

2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT



Metropolitan Nashville Airport AuthoritySM
A Six Sigma Organization

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

June 30, 2010

2010 Comprehensive Annual Financial Report

For the Fiscal Year Ended **June 30, 2010**

Prepared by the Finance Department



Metropolitan Nashville Airport AuthoritySM
A Six Sigma Organization

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

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Introductory Section

Metropolitan Nashville Airport Authority | Comprehensive Annual Financial Report

This section contains the following subsections:

Letter of Transmittal

Board of Commissioners

Organization Chart and Executive Staff

Certificate of Achievement for Excellence in Financial Reporting





Metropolitan Nashville Airport Authority

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

November 1, 2010

To the Board of Commissioners of the Metropolitan Nashville Airport Authority:

The Comprehensive Annual Financial Report (“CAFR”) of the Metropolitan Nashville Airport Authority (the “Authority”) for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the finance department of the Authority. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority’s financial activities have been included.

The Authority is a metropolitan airport authority created February 9, 1970, pursuant to state statute and is an independent political subdivision of the State of Tennessee. The major purposes of the Authority are the development, financing and operation of the Nashville International Airport and John C. Tune Airport, a general aviation reliever airport. These activities collectively provided the framework to deliver the Nashville Airports Experience, the Authority’s core competency, to nearly 9 million passengers and many other stakeholders in fiscal year 2010. The Authority also owns MNAA Properties Corporation (“MPC”), a Tennessee nonprofit corporation, whose purposes are to support and facilitate the operations of the Authority and to help the economic development of the surrounding area. The Authority has all the powers of a governmental entity necessary to accomplish its purpose, such as acquiring land and constructing airport facilities; issuing revenue bonds and other tax-exempt indebtedness; maintaining its own policy and aircraft rescue and firefighting (“ARFF”); and setting rates, charges and rentals for activities on airport properties. Based upon the criteria set forth in Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, it has been determined that the Authority is a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee.

A Board of Commissioners governs the Authority and serves without compensation. The Board of Commissioners is made up of ten members, nine of whom are appointed by the mayor with the tenth being the mayor. The Metropolitan Council of Nashville and Davidson County confirms all appointments. The appointments are four-year terms, and terms are staggered to provide for continuity of airport development and management. By state law, the commissioners represent different professional and management disciplines, including engineering, aviation, law, commerce, finance and industry. The Board appoints the Authority’s president, who is the chief executive and administrative officer responsible for day-to-day operations and planning for both Authority airports and MPC. The president heads a full-time staff of professional and technical personnel totaling budgeted headcount for fiscal year 2010 of 287 positions.

A significant portion of day-to-day operations and planning relates to fiscal management. Staff-prepared operating and capital budgets are reviewed by various committees of the Board of Commissioners and legally adopted by the full Board of Commissioners. In the case of the Nashville International Airport, the annual capital and operating budgets are additionally reviewed and approved by the eight airlines that have committed to the residual lease agreement. This agreement expires September 30, 2017. Although budget programs are approved by the Board of Commissioners, individual expenditures, whether for capital or operating purposes, must comply with the Authority’s bylaws and policies and procedural requirements for competitive acquisition.

The Authority utilizes a cash management and investment policy intended to achieve maximum financial return while minimizing risk of loss on all available funds. The trust indenture and supplemental resolutions, which govern the investment of bond proceeds, generally authorize the Authority to invest in direct obligations of or obligations guaranteed by the U.S. government, obligations issued or guaranteed by specific agencies of the U.S. government, secured certificates of deposit, secured repurchase agreements, and specifically rated obligations of state governments, commercial paper and money market funds. The carrying amount and market value of the investments at June 30, 2010 and 2009, were \$29,340,490 and \$14,969,945, respectively, as the Authority chose to maintain higher cash balances rather than investing during the year. For more detailed information relating to the Authority's cash and investments, refer to Note 3, Cash and Cash Equivalents and Investments, to the Authority's financial statements included in the financial section of this CAFR.

Another top priority of the Authority is to protect MNAA assets to the greatest degree economically feasible to comply with all statutory and revenue bond trust indenture requirements. The Authority's exposure to loss has been minimized through the acquisition of a \$300,000,000 general liability policy that requires self-retention of \$5,000 per occurrence and a \$50,000 aggregate deductible. Additionally, real and personal property is insured for \$286,033,235 with various deductibles depending upon the loss category involved. The Authority's tenant and contractor insurance requirements and indemnifications have been coordinated with the aforementioned policies to further reduce the risk of loss through actions beyond management's control.

ECONOMIC CONDITIONS AND OUTLOOK

Nashville, America's Friendliest City for 2009 according to Travel & Leisure magazine, experienced an economic environment more favorable than other regions of Tennessee and the United States during fiscal year 2010. Unemployment averaged 9.41 percent for the Nashville – Davidson – Murfreesboro Metropolitan Statistical Area ("Nashville MSA") compared with 10.64 percent for Tennessee, and 9.77 percent for the nation as a whole according to the U.S. Bureau of Labor Statistics. Additional information is provided in the statistical section of this report. The average unemployment rates for the Nashville MSA, State of Tennessee, and United States during fiscal years 2010, 2009, and 2008 were as follows:

	Nashville MSA	Tennessee	United States
June 30, 2010	9.41%	10.64%	9.77%
June 30, 2009	7.40%	8.37%	7.57%
June 30, 2008	4.45%	5.29%	4.95%

During the year, Standard & Poor's Ratings Services reaffirmed an "A" rating on the Authority's airport revenue bonds. This rating was based on the Authority's low cost structure, strong competitive position, and diversity of revenue sources. Moody's Investors Service also reaffirmed a rating of "A2" with a stable outlook to the airport revenue bonds.

MAJOR INITIATIVES AND DEVELOPMENTS

Nashville International Airport served 8.96 million total passengers in FY 2010, operating an average of 374 daily flights to approximately 69 markets and 47 nonstop markets. 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. The focus at BNA in recent years has been major airfield and landside work and extensive terminal renovations. The Authority continued work in 2010 on \$36 million of improvements in the second phase of terminal renovations. This work is scheduled for completion in 2011. In January 2010, the Authority issued \$66.3 million of special facility revenue bonds, with the sole source of revenue being customer facility charges (CFCs). These bonds are partially financing construction of a \$70 million consolidated rental car agency ("CONRAC") complex, now being built adjacent to the existing short-term lot. This project is expected to be completed in November 2011.

The first phase of terminal renovations, focusing on concession improvements, saw BNA's efforts recognized when Airport Revenue News, a leading concessions trade publication, announced that BNA earned awards in the medium airport division for the Best Concessions Management Team, Airport with the Best Customer Service and Airport with the Most Unique Services in 2009. In 2010, BNA again received an award for Best Concessions Program.

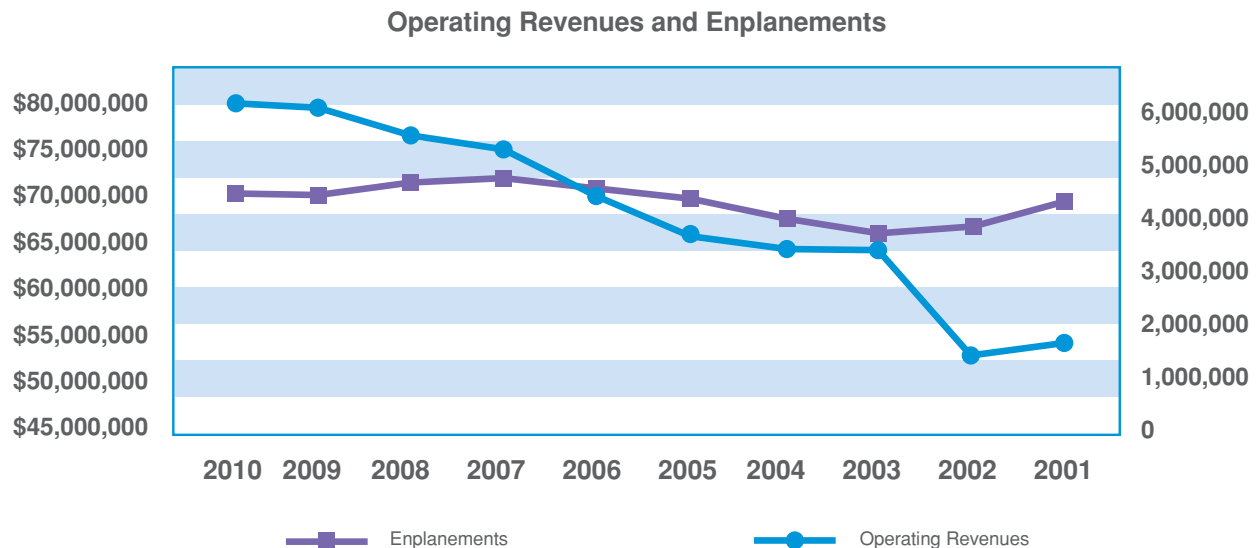
Nashville experienced severe flooding in May 2010, sustaining damage to many of its top tourist destinations. Most of these destinations were able to quickly reopen. However, some attractions remain closed, including Gaylord Opryland Hotel, which is undergoing extensive renovations and is expected to reopen in November 2010. BNA experienced a slight decrease in enplanements during the period these tourist destinations were closed.

Several airline carriers completed or announced mergers during the year. The addition of United to signatory status and merging of Northwest into Delta restored the signatory number to eight carriers. In addition, United and Continental announced merger plans, Republic Airlines acquired Frontier and Midwest Airlines, and several regional airlines merged or were sold by mainline carriers.

Outlook for Fiscal Year 2011

Airline mergers will continue in 2011, with United and Continental finalizing their merger in the first quarter of the year. Southwest recently announced its intent to acquire AirTran. Airline alliances are expected to drive decisions by many airlines on route development. Both internationally and domestically, enplanements are improving from low levels experienced with the economic downturn in 2008 through 2010. Although BNA budgeted level enplanement activity for 2011, recent trends indicate that enplanements will likely increase slightly. Early indications are that most revenues will exceed budgeted performance levels.

The Authority successfully refunded \$86 million in bonds in August 2010, achieving more than \$8.4 million, or 9.14 percent, in debt service cost savings. The refunding included \$70 million in non-Alternative Minimum Tax (AMT) bonds and \$16 million in Alternative Minimum Tax (AMT) bonds. The refunding included bond series 1995, 1998A, 1998C and 2001A.



FINANCIAL INFORMATION

Financial Position and Results of Operations

Management's Discussion and Analysis ("MD&A"), starting on Page 16 summarizes the Authority's Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets and reviews the changes from the beginning to the end of fiscal year 2010 as well as certain comparisons of the current year to the prior year. The actual financial statements and related footnotes are presented on Pages 26 to 54. The information contained in the MD&A should be considered in conjunction with the information contained in this report.

Internal Control Structure Framework

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

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

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

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

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

OTHER INFORMATION

Independent Audit

The Authority's independent auditor, Crosslin & Associates, P.C., has rendered an unqualified opinion that the Authority's financial statements as of and for the years ended June 30, 2010 and 2009, present fairly, in all material respects, the Authority's financial position, changes in net assets and cash flows. The Authority participates in the federal single audit program, which consists of a single audit of all federally funded programs administered by the Authority. Participation in the single audit program is mandatory as a condition for continued funding eligibility. The single audit performed by Crosslin & Associates, P.C., met the requirements set forth by the State of Tennessee and the federal Single Audit Act of 1996 and related Office of Management and Budget Circular A-133. The independent auditors' reports issued based upon work performed in accordance with those requirements noted no instances of material noncompliance by the Authority with any applicable state or federal laws or regulations for the fiscal years ending June 30, 2010 and 2009.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Nashville Airport Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

LETTER OF TRANSMITTAL

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

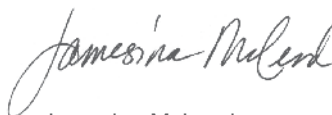
Acknowledgments

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stan Van Ostran", with a stylized flourish at the end.

Stan Van Ostran
Vice President and CFO

A handwritten signature in black ink, appearing to read "Jamesina McLeod", with a stylized flourish at the end.

Jamesina McLeod
Controller

Chairman

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

Vice Chair

Juli H. Mosley, P.E.

Secretary

Dr. A. Dexter Samuels
Tennessee State University

Commissioners

Jack O. Bovender, Jr.
HCA Inc.

Karl F. Dean
Mayor, Metropolitan Government of Nashville & Davidson County

Rod Essig
Creative Artists Agency

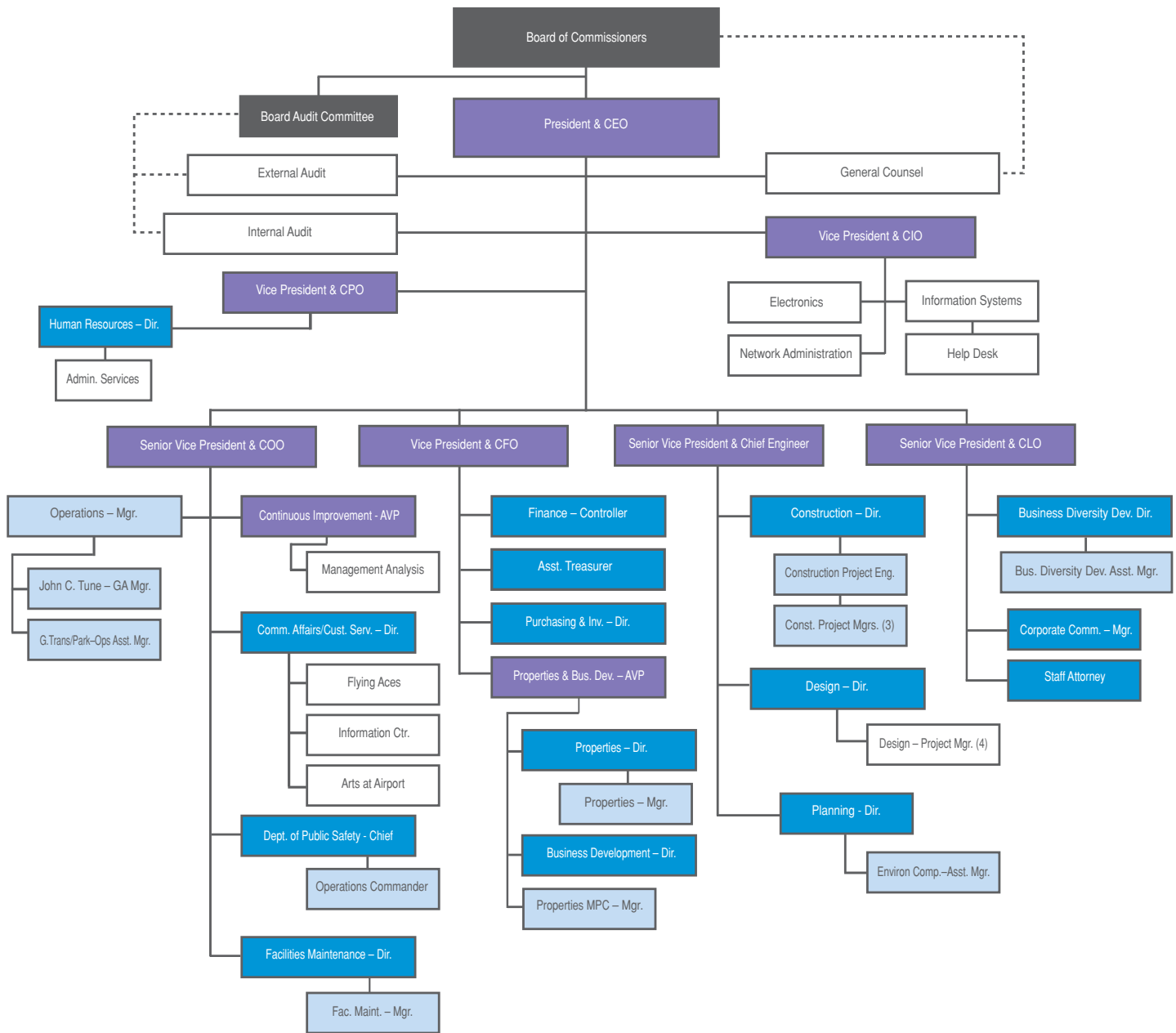
Frank M. Garrison
Overton Capital Management

Robert J. Joslin
Joslin and Son Signs

Bill A. Martin
Cushion Employer Services Corporation

Robert J. Walker
Walker, Tipps & Malone

**METROPOLITAN NASHVILLE AIRPORT AUTHORITY ORGANIZATION CHART
AS OF JUNE 30, 2010**



Executive Staff (As of June 30, 2010)

Raul L. Regalado, C.A.E.

President & Chief Executive Officer

Montford O. Burgess

Senior Vice President & Chief Operating Officer

Robert Watson

Senior Vice President, Legal Affairs & Government Relations
& Chief Legal Officer

Kinney Baxter

Senior Vice President & Chief Engineer

Stan Van Ostran

Vice President & Chief Financial Officer

Amy Armstrong

Vice President & Chief People Officer

Vanessa Hickman

Vice President & Chief Information Officer

Walt Matwijec

Assistant Vice President, Continuous Improvement

John Howard

Assistant Vice President, Properties and Business Development

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Nashville
Airport Authority, Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director

Financial Section

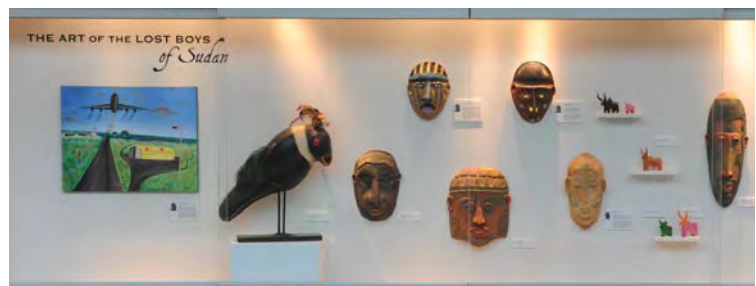
Metropolitan Nashville Airport Authority | Comprehensive Annual Financial Report

This section contains the following subsections:

Independent Auditors' Report

Management's Discussion & Analysis

Financial Statements





Board of Commissioners
Metropolitan Nashville Airport Authority
Nashville, Tennessee

We have audited the accompanying statements of net assets of the Metropolitan Nashville Airport Authority (the "Authority"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, 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, 2010 and 2009, 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.

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

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

The schedule of net assets information by entity, the schedule of revenues, expenses and changes in net assets information by entity, and the schedule of airport revenue bonds, principal and interest requirements by fiscal year, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in our 2010 audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Crosslin & Associates, P.C.

Crosslin & Associates, P.C.
Nashville, Tennessee
October 29, 2010

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

AIRPORT ACTIVITY HIGHLIGHTS

The Metropolitan Nashville Airport Authority saw historic levels of capital activity for fiscal year 2010, with \$85 million in project funding. Federal and state grants provided approximately \$46 million of this funding. Over \$28 million of these projects were capitalized at June 30, with \$22.4 million of funding from the federal Airport Improvement Program, passenger facility charge (PFC) collections, and Tennessee's aeronautical program. The American Recovery and Reinvestment Act of 2009 provided 100 percent funding of 91 acres of terminal apron rehabilitation. This \$3,589,391 project sustained approximately 18 full-time equivalent jobs for six months.

At Nashville International Airport (BNA), Runway 2L-20R was demolished, crushed, and used as a base for the reconstructed runway. The runway, 7,702 feet long and 150 feet wide, was enhanced with 35 foot wide asphalt shoulders, a requirement for larger, Group V aircraft. An additional connector taxiway complimented the project, and the runway was placed back into service shortly after the end of the fiscal year. The in-line explosive detection system (EDS) project crossed the midway point to completion during the year with \$20 million of anchor funding from the federal and \$12 million from other sources nearly all spent by yearend. This project includes the removal of the existing EDS and explosives trace detection (ETD) machines from the public spaces at the ticket counters along with the existing conveyor equipment in the bag rooms. Then a new automated sort controlled, outbound baggage handling system with two separate, in-line screening matrices will be installed. Testing is scheduled for Fall 2010 with the system fully operational in time for the holiday season. Another highlight at BNA was the continued renovation of the terminal building. Phase II of the terminal renovation was financed with bonds issued in 2009, with PFCs used to pay the debt service. Carpeting, wall coverings, restrooms, airline hold rooms, escalators, elevators, air handlers, and other elements are being replaced in the two-year project that is expected to be completed by the end of fiscal year 2011. Travelers already are enjoying many of the benefits of this project as the Authority positions itself for increased traffic from the rebound of the recent economic downturn.

In May 2010, Middle Tennessee experienced an historic 500-year flood. Record rainfall ranging from 14" to 18" occurred on May 1 and 2, 2010, which broke the Nashville 1- and 2-day rainfall records (and later contributed to the one-month rainfall record) and caused the Cumberland River, Harpeth River, and other low lying areas to overflow their banks and overwhelm residential communities and business districts with water. The landmark Opryland Hotel and neighboring Opry Mills shopping mall were submerged as was some of the downtown area, less than 10 miles from BNA. The physical impact to BNA was minimal, and some erosion occurred at JWN, but enplanement levels were off by approximately 2 percent for May and have been rebounding back ever since. Tourist attractions are slowly resuming normal operations, and most venues (including Opryland) will be open in time for the holiday season.

Construction began in February on the \$70 million consolidated rental car (CONRAC) facility. Progress continues on the three-level concrete structure that will house 2,400 rental cars, a quick-turnaround facility with car wash bays and fueling stations, escalators, elevators, moving walkways, and various environmentally desirable features. Approximately \$14 million worth of work had been completed by the end of June, and November 2011 is the anticipated opening month for this 900,000 square-foot facility. The terminal access roadway improvement project was completed at a cost of \$16,347,243.

A quieter construction year occurred in 2010 at JWN, BNA's reliever airport on the west side of Nashville and a 20-minute drive from BNA. The perimeter road extension project for \$1.2 million was capitalized, and some work to the taxiway continued. This airport is getting ready for airside improvements totaling over \$20 million in the next five years, the most significant being a runway safety area project for \$13 million in 2011 and 2012. A taxiway and apron overlay project for \$2.5 million and \$1.8 million in runway and taxiway lighting follow in 2013 and 2014, respectively.

The development organization of the Authority, MNAA Properties Corporation (MPC), continued its efforts to refurbish one of its multi-use tenant properties, International Plaza. Various projects in and around the building were capitalized for \$613,346, most notably a fitness center for \$152,278, a new snack area for \$293,871, and upgrade to the vacant ninth floor in order to show the space to potential tenants. Work continued on a lighting retrofit project, new elevators, and a new chiller project. Overall, \$741,469 of MPC reserves were spent during the year for ongoing projects. Several energy conservation projects are under consideration in the five-year plan. Occupancy exceeded 70 percent during the year, better than many other area office buildings, and prospects continue to consider this building for the coming year.

OPERATIONAL HIGHLIGHTS

The most often quoted airport statistic is enplanements, and BNA recovered slightly from 2009 levels with 4,487,336 passengers boarding commercial aircraft compared to 4,460,962 in 2009 (up 26,374 or 0.6 percent) but remained 393,024 or 8.1 percent short of 4,880,360 as reported in 2008. The percentage of passengers flying with one of BNA's eight signatory carriers declined to 84 percent in 2010 from a 92 percent high in 2001 and 10-year average of 87 percent. The nationwide trend is for passengers to be redirected to regional carriers flying with smaller aircraft, and BNA is no exception because 699,069 passengers flew with non-signatory carriers in 2010, the highest number in the past 10 years. Interestingly, only 356,251 passengers in 2001 flew with non-signatory carriers (less than 8 percent of the total that year compared with 16 percent in 2010). Enplanements are up 1.7 percent for the first three months of fiscal year 2011 compared to the same time period a year ago, a sign that a rebound might be underway.

Another popular indicator of airport activity, gross certified landed weight, confirmed a national trend also prevalent at BNA. Weights are down 23 percent since 2001 at 5,875,693,000 pounds compared to 7,658,680,000 10 years earlier. Unfortunately, the loss of China Airlines as the dominant air cargo carrier, meant that the percentage of passenger carrier landed weight increased to 98 percent, significantly higher than a 92 percent average for the prior nine years. Weight declined from 6,980,128,000 pounds in 2008 to 6,431,457,000 pounds (down 7.9 percent) then to 5,875,693,000 in 2010 (down another 8.6 percent and the lowest weight in 10 years). There were 188 daily departures of passenger aircraft in June 2010, representative of a typical business day and the scheduled departures for that particular day. The 10-year average was 200, and 2008 had 188 departures followed by 190 in 2009.

Several of the most common indicators of activity during 2010, 2009, and 2008 appear below:

	2010	2009	2008
Enplanements	4,487,336	4,460,962	4,880,360
% increase (decrease)	0.6%	(8.6%)	(1.2%)
Aircraft landed weight (all – 000)	5,875,693	6,431,457	6,980,128
% increase (decrease)	(8.6%)	(7.9%)	(2.8%)
Aircraft operations (passenger)	83,023	87,972	96,994
% increase (decrease)	(5.6%)	(9.3%)	(0.1%)
Aircraft operations (all other)	91,145	90,759	106,896
% increase (decrease)	0.4%	(15.1%)	(11.2%)
Load Factors	73.6%	67.9%	68.0%
% increase (decrease)	8.4%	n/c	2.1%

Load factors are the percentages of seats occupied on all passenger aircraft, both arriving and departing airplanes. The increase of 8.4 percent in occupied seats is a result of fewer and smaller aircraft transporting passengers such that 5.7 percent fewer seats were left empty on flights than in 2009. The decrease of 5.6 percent in empty seats over two years suggests airlines are arriving at a balance whereby they accommodate the traveling public while pursuing operational efficiency.

