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, 2013 AND 2012

OTHER INFORMATION FOR THE YEAR ENDED JUNE 30, 2013

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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, 2013 and 2012.

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, 2013 and 2012, 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 unmodified opinion of our independent external auditors, Crosslin & Associates, P.C., is included in this report.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
AS OF JUNE 30, 2013

BOARD OF COMMISSIONERS

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Robert C. Watson	Senior Vice President Legal Affairs and Government Relations and Chief Legal Officer
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Christine Vitt	Assistant Vice President-PDC-Construction and Environmental
Emily Richard	Assistant Vice President, Strategic Communications and External Affairs

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Metropolitan Nashville Airport Authority
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Metropolitan Nashville Airport Authority (the "Authority"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As described in Note 2 to the financial statements, the Authority has adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, and the schedule of net position information by entity, schedule of revenues, expenses and changes in net position 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 basic 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 basic financial statements.

The schedule of net position information by entity, schedule of revenues, expenses and changes in net position information by entity, the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the 2013 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, on our consideration of the Authority's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 28, 2013

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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 Position* presents information on all of the Authority's assets deferred outflows of resources, liabilities and deferred inflows of resources, with the residual reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing the change in the Authority's net position during the fiscal year. All changes in net position 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") experienced another year of growth in fiscal year 2013, surpassing 10.1 million passengers, and with 5.0 million enplanements. Enplanements were up 3.2%, 3.4% and 5.3% respectively in fiscal years 2013, 2012 and 2011. Nashville had the fourth highest enplanement growth among the top 75 airports in 2011, becoming the 34th largest airport by total passengers. Nashville International Airport currently has 394 daily flights to 48 nonstop markets.

Nashville International Airport continues to receive top awards for customer service and its concession programs. In March 2012, *Airport Revenue News*, a leading concessions trade publication, awarded BNA with the recognitions shown below in the medium-sized airport category during its 2012 Best Airport and Concessionaire Awards. Nashville was also a winner of these three awards in 2010.

- Airport with the Best Customer Service
- Airport with the Most Unique Airport Services
- Best Overall Concession Program

Airports Council International-North America (ACI-NA) awarded Nashville International Airport the Richard A. Greisbach Award of Excellence for the Best Concession Program in 2011. In October 2011, Nashville International Airport was also named the 7th best airport by Travel & Leisure.

The Authority also earned the prestigious Excellence Award in the annual Excellence in Tennessee recognition program administered by the Tennessee Center for Performance Excellence (TNCPE). The Authority is the first airport in the U.S. to earn this award at its state's highest level. Since the program was founded in 1993, only 22 organizations have attained the Excellence designation, with the Authority being one of only two organizations in Tennessee that was recognized with the Excellence Award this year. The Authority has also been recognized as a Gold Level Recipient of the American Heart Association's Fit-Friendly Worksites Recognition program. The Fit-Friendly Worksites program is intended to be a catalyst for positive change. Worksites throughout the nation can be part of the initiative by making the health and wellness of their employees a priority. The American Heart Association's program requires employers to:

- Offer employees physical activity support;
- Provide healthy eating options at the worksite;
- Promote a wellness culture; and
- Implement at least nine criteria as outlined by the American Heart Association in the areas of physical activity, nutrition and culture.

In January 2013, Standard & Poor's Ratings Services affirmed its 'A' long-term rating to the Authority's outstanding airport improvement revenue bonds and 'A-' long-term rating on the Authority's series 2010 special facility revenue bonds issued for Nashville International Airport's consolidated rental car ("CONRAC") facility project. In addition, Standard & Poor's affirmed its 'AAA/A-1' rating on the series 2008A bonds. Moody's Investors Service rated the airport revenue bonds "A2" with a "stable" outlook, and upgraded the outlook to "positive" in August 2012. Moody's also upgraded its rating on the special facility bond for the 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 recently underwent an aggressive capital program with major airfield and landside renovations, including extensive terminal renovations. Since 2007, the airport has invested more than $408 million in facility improvements. The largest project, the 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. The largest projects budgeted in fiscal year 2013 included $17.3 million for taxiway and runway reconstruction, $14.7 million for replacement of the outbound baggage system and $2.8 million for a new data center.

Airline bankruptcies and consolidations continued in fiscal year 2013. American Airlines parent, AMR Corporation, filed for bankruptcy in November 2011 and recently announced it planned to merge with US Airways. However, the U.S. Department of Justice and several state Attorney Generals have filed suit to block the merger. Southwest successfully merged with AirTran and continues its effort to consolidate the airlines into a single operating 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, ceased operations this past year and another Delta regional partner, Pinnacle Airlines, is in bankruptcy. Airline mergers in the preceding years included United acquiring Continental; Delta acquiring Northwest; and Republic Airlines acquiring Frontier and Midwest Airlines.

Nashville International Airport also continued to see new air service added. In fiscal year 2013 new daily nonstop flights were added to Boston, Cleveland, Los Angeles, and Seattle. Two new daily flights were also added to Newark, with new international service added by Aeromexico to Cancun. Since the end of fiscal year 2013, new daily flights have been announced to Los Angeles (LAX) and Pittsburgh, and two new daily flights to Pensacola.

John C. Tune ("JWN"), BNA's reliever airport on the west side of Nashville, will commence a long awaited runway expansion and safety project in fiscal year 2014. JWN has continued to make other improvements, including new hangars and extensive repairs to existing buildings.

The property development organization of the Authority, MNAA Properties Corporation ("MPC"), continued its efforts to refurbish it largest property, International Plaza. It added several new tenants, including the two federal agencies (U.S. Department of Veterans Affairs and U.S. Small Business Administration) during the past year, which helped increase revenues and the occupancy level to more than 86%.

OPERATIONAL HIGHLIGHTS

Enplanements rose 3.2%, 3.4% and 5.3% respectively in fiscal years 2013, 2012 and 2011, with Nashville having the fourth highest enplanement growth among the top 75 airports in 2011, jumping from 38th to the 34th largest airport by total passengers. Certified gross landed weights were also up 4.1%, totaling 6.4 billion pounds in 2013. Nashville International Airport served more than 10.1 million total passengers in fiscal year 2013, operating an average of 394 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. The 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 2013, 2012, and 2011 appear below:

	2013	2012	2011
Enplanements	**5,037,975**	**4,883,374**	**4,724,974**
% increase (decrease)	3.2%	3.4%	5.3%
Aircraft landed weight (all – 000)	**6,400,706**	**6,146,757**	**6,038,280**
% increase (decrease)	4.1%	1.8%	2.8%
Aircraft operations (passenger)	**91,489**	**89,069**	**85,139**
% increase (decrease)	2.7%	4.6%	2.5%
Aircraft operations (all other)	**81,272**	**86,991**	**89,459**
% increase (decrease)	(6.6%)	(2.8%)	(1.8%)
Load factors	**78.8%**	**77.0%**	**75.6%**
% increase (decrease)	1.8%	1.4%	2.7%

Load factors are the percentages of seats occupied on all passenger aircraft, both arriving and departing airplanes. Available seats increased by 0.8% in 2013. BNA also saw a 0.2% decrease in passenger aircraft operations and 0.8% increase in total airline aircraft operations during 2012. While enplanements were up, the increase in load factors and landed weight signals airlines are getting better at selecting the right mix of aircraft to meet scheduling requirements.

The Authority approved the imposition of CFCs for rental car customers and began collecting a $4.00 CFC per transaction day, effective January 1, 2008. The CFC rate increased 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 over $49.3 million, with more than $10.3 million collected in fiscal year 2013. Transaction days continued to improve in 2013, averaging 191,020 per month, compared to 186,844,168,050, and 156,210 in fiscal years 2012, 2011, and 2010, respectively

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

The Authority's Statements of Revenues, Expenses and Changes in Net Position 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 position over the past three fiscal years with "% Change" representing the change from 2012 to 2013 and 2011 to 2012:

	2013	2012	% Change	2011	% Change
Operating revenues	$99,791,725	$83,114,140	20.1%	$89,441,577	-7.1%
Operating expenses	70,095,093	67,377,359	4.0%	62,294,769	8.2%
Operating income before depreciation	**29,696,632**	**15,736,781**	**88.7%**	**27,146,808**	**-42.0%**
Provision for depreciation	35,648,323	33,000,622	8.0%	29,679,570	11.2%
Operating loss	**(5,951,691)**	**(17,263,841)**	**65.5%**	**(2,532,762)**	**>100.0%**
Nonoperating revenues	24,137,159	23,000,239	4.9%	24,592,244	-6.5%
Nonoperating expenses	9,819,293	10,341,551	-5.1%	10,716,028	3.5%
Income (loss) before capital contributions	**8,366,175**	**(4,605,153)**	**>100.0%**	**11,343,454**	**>100.0%**
Capital contributions	6,023,925	6,807,058	-11.5%	16,861,226	-59.6%
Increase in net position	**14,390,100**	**2,201,905**	**>100.0%**	**28,204,680**	**-92.2%**
Net position, beginning of year	386,387,255	384,185,350	0.6%	355,980,670	7.9%
Net position, end of year	**$400,777,355**	**$386,387,255**	**3.7%**	**$384,185,350**	**0.6%**

During fiscal year 2013, the Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Accordingly, the amounts reported within the financial statements and in this management's discussion and analysis have been restated for the application of the new accounting principle. See additional information in Note 2 to the financial statements.

OPERATING AND NONOPERATING REVENUE HIGHLIGHTS

Operating revenue for the year was up 20.1% over the prior year and signatory airline revenues were up 82.1% for the period. These increases were primarily due to an increase in airline rates and charges in 2013, following 2012 when rates and charges were at much lower levels. The significant change is a direct result of a fully residual airline agreement. Parking revenues, up 9.2% in 2012, were up again in 2013 another 4.8%. Concessions also improved another 7.0% and space rent was up 8.0%. "Other" revenues were down 2.2%.

