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, 2012 AND 2011

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2012

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METROPOLITAN NASHVILLE AIRPORT AUTHORITY

INTRODUCTION

The Metropolitan Nashville Airport Authority (the “Authority”) is pleased to present its Annual Financial Report for the years ended June 30, 2012 and 2011.

Responsibility and Controls

The Authority has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Authority’s system of internal accounting controls is evaluated on an ongoing basis by the Authority’s internal financial staff. Crosslin & Associates, P.C., our external auditors, also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Authority’s operations are conducted according to management’s intentions and to a high standard of business ethics. In management’s opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2012 and 2011, 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.

Audit Assurance

The unqualified opinion of our independent external auditors, Crosslin & Associates, P.C., is included in this report.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
AS OF JUNE 30, 2012

BOARD OF COMMISSIONERS

James H. Cheek, III	Chairman
Juli H. Mosley, P.E.	Vice Chairman
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Jack O. Bovender, Jr.	Commissioner
Mayor Karl F. Dean	Commissioner
Rod Essig	Commissioner
Amanda Farnsworth	Commissioner
Robert J. Joslin	Commissioner
Robert J. Walker	Commissioner
Deborah Wright	Commissioner

EXECUTIVE STAFF

Raul L. Regalado	President and Chief Executive Officer (through June 30, 2012)
Robert Wigington	Executive Vice President and Chief Operating Officer (President and Chief Executive Officer effective July 1, 2012)
Robert C. Watson	Senior Vice President Legal Affairs and Government Relations and Chief Legal Officer
Doug Kreulen	Senior Vice President Operations, Maintenance and Public Safety
Stan Van Ostran	Vice President and Chief Financial Officer
Amelia N. Armstrong	Vice President and Chief People Officer
Vanessa J. Hickman	Vice President and Chief Information Officer
John Howard	Assistant Vice President, Properties and Business Development
Walt Matwijec	Assistant Vice President, Continuous Improvement
Robert Ramsey	Assistant Vice President-PDC-Planning and Design
Christine Vitt	Assistant Vice President-PDC-Construction and Environmental
Emily Richard	Director of Corporate Communications and Government Relations (Assistant Vice President, Strategic Communications and External Affairs effective August 27, 2012)

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, 2012 and 2011, 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 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, 2012 and 2011, 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 31, 2012, 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audits were conducted for the purpose of forming an opinion on the Metropolitan Nashville Airport Authority's financial statements as a whole. The introductory section, and 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 purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards 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 the State of Tennessee, and is also not a required part of the financial statements. The schedule of net asset information by entity, schedule of revenues, expenses and changes in net assets information by entity, schedule of airport revenue bonds, principal and interest requirements by fiscal year and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 2012 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 31, 2012

The following Management's Discussion and Analysis ("MD&A") of the Metropolitan Nashville Airport Authority (the "Authority" or "MNAA") 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

Nashville International Airport ("BNA") has been propelling Nashville since its opening in June 1937. This year, 2012, marks the airport's 75^{th} anniversary. Nashville International Airport experienced another year of growth in fiscal year 2012 with more than 9.76 million passengers served and 4.88 million enplanements. Enplanements rose 3.4% and 5.3%, in fiscal years 2012 and 2011, respectively, with Nashville having the fourth highest enplanement growth among the top 75 airports in 2012, jumping from 38th to the 34th largest airport by total passengers. Nashville International Airport currently has 392 daily flights to 48 nonstop markets.

In October 2011, Nashville International Airport was named the 7th best airport by Travel & Leisure magazine. It also received the Richard A. Greisbach Award of Excellence for the Best Concession Program from Airports Council International ("ACI-NA") and the Airport Revenue News ("ARN") award for the Airport with the Best Concessions Program, Airport with Best Customer Service, and Airport with Most Unique Services. Nashville also received these same awards from ARN in 2009.

During fiscal year 2012, the Authority maintained an "A" rating and "stable" outlook with Standard & Poor's Ratings Services for its airport revenue bonds. Moody's Investors Service rated the airport revenue bonds "A2" with a "stable" outlook, but upgraded the outlook to "positive" in August 2012. Moody's also upgraded its rating on the Special Facility bonds for the Consolidated Rental Car ("CONRAC) Facility from "Baa1" to "A3" with a "stable" outlook. The rating improvements were due to the airport's dominant air market share, positive economic trends, low service costs, aggressive debt amortization, and a stable rental car market.

The airport has had an aggressive capital program with major airfield and landside renovations, including extensive terminal renovations. Since 2007, the airport has invested over $391 million in facility improvements. The largest project, the new CONRAC Facility successfully opened, on schedule and under budget, on November 1, 2011. The Authority had previously issued $66.3 million of special facility revenue bonds, with the sole source of revenue being customer facility charges ("CFCs") to finance the project. The Authority also completed work in 2012 on a second phase of terminal renovations, with more than $70 million in terminal renovations completed to date. Other major projects underway or recently completed include $17.4 million for taxiways Tango & Sierra, $9.5 million for taxiway Kilo, and $1.8 million for lighting and energy improvements. The Authority invested a total of $24.2 million in construction during 2012 and had $14.3 million in construction in progress at June 30, 2012.

Airline bankruptcies and consolidations continued in fiscal year 2012. American Airlines' parent, AMR Corporation, filed for bankruptcy in November 2011 and most recently announced it was considering merger opportunities with other airlines. Southwest closed on its acquisition of AirTran and continues its effort to consolidate the two airlines into a single entity. Republic Airlines also announced its intent to spin-off Frontier Airlines during the year. Prior to declaring bankruptcy, American Airlines had announced plans to spin-off American Eagle. Delta's wholly-owned regional carrier, Comair, recently announced it will shut down operations and another Delta regional carrier, Pinnacle Airlines, filed for bankruptcy. Airline mergers in the preceding years included United acquiring Continental, Delta acquiring Northwest, and Republic Airlines acquiring Frontier and Midwest Airlines.

John C. Tune Airport ("JWN"), BNA's general aviation reliever airport on the west side of Nashville, had a planned runway safety project that was stalled in 2011 when a small drainage channel was declared a wetlands area. This $7.0 million safety project is finally expected to proceed in 2013 along with a $1.3 million taxiway extension. JWN also continued to make extensive hangar repairs and completed construction of several T-hangars. A taxiway and apron overlay project for $2.5 million and $1.8 million in runway and taxiway lighting are expected in 2014.

The property development organization of the Authority, MNAA Properties Corporation ("MPC"), continued its efforts to refurbish its largest property, International Plaza. New elevators were recently installed and exterior panels were replaced. The parking lot will be repaved in 2013. Occupancy rates exceeded 86% in 2012, much better than other area office buildings, with interest by prospects remaining at a high level. MPC also expects to make other property investments during 2013 along Murfreesboro road for future business development.

The Authority also experienced a change in leadership at the end of the fiscal year 2012, with the retirement of long-time President and Chief Executive Officer, Raul Regalado. Rob Wigington, formerly Executive Vice President and Chief Operating Officer, was chosen by the Board of Commissioners to become the new President and Chief Executive Officer.

OPERATIONAL HIGHLIGHTS

Enplanements rose 3.4% and 5.3%, respectively, in fiscal years 2012 and 2011, with Nashville having the fourth highest enplanement growth among the top 75 airports in 2012, jumping from 38th to the 34th largest airport by total passengers. Certified gross landed weights were also up 1.8%, totaling 6,146,757 pounds in 2012. Nashville International Airport served over 9.76 million total passengers in fiscal year 2012, operating an average of 382 daily flights to approximately 70 markets, of which 48 are nonstop. Nashville International Airport is able to accommodate continued growth in coming years with space available for additional gates and aircraft parking. MNAA's two airports contribute $3.74 billion in total economic activity, $1.18 billion in wages, and more than 39,700 jobs annually to the regional economy.

Several of the most common indicators of activity during 2012, 2011, and 2010 appear below:

	2012	2011	2010
Enplanements	**4,883,374**	**4,724,974**	**4,487,336**
% increase	3.4%	5.3%	0.6%
Aircraft landed weight (all – 000)	**6,146,757**	**6,038,280**	**5,875,693**
% increase (decrease)	1.8%	2.8%	(8.6%)
Aircraft operations (passenger)	**89,069**	**85,139**	**83,023**
% increase (decrease)	4.6%	2.5%	(5.6%)
Aircraft operations (all other)	**86,991**	**89,459**	**91,145**
% (decrease) increase	(2.8%)	(1.8%)	0.4%
Load Factors	**77.0%**	**75.6%**	**73.6%**
% increase	1.9%	2.7%	8.4%

Load factors are the percentages of seats occupied on all passenger aircraft, both arriving and departing airplanes. Available seats increased by 1.6% in 2012. BNA also saw a 4.6% increase in passenger aircraft operations and 1.8% increase in total airline aircraft operations during 2012. The increase in load factors and landed weight signals that airlines are getting better at selecting the right mix of aircraft to meet scheduling requirements.

Airline mergers continued in 2012 with Southwest closing on its acquisition of AirTran. The bankruptcy of American Airlines is currently driving speculation that it may merge with another carrier. Prior to filing bankruptcy, American had announced plans to spinoff its subsidiary American Eagle. Previous airline consolidations in recent years have included United's merger with Continental, Delta acquiring Northwest, and Republic Airlines acquiring Frontier and Midwest Airlines. The Authority has experienced no significant operational impact from previous mergers and expects no negative impact with the latest merger announcements.

The Board of Commissioners approved the imposition of CFC's for rental car customers. The Authority began collecting a $4.00 CFC per transaction day effective January 1, 2008, and increased the CFC rate to $4.50 effective January 1, 2010. This nonoperating revenue source is to pay for costs, fees, and expenses associated with the planning, design, construction, financing, maintenance, and operation of the CONRAC facility as well as other costs, fees, and expenses that may be paid from CFC proceeds. Since imposition of the CFC fee, the Authority has collected nearly $39.0 million with approximately $10.1 million and $9.1 million collected in fiscal years 2012 and 2011, respectively. Transaction days continued to improve in 2012, averaging 204,260 per month, compared to 168,050 and 156,210 in fiscal years 2011 and 2010, respectively.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

The Authority's Statements of Revenues, Expenses and Changes in Net Assets for the three most recent fiscal years provide considerable insight about the financial impact of activities during the respective years. The following represents a summary of changes in net assets over the past three fiscal years with "% Change" representing the change from 2011 to 2012 and 2010 to 2011:

	2012	2011	% Change	2010	% Change
Operating revenues	$ 83,114,140	$ 89,441,577	(7.1%)	$ 81,684,429	9.5%
Operating expenses	67,377,359	62,294,769	8.2%	57,475,479	8.4%
Operating income before Depreciation	**15,736,781**	**27,146,808**	**(42.0%)**	**24,208,950**	**12.1%**
Provision for depreciation	33,000,622	29,679,570	11.2%	25,882,986	14.7%
Operating loss	**(17,263,841)**	**(2,532,762)**	**>100.0%**	**(1,674,036)**	**(51.3%)**
Nonoperating revenues	23,000,239	24,592,244	(6.5%)	24,245,319	1.4%
Nonoperating expenses	10,891,466	10,579,134	3.0%	22,614,006	(53.2%)
(Loss) income before capital contributions	**(5,155,068)**	**11,480,348**	**>(100.0%)**	**(42,723)**	**>100.0%**
Capital contributions	6,807,058	16,861,226	(59.6%)	46,422,786	(63.7%)
Increase in net assets	**1,651,990**	**28,341,574**	**(94.2%)**	**46,380,063**	**(38.9%)**
Net assets, beginning of year	388,940,727	360,599,153	7.9%	314,219,090	14.8%
Net assets, end of year	**$390,592,717**	**$388,940,727**	**0.4%**	**$360,599,153**	**7.9%**

OPERATING AND NONOPERATING REVENUES HIGHLIGHTS

Operating revenues for the year were down 7.1% over the prior year, mostly due to reduced rates and charges for signatory airlines pursuant to the residual airline agreement. Signatory airline revenues were down 36.3% for the period with "Other" operating revenues down 15.4%, mostly due to lower non-signatory and cargo airline revenues. More non-signatory airlines became signatory airlines during the period to take advantage of the low rates and charges provided signatory carriers. This trend is expected to continue as the end of the signatory airline agreement in 2017 draws nearer. Parking continued to perform well in 2012 with revenues up 9.2%, while concessions revenues were up 9.7%. Operating revenue for 2011 was up 9.5% from 2010, mostly due to strong signatory airline revenue, up 23.3%, and parking revenues, up 11.1%. Signatory airline revenue is expected to be up in 2013 as rates were increased significantly from 2012 rates, based on the residual airline agreement.