Activity among passenger airlines continued to redefine the aviation landscape. The merger absorbing Northwest Airlines into Delta Airlines was finalized during the year, and customer service counter space once separating the two carriers was combined. Enplanements declined for the combined entity from 341,795 in 2009 when each reported separately to 277,740 in 2010 together. Continental and United Airlines began discussions about a merger, and the two carriers continue progressing toward that goal. Continental used to be a signatory airline at BNA but assigned that status to Continental Express doing business as ExpressJet in 2005. United enplanes less than half the passengers it did earlier in the decade, and the Authority expects little operational impact from the resulting merger.

In anticipation of the CONRAC project, the Board of Commissioners had previously approved the imposition of a \$4.00 customer facility charge (CFC) per day for car rentals. 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. Rental car agencies began collecting and remitting this fee to the Authority with January 1, 2008, activity. The rate increased to \$4.50 effective January 1, 2010. Transaction days averaged 177,476 per month for the last half of fiscal year 2008 when collections began and declined to 159,694 transaction days per month the following year. In 2010 the average decreased to 155,345 transaction days per month, a decrease of 4,349 transactions (less than one day of activity in a typical month) or 2.7 percent. This translates to a decrease in CFC revenue of \$234,846 over the course of a year. However, due to various adjustments and timing, revenue increased \$262,909 from 2009, the first full reporting year.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

The Authority's Statements of Revenues, Expenses and Changes in Net Assets for the three most recent fiscal years provide considerable insight about the financial impact of activities during the year. The following represents a summary of changes in net assets over the past three fiscal years with % Change representing the change from 2009 to 2010 and 2008 to 2010:

	2010	2009	%Change	2008	%Change
Operating revenues	\$81,684,429	\$79,255,840	3.1%	\$76,315,326	7.0%
Operating expenses	57,475,479	53,076,173	8.3%	50,444,188	13.9%
Operating income before depreciation	24,208,950	26,179,667	(7.5%)	25,871,138	(6.4%)
Depreciation	25,882,986	25,151,547	2.9%	20,424,563	26.7%
Operating (loss) income	(1,674,036)	1,028,120	>(100.0%)	5,446,575	>(100.0%)
Nonoperating revenues	24,245,319	20,771,966	16.7%	21,699,538	11.7%
Nonoperating expenses	22,614,006	14,554,050	55.4%	16,167,588	39.9%
Income (loss) before capital contributions	(42,723)	7,246,036	>(100.0%)	10,978,525	>(100.0%)
Capital contributions	46,422,786	24,316,658	90.9%	22,299,530	108.2%
Increase in net assets	46,380,063	31,562,694	46.9%	33,278,055	39.4%
Net assets, beginning of year	314,219,090	282,656,396	11.2%	249,378,341	26.0%
Net assets, end of year	\$360,599,153	\$314,219,090	14.8%	\$282,656,396	27.6%

OPERATING AND NONOPERATING REVENUE HIGHLIGHTS

The residual airline agreement once again impacted operating revenues for 2010. This agreement requires that signatory airlines provide additional funding to make the Authority whole if fees and charges and all other net airport revenues are insufficient to cover the Authority's eligible obligations during the fiscal year. In 2009 this resulted in an adjustment due to the Authority by eight carriers in the amount of \$7,265,000. The shortfall for 2010 was \$1,914,700 and shared by the same group. This resulted from a further decline in operating revenues beyond what was projected when the 2010 rates were set before the start of the fiscal year. The primary factor again was parking revenue, off \$1,406,113 from 2009 or 5.0 percent. This compares with a two-year erosion of revenues of \$3,636,403 or 12.0 percent since 2008. Concession revenues continued to enjoy steady, modest increases the past seven years, despite slight declines in passengers the past two years. Overall, operating revenues increased \$2,428,589 from 2009 or \$5,369,103 over two years, all attributable to additional amounts due from airlines according to provisions of the residual agreement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nonoperating revenue increased from \$20,771,966 in 2009 to \$24,245,319 in 2010, up \$3,473,353 or 16.7 percent due to increased PFC collections at the rate of \$4.50 (\$4.39 net after airline handling fees) for most of fiscal year 2010. These PFC dollars are restricted for approved capital projects and spent accordingly. Investment income continued its downward spiral in 2010 to \$781,719, cut in half from \$1,642,936 in 2009. The decline in investment income from 2008 to 2009 was even more dramatic as these mostly unrestricted dollars shrank \$2,960,830 or 64.3 percent from the 2008 balance of \$4,603,766. The portion of investment income attributable to BNA in 2010, 2009, and 2008 was \$755,722, \$1,564,968, and \$4,252,028 of the total amounts, respectively. This follows a global trend as interest rates continue at historic lows and would have offset a significant portion of the airline true-up amount in both 2009 and 2010 if results would have been different.

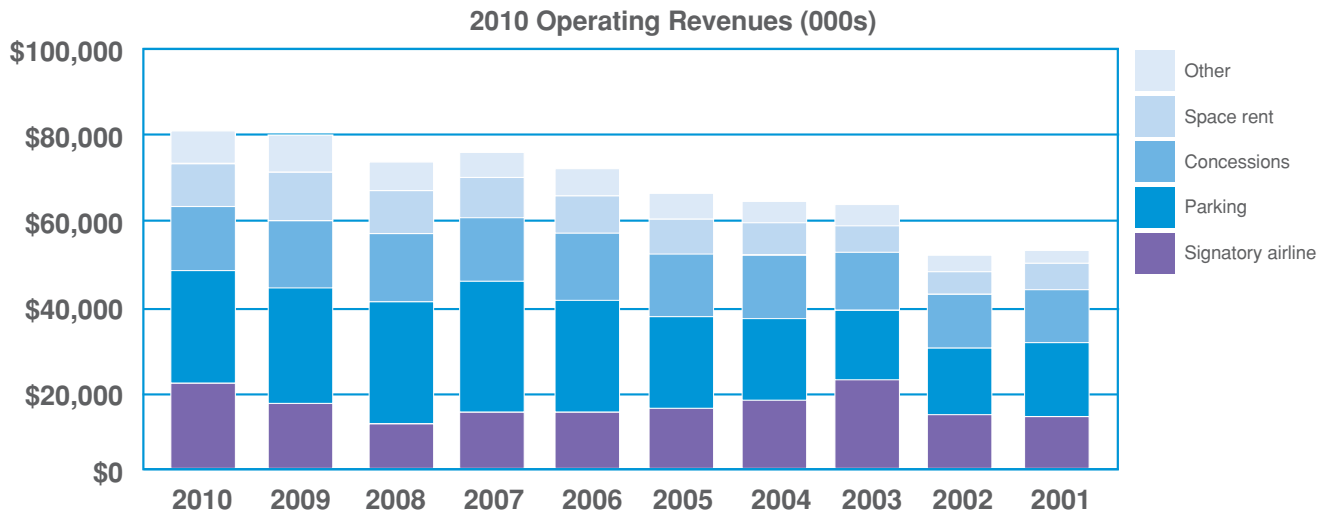
The other MNAA entities reported stable operating revenues in 2010. At JWN, the 2008 activity of \$696,220 compares with \$693,713 in 2009 and \$701,045 in 2010. The first year of reporting for MPC was 2008, and the second property purchase was not made until late in that year. Operating revenues were \$1,577,882 that first year and climbed to \$2,127,648 in 2009 with virtually no change in 2010 at \$2,128,766. However, included in 2010 operating revenue was a payment made by Metro Water Services for \$156,713 as a reimbursement for overbilling for water service at International Plaza, one of the two properties MPC owns. Nonoperating revenue was incidental in 2010 for both entities, and the remaining cash transferred from BNA to MPC when it was created in 2007 has steadily declined while earning much less interest. For example, investment income was \$314,736 in 2008, declining \$243,658 or 77.4 percent the following year to \$71,078, and reported at \$22,805 for 2010.

The following summarizes the Authority revenues for the fiscal years ended June 30, 2010, 2009, and 2008 with % Change representing the change from 2009 to 2010 and 2008 to 2010:

	2010	2009	%Change	2008	%Change
Operating revenues					
Signatory airline	\$20,522,901	\$17,017,714	20.6%	\$10,527,728	94.9%
Parking	26,768,620	28,174,733	(5.0%)	30,405,023	(12.0%)
Concession	16,511,983	16,558,935	(0.3%)	17,164,513	(3.8%)
Space rental	9,938,642	10,077,305	(1.4%)	11,050,944	(10.1%)
Other	7,942,283	7,427,153	6.9%	7,167,118	10.8%
Total operating revenues	81,684,429	79,255,840	3.1%	76,315,326	7.0%
Nonoperating revenues					
Investment income	781,719	1,642,936	(52.4%)	4,603,766	(83.0%)
Passenger facility charges	15,494,672	11,480,154	35.0%	12,836,344	20.7%
Customer facility charges	7,911,785	7,648,876	3.4%	4,259,428	85.7%
Other nonoperating revenues	57,143	-	100%	-	0%
Total nonoperating revenues	24,245,319	20,771,966	16.7%	21,699,538	11.7%
Capital contributions	46,422,786	24,316,658	90.9%	22,299,530	108.2%
Total revenues and capital contributions	\$152,352,534	\$124,344,464	22.5%	\$120,314,394	26.6%

A further analysis of operating provides more insight. Ramp fees, main terminal, north and south concourse fees, as well as landing fees constitute the five revenue sources that comprise 'signatory airline' revenue. These rates began the year at \$97.44 (RF), \$75.76 (MT), \$35.97 (NC), \$35.14 (SC), and \$.90 (LF) then were adjusted effective January 1, 2010, to \$114.62 (RF), \$89.12 (MT), \$42.31 (NC), \$41.33 (SC), and \$1.26 (LF). The only non-signatory rate that was adjusted on January 1 was the landing fee rate from \$3.52 to \$3.96. The other non-signatory rates (also referred to as compensatory rates) remained at their initially published rates of \$287.29 (RF), \$223.32 (MT), \$89.86 (NC), and \$88.27 (SC). Landing fee revenue increased the most for 2010 compared to the other sources, up from \$3,659,788 in 2009 to \$7,052,645 in 2010, an increase of \$3,392,857 or 92.7 percent. The percentage increase is 471.0 percent over \$1,235,074 in 2008. The formulas impact this amount as landing fees are disproportionately affected by various changes in the signatory agreement rate model. However, landed weights continued to decline while airfield costs steadily increased. South concourse fees increased significantly in 2010 at \$5,604,604 compared to \$3,181,884 in 2009 and \$3,087,715 in 2008, up 76.1 percent from 2009 to 2010 and 81.5 percent over two years. Dollars from the main terminal declined as the balance between signatory and non-signatory passengers continued its migration toward non-signatory. This trend is expected to continue.

The following chart demonstrates the ten-year trend for MNAA's operating revenues from 2001 through 2010:



The Authority began a frequent parker program that enables customers to earn free parking points when using the public parking areas at BNA in 2010. Various marketing efforts have been undertaken, and interest in the program has steadily increased. For the year of implementation, \$49,343 in parking revenue has been given in the form of complimentary parking used as a result of this loyalty program. Two components of space rent changed significantly from 2009 to 2010, main terminal rent for non-signatory carriers and south general aviation area hangar rent. Due to the increase in non-signatory passengers, this revenue source rose from \$636,356 in 2009 to \$1,229,807 in 2010, a 93.3 percent increase. The condition of the economy has impacted hangar rents, particularly in the south general aviation area. This decrease in activity from \$211,822 in 2008 to \$169,595 in 2009 to just \$86,828 in 2010 was entirely due to the termination of one tenant lease early in 2010. The increase in 'Other' operating revenue was attributable to reimbursable services rendered to tenants on airport property, through MPC, or at JWN. These dollars offset a corresponding amount of operating expenses for reimbursable services. In 2010, \$1,783,147 was invoiced for these services, up \$382,052 from 2009 and an increase of \$633,909 from \$1,149,238 earned in 2008. This represents a 55.2 percent increase in this service in just two years.

OPERATING AND NONOPERATING EXPENSES HIGHLIGHTS

The Authority's expenses continued to increase in 2010 for two of the three organizations. The following represents a summary of Authority expenses for the fiscal years ended June 30, 2010, 2009, and 2008 with % Change representing the change from 2009 to 2010 and 2008 to 2010:

	2010	2009	%Change	2009	%Change
Operating expenses					
Salaries and wages	\$28,057,407	\$26,339,723	6.5%	\$23,690,248	18.4%
Contractual services	18,680,783	16,358,604	14.2%	16,299,124	14.6%
Materials and supplies	2,363,467	1,704,622	38.7%	2,228,830	6.0%
Utilities	5,909,708	6,231,268	(5.2%)	5,537,335	6.7%
Other	2,464,114	2,441,956	0.9%	2,688,651	(8.4%)
Total operating expenses before provision for depreciation	57,475,479	53,076,173	8.3%	50,444,188	13.9%
Provision for depreciation	25,882,986	25,151,547	2.9%	20,424,563	26.7%
Nonoperating expenses					
Interest expense	15,081,502	13,823,696	9.1%	14,504,722	4.0%
Loss (gain) on disposal of property and equipment	7,292,588	(744,112)	>100%	(27,536)	>100%
Loss on derivative financial instruments	239,916	1,474,466	(83.7%)	1,690,402	(85.8%)
Total nonoperating expenses	22,614,006	14,554,050	55.4%	16,167,588	39.9%
Total expenses	\$105,972,471	\$92,781,770	14.2%	\$87,036,339	21.8%

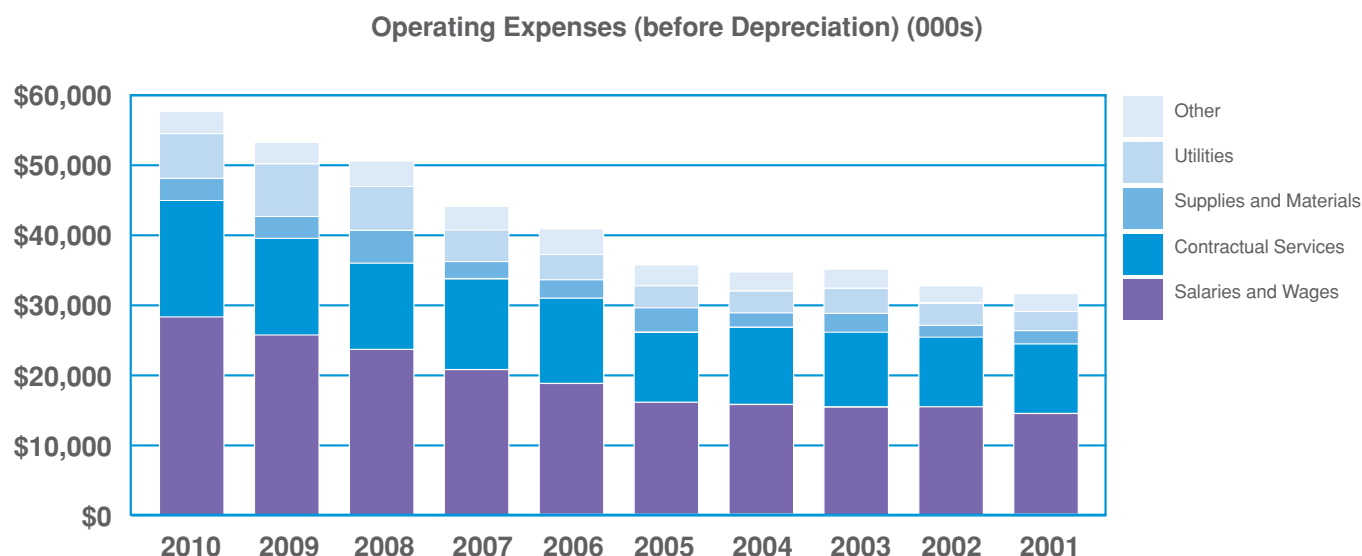
Broad classifications of expenses increased for BNA and JWN but were down slightly for MPC. Several items contributed to the increases in operating and nonoperating expenses at BNA during 2010. Salaries and wages increased \$1,712,137 above 2009 salaries and \$4,349,827 above 2008. Pension and other postemployment benefits (OPEB) expenses were recorded at \$7,902,215 for 2010, up \$1,193,897 or 17.8 percent from \$6,708,318 in 2009 (with the increase largely explained by the lack of investment return on the Authority's declining pension asset and no contribution made to the OPEB trust). This compares with a charge of \$3,817,990 in 2008, the first year that OPEB was considered in the computation. Costs associated with the performance incentive program accounted for the remaining increase over 2009, a year when the program was temporarily suspended.

Other contributing factors further explained the operating expense increase from \$51,175,682 to \$55,613,944 in 2009 and 2010 respectively at BNA, one of which was related to the \$2,310,503 or 14.9 percent increase for contractual services. Included was support services associated with recent and current capital activity. These expenses held steady from 2008 to 2009. A good example of the increase is the management contract for services associated with the new in-line baggage system. Contract services were also impacted by a one-time charge from services that were being paid with PFCs on a project that was cancelled. Therefore, the fees were reclassified as an expense. The combination of the terminal roadway project and CONRAC disrupted the established shuttle bus routes to the terminal building from the public parking areas. The Authority spent \$1,046,352 more in 2010 than in 2009 for various parking-related services and temporary signage on this effort.

In February 2009, a routine compliance inspection by State of Tennessee personnel identified contamination in an area stream due to stormwater run-off at BNA. More information about this item is found in Note 14 to the financial statements, and it resulted in various expenditures to remove almost seven million gallons of untreated stormwater plus 905,000 gallons of wastewater. This unexpected expense accounted for a \$700,000 increase in contractual services over 2009. Authority staff began the process for a \$1.2 million capital project to address the situation, and this project to improve the stormwater system at BNA was under design at the end of the year. It will be completed before December 2010. Also related to the unusual winter weather was the increase in materials and supplies expense associated with snow and ice removal efforts. This increased to \$303,450 in 2010 from \$29,442 in 2009. There was typical activity in 2008 at \$102,318. However, three times the amount was spent in 2010 than in 2008.

Several individual items combined to account for the increase in material and supply costs at BNA during the year, \$623,958 more in 2010 than the \$1,655,961 spent in 2009. However, in 2008, \$2,194,447 was spent, much of the amount due to various support items such as electrical, plumbing, and building supplies during terminal renovation and the landside activities. The expenditures in 2010 supported much of the same types of initiatives as in 2008 with similar results. Utilities actually declined slightly during the year, and other operating expenses were trending slightly downward. BNA depreciation, also an operating item, increased from \$19,241,605 in 2008 to \$23,581,780 in 2009 after several airfield, landside, and a significant portion of terminal renovation activity were capitalized. Another \$616,019 increase in depreciation was recorded for 2010 as the apron project, more terminal improvements, and the redesigned terminal access roadway were all placed into service.

The following chart demonstrates the ten-year trend for MNAA's operating expenses from 2001 through 2010:



The most notable item of nonoperating expenses was the charge for the loss on disposal of property. Early in the year, Authority staff reviewed historic records from the construction of the original terminal structure and airfield assets, identifying components that were replaced or impaired as a result of the recent and ongoing improvements as well as other assets that had been retired or replaced for unrelated reasons. This analysis accounted for most of the \$7,292,588 loss for the year at BNA. Included in that amount was a section of parking area converted into part of the CONRAC footprint at a loss of \$446,119. The \$7,292,588 loss compares with a \$768,660 gain in 2009 and a slight \$24,536 gain in 2008. In addition, 31 residential properties collectively known as Town Park have been steadily selling since being selectively placed on the market over the past two years. Proceeds from the sale of the homes sold through June 30 offset most of the \$2,249,467 remaining book value on the sold properties as their average sales price exceeded \$100,000. The remaining Authority homes are expected to sell in fiscal year 2011.

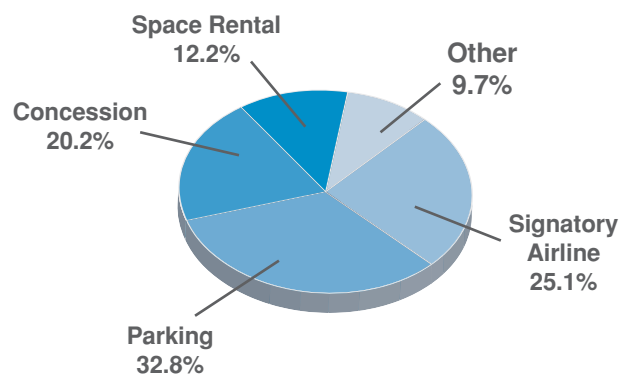
The last nonoperating item to mention was the loss on the Authority's derivative instruments. After two years of significant losses, \$1,464,953 in 2008 and an additional \$1,040,819 in 2009, the 2010 loss over and above the \$2,505,772 the combined two prior years was \$226,321. Part of this was due to the refunding of the variable rate Series 2008B bond with associated interest rate swap to the Series 2010A bond, a fixed rate financing.

At JWN, where 2010 expenses outpaced 2009, operating expenses increased from \$405,226 to \$512,889 in 2010. This \$107,663, or 26.6 percent increase was due to \$50,000 spent on one-time landscape work late in the year as well as additional dollars paying for the first year of implementation of a contract landscape and grounds maintenance program. Depreciation at this facility increased as projects from the prior year were completed. This non-cash expense increased \$56,699 over 2009 and \$181,638 above 2008 and represented a 20.8 percent increase over two years. The 78.8 percent decrease in capital contributions (mostly grant funding through the State of Tennessee) confirmed this trend as \$4,145,331 was collected in 2008 and 2009, shrinking to \$438,970 in 2010.

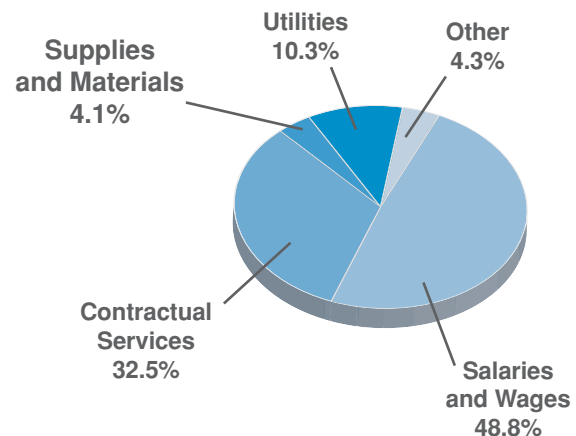
Overall, expenses declined for MPC by 17.9 percent or \$533,596. A variety of capital projects were active at MPC facilities during the year, but operating expenses stabilized, down slightly by \$146,618 or 9.8 percent from \$1,495,264 in 2009 to \$1,348,646 in 2010. Depreciation increased as 12 projects have been completed since the first property was purchased in early fiscal year 2008. Nine projects were progressing toward completion at June 30, 2010. Interest expense was very similar to the prior year at \$456,228 compared with \$481,877 in 2009 and just \$286,635 in the year that two buildings were purchased. The item that contributed the most to the nonoperating expense decline was the loss on the derivative financial instruments associated with two loans on the buildings. The loss was \$225,449 for 2008 and increased to \$433,647 in 2009. The additional amount that increased the associated liability was just \$13,595 in 2010. If the current debt service schedule is maintained until the balloon payments are made on the two loans, the associated liability will be reduced to zero at the time of loan payoff. These losses are an indication of the potential negative consequence if the Authority decides to pursue alternative financing prior to related debt maturity. See Notes 6 and 8 for more information.

The composition of operating revenues and operating expenses are presented here for 2010:

FY 2010 Operating Revenues Composition



FY 2010 Operating Expenses before Provision for Depreciation



FINANCIAL POSITION SUMMARY

The Statements of Net Assets depict the Authority's financial position as of one point in time – June 30 – and include all assets and liabilities of the Authority. The Authority's assets exceeded liabilities by \$360,599,153, an impressive increase in net assets of \$46,380,063 over 2009 and \$77,942,757 or 27.6 percent over 2008. The capital contributions from various sources that supported the airfield, terminal, and other projects at BNA and JWN accounted for almost all of this increase.

Following is a condensed summary of the Authority's financial position at June 30, 2010, 2009, and 2008. The % Change reflects changes from 2009 to 2010 and 2008 to 2010 as follows:

	2010	2009	%Change	2008	%Change
Assets					
Current assets	\$186,743,588	\$138,007,855	35.3%	\$110,849,165	68.5%
Capital assets (net)	494,568,675	442,763,034	11.7%	420,827,810	17.5%
Other noncurrent assets	<u>18,810,358</u>	<u>19,761,969</u>	(4.8%)	<u>22,835,769</u>	(17.6%)
Total assets	<u>700,122,621</u>	<u>600,532,858</u>	16.6%	<u>554,512,744</u>	26.3%
Liabilities					
Current liabilities	52,398,831	44,077,363	18.9%	45,446,204	15.3%
Noncurrent liabilities	287,124,637	242,236,405	18.5%	226,410,144	26.8%
Total liabilities	<u>339,523,468</u>	<u>286,313,768</u>	18.6%	<u>271,856,348</u>	24.9%
Net assets					
Invested in capital assets, net of related debt	284,697,793	235,035,655	21.1%	202,605,751	40.5%
Restricted	66,224,548	68,634,046	(3.5%)	70,242,815	(5.7%)
Unrestricted	<u>9,676,812</u>	<u>10,549,389</u>	(8.3%)	<u>9,807,830</u>	(1.3%)
Total net assets	<u>360,599,153</u>	<u>314,219,090</u>	14.8%	<u>282,656,396</u>	27.6%
Total liabilities and net assets	<u>\$700,122,621</u>	<u>\$600,532,858</u>	16.6%	<u>\$554,512,744</u>	26.3%

Current assets increased at BNA due to the proceeds of the CONRAC Series 2010 bonds. That construction account balance was \$48,863,252 at June 30, 2010. Noncurrent and capital assets remained relatively level at JWN and MPC. The overall \$50,854,030 increase was due to the increase in construction in progress from \$32,813,869 to \$90,428,596, nearly triple the value in one year. The 2010 reporting year is the first time that MNAA's total assets have exceeded \$700 million.

