Total restricted net assets	68,634,046	-	-	68,634,046
Unrestricted net assets	2,423,817	1,024,356	7,101,216	10,549,389
Total net assets	290,834,136	15,136,062	8,248,892	314,219,090
TOTAL LIABILITIES AND NET ASSETS	$ 567,828,811	$ 15,234,897	$ 17,469,150	$ 600,532,858

See independent auditors’ report.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INFORMATION BY ENTITY
FOR THE YEAR ENDED JUNE 30, 2009

	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation	Total
OPERATING REVENUES:				
Signatory airline	$ 17,017,714	$ -	$ -	$ 17,017,714
Parking	28,174,733	-	-	28,174,733
Concession	16,558,935	-	-	16,558,935
Space rental	7,358,221	653,586	2,065,498	10,077,305
Other	8,321,288	40,127	62,150	8,423,565
	77,430,891	693,713	2,127,648	80,252,252
OPERATING EXPENSES:				
Salaries and wages	26,141,152	198,571	-	26,339,723
Contractual services	15,550,228	136,624	671,752	16,358,604
Materials and supplies	1,655,961	32,066	16,595	1,704,622
Utilities	5,668,565	31,856	530,847	6,231,268
Other	2,159,777	6,109	276,070	2,441,956
	51,175,683	405,226	1,495,264	53,076,173
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	26,255,208	288,487	632,384	27,176,079
PROVISION FOR DEPRECIATION	23,581,781	997,541	572,225	25,151,547
OPERATING INCOME (LOSS)	2,673,427	(709,054)	60,159	2,024,532
NONOPERATING REVENUES:				
Investment income	1,564,968	6,890	71,078	1,642,936
Passenger facility charges	11,480,154	-	-	11,480,154
Customer facility charges	7,648,876	-	-	7,648,876
Loss on disposal of property and equipment	(227,750)	(24,550)	-	(252,300)
	20,466,248	(17,660)	71,078	20,519,666
NONOPERATING EXPENSES:				
Interest expense	13,340,569	1,250	481,877	13,823,696
Loss on derivative financial instruments	1,040,819	-	433,647	1,474,466
	14,381,388	1,250	915,524	15,298,162
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	8,758,287	(727,964)	(784,287)	7,246,036
CAPITAL CONTRIBUTIONS	22,245,092	2,071,566	-	24,316,658
INCREASE (DECREASE) IN NET ASSETS	31,003,379	1,343,602	(784,287)	31,562,694
TOTAL NET ASSETS - BEGINNING OF YEAR	259,830,757	13,792,460	9,033,179	282,656,396
TOTAL NET ASSETS - END OF YEAR	$ 290,834,136	$ 15,136,062	$ 8,248,892	$ 314,219,090

See independent auditors' report.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF AIRPORT REVENUE BONDS, PRINCIPAL AND INTEREST
REQUIREMENTS BY FISCAL YEAR
June 30, 2009 (1)