Nonoperating revenues were up 4.9% in 2013, with improvements seen in all categories. Although investment income is less than 2% of nonoperating revenue, it improved 39.4% as interest rates improved and more cash was available for investment. Passenger facility charges ("PFC") collections also improved with higher enplanements. The Authority continues to collect on PFC Application 14, which dropped the approved PFC collection authority from $4.50 to $3.00 in fiscal year 2012, resulting in lower PFC collections. PFC applications beyond Application 14 have been qualified for collection at $4.50. CFCs, which fund debt service for the CONRAC facility, were up 2.1% after following two years of strong increases (11.2% in 2012 and 14.7% in 2011). CFC revenues were $10.31 million in 2013 compared to $10.09 million in 2012, and $9.07 in 2011. Other nonoperating revenue was down in 2012 due to $1.87 million of revenue in 2011 that was predominately due to the termination of a synthetic advance refunding arrangement.

In addition to BNA, other MNAA entities also reported stable operating revenues in 2011. At JWN, the 2013 operating revenue was $800,686, which compares to $747,717 in 2012 and $711,345 in 2011. MPC reported total operating revenue of $2,297,661 in 2013, compared to $2,174,792 in 2012 and $1,981,541 in 2011.

The following summarizes all the Authority revenues for the fiscal years ended June 30, 2013, 2012, and 2011 with "% Change" representing the change from 2012 to 2013 and 2011 to 2012:

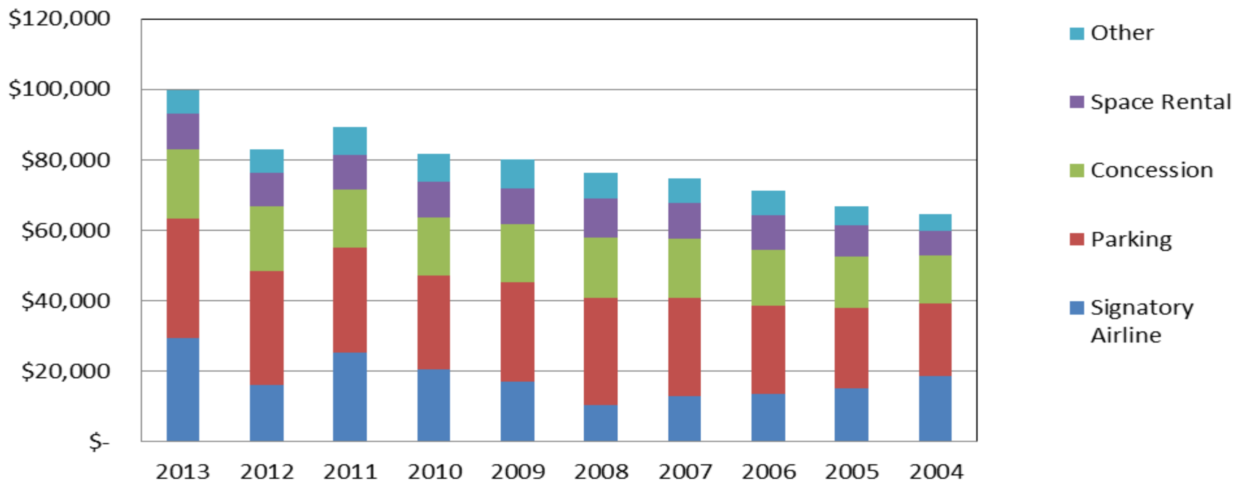
	2013	2012	% Change	2011	% Change
Operating revenues					
Signatory airline	$29,373,222	$16,132,099	82.1%	$25,305,820	-36.3%
Parking	34,020,205	32,467,762	4.8%	29,743,911	9.2%
Concession	19,490,760	18,220,104	7.0%	16,609,629	9.7%
Space rental	10,308,115	9,545,208	8.0%	9,804,161	-2.6%
Other	6,599,423	6,748,967	-2.2%	7,978,056	-15.4%
Total operating revenues	**99,791,725**	**83,114,140**	**20.1%**	**89,441,577**	**-7.1%**
Nonoperating revenues					
Investment income	426,259	305,715	39.4%	342,616	-10.8%
Passenger facility charges	13,262,426	12,522,227	5.9%	13,300,248	-5.8%
Customer facility charges	10,307,062	10,090,579	2.1%	9,074,716	11.2%
Other nonoperating revenues	141,412	81,718	73.0%	1,874,664	-95.6%
Total nonoperating revenues	**24,137,159**	**23,000,239**	**4.9%**	**24,592,244**	**-6.5%**
Capital contributions	**6,023,925**	**6,807,058**	**-11.5%**	**16,861,226**	**-59.6%**
Total revenues and capital contributions	**$129,952,809**	**$112,921,437**	**15.1%**	**$130,895,047**	**-13.7%**

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). The budgeted rates for fiscal year 2014 are $233.05 (RF), $164.54 (MT), $79.11 (NC), $113.96 (SC), and $1.69 (LF). In comparison, fees and charges for 2013 were $133.09 (RF), $130.84 (MT), $62.55 (NC), $57.62 (SC), and $1.52 (LF). The SC rate will increase dramatically, as American Airlines and American Eagle surrendered a large part of their leased space pursuant to their bankruptcy agreement with the Authority. For comparative purposes, signatory airline rates charged in 2012 were $84.78 (RF), 78.84 (MT), $36.13 (NC), 37.51 (SC), and $0.32 (LF).

Signatory landing fees, adjusted annually under terms of the residual signatory airline agreement, were $7.8 million in 2013, compared to $2.6 million in 2012, up $5.2 million. Non-signatory rates, also referred to as compensatory rates, for 2013 remained at published rates throughout the year at $327.15 (RF), $271.07 (MT), $107.23 (NC), $114.82 (SC) and $3.17 (LF). The 2014 rates are as follows: $349.31 (RF), $294.90 (MT), $111.88 (NC), $121.11 (SC) and $4.10 (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 10-year trend for MNAA's operating revenues from 2004 through 2013:

Operating Revenues (000s)



Capital contributions were down 11.5% in 2013 and 59.6% in 2012 as the airport has dramatically slowed capital spending after several years of aggressive capital investment. Capital contributions in 2013 were $6,023,925 compared to $6,807,058 in 2012 and $16,861,226 in 2011.

OPERATING AND NONOPERATING EXPENSES HIGHLIGHTS

The Authority's expenses increased in 2013 for BNA, MPC, and JWN. The following represents a summary of Authority expenses for the fiscal years ended June 30, 2013, 2012, and 2011 with "% Change" representing the change from 2012 to 2013 and 2011 to 2012:

	2013	2012	% Change	2011	% Change
Operating expenses					
Salaries and wages	$32,118,328	$30,744,071	4.5%	$28,570,046	7.6%
Contractual services	24,783,144	24,214,616	2.3%	21,851,020	10.8%
Materials and supplies	3,436,780	3,156,304	8.9%	2,875,601	9.8%
Utilities	5,970,579	6,115,153	-2.4%	6,317,661	-3.2%
Other	3,786,262	3,147,215	20.3%	2,680,441	17.4%
Total operating expenses before provision for depreciation	**70,095,093**	**67,377,359**	**4.0%**	**62,294,769**	**8.2%**
Provision for depreciation	**35,648,323**	**33,000,622**	**8.0%**	**29,679,570**	**11.2%**
Nonoperating expenses					
Interest expense	10,231,288	10,281,744	-0.5%	11,854,314	-13.3%
(Gain) loss on disposal of property and equipment	(38,437)	102,077	>100%	(426,224)	>100%
(Gain) loss on derivative financial instruments	(373,558)	(42,270)	>100%	(712,062)	-94.1%
Total nonoperating expenses	**9,819,293**	**10,341,551**	**-5.1%**	**10,716,028**	**-3.5%**
Total expenses	**$115,562,709**	**$110,719,532**	**4.4%**	**$102,690,367**	**7.8%**

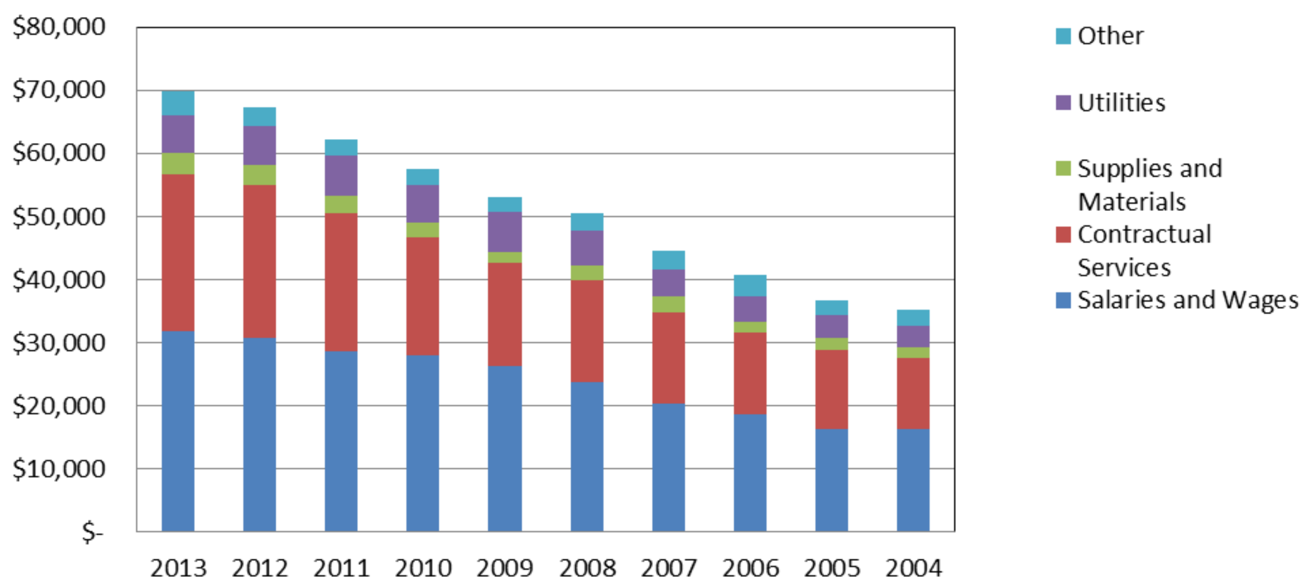
With the exception of utilities, expenses were up in all categories in 2013 and in 2012. Utilities benefitted from recent energy improvements resulting in guaranteed utility savings that were used to finance the project. Despite these efforts, we expect to see increased utility costs in future periods as demand metering is implemented for industrial customers. The remaining categories had anticipated increases that had been budgeted for 2013. Salaries and wages increased 4.5% in 2013. Materials and supplies and salaries saw the largest percentage increase in 2013, which was attributable to several factors, including additional costs for pavement and airfield maintenance (partially offset by grant revenues), increased operating costs for parking and increased information technology infrastructure investment.