Liabilities similarly increased over 2009 and 2008. The reason for the increase in current liabilities was due to accrued interest payable increasing from \$4,441,911 to \$6,480,911 or \$2,039,000 above the amount due on June 30, 2009. Current maturities of airport revenue bonds increased from \$26,170,000 to \$27,805,000 for that same period and increased \$4,385,000 from 2008 as outlined in the debt service schedule found later in this report. At JWN total liabilities increased from \$98,835 to \$333,230 at June 30, 2010, due to \$310,473 in accrued trade accounts payable. There were \$404,696 in trade accounts payable at MPC compared with \$79,080 at the end of 2009 and \$26,094 at the end of 2008. The Authority's increase in noncurrent liabilities is due to the issuance of the CONRAC bonds in the amount of \$66,300,000.

The portion of the Authority's net assets shown below, \$66,224,548, represents 18.4 percent of total net assets. This compares with \$68,634,046 (21.8 percent of total net assets) in restricted net assets at June 30, 2009 and \$70,242,815 (24.9 percent of total net assets) at June 30, 2008. These resources are subject to restrictions on use and are not available for new spending as they have already been committed as follows:

Passenger facility charge projects	\$ 19,563,205
Debt service	45,272,968
Other	<u>1,388,375</u>
Total restricted net assets	<u>\$ 66,224,548</u>

The unrestricted net assets of \$9,676,812 may be used to meet the Authority's ongoing obligations. Of this balance, \$6,254,300 is a net asset at MPC due to the residual balance of the initial \$9,000,000 transferred almost three years ago from BNA to MPC. There is a slight decrease from \$10,549,389 in 2009 and level with \$9,807,830 reported at June 30, 2008.

CASH MANAGEMENT POLICIES AND CASH FLOW ACTIVITIES

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

	2010	2009	2008
Cash flows provided by (used in):			
Operating	\$37,492,750	\$25,662,188	\$32,899,204
Non-capital financing	(1,349,653)	(1,341,987)	(1,344,510)
Capital and related financing	13,063,742	(7,168,857)	(42,978,508)
Investing	(13,972,349)	26,981,622	15,742,938
Net increase in cash and cash equivalents	\$35,234,490	\$44,132,966	\$4,319,124
Cash and cash equivalents:			
Beginning of year	111,973,429	67,840,463	63,521,339
End of year	\$147,207,919	\$111,973,429	\$67,840,463

CAPITAL ACTIVITIES

Capital assets, net of accumulated depreciation, increased from \$442,763,034 to \$494,568,675 at year-end. This \$51,805,641 or 11.7 percent increase was due to the various project activity occurring both landside and on the airfield mentioned earlier. This trend is expected to continue into 2011 as the CONRAC facility moves toward an anticipated November 2011 opening, Phase II of the terminal renovation project is completed, and several other projects finish. Staff continued to secure federal and state support for eligible projects. Additional funding is provided through PFCs, airline rates and charges, and the issuance of debt. Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Note 4 provides additional information about the additions, retirements, and transfers during the years ended June 30, 2010 and 2009.

DEBT ADMINISTRATION

The Authority issued Airport Improvement Revenue Bond Series 2010A in the amount of \$25,770,000 in February, 2010, refunding the Authority's Series 2008B bonds in the amount of \$25,050,000 and to pay issuance costs. The purpose of the refunding was to replace variable rate bonds with fixed rate bonds. The first principal amount of \$1,255,000 is due on July 1, 2010. This bond matures on July 1, 2017. Also in February 2010, the Authority issued CONRAC Series 2010 bonds in the principal amount of \$66,300,000. The bonds, together with customer facility charge collections on hand and collected during the construction period, will be used to erect a consolidated rental car facility expected to open in November 2011. The first principal payment will be due July 1, 2012, in the amount of \$1,580,000. This bond series matures July 1, 2029. As of June 30, 2010, the Authority's balance of outstanding long-term revenue bonds was \$290,775,000 compared with \$249,925,000 at the end of the prior year. The current portion of revenue bonds is \$27,805,000 and is due on July 1, 2010. The only bond issued under the PFC resolution will mature July 1, 2012, with \$11,485,000 in principal owed on or before that date. The Series 2010A bonds are being paid for with draws from PFC collections as a result of eligible projects undertaken in the 1990's 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. Refer to Note 5 for more information about long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

<u>Series Description</u>	<u>Beginning Balance</u>	<u>(Refundings) New Bonds</u>	<u>Principal Repayment</u>	<u>Ending Balance</u>
Series 1995 Revenue Bonds	\$ 42,775,000	\$ -	\$ (4,510,000)	\$ 38,265,000
Series 1998A Revenue Bonds	5,810,000	-	(1,480,000)	4,330,000
Series 1998C Revenue Bonds	18,150,000	-	(1,960,000)	16,190,000
Series 2001A Revenue Bonds	56,030,000	-	(6,555,000)	49,475,000
Series 2003 PFC Revenue Bonds	14,145,000	-	(2,660,000)	11,485,000
Series 2003B Revenue Bonds	17,610,000	-	(350,000)	17,260,000
Series 2008A Revenue Bonds	31,800,000	-	(6,100,000)	25,700,000
Series 2008B Revenue Bonds	27,605,000	(25,050,000)	(2,555,000)	-
Series 2009A Revenue Bonds	36,000,000	-	-	36,000,000
Series 2010A Revenue Bonds	-	25,770,000	-	25,770,000
Series 2010 CONRAC Revenue Bonds	-	66,300,000	-	66,300,000
Total	<u>\$249,925,000</u>	<u>\$67,020,000</u>	<u>\$(26,170,000)</u>	<u>\$290,775,000</u>

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

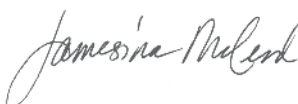
REQUEST FOR INFORMATION

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

Respectfully submitted,



Stan Van Ostran
Vice President and CFO
Nashville, Tennessee



Jamesina McLeod
Controller

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents	\$ 33,373,144	\$ 23,381,738
Short-term investments	3,097,500	196,641
Accounts receivable (net of allowance for doubtful accounts of \$86,345 and \$86,484, respectively)	5,077,268	5,927,326
Inventories	520,654	425,140
Accrued interest receivable	44,430	51,103
Prepaid expenses and other	776,355	892,794
Total current unrestricted assets	<u>42,889,351</u>	<u>30,874,742</u>
Restricted assets:		
Cash and cash equivalents	113,834,775	88,591,691
Short-term investments	22,385,500	10,826,130
Passenger facility charges receivable	2,485,987	1,495,791
Customer facility charges receivable	854,532	685,512
Amounts due from governmental agencies	4,204,568	5,483,457
Accrued interest receivable	88,875	50,532
Total current restricted assets	<u>143,854,237</u>	<u>107,133,113</u>
Total current assets	<u>186,743,588</u>	<u>138,007,855</u>
NONCURRENT ASSETS:		
Capital assets:		
Land and land improvements	505,594,005	509,009,664
Land held for future expansion	36,701,068	36,701,068
Buildings and building improvements	161,692,621	171,150,808
Equipment, furniture and fixtures	51,082,588	50,436,887
Construction in progress	90,428,596	32,813,869
Total capital assets	845,498,878	800,112,296
Less accumulated depreciation	<u>(350,930,203)</u>	<u>(357,349,262)</u>
Total capital assets, net	<u>494,568,675</u>	<u>442,763,034</u>
Restricted investments	3,600,000	18,018
Unrestricted investments	257,490	3,929,156
Deferred bond issue costs	4,618,483	2,782,067
Other assets	<u>10,334,385</u>	<u>13,032,728</u>
Total noncurrent assets	<u>513,379,033</u>	<u>462,525,003</u>
TOTAL ASSETS	<u>\$ 700,122,621</u>	<u>\$ 600,532,858</u>

STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Trade accounts payable	\$ 11,877,042	\$ 6,565,078
Accrued payroll and related items	2,994,912	2,113,237
Current maturities of notes payable	448,000	448,000
Total payable from unrestricted assets	<u>15,319,954</u>	<u>9,126,315</u>
Payable from restricted assets:		
Trade accounts payable	2,792,966	4,339,137
Accrued interest payable	6,480,911	4,441,911
Current maturities of airport revenue bonds	27,805,000	26,170,000
Total payable from restricted assets	<u>37,078,877</u>	<u>34,951,048</u>
Total current liabilities	<u>52,398,831</u>	<u>44,077,363</u>
NONCURRENT LIABILITIES:		
Airport revenue bonds, less current maturities (net of unamortized deferred amount on refunding of \$6,510,395 and \$7,675,177, respectively)	258,404,926	216,260,391
Notes payable, less current maturities	7,377,329	7,825,333
Synthetic advance refunding, Series 2001A	1,913,045	2,577,768
Fair value of derivative financial instruments	3,476,127	4,334,856
Deferred interest income	1,334,444	1,686,297
Deferred rental income	1,952,990	1,978,847
Other postemployment benefits obligation	12,665,776	7,572,913
Total noncurrent liabilities	<u>287,124,637</u>	<u>242,236,405</u>
Total liabilities	<u>339,523,468</u>	<u>286,313,768</u>
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS:		
Invested in capital assets - net of related debt	284,697,793	235,035,655
Restricted:		
Passenger facility charge projects	19,563,205	30,014,741
Debt service	45,272,968	32,430,731
Other	1,388,375	6,188,574
Total restricted net assets	<u>66,224,548</u>	<u>68,634,046</u>
Unrestricted net assets	<u>9,676,812</u>	<u>10,549,389</u>
Total net assets	<u>360,599,153</u>	<u>314,219,090</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$700,122,621</u>	<u>\$600,532,858</u>

See accompanying notes to financial statements.

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:		
Signatory airline	\$ 20,522,901	\$ 17,017,714
Parking	26,768,620	28,174,733
Concession	16,511,983	16,558,935
Space rental	9,938,642	10,077,305
Other	7,942,283	7,427,153
	<u>81,684,429</u>	<u>79,255,840</u>
OPERATING EXPENSES:		
Salaries and wages	28,057,407	26,339,723
Contractual services	18,680,783	16,358,604
Materials and supplies	2,363,467	1,704,622
Utilities	5,909,708	6,231,268
Other	2,464,114	2,441,956
	<u>57,475,479</u>	<u>53,076,173</u>
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	24,208,950	26,179,667
PROVISION FOR DEPRECIATION	<u>25,882,986</u>	<u>25,151,547</u>
OPERATING (LOSS) INCOME	<u>(1,674,036)</u>	<u>1,028,120</u>
NONOPERATING REVENUES:		
Investment income	781,719	1,642,936
Passenger facility charges	15,494,672	11,480,154
Customer facility charges	7,911,785	7,648,876
Other nonoperating revenue	57,143	-
	<u>24,245,319</u>	<u>20,771,966</u>
NONOPERATING EXPENSES:		
Interest expense	15,081,502	13,823,696
Loss (gain) on disposal of property and equipment	7,292,588	(744,112)
Loss on derivative financial instruments	239,916	1,474,466
	<u>22,614,006</u>	<u>14,554,050</u>
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS	(42,723)	7,246,036
CAPITAL CONTRIBUTIONS	<u>46,422,786</u>	<u>24,316,658</u>
INCREASE IN NET ASSETS	46,380,063	31,562,694
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>314,219,090</u>	<u>282,656,396</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 360,599,153</u>	<u>\$ 314,219,090</u>

See accompanying notes to financial statements.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 82,509,710	\$ 75,720,348
Cash paid to employees	(22,082,869)	(21,851,194)
Cash paid to suppliers	(20,469,977)	(25,765,010)
Other payments	(2,464,114)	(2,441,956)
Net cash provided by operating activities	<u>37,492,750</u>	<u>25,662,188</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments on long-term debt	(350,000)	(335,000)
Interest paid on long-term debt	(999,653)	(1,006,987)
Net cash used in noncapital financing activities	<u>(1,349,653)</u>	<u>(1,341,987)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipt of passenger facility charges	14,504,476	10,914,767
Receipt of customer facility charges	7,742,765	7,796,168
Purchases of property and equipment	(85,142,302)	(47,414,719)
Interest paid on long-term debt	(10,652,380)	(11,389,045)
Proceeds from issuance of long-term debt, net of refundings	68,886,706	36,180,568
Payment of bond issue costs	(2,578,928)	(755,561)
Payments on long-term debt	(26,268,000)	(24,513,000)
Swap termination payment	(1,348,500)	-
Contributions from governmental agencies	47,701,675	20,939,905
Other nonoperating receipts	218,230	1,072,060
Net cash provided by (used in) capital and related financing activities	<u>13,063,742</u>	<u>(7,168,857)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(39,598,191)	(35,173,191)
Proceeds from the sale and maturities of investments	25,314,334	60,942,382
Interest received on investments	311,508	1,212,431
Net cash (used in) provided by investing activities	<u>(13,972,349)</u>	<u>26,981,622</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,234,490	44,132,966
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>111,973,429</u>	<u>67,840,463</u>
End of year	<u>\$ 147,207,919</u>	<u>\$ 111,973,429</u>

See accompanying notes to financial statements.

(Continued)

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss) income	\$(1,674,036)	\$ 1,028,120
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Provision for depreciation	25,882,986	25,151,547
Amortization of deferred real estate leasing commission	1,080	1,080
Amortization of deferred rental income	(34,904)	(34,904)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	850,058	(3,533,268)
(Increase) decrease in inventories	(95,514)	21,195
Decrease in prepaid expenses	116,439	319,224
Decrease in other assets	2,697,263	1,697,251
Increase (decrease) in trade accounts payable	3,765,793	(3,508,186)
Increase (decrease) in accrued payroll and related items	881,675	(554,555)
Increase in deferred rental income	9,047	31,600
Increase in other postemployment benefit obligation	5,092,863	5,043,084
Net cash provided by operating activities	<u>\$ 37,492,750</u>	<u>\$ 25,662,188</u>
CASH AND CASH EQUIVALENTS - END OF YEAR CONSIST OF:		
Unrestricted cash and cash equivalents	\$ 33,373,144	\$ 23,381,738
Restricted cash and cash equivalents	<u>113,834,775</u>	<u>88,591,691</u>
	<u>\$147,207,919</u>	<u>\$111,973,429</u>

NONCASH INVESTING AND FINANCING ACTIVITIES:

During 2010 and 2009, \$2,055,192 and \$2,214,615, respectively, were recorded to interest expense for amortization of deferred bond issue costs, of deferred loss on refunding of debt, and bond premium.

During 2010 and 2009, interest expense was reduced by \$664,723 and \$730,851, respectively, for the amortization of the synthetic advance refunding.

During 2010 and 2009, \$351,853 and \$358,396, respectively, were included in interest income related to the amortization of deferred interest income.

During 2010 and 2009, losses of \$239,916 and \$1,474,466, respectively, were recognized for the change in fair value of derivative financial instruments.

See accompanying notes to financial statements.

1. METROPOLITAN NASHVILLE AIRPORT AUTHORITY

The creation of Metropolitan Nashville Airport Authority (the "Authority") was authorized by Public Chapter 174 of the Public Acts of the 86th General Assembly of the State of Tennessee, 1969 Session. The Metropolitan Council of The Metropolitan Government of Nashville and Davidson County, Tennessee ("Metropolitan Government") created the Authority to operate as a separate enterprise. The Authority owns and operates Nashville International Airport and John C. Tune Airport, a general aviation reliever airport. Based upon the criteria set forth 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 Airport development and management. The Board of Commissioners appoints a president and charges him with the responsibility for day-to-day operations.

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

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 services as necessary in order to meet the needs that may arise when the consolidated rental car ("CONRAC") facility is completed in November 2011.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

The Authority applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The Authority has elected to apply all Financial Accounting Standards Board ("FASB") Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

Use of Estimates in the Preparation of Financial Statements

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

Budgets

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

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

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

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 U.S. government securities and corporate bonds. Investments are accounted for in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, which requires that certain investments be recorded at fair value (e.g., quoted market prices). Short-term, highly liquid debt instruments that have a remaining maturity at time of purchase of one year or less are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

Amounts Due from Governmental Agencies

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

Inventories

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

Restricted Assets

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

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

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. Net interest cost incurred during the construction of facilities is capitalized as part of project costs if funding is not from grants or restricted resources. Provision for depreciation of property and equipment is made on a basis considered adequate to depreciate the cost of depreciable assets over their estimated useful lives and is computed on the straight-line method.

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

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

Derivative Financial Instruments

The Authority's derivative financial instruments consist of interest rate swap agreements, and are accounted for at fair value in accordance with GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments.

Deferred Bond Issue Costs

Deferred bond issue costs incurred in connection with issuance of the airport revenue bonds are being amortized to interest expense using the effective interest method, or the straight-line method when not materially different, over the term of the respective bonds. Issue costs associated with refunded bonds are reclassified from unamortized issue costs assets to deferred loss on refunding at the time of refunding and amortized over the term of the new bonds, or old bonds, whichever is shorter.

Postemployment Benefits

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

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

Compensated Absences

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

Self-insurance

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

Deferred Revenue

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

Components of Net Assets

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

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

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

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

Taxes

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

Fair Value Measurements

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

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

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

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

Recent Accounting Pronouncements

The GASB has issued GASB Statement No. 59, Financial Instruments Omnibus. The objective of GASB No. 59 is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards.

The requirements of GASB No. 59 are effective for periods beginning after June 15, 2010, (fiscal year 2011 for the Authority). Management is currently analyzing the impact of Statement No. 59 on the financial statement disclosures.

Reclassifications

Certain reclassifications have been made to the fiscal year 2009 amounts in the financial statements to conform to the presentation adopted for fiscal year 2010.

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 \$151,197,446 and \$113,225,858 at June 30, 2010 and 2009, respectively (with a carrying value of \$147,207,919 and \$111,973,429) 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 percent of the value of the deposits placed in the institutions less the amount protected by federal depository insurance.

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 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure in accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures.

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

Investments

As of June 30, 2010, the Authority had the following investments and maturities:

Investment Type	Credit Rating	Fair Value	Investment Maturities (in Years)		
			Less than 1	1–5	6–10
U.S. agencies		\$ 24,535,500	\$ 20,935,500	\$ -	\$ 3,600,000
Asset-backed securities	AAA/aaa	126,909	-	126,909	-
Mortgage-backed securities	AAA/aaa	130,581	-	130,581	-
Certificate of deposit	A1/P1	4,547,500	4,547,500	-	-
		<u>\$ 29,340,490</u>	<u>\$ 25,483,000</u>	<u>\$ 257,490</u>	<u>\$ 3,600,000</u>

As of June 30, 2009, the Authority had the following investments and maturities:

Investment Type	Credit Rating	Fair Value	Investment Maturities (in Years)		
			Less than 1	1–5	6–10
U.S. agencies		\$ 7,476,220	\$ 4,277,470	\$ 3,198,750	\$ -
Corporate bonds	AA-/Aa3	2,001,160	2,001,160	-	-
Asset-backed securities	AAA/aaa	298,122	-	298,122	-
Mortgage-backed securities	AAA/aaa	646,943	196,641	201,802	248,500
Certificate of deposit	AA+/Aa1	4,547,500	4,547,500	-	-
		<u>\$ 14,969,945</u>	<u>\$ 11,022,771</u>	<u>\$ 3,698,674</u>	<u>\$ 248,500</u>

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

	2010	2009
Short-term unrestricted investments	\$ 3,097,500	\$ 196,641
Short-term restricted investments	22,385,500	10,826,130
Noncurrent unrestricted investments	257,490	3,929,156
Noncurrent restricted investments	<u>3,600,000</u>	<u>18,018</u>
	<u>\$ 29,340,490</u>	<u>\$ 14,969,945</u>

Interest Rate Risk - The investment policy states that the portfolio may be allocated among U.S. Treasury Obligations (0 - 100%), U.S. Agency Instruments (0 - 100%), Repurchase Agreements (0 - 20%), Commercial Paper (0 - 25%), Money Market Mutual Funds (0 - 25%), Corporate Debt (0 - 15%), Asset Backed Securities (0 - 25%), 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 determines a duration target for the portfolio, which typically does not exceed one year.

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

Custodial Credit Risk - All investment securities purchased by the Authority or held as collateral on either deposits or investments are held in third-party safekeeping at a financial institution, acting solely as agent of the Authority and qualified to act in this capacity. As a means to limit custodial credit risk, all trades of marketable securities are executed on the basis of delivery versus payment and avoid the physical delivery of securities (bearer form) to ensure that securities are deposited with a custodian prior to the release of Authority funds. The Authority's unrestricted and restricted investments at June 30, 2010 and 2009, are all insured by securities held by the Authority's agent in the Authority's name.

Concentration of Credit Risk - The investment policy requires that no more than 10 percent 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 percent 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 percent of the Authority's portfolio may be invested in U.S. Treasury Obligations and U.S. Agency Instruments.

Forward Delivery Agreements

In August 1994, the Authority entered into a Forward Delivery Agreement ("1994 FDA"), with a financial institution for the continuous investment of the Series 1991A principal and interest investments through the term of the bonds; Series 1991C principal and interest investments through June 2009; and Series 1993 principal investments through June 2009. The future investment earnings under these contracts, discounted at the financial institution's cost of funds on the contract date, were received by the Authority in an upfront, lump sum payment of \$2,870,735. The amount of the upfront payment was recorded as deferred interest income and is being amortized into income over the term of the agreement. The Series 1991C principal and interest investments were replaced with the Series 2001A principal and interest investments upon refunding of the Series 1991C bonds with the Series 2001A bonds. In August 2010, the Authority refunded the Series 2001A bonds with the Series 2010B bonds (see Note 5).

In November 1999, the Authority entered into a Debt Service Forward Delivery Agreement ("1999 DSFDA") with a financial institution for the continuous investment of the Series 1991C principal and interest investments from July 2009 through the term of the bonds; Series 1993 principal investments from July 2009 through the term of the bonds; Series 1995 principal and interest investments through the term of the bonds; Series 1998A principal and interest investments through the term of the bonds; and Series 1998C principal and interest investments through the term of the bonds. The present value of future investment earnings under the 1999 DSFDA was received by the Authority in an upfront, lump sum payment of \$3,275,000. The amount of the upfront payment was recorded as deferred interest income and is being amortized into income over the term of the agreement. The Series 1991C principal and interest investments were replaced with the Series 2001A principal and interest investments upon refunding of the Series 1991C bonds with the Series 2001A bonds. The Series 2001A bonds were refunded with the Series 2010B bonds in August 2010. The Series 1995 were also refunded in August 2010 with the Series 2010B bonds. The Series 1998A and Series 1998C bonds were refunded in August 2010 with the Series 2010C bonds. The Series 2010B and 2010C principal and interest investments will replace the investments of the refunded bonds under the DSFDA. The 1993 principal and interest investments were replaced with the Series 2008A principal and interest investments upon refunding of the Series 1993 bonds with the Series 2008A bonds (see Note 5).

The remaining unearned amounts relating to the forward delivery agreements were \$1,334,444 and \$1,686,297 at June 30, 2010 and 2009, respectively. Such amounts are reported as deferred interest income in the accompanying statements of net assets. As a result of the refunding of the Series 1995, Series 1998A, Series 1998C, and Series 2001A in August 2010, the remaining amount of unearned interest was recomputed. At that time, the Authority paid \$74,800 to the financial institution as a result of the change in monthly principal and interest cash flows available for investment through maturity.