Nonoperating revenues were down 6.5% in 2012 mostly due to lower passenger facility charges ("PFC") collections and investment income. The Authority is currently collecting on PFC Application 14, which dropped the approved PFC collection authority from $4.50 to $3.00 in early fiscal year 2012, resulting in the lower PFC collections. Future PFC applications beyond Application 14 have been qualified for collection at the $4.50 rate. Investment income continued with a 10.8% decline due to lower interest rates. The new CONRAC facility was completed under budget and on time, opening November 1, 2011. CFC's, which fund debt service for the CONRAC facility, were up 11.2% in 2012 and 14.7% in 2011. CFC revenues were approximately $10.1 million in 2012 compared to $9.1 million in 2011 and $7.9 million in 2010. Other nonoperating revenue was down in 2012 due to $1.9 million of revenue in 2011 that was predominately the results of a refunding in September 2010 (see Note 5 to Financial Statements, Synthetic Advance Refunding, Series 2001A).

In addition to BNA, other MNAA entities also reported stable operating revenues in 2012. At JWN, the 2012 operating revenue was $747,717, which compares to $711,345 in 2011 and $701,045 in 2010. MPC reported total operating revenue of $2,174,792 in 2012, compared to $1,981,541 in 2011 and $2,128,766 in 2010. However, included in 2010 operating revenue was a payment made by Metro Water Services for $156,713 as a reimbursement for overbilling for water service at International Plaza, one of the two properties MPC owns. Nonoperating revenue was incidental in 2012 and 2011 for both entities, as investment income was down considerably from 2010 due to historically low interest rates.

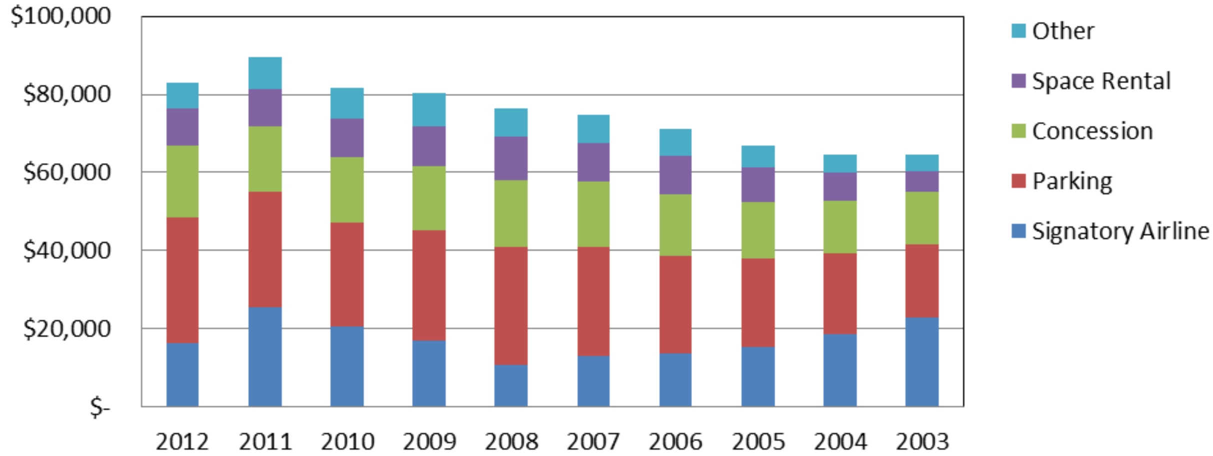
The following summarizes all the Authority revenues for the fiscal years ended June 30, 2012, 2011, and 2010 with "% Change" representing the change from 2011 to 2012 and 2010 to 2011:

	2012	2011	% Change	2010	% Change
Operating revenues					
Signatory airline	$ 16,132,099	$ 25,305,820	(36.3%)	$ 20,522,901	23.3%
Parking	32,467,762	29,743,911	9.2%	26,768,620	11.1%
Concession	18,220,104	16,609,629	9.7%	16,511,983	0.6%
Space rental	9,545,208	9,804,161	(2.6%)	9,938,642	(1.4%)
Other	6,748,967	7,978,056	(15.4%)	7,942,283	0.5%
Total operating revenues	**83,114,140**	**89,441,577**	**(7.1%)**	**81,684,429**	**9.5%**
Nonoperating revenues					
Investment income	305,715	342,616	(10.8%)	781,719	(56.2%)
Passenger facility charges	12,522,227	13,300,248	(5.8%)	15,494,672	(14.2%)
Customer facility charges	10,090,579	9,074,716	11.2%	7,911,785	14.7%
Other nonoperating revenues	81,718	1,874,664	>100%	57,143	>100%
Total nonoperating revenues	**23,000,239**	**24,592,244**	**(6.5%)**	**24,245,319**	**1.4%**
Capital contributions	**6,807,058**	**16,861,226**	**(59.6%)**	**46,422,786**	**(63.7%)**
Total revenues and capital contributions	**$112,921,437**	**$130,895,047**	**(13.7%)**	**$152,352,534**	**(14.1%)**

The five revenue sources that comprise signatory airline fees and charges include: ramp fees (RF), main terminal (MT), north (NC) and south concourse (SC) fees, as well as landing fees (LF). These budgeted rates for 2013 are $133.09 (RF), $130.84 (MT), $62.55 (NC), $57.62 (SC), and $1.52 (LF). In comparison, fees and charges for 2012 are $84.78 (RF), $78.84 (MT), $36.13 (NC), $37.51 (SC), and $0.32 (LF). This further compares to the final true-up fees and charges for 2011 of $101.26 (RF), $93.16 (MT), $41.29 (NC), $41.12 (SC), and $2.05 (LF), and in 2010, $114.62 (RF), $89.12 (MT), $42.31 (NC), $41.33 (SC), and $1.26 (LF). Signatory landing fees, adjusted annually under terms of the residual signatory airline agreement, were only $2.6 million in 2012, down from $10.4 million and $7.0 million in 2011 and 2010, respectively. Non-signatory rates, also referred to as compensatory rates, for 2012 remained at published rates throughout the year at $309.47 (RF), $244.88 (MT), $98.32 (NC), $104.51 (SC) and $3.92 (LF). Budgeted signatory fees and charges for 2013 will increase with the exception of landing fees which will be reduced. The 2013 rates are as follows: $327.15 (RF), $271.07 (MT), $107.23 (NC), $114.82 (SC) and $3.17 (LF). Under the signatory agreement rate model, landing fees are disproportionately affected compared to other cost centers, causing landing fees to move more dramatically with any change in eligible revenue or expense.

The following chart demonstrates the ten-year trend for MNAA's operating revenues from 2003 through 2012:

Operating Revenues (000s)



The Authority offers a frequent parker program that enables customers to earn free parking points when using the public parking areas at BNA. Various marketing efforts promoting the program continued in 2012 and interest has increased in the short-term garage as more space is now available due to the completion of the CONRAC facility.

Capital contributions were down 59.6% in 2012 as the airport has dramatically slowed its capital activities after several years of aggressive capital spending. Capital contributions in 2012 were $6,807,058 compared to $16,861,226 in 2011 and $46,422,786 in 2010.

OPERATING AND NONOPERATING EXPENSES HIGHLIGHTS

The Authority's expenses increased in 2012 for BNA, MPC, and JWN. The following represents a summary of Authority expenses for the fiscal years ended June 30, 2012, 2011, and 2010 with "% Change" representing the change from 2011 to 2012 and 2010 to 2011:

	2012	2011	% Change	2010	% Change
Operating expenses					
Salaries and wages	$30,744,071	$28,570,046	7.6%	$28,057,407	1.8%
Contractual services	24,214,616	21,851,020	10.8%	18,680,783	17.0%
Materials and supplies	3,156,304	2,875,601	9.8%	2,363,467	21.7%
Utilities	6,115,153	6,317,661	(3.2%)	5,909,708	6.9%
Other	3,147,215	2,680,441	17.4%	2,464,114	8.8%
Total operating expenses before provision for depreciation	**67,377,359**	**62,294,769**	**8.2%**	**57,475,479**	**8.4%**
Provision for depreciation	**33,000,622**	**29,679,570**	**11.2%**	**25,882,986**	**14.7%**
Nonoperating expenses					
Interest expense	10,831,659	11,717,420	(7.6%)	15,081,502	(22.3%)
(Gain) loss on disposal of property and equipment	102,077	(426,224)	<(100%)	7,292,588	>(100%)
(Gain) loss on derivative financial instruments	(42,270)	(712,062)	(94.1%)	239,916	>(100%)
Total nonoperating expenses	**10,891,466**	**10,579,134**	**3.0%**	**22,614,006**	**(53.2%)**
Total expenses	**$111,269,447**	**$102,553,473**	**8.5%**	**$105,972,471**	**(3.2%)**

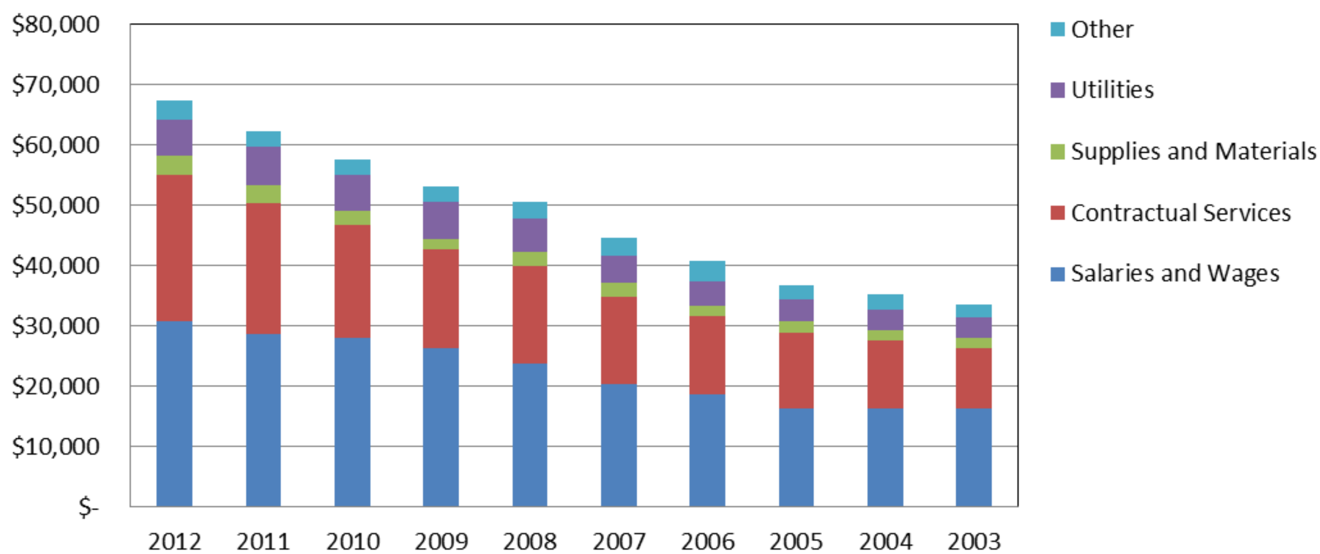
With the exception of utilities, operating expenses were up in all categories in 2012. Utilities benefited from recent energy improvements, resulting in guaranteed utility savings that were used to finance the project. Despite these efforts, the Authority expects to see increased utility costs in future periods as new demand metering is implemented for industrial customers. The remaining categories had anticipated increases that had been budgeted for 2012. Salaries and wages increased 7.6% in 2012. Contractual services and materials and supplies saw the largest increases in 2012, which were attributable to several factors, including additional costs for pavement and airfield maintenance (partially offset by grant revenues), a contract to maintain a new baggage system, increased transportation costs for parking customers and increased information technology spending.

An unusually mild winter led to much lower costs for snow and ice removal in 2012. Winter weather in both 2011 and 2010 led to snow and ice removal costs of $308,226 in 2011, $303,450 in 2010 compared to $11,923 in 2012. Winter weather also contributed to increased costs in other ways. In 2009, a compliance inspection by the State of Tennessee first identified contamination due to stormwater run-off of de-icing fluid at BNA. BNA has continued to make efforts to mitigate the de-icing issue and study how to prevent a recurrence. Additional runoff contamination was noted again in 2011. More information about this item may be found in Note 14 to the financial statements. BNA continues to make further efforts to mitigate the issue, including capital projects for a planned $7.0 million stormwater collection and treatment system.

Depreciation increased by 11.2% in 2012, reflecting the aggressive capital program undertaken in recent years, including the terminal renovations, CONRAC and several airfield projects.

The following chart demonstrates the ten-year trend for MNAA's operating expenses from 2003 through 2012:

Operating Expenses (before Depreciation) (000s)

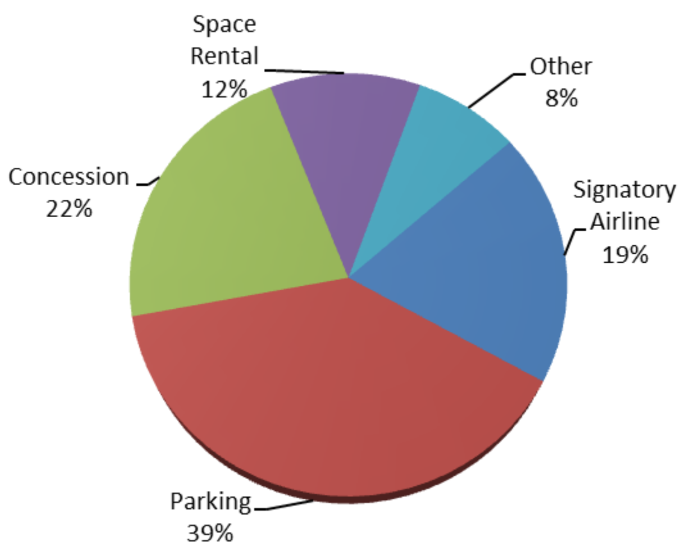


Nonoperating expenses were up 3.0% in 2012. The largest nonoperating expense line item, interest expense, was down by $885,761 and revealed the impact of recent debt refinancings and lower interest rates. The Authority also recognized a gain of $42,270 relating to the change in fair value of interest rate swap derivative instruments, which offset nonoperating expenses.