An unusually mild winter led to much lower costs for snow and ice removal in 2013 and 2012. Winter weather in 2011 led to snow and ice removal costs of $308,226, compared to $43,980 in 2013 and $11,923 in 2012. Winter weather contributed to increase 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. While BNA has continued 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 million stormwater collection and treatment system.

Depreciation increased by 8.0% in 2013 and 11.2% in 2012, reflecting the aggressive capital investment program undertaken in recent years, including terminal renovations, CONRAC and several airfield projects.

The following chart demonstrates the 10-year trend for MNAA's operating expenses from 2004 through 2013:

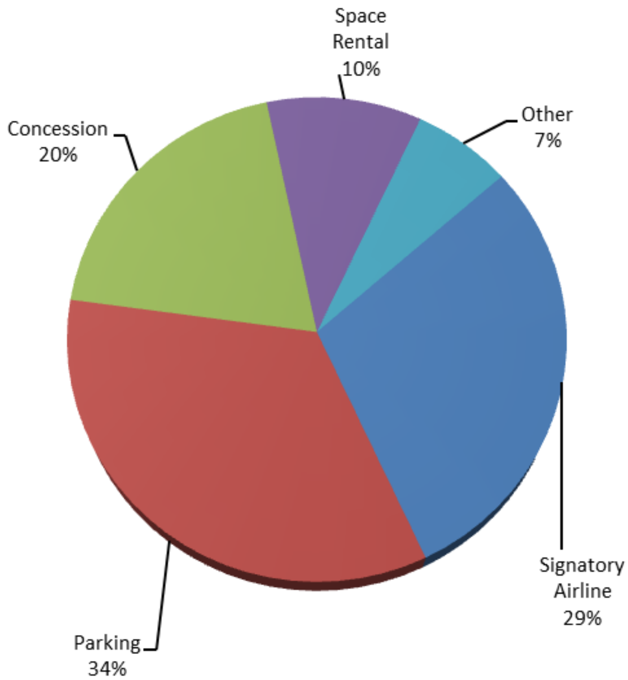
Operating Expenses (before Depreciation) (000s)



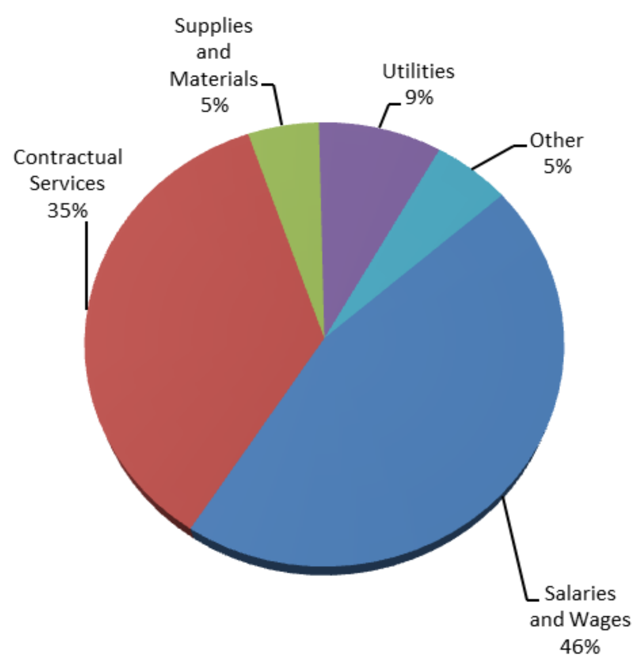
Nonoperating expenses were down 5.1% in 2013. The largest nonoperating expense line item, interest expense, was down by $50,456 in 2013 and $1,572,570 in 2012 as a result of recent refinancings and lower interest rates. The Authority also recognized gains of $373,558, $42,270 and $712,062 for 2013, 2012 and 2011, respectively, relating to the change in fair value of interest rate swap derivative instruments, which offset nonoperating expenses.

The composition of all MNAA operating revenues and operating expenses are presented here for 2013:

FY 2013 Operating Revenues Composition



FY 2013 Operating Expenses Composition before Provision for Depreciation



FINANCIAL POSITION SUMMARY

The Statements of Net Position depict the Authority's financial position as of June 30 and include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Authority. Following is a condensed summary of the Authority's financial position at June 30, 2013, 2012, and 2011. The "% Change" reflects changes from 2012 to 2013 and 2011 to 2012, as follows:

	2013	2012	% Change	2011	% Change
Assets					
Current assets	$129,454,988	$123,206,280	5.1%	$133,537,431	-7.7%
Capital assets, net	519,139,993	537,435,069	-3.4%	546,399,466	-1.6%
Other noncurrent assets	8,427,328	7,699,317	9.5%	12,580,285	-38.8%
Deferred outflows of resources	3,391,017	4,906,944	-30.9%	6,608,155	-25.7%
Total assets and deferred outflows of resources	**$660,413,326**	**$673,247,610**	**-1.9%**	**$699,125,337**	**-3.7%**
Liabilities					
Current liabilities	$ 47,540,228	$ 50,717,917	-6.3%	$ 49,725,042	2.0%
Noncurrent liabilities	212,095,743	236,142,438	-10.2%	265,214,945	-11.0%
Total liabilities	**259,635,971**	**286,860,355**	**-9.5%**	**314,939,987**	**-8.9%**
Net position					
Net investment in capital assets	334,185,679	321,078,920	4.1%	305,379,393	5.1%
Restricted	56,010,631	63,987,381	-12.5%	73,638,747	-13.1%
Unrestricted	10,581,045	1,320,954	>100.0%	5,167,210	-74.4%
Total net position	**400,777,355**	**386,387,255**	**3.7%**	**384,185,350**	**0.6%**
Total liabilities and net position	**$660,413,326**	**$673,247,610**	**-1.9%**	**$699,125,337**	**-3.9%**

Current assets increased by 5.1% in 2013. More importantly, unrestricted assets increased by more than $13.0 million or 27.9% while restricted cash and investments decreased by 10.1% or $7.4 million. Land and building improvements, as well as equipment, decreased by $18.3 million, which was the result of higher depreciation following a robust capital program.

Total liabilities decreased by $27.2 million, or 9.5%, in 2013, mostly from a reduction in airport revenue bonds outstanding. Current liabilities in 2013 decreased during the year by $3.2 million, or 6.3%. The current portion of maturities for airport revenue bonds decreased from to $30,510,000 in 2012 to $26,645,000. At JWN, liabilities decreased to $48,352 in 2013, compared to $49,511 in 2012 and $121,141 in 2011. MPC liabilities also decreased to $712,946, compared to $1,548,722 in 2012 and $602,850 in 2011. Most of this increase in 2012 was due to a large note that was refinanced in 2013.

The other postemployment benefits (OPEB) obligation grew by $4.0 million in 2013. 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 of total funding before 2017, the end of the signatory agreement, and works with the Authority's goal to manage these liabilities. At that time, debt service requirements are expected to be substantially reduced and funding shortfalls, if any, can be further addressed. The Authority has made the contributions to the respective plans under the funding plan through 2013.

Fiscal Year	Retirement Plan Funding	OPEB Plan Funding
2010		$ 500,000
2011	$ 1,000,000	500,000
2012	1,500,000	500,000
2013	3,500,000	1,000,000
2014	3,000,000	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 position shown below, $56,010,631, represents 14.0% of total net position. This compares with $63,987,381 (16.6% of total net position) in restricted net position at June 30, 2012 and $73,638,747 (19.2% of total net position) at June 30, 2011. 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 services	$9,854,109
Customer facility charge projects and related debt service	17,775,092
Debt service and other	28,381,430
Total restricted net position	$56,010,631

The unrestricted net position of $10,581,045 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 CONRAC facility, increased cash and cash equivalents at June 30, 2010. The use of such proceeds during 2011 and 2012 caused the decrease at June 30, 2011 and 2012. Cash balances remained fairly consistent in 2013 with stronger operating cash flows and repayment of bonds.

	2013	2012	2011
Cash flows provided by (used in):			
Operating	$33,887,217	$18,320,242	$33,157,649
Non-capital financing	(963,871)	(992,425)	(992,425)
Capital and related financing	(28,858,232)	(29,731,787)	(81,724,573)
Investing	(6,426,341)	4,513,447	20,901,031
Net decrease in cash and cash equivalents	**(2,361,227)**	**(7,890,523)**	**(28,658,318)**
Cash and cash equivalents:			
Beginning of year	110,659,078	118,549,601	147,207,919
End of year	$108,297,851	$110,659,078	$118,549,601

CAPITAL ACTIVITIES

Capital assets, net of accumulated depreciation, decreased from $537,435,069 to 519,139,993 at year-end. This decrease is due to an increase in accumulated depreciation from a robust capital improvement program in recent years, with more than $317 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 also was completed in 2011. Several other large airside 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, 2013 and 2012.

DEBT ADMINISTRATION

The Authority's most recent issuance of debt was the Airport Improvement Revenue Bond Series 2010B in the amount of $70,400,000 and Revenue Bond Series 2010 C in the amount of $16,170,000 in August 2010. 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 2010 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. For more information on the Authority's outstanding bonds, see Note 5 of the Notes to Financial Statements and "Schedule of Airport Revenue Bonds, Principal and Interest Requirements by Fiscal Year" on p. 59 and 60.

As of June 30, 2013, the Authority's balance of outstanding long-term revenue bonds was $198,655,0000 compared with $229,165,000 at the end of the prior year. The current portion of revenue bonds is $26,645,000 and is due on July 1, 2013.

The only bond issued under the PFC resolution matured on July 1, 2012, with $3,925,000 principal paid on 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 will also be paid with PFC collections. However, this bond series was actually issued under the MNAA master resolution as a general airport revenue bond rather than as a special revenue bond (under the PFC resolution), resulting in lower financing costs.