4. CAPITAL ASSETS

Capital assets and related accumulated depreciation activity for the years ended June 30, 2010 and 2009, were as follows:

	Balance June 30, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Capital assets not being depreciated:					
Land	\$ 62,659,897	\$ -	\$ (1,665,500)	\$ -	\$ 60,994,397
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	32,813,869	85,142,302	-	(27,527,575)	90,428,596
Total capital assets not being depreciated	132,174,834	85,142,302	(1,665,500)	(27,527,575)	188,124,061
Capital assets being depreciated:					
Land improvements	446,349,767	-	(25,269,642)	23,519,483	444,599,608
Buildings and building improvements	171,150,808	-	(12,607,554)	3,149,367	161,692,621
Equipment, furniture and fixtures	50,436,887	-	(213,024)	858,725	51,082,588
Total capital assets being depreciated	667,937,462	-	(38,090,220)	27,527,575	657,374,817
Less accumulated depreciation:					
Land improvements	(251,855,784)	(15,092,167)	21,068,575	-	(245,879,376)
Buildings and building improvements	(81,583,973)	(6,899,420)	11,041,061	-	(77,442,332)
Equipment, furniture and fixtures	(23,909,505)	(3,891,399)	192,409	-	(27,608,495)
Total accumulated depreciation	(357,349,262)	(25,882,986)	32,302,045	-	(350,930,203)
Total capital assets being depreciated	301,588,200	(25,882,986)	(5,788,175)	27,527,575	306,444,614
Net capital assets	\$ 442,763,034	\$ 59,259,316	\$ (7,453,675)	\$ -	\$ 494,568,675

	Balance June 30, 2008	Additions	Retirements	Transfers	Balance June 30, 2009
Capital assets not being depreciated:					
Land	\$ 62,659,897	\$ -	\$ -	\$ -	\$ 62,659,897
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	48,447,958	47,406,516	-	(63,040,605)	32,813,869
Total capital assets not being depreciated	147,808,923	47,406,516	-	(63,040,605)	132,174,834
Capital assets being depreciated:					
Land improvements	406,464,775	-	(950,908)	40,835,900	446,349,767
Buildings and building improvements	156,272,307	-	-	14,878,501	171,150,808
Equipment, furniture and fixtures	44,528,367	8,203	(1,425,887)	7,326,204	50,436,887
Total capital assets being depreciated	607,265,449	8,203	(2,376,795)	63,040,605	667,937,462
Less accumulated depreciation:					
Land improvements	(238,333,893)	(14,245,702)	723,811	-	(251,855,784)
Buildings and building improvements	(74,581,589)	(7,002,384)	-	-	(81,583,973)
Equipment, furniture and fixtures	(21,331,080)	(3,903,461)	1,325,036	-	(23,909,505)
Total accumulated depreciation	(334,246,562)	(25,151,547)	2,048,847	-	(357,349,262)
Total capital assets being depreciated	273,018,887	(25,143,334)	(327,948)	63,040,605	301,588,200
Net capital assets	\$ 420,827,810	\$ 22,263,172	\$ (327,948)	\$ -	\$ 442,763,034

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The amount of construction in progress at June 30, 2010, is attributable to the following (See Note 14):

CONRAC	\$14,081,216
In-line explosive detection system	29,128,232
Terminal renovation - phase II	15,411,993
Runway 2L-20R reconstruction	22,432,649
Other projects	<u>9,374,506</u>
Total construction in progress	<u>\$90,428,596</u>

During fiscal year 2010, as a result of the construction projects underway, the Authority analyzed its capital asset schedules and wrote off a number of assets that had been or are going to be replaced. The portion of the terminal building that was replaced during the phases of the terminal renovation project and the TARI-impacted airport roadways were removed from the balance sheet. The CONRAC project's impact on the public parking footprint accounted for much of the remainder of the loss on the disposal of assets in fiscal year 2010.

5. AIRPORT BONDS

Airport Improvement Revenue Bonds, Adjustable Rate Refunding Series 1995

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

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

The Series 1995 bonds contain serial bonds at interest rates ranging from 4.80 percent to 5.00 percent, maturing in progressive annual amounts ranging from \$4,960,000 on July 1, 2010, to \$7,990,000 on July 1, 2015. At the option of the Authority, the Series 1995 bonds maturing on and after July 1, 2010, may be repaid at 100 percent of the principal balance outstanding. The Series 1995 bonds were refunded in their entirety with the Series 2010B bonds in August 2010. See further discussion of the 2010B bonds below.

Airport Improvement Revenue Bonds, Series 1998

During December 1997, the Authority issued Series 1998A and Series 1998B bonds in the principal amount of \$19,695,000 and \$9,740,000, respectively. The bonds were issued for the purpose of paying the Termination Payment under the 1995 Swap Agreement entered into in connection with the Series 1995 Bonds. The Series 1998A issue contains serial bonds at interest rates ranging from 4.90 percent to 5.15 percent, maturing in decreasing annual amounts ranging from \$1,315,000 on July 1, 2010, to \$350,000 on July 1, 2014. At the option of the Authority, the 1998A bonds maturing on and after July 1, 2010, may be repaid at 100 percent of the principal balance outstanding. The Series 1998B bonds have been repaid, and there is no outstanding balance at June 30, 2010 or 2009. The Series 1998A bonds were refunded in their entirety with the Series 2010C bonds in August 2010. See further discussion of the 2010C bonds below.

During March 1998, the Authority issued Series 1998C bonds in the principal amount of \$32,660,000. The bonds were issued to provide funds to refund \$30,940,000 aggregate principal amount of the Authority's Airport Revenue Bonds, Series 1989A. The 1998C issue contains serial bonds at the interest rate of 5.38 percent (except bonds maturing July 1, 2011, at 5.00 percent), maturing in annual amounts ranging from \$2,075,000 on July 1, 2010, to \$1,900,000 on July 1, 2016. At the option of the Authority, the bonds may be repaid beginning July 1, 2010, at 100 percent of the principal balance outstanding. The Series 1998C bonds were refunded in their entirety with the Series 2010C bonds in August 2010. See further discussion of the 2010C bonds below.

The 1998C refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,710,369. The difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2017 using the effective interest method. The Authority completed the advance refunding to reduce its total debt service payments over 19 years by \$3,511,337 and to obtain an economic gain of approximately \$2,300,000.

Airport Improvement Revenue Bonds, Series 2001A

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

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

The Series 2001A issue contains serial bonds at an interest rate of 6.60 percent maturing in progressive annual amounts ranging from \$6,985,000 on July 1, 2010, to \$9,615,000 on July 1, 2015. The Series 2001A bonds were refunded in their entirety with the Series 2010B bonds in August 2010. See further discussion of the 2010B bonds below.

Synthetic Advance Refunding, Series 2001A

During September 1998, the Authority completed a synthetic advance refunding of \$91,930,000 of the callable Airport Revenue Bonds, Series 1991C (the "1991C Bonds"), to take advantage of significantly lower interest rates. As discussed above, during April 2001, the Authority issued debt (the "2001A Bonds"), the proceeds of which were used to redeem the long-term portion of the outstanding 1991C Bonds on July 1, 2001.

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

As reported below, the Series 2001A bonds were refunded with the Series 2010B bonds. Analysis of the synthetic advance refunding from September 1998 concluded that any obligation associated with the upfront payment was defeased at the first call date, July 1, 2010. Therefore, the outstanding deferred credit balance of \$1,913,045 as of July 1, 2010, was recorded to nonoperating income at the time the Series 2001A bonds were refunded with the 2010B bonds in August 2010. More information about the refunding of these bonds is detailed below.

Passenger Facility Charge and Airport Improvement Revenue Bonds, Series 2003

During July 2003, the Authority issued Refunding Series 2003 bonds in the principal amount of \$32,020,000. These bonds were issued together with other available funds of the Authority to provide funds primarily to refund \$29,885,000 aggregate principal amount of the Authority's Passenger Facility Charge and Airport Improvement Revenue Bonds, Series 1992, and to fund a reserve with respect to the Series 2003 bonds.

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

The Series 2003 bonds initially bore interest at a weekly rate determined by SunTrust Capital Markets, Inc. Subject to the satisfaction of certain conditions in the Supplemental Resolution, the Authority may from time to time change the method of determining the interest rate on the Series 2003 Bonds to a daily rate, weekly rate, a commercial paper rate or a fixed rate. The bonds mature in progressive annual amounts ranging from \$3,735,000 on July 1, 2010, to \$3,925,000 on July 1, 2012.

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.

The Series 2003B bonds contain serial bonds at interest rates ranging from 4.13 percent to 5.94 percent, maturing in progressive annual amounts ranging from \$365,000 on July 1, 2010, to \$1,280,000 on July 1, 2033. The 2003B bonds are subject to an extraordinary optional redemption, in whole at any time, at a redemption price equal to the principal amount plus accrued interest to the date of redemption only in the event of the destruction or damage to all or substantially all of the Nashville International Airport or the condemnation of the airport facility.

Airport Improvement Revenue Bonds, Refunding Series 2008A

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

The Series 2008A issue contains serial bonds bearing interest at a weekly variable rate. In order to limit its exposure to changes in interest rates, the Authority transferred its existing 1993 interest rate swap agreement to the 2008A bonds ("2008A Swap Agreement"), resulting in a fixed interest rate of 4.49 percent (See Note 8). The 2008A bonds mature in various annual amounts ranging from \$6,400,000 on July 1, 2010, to \$3,800,000 on July 1, 2019.

Airport Improvement Revenue Bonds, Refunding Series 2008B

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

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

The Series 2008B issue contained serial bonds bearing interest at a weekly variable rate. To manage its exposure to market risks from fluctuations in interest rates, the Authority entered into an interest rate swap agreement (the "2008B Swap Agreement") eliminating any basis risk to the Authority, resulting in a net fixed rate of 3.32 percent on the Series 2008B bonds (see Note 8). The Series 2008B bonds were refunded with the Series 2010A bonds in February 2010. See further discussion of the 2010A bonds below.

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

Airport Improvement Revenue Bonds, Series 2010A

During February 2010, the Authority issued Series 2010A bonds in the principal amount of \$25,770,000. The bonds were issued to provide funds to refund \$25,050,000 aggregate outstanding principal amount of the Authority's Series 2008B bonds and to pay issuance costs. The purpose of the refunding was to replace variable rate bonds with fixed rate bonds thereby terminating an interest rate swap with a financial institution. There were no significant changes to the terms of the bonds, and there was no significant economic gain as a result of the refunding.

The refunding of the Series 2008B bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$498,838. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through fiscal year 2018 using the effective interest method. Bond issue costs associated with the Series 2010A bonds were \$310,100. This amount is being charged to operations through fiscal year 2018 using the effective interest method.

The Series 2010A issue contains serial bonds at interest rates ranging from 3.00 percent to 5.00 percent, maturing in amounts ranging from \$1,255,000 on July 1, 2010, 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, will be used for the development and construction of a new consolidated rental car 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. Issuance costs are being charged to operations through fiscal year 2018 using the effective interest method. The CONRAC Series 2010 bonds are payable from and secured by a pledge of certain rental payments derived from customer facility charges under leases with rental car agencies (See Note 10).

The CONRAC Series 2010 bonds contain serial bonds at interest rates ranging from 2.25 percent to 6.19 percent, maturing in progressive annual amounts ranging from \$1,580,000 on July 1, 2012, to \$3,800,000 on July 1, 2024. The CONRAC Series 2010 bonds also contain term bonds at 6.79 percent, maturing in progressive amounts ranging from \$4,055,000 on July 1, 2025, to \$13,755,000 on July 1, 2029.

Airport Improvement Revenue Bonds, Series 2010 B&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 2010 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 for the Series 2010 Bonds, to pay certain costs of their issuance.

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

The following shows the composition of restricted cash and cash equivalents and investments as of June 30, 2010 and 2009 (the restricted funds relate primarily to airport bonds and related activity):

	2010	2009
Principal and Interest Funds:		
Airport Improvement Revenue Bonds,		
Adjustable Rate Refunding, Series 1995	\$ 5,333,001	\$ 5,556,007
Airport Improvement Revenue Bonds, Series 1998	3,536,004	4,050,012
Airport Improvement Revenue Bonds Series 2001A	7,762,000	8,339,482
Airport Improvement Revenue Bonds, Series 2003B	365,310	407
PFC and Airport Improvement Revenue Bonds, Series 2003	4,481,638	3,065,676
Airport Improvement Revenue Bonds, Series 2008A	5,901,409	6,166,650
Airport Improvement Revenue Bonds, Series 2008B	-	5,780,243
Airport Improvement Revenue Bonds, Series 2009A	1,472,469	382,943
Bond Reserve Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	4,547,500	4,776,843
Airport Improvement Revenue Bonds, Series 2009A	3,660,490	3,603,631
Airport Improvement Revenue Bonds, Series 2010A	4,473,803	-
CONRAC Series 2010 Bonds	6,633,131	-
Construction Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	12,440,827	22,318,841
Airport Improvement Revenue Bonds, Series 2009A	16,162,015	29,964,041
CONRAC Series 2010 Bonds	54,334,894	-
Other Funds (not bond related):		
CFC Construction Funds	-	5,070,575
Capital Sales Assistance Funds	-	432,488
Various CONRAC Accounts	8,181,942	-
Other	533,842	-
	<u>\$ 139,820,275</u>	<u>\$ 99,435,839</u>

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AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

Airport bond activity for the year ended June 30, 2010, is summarized as follows:

Series Description	Balance June 30, 2009	New Borrowings	Principal Repayment	Refundings	Amortization	Balance June 30, 2010
Series 1995	\$ 42,775,000	\$ -	\$ (4,510,000)	\$ -	\$ -	\$ 38,265,000
Series 1998A	5,810,000	-	(1,480,000)	-	-	4,330,000
Series 1998C	18,150,000	-	(1,960,000)	-	-	16,190,000
Series 2001A	56,030,000	-	(6,555,000)	-	-	49,475,000
Series 2003 PFC	14,145,000	-	(2,660,000)	-	-	11,485,000
Series 2003B	17,610,000	-	(350,000)	-	-	17,260,000
Series 2008A	31,800,000	-	(6,100,000)	-	-	25,700,000
Series 2008B	27,605,000	-	(2,555,000)	(25,050,000)	-	-
Series 2009A	36,000,000	-	-	-	-	36,000,000
Series 2010A	-	25,770,000	-	-	-	25,770,000
CONRAC Series 2010	-	66,300,000	-	-	-	66,300,000
Total	249,925,000	92,070,000	(26,170,000)	(25,050,000)	-	290,775,000
Plus unamortized premium	180,568	1,866,706	-	-	(101,953)	1,945,321
Less unamortized deferred amount on refunding	(7,675,177)	-	-	(498,838)	1,663,620	(6,510,395)
	<u>242,430,391</u>	<u>\$ 93,936,706</u>	<u>\$ (26,170,000)</u>	<u>\$ (25,548,838)</u>	<u>\$ 1,561,667</u>	<u>\$ 286,209,926</u>
Less current portion	(26,170,000)					(27,805,000)
	<u>\$ 216,260,391</u>					<u>\$ 258,404,926</u>

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

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

Aggregate maturities of revenue bonds outstanding at June 30, 2010, are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 27,805,000	\$ 13,922,367	\$ 41,727,367
2012	31,610,000	12,882,849	44,492,849
2013	29,835,000	11,644,484	41,479,484
2014	27,200,000	10,298,953	37,498,953
2015	28,740,000	8,841,304	37,581,304
2016-2020	84,245,000	27,851,125	112,096,125
2021-2025	20,330,000	16,735,281	37,065,281
2026-2030	36,305,000	8,857,892	45,162,892
2031-2035	4,705,000	579,299	5,284,299
	<u>\$ 290,775,000</u>	<u>\$ 111,613,554</u>	<u>\$ 402,388,554</u>

The interest amounts on the variable rate debt that have interest rate swap agreements associated with them were computed based on the fixed rates in the agreements plus an estimate for additional fees where applicable. The Series 2003 PFC bond's interest computation was based on the weekly reset in place at June 30, 2010, of 0.52 percent.

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

6. OTHER NONCURRENT DEBT - MPC NOTES PAYABLE

In October 2007, MPC Holdings, LLC entered into a term note in the amount of \$7,600,000 with a financial institution. Proceeds were used to replenish MPC Holdings, LLC's cash balance shortly after its purchase of International Plaza for \$7,500,000 plus associated costs in September 2007. The variable rate loan was entered into bearing interest at a monthly rate. Principal payments are due in level monthly installments of \$31,667. The obligation matures in November 2012, at which time the remaining balance will be \$5,700,000. The principal balance at June 30, 2010, was \$6,618,329. The note is collateralized by the building. In order to reduce its exposure to fluctuations in interest rates, MPC Holdings, LLC entered into an interest rate swap agreement ("2007 MPC Swap Agreement") that fixes the interest rate at 5.67 percent (see Note 8).

In March 2008, MPC Holdings, LLC entered into a term note in the amount of \$1,360,000 with a financial institution. Proceeds were used to purchase a multi-purpose building on airport property from a major tenant. The variable rate loan was entered into bearing interest at a monthly rate. Principal payments are due in level monthly installments of \$5,666. The obligation matures in February 2013, at which time the remaining balance will be \$1,027,000. The principal balance at June 30, 2010, was \$1,207,000. The note is collateralized by the building. MPC Holdings, LLC entered into an interest rate swap agreement ("2008 MPC Swap Agreement") that fixes the interest rate at 4.33 percent (see Note 8).

The aggregate principal maturities of the MPC notes payable are \$448,000 in fiscal years 2011 and 2012 and \$6,929,329 in fiscal year 2013. As part of its loan agreements, MPC is required to comply with debt covenants, including certain financial ratios and minimum balance requirements. As of June 30, 2010, MPC was in compliance with its financial covenants. As of June 30, 2009, MPC was not in compliance with certain financial covenants; however, MPC obtained an appropriate waiver of the non-compliance from the financial institution.

Description	Balance June 30, 2009	New Borrowings	Principal Repayment	Balance June 30, 2010
MPC Note 1	\$ 6,998,333	\$ -	\$ (380,004)	\$ 6,618,329
MPC Note 2	1,275,000	-	(68,000)	1,207,000
	<u>\$ 8,273,333</u>	<u>\$ -</u>	<u>\$ (448,004)</u>	<u>\$ 7,825,329</u>

Description	Balance June 30, 2008	New Borrowings	Principal Repayment	Balance June 30, 2009
MPC Note 1	\$ 7,378,333	\$ -	\$ (380,000)	\$ 6,998,333
MPC Note 2	1,343,000	-	(68,000)	1,275,000
	<u>\$ 8,721,333</u>	<u>\$ -</u>	<u>\$ (448,000)</u>	<u>\$ 8,273,333</u>

7. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities activity for the years ended June 30, 2010 and 2009, is as follows:

Other Noncurrent Liabilities Description	Balance June 30, 2009	Net Cash Receipts (Repayments)	Amortization	Change in Derivative Instruments	Balance June 30, 2010
Synthetic advance refunding, Series 2001A	\$ 2,577,768	\$ -	\$ (664,723)	\$ -	\$ 1,913,045
Fair value of derivative financial instruments	4,334,856	(1,098,645)	-	239,916	3,476,127
Deferred interest income	1,686,297	-	(351,853)	-	1,334,444
Deferred rental income	1,978,847	9,047	(34,904)	-	1,952,990
	<u>\$10,577,768</u>	<u>\$ (1,089,598)</u>	<u>\$ (1,051,480)</u>	<u>\$ 239,916</u>	<u>\$ 8,676,606</u>

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

8. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

2008B Interest Rate Swap Agreement - In connection with the Series 2008B bonds, the Authority entered into an interest rate swap agreement dated June 9, 2008, (the "2008B Swap Agreement") with a bank. In general, the 2008B Swap Agreement provides that the Authority will pay a fixed rate of 3.32 percent to the counterparty on a notional amount equal to the principal amount of the Series 2008B bonds outstanding.

The Series 2008B were refunded with the Series 2010A bonds in February 2010, at which time a termination payment was made in the amount of \$1,348,500. The resulting loss on the termination of this interest rate swap was \$249,855.

MPC 2007 Interest Rate Swap Agreement - In October 2007, MPC Holdings, LLC entered into an interest rate swap agreement (the "2007 MPC Swap Agreement") in order to manage its exposure to market risks from fluctuations in interest rates in connection with a term loan used to purchase a multi-tenant structure (See Note 6). In general, this agreement provides that MPC will pay a fixed rate of 5.67 percent on the outstanding notional amount. This agreement terminates November 1, 2012, to correspond with the termination of the loan.

MPC 2008 Interest Rate Swap Agreement - In March 2008, MPC Holdings, LLC entered into an interest rate swap agreement (the "2008 MPC Swap Agreement") in order to manage its exposure to market risks from fluctuations in interest rates in connection with a term loan used to purchase a multi-purpose structure (See Note 6). In general, this agreement provides that MPC will pay a fixed rate of 4.33 percent on the outstanding notional amount. This agreement terminates March 1, 2013, to correspond with the termination of the loan.

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

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

Description	Notional Amount June 30, 2010	Maturity Date	Terms	Counterparty Credit Rating	Fair Value June 30, 2010 2009	
2008A Swap	\$ 25,700,000	7/1/2019	pay 4.49% fixed; receive SIFMA	Aa2/A+	\$2,803,435	\$2,577,115
2008B Swap	-	-	-	-	-	1,098,645
MPC 2007 Swap	6,618,329	11/1/2012	pay 5.67% fixed; receive 1-month LIBOR	A2/BBB+	595,475	603,144
MPC 2008 Swap	1,207,000	3/1/2013	pay 4.33% fixed; receive 1-month LIBOR	A2/BBB+	77,217	55,952
					<u>\$3,476,127</u>	<u>\$4,334,856</u>

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

Credit risk. The Authority is exposed to credit risk on hedging derivative instruments that are in asset positions. There were no such instruments in asset positions at June 30, 2010 or 2009. The Authority relies primarily on credit rating of the counterparty to access credit risk.

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

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

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

9. PASSENGER FACILITY CHARGES

On January 1, 1993, the airlines began collecting a Passenger Facility Charge ("PFC") on qualifying enplaning passengers at Nashville International Airport on behalf of the Authority. PFCs are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. Both the fee and intended projects must be reviewed and approved by the Federal Aviation Administration ("FAA"). Federal guidance on the PFC program has been updated from time to time since 1993, and the current maximum fee that can be authorized through federal regulation is \$4.50 per enplaning passenger. PFCs are recorded as nonoperating revenue. PFC revenue during fiscal years 2010 and 2009 totaled \$15,494,672 and \$11,480,154, respectively.

The Authority has received approval from the FAA to impose a \$4.50 PFC effective December 1, 2009, until \$19,250,558 is collected. Impose authority is expected to revert back to \$3.00 per enplaning passenger in September 2010. The following project summary has been approved by the FAA as of June 30, 2010:

Airfield development	\$ 170,993,522
Terminal development	131,440,818
Land acquisition	<u>23,895,200</u>
	<u>\$ 326,329,540</u>

As of June 30, 2010, cumulative expenditures to date on approved PFC projects totaled \$210,822,621.

10. CUSTOMER FACILITY CHARGES

On January 1, 2008, the Authority began requiring the car rental companies at Nashville International Airport to charge a Customer Facility Charge ("CFC") to be used to pay, or to reimburse the Authority, for costs, fees and expenses associated with the planning, design, construction, financing, maintenance and operation of the Consolidated Rental Car Facility ("CONRAC facility"), and other costs, fees and expenses that may be paid from CFC proceeds. This amount increased to \$4.50 effective January 1, 2010, in anticipation of the issuance of debt to help pay for the CONRAC facility. The CFC is a \$4.50 per transaction day fee and is collected by the on-airport car rental companies from each of their customers and subsequently remitted to the Authority. The Authority has pledged the CFC proceeds as collateral security for the payment of the CONRAC Series 2010 bonds issued in February 2010 (see Note 5). CFC revenue during fiscal years 2010 and 2009 totaled \$7,911,785 and \$7,648,876, respectively.

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

Net assets relating to CFCs totaled \$15,623,458 and \$5,756,087 at June 30, 2010 and 2009, respectively, and are included in restricted net assets in the statements of net assets. Construction in progress for the CONRAC facility was \$14,081,216 as of June 30, 2010.

11. SPECIAL FACILITY REVENUE BONDS

Special Facility Revenue Bonds, Series 2005

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

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

Special Facility Revenue Bonds, Series 2006

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

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

12. AIRLINE LEASE AGREEMENTS

During the year ended June 30, 1975, the Authority entered into long-term lease agreements with certain of the airlines serving Nashville for use of the facilities at Nashville International Airport. Rentals and fees due under terms of the leases are based upon the Authority's projected cost of providing the facilities to the airlines. Costs recovered through rentals and fees include expenses of operating and maintaining the airport plus 110% of debt service on all bonds outstanding.

These long-term lease agreements have been subsequently amended and restated with extension through September 30, 2017, which is 30 years from the occupancy date of the airport terminal. Signatory airlines as of June 30, 2010, include American Airlines, American Eagle, Continental Express doing business as ExpressJet, Delta Air Lines, Inc., Frontier Airlines, Southwest Airlines, United Airlines, and US Airways.

13. RISK MANAGEMENT AND INSURANCE ARRANGEMENTS

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

Self-insured employee medical benefit claims are accrued as incurred in accordance with GASB Statement No. 30, Risk Financing Omnibus. The liability for reported claims and claims incurred but not reported, an estimate of which is based on historical experience and management projections, is reported with accrued payroll and related items in the financial statements. This liability does not include nonincremental claims adjustment expenses.

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

	2010	2009
Balance—Beginning of year	\$ 377,487	\$ 284,638
Provision for incurred claims	3,399,043	3,655,397
Claim payments	<u>(3,424,928)</u>	<u>(3,562,548)</u>
Balance—End of year	<u>\$ 351,602</u>	<u>\$ 377,487</u>

Compensated absences is another component of the Authority's employee benefits program. Based on years of service, employees earn annual leave and may accumulate earned hours to certain limits for future use. In 2010 and 2009, employees sold back \$189,164 and \$175,146 of their annual leave balances to the Authority in exchange for cash. Additional payments of \$115,111 and \$49,342 were made to employees who left employment with the Authority during the years ended June 30, 2010 and 2009, respectively. The change in accrued compensated absences balance is charged to salaries and wages expense.