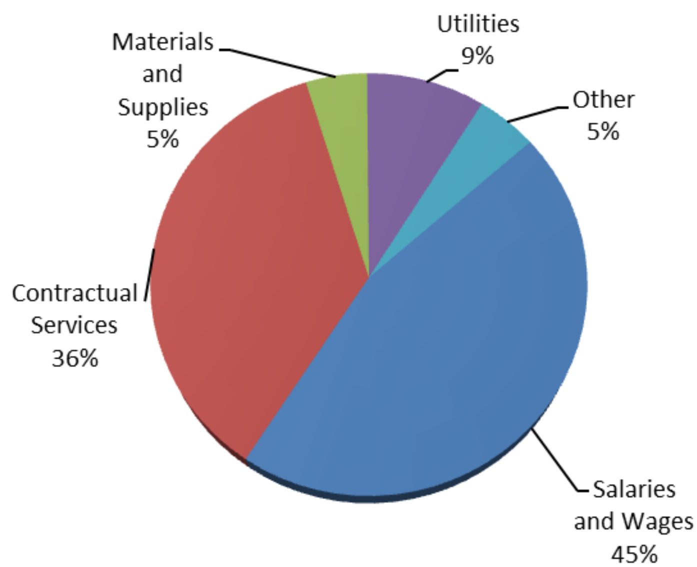
At JWN, operating expenses increased from $434,279 in 2011 to $551,571 in 2012. The higher expenses in 2012 are mostly attributable to increases in salary costs, contract services, and utilities. Operating expenses at MPC were $1,587,732 in 2012 compared with $1,639,661 in 2011, a 3.2% decrease.

The composition of all MNAA operating revenues and operating expenses are presented here for 2012:

FY 2012 Operating Revenues Composition



FY 2012 Operating Expenses Composition before Provision for Depreciation



FINANCIAL POSITION SUMMARY

The Statements of Net Assets depicts the Authority's financial position as of June 30 and include all assets and liabilities of the Authority. The following is a condensed summary of the Authority's financial position at June 30, 2012, 2011, and 2010. The "% Change" reflects changes from 2011 to 2012 and 2010 to 2011, as follows:

	2012	2011	% Change	2010	% Change
Assets					
Current assets	$123,206,280	$133,537,431	(7.7%)	$186,743,588	(28.5%)
Capital assets, net	537,435,069	546,399,466	(1.6%)	494,568,675	10.5%
Other noncurrent assets	11,904,779	17,335,662	(31.3%)	18,810,358	(7.8%)
Total assets	**$672,546,128**	**$697,272,559**	**(3.5%)**	**$700,122,621**	**(0.4%)**
Liabilities					
Current liabilities	$ 50,717,917	$ 49,725,042	2.0%	$ 52,033,831	(4.4%)
Noncurrent liabilities	231,235,494	258,606,790	(10.6%)	287,489,637	(10.0%)
Total liabilities	**281,953,411**	**308,331,832**	**(8.6%)**	**339,523,468**	**(9.2%)**
Net assets					
Invested in capital assets, net of related debt	324,915,657	309,766,045	4.9%	284,697,793	8.8%
Restricted	63,987,381	73,638,747	(13.1%)	66,224,548	11.2%
Unrestricted	1,689,679	5,535,935	(69.5%)	9,676,812	(42.8%)
Total net assets	**390,592,717**	**388,940,727**	**0.4%**	**360,599,153**	**7.9%**
Total liabilities and net assets	**$672,546,128**	**$697,272,559**	**(3.5%)**	**$700,122,621**	**(0.4%)**

Current assets further declined in 2012 mostly from reduction in restricted cash as these funds paid for construction projects completed in late 2011 and 2012. Unrestricted cash improved by $7.0 million in 2012. Land, building and building improvements and equipment had a combined increase in 2012 of approximately $123 million, which was due to the completion of the CONRAC facility. Construction in progress was down by almost $99 million, again mostly due to completion of the CONRAC facility.

Total liabilities decreased by $26.4 million in 2012, mostly from a reduction in airport revenue bonds outstanding. Current liabilities increased slightly during the year from $49,725,042 in 2011 to $50,717,917 in 2012. The current portion of maturities for airport revenue bonds increased from to $27,815,000 in 2011 to $30,510,000 in 2012. At JWN, current liabilities decreased to $49,511 in 2012 compared to $101,090 in 2011 and $317,514 in 2010. MPC current liabilities increased to $1,548,722 compared to $602,850 in 2011 and $852,696 in 2010. Most of this increase is the current portion of a note payable that matures in 2013, that is intended to be refinanced.

The other postemployment benefits ("OPEB") obligation grew by $4.6 million in 2012. The Authority's Board approved a funding plan to address the unfunded pension and OPEB obligations on May 18, 2011. As the funding schedule shows below, the plan provides $19 million for the retirement plan and $14 million for OPEB through 2017, the end of the signatory airline agreement, and works with the Authority's goal to manage these liabilities. At that time, debt service requirements will be substantially reduced and funding shortfalls, if any, can be further addressed. The Authority has made the contributions to respective plans under the funding plan through 2012.

Fiscal Year	Retirement Plan Funding	OPEB Plan Funding
2010	$ -	$ 500,000
2011	1,000,000	500,000
2012	1,500,000	500,000
2013	1,500,000	1,000,000
2014	5,000,000	1,000,000
2015	5,000,000	1,000,000
2016	5,000,000	1,000,000
2017	-	8,500,000
TOTAL	**$19,000,000**	**$14,000,000**

The portion of the Authority's net assets shown below, $63,987,381, represents 16.4% of total net assets. This compares with $73,638,747 (18.9% of total net assets) in restricted net assets at June 30, 2011 and $66,224,548 (18.4% of total net assets) at June 30, 2010. These resources are subject to restrictions on use and are not available for spending as they have already been committed as follows:

Passenger facility charge projects and related debt service	$16,976,473
Customer facility charge projects and related debt service	17,124,572
Debt service and other	29,886,336
Total restricted net assets	$63,987,381

The unrestricted net assets of $1,689,679 may be used to meet the Authority's ongoing obligations.

CASH MANAGEMENT POLICIES AND CASH FLOW ACTIVITIES

All cash receipts are deposited daily into interest-bearing accounts. All investments are in compliance with the laws of the State of Tennessee and the Investment Policy adopted by the Authority's Board of Commissioners. The proceeds from issuance of the CONRAC Series 2010 bonds, to cover construction costs of the consolidated rental car facility, account significantly for the increase of cash and cash equivalents during fiscal year 2010. Use of such proceeds during 2011 and 2012 caused the decrease at June 30, 2011 and 2012.

	2012	2011	2010
Cash flows provided by (used in):			
Operating	$ 18,320,242	$ 33,157,649	$ 37,492,750
Non-capital financing	(992,425)	(992,425)	(1,349,653)
Capital and related financing	(29,731,787)	(81,724,573)	13,063,742
Investing	4,513,447	20,901,031	(13,972,349)
Net increase (decrease) in cash and cash equivalents	**(7,890,523)**	**(28,658,318)**	**35,234,490**
Cash and cash equivalents:			
Beginning of year	118,549,601	147,207,919	111,973,429
End of year	$110,659,078	$118,549,601	$147,207,919

CAPITAL ACTIVITIES

Capital assets, net of accumulated depreciation, decreased from $546,399,466 in 2011 to $537,435,069 in 2012. This decrease is due to an increase in accumulated depreciation from an aggressive capital improvement program in recent years, with over $300 million in capital improvements made since 2008. One of the largest projects in the Authority's history, the CONRAC facility, opened on November 1, 2011. Phase II of the terminal renovation project was completed in 2011. Several other large airfield and landside projects were completed as well. The Authority continues to seek out federal and state support for eligible projects whenever possible. Additional funding is provided through PFCs, CFCs, 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 to the financial statements provides additional information about the additions, retirements, and transfers during the years ended June 30, 2012 and 2011.

DEBT ADMINISTRATION

The Authority did not issue any debt during fiscal year 2012. During fiscal year 2011, the Authority issued Airport Improvement Revenue Bond Series 2010B in the amount of $70,400,000 and Revenue Bond Series 2010C in the amount of $16,170,000. The Series 2010B and 2010C bonds were issued to refund certain of the outstanding Airport Improvement Revenue Bonds, pay the premiums of municipal bond insurance policies and debt service reserve surety policies for the 2010B&C Bonds, and pay certain costs of their issuance. The refunding did not extend the maturity dates of the bonds and reduced the total principal and interest due during the remaining term of the bonds, fiscal years 2012 to 2017, by $11,345,710. The refunded bonds consisted of the following:

Series of Refunded Bonds	Maturities (July 1) Years Inclusive	Refunded Amounts	Redemption Date	Redemption Price
1995	2011 - 2015	$ 33,305,000	September 20, 2010	100%
1998A	2011 - 2014	3,015,000	September 20, 2010	100%
1998C	2011, 2013 - 2016	14,115,000	September 20, 2010	100%
2001A	2011 - 2015	42,490,000	September 20, 2010	103%
		$ 92,925,000		

The first principal amounts for the Series 2010B of $9,900,000 and Series 2010C of $2,805,000 were due on July 1, 2011. The Series 2010B bonds mature on July 1, 2015, and the Series 2010C mature on July 1, 2016.

As of June 30, 2012, 2011 and 2010, the Authority's balance of outstanding long-term revenue bonds were $229,165,00, $256,980,000, and $290,775,000, respectively. The current portion of revenue bonds is $30,510,000 and is due on July 1, 2012.

The only bond issued under the Authority's PFC bond resolution will mature July 1, 2012, with $3,925,000 principal owed on or before that date. The Series 2010A bonds are being paid for with draws from PFC collections as a result of eligible projects undertaken in the 1990s that were paid for years ago. 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 is 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.

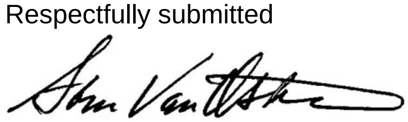
Series Description	Balance June 30, 2011	New Borrowings	Principal Repayment	Balance June 30, 2012
Series 2003 PFC	$ 7,750,000	$ -	$ (3,825,000)	$ 3,925,000
Series 2003B	17,260,000	-	-	17,260,000
Series 2008A	19,300,000	-	(6,700,000)	12,600,000
Series 2009A	35,285,000	-	(1,200,000)	34,085,000
Series 2010A	24,515,000	-	(3,295,000)	21,220,000
CONRAC Series 2010	66,300,000	-	-	66,300,000
Series 2010B	70,400,000	-	(9,990,000)	60,410,000
Series 2010C	16,170,000	-	(2,805,000)	13,365,000
Total	$ 256,980,000	$ -	$ (27,815,000)	$ 229,165,000

For more information on the Authority's outstanding bonds, see Note 5 to Financial Statements and "Schedule of Airport Revenue Bonds, Principal and Interest Requirements by Fiscal Year."

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, by sending an email to finance@nashintl.com, or by calling (615) 275-1600.