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

Airport bond activity for the year ended June 30, 2013, is summarized as follows:

Series Description	Balance June 30, 2012	New Borrowings	Principal Repayment	Balance June 30, 2013
Series 2003 PFC	$ 3,925,000	$ -	$ (3,925,000)	$ -
Series 2003B	17,260,000	-	(1,145,000)	16,115,000
Series 2008A	12,600,000	-	(100,000)	12,500,000
Series 2009A	34,085,000	-	(3,320,000)	30,765,000
Series 2010A	21,220,000	-	(3,365,000)	17,855,000
CONRAC Series 2010	66,300,000	-	(1,580,000)	64,720,000
Series 2010B	60,410,000	-	(13,865,000)	46,545,000
Series 2010C	13,365,000	-	(3,210,000)	10,155,000
Total	$ 229,165,000	$ -	$ (30,510,000)	$ 198,655,000

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 POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS:		
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents	$ 53,125,105	$ 41,484,104
Accounts receivable (net of allowance for doubtful accounts of $110,000 in both 2013 and 2012)	5,031,168	3,638,051
Inventories	591,366	639,006
Prepaid expenses and other	887,142	850,751
Total current unrestricted assets	59,634,781	46,611,912
Restricted assets:		
Cash and cash equivalents	55,172,746	69,174,974
Short-term investments	10,872,000	4,290,000
Passenger facility charges receivable	2,223,346	1,223,688
Customer facility charges receivable	914,419	922,387
Amounts due from governmental agencies	637,696	983,319
Total current restricted assets	69,820,207	76,594,368
Total current assets	129,454,988	123,206,280
NONCURRENT ASSETS:		
Capital assets:		
Land and land improvements	534,741,241	533,620,364
Land held for future expansion	36,701,068	36,701,068
Buildings and building improvements	254,508,281	253,445,668
Equipment, furniture and fixtures	103,981,903	95,181,689
Construction in progress	20,469,818	14,275,669
Total capital assets	950,402,311	933,224,458
Less accumulated depreciation	(431,262,318)	(395,789,389)
Total capital assets, net	519,139,993	537,435,069
Other assets	8,427,328	7,699,317
Total noncurrent assets	527,567,321	545,134,386
TOTAL ASSETS	657,022,309	668,340,666
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on bond refundings	3,391,017	4,906,944
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 660,413,326	$ 673,247,610

	2013	2012
LIABILITIES:		
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Trade accounts payable	$ 7,317,747	$ 7,248,500
Accrued payroll and related items	3,724,875	3,334,560
Current maturities of notes payable	272,264	1,451,000
Total payable from unrestricted assets	11,314,886	12,034,060
Payable from restricted assets:		
Trade accounts payable	4,987,102	3,086,427
Accrued interest payable	4,593,240	5,087,430
Current maturities of airport revenue bonds	26,645,000	30,510,000
Total payable from restricted assets	36,225,342	38,683,857
Total current liabilities	47,540,228	50,717,917
NONCURRENT LIABILITIES:		
Airport revenue bonds, less current maturities	175,637,071	203,701,652
Notes payable, less current maturities	6,339,340	5,478,329
Fair value of derivative financial instruments	2,209,043	2,721,795
Unearned interest income	646,196	916,796
Unearned rental income	1,825,341	1,896,569
Other postemployment benefits obligation	25,438,752	21,427,297
Total noncurrent liabilities	212,095,743	236,142,438
Total liabilities	259,635,971	286,860,355
COMMITMENTS AND CONTINGENCIES	-	-
NET POSITION:		
Net investment in capital assets, as restated	334,185,679	321,078,920
Restricted for:		
Passenger facility charge projects and debt service	9,854,109	16,976,473
Customer facility charge projects and debt service	17,775,092	17,124,572
Debt service and other	28,381,430	29,886,336
Total restricted net position	56,010,631	63,987,381
Unrestricted net position, as restated	10,581,045	1,320,954
Total net position, as restated	400,777,355	386,387,255
TOTAL LIABILITIES AND NET POSITION	$ 660,413,326	$ 673,247,610

See accompanying notes to financial statements.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES:		
Signatory airline	$ 29,373,222	$ 16,132,099
Parking	34,020,205	32,467,762
Concession	19,490,760	18,220,104
Space rental	10,308,115	9,545,208
Other	6,599,423	6,748,967
	99,791,725	83,114,140
OPERATING EXPENSES:		
Salaries and wages	32,118,328	30,744,071
Contractual services	24,783,144	24,214,616
Materials and supplies	3,436,780	3,156,304
Utilities	5,970,579	6,115,153
Other	3,786,262	3,147,215
	70,095,093	67,377,359
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	29,696,632	15,736,781
PROVISION FOR DEPRECIATION	35,648,323	33,000,622
OPERATING LOSS	(5,951,691)	(17,263,841)
NONOPERATING REVENUES (EXPENSES):		
Investment income	426,259	305,715
Passenger facility charges	13,262,426	12,522,227
Customer facility charges	10,307,062	10,090,579
Interest expense	(10,231,288)	(10,281,744)
Gain (loss) on disposal of property and equipment	38,437	(102,077)
Gain on derivative financial instruments	373,558	42,270
Other nonoperating, net	141,412	81,718
	14,317,866	12,658,688
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	8,366,175	(4,605,153)
CAPITAL CONTRIBUTIONS	6,023,925	6,807,058
INCREASE IN NET POSITION	14,390,100	2,201,905
TOTAL NET POSITION - BEGINNING OF YEAR , as restated	386,387,255	384,185,350
TOTAL NET POSITION - END OF YEAR	$ 400,777,355	$ 386,387,255

See accompanying notes to financial statements.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 98,285,510	$ 82,255,471
Cash paid to employees	(27,716,558)	(25,910,029)
Cash paid to suppliers	(32,895,473)	(34,877,985)
Other payments	(3,786,262)	(3,147,215)
Net cash provided by operating activities	33,887,217	18,320,242
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interest paid on long-term debt	(963,871)	(992,425)
Net cash used in noncapital financing activities	(963,871)	(992,425)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipt of passenger facility charges	12,262,768	12,471,376
Receipt of customer facility charges	10,315,030	10,051,682
Purchases of property and equipment	(17,361,638)	(24,255,225)
Interest paid on long-term debt	(9,804,455)	(9,301,877)
Payments on long-term debt	(30,827,725)	(28,263,000)
Contributions from governmental agencies	6,369,548	9,366,616
Receipts from sale of capital assets	46,828	116,923
Other receipts	141,412	81,718
Net cash used in capital and related financing activities	(28,858,232)	(29,731,787)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(22,405,000)	(24,119,527)
Proceeds from the sale and maturities of investments	15,823,000	28,588,527
Interest received on investments	155,659	44,447
Net cash (used in) provided by investing activities	(6,426,341)	4,513,447
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,361,227)	(7,890,523)
CASH AND CASH EQUIVALENTS		
Beginning of year	110,659,078	118,549,601
End of year	$ 108,297,851	$ 110,659,078

See accompanying notes to financial statements.

	2013	2012
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (5,951,691)	$ (17,263,841)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Provision for depreciation	35,648,323	33,000,622
Amortization of unearned rental income	(34,904)	(34,904)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(1,393,117)	(836,352)
Decrease (increase) in inventories	47,640	(44,171)
Increase in prepaid expenses	(36,391)	(17,659)
(Increase) decrease in other assets	(728,011)	1,273,006
Increase (decrease) in trade accounts payable	1,969,922	(2,602,008)
Increase in accrued payroll and related items	390,315	197,269
(Decrease) increase in unearned rental income	(36,324)	11,507
Increase in other postemployment benefit obligation	4,011,455	4,636,773
Net cash provided by operating activities	33,887,217	18,320,242
CASH AND CASH EQUIVALENTS - END OF YEAR CONSIST OF:		
Unrestricted cash and cash equivalents	53,125,105	41,484,104
Restricted cash and cash equivalents	55,172,746	69,174,974
	$ 108,297,851	$ 110,659,078

NONCASH INVESTING AND FINANCING ACTIVITIES:

During 2013 and 2012, $96,346 and $287,828, respectively, were recorded to interest expense for amortization of deferred outflows for refunding of debt and bond premiums.

During 2013 and 2012, $270,600 and $263,032, respectively, were included in investment income related to the amortization of unearned interest income.

During 2013 and 2012, gains of $373,558 and $42,270, respectively, were recognized for the change in fair value of derivative financial instruments.

See accompanying notes to financial statements.

1. METROPOLITAN NASHVILLE AIRPORT AUTHORITY

The creation of the Metropolitan Nashville Airport Authority (the "Authority") was authorized by Public Chapter 174 of the Public Acts of the 86th General Assembly of the State of Tennessee, 1969 Session. The Metropolitan Council of the Metropolitan Government of Nashville and Davidson County, Tennessee ("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. 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. In July 2012, MPC Holdings, LLC purchased a small commercial building adjoining Nashville International Airport.

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, and is located at Nashville International Airport.

MPC, including its subsidiaries MPC Holdings, LLC and MPC CONRAC, LLC, is considered to be a blended component unit for financial reporting purposes based on the following: (i) the Authority's Board of Commissioners constitutes the Board of Directors of MPC; (ii) management of the Authority has operational responsibility for MPC; (iii) the Authority is financially accountable for MPC, including MPC's fiscal dependence on the Authority and MPC's potential to provide specific financial benefits or burden to the Authority; and (iv) MPC was created for the benefit of the Authority.

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 blended 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. The financial operations of the Arts at the Airport Foundation are generally immaterial to the Authority's financial statements.

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 Nashville International Airport, John C. Tune Airport, and MPC, including MPC CONRAC, LLC, as noted above.

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 certain 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*.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 is continually reviewed and updated by management.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. *Deferred outflows of resources* represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. It includes the deferred amounts on bond refundings, as reported in the statements of net position. A deferred charge on refunding results from the difference between the net carrying amount of the original debt and the reacquisition price. This amount is deferred and 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.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The Authority does not have any items that qualify for reporting in this category at June 30, 2013 and 2012.

Unearned Revenue

Unearned revenue consists of unearned interest income and unearned rental income. Unearned interest income relates to the Authority's debt forward delivery agreement entered into in connection with certain bond-financing transactions (See Note 3). The unearned interest income is being amortized to nonoperating income using the effective interest method over the term of the related agreements. Unearned rental income represents lease rentals, received in advance, for certain ground leases entered into with developers. The unearned rental income is being recognized in nonoperating income on a straight-line basis over the terms of the related leases. Unearned revenues are included within liabilities in the accompanying statements of net position as such amounts may be returned to the counterparty if the related agreements were terminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Components of Net Position

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

Net investment in capital assets - This component of net position 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 net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted net position - This component of net position 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 position - This component of net position consists of net position that meet the definition of "restricted" or "net investment in capital assets."