The following summarizes the changes in the compensated absences liability:

	2010	2009
Balance—Beginning of year	\$ 1,230,748	\$ 1,130,844
Provision for incurred claims	414,480	324,392
Claim payments	<u>(304,275)</u>	<u>(224,488)</u>
Balance—End of year	<u>\$ 1,340,953</u>	<u>\$ 1,230,748</u>

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, 2010, relate to various projects. These amounts are as follows:

Amount to be directly reimbursed by governmental agencies under existing governmental contracts	\$ 6,837,234
Amount to be funded by passenger facility charges collected	22,157,589
Amount to be funded by customer facility charges collected	53,379,857
Amount to be funded by the Authority	<u>3,306,782</u>
	<u>\$ 85,681,462</u>

In February 2009, the Authority entered into a \$7,500,000 line of credit loan agreement with financial institution to provide bridge financing on the In-Line EDS project. Over half the funding for this project was received from the Department of Homeland Security (DHS). The interest rate on any outstanding balance was 3.34 percent, payable monthly. As costs were incurred, draws were made on the credit line; when grant revenue was received, the credit line was paid down. Even though the DHS portion of project funding is complete, DHS continues to retain \$1,000,000 (5 percent) of the \$20,000,000 award until the project

is finalized. This line of credit is available through June 30, 2011. Project completion is expected several months earlier. The balance outstanding on the line of credit is reported in accounts payable in the accompanying statements of net assets.

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

Various corrective actions were taken in the following months. From March 24 through May 10, 2010, Nashville International Airport discharged a total of 6.916 million gallons of untreated stormwater to the municipal sanitary sewer through a specially permitted discharge. An additional 905,000 gallons of wastewater were hauled off-site for treatment and disposal. MNAA is undertaking a \$1.2 million capital improvement project that includes lining the treatment lagoon and two retention ponds with high-density polyethylene liner, lining the effluent discharge channel with concrete and installing a new valve at the bottom of the treatment lagoon to provide easier access for sludge removal. It is possible that a small fine will ultimately be assessed to MNAA, but it is not expected to have a material impact on the financial condition or operations of the Authority.

The Authority is a defendant to various legal proceedings incidental to its operations. In the opinion of management and the Authority's legal counsel, while the ultimate outcome of these matters, including an estimate of potential loss, cannot presently be determined, any losses sustained would not be material to the Authority's financial position or operations. Additionally, any losses sustained would be recoverable through the Authority's leases with certain airlines discussed in Note 12.

15. RETIREMENT BENEFIT PLANS

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

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

For the year ended June 30, 2010, the Authority's annual pension cost of \$2,809,352 was equal to the annual required contribution of \$2,629,722 less interest in the amount of \$959,433 on the net pension asset plus the annual required contribution adjustment of \$1,139,063. For the year ended June 30, 2009, the Authority's annual pension cost of \$1,665,239 was equal to the annual required contribution of \$1,478,412 less interest in the amount of \$1,092,652 on the net pension asset plus the annual required contribution adjustment of \$1,279,479. No actual contribution was made to the Plan during 2010 or 2009 due to a contribution of \$19,000,000 made in 2004 through the issuance of Airport Improvement Revenue Bonds, Series 2003B (see Note 5). The annual required contribution for the current year was determined as part of the July 1, 2009, actuarial valuation using the projected unit credit method.

The following table presents the annual pension cost, percentage of annual pension cost contributed, and the net pension asset for the years ended June 30, 2010, 2009, and 2008:

Year Ended June 30	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Assets)
2010	\$2,809,352	-%	\$ (9,183,560)
2009	1,665,239	-%	(11,992,912)
2008	1,281,087	-%	(13,658,151)

The funded status of the pension plan as of the valuation date, July 1, 2009, is detailed below:

Actuarial accrued liability (a)	\$37,848,348
Actuarial value of plan assets (b)	<u>22,922,104</u>
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 14,926,244</u>
Funded ratio (b) / (a)	60.6%
Covered payroll (c)	\$ 8,312,934
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	179.6%

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

Significant actuarial methods and assumptions as of July 1, 2009, which were confirmed with the issuance of the July 1, 2010, 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

The Authority announced an early retirement incentive program (ERIP) in March 2009. Thirteen employees took advantage of the opportunity and completed their service to the organization on or before June 30, 2009. The employees were able to choose between adding three years of service or three years of age to their retiree benefit computation. The 2009 ERIP added \$469,690 to the accumulated benefit balance. There were no incentive programs offered in 2010. 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 under a single-employer postemployment benefit plan to all employees who retire under either the Authority's PERS or the Metropolitan Government's PERS.

Under the Authority's PERS, the Authority pays approximately 75 percent of the medical, dental, vision, and prescription coverage cost, with the retirees paying the remaining 25 percent. The Authority also pays 100 percent of the premium cost of a \$10,000 life insurance policy on each retiree. In addition, the retirees have the option to pay 100 percent of the cost of supplemental life insurance coverage. Currently, 99 retirees 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 will not be eligible for any postemployment benefits through the Authority. The postemployment benefit plan does not issue separate financial statements.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

For the year ended June 30, 2010, the Authority's annual OPEB cost of \$6,268,830 was equal to the annual required contribution of \$6,395,351 plus interest on the net OPEB obligation of \$302,917 less the amortization on the net OPEB obligation of \$429,438. For the year ended June 30, 2009, the Authority's annual OPEB cost of \$6,362,894 was equal to the annual required contribution of \$6,402,374 plus interest on the net OPEB obligation of \$101,193 less the amortization on the net OPEB obligation of \$140,673. The Authority's contributions during fiscal years 2010 and 2009 totaled \$1,175,967 and \$1,319,807, respectively. The Authority's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for 2010, 2009 and 2008 are as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$6,268,830	18.8%	\$12,665,776
2009	6,362,894	20.7%	7,572,913
2008	3,174,000	20.3%	2,529,829

The funded status of the postemployment healthcare plan as of the actuarial valuation date, July 1, 2009, is detailed below

Actuarial accrued liability (a)	\$49,037,187
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	\$49,037,187
Funded ratio (b) / (a)	-%
Covered payroll (c)	\$13,283,897
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	369.1%

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

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

The July 1, 2009, actuarial valuation was reaffirmed by the July 1, 2010, valuation in which the following significant actuarial methods and assumptions were used:

Actuarial valuation method	Entry age normal method
Amortization method	Level dollar open over 30 years
Discount rate	4.00%
Health care cost trend rate	8% graded down uniformly to 5% for 2015 and beyond
Mortality	RP-2000 Combined Mortality Table
Retirement rates	Varying rates beginning with 5% at age 50 to 100% retirement at age 65

On April 22, 2009, the Board of Commissioners approved MNAA Resolution 2009-07 establishing an investment trust for the purpose of funding OPEB as provided in Tennessee Code Annotated, Title 8, Chapter 50, Part 12. The Tennessee State Funding Board approved the formation of the trust on June 17, 2009. There is no obligation to fund the trust, and management is currently working to develop a plan whereby cash contributions would be made to help offset the anticipated increased outflows in future years to cover retiree benefits. Trust documents are being drafted so that a contribution may be made in 2011.

Under the Metropolitan Government's PERS, the Authority pays 75 percent of the cost of medical and dental coverage, while the retirees pay the remaining 25 percent. The Authority also pays 100 percent of the premium cost of a \$10,000 life insurance policy on each retiree. As of June 30, 2010 and 2009, 16 and 17 retirees, respectively, are receiving benefits under the PERS. During the years ended June 30, 2010 and 2009, payments of \$53,121 and \$23,650, respectively, were made to the Metropolitan Government for postemployment benefits under this PERS.

17. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits the deferral of a portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, and accordingly, the related assets of the plan are not reflected on the Authority's statement of net assets. Beginning January 1, 2001, the Authority's matching contributions have been made to a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a). Amounts contributed by the Authority to the deferred compensation plan were \$690,595 and \$662,844 in 2010 and 2009, respectively.

18. LAND LEASES AND LAND OPTIONS

The Authority leases, or has entered into options to lease, several tracts of land to developers. The leases expire in 2058. In accordance with the terms of the lease agreements, the Authority received advance rental payments totaling \$2,533,613. This amount is being amortized into income over the terms of the leases. The unamortized amount was \$1,666,864 and \$1,701,767 at June 30, 2010 and 2009, respectively. The buildings and any other improvements constructed on the land become the property of the Authority upon the expiration or termination of the leases.

19. MAJOR CUSTOMERS

The largest airline serving Nashville International Airport accounted for approximately 53.5 percent and 52.5 percent of the total enplanements of 4,487,336 and 4,460,962 in fiscal years 2010 and 2009, respectively.

20. INFORMATION ON AUTHORITY OPERATING RESULTS BY ENTITY

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

	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation	Total
Year Ended June 30, 2010				
Operating revenues	\$ 78,854,618	\$ 701,045	\$ 2,128,766	\$ 81,684,429
Operating expenses	55,613,944	512,889	1,348,646	57,475,479
Provision for depreciation	24,197,799	1,054,240	630,947	25,882,986
Operating income (loss)	\$ (957,125)	\$ (866,084)	\$ 149,173	\$ (1,674,036)

	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation	Total
Year Ended June 30, 2009				
Operating revenues	\$ 76,434,479	\$ 693,713	\$ 2,127,648	\$ 79,255,840
Operating expenses	51,175,683	405,226	1,495,264	53,076,173
Provision for depreciation	23,581,781	997,541	572,225	25,151,547
Operating income (loss)	\$ 1,677,015	\$ (709,054)	\$ 60,159	\$ 1,028,120

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Authority's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at June 30, 2010 and 2009:

	Carrying Amount	Estimated Fair Value	Assets/ Liabilities Measured at Fair Value	Fair Value Measurements at Reporting Date Using		
				Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2010:						
Cash and cash equivalents	\$ 147,207,919	\$ 147,207,919	\$ 147,207,919	\$ 147,207,919	\$ -	\$ -
Investments	29,340,490	29,340,490	29,340,490	29,083,000	257,490	-
Long-term debt	300,545,650	385,980,586	-	-	-	-
Derivative financial instruments	3,476,127	3,476,127	3,476,127	-	3,476,127	-
June 30, 2009:						
Cash and cash equivalents	\$ 111,973,429	\$ 111,973,429	\$ 111,973,429	\$ 111,973,429	\$ -	\$ -
Investments	14,969,945	14,969,945	14,969,945	12,023,720	2,946,225	-
Long-term debt	258,378,901	284,289,318	-	-	-	-
Derivative financial instruments	4,334,856	4,334,856	4,334,856	-	4,334,856	-

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

Cash and Cash Equivalents (both restricted and nonrestricted) Accounts Receivable, Accounts Payable, and Accrued Liabilities - Carrying amount approximates fair value due to short-term nature of those instruments.

Investments (both restricted and unrestricted) - Fair value is estimated based upon quoted market prices, where available, and on Level 2 inputs.

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

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

The fair value estimates presented herein are based on pertinent information available to management as of June 30, 2010 and 2009. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of the financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

22. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through October 29, 2010, the date the financial statements were available for issuance, and has determined that there are no subsequent events that require disclosure other than the issuance of the Airport Improvement Revenue Bonds, Refunding Series 2010B and 2010C, which is described in Note 5.

**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS
JUNE 30, 2010 (UNAUDITED)**

PENSION PLAN:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (b)	(Underfunded) Overfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	((b-a)/c)
July 1, 2007	\$ 31,554,953	\$ 33,173,924	\$ (1,618,971)	95.12%	\$ 8,612,671	18.80%
July 1, 2008	30,589,830	35,683,005	(5,093,175)	85.73%	8,940,848	56.97%
July 1, 2009	22,922,104	37,848,348	(14,926,244)	60.56%	8,312,934	179.55%

OPEB PLAN:

Actuarial Valuation Date	Actuarial Value of Assets	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)
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	((b-a)/c)
July 1, 2007	\$ -	\$ 26,393,914	\$(26,393,914)	- %	\$ 13,278,414	198.77%
July 1, 2008	-	52,084,263	(52,084,263)	- %	13,075,350	398.34%
July 1, 2009	-	49,037,187	(49,037,187)	- %	13,283,897	369.15%



Supplementary Information

Metropolitan Nashville Airport Authority | Comprehensive Annual Financial Report



**SCHEDULE OF NET ASSETS INFORMATION BY ENTITY
FOR THE YEAR ENDED JUNE 30, 2010**

	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation	Total
ASSETS				
CURRENT ASSETS:				
Unrestricted assets:				
Cash and cash equivalents	\$ 25,333,924	\$ 1,210,408	\$ 6,828,812	\$ 33,373,144
Short-term investments	3,097,500	-	-	3,097,500
Accounts receivable (net of allowance for doubtful accounts of \$86,345)	4,993,637	10,245	73,386	5,077,268
Inventories	520,654	-	-	520,654
Accrued interest receivable	44,430	-	-	44,430
Due from (to) other funds	208	(208)	-	-
Prepaid expenses and other	776,355	-	-	776,355
Total current unrestricted assets	<u>34,766,708</u>	<u>1,220,445</u>	<u>6,902,198</u>	<u>42,889,351</u>
Restricted assets:				
Cash and cash equivalents	113,834,775	-	-	113,834,775
Short-term investments	22,385,500	-	-	22,385,500
Passenger facility charges receivable	2,485,987	-	-	2,485,987
Customer facility charges receivable	854,532	-	-	854,532
Amounts due from governmental agencies	3,844,519	360,049	-	4,204,568
Accrued interest receivable	88,875	-	-	88,875
Total current restricted assets	<u>143,494,188</u>	<u>360,049</u>	<u>-</u>	<u>143,854,237</u>
Total current assets	<u>178,260,896</u>	<u>1,580,494</u>	<u>6,902,198</u>	<u>186,743,588</u>
NONCURRENT ASSETS:				
Capital assets:				
Land and land improvements	482,484,099	23,109,906	-	505,594,005
Land held for future expansion	36,701,068	-	-	36,701,068
Buildings and building improvements	147,382,689	3,778,077	10,531,855	161,692,621
Equipment, furniture and fixtures	50,705,670	376,918	-	51,082,588
Construction in progress	89,416,981	529,549	482,066	90,428,596
Total capital assets	806,690,507	27,794,450	11,013,921	845,498,878
Less accumulated depreciation	<u>(335,087,103)</u>	<u>(14,329,572)</u>	<u>(1,513,528)</u>	<u>(350,930,203)</u>
Total capital assets, net	471,603,404	13,464,878	9,500,393	494,568,675
Restricted investments	3,600,000	-	-	3,600,000
Unrestricted investments	257,490	-	-	257,490
Deferred bond issue costs	4,596,796	-	21,687	4,618,483
Other assets	<u>9,862,904</u>	<u>-</u>	<u>471,481</u>	<u>10,334,385</u>
Total noncurrent assets	<u>489,920,594</u>	<u>13,464,878</u>	<u>9,993,561</u>	<u>513,379,033</u>
TOTAL ASSETS	<u>\$ 668,181,490</u>	<u>\$ 15,045,372</u>	<u>\$ 16,895,759</u>	<u>\$700,122,621</u>

SCHEDULE OF NET ASSETS INFORMATION BY ENTITY
FOR THE YEAR ENDED JUNE 30, 2010

	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation	Total
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Payable from unrestricted assets:				
Trade accounts payable	\$ 11,161,873	\$ 310,473	\$ 404,696	\$ 11,877,042
Accrued payroll and related items	2,987,871	7,041	-	2,994,912
Current maturities of notes payable	-	-	448,000	448,000
Total payable from unrestricted assets	<u>14,149,744</u>	<u>317,514</u>	<u>852,696</u>	<u>15,319,954</u>
Payable from restricted assets:				
Trade accounts payable	2,792,966	-	-	2,792,966
Accrued interest payable	6,480,911	-	-	6,480,911
Current maturities of airport revenue bonds	<u>27,805,000</u>	<u>-</u>	<u>-</u>	<u>27,805,000</u>
Total payable from restricted assets	<u>37,078,877</u>	<u>-</u>	<u>-</u>	<u>37,078,877</u>
Total current liabilities	<u>51,228,621</u>	<u>317,514</u>	<u>852,696</u>	<u>52,398,831</u>
NONCURRENT LIABILITIES:				
Airport revenue bonds (net of unamortized deferred amount on refunding of \$6,510,395)	258,404,926	-	-	258,404,926
Notes payable, less current maturities	-	-	7,377,329	7,377,329
Synthetic advance refunding	1,913,045	-	-	1,913,045
Fair value of derivative financial instruments	2,803,435	-	672,692	3,476,127
Deferred interest income	1,334,444	-	-	1,334,444
Deferred rental income	1,895,279	15,716	41,995	1,952,990
Other postemployment benefits obligation	<u>12,665,776</u>	<u>-</u>	<u>-</u>	<u>12,665,776</u>
Total noncurrent liabilities	<u>279,016,905</u>	<u>15,716</u>	<u>8,092,016</u>	<u>287,124,637</u>
Total liabilities	<u>330,245,526</u>	<u>333,230</u>	<u>8,944,712</u>	<u>339,523,468</u>
COMMITMENTS AND CONTINGENCIES	-	-	-	-
NET ASSETS:				
Invested in capital assets—net of related debt	<u>269,536,169</u>	<u>13,464,877</u>	<u>1,696,747</u>	<u>284,697,793</u>
Restricted:				
Passenger facility charge projects	19,563,205	-	-	19,563,205
Debt service	45,272,968	-	-	45,272,968
Other	<u>1,388,375</u>	<u>-</u>	<u>-</u>	<u>1,388,375</u>
Total restricted net assets	<u>66,224,548</u>	<u>-</u>	<u>-</u>	<u>66,224,548</u>
Unrestricted net assets	<u>2,175,247</u>	<u>1,247,265</u>	<u>6,254,300</u>	<u>9,676,812</u>
Total net assets	<u>337,935,964</u>	<u>14,712,142</u>	<u>7,951,047</u>	<u>360,599,153</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$668,181,490</u>	<u>\$15,045,372</u>	<u>\$16,895,759</u>	<u>\$700,122,621</u>

See independent auditors' report.

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION BY ENTITY
FOR THE YEAR ENDED JUNE 30, 2010**

	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation	Total
OPERATING REVENUES:				
Signatory airline	\$ 20,522,901	\$ -	\$ -	\$ 20,522,901
Parking	26,768,620	-	-	26,768,620
Concession	16,511,983	-	-	16,511,983
Space rental	7,398,023	659,111	1,881,508	9,938,642
Other	7,653,091	41,934	247,258	7,942,283
	<u>78,854,618</u>	<u>701,045</u>	<u>2,128,766</u>	<u>81,684,429</u>
OPERATING EXPENSES:				
Salaries and wages	27,853,288	204,119	-	28,057,407
Contractual services	17,860,731	180,199	639,853	18,680,783
Materials and supplies	2,279,919	33,503	50,045	2,363,467
Utilities	5,473,493	33,722	402,493	5,909,708
Other	2,146,513	61,346	256,255	2,464,114
	<u>55,613,944</u>	<u>512,889</u>	<u>1,348,646</u>	<u>57,475,479</u>
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	23,240,674	188,156	780,120	24,208,950
PROVISION FOR DEPRECIATION	<u>24,197,799</u>	<u>1,054,240</u>	<u>630,947</u>	<u>25,882,986</u>
OPERATING INCOME (LOSS)	<u>(957,125)</u>	<u>(866,084)</u>	<u>149,173</u>	<u>(1,674,036)</u>
NONOPERATING REVENUES:				
Investment income	755,720	3,194	22,805	781,719
Passenger facility charges	15,494,672	-	-	15,494,672
Customer facility charges	7,911,785	-	-	7,911,785
Other nonoperating revenue	57,143	-	-	57,143
	<u>24,219,320</u>	<u>3,194</u>	<u>22,805</u>	<u>24,245,319</u>
NONOPERATING EXPENSES:				
Interest expense	14,625,274	-	456,228	15,081,502
Loss on disposal of property and equipment	7,292,588	-	-	7,292,588
Loss on derivative financial instruments	226,321	-	13,595	239,916
	<u>22,144,183</u>	<u>-</u>	<u>469,823</u>	<u>22,614,006</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,118,012	(862,890)	(297,845)	(42,723)
CAPITAL CONTRIBUTIONS	<u>45,983,816</u>	<u>438,970</u>	<u>-</u>	<u>46,422,786</u>
INCREASE (DECREASE) IN NET ASSETS	47,101,828	(423,920)	(297,845)	46,380,063
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>290,834,136</u>	<u>15,136,062</u>	<u>8,248,892</u>	<u>314,219,090</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 337,935,964</u>	<u>\$14,712,142</u>	<u>\$ 7,951,047</u>	<u>\$ 360,599,153</u>

See independent auditors' report.

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**SCHEDULE OF AIRPORT REVENUE BONDS, PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR
JUNE 30, 2010**

Year Ending June 30,	Series 1995 Revenue Bonds		Series 1998A Revenue Bonds		Series 1998C Revenue Bonds		Series 2001A Revenue Bonds		Series 2003 PFC Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 4,960,000	\$ 1,781,563	\$ 1,315,000	\$ 184,588	\$ 2,075,000	\$ 806,253	\$ 6,985,000	\$ 3,034,845	\$ 3,735,000	\$ 58,125
2012	5,455,000	1,527,511	1,120,000	124,370	2,185,000	695,863	7,450,000	2,558,490	3,825,000	29,438
2013	6,000,000	1,242,500	900,000	73,645	2,305,000	579,291	7,940,000	2,050,620	3,925,000	-
2014	6,600,000	927,500	645,000	34,473	2,435,000	451,903	8,465,000	1,509,255	-	-
2015	7,260,000	581,000	350,000	9,013	2,570,000	317,394	9,020,000	932,250	-	-
2016	7,990,000	199,750	-	-	2,720,000	175,225	9,615,000	317,295	-	-
2017	-	-	-	-	1,900,000	51,063	-	-	-	-
2018										
2019										
2020										
2021										
2022										
2023										
2024										
2025										
2026										
2027										
2028										
2029										
2030										
2031										
2032										
2033										
2034										
Totals	38,265,000	6,259,824	4,330,000	426,089	16,190,000	3,076,992	49,475,000	10,402,755	11,485,000	87,563
Bond Premium	-	-	-	-	-	-	-	-	-	-
Loss on Refunding:	(2,864,702)	-	-	-	(435,834)	-	(553,531)	-	(8,909)	-
Net	\$35,400,298	\$6,259,824	\$4,330,000	\$426,089	\$15,754,166	\$3,076,992	\$48,921,469	\$10,402,755	\$11,476,091	\$87,563

**SCHEDULE OF AIRPORT REVENUE BONDS, PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR
JUNE 30, 2010**

Series 2003B Revenue Bonds		Series 2008A Revenue Bonds		Series 2009A Revenue Bonds		Series 2010A Revenue Bonds		CONRAC Series 2010 Revenue Bond		Total Debt Service		
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
\$ 365,000	\$ 983,355	\$6,400,000	\$ 971,824	\$ 715,000	\$1,504,213	\$1,255,000	\$ 970,519	\$ -	\$3,627,082	\$27,805,000	\$13,922,367	\$ 41,727,367
380,000	964,842	6,700,000	565,740	1,200,000	1,469,488	3,295,000	1,025,937	-	3,921,170	31,610,000	12,882,849	44,492,849
400,000	945,459	100,000	561,250	3,320,000	1,379,088	3,365,000	909,212	1,580,000	3,903,419	29,835,000	11,644,484	41,479,484
420,000	924,977	100,000	556,760	3,455,000	1,260,863	3,335,000	775,212	1,745,000	3,858,010	27,200,000	10,298,953	37,498,953
445,000	903,043	200,000	547,780	3,555,000	1,129,050	3,435,000	626,931	1,905,000	3,794,843	28,740,000	8,841,304	37,581,304
465,000	879,515	200,000	538,800	3,715,000	977,656	3,560,000	460,800	2,090,000	3,716,196	30,355,000	7,265,237	37,620,237
490,000	853,928	1,200,000	484,920	3,860,000	825,394	3,690,000	284,000	2,285,000	3,622,034	13,425,000	6,121,339	19,546,339
515,000	826,340	3,400,000	332,260	4,020,000	661,625	3,835,000	95,875	2,480,000	3,511,292	14,250,000	5,427,392	19,677,392
545,000	797,243	3,600,000	170,620	4,190,000	487,056	-	-	2,695,000	3,382,352	11,030,000	4,837,271	15,867,271
575,000	765,551	3,800,000	-	7,970,000	197,700	-	-	2,840,000	3,236,635	15,185,000	4,199,886	19,384,886
610,000	731,067	-	-	-	-	-	-	3,000,000	3,077,085	3,610,000	3,808,152	7,418,152
645,000	694,547	-	-	-	-	-	-	3,175,000	2,902,161	3,820,000	3,596,708	7,416,708
680,000	655,989	-	-	-	-	-	-	3,365,000	2,710,402	4,045,000	3,366,391	7,411,391
720,000	615,249	-	-	-	-	-	-	3,575,000	2,501,707	4,295,000	3,116,956	7,411,956
760,000	571,725	-	-	-	-	-	-	3,800,000	2,275,349	4,560,000	2,847,074	7,407,074
805,000	525,245	-	-	-	-	-	-	4,055,000	2,020,068	4,860,000	2,545,313	7,405,313
855,000	475,943	-	-	-	-	-	-	4,340,000	1,734,932	5,195,000	2,210,875	7,405,875
905,000	423,671	-	-	-	-	-	-	4,645,000	1,429,757	5,550,000	1,853,428	7,403,428
960,000	368,280	-	-	-	-	-	-	4,970,000	1,103,184	5,930,000	1,471,464	7,401,464
1,015,000	309,623	-	-	-	-	-	-	13,755,000	467,189	14,770,000	776,812	15,546,812
1,075,000	247,550	-	-	-	-	-	-	-	-	1,075,000	247,550	1,322,550
1,140,000	181,764	-	-	-	-	-	-	-	-	1,140,000	181,764	1,321,764
1,210,000	111,969	-	-	-	-	-	-	-	-	1,210,000	111,969	1,321,969
1,280,000	38,016	-	-	-	-	-	-	-	-	1,280,000	38,016	1,318,016
<hr/>												
17,260,000	14,794,891	25,700,000	4,729,954	36,000,000	9,892,133	25,770,000	5,148,486	66,300,000	56,794,867	290,775,000	111,613,554	402,388,554
<hr/>												
-	-	-	-	162,512	-	1,782,809	-	-	-	1,945,321	-	1,945,321
-	-	(1,737,875)	-	-	-	(909,544)	-	-	-	(6,510,395)	-	(6,510,395)
<hr/>												
\$17,260,000	\$14,794,891	\$23,962,125	\$4,729,954	\$36,162,512	\$9,892,133	\$26,643,265	\$5,148,486	\$66,300,000	\$56,794,867	\$286,209,926	\$111,613,554	\$397,823,480

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

Note 2: The Series 1995, 1998A, 19998C, and 2001A Bonds were refunded with Airport Improvement Revenue Bonds, Refunding Series 2010B and 2010C during August 2010, as further described in Note 5 to the financial statements.