Respectfully submitted



Stan Van Ostran
Vice President and Chief Financial Officer
Nashville, Tennessee

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents	$ 41,484,104	$ 34,397,372
Accounts receivable (net of allowance for doubtful accounts of $110,000 and $47,948, respectively)	3,638,051	2,801,699
Inventories	639,006	594,835
Prepaid expenses and other	850,751	833,092
Total current unrestricted assets	46,611,912	38,626,998
Restricted assets:		
Cash and cash equivalents	69,174,974	84,152,229
Short-term investments	4,290,000	5,159,000
Passenger facility charges receivable	1,223,688	1,172,837
Customer facility charges receivable	922,387	883,490
Amounts due from governmental agencies	983,319	3,542,877
Total current restricted assets	76,594,368	94,910,433
Total current assets	123,206,280	133,537,431
NONCURRENT ASSETS:		
Capital assets:		
Land and land improvements	533,620,364	518,623,318
Land held for future expansion	36,701,068	36,701,068
Buildings and building improvements	253,445,668	183,122,322
Equipment, furniture and fixtures	95,181,689	57,665,911
Construction in progress	14,275,669	113,187,969
Total capital assets	933,224,458	909,300,588
Less accumulated depreciation	(395,789,389)	(362,901,122)
Total capital assets, net	537,435,069	546,399,466
Restricted investments	-	3,601,764
Deferred bond issue costs	4,208,560	4,764,673
Other assets	7,696,219	8,969,225
Total noncurrent assets	549,339,848	563,735,128
TOTAL ASSETS	$ 672,546,128	$ 697,272,559

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Trade accounts payable	$ 7,248,500	$ 6,893,744
Accrued payroll and related items	3,334,560	3,137,291
Current maturities of notes payable	1,451,000	448,000
Total payable from unrestricted assets	12,034,060	10,479,035
Payable from restricted assets:		
Trade accounts payable	3,086,427	6,043,191
Accrued interest payable	5,087,430	5,387,816
Current maturities of airport revenue bonds	30,510,000	27,815,000
Total payable from restricted assets	38,683,857	39,246,007
Total current liabilities	50,717,917	49,725,042
NONCURRENT LIABILITIES:		
Airport revenue bonds, less current maturities (net of unamortized deferred amount on refunding of $4,906,944 and $6,608,155, respectively)	198,794,708	229,023,078
Notes payable, less current maturities	5,478,329	6,929,329
Fair value of derivative financial instruments	2,721,795	2,764,065
Deferred interest income	916,796	1,179,828
Deferred rental income	1,896,569	1,919,966
Other postemployment benefits obligation	21,427,297	16,790,524
Total noncurrent liabilities	231,235,494	258,606,790
Total liabilities	281,953,411	308,331,832
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS:		
Invested in capital assets - net of related debt	324,915,657	309,766,045
Restricted:		
Passenger facility charge projects and debt service	16,976,473	20,471,601
Customer facility charge projects and debt service	17,124,572	23,105,902
Debt service and other	29,886,336	30,061,244
Total restricted net assets	63,987,381	73,638,747
Unrestricted net assets	1,689,679	5,535,935
Total net assets	390,592,717	388,940,727
TOTAL LIABILITIES AND NET ASSETS	$672,546,128	$697,272,559

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, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Signatory airline	$ 16,132,099	$ 25,305,820
Parking	32,467,762	29,743,911
Concession	18,220,104	16,609,629
Space rental	9,545,208	9,804,161
Other	6,748,967	7,978,056
	83,114,140	89,441,577
OPERATING EXPENSES:		
Salaries and wages	30,744,071	28,570,046
Contractual services	24,214,616	21,851,020
Materials and supplies	3,156,304	2,875,601
Utilities	6,115,153	6,317,661
Other	3,147,215	2,680,441
	67,377,359	62,294,769
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	15,736,781	27,146,808
PROVISION FOR DEPRECIATION	33,000,622	29,679,570
OPERATING LOSS	(17,263,841)	(2,532,762)
NONOPERATING REVENUES (EXPENSES):		
Investment income	305,715	342,616
Passenger facility charges	12,522,227	13,300,248
Customer facility charges	10,090,579	9,074,716
Interest expense	(10,831,659)	(11,717,420)
(Loss) gain on disposal of property and equipment	(102,077)	426,224
Gain on derivative financial instruments	42,270	712,062
Other nonoperating, net	81,718	1,874,664
	12,108,773	14,013,110
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS	(5,155,068)	11,480,348
CAPITAL CONTRIBUTIONS	6,807,058	16,861,226
INCREASE IN NET ASSETS	1,651,990	28,341,574
TOTAL NET ASSETS - BEGINNING OF YEAR	388,940,727	360,599,153
TOTAL NET ASSETS - END OF YEAR	$ 390,592,717	$ 388,940,727

See accompanying notes to financial statements.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 82,255,471	$ 91,685,202
Cash paid to employees	(25,910,029)	(24,302,919)
Cash paid to suppliers	(34,877,985)	(31,544,193)
Other payments	(3,147,215)	(2,680,441)
Net cash provided by operating activities	18,320,242	33,157,649
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interest paid on long-term debt	(992,425)	(992,425)
Net cash used in noncapital financing activities	(992,425)	(992,425)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipt of passenger facility charges	12,471,376	14,613,398
Receipt of customer facility charges	10,051,682	9,045,758
Purchases of property and equipment	(24,255,225)	(81,521,662)
Interest paid on long-term debt	(9,301,877)	(10,771,991)
Net cash used in debt refundings	-	(1,873,780)
Payment of bond issue costs	-	(1,348,329)
Payments on long-term debt	(28,263,000)	(27,888,000)
Contributions from governmental agencies	9,366,616	17,522,917
Other receipts	198,641	497,116
Net cash used in capital and related financing activities	(29,731,787)	(81,724,573)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(24,119,527)	(35,473,412)
Proceeds from the sale and maturities of investments	28,588,527	56,054,902
Interest received on investments	44,447	319,541
Net cash provided by investing activities	4,513,447	20,901,031
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,890,523)	(28,658,318)
CASH AND CASH EQUIVALENTS		
Beginning of year	118,549,601	147,207,919
End of year	$ 110,659,078	$ 118,549,601

See accompanying notes to financial statements.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS - Continued
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$(17,263,841)	$(2,532,762)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Provision for depreciation	33,000,622	29,679,570
Amortization of deferred real estate leasing commission	1,080	1,080
Amortization of deferred rental income	(34,904)	(34,904)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(836,352)	2,275,569
Increase in inventories	(44,171)	(74,181)
Increase in prepaid expenses	(17,659)	(56,737)
Decrease in other assets	1,271,926	1,364,080
Decrease in trade accounts payable	(2,602,008)	(1,733,073)
Increase in accrued payroll and related items	197,269	142,379
Increase in deferred rental income	11,507	1,880
Increase in other postemployment benefit obligation	4,636,773	4,124,748
Net cash provided by operating activities	$ 18,320,242	$ 33,157,649
CASH AND CASH EQUIVALENTS - END OF YEAR CONSIST OF:		
Unrestricted cash and cash equivalents	$ 41,484,104	$ 34,397,372
Restricted cash and cash equivalents	69,174,974	84,152,229
	$110,659,078	$118,549,601

NONCASH INVESTING AND FINANCING ACTIVITIES:

During 2012 and 2011, $837,743 and $1,144,071, respectively, were recorded to interest expense for amortization of deferred bond issue costs, deferred loss on refunding of debt, and bond premium.

During 2012 and 2011, $263,032 and $154,616, respectively, were included in investment income related to the amortization of deferred interest income.

During 2012 and 2011, gains of $42,270 and $712,062 respectively, were recognized for the change in fair value of derivative financial instruments.

During 2011, interest expense was reduced by $97,972 for the amortization of the synthetic advance refunding.

During 2011, bond issue costs of $644,268 were reclassified to deferred loss on refunding relating to the 2010B & C bonds.

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 by the Governmental Accounting Standards Board ("GASB"), 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 Authority 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 non-profit 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. 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.

During November 2009, the Board of Commissioners approved the formation of a Tennessee nonprofit limited liability company, MPC CONRAC, LLC. This entity was created in connection with the special facilities financing for the Authority's consolidated rental car facility. MPC CONRAC, LLC is a single member LLC, wholly owned by MPC. The formation of MPC CONRAC, LLC created an appropriate entity to execute various agreements and secure financing and services for the consolidated rental car ("CONRAC") facility, which was completed in November 2011.

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 including MPC CONRAC, LLC as noted above.

The Authority applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. 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, pension valuation, 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 and capital improvement budget to obtain the support of the Airline Affairs Committee, which is composed of the signatory airlines operating at Nashville International Airport, 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 annual operating budget and capital improvement budget are submitted to the Board of Commissioners for approval for John C. Tune Airport and to the Board of Directors for 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Parking - Parking revenue is generated primarily from the operation of Authority-owned parking facilities at Nashville International Airport. This amount is presented net of 'frequent parker' and other incentive programs.

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 securities of U. S. Agencies. 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 and equipment from the Federal Airport Improvement Program ("AIP") of the Federal Aviation Administration ("FAA") 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 the consolidated rental car facility, or for purposes specified by the PFC program, as administered by the FAA.

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

Capital Assets

Capital assets are stated at cost, except for contributions of property received from governmental agencies, which are recorded at fair value at the time of contribution. The Authority's policy is to capitalize assets with a cost of $25,000 or more at Nashville International Airport and $10,000 at John C. Tune Airport and MPC. Routine maintenance and repairs are expensed as incurred. Interest cost incurred during the construction of facilities is capitalized as part of project costs if funding is not from grants. 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	10 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 consist of interest rate swap agreements, and are accounted for at fair value in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

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. Issue costs associated with refunded bonds are reclassified from unamortized issue costs assets to deferred loss on refunding at the time of refunding and amortized over the term of the new bonds, or old bonds, whichever is shorter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Postemployment Benefits

Postemployment pension 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.

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 Loss on Bond Refundings

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*, the refunding difference between the net carrying amount of the original debt and the reacquisition price is reported as a deduction from long-term debt. The deferred loss on refunding is amortized over the term of the new bonds or old bonds, whichever is shorter, using the effective interest method or the straight-line method, when not materially different.

Deferred Revenue

Deferred revenue consists of deferred interest income and deferred rental income. Deferred interest income relates to the Authority's debt forward delivery agreement entered into in connection with certain bond financing transactions (See Note 3). The deferred interest income is being amortized to nonoperating 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 nonoperating income on a straight-line basis over the terms of the related leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Fair Value Measurements

Assets and liabilities recorded at fair value in the statements of net assets are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements

The GASB has recently issued the following pronouncements, which are applicable to the Authority for the year ending June 30, 2013:

Statement No. 61 - The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34

The objective of this Statement is to improve financial reporting for a governmental financial reporting entity to better meet user needs and to address reporting entity issues. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity.

The objectives of the amendments to the criteria for including component units is to allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

The amendments to the criteria for blending intends to improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic. For primary governments that are business-type activities reporting in a single column, the guidance for reporting blended component units allows users to better distinguish between the primary government and its component units by requiring condensed combining information to be included in the notes to the financial statements.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

Statement No. 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board ("FASB") Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure.

This Statement eliminates the election provided for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

Management is currently analyzing the impact of the recently issued GASB Statements on the Authority's financial statements and related disclosures.

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 $111,509,249 and $120,891,981 at June 30, 2012 and 2011, respectively (with a carrying value of $110,659,078 and $118,549,601) represent a variety of time deposits and cash equivalents.

Cash deposits are maintained at two financial institutions 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 institutions are members 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. These cash equivalents are collateralized at 105%, as required by State statute.

Investments

As of June 30, 2012 and 2011, the Authority had the following investments and related maturities:

Investment Type	Credit Rating	Fair Value	Investment Maturities (in Years): Less than 1	1– 5	6–10
June 30, 2012:					
U.S. Agencies	AA+/aaa	$ 4,290,000	$ 4,290,000	$ -	$ -
June 30, 2011:					
U.S. Agencies	AAA/aaa	$ 8,760,764	$ 5,159,000	$ 3,601,764	$ -

The credit ratings above are reported as of June 30, 2012 and 2011, respectively. During August 2011, S&P downgraded the credit rating for U.S. Agency investments from AAA to AA+.

The carrying amount of investments is reflected in the accompanying statements of net assets at June 30, 2012 and 2011, as follows:

	2012	2011
Short-term restricted investments	$ 4,290,000	$ 5,159,000
Noncurrent restricted investments	-	3,601,764
	$ 4,290,000	$ 8,760,764

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

Interest Rate Risk - The Authority's investment policy states that the investment 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%), CMOs/Mortgage Backed Securities (0 - 25%), and Cash Equivalents (0 - 100%). 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 ("CFO") determines a duration target for the portfolio, which typically does 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 investments at June 30, 2012 and 2011, are collateralized by securities held by the Authority's agent in the Authority's name.

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

Forward Delivery Agreement

In November 1999, the Authority entered into a Debt Service Forward Delivery Agreement ("1999 DSFDA") with a financial institution for the continuous investment of certain bond principal and interest investments through the term of the respective 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. The amount of the upfront payment was recorded as deferred interest income and is being amortized into income over the term of the agreement. Certain bond refundings have occurred since the Authority entered into the 1999 DSFDA. The principal and interest investments of the new bonds have replaced the investments of the former bond series. As of June 30, 2012, the bonds subject to the 1999 DSFDA include Series 2008A, Series 2010B and Series 2010C.