Year Ending June 30,	Series 1995 Revenue Bonds		Series 1998A Revenue Bonds		Series 1998C Revenue Bonds		Series 2001A Revenue Bonds		Series 2003 PFC Revenue Bonds		Series 2003B Revenue Bonds		Series 2008A Revenue Bonds		Series 2008B Revenue Bonds		Series 2009A Revenue Bonds		Total Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2010	$ 4,510,000	$ 2,006,588	$ 1,480,000	$ 252,325	$ 1,960,000	$ 914,694	$ 6,555,000	$ 3,481,665	$ 2,660,000	$ 212,473	$ 350,000	$ 999,653	$ 6,100,000	$ 1,153,930	$ 2,555,000	$ 1,578,150	$ -	$ 1,140,412	$ 26,170,000	$ 11,739,890	$ 37,909,890
2011	4,960,000	1,781,563	1,315,000	184,588	2,075,000	806,253	6,985,000	3,034,845	3,735,000	143,375	365,000	983,355	6,400,000	866,570	2,710,000	1,407,420	715,000	1,504,213	29,260,000	10,712,182	39,972,182
2012	5,455,000	1,527,511	1,120,000	124,370	2,185,000	695,863	7,450,000	2,558,490	3,825,000	72,612	380,000	964,842	6,700,000	565,740	2,820,000	1,229,760	1,200,000	1,469,488	31,135,000	9,208,676	40,343,676
2013	6,000,000	1,242,500	900,000	73,645	2,305,000	579,291	7,940,000	2,050,620	3,925,000	-	400,000	945,459	100,000	561,250	2,935,000	1,044,855	3,320,000	1,379,088	27,825,000	7,876,708	35,701,708
2014	6,600,000	927,500	645,000	34,473	2,435,000	451,903	8,465,000	1,509,255	-	-	420,000	924,977	100,000	556,760	3,055,000	852,390	3,455,000	1,260,863	25,175,000	6,518,121	31,693,121
2015	7,260,000	581,000	350,000	9,013	2,570,000	317,394	9,020,000	932,250	-	-	445,000	903,043	200,000	547,780	3,180,000	652,050	3,555,000	1,129,050	26,580,000	5,071,580	31,651,580
2016	7,990,000	199,750	-	-	2,720,000	175,225	9,615,000	317,295	-	-	465,000	879,515	200,000	538,800	3,310,000	443,520	3,715,000	977,656	28,015,000	3,531,761	31,546,761
2017	-	-	-	-	1,900,000	51,063	-	-	-	-	490,000	853,928	1,200,000	484,920	3,450,000	226,170	3,860,000	825,394	10,900,000	2,441,475	13,341,475
2018	-	-	-	-	-	-	-	-	-	-	515,000	826,340	3,400,000	332,260	3,590,000	-	4,020,000	661,625	11,525,000	1,820,225	13,345,225
2019	-	-	-	-	-	-	-	-	-	-	545,000	797,243	3,600,000	170,620	-	-	4,190,000	487,056	8,335,000	1,454,919	9,789,919
2020	-	-	-	-	-	-	-	-	-	-	575,000	765,551	3,800,000	-	-	-	7,970,000	197,700	12,345,000	963,251	13,308,251
2021	-	-	-	-	-	-	-	-	-	-	610,000	731,067	-	-	-	-	-	-	610,000	731,067	1,341,067
2022	-	-	-	-	-	-	-	-	-	-	645,000	694,547	-	-	-	-	-	-	645,000	694,547	1,339,547
2023	-	-	-	-	-	-	-	-	-	-	680,000	655,989	-	-	-	-	-	-	680,000	655,989	1,335,989
2024	-	-	-	-	-	-	-	-	-	-	720,000	615,249	-	-	-	-	-	-	720,000	615,249	1,335,249
2025	-	-	-	-	-	-	-	-	-	-	760,000	571,725	-	-	-	-	-	-	760,000	571,725	1,331,725
2026	-	-	-	-	-	-	-	-	-	-	805,000	525,245	-	-	-	-	-	-	805,000	525,245	1,330,245
2027	-	-	-	-	-	-	-	-	-	-	855,000	475,943	-	-	-	-	-	-	855,000	475,943	1,330,943
2028	-	-	-	-	-	-	-	-	-	-	905,000	423,671	-	-	-	-	-	-	905,000	423,671	1,328,671
2029	-	-	-	-	-	-	-	-	-	-	960,000	368,280	-	-	-	-	-	-	960,000	368,280	1,328,280
2030	-	-	-	-	-	-	-	-	-	-	1,015,000	309,623	-	-	-	-	-	-	1,015,000	309,623	1,324,623
2031	-	-	-	-	-	-	-	-	-	-	1,075,000	247,550	-	-	-	-	-	-	1,075,000	247,550	1,322,550
2032	-	-	-	-	-	-	-	-	-	-	1,140,000	181,764	-	-	-	-	-	-	1,140,000	181,764	1,321,764
2033	-	-	-	-	-	-	-	-	-	-	1,210,000	111,969	-	-	-	-	-	-	1,210,000	111,969	1,321,969
2034	-	-	-	-	-	-	-	-	-	-	1,280,000	38,016	-	-	-	-	-	-	1,280,000	38,016	1,318,016
Totals	42,775,000	8,266,412	5,810,000	678,414	18,150,000	3,991,686	56,030,000	13,884,420	14,145,000	428,460	17,610,000	15,794,544	31,800,000	5,778,630	27,605,000	7,434,315	36,000,000	11,032,545	249,925,000	67,289,426	317,214,426
Bond Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180,568	-	180,568	-	180,568
Loss on Refunding:	(3,859,280)	-	-	-	(570,772)	-	(745,866)	-	(89,130)	-	-	-	(1,930,973)	-	(479,156)	-	-	-	(7,675,177)	-	(7,675,177)
	$ 38,915,720	$ 8,266,412	$ 5,810,000	$ 678,414	$ 17,579,228	$ 3,991,686	$ 55,284,134	$ 13,884,420	$ 14,055,870	$ 428,460	$ 17,610,000	$ 15,794,544	$ 29,869,027	$ 5,778,630	$ 27,125,844	$ 7,434,315	$ 36,180,568	$ 11,032,545	$ 242,430,391	$ 67,289,426	$ 309,719,817