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 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

Implementation of Accounting Pronouncement - GASB No. 65

During 2013, the Authority early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 had the impact of removing the Authority's previously recorded bond issue costs as well as reclassifying the loss on bond refundings from long-term debt to deferred outflows of resources in the statements of net position. The provisions of GASB No. 65 are to be applied through retroactive restatement. Accordingly, the Authority's financial statements have been restated, based on the application of new accounting principle, for all periods presented, as follows:

	June 30, 2012
Total net position, as previously reported	$ 390,592,717
Impact of GASB No. 65 for bond issue costs	(4,205,462)
Total net position, as restated	$ 386,387,255

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 $109,411,720 and $111,509,249 at June 30, 2013 and 2012, respectively, (with a carrying value of $108,297,851 and $110,659,078) 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. Investment risk for such cash equivalent funds is governed by the Authority's investment policy.

Investments

As of June 30, 2013 and 2012, the Authority had the following investments and related maturities:

			Investment Maturities (in Years)		
Investment Type	Credit Rating	Fair Value	Less than 1	1– 5	6–10
June 30, 2013:					
U.S. Agencies	AA+/Aaa	$ 10,872,000	$ 10,872,000	$ -	$ -
June 30, 2012:					
U.S. Agencies	AA+/Aaa	$ 4,290,000	$ 4,290,000	$ -	$ -

The carrying amount of investments is reflected in the accompanying statements of net position at June 30, 2013 and 2012, as follows:

	2013	2012
Short-term restricted investments	$ 10,872,000	$ 4,290,000

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, 2013 and 2012, 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 unearned 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, 2013, 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 $646,196 and $916,796 at June 30, 2013 and 2012, respectively. Such amounts are reported as unearned interest income in the accompanying statements of net position.

4. CAPITAL ASSETS

Capital assets and related accumulated depreciation activity for the years ended June 30, 2013 and 2012, were as follows:

	Balance June 30, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Capital assets not being depreciated:					
Land	$ 60,291,397	$ -	$ -	$ -	$ 60,291,397
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	14,275,669	17,361,638	-	(11,167,489)	20,469,818
Total capital assets not being depreciated	111,268,134	17,361,638	-	(11,167,489)	117,462,283
Capital assets being depreciated:					
Land improvements	473,328,967	-	(7,758)	1,128,635	474,449,844
Buildings and building improvements	253,445,668	-	-	1,062,613	254,508,281
Equipment, furniture and fixtures	95,181,689	-	(176,027)	8,976,241	103,981,903
Total capital assets being depreciated	821,956,324	-	(183,785)	11,167,489	832,940,028
Less accumulated depreciation:					
Land improvements	(262,804,511)	(17,340,549)	-	-	(280,145,060)
Buildings and building improvements	(96,353,660)	(12,218,213)	-	-	(108,571,873)
Equipment, furniture and fixtures	(36,631,218)	(6,089,561)	175,394	-	(42,545,385)
Total accumulated depreciation	(395,789,389)	(35,648,323)	175,394	-	(431,262,318)
Net capital assets being depreciated	426,166,935	(35,648,323)	(8,391)	11,167,489	401,677,710
Net capital assets	$ 537,435,069	$ (18,286,685)	$ (8,391)	$ -	$ 519,139,993

	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

4. CAPITAL ASSETS - Continued

The amount of construction in progress at June 30, 2013, is attributable to the following (See Note 14):

Taxiway Kilo reconstruction	$ 7,770,503
Energy improvements	2,272,396
Enterprise Resource Planning ("ERP") system implementation	1,553,682
Upgrade security camera system	1,463,175
Master plan	1,332,132
Runway safety area (JWN)	1,175,216
Other projects	4,902,714
Total construction in progress	$20,469,818

During fiscal year 2013, $11,167,489 of construction in progress was substantially completed and transferred to capital assets as follows:

Exterior terminal repair & escalators	$ 4,386,299
Lighting improvements	1,813,352
Switchgear upgrade	1,551,434
Other projects	3,416,404
	$11,167,489

The amount of construction in progress at June 30, 2012, is attributable to the following:

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 was substantially completed and 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

During fiscal year 2012, the Authority capitalized interest of $1,152,675, relating to the CONRAC project.

5. AIRPORT BONDS

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 deferred outflow of resources, was amortized through fiscal year 2012.

Subject to the satisfaction of certain conditions, the Authority could 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 2013 and 2012, interest on the bonds was calculated using a variable rate. The bonds matured 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 5.02% to 5.94%, with annual sinking fund requirements in progressive annual amounts ranging from $420,000 on July 1, 2013, 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, 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 deferred outflow of resources, is being amortized through fiscal year 2020.

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, 2013, to $3,800,000 on July 1, 2019.

5. AIRPORT BONDS - Continued

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 $3,455,000 on July 1, 2013, 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 $948,838. This difference, reported in the accompanying financial statements as a deferred outflow of resources, 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 $3,335,000 on July 1, 2013, 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 remaining CONRAC Series 2010 bonds contain serial bonds at interest rates ranging from 3.17% to 6.19%, maturing in progressive annual amounts ranging from $1,745,000 on July 1, 2013, 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 $4,918,969, including a 3%, $1,274,700 repayment premium on the 2001A bonds. This difference, reported as a deferred outflows of resources, is being amortized through fiscal year 2017.

The remaining Series 2010B issue contains serial bonds at interest rates of 4.00%, maturing in progressive annual amounts from $14,580,000 on July 1, 2013, 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 $3,010,000 on July 1, 2013, to $1,740,000 on July 1, 2016.

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All of the Authority's bonds, with the exception of 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, 2013 and 2012 (the restricted funds relate primarily to airport bonds and related activity):

	2013	2012
Principal and Interest Funds:		
Airport Improvement Revenue Bonds, Series 2003B	$ 887,817	$ 1,641,334
PFC and Airport Improvement Revenue Bonds, Series 2003	-	4,648,652
Airport Improvement Revenue Bonds, Series 2008A	158,460	114,660
Airport Improvement Revenue Bonds, Series 2009A	4,111,434	4,042,744
Airport Improvement Revenue Bonds, Series 2010A	3,761,435	4,163,878
Airport Improvement Revenue Bonds, Series 2010B	15,355,900	15,005,150
Airport Improvement Revenue Bonds, Series 2010C	3,172,401	3,452,700
CONRAC Series 2010 Bonds	3,687,834	4,009,808
Bond Reserve Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	-	4,160,500
Airport Improvement Revenue Bonds, Series 2009A	3,662,920	3,661,081
Airport Improvement Revenue Bonds, Series 2010A	2,587,807	2,586,118
CONRAC Series 2010 Bonds	6,475,019	6,633,095
Construction Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	7,630,762	6,943,633
Airport Improvement Revenue Bonds, Series 2009A	2,484,221	3,406,326
CONRAC Series 2010 Bonds	549,044	1,321,990
Other Funds:		
Various CONRAC Accounts	9,556,084	7,520,880
Energy Improvement	1,353,357	118,221
Other	610,251	34,204
	$ 66,044,746	$ 73,464,974

5. AIRPORT BONDS - Continued

Airport bond activity for the years ended June 30, 2013 and 2012, is summarized as follows:

2013:

Series Description	Balance June 30, 2012	New Borrowings	Principal Repayment	Refundings	Amortization	Balance June 30, 2013
Series 2003 PFC	$ 3,925,000	$ -	$ (3,925,000)	$ -	$ -	$ -
Series 2003B	17,260,000	-	(1,145,000)	-	-	16,115,000
Series 2008A	12,600,000	-	(100,000)	-	-	12,500,000
Series 2009A	34,085,000	-	(3,320,000)	-	-	30,765,000
Series 2010A	21,220,000	-	(3,365,000)	-	-	17,855,000
CONRAC Series 2010	66,300,000	-	(1,580,000)	-	-	64,720,000
Series 2010B	60,410,000	-	(13,865,000)	-	-	46,545,000
Series 2010C	13,365,000	-	(3,210,000)	-	-	10,155,000
Total	229,165,000	-	(30,510,000)	-	-	198,655,000
Plus unamortized premium	5,046,652	-	-	-	(1,419,581)	3,627,071
	234,211,652	$ -	$ (30,510,000)	$ -	$ (1,419,581)	202,282,071
Less current portion	(30,510,000)					(26,645,000)
	$ 203,701,652					$ 175,637,071

2012:

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
	263,446,233	$ -	$ (27,815,000)	$ -	$ (1,419,581)	234,211,652
Less current portion	(27,815,000)					(30,510,000)
	$ 235,631,233					$ 203,701,652

5. AIRPORT BONDS - Continued

Aggregate maturities of the Authority's bonds outstanding at June 30, 2013, 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
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	14,250,000	5,468,430	19,718,430
2019-2023	37,690,000	20,117,974	57,807,974
2024-2028	24,460,000	14,315,922	38,775,922
2029-2033	24,125,000	6,208,179	30,333,179
2034	1,280,000	297,149	1,577,149
	$ 198,655,000	$ 76,981,516	$ 275,636,516

The interest amounts on the 2008A variable rate debt, which has an interest rate swap agreement associated with it, were computed based on the fixed rate in the agreement plus an estimate for additional fees where applicable.

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 had a variable interest rate, reset on a monthly basis. Principal payments were due in level monthly installments of $31,667 through November 2012. During November 2012, the note was amended to bear interest at a fixed rate of 3.01%, and extend payments through November 2017. Principal and interest payments are due in monthly installments of $31,640 through November 2017, at which time the remaining balance will be $4,621,000. The principal balance outstanding at June 30, 2013, was $5,595,919. The note is collateralized by the building.

In order to reduce its exposure to fluctuations in interest rates on the original 2007 note, MPC Holdings, LLC, entered into an interest rate swap agreement ("2007 MPC Swap Agreement") that fixed the interest rate at 5.67% (See Note 8). This swap expired November 2012.

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 were due in level monthly installments of $5,666, and the obligation matured in February 2013. During March 2013, the note was amended to bear interest at a fixed rate of 3.12% with principal and interest payments of $5,758 per month. The amended note matures on April 1, 2018, at which time the remaining balance will be $824,827. The principal balance outstanding at June 30, 2013 was $1,015,685. The note is collateralized by the building.