The remaining unearned amount relating to the forward delivery agreement was $916,796 and $1,179,828 at June 30, 2012 and 2011, 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, 2012 and 2011, were as follows:

	Balance June 30, 2011	Additions	Retirements	Transfers	Balance June 30, 2012
Capital assets not being depreciated:					
Land	$ 60,510,397	$ -	$ (219,000)	$ -	$ 60,291,397
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	113,187,969	24,255,225	-	(123,167,525)	14,275,669
Total capital assets not being depreciated	210,399,434	24,255,225	(219,000)	(123,167,525)	111,268,134
Capital assets being depreciated:					
Land improvements	458,112,921	-	-	15,216,046	473,328,967
Buildings and building improvements	183,122,322	-	-	70,323,346	253,445,668
Equipment, furniture and fixtures	57,665,911	-	(112,355)	37,628,133	95,181,689
Total capital assets being depreciated	698,901,154	-	(112,355)	123,167,525	821,956,324
Less accumulated depreciation:					
Land improvements	(245,800,375)	(17,004,136)	-	-	(262,804,511)
Buildings and building improvements	(85,416,698)	(10,936,962)	-	-	(96,353,660)
Equipment, furniture and fixtures	(31,684,049)	(5,059,524)	112,355	-	(36,631,218)
Total accumulated depreciation	(362,901,122)	(33,000,622)	112,355	-	(395,789,389)
Net capital assets being depreciated	336,000,032	(33,000,622)	-	123,167,525	426,166,935
Net capital assets	$ 546,399,466	$ (8,745,397)	$ (219,000)	$ -	$ 537,435,069

	Balance June 30, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Capital assets not being depreciated:					
Land	$ 60,994,397	$ -	$ -	$ (484,000)	$ 60,510,397
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	90,428,596	81,521,662	-	(58,762,289)	113,187,969
Total capital assets not being depreciated	188,124,061	81,521,662	-	(59,246,289)	210,399,434
Capital assets being depreciated:					
Land improvements	444,599,608	-	(17,175,982)	30,689,295	458,112,921
Buildings and building improvements	161,692,621	-	(288,428)	21,718,129	183,122,322
Equipment, furniture and fixtures	51,082,588	-	(255,542)	6,838,865	57,665,911
Total capital assets being depreciated	657,374,817	-	(17,719,952)	59,246,289	698,901,154
Less accumulated depreciation:					
Land improvements	(245,879,376)	(17,095,352)	17,174,353	-	(245,800,375)
Buildings and building improvements	(77,442,332)	(8,259,389)	285,023	-	(85,416,698)
Equipment, furniture and fixtures	(27,608,495)	(4,324,829)	249,275	-	(31,684,049)
Total accumulated depreciation	(350,930,203)	(29,679,570)	17,708,651	-	(362,901,122)
Net capital assets being depreciated	306,444,614	(29,679,570)	(11,301)	59,246,289	336,000,032
Net capital assets	$ 494,568,675	$ 51,842,092	$ (11,301)	$ -	$ 546,399,466

4. CAPITAL ASSETS - Continued

The amount of construction in progress at June 30, 2012, is attributable to the following (See Note 14):

Exterior terminal repair & escalators	$ 4,018,571
Lighting improvements	1,813,352
Upgrade security camera system	1,448,952
Switchgear upgrade	1,417,001
Taxiway Kilo reconstruction	1,068,070
Other projects	4,509,723
Total construction in progress	$14,275,669

During fiscal year 2012, $123,167,525 of construction in progress were substantially completed and were transferred to capital assets as follows:

CONRAC	$ 69,169,476
In-line explosive detection system	32,668,434
Taxiway T4&S	13,375,215
Other projects	7,954,400
	$123,167,525

The amount of construction in progress at June 30, 2011, was attributable to the following:

CONRAC	$ 62,429,082
In-line explosive detection system	32,551,994
Taxiway T4&S	7,295,674
Other projects	10,911,219
Total construction in progress	$113,187,969

During fiscal year 2011, $59,246,289 of construction in progress were substantially completed and were transferred to capital assets as follows:

Terminal renovation - Phase II	$20,511,303
Runway 2L-20R reconstruction	28,111,468
Access control system replacement	4,191,123
Other projects	6,432,395
	$59,246,289

During fiscal years 2012 and 2011, the Authority capitalized interest of $1,152,675 and $2,239,432, respectively, relating to the CONRAC project.

5. AIRPORT BONDS

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 Series 1995 bonds were initially issued bearing interest at a variable weekly rate, but were subsequently remarketed with a fixed rate. The remarketed bonds contained serial bonds at interest rates ranging from 4.80% to 5.00%. At the option of the Authority, the Series 1995 bonds, maturing on and after July 1, 2010, may be repaid at 100% of the principal balance outstanding. The Series 1995 bonds were refunded in their entirety with the Series 2010B bonds in August 2010. See further discussion of the 2010B bonds below.

Airport Improvement Revenue Bonds, Series 1998

During December 1997, the Authority issued Series 1998A bonds in the principal amount of $19,695,000. The Series 1998A issue contained serial bonds at interest rates ranging from 4.90% to 5.15%. At the option of the Authority, the 1998A bonds, maturing on and after July 1, 2010, may be repaid at 100% of the principal balance outstanding. The Series 1998A bonds were refunded in their entirety with the Series 2010C bonds in August 2010. See further discussion of the 2010C bonds below.

During March 1998, the Authority issued Series 1998C bonds in the principal amount of $32,660,000. The 1998C issue contained serial bonds at the interest rate of 5.38%. At the option of the Authority, the 1998C bonds may be repaid beginning July 1, 2010, at 100% of the principal balance outstanding. The Series 1998C bonds were refunded in their entirety with the Series 2010C bonds in August 2010. See further discussion of the 2010C bonds below.

Airport Improvement Revenue Bonds, Series 2001A

During April 2001, the Authority issued Series 2001A bonds in the principal amount of $91,930,000. The Series 2001A issue contained serial bonds at an interest rate of 6.60%. The Series 2001A bonds were refunded in their entirety with the Series 2010B bonds in August 2010. The reacquisition price was 103% of the outstanding principal. See further discussion of the 2010B bonds below.

Synthetic Advance Refunding, Series 2001A

During September 1998, the Authority completed a synthetic advance refunding of $91,930,000 of the Authority's 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 the 2001A bonds which were used to redeem the long-term portion of the outstanding 1991C Bonds.

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.

5. AIRPORT BONDS - Continued

As described below, the Series 2001A bonds were refunded with the Series 2010B bonds. Upon issuance of the 2010B bonds, an analysis of the 2001A synthetic advance refunding concluded that any obligation associated with the upfront payment was defeased at the first call date, July 1, 2010. Therefore, the outstanding deferred credit balance was recorded to other nonoperating income at the time the Series 2001A bonds were refunded with the 2010B bonds in August 2010. More information about the refunding of these bonds is detailed below.

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 primarily to refund $29,885,000 aggregate principal amount of the Authority's Passenger Facility Charge and Airport Improvement Revenue Bonds, Series 1992, and to fund a reserve with respect to the Series 2003 bonds. 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 amortized through fiscal year 2012.

Subject to the satisfaction of certain conditions, 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. During fiscal years 2012 and 2011, interest on the bonds was calculated using a variable rate. The bonds mature on July 1, 2012, after making the last payment of $3,925,000.

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 (See Note 15).

The remaining Series 2003B bonds contain serial bonds at interest rates ranging from 4.97% to 5.94%, with annual sinking fund requirements in progressive annual amounts ranging from $1,145,000 on July 1, 2012, to $1,280,000 on July 1, 2033. The annual amounts accumulated in the sinking fund will be used to pay bond holders on July 1, 2012, 2013, 2014, 2015, 2018, 2023, and 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, 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 amortized through fiscal year 2020.

5. AIRPORT BONDS - Continued

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 progressive annual amounts ranging from $100,000 on July 1, 2012, to $3,800,000 on July 1, 2019.

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, and to fund a deposit to the debt service reserve account for the Series 2009A bonds.

The remaining Series 2009A bonds contain serial bonds at interest rates ranging from 3.00% to 5.25%, maturing in progressive annual amounts ranging from $3,320,000 on July 1, 2012, 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.

Airport Improvement Revenue Bonds, Series 2010A

During February 2010, the Authority issued Series 2010A bonds in the principal amount of $25,770,000. The bonds were issued to provide funds to refund $25,050,000 aggregate outstanding principal amount of the Authority's Series 2008B bonds and to pay issuance costs. The purpose of the refunding was to replace variable rate bonds with fixed rate bonds thereby terminating an interest rate swap with a financial institution. 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 2008B bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $498,838. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized through fiscal year 2018.

The remaining Series 2010A issue contains serial bonds at interest rates ranging from 4.00% to 5.00%, maturing in amounts ranging from $3,365,000 on July 1, 2012, to $3,835,000 on July 1, 2017.

Special Facility Revenue Bonds (MPC CONRAC LLC Project) Series 2010 Bonds

During February 2010, the Authority issued CONRAC Series 2010 bonds in the principal amount of $66,300,000. The bonds, together with customer facility charge ("CFC") collections on hand and collected during the construction period, were used for the development and construction of a new consolidated rental car ("CONRAC") facility and related improvements, including quick turnaround facilities at the Airport, to fund certain deposits to the debt service reserve fund and coverage fund, and to pay bond issue costs of $2,268,828. The CONRAC Series 2010 bonds are payable from and secured by a pledge of certain rental payments derived from CFC's under leases with rental car agencies (See Note 10).

The CONRAC Series 2010 bonds contain serial bonds at interest rates ranging from 2.25% to 6.19%, maturing in progressive annual amounts ranging from $1,580,000 on July 1, 2012, to $3,800,000 on July 1, 2024. The CONRAC Series 2010 bonds also contain term bonds of $31,765,000, bearing interest at 6.79% and maturing on July 1, 2029. The CONRAC term bonds are subject to mandatory annual sinking fund requirements of $4,055,000 on July 1, 2025, to $13,755,000 on July 1, 2029.

5. AIRPORT BONDS - Continued

Airport Improvement Revenue Bonds, Series 2010B&C

During August 2010, the Authority issued Series 2010B bonds in the principal amount of $70,400,000 and Series 2010C in the principal amount of $16,170,000, collectively the "Series 2010B&C Bonds." These bonds, together with other funds of the Authority, were issued to provide funds to refund $92,925,000 aggregate outstanding principal amount of the Authority's Series 1995, 1998A, 1998C, and 2001A bonds, to pay the premiums of municipal bond insurance policies and debt service reserve fund surety policies, and to pay certain costs of their issuance. Interest on the 2010C bonds is treated as a preference item in calculating alternative minimum tax. The 2010B&C bonds were issued at a premium totaling $5,755,919. The refunding resulted in an economic gain of approximately $8,500,000.

The refunding of the Series 1995, 1998A, 1998C and 2001A bonds resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $1,918,969, including a 3%, $1,274,700 repayment premium on the 2001A bonds. This difference, reported as a deduction from long-term debt, is being amortized through fiscal year 2017.

The Series 2010B issue contains serial bonds at interest rates ranging from 3.00% to 4.00%, maturing in progressive annual amounts from $13,865,000 on July 1, 2012, to $16,475,000 on July 1, 2015. The Series 2010C issue contains serial bonds at interest ranging from 3.00% to 4.00%, maturing in annual amounts from $3,210,000 on July 1, 2012, to $1,740,000 on July 1, 2016.

* * * * *

In summary, all of the Authority's bonds, except for the Series 2003 PFC Bonds, were issued under the Airport Improvement Revenue Bond Resolution adopted by the Board of Commissioners of the Authority on August 15, 1991 (as amended and supplemented from time to time). 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 2009A bonds and the Series 2010A bonds (See Note 9). Although the CONRAC Series 2010 Bonds were issued under the General Resolution, the CFCs are not in and of themselves a part of airport revenues or net revenues as defined in the General Bond Resolution. Therefore, airport revenues derived by the Authority from the operation of the Airport are not pledged for payment of and do not constitute security for the CONRAC Series 2010 Bonds. All other bonds are secured by a pledge of and lien on net revenues derived by the Authority from the operation of the airports.