See independent auditors' report.

Statistical Section

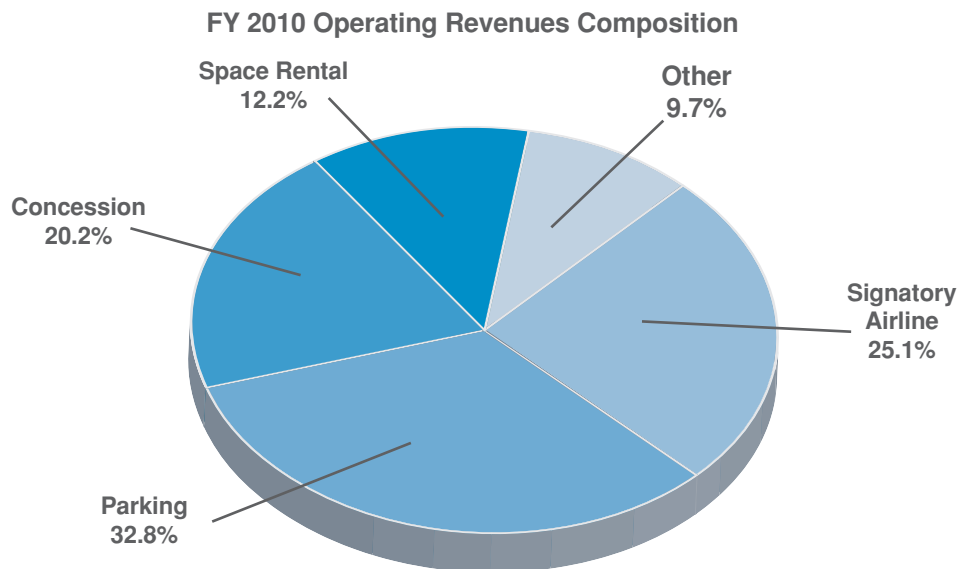
Metropolitan Nashville Airport Authority | Comprehensive Annual Financial Report

Statistical information differs from financial statements because it usually covers more than one fiscal year and may present non-accounting data. Available financial trend data is presented to assist the reader in understanding the Authority's primary business activities and to identify emerging financial trends. Operational data further supports this. The residual lease agreement with eight signatory airlines dictates their responsibility to cover any revenue shortfall in the form of rates and charges. Therefore, special attention is placed on operating revenues, operating expenses, and related indicators. Readers are interested in the Authority's debt burden as it provides some insight as to the ability of the Authority to finance major capital projects such as runways, taxiways, and terminal improvements in the future. Finally, demographic, economic, and operating information is presented to further explain the interrelationship of key indicators in Middle Tennessee with the activities of the Authority.



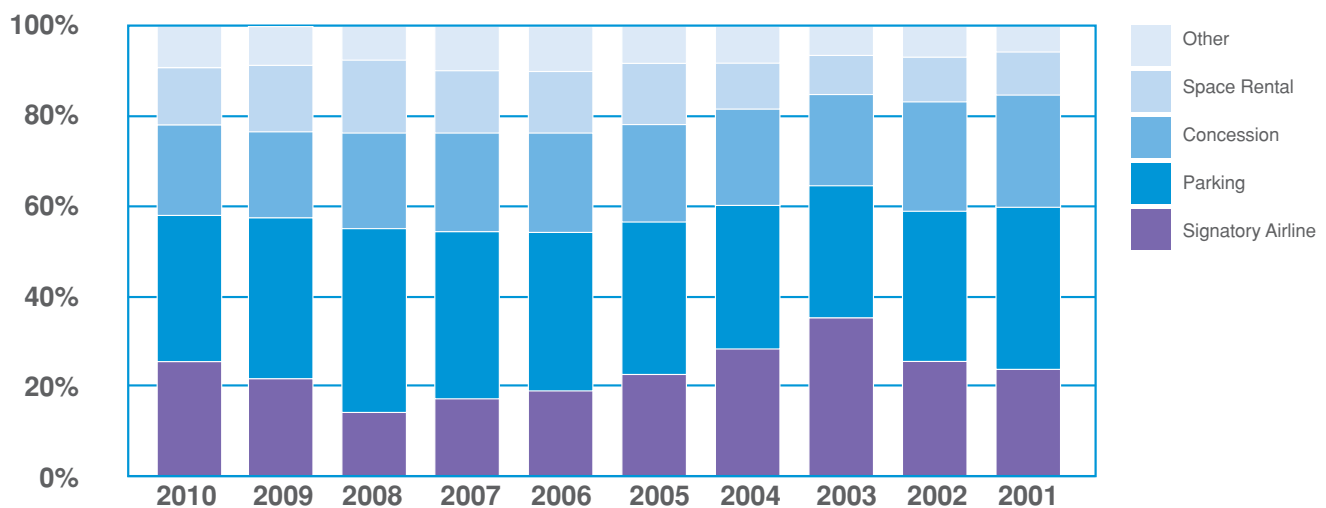
Metropolitan Nashville Airport Authority Operating Revenues Analysis (000s)

Operating Revenues	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Signatory airline	\$ 20,523	\$ 17,017	\$ 10,528	\$ 13,116	\$ 13,559	\$ 15,165	\$ 18,546	\$ 22,804	\$ 13,612	\$ 13,193
Parking	26,769	28,175	30,405	27,795	25,159	22,788	20,575	18,654	17,965	19,655
Concession	16,512	16,559	17,165	16,631	15,598	14,482	13,706	13,460	13,011	13,806
Space rental	9,939	10,077	11,051	10,136	9,889	8,935	7,028	5,526	5,195	5,157
Other	7,942	8,424	7,167	7,222	6,928	5,400	4,865	3,981	3,510	2,940
Total	\$ 81,685	\$ 80,252	\$ 76,316	\$ 74,900	\$ 71,133	\$ 66,770	\$ 64,720	\$ 64,425	\$ 53,293	\$ 54,751



Operating revenues have increased 49.2% since 2001. Enplanements are level at 4,487,336 compared to 4,474,163 10 years ago. Parking revenue declined \$3.6 million since its peak in 2008. However, it continues to be the Authority's highest individual revenue source. The signatory airlines operate under a residual agreement expiring in 2017 whereby they are responsible to cover any revenue shortfall. Due to the residual agreement, the eight signatory carriers were required to make up a \$1.9 million revenue shortfall at the end of 2010.

10-year Revenues Composition

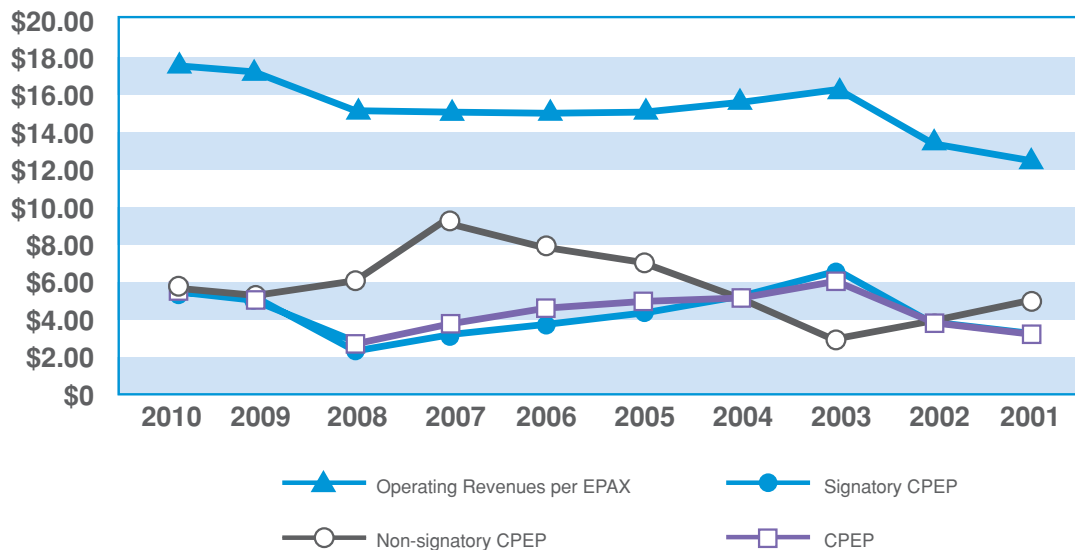


Nashville International Airport - Cost Per Enplaned Passenger (CPEP) (000s)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Signatory Airlines:										
Space and Ramp Fees	\$ 13,470	\$ 13,358	\$ 9,293	\$ 11,504	\$ 12,838	\$ 13,498	\$ 14,655	\$ 15,514	\$ 11,204	\$ 10,754
Landing Fees	7,053	3,660	1,235	1,612	721	1,667	3,891	7,290	2,408	2,439
Total Signatory Revenue	20,523	17,018	10,528	13,116	13,559	15,165	18,546	22,804	13,612	13,193
*Signatory Enplaned (000)	3,788	3,820	4,195	4,247	3,874	3,716	3,622	3,532	3,699	4,258
Cost per Signatory Enplaned	\$ 5.42	\$ 4.45	\$ 2.51	\$ 3.09	\$ 3.50	\$ 4.08	\$ 5.12	\$ 6.46	\$ 3.68	\$ 3.10
Non-signatory Airlines:										
Space and Ramp Fees	\$ 1,245	\$ 649	\$ 2,081	\$ 3,027	\$ 3,520	\$ 2,652	\$ 604	\$ 10	\$ 24	\$ 126
Landing Fees	2,731	2,486	2,748	3,216	3,068	2,362	2,148	1,263	1,097	837
Total Non-signatory Revenue	3,976	3,135	4,829	6,243	6,588	5,014	2,752	1,273	1,121	963
Non-signatory Enplaned (000)	699	639	683	692	861	720	543	465	298	199
Cost per Non-signatory Enplaned	\$ 5.69	\$ 4.91	\$ 7.07	\$ 9.02	\$ 7.65	\$ 6.96	\$ 5.07	\$ 2.74	\$ 3.76	\$ 4.84
Summary Analysis:										
Total Signatory & Non-signatory Revenue	\$ 24,499	\$ 20,153	\$ 15,357	\$ 19,359	\$ 20,147	\$ 20,179	\$ 21,298	\$ 24,077	\$ 14,733	\$ 14,156
Blended Cost per Enplaned	\$ 5.46	\$ 4.52	\$ 3.15	\$ 3.92	\$ 4.25	\$ 4.55	\$ 5.11	\$ 6.02	\$ 3.68	\$ 3.16
Operating Revenues (BNA only)	\$ 78,855	\$ 77,431	\$ 74,041	\$ 74,541	\$ 70,512	\$ 66,351	\$ 64,306	\$ 64,011	\$ 52,897	\$ 54,368
Total Enplaned (includes charters)	4,487	4,461	4,880	4,938	4,736	4,438	4,167	3,998	4,004	4,474
Operating Revenues per Enplaned	\$ 17.57	\$ 17.36	\$ 15.17	\$ 15.10	\$ 14.89	\$ 14.95	\$ 15.43	\$ 16.01	\$ 13.21	\$ 12.15

*Carrier status changed. All prior year EPAX amounts represent the classification in place at that time.

Enplanement (EPAX) Revenues Analysis



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

Signatory and Non-signatory rate history effective July 1 of each year.

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Signatory Rates										
Landing Fee	\$ 1.26	\$ 0.30	\$ 0.19	\$ 0.29	\$ 0.12	\$ 0.29	\$ 0.17	\$ 1.19	\$ 0.38	\$ 0.35
Ramp	114.62	62.36	71.20	95.80	104.97	114.40	114.33	118.20	95.51	90.26
Main Terminal	89.12	50.03	63.24	81.91	90.08	90.91	88.34	91.34	64.02	59.87
North Concourse	42.31	20.61	29.82	39.04	43.64	45.59	43.49	44.85	33.89	30.43
South Concourse	41.33	21.61	22.24	25.45	24.87	26.87	27.47	27.90	19.33	18.68

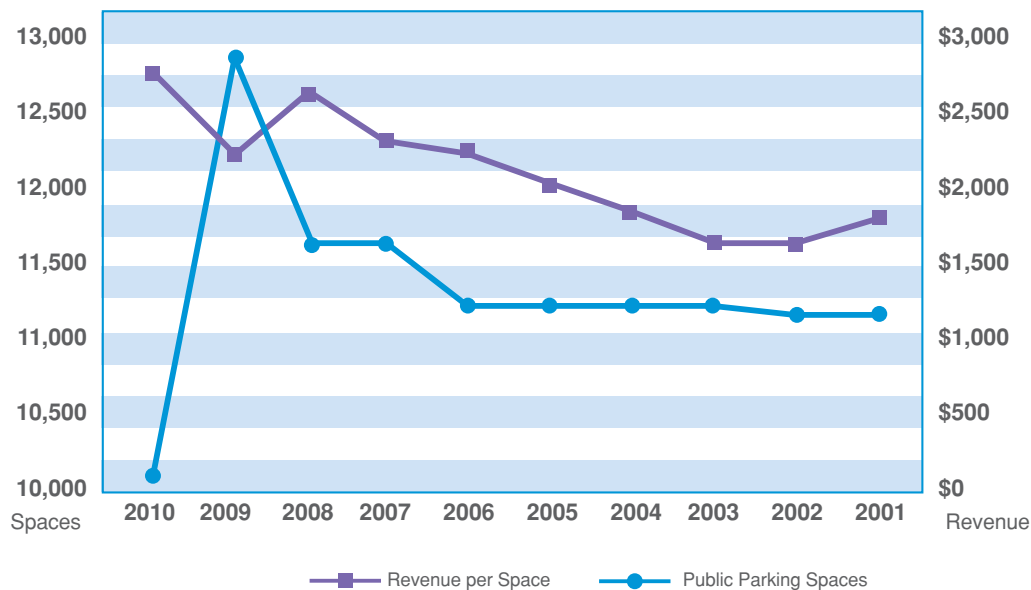
The signatory FY04 rates were effective for the last half of the year and changed from rates similar to those published for FY03. The signatory FY09 rates are the original rates. The \$7.265 million year end true-up was charged to landing fees and main terminal rents. The signatory FY10 rates effective July 1, 2009, were \$0.90 (LF), \$97.44 (R), \$75.76 (MT), \$35.97 (NC), and \$35.14 (SC). January 1, 2010, midyear adjusted rates are reflected above as well as a non-signatory landing fees adjustment (was \$3.52 on July 1, 2009). The signatory rates effective July 1, 2010, are \$2.05 (LF), \$101.26 (R), \$93.16 (MT), \$41.29 (NC), and \$41.12 (SC).

Non-signatory Rates

Landing Fee	\$ 3.96	\$ 3.26	\$ 3.24	\$ 2.91	\$ 2.71	\$ 2.97	\$ 3.01	\$ 2.53	\$ 2.43	\$ 2.55
Ramp	287.29	317.96	304.37	297.52	289.61	293.07	289.95	272.00	262.77	260.50
Main Terminal	223.32	195.11	176.79	173.44	155.59	151.81	150.22	141.18	135.15	123.61
North Concourse	89.86	88.87	80.67	80.45	77.67	76.78	75.77	76.38	74.39	71.93
South Concourse	88.27	84.76	67.48	67.13	64.19	61.43	60.53	60.99	59.22	54.95

The non-signatory rates effective July 1, 2010, have been set at \$5.02 (LF), \$301.87 (R), \$238.37 (MT), \$90.30 (NC), and \$92.93 (SC).

Public Parking Analysis



Parking Lot Revenue (000)	\$ 26,769	\$ 28,175	\$ 30,405	\$ 27,795	\$ 25,159	\$ 22,788	\$ 20,575	\$ 18,654	\$ 17,965	\$ 19,655
Spaces Available (actual)	10,189	12,830	11,675	11,675	11,216	11,216	11,216	11,216	11,112	11,112
Revenue per Space	\$ 2,627	\$ 2,196	\$ 2,604	\$ 2,381	\$ 2,243	\$ 2,032	\$ 1,834	\$ 1,663	\$ 1,617	\$ 1,769

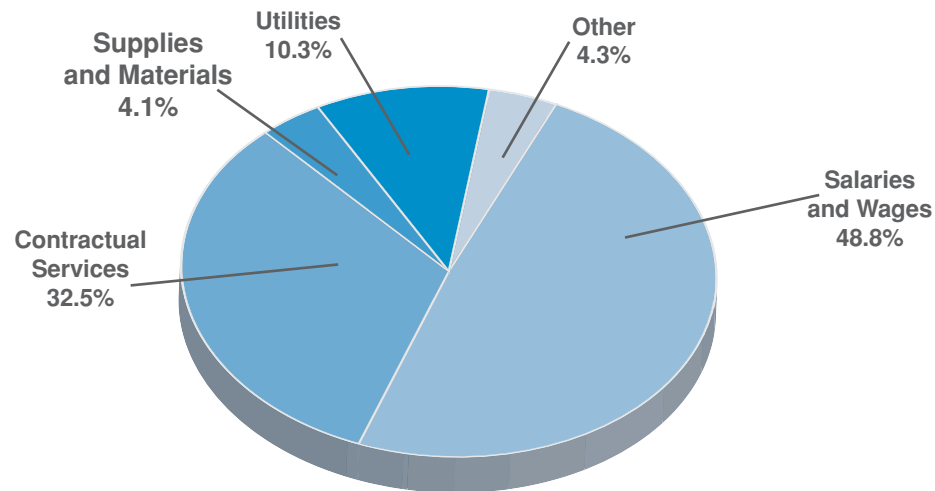
Fiscal year 2009 began with Short Term 1,706, Long Term A 3,883, Long Term B 2,129, Economy 3,957, and Valet 1,155 spaces - all for public use. During 2009 valet services were moved from various areas in and around the short term garage to a dedicated lot north of the terminal building. In fiscal year 2010, Long Term A was reduced in size to 1,517 spaces for CONRAC construction staging and footprint.

At June 30, 2010, public parking spaces included Short Term 1,706, Long Term A 1,517, Long Term B 2,124, Economy 3,690, and Valet 1,152. After the CONRAC facility is completed in November, 2011, there will be 2,066 long term parking spaces within walking distance of the terminal. The TARI roadway project was completed in October 2009; the new 50-space complimentary cell phone lot also opened in October. Over \$3.9 million of parking revenue was attributable to valet parking services in FY10 for this 1,152-space lot near the terminal building.

Metropolitan Nashville Airport Authority Operating Expenses Analysis (000s)

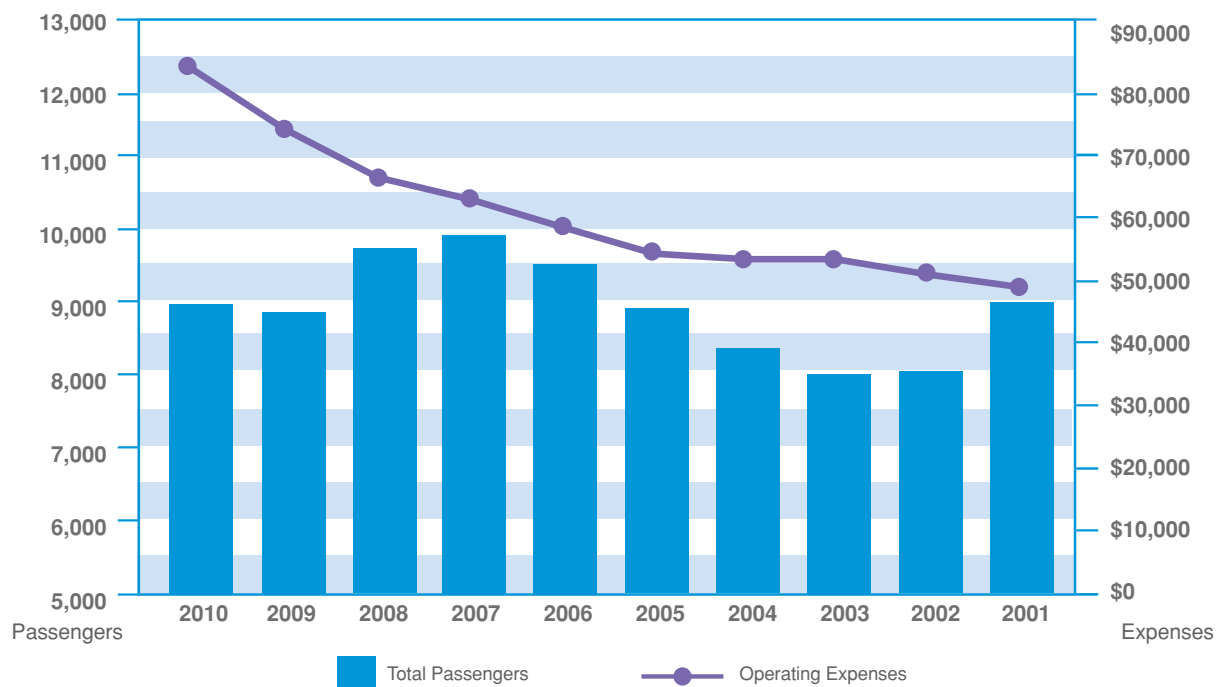
Operating Expenses	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Salaries and wages	\$ 28,057	\$ 26,340	\$ 23,690	\$ 20,379	\$ 18,657	\$ 16,412	\$ 16,249	\$ 16,301	\$ 16,361	\$ 15,760
Contractual services	18,681	16,359	16,299	14,430	12,917	12,454	11,424	11,260	10,005	9,693
Supplies and materials	2,363	1,705	2,229	2,437	1,702	1,894	1,565	2,042	1,721	1,773
Utilities	5,910	6,231	5,537	4,409	4,178	3,662	3,427	3,368	3,229	3,364
Depreciation	25,883	25,152	20,425	18,121	17,640	17,546	17,967	17,742	17,608	15,880
Other	2,464	2,442	2,689	2,944	3,295	2,274	2,580	2,639	2,233	2,585
Total	\$ 83,358	\$ 78,229	\$ 70,869	\$ 62,720	\$ 58,389	\$ 54,242	\$ 53,212	\$ 53,352	\$ 51,157	\$ 49,055

FY 2010 Operating Expenses before Provision for Depreciation



Costs associated with the Authority's closed pension program and other postemployment benefits (OPEB) continue to increase. The unfunded liability for OPEB increased \$5,092,863 in 2010 compared with \$5,043,064 the prior year and \$2,529,829 in 2008 (the first year reported). Pension costs increased as a component of Salaries and Wages from \$1,288,161 in 2008 to \$1,665,234 in 2009 and \$2,809,352 in 2010. Most of the increase in Contractual Services can be attributed to the new baggage handling system management as well as clean-up from the stormwater contamination.