In order to reduce exposure to fluctuation in interest rate on the original 2008 note, MPC Holdings, LLC, entered into an interest rate swap agreement ("2008 MPC Swap Agreement") that fixed the interest rate at 4.33% (See Note 8). This swap expired March 2013.

6. OTHER NONCURRENT DEBT - MPC NOTES PAYABLE - Continued

The anticipated aggregate principal maturities of the MPC notes payable are as follows at June 30, 2013:

Year Ending June 30,	
2014	$ 272,264
2015	252,085
2016	259,821
2017	267,795
2018	5,559,639
	$6,611,604

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, 2013 and 2012, MPC was in compliance with its financial covenants.

Activity with respect to the MPC notes for 2013 and 2012 is as follows:

Description	Balance June 30, 2012	Principal Repayments	Balance June 30, 2013
MPC Note 1	$ 5,858,329	$ (262,410)	$ 5,595,919
MPC Note 2	1,071,000	(55,315)	1,015,685
	$ 6,929,329	$ (317,725)	$ 6,611,604

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

7. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities activity for the years ended June 30, 2013 and 2012, is as follows:

Other Noncurrent Liabilities Description	Balance June 30, 2012	Net Cash Receipts (Repayments)	Amortization	Change in Derivative Instruments	Balance June 30, 2013
Fair value of derivative financial instruments	$ 2,721,795	$ -	$ -	$ (512,752)	$ 2,209,043
Unearned interest income	916,796	-	(270,600)	-	646,196
Unearned rental income	1,896,569	(36,324)	(34,904)	-	1,825,341
	$ 5,535,160	$ (36,324)	$ (305,504)	$ (512,752)	$ 4,680,580

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
Unearned interest income	1,179,828	-	(263,032)	-	916,796
Unearned rental income	1,919,966	11,507	(34,904)	-	1,896,569
	$ 5,863,859	$ 11,507	$ (297,936)	$ (42,270)	$ 5,535,160

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Authority maintained certain interest rate swap agreements during 2013 and 2012, 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.

2*008A 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 provided 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 provided that MPC pay a fixed rate of 5.67% on the outstanding notional amount. This agreement terminated on November 1, 2012, to correspond with the refinancing of the loan.

8. DERIVATIVE FINANCIAL INSTRUMENTS - Continued

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 provided that MPC pay a fixed rate of 4.33% on the outstanding notional amount. This agreement terminated March 1, 2013, to correspond with the refinancing 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, 2013	Maturity Date	Terms	Counterparty Credit Rating Moody's/S&P	Fair Value June 30, 2013	2012
2008A Swap	$12,500,000	7/1/2019	pay 4.49% fixed; receive SIFMA	A2/A	$2,209,043	$2,582,601
MPC 2007 Swap	-	11/1/2012	pay 5.67% fixed; receive 1-month LIBOR	A3/BBB+	-	113,448
MPC 2008 Swap	-	3/1/2013	pay 4.33% fixed; receive 1-month LIBOR	A3/BBB+	-	25,746
					$2,209,043	$2,721,795

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

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, 2013 or 2012. 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 an 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 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 2013 and 2012 totaled $13,262,426 and $12,522,227, 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, 2013:

Airfield development	$172,517,521
Terminal development	124,311,879
Land acquisition	21,260,411
	$318,089,811

As of June 30, 2013, cumulative expenditures to date on approved PFC projects totaled $259,540,221.

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 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 2013 and 2012 totaled $10,307,062 and $10,090,579, 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 on-airport rental car companies under the consolidated rental car lease agreements. Under these lease agreements, 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 position relating to CFCs totaled $18,545,823 and $18,388,522 at June 30, 2013 and 2012, respectively, and is included in net investment in capital assets and restricted net position in the statements of net position.

11. SPECIAL FACILITY REVENUE BONDS

Special Facility Revenue Bonds, Series 2005

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

The outstanding Special Facility Revenue Bonds, Series 2005, are special obligations of the Authority and the debt service thereon shall be payable solely from revenues provided by Embraer Aircraft Maintenance Services, Inc., pursuant to a special facility sublease agreement or from letter of credit drawings made by the trustee. These bonds mature in April 2030. The principal balance outstanding as of both June 30, 2013 and 2012 was $9,500,000. Since these bonds do not represent a claim on the Authority's assets or require the Authority to incur future obligations, they represent conduit debt and have not been recorded in the Authority's financial statements.

Special Facility Revenue Bonds, Series 2006/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. The principal balance outstanding as of June 30, 2013 and 2012 was $5,965,000 and $6,200,000, respectively. 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, 2013, include American Airlines, American Eagle, Continental Express doing business as ExpressJet, Delta Air Lines, Inc., Republic, Southwest Airlines, United Airlines, and US Airways.

12. AIRLINE LEASE AGREEMENTS - Continued

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 all of fiscal year 2012 and much of fiscal year 2013. In May 2013, the Authority agreed to settle and release its bankruptcy claims with AMR Corporation. The agreements allow for American Airlines and American Eagle to return approximately 120,000 square feet of the 190,000 square feet of leased space, subject to certain conditions including completing approximately $1.4 million in estimated repairs to the returned space. The Authority also released a large bankruptcy claim for deferred maintenance of the fuel farm facilities. Under the agreement, the parties agreed a fuel consortium would be formed and owned by member airlines operating from the airport. The consortium will operate the fuel farm facilities under a two-year agreement and must complete an estimated $6.5 million in repairs to the facilities. The settlement of the bankruptcy claims will eliminate approximately $4.2 million in annual expense for American Airlines and American Eagle. However, the residual nature of the signatory airline agreement will increase rates and charges to airlines in affected costs centers and will offset the loss of revenue from the returned lease space. Accordingly, the Authority will see no significant financial impact from the bankruptcy proceedings.

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:

	2013	2012
Balance—Beginning of year	$ 369,690	$ 369,902
Provision for incurred claims	3,409,242	4,020,442
Claim payments	(3,453,394)	(4,020,654)
Balance—End of year	$ 325,538	$ 369,690

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 2013 and 2012, employees sold back $174,191 and $184,260 of their annual leave balances to the Authority in exchange for cash. Additional payments of $36,285 and $41,459 were made to employees who left employment with the Authority during the years ended June 30, 2013 and 2012, respectively. The change in accrued compensated absences balance is charged to salaries and wages expense.

13. RISK MANAGEMENT AND INSURANCE ARRANGEMENTS – Continued

The following summarizes the changes in the compensated absences liability:

	2013	2012
Balance—Beginning of year	$ 1,439,994	$ 1,389,818
Provision for compensated absences	293,692	275,895
Annual leave buy-back and other	(210,476)	(225,719)
Balance—End of year	$ 1,523,210	$ 1,439,994

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, 2013, total $9,221,332 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	$ 4,271,168
Passenger facility charges collected	888,468
Customer facility charges collected	44,785
Funded by the Authority	4,016,911
	$ 9,221,332

On October 9, 2012, the Authority entered into a Consent Order with the Tennessee Department of Environment and Conservation in response to a routing inspection which identified that a local area stream had been contaminated by untreated deicing chemicals. In the Consent Order, the Authority was assessed a penalty of $22,500 and it was determined that Natural Resource Damages in the amount of $218,520 exist. In lieu of payment, the Authority has proposed upgrades to its deicing system and wastewater treatment in excess of $7,000,000. A new project is scheduled for fiscal year 2014 to address this. This project will implement select recommendations arising from a Feasibility Study conducted to determine possible treatability, monitoring, and capacity improvements for treating storm water contaminated with deicing fluid. The project will segregate uncontaminated storm water so that only storm water containing deicer is collected, which acts like a storage capacity improvement, and the project will improve the treatment system process to improve both capacity and reliability of the treatment system. As of June 30, 2013, the Authority is working on the implementation of the deicing capital project and considers this matter to be resolved.

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 net pension asset for the years ended June 30, 2013, 2012, and 2011:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
2013	$2,872,767	121.8%	$(6,758,427)
2012	2,943,508	51.0%	(6,131,194)
2011	2,608,858	38.3%	(7,574,702)

The following table summarizes the changes in the Authority's net pension asset for the years ended June 30, 2013 and 2012:

	2013	2012
Annual pension cost:		
Annual required contribution	$ 2,781,172	$ 2,816,921
Less: Interest on the net pension asset	(490,496)	(605,976)
Plus: Annual required contribution adjustment	582,091	732,563
Annual pension cost	2,872,767	2,943,508
Contributions made	(3,500,000)	(1,500,000)
(Increase) decrease in the net pension asset	(627,233)	1,443,508
Net pension asset:		
Beginning of year	(6,131,194)	(7,574,702)
End of year	$(6,758,427)	$(6,131,194)

15. RETIREMENT BENEFIT PLANS - Continued

The net pension asset is included in other noncurrent assets in the statement of net position.

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 2013, 2012, and 2011 the Authority made contributions of $3,500,000, $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, 2012, is detailed below:

Actuarial accrued liability (a)	$42,042,207
Actuarial value of plan assets (b)	22,947,521
Unfunded actuarial accrued liability (a) - (b)	$19,094,686
Funded ratio (b) / (a)	54.6%
Covered payroll (c)	$7,732,080
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	247.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and 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 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 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, 93 retirees and 64 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 2013, 2012, and 2011 are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$6,365,995	37.0%	$25,438,752
2012	6,597,967	29.7%	21,427,297
2011	6,187,879	33.3%	16,790,524

The following table summarizes the changes in the Authority's OPEB obligation for the years ended June 30, 2013 and 2012:

	2013	2012
Annual OPEB cost:		
Annual required contribution	$6,723,983	$6,878,488
Plus: Interest on the net OPEB obligation	857,092	671,621
Less: Amortization on the net OPEB obligation	(1,215,080)	(952,142)
Annual OPEB cost	6,365,995	6,597,967
Contributions made	(2,354,540)	(1,961,194)
Increase in the net OPEB obligation	4,011,455	4,636,773
Net OPEB obligation:		
Beginning of year	21,427,297	16,790,524
End of year	$25,438,752	$21,427,297

The Authority's contributions to the OPEB Plan during fiscal years 2013 and 2012 totaled $2,354,540 and $1,961,194, respectively. The amount contributed during fiscal years 2013 and 2012 included $1,000,000 and $500,000, 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, 2012, is detailed below:

Actuarial accrued liability (a)	$60,857,129
Actuarial value of plan assets (b)	1,534,778
Unfunded actuarial accrued liability (a) - (b)	$59,322,351
Funded ratio (b) / (a)	2.5%
Covered payroll (c)	$14,586,105
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	406.7%

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; however, management has a plan whereby cash contributions are intended to be made to help offset the anticipated increased outflows in future years to cover retiree benefits. As described above, the Authority made $1,000,000 and $500,000 in contributions to the OPEB Trust during fiscal years 2013 and 2012, respectively. These contributions were considered in the July 1, 2013 and 2012 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 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	4.0%
Health care cost trend rate	6.5% graded down uniformly to 5.0% for 2015 and beyond
Inflation rate	4.0%
Mortality	RP-2000 Combined Mortality Table
Retirement rates	Varying rates beginning with 5.0% 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.