5. AIRPORT BONDS - Continued

The following shows the composition of restricted cash and cash equivalents and investments as of June 30, 2012 and 2011 (the restricted funds relate primarily to airport bonds and related activity):

	2012	2011
Principal and Interest Funds:		
Airport Improvement Revenue Bonds, Series 2003B	$ 1,641,334	$ 745,146
PFC and Airport Improvement Revenue Bonds, Series 2003	4,648,652	4,546,713
Airport Improvement Revenue Bonds, Series 2008A	114,660	6,778,589
Airport Improvement Revenue Bonds, Series 2009A	4,042,744	1,946,744
Airport Improvement Revenue Bonds, Series 2010A	4,163,878	4,042,940
Airport Improvement Revenue Bonds, Series 2010B	15,005,150	11,280,649
Airport Improvement Revenue Bonds, Series 2010C	3,452,700	3,092,505
CONRAC Series 2010 Bonds	4,009,808	-
Bond Reserve Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	4,160,500	4,429,527
Airport Improvement Revenue Bonds, Series 2009A	3,661,081	3,662,356
Airport Improvement Revenue Bonds, Series 2010A	2,586,118	2,584,196
CONRAC Series 2010 Bonds	6,633,095	6,645,587
Construction Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	6,943,633	10,325,447
Airport Improvement Revenue Bonds, Series 2009A	3,406,326	8,184,234
CONRAC Series 2010 Bonds	1,321,990	5,187,437
Other Funds:		
Various CONRAC Accounts	7,520,880	17,537,410
Energy Improvement	118,221	1,807,000
Other	34,204	116,513
	$ 73,464,974	$ 92,912,993

5. AIRPORT BONDS - Continued

Airport bond activity for the years ended June 30, 2012 and 2011, is summarized as follows:

Series Description	Balance June 30, 2011	New Borrowings	Principal Repayment	Refundings	Amortization	Balance June 30, 2012
Series 2003 PFC	$ 7,750,000	$ -	$ (3,825,000)	$ -	$ -	$ 3,925,000
Series 2003B	17,260,000	-	-	-	-	17,260,000
Series 2008A	19,300,000	-	(6,700,000)	-	-	12,600,000
Series 2009A	35,285,000	-	(1,200,000)	-	-	34,085,000
Series 2010A	24,515,000	-	(3,295,000)	-	-	21,220,000
CONRAC Series 2010	66,300,000	-	-	-	-	66,300,000
Series 2010B	70,400,000	-	(9,990,000)	-	-	60,410,000
Series 2010C	16,170,000	-	(2,805,000)	-	-	13,365,000
Total	256,980,000	-	(27,815,000)	-	-	229,165,000
Plus unamortized premium	6,466,233	-	-	-	(1,419,581)	5,046,652
Less unamortized deferred amount on refunding	(6,608,155)	-	-	-	1,701,211	(4,906,944)
	256,838,078	$ -	$ (27,815,000)	$ -	$ 281,630	229,304,708
Less current portion	(27,815,000)					(30,510,000)
	$ 229,023,078					$ 198,794,708

Series Description	Balance June 30, 2010	New Borrowings	Principal Repayment	Refundings	Amortization	Balance June 30, 2011
Series 1995	$ 38,265,000	$ -	$ (4,960,000)	$ (33,305,000)	$ -	$ -
Series 1998A	4,330,000	-	(1,315,000)	(3,015,000)	-	-
Series 1998C	16,190,000	-	(2,075,000)	(14,115,000)	-	-
Series 2001A	49,475,000	-	(6,985,000)	(42,490,000)	-	-
Series 2003 PFC	11,485,000	-	(3,735,000)	-	-	7,750,000
Series 2003B	17,260,000	-	-	-	-	17,260,000
Series 2008A	25,700,000	-	(6,400,000)	-	-	19,300,000
Series 2009A	36,000,000	-	(715,000)	-	-	35,285,000
Series 2010A	25,770,000	-	(1,255,000)	-	-	24,515,000
CONRAC Series 2010	66,300,000	-	-	-	-	66,300,000
Series 2010B	-	70,400,000	-	-	-	70,400,000
Series 2010C	-	16,170,000	-	-	-	16,170,000
Total	290,775,000	86,570,000	(27,440,000)	(92,925,000)	-	256,980,000
Plus unamortized premium	1,945,321	5,755,919	-	-	(1,235,007)	6,466,233
Less unamortized deferred amount on refunding	(6,510,395)	-	-	(1,918,967)	1,821,207	(6,608,155)
	286,209,926	$ 92,325,919	$ (27,440,000)	$ (94,843,967)	$ 586,200	256,838,078
Less current portion	(27,440,000)					(27,815,000)
	$ 258,769,926					$ 229,023,078

5. AIRPORT BONDS - Continued

Aggregate maturities of the Authority's bonds outstanding at June 30, 2012, including the annual sinking fund requirements of the Series 2003B and CONRAC Series 2010 bonds, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 30,510,000	$ 10,225,760	$ 40,735,760
2014	26,645,000	9,274,622	35,919,622
2015	27,835,000	8,182,747	36,017,747
2016	29,105,000	7,006,667	36,111,667
2017	13,265,000	6,109,826	19,374,826
2018-2022	47,895,000	22,093,719	69,988,719
2023-2027	22,955,000	15,056,514	38,011,514
2028-2032	28,465,000	8,365,975	36,830,975
2033-2034	2,490,000	891,446	3,381,446
	$ 229,165,000	$ 87,207,276	$ 316,372,276

The interest amounts on the 2008A variable rate debt, which has an interest rate swap agreement associated with it, was computed based on the fixed rate in the agreement plus an estimate for additional fees where applicable. The variable Series 2003 PFC bond's interest computation was based on the weekly reset in place at June 30, 2012, of 0.56%, the bond matured on July 1, 2012.

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 in September 2007. The term note bears interest at a variable rate, reset monthly. Principal payments are due in level monthly installments of $31,667. The principal balance at June 30, 2012, was $5,858,329. The obligation matures in November 2012, at which time the remaining balance will be $5,700,000. The Authority has entered into a plan to refinance the term note on a long-term basis. Accordingly, the anticipated long-term portion under the refinancing has been presented in noncurrent liabilities. 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).

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 $1,027,000. The principal balance at June 30, 2012, was $1,071,000. 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).

6. OTHER NONCURRENT DEBT - MPC NOTES PAYABLE - Continued

The anticipated aggregate principal maturities of the MPC notes payable are $1,451,000 in fiscal year 2013 and $5,478,329 thereafter. 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, 2012 and 2011, MPC was in compliance with its financial covenants.

Activity with respect to the MPC notes for 2012 and 2011 is as follows:

Description	Balance June 30, 2011	Principal Repayments	Balance June 30, 2012
MPC Note 1	$ 6,238,329	$ (380,000)	$ 5,858,329
MPC Note 2	1,139,000	(68,000)	1,071,000
	$ 7,377,329	$ (448,000)	$ 6,929,329

Description	Balance June 30, 2010	Principal Repayments	Balance June 30, 2011
MPC Note 1	$ 6,618,329	$ (380,000)	$ 6,238,329
MPC Note 2	1,207,000	(68,000)	1,139,000
	$ 7,825,329	$ (448,000)	$ 7,377,329

7. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities activity for the years ended June 30, 2012 and 2011, is as follows:

Other Noncurrent Liabilities Description	Balance June 30, 2011	Net Cash Receipts (Repayments)	Amortization	Change in Derivative Instruments	Balance June 30, 2012
Fair value of derivative financial instruments	$ 2,764,065	$ -	$ -	$ (42,270)	$ 2,721,795
Deferred interest income	1,179,828	-	(263,032)	-	916,796
Deferred rental income	1,919,966	11,507	(34,904)	-	1,896,569
	$ 5,863,859	$ 11,507	$ (297,936)	$ (42,270)	$ 5,535,160

Other Noncurrent Liabilities Description	Balance June 30, 2010	Net Cash Receipts (Repayments)	Amortization	Change in Derivative Instruments	Balance June 30, 2011
Synthetic advance refunding, Series 2001A	$ 1,913,045	$ -	$ (1,913,045)	$ -	$ -
Fair value of derivative financial instruments	3,476,127	-	-	(712,062)	2,764,065
Deferred interest income	1,334,444	-	(154,616)	-	1,179,828
Deferred rental income	1,952,990	1,880	(34,904)	-	1,919,966
	$ 8,676,606	$ 1,880	$ (2,102,565)	$ (712,062)	$ 5,863,859

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Authority maintains several interest rate swap agreements in order to manage its exposure to market risk from fluctuations in interest rates. The interest rates swaps are designed as pay-fixed, receive variable swaps.

2008A Interest Rate Swap Agreement - During 2008, in connection with the refunding of the Authority's Series 1993 bonds with the Series 2008A bonds, the Authority's 1993 Swap Agreement was transferred from the 1993 bonds to the 2008A bonds. All the terms of the 1993 Swap Agreement, now the "2008A Swap Agreement," remained intact and apply to the Series 2008A bonds. In general, the 2008A Swap Agreement provides that the Authority will pay a fixed rate of 4.49% to the counterparty on a notional amount, which is equal to the principal amount of the Series 2008A bonds outstanding.

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 (See Note 6). In general, this agreement provides that MPC will pay a fixed rate of 5.67% on the outstanding notional 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 (See Note 6). In general, this agreement provides that MPC will pay a fixed rate of 4.33% on the outstanding notional amount. This agreement terminates March 1, 2013, to correspond with the termination of the loan.

Arrangements made in the Authority's interest rate swap agreements do not alter the Authority's obligation to pay the principal of, premium, if any, and interest on the related debt.

The fair value balances and other details of the interest rate swap agreements are as follows:

Description	Notional Amount June 30, 2012	Maturity Date	Terms	Counterparty Credit Rating Moody's/S&P	Fair Value June 30, 2012	Fair Value June 30, 2011
2008A Swap	$12,600,000	7/1/2019	pay 4.49% fixed; receive SIFMA	A2/A	$2,582,601	$2,319,810
MPC 2007 Swap	5,858,329	11/1/2012	pay 5.67% fixed; receive 1-month LIBOR	A3/BBB+	113,448	385,831
MPC 2008 Swap	1,071,000	3/1/2013	pay 4.33% fixed; receive 1-month LIBOR	A3/BBB+	25,746	58,424
					$2,721,795	$2,764,065

8. DERIVATIVE FINANCIAL INSTRUMENTS - Continued

The fair value of the interest rate swaps is recorded in noncurrent liabilities in the statements of net assets. Changes in the interest rate swaps are included in nonoperating revenues (expenses) in the statement of changes in revenues, expenses and changes in net assets.

Credit risk. The Authority is exposed to credit risk on hedging derivative instruments that are in asset positions. There were no such instruments in asset positions at June 30, 2012 or 2011. The Authority relies primarily on credit rating of the counterparty to access credit risk.

Interest rate risk. The Authority is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as the variable swap index decreases, the Authority's net payments on the swaps increase.

Basis risk. The Authority is exposed to basis risk on its pay-fixed interest rate swaps because the variable-rate payments received by the Authority on these hedging derivative instruments are, in certain circumstances, based on a rate or index other than interest rates the Authority pays on its hedged variable-rate debt.

Termination Risk. The Authority or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument is in a liability position, the Authority would be liable to the counterparty for a payment equal to the liability.

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 FAA. Federal guidance on the PFC - per 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 2012 and 2011 totaled $12,522,227 and $13,300,248, respectively.

The Authority received approval from the FAA to impose a $4.50 PFC, effective December 1, 2009, until $19,250,558 was collected. In September 2010, the Authority reverted to a $3.00 PFC per enplaning passenger and will remain at this level until June 2016. The following project summary has been approved by the FAA as of June 30, 2012:

Airfield development	$172,050,464
Terminal development	123,961,879
Land acquisition	23,195,200
	$319,207,543

As of June 30, 2012, cumulative expenditures to date on approved PFC projects totaled $243,579,311.

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 ("CONRAC") Facility, and other costs, fees and expenses that may be paid from CFC proceeds. The CFC was initially $4.00 and was increased to $4.50 effective January 1, 2010. The $4.50 CFC is a 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 pledged the CFC proceeds as collateral security for the payment of the CONRAC Series 2010 bonds issued in February 2010. Additionally, in accordance with the terms of the CONRAC Series 2010 bond agreements, CFCs must be used to establish bond principal, interest, and reserve funds, as well as various other funds for the operation and maintenance of the CONRAC facility (See Note 5). CFCs collected in excess of the various refunded funds can be used by the Authority for any lawful purpose. CFC revenue during fiscal years 2012 and 2011 totaled $10,090,579 and $9,074,716, respectively. CFC revenue is reported as nonoperating revenues.

Upon substantial completion of the CONRAC facility, which occurred in November 2011, the Authority began leasing the facility to MPC CONRAC LLC under a lease agreement and leasing-back the facility from MPC CONRAC LLC under a sublease agreement. In turn, the Authority will lease the CONRAC facility to the on-airport rental car companies under the consolidated rental car lease agreements. Under these lease agreements, the on-airport rental car companies have agreed to collect the CFC on all vehicle rental transactions as specifically set forth in the CFC enabling resolution and the related lease agreements.

Net assets relating to CFCs totaled $27,038,431 and $24,107,914 at June 30, 2012 and 2011, respectively, and are included in invested in capital assets - net of related debt and restricted net assets in the statements of net assets.

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 bonds are due through July 2030.

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.

11. SPECIAL FACILITY REVENUE BONDS - Continued

Special Facility Revenue Bonds, Series 2006/Refunding Series 2010

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.

During November 2010, the Authority issued $6,200,000 in Special Facility Revenue Bonds, Refunding Series 2010, the proceeds of which were used to currently refund the outstanding Series 2006 bonds. The Refunding Series 2010 bonds are term bonds with mandatory sinking fund requirements annually through July 2026.

The Special Facility Revenue Bonds, Series 2006, and outstanding Refunding Series 2010 bonds 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 ("signatory 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. Terminal rents and landing fees charged to the signatory airlines are based on the 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. Costs recovered through rentals and fees include expenses of operating and maintaining the airport plus 110% of debt service on all bonds outstanding (See Note 2).

These long-term lease agreements have been subsequently amended and restated with extension through September 30, 2017, which is 30 years from the occupancy date of the airport terminal. Signatory airlines as of June 30, 2012, include American Airlines, American Eagle, Continental Express doing business as ExpressJet, Delta Air Lines, Inc., Frontier Airlines, Republic, Southwest Airlines, United Airlines, and US Airways.