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



**Metropolitan Nashville Airport Authority Schedule of Capital Assets
At June 30 for Each Year Presented**

	2010	%	2009	2008	2007	2006	2005	2004	2003	2002	2001
Land	\$ 62,659,897	33.0%	\$ 62,659,897	\$ 62,659,897	\$ 62,659,897	\$ 62,659,897	\$ 62,659,897	\$ 62,633,055	\$ 62,725,146	\$ 62,725,146	\$ 61,225,276
Land held for future expansion	36,701,068	19.3%	36,701,068	36,701,068	36,701,068	36,701,068	36,701,068	36,701,068	36,701,068	36,701,068	36,701,068
Construction in Progress	90,428,596	47.6%	32,813,869	48,447,956	46,276,385	29,986,164	22,352,319	11,120,299	9,893,301	9,856,095	3,253,643
Total capital assets not being depreciated	189,789,561	100.0%	132,174,834	147,808,921	145,637,350	129,347,129	121,713,284	110,454,422	109,319,515	109,282,309	101,185,987
Land improvements	442,934,108	67.6%	446,349,767	406,464,775	387,482,242	369,423,129	370,981,655	369,854,122	358,100,635	361,109,732	359,678,807
Buildings and building improvements	161,692,621	24.7%	171,150,808	156,272,307	127,250,001	123,618,070	126,696,865	126,696,865	125,609,435	119,946,469	119,741,122
Equipment, furniture and fixtures	51,082,588	7.8%	50,436,887	44,528,369	31,813,649	29,163,887	22,972,560	21,367,619	20,949,181	20,040,290	19,236,541
Total capital assets being depreciated	655,709,317	100.0%	667,937,462	607,265,451	546,545,892	522,205,086	520,651,080	517,918,606	504,659,251	501,096,491	498,656,470
Less accumulated depreciation	(350,930,203)	53.5%	(357,349,262)	(334,246,562)	(314,025,691)	(296,027,349)	(287,025,150)	(270,291,950)	(252,335,482)	(234,609,204)	(217,393,859)
Net capital assets	\$494,568,675	n/a	\$442,763,034	\$420,827,810	\$378,157,551	\$355,524,866	\$355,339,214	\$358,081,078	\$361,643,284	\$375,769,596	\$382,448,598

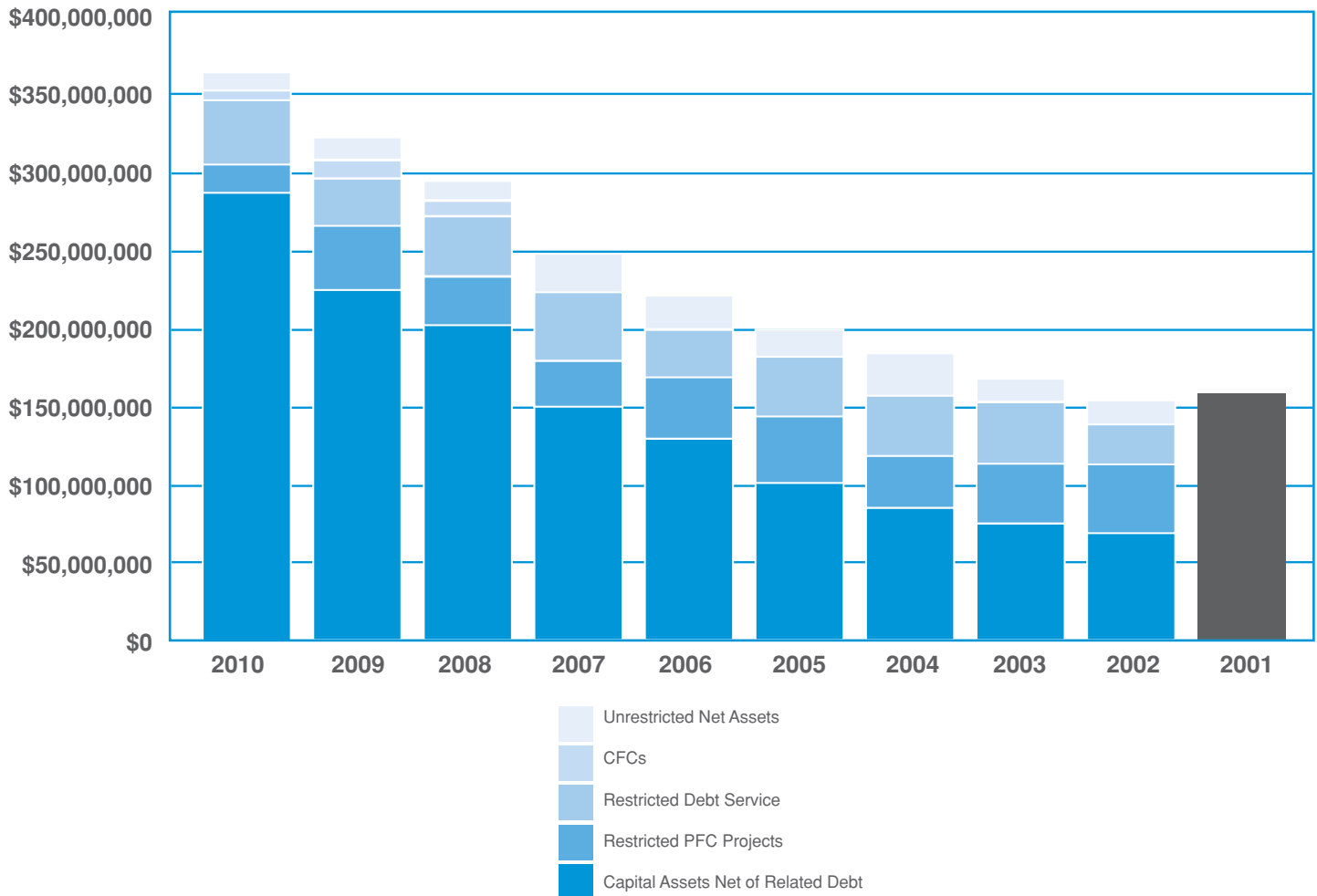
**Ratios of Outstanding Revenue Bond Debt as a Percentage of Total Revenue Bond Debt
At June 30 for Each Year Presented**

	2010	%	2009	2008	2007	2006	2005	2004	2003	2002	2001
Series 1991 A Revenue Bonds	\$ -	n/a	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,410,000	\$ 12,965,000	\$ 16,305,000
Series 1991 C Revenue Bonds	-	n/a	-	-	-	-	-	-	-	-	95,775,000
Series 1992 PFC Revenue Bonds	-	n/a	-	-	-	-	-	-	35,465,000	38,025,000	40,450,000
Series 1993 Revenue Bonds	-	n/a	-	-	43,200,000	48,500,000	52,000,000	52,700,000	53,400,000	53,500,000	53,500,000
Series 1995 Revenue Bonds	38,265,000	13.2%	42,775,000	46,875,000	50,600,000	53,990,000	57,070,000	59,870,000	62,415,000	64,730,000	66,835,000
Series 1998 A Revenue Bonds	4,330,000	1.5%	5,810,000	7,435,000	9,185,000	11,035,000	12,955,000	14,930,000	16,945,000	18,985,000	19,695,000
Series 1998 B Revenue Bonds	-	n/a	-	-	-	-	-	-	-	-	1,330,000
Series 1998 C Revenue Bonds	16,190,000	5.6%	18,150,000	20,010,000	21,770,000	23,445,000	25,035,000	26,550,000	27,985,000	29,355,000	30,660,000
Series 2001 A Revenue Bonds	49,475,000	17.0%	56,030,000	62,180,000	67,945,000	73,355,000	78,425,000	83,200,000	87,695,000	91,930,000	91,930,000
Series 2003 PFC Revenue Bonds	11,485,000	3.9%	14,145,000	18,675,000	22,145,000	25,525,000	28,825,000	32,020,000	-	-	-
Series 2003 A Revenue Bonds	-	0.0%	-	-	-	-	1,505,000	5,650,000	-	-	-
Series 2003 B Revenue Bonds	17,260,000	5.9%	17,610,000	17,945,000	18,270,000	18,590,000	18,900,000	19,900,000	-	-	-
Series 2006 Revenue Bonds	-	0.0%	-	-	18,285,000	-	-	-	-	-	-
Series 2008A Revenue Bonds	25,700,000	8.8%	31,800,000	37,600,000	-	-	-	-	-	-	-
Series 2008B Revenue Bonds	-	0.0%	27,605,000	27,605,000	-	-	-	-	-	-	-
Series 2009A Revenue Bonds	36,000,000	12.4%	36,000,000	-	-	-	-	-	-	-	-
Series 2010A Revenue Bonds	25,770,000	8.9%	-	-	-	-	-	-	-	-	-
Series 2010 CONRAC Revenue Bonds	66,300,000	22.8%	-	-	-	-	-	-	-	-	-
Total Revenue Bonds	290,775,000	100.0%	249,925,000	238,325,000	251,400,000	254,440,000	274,715,000	293,820,000	293,315,000	309,490,000	416,480,000
Series 1999 Subordinated Note	-	n/a	-	-	409,553	771,227	771,227	935,776	1,090,340	1,235,525	1,371,900
Plus unamortized premium	1,945,321		180,568	-	-	-	-	-	-	-	-
Less unamortized deferred amount on refunding	(6,510,395)	n/a	(7,675,177)	(9,493,871)	(10,813,988)	(12,636,036)	(15,047,310)	(17,654,125)	(19,251,919)	(21,690,417)	(21,412,334)
Net Outstanding Debt	\$286,209,926	n/a	\$242,430,391	\$228,831,129	\$240,995,565	\$242,575,191	\$260,438,917	\$277,101,651	\$275,153,421	\$289,035,108	\$396,439,566
Enplanements	4,487,336		4,460,962	4,880,360	4,938,191	4,735,910	4,438,392	4,166,820	3,997,980	4,004,407	4,474,163
Net Outstanding Debt per Enplanement	\$63.78		\$54.34	\$46.89	\$48.80	\$51.22	\$58.68	\$66.50	\$68.82	\$72.18	\$88.61

Metropolitan Nashville Airport Authority Change in Net Assets
As of June 30 for Each Year Presented

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating Revenues										
Signatory Airline	\$20,522,901	\$17,017,714	\$10,527,728	\$13,116,169	\$13,559,361	\$15,164,912	\$18,545,916	\$22,803,489	\$13,611,398	\$ 13,193,249
Parking	26,768,620	28,174,733	30,405,023	27,794,482	25,159,487	22,787,740	20,575,301	18,654,487	17,965,180	19,654,353
Concession	16,511,983	16,558,935	17,164,513	16,631,319	15,597,529	14,481,791	13,705,715	13,460,263	13,011,370	13,805,999
Space Rental	9,938,642	10,077,305	11,050,944	10,135,718	9,888,852	8,935,551	7,028,387	5,525,643	5,195,128	5,157,182
Other	7,942,283	8,423,565	7,167,118	7,221,908	6,928,048	5,399,869	4,864,672	3,980,905	3,509,873	2,940,136
Total Operating Revenues	81,684,429	80,252,252	76,315,326	74,899,596	71,133,277	66,769,863	64,719,991	64,424,787	53,292,949	54,750,919
Operating Expenses										
Salaries and wages	28,057,407	26,339,723	23,690,248	20,379,376	18,657,132	16,412,494	16,248,675	16,301,303	16,361,252	15,759,952
Contractual Services	18,680,783	16,358,604	16,299,124	14,430,214	12,916,582	12,453,870	11,424,236	11,259,823	10,005,484	9,693,111
Materials and Supplies	2,363,467	1,704,622	2,228,830	2,437,293	1,702,182	1,894,344	1,564,994	2,042,158	1,720,968	1,773,385
Utilities	5,909,708	6,231,268	5,537,335	4,408,582	4,178,081	3,662,175	3,426,793	3,367,944	3,228,803	3,363,815
Other	2,464,114	2,441,956	2,688,651	2,943,678	3,294,627	2,274,072	2,579,608	2,639,054	2,233,035	2,585,520
Total Operating Expenses	57,475,479	53,076,173	50,444,188	44,599,143	40,748,604	36,696,955	35,244,306	35,610,282	33,549,542	33,175,783
Provision for Depreciation	25,882,986	25,151,547	20,424,563	18,121,419	17,640,198	17,546,203	17,966,519	17,741,820	17,607,702	15,879,569
Nonoperating Revenues										
Investment income	781,719	1,642,936	4,603,766	4,931,594	2,889,516	2,769,432	1,053,385	3,583,967	3,949,999	6,593,176
Passenger facility charges	15,494,672	11,480,154	12,836,344	13,237,806	12,577,969	11,640,065	10,790,953	10,763,881	10,698,503	12,303,122
Customer facility charges	7,911,785	7,648,876	4,259,428	-	-	-	-	-	-	-
Other nonoperating revenues	57,143	-	27,536	25,393	-	-	432,405	622,280	649,103	530,062
Total Nonoperating Revenues	24,245,319	20,771,966	21,727,074	18,194,793	15,467,485	14,409,497	12,276,743	14,970,128	15,297,605	19,426,360
Nonoperating Expenses										
Interest expense	15,081,502	13,823,696	14,504,722	14,396,542	15,629,637	16,416,304	16,943,386	18,549,633	17,164,475	20,981,659
Other nonoperating expenses	7,532,504	1,726,766	1,690,402	1,029,704	(1,649,398)	938,762	(3,973,366)	548,238	4,410,561	(5,226,452)
Total Nonoperating Expenses	22,614,006	15,550,462	16,195,124	15,426,246	13,980,239	17,355,066	12,970,020	19,097,871	21,575,036	15,755,207
Capital Contributions	46,422,786	24,316,658	22,299,530	13,168,339	6,244,876	6,970,112	5,655,203	3,433,673	3,131,916	1,199,221
Increase in Net Assets	46,380,063	31,562,694	33,278,055	28,115,920	20,476,597	16,551,248	16,471,092	10,378,615	(1,009,810)	10,565,941
Total Net Assets - End of Year	\$360,599,153	\$314,219,090	\$282,656,396	\$249,378,341	\$221,262,421	\$200,785,824	\$184,234,576	\$167,763,484	\$157,384,869	\$158,394,679

Net Assets as of June 30 for Each of the Years Presented



	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Net Assets:										
Invested in capital assets, net of related debt	\$284,697,793	\$235,035,655	\$202,605,751	\$150,379,604	\$128,751,172	\$101,464,942	\$84,315,495	\$78,131,588	\$74,172,612	n/a
Restricted - passenger facility charge projects	\$19,563,205	\$30,014,741	\$34,949,517	\$29,759,895	\$40,849,597	\$43,257,624	\$34,400,719	\$39,046,042	\$42,211,448	n/a
Restricted - debt service	\$45,272,968	\$32,430,731	\$31,048,968	\$45,116,496	\$30,076,175	\$37,642,339	\$39,170,732	\$36,217,489	\$26,168,318	n/a
Restricted - customer facility charge projects	\$1,388,375	\$6,188,574	\$4,244,330	-	-	-	-	-	-	n/a
Unrestricted net assets	\$9,676,812	\$10,549,389	\$9,807,830	\$24,122,346	\$21,585,477	\$18,420,919	\$26,347,630	\$14,368,365	\$14,832,491	n/a
Total Net Assets	\$360,599,153	\$314,219,090	\$282,656,396	\$249,378,341	\$221,262,421	\$200,785,824	\$184,234,576	\$167,763,484	\$157,384,869	\$158,394,679

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

Description	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating Revenue	\$ 78,855	76,435	74,041	74,232	70,512	66,351	63,919	64,011	52,897	\$54,368
Less Operating Expenses (net of non-cash items)*	(47,712)	(44,468)	(45,176)	(43,094)	(39,510)	(35,901)	(32,588)	(35,475)	(33,447)	(33,084)
Less Capital Items Funded with Operating Revenues	(2,449)	(1,476)	(1,922)	-	-	-	-	n/a	n/a	n/a
Change in Working Capital & Other Items	4,854	(8,344)	3,077	3,837	3,913	(2,424)	4,750	(1,599)	121	(1,437)
Add Interest Income	756	1,565	4,252	4,877	2,837	2,732	1,036	3,560	3,911	6,552
Add PFCs and CFCs	23,406	11,480	12,836	13,238	12,578	11,640	10,791	10,764	10,699	12,303
Add Cash Various Transfers	5,184	10,741	3,086	3,000	3,000	3,000	3,000	n/a	n/a	n/a
Add Transfer from CIF**	3,499	6,767	9,152	6,005	7,599	6,828	6,486	9,429	18,074	13,764
COVERAGE CASH FLOW	\$66,393	\$52,700	\$59,346	\$62,095	\$60,929	\$52,226	\$57,394	\$50,690	\$52,255	\$52,466
INTEREST	13,119	11,847	12,422	13,013	13,615	14,265	14,725	16,878	16,350	17,532
PRINCIPAL	27,805	26,170	23,420	22,594	20,450	19,269	17,845	17,845	16,320	15,196
TOTAL DEBT SERVICE***	\$40,924	\$38,017	\$35,842	\$35,607	\$34,065	\$33,534	\$32,570	\$34,723	\$32,670	\$32,728
DEBT SERVICE COVERAGE	162.2%	138.6%	165.6%	174.4%	178.9%	155.7%	176.2%	146.0%	159.9%	160.3%

*Pension expense and Other Postemployment Benefits (OPEB) expense

**Capital Improvement Fund

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

Working Capital & Other Changes	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Decrease (Increase) in:										
Accounts Receivable										
(incl PFC and CFC)	\$(974)	\$(4,220)	\$1,082	\$(306)	\$(401)	\$(349)	\$1,931	\$(1,115)	\$187	\$(111)
Receivables from Gov't Agencies	1,348	(3,237)	(1,033)	(736)	(175)	38	26	204	(302)	1,332
Inventory	(96)	21	12	(61)	55	55	(51)	58	117	31
Prepaid Expenses	116	320	(211)	39	(121)	29	34	(43)	(277)	(120)
Due to/from Other Airports	19	16	(21)	(14)	247	40	46	66	35	38
Increase (Decrease) in:										
Accounts Payable	3,370	(1,551)	3,241	4,299	3,233	(2,427)	1,838	(475)	82	(1,596)
Accrued Payroll	881	(555)	85	133	157	(106)	139	(169)	590	(61)
Other Adjustments:										
Amortization of Def Real Estate	1	1	1	1	1	1	1	1	1	1
Amortization of Def Rental Income	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(46)	(103)	(181)
(Appreciation)/Depreciation										
of Investments	87	(176)	(74)	491	908	330	821	(80)	(209)	(770)
Net proceeds from PP&E	137	1,072	30	26	44	-	-	-	-	-
Working Capital & Other Changes	\$4,854	\$(8,344)	\$3,077	\$3,837	\$3,913	\$(2,424)	\$4,750	\$(1,599)	\$121	\$(1,437)

STATISTICAL INFORMATION

Nashville International Airport (only BNA for 1995, 1998A, 1998C, 2001A, 2003B, 2008A Bonds) Debt Service Coverage Analysis (000s)

Description	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating Revenue	\$78,855	\$76,435	\$74,041	\$74,541	\$70,512	\$66,351	\$63,919	\$64,011	\$52,897	\$54,368
Less Operating Expenses (net of non-cash items)	(46,929)	(44,463)	(45,176)	(43,094)	(39,510)	(35,901)	(32,588)	(35,475)	(33,447)	(33,084)
Less Capital Items Funded with Operating Revenues	(2,449)	(1,476)	(1,922)	-	-	-	-	n/a	n/a	n/a
Change in Working Capital & Other Items	8,157	(10,868)	4,121	845	3,206	(196)	2,195	(1,418)	(391)	(1,179)
Add Interest Income	574	1,436	2,440	2,618	1,407	1,423	757	2,025	2,160	4,555
Add Various Transfers	3,000	6,940	3,000	3,000	3,000	3,000	3,000	-	-	-
Add Transfer from CIF*	3,499	6,767	9,152	6,005	7,599	6,828	6,486	9,429	18,074	13,764
COVERAGE CASH FLOW	\$44,707	\$34,771	\$45,656	\$43,915	\$46,214	\$41,505	\$43,769	\$38,572	\$39,293	\$38,424
INTEREST	8,497	9,629	11,729	12,147	12,725	13,544	13,951	14,708	14,038	15,090
PRINCIPAL	22,100	19,975	19,870	19,124	17,150	16,074	15,135	15,285	13,895	12,896
TOTAL DEBT SERVICE	\$30,597	\$29,604	\$31,599	\$31,271	\$29,875	\$29,618	\$29,086	\$29,993	\$27,933	\$27,986
DEBT SERVICE COVERAGE	146.1%	117.5%	144.5%	140.4%	154.7%	140.1%	150.5%	128.6%	140.7%	137.3%

*Capital Improvement Fund

Nashville International Airport (only PFC for 2003PFC, 2009A, 2010A Bonds) Debt Service Coverage Analysis (000s)

Description	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Passenger Facility Charges (net)	\$15,495	\$11,480	\$12,836	\$12,929	\$12,578	\$11,640	\$10,791	\$10,764	\$10,699	\$12,303
Less Operating Expenses	(509)	(5)	-	-	-	-	-	-	-	-
Add Various Transfers	2,184	3,801	86	-	-	-	-	-	-	-
Change in Working Capital & Other Items	(2,447)	2,524	(1,044)	2,992	707	(2,228)	2,525	(181)	512	(258)
Add Interest Income	121	129	1,812	2,259	1,430	1,309	279	1,535	1,751	1,997
COVERAGE CASH FLOW	\$14,844	\$17,929	\$13,690	\$18,180	\$14,715	\$10,721	\$13,595	\$12,118	\$12,962	\$14,042
INTEREST	3,098	2,218	693	866	890	721	774	2,170	2,312	2,442
PRINCIPAL	5,705	6,195	3,550	3,470	3,300	3,195	2,710	2,560	2,425	2,300
TOTAL DEBT SERVICE	\$8,803	\$8,413	\$4,243	\$4,336	\$4,190	\$3,916	\$3,484	\$4,730	\$4,737	\$4,742
DEBT SERVICE COVERAGE	168.6%	213.1%	322.6%	419.3%	351.2%	273.8%	390.2%	256.2%	273.6%	296.1%

CFC - 2010 CONRAC Debt Service Coverage Analysis (000s)

	2010
Customer Facility Charges	\$ 7,912
Less Operating Expenses	(274)
Change in Working Capital & Other Items	(855)
Add Interest Income	61
COVERAGE CASH FLOW	\$ 6,844
INTEREST	\$ 1,525
PRINCIPAL	-
TOTAL DEBT SERVICE	\$ 1,525
DEBT SERVICE COVERAGE	448.8%

Nashville International Airport Passenger Enplanements Market Share

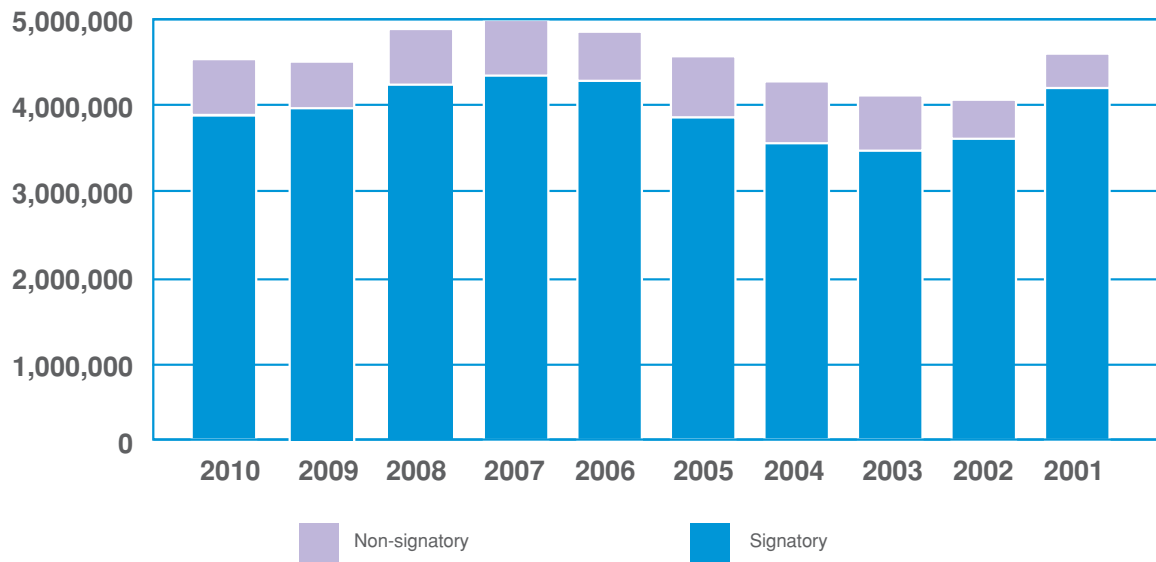
	% of Total	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
SIGNATORY AIRLINES											
American Airlines	9.8%	440,120	485,037	569,878	537,270	511,263	405,642	404,473	394,741	459,884	448,155
American Eagle	4.5%	201,322	158,588	143,476	139,338	139,691	148,527	91,112	47,698	14,970	18,854
Continental Express d/b/a ExpressJet	3.5%	156,856	166,732	211,931	214,507	196,633	67,513	-	-	-	-
Delta Air Lines Inc.	6.2%	277,740	170,821	186,493	276,209	268,272	329,373	296,148	328,344	375,817	515,790
Frontier Airlines	2.4%	108,283	112,954	121,853	120,921	96,023	66,344	2,046	-	-	-
Northwest Airlines Inc.	0.0%	-	170,974	220,949	306,451	338,020	372,211	355,339	334,019	310,036	352,263
Southwest Airlines	53.5%	2,400,069	2,341,657	2,474,183	2,435,801	2,396,765	2,097,881	2,089,884	2,019,190	2,065,784	2,190,997
TWA	0.0%	-	-	-	-	-	-	-	-	50,426	128,389
United Airlines/Comair	1.3%	56,844	35,327	81,958	106,866	112,353	108,084	77,733	98,917	63,753	160,683
US Airways	3.3%	147,033	177,989	184,660	216,102	220,104	248,946	214,379	235,533	244,062	302,781
Sub Total	84.4%	3,788,267	3,820,079	4,195,381	4,353,465	4,279,124	3,844,521	3,531,114	3,458,442	3,584,732	4,117,912

Northwest Airlines Inc. and Delta Air Lines Inc. merged during FY2009. Enplanement data is combined for reporting purposes beginning with 2010. The percentage of travelers flying with signatory airlines continues to decline slightly. In 2009, 85.6% of enplanements traveled with signatory carriers.