As part of the OPEB actuarial evaluation on July 1, 2013, which is effective for the Authority's 2014 fiscal year, certain changes to the OPEB Plan were considered, including the following: The Authority intends to adopt an Employer Group Waiver Plan (EGWP) for post-65 retiree pharmacy benefits effective January 1, 2014. Additionally, the Authority intends to adopt certain post-65 stop loss coverage. In the July 1, 2013 valuation, for the Authority's fiscal year 2014, these changes have reduced the anticipated actuarial accrued liabilities to $42,543,000.

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, 2013 and 2012, there were 17 and 15 retirees, respectively, receiving benefits under the PERS. During the years ended June 30, 2013 and 2012, payments of $41,073 and $26,097, respectively, were made to the Metropolitan Government for postemployment benefits under this PERS.

17. DEFINED CONTRIBUTION PLANS

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 position. 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 $753,167 and $731,428 in 2013 and 2012, respectively.

During May 2013, the Board of Commissioners approved an additional 401(a) defined contribution retirement plan. Under this additional plan, the Authority contributed 10% of an employee's base compensation on an annual basis. The new 401(a) plan is available only to employees hired after June 27, 2003 who do not participate in the Authority's defined benefit pension plan described in Note 15. All contributions by the Authority are discretionary. The amount contributed during fiscal year 2013 totaled $690,700.

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 $1,562,153 and $1,597,056 at June 30, 2013 and 2012, respectively, and is included in unearned rental income in the statements of net position. 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% of the total enplanements of 5,037,975 and 4,883,374 in both fiscal years 2013 and 2012, respectively.

20. 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, 2013 and 2012:

				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, 2013:						
Cash and cash equivalents	$108,297,851	$108,297,851	$108,297,851	$108,297,851	$ -	$ -
Investments:						
U.S. agencies	10,872,000	10,872,000	10,872,000	10,872,000	-	-
Long-term debt	208,893,675	263,476,796	-	-	-	-
Derivative financial instruments	2,209,043	2,209,043	2,209,043	-	2,209,043	-
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	241,140,981	299,518,432	-	-	-	-
Derivative financial instruments	2,721,795	2,721,795	2,721,795	-	2,721,795	-

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).

The fair value estimates presented herein are based on pertinent information available to management as of June 30, 2013 and 2012. 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.

21. CONDENSED FINANCIAL INFORMATION BY ENTITY

The following information presents the condensed financial information for the Authority's airports and its blended component unit, MPC. Such information is presented in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus An Amendment of GASB Statements No. 14 and 34*:

	June 30, 2013			
	Airports		Blended Component Unit	
	Nashville International Airport (1)	John C. Tune Airport	MNAA Properties Corporation (1)	Total
Condensed Statements of Net Position				
Assets				
Current assets	$ 123,502,166	$ 1,528,365	$ 4,424,457	$ 129,454,988
Capital assets, net	497,080,942	13,346,376	8,712,675	519,139,993
Other assets	7,315,660	50,000	1,061,668	8,427,328
Total assets	627,898,768	14,924,741	14,198,800	657,022,309
Deferred outflows of resources	3,391,017	-	-	3,391,017
Total assets and deferred outflows of resources	$ 631,289,785	$ 14,924,741	$ 14,198,800	$ 660,413,326
Liabilities				
Current liabilities	$ 46,779,030	$ 48,252	$ 712,946	$ 47,540,228
Noncurrent liabilities	205,685,815	23,761	6,386,167	212,095,743
Total liabilities	252,464,845	72,013	7,099,113	259,635,971
Net position				
Net investment in capital assets	318,600,540	13,396,377	2,188,762	334,185,679
Restricted for:				
Passenger facility charge projects and debt service	9,854,109	-	-	9,854,109
Customer facility charge projects and debt service	17,775,092	-	-	17,775,092
Debt service and other	28,381,430	-	-	28,381,430
Total restricted net position	56,010,631	-	-	56,010,631
Unrestricted net position	4,213,769	1,456,351	4,910,925	10,581,045
Total net position	378,824,940	14,852,728	7,099,687	400,777,355
Total liabilities and net position	$ 631,289,785	$ 14,924,741	$ 14,198,800	$ 660,413,326
Condensed Statements of Revenues, Expenses and Changes in Net Position				
Operating revenues	$ 96,693,378	$ 800,686	$ 2,297,661	$ 99,791,725
Operating expenses	67,935,597	660,993	1,498,503	70,095,093
Provision for depreciation	33,782,165	1,129,733	736,425	35,648,323
Operating (loss) income	(5,024,384)	(990,040)	62,733	(5,951,691)
Nonoperating revenues (expenses), net	14,476,213	1,015	(159,362)	14,317,866
Capital contributions	5,973,311	50,614	-	6,023,925
Increase (decrease) in net position	15,425,140	(938,411)	(96,629)	14,390,100
Net position - beginning of year	363,399,800	15,791,139	7,196,316	386,387,255
Net position - end of year	$ 378,824,940	$ 14,852,728	$ 7,099,687	$ 400,777,355
Condensed Statements of Cash Flows				
Cash flows from operating activities	$ 33,320,448	$ 223,488	$ 343,281	$ 33,887,217
Cash flows from noncapital financing activities	(963,871)	-	-	(963,871)
Cash flows from capital and related financing activities	(27,359,445)	(13,341)	(1,485,446)	(28,858,232)
Cash flows from investing activities	(6,426,341)	-	-	(6,426,341)
Increase (decrease) in cash and cash equivalents	(1,429,209)	210,147	(1,142,165)	(2,361,227)
Cash and cash equivalents - beginning of year	104,267,839	1,423,308	4,967,931	110,659,078
Cash and cash equivalents - end of year	$ 102,838,630	$ 1,633,455	$ 3,825,766	$ 108,297,851

(1) The financial information of MPC CONRAC LLC is included in Nashville International Airport as the sole purpose of MPC CONRAC LLC relates to the CONRAC Facility at Nashville International Airport, and therefore, it is integrated with the Airport for reporting purposes.

21. CONDENSED FINANCIAL INFORMATION BY ENTITY - Continued

	June 30, 2012			
	Airports		Blended Component Unit	
	Nashville International Airport (1)	John C. Tune Airport	MNAA Properties Corporation (1)	Total
Condensed Statements of Net Position				
Assets				
Current assets	$ 116,834,644	$ 1,404,422	$ 4,967,214	$ 123,206,280
Capital assets, net	514,466,130	14,412,154	8,556,785	537,435,069
Other assets	6,757,208	50,000	892,109	7,699,317
Total assets	638,057,982	15,866,576	14,416,108	668,340,666
Deferred outflows of resources	4,906,944	-	-	4,906,944
Total assets and deferred outflows of resources	$ 642,964,926	$ 15,866,576	$ 14,416,108	$ 673,247,610
Liabilities				
Current liabilities	$ 49,119,684	$ 49,511	$ 1,548,722	$ 50,717,917
Noncurrent liabilities	230,445,442	25,926	5,671,070	236,142,438
Total liabilities	279,565,126	75,437	7,219,792	286,860,355
Net position				
Net investment in capital assets	304,986,212	14,462,154	1,630,554	321,078,920
Restricted for:				
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 position	63,987,381	-	-	63,987,381
Unrestricted net position	(5,573,793)	1,328,985	5,565,762	1,320,954
Total net position	363,399,800	15,791,139	7,196,316	386,387,255
Total liabilities and net position	$ 642,964,926	$ 15,866,576	$ 14,416,108	$ 673,247,610
Condensed Statements of Revenues, Expenses and Changes in Net Position				
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) income	(16,123,480)	(1,015,171)	(125,190)	(17,263,841)
Nonoperating revenues (expenses), net	12,756,477	875	(98,664)	12,658,688
Capital contributions	6,019,663	787,395	-	6,807,058
Increase (decrease) in net position	2,652,660	(226,901)	(223,854)	2,201,905
Net position - beginning of year	360,747,140	16,018,040	7,420,170	384,185,350
Net position - end of year	$ 363,399,800	$ 15,791,139	$ 7,196,316	$ 386,387,255
Condensed Statements of Cash Flows				
Cash flows from operating activities	$ 17,685,742	$ 159,739	$ 474,761	$ 18,320,242
Cash flows from noncapital financing activities	(992,425)	-	-	(992,425)
Cash flows from capital and related financing activities	(28,619,848)	(35,430)	(1,076,509)	(29,731,787)
Cash flows from investing activities	4,513,447	-	-	4,513,447
Increase (decrease) in cash and cash equivalents	(7,413,084)	124,309	(601,748)	(7,890,523)
Cash and cash equivalents - beginning of year	111,680,923	1,298,999	5,569,679	118,549,601
Cash and cash equivalents - end of year	$ 104,267,839	$ 1,423,308	$ 4,967,931	$ 110,659,078

REQUIRED SUPPLEMENTARY INFORMATION

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
JUNE 30, 2013 (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, 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%
July 1, 2012	22,947,521	42,042,207	(19,094,686)	54.58%	7,732,080	246.95%

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, 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%
July 1, 2012	1,534,778	60,857,129	(59,322,351)	2.52%	14,586,105	406.70%

See independent auditor’s report.