In November 2011, AMR Corporation and its subsidiaries, American Airlines and American Eagle, filed for bankruptcy. The Authority agreed to allow American Airlines and American Eagle to temporarily extend their airline lease agreements, which remained in effect during the entirety of fiscal year 2012. Accordingly, the Authority saw no significant financial impact from the bankruptcy filing in fiscal year 2012. AMR's airlines could petition the bankruptcy court to reject or reform the airline lease agreements before the extension period ends in fiscal year 2013. In this event, under the airline lease agreement, any resulting loss in revenues as a result of the bankruptcy would become an obligation of the remaining signatory airlines. Nevertheless, the Authority makes no representation regarding the results or potential financial impact, if any, resulting from the AMR bankruptcy filing.

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. 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:

	2012	2011
Balance—Beginning of year	$ 369,902	$ 351,602
Provision for incurred claims	4,020,442	3,799,693
Claim payments	(4,020,654)	(3,781,393)
Balance—End of year	$ 369,690	$ 369,902

Compensated absences are 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. In 2012 and 2011, employees sold back $184,260 and $177,182 of their annual leave balances to the Authority in exchange for cash. Additional payments of $41,459 and $10,119 were made to employees who left employment with the Authority during the years ended June 30, 2012 and 2011, respectively. The change in accrued compensated absences balance is charged to salaries and wages expense.

The following summarizes the changes in the compensated absences liability:

	2012	2011
Balance—Beginning of year	$ 1,389,818	$ 1,340,953
Provision for compensated absences	275,895	236,166
Annual leave buy-back and other	(225,719)	(187,301)
Balance—End of year	$ 1,439,994	$ 1,389,818

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, 2012, total $16,284,618 and relate to various projects. The estimated costs to complete construction in progress are anticipated to be received from the following sources:

Reimbursed by governmental agencies grant contracts	$ 8,713,286
Passenger facility charges collected	5,024,859
Customer facility charges collected	56,644
Funded by the Authority	2,489,829
	$ 16,284,618

In February 2009, the Authority entered into a $7,500,000 line of credit loan agreement with a financial institution to provide bridge financing on the In-Line EDS project. Over half the funding for this project was received from the U.S. Department of Homeland Security. The interest rate on any outstanding balance was 3.34%, payable monthly. As costs were incurred, draws were made on the credit line; when grant revenue was received, the credit line was repaid. The line of credit was repaid during fiscal year 2011 and there was no balance outstanding at June 30, 2012 or 2011.

During a routine compliance inspection in February 2010, State regulatory personnel identified contamination in an area stream. It was determined that those impacts were the result of the release of untreated deicing chemicals. From a review of winter deicing activities, it was determined that, due to abnormally low temperatures and high snowfall amounts, pavement deicing chemicals had been used in areas outside of the stormwater treatment system and that aircraft deicing fluid-laden snow had been pushed to areas outside of the treatment system. This allowed a slow release of the chemical into the environment as the snow melted.

Various corrective actions were taken in the following months, including a capital improvement project that provides for lining the treatment lagoon and two retention ponds with high-density polyethylene liner, lining the effluent discharge channel with concrete, and installing a new valve at the bottom of the treatment lagoon to provide easier access for sludge removal. As of June 30, 2012, the remaining capital improvement project and any fines or penalties as a result of this matter are not currently expected to have a material impact on the financial condition or operations of the Authority.

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, 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 regard to the Fund has not been presented.

The Authority's Plan is a non-contributory defined benefit pension plan. 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.

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, 2012, 2011, and 2010:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
2012	$2,943,508	51.0%	$(6,131,194)
2011	2,608,858	38.3%	(7,574,702)
2010	2,809,352	-%	(9,183,560)

The following table summarizes the changes in the Authority's net pension asset for the years ended June 30, 2012 and 2011:

	2012	2011
Annual pension cost:		
Annual required contribution	$ 2,816,921	$ 2,458,044
Less: Interest on the net pension asset	(605,976)	(734,685)
Plus: Annual required contribution adjustment	732,563	885,499
Annual pension cost	2,943,508	2,608,858
Contributions made	(1,500,000)	(1,000,000)
Decrease in the net pension asset	1,443,508	1,608,858
Net pension asset:		
Beginning of year	(7,574,702)	(9,183,560)
End of year	$(6,131,194)	$(7,574,702)

15. RETIREMENT BENEFIT PLANS - Continued

A contribution of $19,000,000 was made to the Plan in 2004 through the issuance of Airport Improvement Revenue Bonds, Series 2003B (See Note 5). Additionally, during fiscal years 2012 and 2011, the Authority made contributions of $1,500,000 and $1,000,000, respectively, to the Plan.

The funded status of the pension plan as of the valuation date, July 1, 2011, is detailed below:

Actuarial accrued liability (a)	$40,709,828
Actuarial value of plan assets (b)	20,773,890
Unfunded actuarial accrued liability (a) - (b)	$19,935,938
Funded ratio (b) / (a)	51.0%
Covered payroll (c)	$7,965,148
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	250.3%

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, 2011, which were confirmed with the issuance of the July 1, 2012, actuarial valuation, are detailed below:

Actuarial valuation method	Projected unit credit method
Amortization method	Level percentage closed 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 inflation	4.0%
Cost-of-living adjustments	None in the current year

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 healthcare benefits to certain eligible 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, 91 retirees and 60 retiree spouses are receiving benefits under the PERS. The monthly contribution requirements for participants in the Authority's medical plan range from $4 (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 is not eligible for any postemployment benefits through the Authority. The postemployment benefit plan does not issue separate financial statements.

The Authority's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for 2012, 2011, and 2010 are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$6,597,967	29.7%	$21,427,297
2011	6,187,879	33.3%	16,790,524
2010	6,268,830	18.8%	12,665,776

The following table summarizes the changes in the Authority's OPEB obligation for the years ended June 30, 2012 and 2011:

	2012	2011
Annual OPEB cost:		
Annual required contribution	$6,878,488	$6,399,488
Plus: Interest on the net OPEB obligation	671,621	506,631
Less: Amortization on the net OPEB obligation	(952,142)	(718,240)
Annual OPEB cost	6,597,967	6,187,879
Contributions made	(1,961,194)	(2,063,131)
Increase in the net OPEB obligation	4,636,773	4,124,748
Net OPEB obligation:		
Beginning of year	16,790,524	12,665,776
End of year	$21,427,297	$16,790,524

The Authority's contributions to the OPEB Plan during fiscal years 2012 and 2011 totaled $1,961,194 and $2,063,131, respectively. The amount contributed during fiscal years 2012 and 2011 included $500,000 and $1,000,000, respectively, to an OPEB Trust to fund plan assets as further described below.

16. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

The funded status of the postemployment healthcare plan as of the actuarial valuation date, July 1, 2011, is detailed below:

Actuarial accrued liability (a)	$59,473,329
Actuarial value of plan assets (b)	1,053,287
Unfunded actuarial accrued liability (a) - (b)	$58,420,042
Funded ratio (b) / (a)	1.8%
Covered payroll (c)	$14,015,134
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	416.8%

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. As described above, the Authority made $500,000 and $1,000,000 in contributions to the OPEB Trust during fiscal years 2012 and 2011, respectively. These contributions were considered in the July 1, 2012 and 2011 actuarial valuations, respectively.

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.

Significant actuarial methods and assumptions as of July 1, 2011, which were confirmed with issuance of the July 1, 2012, actuarial valuation, are detailed below:

Actuarial valuation method	Entry age normal method
Amortization method	Level dollar open over 30 years
Discount rate	4.00%
Health care cost trend rate	7% graded down uniformly to 5% for 2015 and beyond
Inflation rate	4.00%
Mortality	RP-2000 Combined Mortality Table
Retirement rates	Varying rates beginning with 5% at age 50 to 100% retirement at age 65

16. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

See further information in the OPEB Plan Schedule of Funding Progress (unaudited) in the required supplementary information section.

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. As of June 30, 2012 and 2011, 15 and 16 retirees, respectively, are receiving benefits under the PERS. During the years ended June 30, 2012 and 2011, payments of $26,097 and $58,890, 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 $731,428 and $705,786 in 2012 and 2011, 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 $1,597,056 and $1,631,960 at June 30, 2012 and 2011, respectively, and is included in deferred rental income in the statements of net assets. 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 largest airline serving Nashville International Airport accounted for approximately 54.1% and 55.4% of the total enplanements of 4,883,374 and 4,724,974 in fiscal years 2012 and 2011, respectively.

20. INFORMATION ON AUTHORITY OPERATING RESULTS BY ENTITY

Operating 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 loss.

The details of operating loss by entity are as follows:

	Nashville International Airport (1)	John C. Tune Airport	MNAA Properties Corporation (1)	Total
Year Ended June 30, 2012:				
Operating revenues	$ 80,191,631	$ 747,717	$ 2,174,792	$ 83,114,140
Operating expenses	65,238,056	551,571	1,587,732	67,377,359
Provision for depreciation	31,077,055	1,211,317	712,250	33,000,622
Operating loss	$ (16,123,480)	$ (1,015,171)	$ (125,190)	$ (17,263,841)

	Nashville International Airport (1)	John C. Tune Airport	MNAA Properties Corporation (1)	Total
Year Ended June 30, 2011:				
Operating revenues	$ 86,748,691	$ 711,345	$ 1,981,541	$ 89,441,577
Operating expenses	60,220,829	434,279	1,639,661	62,294,769
Provision for depreciation	27,898,289	1,110,759	670,522	29,679,570
Operating loss	$ (1,370,427)	$ (833,693)	$ (328,642)	$ (2,532,762)

(1) The activity of MPC CONRAC LLC is included with Nashville International Airport above as it is integrated with the Airport for operational purposes.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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, 2012 and 2011:

				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)
June 30, 2012:						
Cash and cash equivalents	$110,659,078	$110,659,078	$110,659,078	$110,659,078	$ -	$ -
Investments: U.S. agencies	4,290,000	4,290,000	4,290,000	4,290,000	-	-
Long-term debt	236,234,037	299,518,432	-	-	-	-
Derivative financial instruments	2,721,795	2,721,795	2,721,795	-	2,721,795	-
June 30, 2011:						
Cash and cash equivalents	$118,549,601	$118,549,601	$118,549,601	$118,549,601	$ -	$ -
Investments: U.S. agencies	8,760,764	8,760,764	8,760,764	8,760,764	-	-
Long-term debt	264,215,407	335,034,375	-	-	-	-
Derivative financial instruments	2,764,065	2,764,065	2,764,065	-	2,764,065	-

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 - 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).

21. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The fair value estimates presented herein are based on pertinent information available to management as of June 30, 2012 and 2011. 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 31, 2012, the date the financial statements were available for issuance, 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, 2012 (UNAUDITED)

PENSION 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, 2009	$22,922,104	$37,848,348	$(14,926,244)	60.56%	$8,312,934	179.55%
July 1, 2010	21,753,320	38,835,563	(17,082,243)	56.01%	7,876,534	216.88%
July 1, 2011	20,773,890	40,709,828	(19,935,938)	51.03%	7,965,148	250.29%

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, 2009	$ -	$49,037,187	$(49,037,187)	- %	$13,283,897	369.15%
July 1, 2010	-	53,039,196	(53,039,196)	- %	13,619,447	389.44%
July 1, 2011	1,053,287	59,473,329	(58,420,042)	1.77%	14,015,134	416.84%

See independent auditors' report.