(1) This schedule intends to present the cash outflow requirements for payment of principal and interest on the Authority's bonds. Payment of principal on bonds is made annually on July 1. Payment of interest on fixed rate bonds is made semi-annually in July 1, and January 1. Payment of interest on variable rate bonds is generally made monthly.

See independent auditors' report.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2009

Airport	Program Title	CFDA Number	Grantor Agency	Accrued Balance June 30, 2008	Cash Receipts	Expenditures	Accrued Balance June 30, 2009
FEDERAL ASSISTANCE:							
Nashville International	Airport Improvement Program (A)	20.106(B)	Federal Aviation Administration	$ 1,768,684	$ 9,400,773	$ 10,646,268	$ 3,014,179
	Transportion Securtiy Administration In-line Explosive Detection System (A)	N/A(B)	Department of Homeland Security	-	3,933,611	4,764,640	831,029
			TOTAL FEDERAL ASSISTANCE	$ 1,768,684	$ 13,334,384	$ 15,410,908	$ 3,845,208
STATE ASSISTANCE:							
Nashville International			State of Tennessee Department of Transportation	$ 186,651	$ 5,673,906	$ 6,834,184	$ 1,346,929
John C. Tune			State of Tennessee Department of Transportation	151,369	1,931,615	2,071,566	291,320
			TOTAL STATE ASSISTANCE	$ 338,020	$ 7,605,521	$ 8,905,750	$ 1,638,249

(A) Direct assistance
(B) Major program in accordance with OMB Circular A-133.

See notes to schedule of expenditures of federal and state awards and independent auditors’ report.

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Metropolitan Nashville Airport Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

B. CONTINGENCY

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Authority. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Metropolitan Nashville Airport Authority
Nashville, Tennessee

We have audited the 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, 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated October 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was limited for the purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners and management, federal awarding agencies, the Metropolitan Government of Nashville and Davidson County, Tennessee, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 23, 2009

CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Metropolitan Nashville Airport Authority
Nashville, Tennessee

Compliance

We have audited the compliance of the Metropolitan Nashville Airport Authority (the "Authority'), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was limited for the purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners and management, federal awarding agencies, the Metropolitan Government of Nashville and Davidson County, Tennessee, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 23, 2009

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	___yes _x_ no
Significant deficiency(ies) identified not considered to be material weaknesses?	___yes _x_ none reported
Noncompliance material to financial statements noted?	___yes _x_ no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___yes _x_ no
Significant deficiency(ies) identified not considered to be material weaknesses?	___yes _x_ none reported
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	___yes _x_ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	
20.106	Airport Improvement Program	$10,646,268
N/A	Transportation Security Administration - In-line Explosive Detection System	$4,764,640

Dollar threshold used to distinguish between Type A and Type B programs: $462,327

Auditee qualified as low-risk auditee? _X_ yes ____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

A. Significant Deficiencies in Internal Control

None

B. Compliance Findings

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

The Authority had no prior year audit findings related to the testing of its federal award programs.