OTHER INFORMATION

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF NET POSITION INFORMATION BY ENTITY
JUNE 30, 2013

	Nashville International Airport (1)	John C. Tune Airport	MNAA Properties Corporation (1)	Total
ASSETS:				
CURRENT ASSETS:				
Unrestricted assets:				
Cash and cash equivalents	$ 47,753,576	$ 1,633,455	$ 3,738,074	$ 53,125,105
Accounts receivable (net of allowance for doubtful accounts of $110,000)	4,435,500	13,526	582,142	5,031,168
Inventories	591,366	-	-	591,366
Due from (to) other funds	129,852	(127,414)	(2,438)	-
Prepaid expenses and other	868,155	-	18,987	887,142
Total current unrestricted assets	53,778,449	1,519,567	4,336,765	59,634,781
Restricted assets:				
Cash and cash equivalents	55,085,054	-	87,692	55,172,746
Short-term investments	10,872,000	-	-	10,872,000
Passenger facility charges receivable	2,223,346	-	-	2,223,346
Customer facility charges receivable	914,419	-	-	914,419
Amounts due from governmental agencies	628,898	8,798	-	637,696
Total current restricted assets	69,723,717	8,798	87,692	69,820,207
Total current assets	123,502,166	1,528,365	4,424,457	129,454,988
NONCURRENT ASSETS:				
Capital assets:				
Land and land improvements	509,764,302	24,776,122	200,817	534,741,241
Land held for future expansion	36,701,068	-	-	36,701,068
Buildings and building improvements	238,622,640	4,418,544	11,467,097	254,508,281
Equipment, furniture and fixtures	103,436,299	545,604	-	103,981,903
Construction in progress	18,404,846	1,387,486	677,486	20,469,818
Total capital assets	906,929,155	31,127,756	12,345,400	950,402,311
Less accumulated depreciation	(409,848,213)	(17,781,380)	(3,632,725)	(431,262,318)
Total capital assets, net	497,080,942	13,346,376	8,712,675	519,139,993
Other assets	7,315,660	50,000	1,061,668	8,427,328
Total noncurrent assets	504,396,602	13,396,376	9,774,343	527,567,321
TOTAL ASSETS	627,898,768	14,924,741	14,198,800	657,022,309
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on bond refundings	3,391,017	-	-	3,391,017
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 631,289,785	$ 14,924,741	$ 14,198,800	$ 660,413,326

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF NET POSITION INFORMATION BY ENTITY - CONTINUED
JUNE 30, 2013

	Nashville International Airport (1)	John C. Tune Airport	MNAA Properties Corporation (1)	Total
LIABILITIES:				
CURRENT LIABILITIES:				
Payable from unrestricted assets:				
Trade accounts payable	$ 6,836,652	$ 40,413	$ 440,682	$ 7,317,747
Accrued payroll and related items	3,717,036	7,839	-	3,724,875
Current maturities of notes payable	-	-	272,264	272,264
Total payable from unrestricted assets	10,553,688	48,252	712,946	11,314,886
Payable from restricted assets:				
Trade accounts payable	4,987,102	-	-	4,987,102
Accrued interest payable	4,593,240	-	-	4,593,240
Current maturities of airport revenue bonds	26,645,000	-	-	26,645,000
Total payable from restricted assets	36,225,342	-	-	36,225,342
Total current liabilities	46,779,030	48,252	712,946	47,540,228
NONCURRENT LIABILITIES:				
Airport revenue bonds, less current maturities	175,637,071	-	-	175,637,071
Notes payable, less current maturities	-	-	6,339,340	6,339,340
Fair value of derivative financial instruments	2,209,043	-	-	2,209,043
Unearned interest income	646,196	-	-	646,196
Unearned rental income	1,754,753	23,761	46,827	1,825,341
Other postemployment benefits obligation	25,438,752	-	-	25,438,752
Total noncurrent liabilities	205,685,815	23,761	6,386,167	212,095,743
Total liabilities	252,464,845	72,013	7,099,113	259,635,971
COMMITMENTS AND CONTINGENCIES	-	-	-	-
NET POSITION:				
Net investment in capital assets	318,600,540	13,396,377	2,188,762	334,185,679
Restricted for:				
Passenger facility charge projects and debt service	9,854,109	-	-	9,854,109
Customer facility charge projects and debt service	17,775,092	-	-	17,775,092
Debt service and other	28,381,430	-	-	28,381,430
Total restricted net position	56,010,631	-	-	56,010,631
Unrestricted net position	4,213,769	1,456,351	4,910,925	10,581,045
Total net position	378,824,940	14,852,728	7,099,687	400,777,355
TOTAL LIABILITIES AND NET POSITION	$ 631,289,785	$ 14,924,741	$ 14,198,800	$ 660,413,326

(1) The financial information of MPC CONRAC LLC is included in Nashville International Airport as the sole purpose of MPC CONRAC LLC relates to the CONRAC Facility at Nashville International Airport, and therefore, it is integrated with the Airport for reporting purposes.

See independent auditor's report.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSTION INFORMATION BY ENTITY
FOR THE YEAR ENDED JUNE 30, 2013

	Nashville International Airport (1)	John C. Tune Airport	MNAA Properties Corporation (1)	Total
OPERATING REVENUES:				
Signatory airline	$ 29,373,222	$ -	$ -	$ 29,373,222
Parking	34,020,205	-	-	34,020,205
Concession	19,490,760	-	-	19,490,760
Space rental	7,348,978	743,868	2,215,269	10,308,115
Other	6,460,213	56,818	82,392	6,599,423
	96,693,378	800,686	2,297,661	99,791,725
OPERATING EXPENSES:				
Salaries and wages	31,818,392	299,936	-	32,118,328
Contractual services	23,763,443	175,537	844,164	24,783,144
Materials and supplies	3,325,306	96,809	14,665	3,436,780
Utilities	5,546,393	46,692	377,494	5,970,579
Other	3,482,063	42,019	262,180	3,786,262
	67,935,597	660,993	1,498,503	70,095,093
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	28,757,781	139,693	799,158	29,696,632
PROVISION FOR DEPRECIATION	33,782,165	1,129,733	736,425	35,648,323
OPERATING (LOSS) INCOME	(5,024,384)	(990,040)	62,733	(5,951,691)
NONOPERATING REVENUES (EXPENSES):				
Investment income	309,200	1,015	116,044	426,259
Passenger facility charges	13,262,426	-	-	13,262,426
Customer facility charges	10,307,062	-	-	10,307,062
Interest expense	(9,955,882)	-	(275,406)	(10,231,288)
Gain on disposal of property and equipment	38,437	-	-	38,437
Gain on derivative financial instruments	373,558	-	-	373,558
Other nonoperating, net	141,412	-	-	141,412
	14,476,213	1,015	(159,362)	14,317,866
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	9,451,829	(989,025)	(96,629)	8,366,175
CAPITAL CONTRIBUTIONS	5,973,311	50,614	-	6,023,925
INCREASE (DECREASE) IN NET POSITION	15,425,140	(938,411)	(96,629)	14,390,100
TOTAL NET POSITION - BEGINNING OF YEAR	363,399,800	15,791,139	7,196,316	386,387,255
TOTAL NET POSITION - END OF YEAR	$ 378,824,940	$ 14,852,728	$ 7,099,687	$ 400,777,355

(1) The financial information of MPC CONRAC LLC is included in Nashville International Airport as the sole purpose of MPC CONRAC LLC relates to the CONRAC Facility at Nashville International Airport, and therefore, it is integrated with the Airport for reporting purposes.

See independent auditor's report.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF AIRPORT REVENUE BONDS, PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR
JUNE 30, 2013

Year Ending June 30,	Series 2003B Revenue Bonds		Series 2008A Revenue Bonds		Series 2009A Revenue Bonds		Series 2010A Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	-	-	-	-	-	-
	16,115,000	14,730,366	12,500,000	2,631,140	30,765,000	5,539,344	17,855,000	2,242,818
Bond Premium	-	-	-	-	108,339	-	1,020,747	-
	$ 16,115,000	$ 14,730,366	$ 12,500,000	$ 2,631,140	$ 30,873,339	$ 5,539,344	$ 18,875,747	$ 2,242,818

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 auditor's 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
$ 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
46,545,000	2,868,500	10,155,000	671,200	64,720,000	48,298,148	198,655,000	76,981,516	275,636,516
2,138,693	-	359,292	-	-	-	3,627,071	-	3,627,071
$ 48,683,693	$ 2,868,500	$ 10,514,292	$ 671,200	$ 64,720,000	$ 48,298,148	$ 202,282,071	$ 76,981,516	$ 279,263,587

See independent auditor's report.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2013

Airport	Program Title	CFDA Number	Grantor Agency	Accrued Balance June 30, 2012	Cash Receipts	Expenditures	Accrued Balance June 30, 2013
FEDERAL ASSISTANCE:							
Direct Awards:							
Nashville International	Airport Improvement Program	20.106 (A)	Federal Aviation Administration	$ 516,740	$ 5,417,168	$ 5,277,213	$ 376,785
Nashville International	Transportation Security Administration - Checked Baggage Inspection System	N/A	U.S. Department of Homeland Security Transportation Security Administration	-	-	70,388	70,388
John C. Tune	Airport Improvement Program	20.106 (A)	Federal Aviation Administration	3,643	14,027	15,812	5,428
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	16,821	13,964	2,590
			TOTAL FEDERAL ASSISTANCE	$ 525,830	$ 5,448,016	$ 5,377,377	$ 455,191
STATE ASSISTANCE:							
Nashville International			State of Tennessee Department of Transportation	$ 437,563	$ 870,175	$ 611,747	$ 179,135
John C. Tune			State of Tennessee Department of Transportation	19,926	51,357	34,801	3,370
			TOTAL STATE ASSISTANCE	$ 457,489	$ 921,532	$ 646,548	$ 182,505

(A) Major program in accordance with OMB Circular A-133

See notes to schedule of expenditures of federal and state awards and independent auditor's 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 AUDITOR'S 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*

To the Board of Commissioners
Metropolitan Nashville Airport Authority
Nashville, Tennessee

We have audited, in accordance with the 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, the financial statements of the Metropolitan Nashville Airport Authority (the "Authority"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 28, 2013

CROSSLIN
&ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Commissioners
Metropolitan Nashville Airport Authority
Nashville, Tennessee

Report on Compliance for the Major Federal Program

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 *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, 2013. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

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Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crosslin & Associates, P.C.

Nashville, Tennessee
October 28, 2013

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
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 auditor's report issued on compliance for major programs	Unmodified
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	$5,293,025

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.