SUPPLEMENTARY INFORMATION

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF NET ASSETS INFORMATION BY ENTITY
JUNE 30, 2012

	Nashville International Airport (1)	John C. Tune Airport	MNAA Properties Corporation (1)	Total
ASSETS				
CURRENT ASSETS:				
Unrestricted assets:				
Cash and cash equivalents	$ 35,092,865	$ 1,423,308	$ 4,967,931	$ 41,484,104
Accounts receivable (net of allowance for doubtful accounts of $110,000)	3,630,496	5,086	2,469	3,638,051
Inventories	639,006	-	-	639,006
Due from (to) other funds	54,970	(47,541)	(7,429)	-
Prepaid expenses and other	846,508	-	4,243	850,751
Total current unrestricted assets	40,263,845	1,380,853	4,967,214	46,611,912
Restricted assets:				
Cash and cash equivalents	69,174,974	-	-	69,174,974
Short-term investments	4,290,000	-	-	4,290,000
Passenger facility charges receivable	1,223,688	-	-	1,223,688
Customer facility charges receivable	922,387	-	-	922,387
Amounts due from governmental agencies	959,750	23,569	-	983,319
Total current restricted assets	76,570,799	23,569	-	76,594,368
Total current assets	116,834,644	1,404,422	4,967,214	123,206,280
NONCURRENT ASSETS:				
Capital assets:				
Land and land improvements	508,844,242	24,776,122	-	533,620,364
Land held for future expansion	36,701,068	-	-	36,701,068
Buildings and building improvements	237,991,524	4,243,916	11,210,228	253,445,668
Equipment, furniture and fixtures	94,663,157	518,532	-	95,181,689
Construction in progress	12,507,581	1,525,231	242,857	14,275,669
Total capital assets	890,707,572	31,063,801	11,453,085	933,224,458
Less accumulated depreciation	(376,241,442)	(16,651,647)	(2,896,300)	(395,789,389)
Total capital assets, net	514,466,130	14,412,154	8,556,785	537,435,069
Deferred bond issue costs	4,205,462	-	3,098	4,208,560
Other assets	6,757,208	50,000	889,011	7,696,219
Total noncurrent assets	525,428,800	14,462,154	9,448,894	549,339,848
TOTAL ASSETS	$ 642,263,444	$ 15,866,576	$ 14,416,108	$ 672,546,128

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF NET ASSETS INFORMATION BY ENTITY
JUNE 30, 2012

	Nashville International Airport (1)	John C. Tune Airport	MNAA Properties Corporation (1)	Total
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Payable from unrestricted assets:				
Trade accounts payable	$ 7,108,187	$ 42,591	$ 97,722	$ 7,248,500
Accrued payroll and related items	3,327,640	6,920	-	3,334,560
Current maturities of notes payable	-	-	1,451,000	1,451,000
Total payable from unrestricted assets	10,435,827	49,511	1,548,722	12,034,060
Payable from restricted assets:				
Trade accounts payable	3,086,427	-	-	3,086,427
Accrued interest payable	5,087,430	-	-	5,087,430
Current maturities of airport revenue bonds	30,510,000	-	-	30,510,000
Total payable from restricted assets	38,683,857	-	-	38,683,857
Total current liabilities	49,119,684	49,511	1,548,722	50,717,917
NONCURRENT LIABILITIES:				
Airport revenue bonds, less current maturities (net of unamortized deferred amount on refunding of $4,906,944)	198,794,708	-	-	198,794,708
Notes payable, less current maturities	-	-	5,478,329	5,478,329
Fair value of derivative financial instruments	2,582,601	-	139,194	2,721,795
Deferred interest income	916,796	-	-	916,796
Deferred rental income	1,817,096	25,926	53,547	1,896,569
Other postemployment benefits obligation	21,427,297	-	-	21,427,297
Total noncurrent liabilities	225,538,498	25,926	5,671,070	231,235,494
Total liabilities	274,658,182	75,437	7,219,792	281,953,411
COMMITMENTS AND CONTINGENCIES	-	-	-	-
NET ASSETS:				
Invested in capital assets-net of related debt	308,822,949	14,462,154	1,630,554	324,915,657
Restricted:				
Passenger facility charge projects and debt service	16,976,473	-	-	16,976,473
Customer facility charge projects and debt service	17,124,572	-	-	17,124,572
Debt service and other	29,886,336	-	-	29,886,336
Total restricted net assets	63,987,381	-	-	63,987,381
Unrestricted net assets	(5,205,068)	1,328,985	5,565,762	1,689,679
Total net assets	367,605,262	15,791,139	7,196,316	390,592,717
TOTAL LIABILITIES AND NET ASSETS	$ 642,263,444	$ 15,866,576	$ 14,416,108	$ 672,546,128

(1) The activity of MPC CONRAC LLC is included with the Nashville International Airport above as it is integrated with the Airport for operational purposes.

See independent auditors' report.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION BY ENTITY
YEAR ENDED JUNE 30, 2012

	Nashville International Airport (1)	John C. Tune Airport	MNAA Properties Corporation (1)	Total
OPERATING REVENUES:				
Signatory airline	$ 16,132,099	$ -	$ -	$ 16,132,099
Parking	32,467,762	-	-	32,467,762
Concession	18,220,104	-	-	18,220,104
Space rental	6,768,327	694,785	2,082,096	9,545,208
Other	6,603,339	52,932	92,696	6,748,967
	80,191,631	747,717	2,174,792	83,114,140
OPERATING EXPENSES:				
Salaries and wages	30,492,172	251,899	-	30,744,071
Contractual services	23,137,291	185,412	891,913	24,214,616
Materials and supplies	3,099,569	45,118	11,617	3,156,304
Utilities	5,715,803	47,349	352,001	6,115,153
Other	2,793,221	21,793	332,201	3,147,215
	65,238,056	551,571	1,587,732	67,377,359
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	14,953,575	196,146	587,060	15,736,781
PROVISION FOR DEPRECIATION	31,077,055	1,211,317	712,250	33,000,622
OPERATING LOSS	(16,123,480)	(1,015,171)	(125,190)	(17,263,841)
NONOPERATING REVENUES (EXPENSES):				
Investment income	300,944	875	3,896	305,715
Passenger facility charges	12,522,227	-	-	12,522,227
Customer facility charges	10,090,579	-	-	10,090,579
Interest expense	(10,424,038)	-	(407,621)	(10,831,659)
Gain on disposal of property and equipment	(102,077)	-	-	(102,077)
Gain (loss) on derivative financial instruments	(262,791)	-	305,061	42,270
Other nonoperating, net	81,718	-	-	81,718
	12,206,562	875	(98,664)	12,108,773
LOSS BEFORE CAPITAL CONTRIBUTIONS	(3,916,918)	(1,014,296)	(223,854)	(5,155,068)
CAPITAL CONTRIBUTIONS	6,019,663	787,395	-	6,807,058
INCREASE (DECREASE) IN NET ASSETS	2,102,745	(226,901)	(223,854)	1,651,990
TOTAL NET ASSETS - BEGINNING OF YEAR	365,502,517	16,018,040	7,420,170	388,940,727
TOTAL NET ASSETS - END OF YEAR	$ 367,605,262	$ 15,791,139	$ 7,196,316	$ 390,592,717

(1) The activity of MPC CONRAC LLC is included with the Nashville International Airport above as it is integrated with the Airport for operational purposes.

See independent auditors' report.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

SCHEDULE OF AIRPORT REVENUE BONDS, PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR

JUNE 30, 2012

Year Ending June 30,	Series 2003 PFC Revenue Bonds		Series 2003B Revenue Bonds		Series 2008A Revenue Bonds		Series 2009A Revenue Bonds		Series 2010A Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 3,925,000	$ 2,195	$ 1,145,000	$ 963,871	$ 100,000	$ 561,250	$ 3,320,000	$ 1,379,088	$ 3,365,000	$ 909,212
2014	-	-	420,000	924,977	100,000	556,760	3,455,000	1,260,863	3,335,000	775,212
2015	-	-	445,000	903,043	200,000	547,780	3,555,000	1,129,050	3,435,000	626,931
2016	-	-	465,000	879,515	200,000	538,800	3,715,000	977,656	3,560,000	460,800
2017	-	-	490,000	867,378	1,200,000	484,920	3,860,000	825,394	3,690,000	284,000
2018	-	-	515,000	867,378	3,400,000	332,260	4,020,000	661,625	3,835,000	95,875
2019	-	-	545,000	824,831	3,600,000	170,620	4,190,000	487,056	-	-
2020	-	-	575,000	782,283	3,800,000	-	7,970,000	197,700	-	-
2021	-	-	610,000	782,283	-	-	-	-	-	-
2022	-	-	645,000	782,283	-	-	-	-	-	-
2023	-	-	680,000	782,283	-	-	-	-	-	-
2024	-	-	720,000	688,290	-	-	-	-	-	-
2025	-	-	760,000	594,297	-	-	-	-	-	-
2026	-	-	805,000	594,297	-	-	-	-	-	-
2027	-	-	855,000	594,297	-	-	-	-	-	-
2028	-	-	905,000	594,297	-	-	-	-	-	-
2029	-	-	960,000	594,297	-	-	-	-	-	-
2030	-	-	1,015,000	594,297	-	-	-	-	-	-
2031	-	-	1,075,000	594,297	-	-	-	-	-	-
2032	-	-	1,140,000	594,297	-	-	-	-	-	-
2033	-	-	1,210,000	594,297	-	-	-	-	-	-
2034	-	-	1,280,000	297,149	-	-	-	-	-	-
	3,925,000	2,195	17,260,000	15,694,237	12,600,000	3,192,390	34,085,000	6,918,432	21,220,000	3,152,030
Bond Premium	-	-	-	-	-	-	126,397	-	1,275,932	-
Loss on Refunding	-	-	-	-	(1,351,680)	-	-	-	(649,674)	-
	$ 3,925,000	$ 2,195	$ 17,260,000	$ 15,694,237	$ 11,248,320	$ 3,192,390	$ 34,211,397	$ 6,918,432	$ 21,846,258	$ 3,152,030

Note 1: This schedule intends to present the cash outflow requirements for principal and interest on the Authority's bonds, including the annual sinking fund requirements of the 2003B and CONRAC 2010 Series 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.

Series 2010B Revenue Bonds		Series 2010C Revenue Bonds		CONRAC Series 2010 Revenue Bonds		Total Debt Service		
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
$ 13,865,000	$ 2,069,775	$ 3,210,000	$ 436,950	$ 1,580,000	$ 3,903,419	$ 30,510,000	$ 10,225,760	$ 40,735,760
14,580,000	1,570,200	3,010,000	328,600	1,745,000	3,858,010	26,645,000	9,274,622	35,919,622
15,490,000	968,800	2,805,000	212,300	1,905,000	3,794,843	27,835,000	8,182,747	36,017,747
16,475,000	329,500	2,600,000	104,200	2,090,000	3,716,196	29,105,000	7,006,667	36,111,667
-	-	1,740,000	26,100	2,285,000	3,622,034	13,265,000	6,109,826	19,374,826
-	-	-	-	2,480,000	3,511,292	14,250,000	5,468,430	19,718,430
-	-	-	-	2,695,000	3,382,352	11,030,000	4,864,859	15,894,859
-	-	-	-	2,840,000	3,236,635	15,185,000	4,216,618	19,401,618
-	-	-	-	3,000,000	3,077,085	3,610,000	3,859,368	7,469,368
-	-	-	-	3,175,000	2,902,161	3,820,000	3,684,444	7,504,444
-	-	-	-	3,365,000	2,710,402	4,045,000	3,492,685	7,537,685
-	-	-	-	3,575,000	2,501,707	4,295,000	3,189,997	7,484,997
-	-	-	-	3,800,000	2,275,349	4,560,000	2,869,646	7,429,646
-	-	-	-	4,055,000	2,157,796	4,860,000	2,752,093	7,612,093
-	-	-	-	4,340,000	2,157,796	5,195,000	2,752,093	7,947,093
-	-	-	-	4,645,000	2,157,796	5,550,000	2,752,093	8,302,093
-	-	-	-	4,970,000	2,157,796	5,930,000	2,752,093	8,682,093
-	-	-	-	13,755,000	1,078,898	14,770,000	1,673,195	16,443,195
-	-	-	-	-	-	1,075,000	594,297	1,669,297
-	-	-	-	-	-	1,140,000	594,297	1,734,297
-	-	-	-	-	-	1,210,000	594,297	1,804,297
-	-	-	-	-	-	1,280,000	297,149	1,577,149
60,410,000	4,938,275	13,365,000	1,108,150	66,300,000	52,201,567	229,165,000	87,207,276	316,372,276
3,165,267	-	479,056	-	-	-	5,046,652	-	5,046,652
(2,630,623)	-	(274,967)	-	-	-	(4,906,944)	-	(4,906,944)
$ 60,944,644	$ 4,938,275	$ 13,569,089	$ 1,108,150	$ 66,300,000	$ 52,201,567	$ 229,304,708	$ 87,207,276	$ 316,511,984

See independent auditors' report.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2012

Airport	Program Title	CFDA Number	Grantor Agency	Accrued Balance June 30, 2011	Cash Receipts	Expenditures	Accrued Balance June 30, 2012
FEDERAL ASSISTANCE:							
Direct Awards:							
Nashville International	Airport Improvement Program	20.106 (A)	Federal Aviation Administration	$ 2,515,858	$ 6,588,506	$ 4,589,388	$ 516,740
Nashville International	Transportation Security Administration - In-line Explosive Detection System	N/A	U.S. Department of Homeland Security Transportation Security Administration	400,000	445,021	45,021	-
Nashville International	Bullet Proof Vest Program	N/A	U.S. Department of Justice	-	459	459	-
John C. Tune	Airport Improvement Program	20.106 (A)	Federal Aviation Administration	17,455	164,453	150,641	3,643
Pass-through Awards:							
Nashville International	Urban Areas Security Initiative	N/A	U.S. Department of Homeland Security Passed-through the Office of Emergency Management of the Metropolitan Government	-	-	5,447	5,447
			TOTAL FEDERAL ASSISTANCE	$ 2,933,313	$ 7,198,439	$ 4,790,956	$ 525,830
STATE ASSISTANCE:							
Nashville International			State of Tennessee Department of Transportation	$ 491,656	$ 1,433,440	$ 1,379,347	$ 437,563
John C. Tune			State of Tennessee Department of Transportation	117,908	734,737	636,755	19,926
			TOTAL STATE ASSISTANCE	$ 609,564	$ 2,168,177	$ 2,016,102	$ 457,489

(A) 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* and the Comptroller of the Treasury of the State of Tennessee.

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.

CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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, 2012, 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 31, 2012. 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

The Authority's management is responsible for establishing and maintaining effective 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

We noted certain matters that we reported to management of the Authority in a separate letter, dated October 31, 2012.

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 31, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2012. The Authority's major federal program is 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 its major federal program 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 of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

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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 the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 31, 2012

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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	$4,740,029

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

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.