NON-SIGNATORY AIRLINES

Air Canada d/b/a Jazz Air	0.4%	17,762	19,025	21,138	19,471	11,219	9,894	17,689	19,520	20,395	26,933
Air Wisconsin	1.3%	59,220	55,347	47,476	50,069	45,414	36,447	43,331	19,466	31,549	22,477
American Connection/Chautauqua	0.1%	5,236	21,222	14,211	21,899	13,965	10,092	13,322	72,111	-	-
Astral Aviation d/b/a Skyway	0.2%	10,152	26,139	27,387	22,097	20,695	15,101	12,787	13,494	11,985	11,124
Continental Airlines	0.0%	273	696	288	110	344	113,293	170,460	172,331	176,600	181,295
Delta/Chautauqua	0.3%	12,006	38,463	39,816	36,306	21,763	54,716	64,511	15,563	-	-
Delta Connection/Atlantic Coast	0.0%	-	-	-	-	-	6,990	25,972	16,829	24,276	5,863
JetBlue Airways	0.0%	-	-	40,219	65,273	-	-	-	-	-	-
Mesa Airlines	2.2%	97,023	75,315	94,816	207,224	190,725	208,941	104,977	3,982	5,508	13,877
Regionsair Inc	0.0%	-	-	-	229	7,400	15,085	16,784	20,800	13,727	10,832
Republic	1.3%	59,370	45,458	53,616	26,104	14,995	-	-	-	-	-
US Air d/b/a US Air Express	0.0%	-	-	-	49	5,591	5,519	4,804	-	13,556	13,577
Various/Trans States Airlines	0.6%	26,659	41,586	59,315	42,673	26,023	34,026	33,983	10,557	1,899	-
United/Skywest	1.3%	58,021	72,035	67,357	44,788	57,951	17,624	15,309	21,049	-	-
All Others (includes Charters)	7.9%	353,347	245,597	219,340	48,434	40,701	66,143	111,777	153,836	120,180	70,273
Sub Total	15.6%	699,069	640,883	684,979	584,726	456,786	593,871	635,706	539,538	419,675	356,251
TOTAL	100.0%	4,487,336	4,460,962	4,880,360	4,938,191	4,735,910	4,438,392	4,166,820	3,997,980	4,004,407	4,474,163

Enplanement History



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

Passenger Airline – Aircraft Analysis



Nashville International Airport Passenger Airline Landed Weights (000s)

	% of Total	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
SIGNATORY AIRLINES											
American Airlines	9.5%	545,126	649,016	689,632	655,872	634,563	567,963	624,363	585,052	755,178	725,448
American Eagle	4.5%	256,929	208,495	187,228	183,165	176,907	201,774	108,377	58,641	32,413	37,889
Continental Express d/b/a ExpressJet	2.8%	161,622	178,362	213,733	217,946	210,740	74,135	-	-	-	-
Delta Air Lines Inc.	6.1%	350,504	215,579	220,001	332,566	324,574	449,781	435,374	490,498	672,503	902,990
Frontier Airlines	2.4%	136,647	140,062	150,367	156,727	136,359	104,454	-	-	-	-
Northwest Airlines Inc.	2.0%	113,227	217,913	262,432	390,255	451,613	508,023	501,271	511,171	454,697	529,846
Southwest Airlines	54.0%	3,099,020	3,320,830	3,612,516	3,585,140	3,483,250	3,566,231	3,566,775	3,560,773	3,577,728	3,585,272
TWA	0.0%	-	-	-	-	-	-	-	-	93,869	212,066
United Airlines/Comair	1.2%	68,557	45,394	98,618	132,699	139,071	151,207	113,857	131,318	80,652	56,917
US Airways	3.4%	194,337	226,038	229,738	286,557	276,570	326,295	300,443	375,039	427,338	496,831
Sub Total	85.9%	4,925,969	5,201,689	5,664,265	5,940,927	5,833,647	5,949,863	5,650,460	5,712,492	6,094,378	6,547,259

Note: Northwest Airlines Inc. and Delta Air Lines Inc. merged during FY2009. However, landed weight data continued to be reported separately throughout the year.

NON-SIGNATORY AIRLINES

Air Canada d/b/a Jazz Air	0.5%	29,704	30,390	29,845	28,848	17,375	17,014	29,281	33,765	35,457	45,567
Air Wisconsin	1.2%	69,231	76,469	67,210	64,719	60,771	41,344	52,969	21,103	35,120	18,252
American Connection/Chautauqua	0.2%	8,743	33,815	22,069	35,093	17,686	15,707	20,448	80,207	6,777	-
Astral Aviation d/b/a Skyway	0.0%	-	-	-	-	-	-	19,953	23,605	23,126	19,620
Continental Airlines	0.0%	1,396	2,126	960	640	656	143,285	223,020	228,955	256,644	253,386
Delta/Chautauqua	0.2%	12,297	39,711	42,535	39,345	26,567	68,125	81,621	20,848	-	-
Independence Air	0.0%	-	-	-	-	34,310	96,350	-	-	-	-
JetBlue Airways	0.0%	-	-	53,009	87,962	-	-	-	-	-	-
Mesa Airlines	2.2%	128,008	112,812	158,261	232,618	209,875	189,865	63,588	-	-	-
Pinnacle Airlines	1.8%	103,817	106,045	69,143	28,858	-	-	-	-	-	-
Regionsair	0.0%	-	-	-	375	9,943	27,675	26,988	34,886	23,394	16,983
Skyway	0.3%	15,795	43,193	38,778	30,046	30,760	23,605	31,725	22,419	5,546	-
Trans States Airlines	0.5%	28,593	54,718	72,332	56,697	33,897	48,943	43,228	10,978	2,350	-
Skywest	1.9%	111,077	81,313	85,437	60,141	63,303	19,130	17,625	22,560	-	-
United Express/Atlantic Coast	0.0%	-	-	-	-	-	9,930	83,801	127,746	97,952	50,305
All Others (includes charters)	5.3%	302,146	118,946	108,825	52,582	14,896	19,516	119,298	89,628	119,748	107,345
Sub Total	14.1%	810,807	699,538	748,404	717,924	520,039	720,489	813,545	716,700	606,114	511,458

TOTAL PASSENGER

CARRIER WEIGHT (000)	100.0%	5,736,776	5,901,227	6,412,669	6,658,851	6,353,686	6,670,352	6,464,005	6,429,192	6,700,492	7,058,717
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CARGO & MISC

CARRIER WEIGHT (000)		138,917	530,230	567,459	520,621	557,889	629,406	588,017	540,335	477,160	599,964
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TOTAL WEIGHT

ALL AIRCRAFT (000)		5,875,693	6,431,457	6,980,128	7,179,472	6,911,575	7,299,758	7,052,022	6,969,527	7,177,652	7,658,680
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% PASSENGER

CARRIER WEIGHT		98%	92%	92%	93%	92%	91%	92%	92%	93%	92%
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Differences between total gross landed weight summarized here and carrier-specific activity are attributable to adjustments made during the year.

There continues to be charter activity at BNA. However, much of the supporting services are reported by airlines with their scheduled operating activity.

Nashville International Airport Activity

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Daily Departures	188	190	188	202	197	213	203	203	204	209

This represents a typical business day during June of each fiscal year and the number of departures scheduled for that particular day.

Aircraft Operations

Cargo Carrier	2,360	3,080	3,750	4,380	5,592	5,702	5,340	5,184	5,052	5,377
Charter Carrier (All)	6	18	20	-	14	-	8	36	142	65,357
General Aviation	27,275	29,511	38,441	44,792	46,268	51,429	54,443	53,012	60,128	40,899
General Aviation Air Taxi	57,381	54,297	61,583	68,086	68,381	36,954	9,052	13,602	23,288	109,907
Signatory Carrier	42,621	50,610	55,661	47,880	43,489	91,747	121,258	120,358	115,532	4,175
Military Aircraft	4,123	3,853	3,102	3,186	3,547	3,947	3,600	3,541	3,827	18,472
Non-signatory Carrier	40,402	37,362	41,333	49,237	49,140	46,673	40,044	34,226	23,414	-
Total Aircraft Operations	174,168	178,731	203,890	217,561	216,431	236,452	233,745	229,959	231,383	244,187

Gross Landed Weight (000)

Cargo Carrier	253,646	459,433	506,955	520,620	524,424	560,404	509,962	532,168	464,413	378,975
Charter Carrier	1,266	1,429	2,455	-	875	299	36,048	3,296	16,428	36,158
Signatory Carrier	4,812,054	5,201,689	5,664,264	5,522,157	5,348,133	5,565,483	5,651,245	5,751,488	6,240,424	6,899,936
Military Aircraft	-	-	-	-	-	-	-	2,867	-	-
Non-signatory Carrier	806,265	769,319	831,079	1,136,695	1,038,046	1,179,488	845,148	679,707	456,388	343,611
Total Gross Landed Weight	5,873,231	6,431,870	7,004,753	7,179,472	6,911,478	7,305,674	7,042,403	6,969,526	7,177,653	7,658,680

Differences between total gross landed weight summarized here and carrier-specific activity are attributable to adjustments made during the year. The steady decline in general aviation operations is primarily attributable to the high cost of jet fuel and the current economic conditions.

Aircraft Operations and Gross Landed Weight (000s)



The Authority does not receive information in order to track gross landed weight for general aviation activity. Federal Express began providing daily domestic service in 2007, and China Airlines left the Middle Tennessee market in August 2009.

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Cargo (tons)										
Air Mail	8	18	459	543	2,360	3,421	3,479	3,964	7,654	16,223
Air Freight	7,851	8,319	6,912	6,174	6,373	6,369	6,394	5,343	5,682	7,451
Air Cargo - Domestic	36,162	33,914	38,230	38,040	33,013	35,778	34,517	33,555	31,698	40,804
Air Cargo - International	2,321	23,381	33,665	30,164	32,085	29,374	24,373	20,258	8,355	-
Total Cargo	46,342	65,632	79,266	74,921	73,831	74,942	68,763	63,120	53,389	64,478

Major Tenants at Nashville International Airport and John C. Tune Airport**Signatory Carriers**

American Airlines
 American Eagle Airlines
 Delta Air Lines Inc.
 Express Jet (Continental Express)
 Frontier Airlines
 Southwest Airlines
 United Airlines
 USAir, Inc.

Non-signatory Carriers

Air Canada d/b/a Jazz Air
 Air Wisconsin
 Astral Aviation d/b/a Skyway
 Atlantic Southeast Air
 Chautauqua
 Continental
 Freedom Airlines
 Mesa Airlines
 Pinnacle Airlines
 Republic Airlines
 Shuttle America
 Skyway
 Skywest
 Trans States Airline
 US Air Express

Cargo Carriers

ABX Air
 DHL Express
 Baron Aviation Services, Inc.
 Air Transport International
 Federal Express

Fixed-base Operators

Atlantic Aviation
 Signature Flight Support
 Caremark RX, Inc.

Ground Transportation

Hotel Shuttles
 Taxicab Companies
 Limousine Companies

Ground Handlers

Cargo Charter Services
 Dynair/Swissport
 Resource Airways

Vehicle Parking

Central Parking Systems
 First Transit, Inc. (airport shuttle)

Other Airport Tenants

118th Airlift Wing
 Aeronautical Radio
 Aircraft Services International
 Embraer Aircraft Maintenance
 Federal Aviation Administration
 Industrial Development Board
 Metro Government
 State of Tennessee
 TN Aeronautics Commission
 TN Dept of Transportation
 Tower Group International
 U.S. Customs
 U.S. Govt Weather Service
 U.S. Postal Service
 U.S. Dept of Agriculture

Other Terminal Tenants

24 Hour Flower
 A T & T
 Clear Channel Airports
 Country Western Tours/Grayline Tours
 Delaware North (Food & Beverage Concession)
 Fifth Third Bank
 First Class Seats
 Graycliff
 HMSHost (Food & Beverage Concession)
 Hudson Group (News & Gift Concession)
 Jarmon Limousine
 Massage Bar Inc
 Nashville Nails
 Opryland Hotel
 Security Point Media
 Super Shuttle
 Superior Sign
 SmarteCarte
 SunTrust Bank
 TSA
 Wright Travel Business Center

Rental Car

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

Tenants at John C. Tune Airport

Corporate Flight Management
 Robert Orr/Sysco

Metropolitan Nashville Airport Authority Staffing - Full-time Equivalents

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Administration	94.5	92.5	90.5	91.0	92.5	73.0	66.0	65.0	67.5	52.0
Engineering & Maintenance	70.0	67.0	68.0	75.0	73.0	77.0	77.0	76.0	79.0	87.0
Operations, Safety, Security	107.5	111.0	114.0	121.5	118.0	116.0	115.0	113.0	111.5	117.0
Total Authority Full-time Equivalents	272.0	270.5	272.5	287.5	283.5	266.0	258.0	254.0	258.0	256.0

Note: Staffing levels represent full-time equivalents as of the last pay cycle of each fiscal year. MPC has no employees.

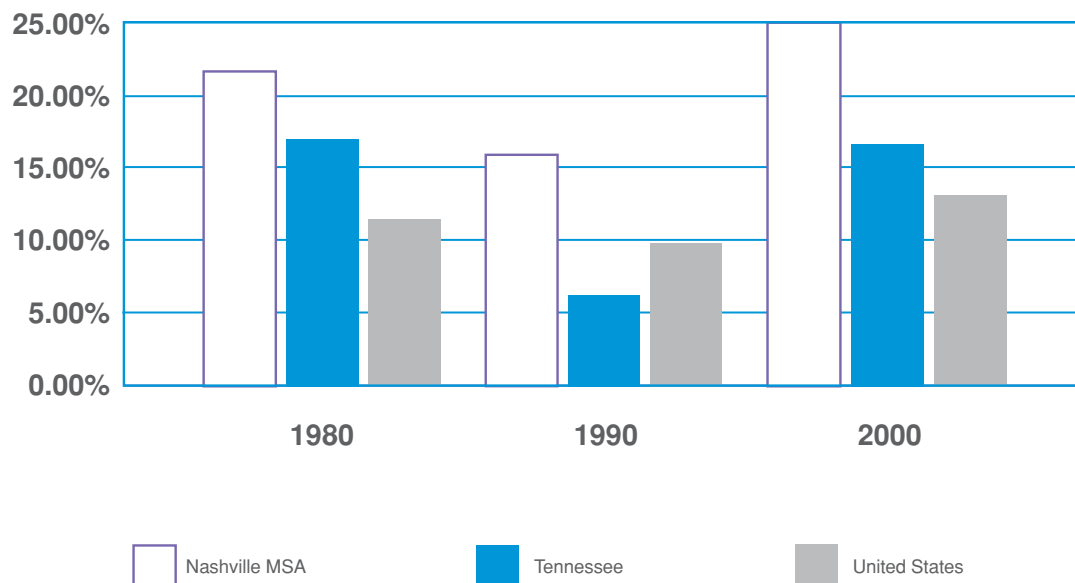
Nashville – Davidson – Murfreesboro Metropolitan Statistical Area Population

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

*The Nashville MSA consists of Cannon, Cheatham, Davidson, Dickson, Hickman, Macon, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson, and Wilson counties.

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

Population Percent Change



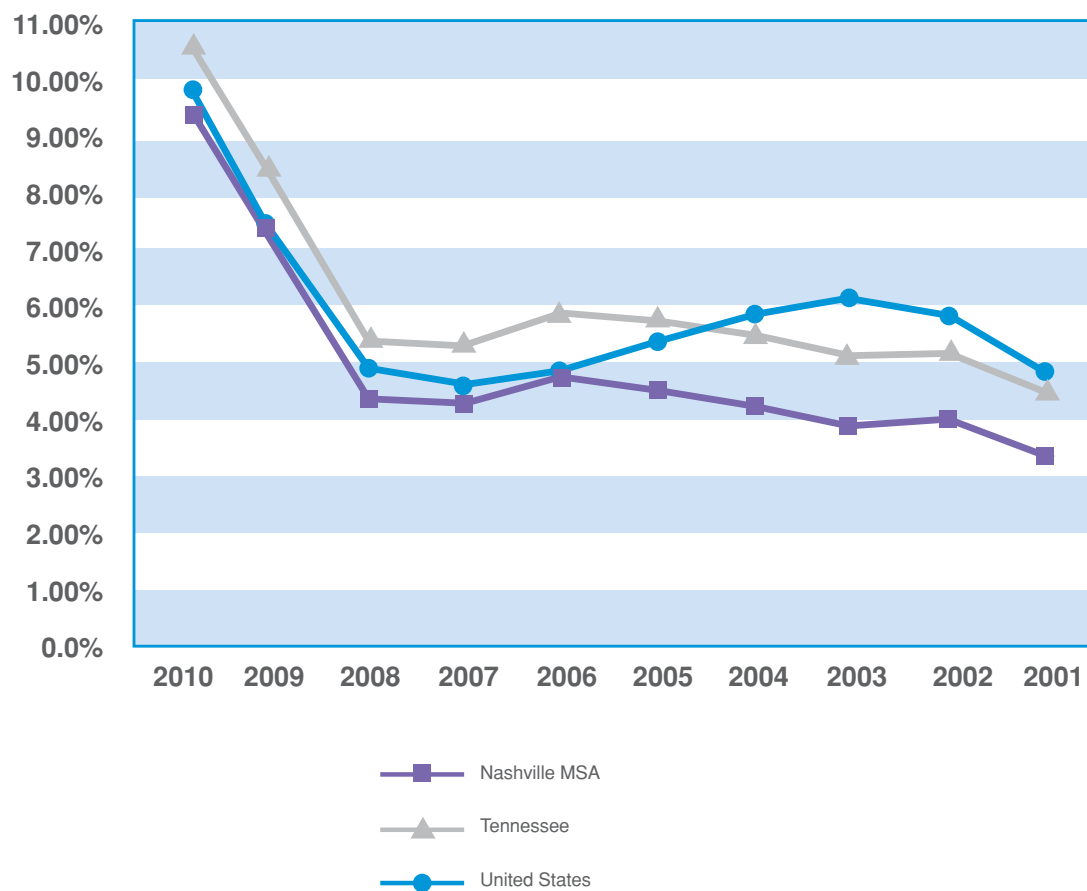
Nashville Metropolitan Statistical Area* Average Unemployment Rate

Year	Nashville MSA	Tennessee	United States
2010	9.41%	10.64%	9.77%
2009	7.40%	8.37%	7.57%
2008	4.45%	5.29%	4.95%
2007	4.28%	5.23%	4.54%
2006	4.70%	5.82%	4.83%
2005	4.49%	5.68%	5.31%
2004	4.19%	5.45%	5.81%
2003	3.83%	5.08%	6.10%
2002	4.01%	5.12%	5.78%
2001	3.32%	4.47%	4.79%

*The Nashville MSA consists of Cannon, Cheatham, Davidson, Dickson, Hickman, Macon, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson, and Wilson counties.

Source: U.S. Bureau of Labor Statistics

Average Unemployment Rates



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

2007	Staff	Employer	Headquarters	2006	Staff
1	20,800	State of Tennessee	Nashville	1	20,312
2	19,968	Vanderbilt University and Medical Center	Nashville	2	18,968
3	11,271	U.S. Government	Washington	3	11,219
4	9,899	Metro Nashville Davidson County Public Schools	Nashville	4	10,000
5	9,793	Metropolitan Govt of Nashville and Davidson County	Nashville	5	9,666
6	8,700	HCA Inc.	Nashville	6	8,703
7	7,200	Saint Thomas Health Services	Nashville	7	8,200
8	6,750	Nissan North America Inc.	Gardena CA	8	7,715
9	4,500	Wal-Mart Stores Inc.	Bentonville AR	9	4,500
10	4,017	CBRL Group Inc.	Lebanon	11	4,501
11	4,000	Shoney's Inc.	Nashville	12	4,000
12	3,900	Sumner County Govt and Public Schools	Gallatin	14	3,900
13	3,543	Williamson County Public Schools and County Govt	Franklin	15	3,733
14	3,606	Randstad Work Solutions	Atlanta GA	18	3,450
15	3,600	Dell Corporation	Round Rock TX	13	4,000
16	3,500	Gaylord Entertainment Co.	Nashville	16	3,462
17	3,274	Rutherford County Board of Education and County Govt	Murfreesboro	19	3,098
18	3,075	Bridgestone Americas Holding Inc.	Nashville	10	2,925
19	3,000	Century II Staffing Co.	Brentwood	17	3,000
20	2,640	Kroger Co.	Cincinnati OH	21	2,641
21	2,577	The Tennessean	McLean VA	47	2,565
22	2,547	AT&T	San Antonio TX	24	declined
23	2,400	Dept of Veterans Affairs Tennessee Valley Healthcare System	Washington	22	2,400
24	2,200	Asurion	Nashville	27	2,000
25	2,178	Middle Tennessee State University	Murfreesboro	25	2,178

*ranked by number of Middle Tennessee employees as of January 18, 2008.

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Wealthiest Tennessee ZIP Codes (City, County)**

2008	2007		Median Household Income
1	1	38139 Germantown, Shelby	\$152,957
2	4	37350 Lookout Mountain, Hamilton	\$133,111
3	3	37069 Franklin, Williamson***	\$125,982
4	2	37027 Brentwood, Williamson***	\$123,833
5	8	37067 Franklin, Williamson***	\$103,498
6	5	37934 Knoxville, Knox	\$99,246
7	6	38138 Germantown, Shelby	\$98,071
8	9	37922 Knoxville, Knox	\$95,748
9	10	37215 Nashville, Davidson***	\$94,525
10	7	38017 Collierville, Shelby	\$93,616
11	13	37220 Nashville, Davidson***	\$90,806
12	18	38120 Memphis, Shelby	\$89,321
13	16	37135 Nolensville, Williamson***	\$86,353
14	15	37205 Nashville, Davidson***	\$86,345
15	11	38125 Memphis, Shelby	\$84,478
16	12	38018 Cordova, Shelby	\$83,947
17	17	37064 Franklin, Williamson***	\$83,149
18	14	38016 Cordova, Shelby	\$82,771
19	23	37221 Nashville, Davidson***	\$79,072
20	21	37179 Thompson's Station, Williamson***	\$78,321
21	20	38135 Memphis, Shelby	\$78,230
22	28	38119 Memphis, Shelby	\$77,443
23	22	38133 Memphis, Shelby	\$76,108
24	25	38002 Arlington, Shelby	\$76,055
25	26	37174 Spring Hill, Maury***	\$75,664

**ranked by 2008 median annual household income.

***ZIP codes in Middle Tennessee (11 of top 25)

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Middle Tennessee Top 25 Public Companies*

2009	2008	Employer	Headquarters
1	1	Community Health Systems Inc	Franklin
2	2	Delek US Holdings Inc	Brentwood
3	4	Tractor Supply Co.	Brentwood
4	3	LifePoint Hospitals Inc.	Brentwood
5	5	CBRL Group Inc.	Lebanon
6	8	HealthSpring Inc.	Franklin
7	9	Corrections Corp. of America	Nashville
8	NR	Brookdale Senior Living Inc.	Brentwood
9	10	Psychiatric Solutions Inc.	Franklin
10	6	Louisiana-Pacific Corp.	Nashville
11	7	Genesco Inc.	Nashville
12	12	CLARCOR Inc.	Franklin
13	11	O'Charley's Inc.	Nashville
14	13	Gaylord Entertainment Co.	Nashville
15	15	Healthways Inc.	Nashville
16	14	National HealthCare Corp.	Murfreesboro
17	17	AmSurg Corp.	Nashville
18	16	America Service Group Inc.	Brentwood
19	18	First Acceptance Corp.	Nashville
20	19	Healthcare Realty Trust Inc.	Nashville
21	22	Pinnacle Financial Partners Inc.	Nashville
22	21	J. Alexander's Corp.	Nashville
23	24	Tennessee Commerce Bancorp Inc.	Franklin
24	23	Goldleaf Financial Solutions Inc.	Brentwood
25	20	National Health Investors Inc.	Murfreesboro

*Ranked by prior four quarters' revenue as reported August 15, 2008, and Google Finance.

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Tennessee Top 25 Public Companies**

2009	2008	Employer	Headquarters
1	1	FedEx	Memphis
2	2	International Paper	Memphis
3	3	Unum Group	Chattanooga
4	6	Community Health Systems Inc	Franklin
5	4	Eastman Chemical Co	Kingsport
6	5	AutoZone Inc.	Memphis
7	7	Delek US Holdings Inc	Brentwood
8	11	Tractor Supply Co.	Brentwood
9	10	Mueller Industries Inc.	Memphis
10	8	LifePoint Hospitals Inc.	Brentwood
11	9	Regal Entertainment Group	Knoxville
12	15	Thomas & Betts Corp.	Memphis
13	13	CBRL Group Inc.	Lebanon
14	12	First Horizon National Corp.	Memphis
15	20	HealthSpring Inc.	Franklin
16	22	Corrections Corp. of America	Nashville
17	14	King Pharmaceuticals Inc.	Bristol
18	NR	Brookdale Senior Living Inc.	Brentwood
19	16	Fred's Inc.	Memphis
20	23	Psychiatric Solutions Inc.	Franklin
21	17	Louisiana-Pacific Corp.	Nashville
22	19	Genesco Inc.	Nashville
23	21	Ruby Tuesday Inc.	Maryville
24	24	CBL & Associates Properties Inc.	Chattanooga
25	26	CLARCOR Inc.	Franklin

**Per individual company report filines through October 31, 2008.

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