METROPOLITAN NASHVILLE AIRPORT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

PREPARED BY THE FINANCE DEPARTMENT

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INTRODUCTORY SECTION

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

This section contains the following subsections:

Letter of Transmittal

Board of Commissioners and Executive Staff

Organization Chart

Certificate of Achievement for Excellence in Financial Reporting

Metropolitan Nashville Airport Authority℠

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

October 24, 2016

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 or MNAA) for the fiscal year ended June 30, 2016, 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 on 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 operation, financing and development of Nashville International Airport (BNA) and John C. Tune Airport (JWN), a general aviation reliever airport.

The Authority also owns MNAA Properties Corporation (MPC), a Tennessee nonprofit corporation, whose purpose is to support and facilitate the operations of the Authority and to help the economic development of the surrounding area. 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 police and aircraft rescue and firefighting (ARFF); and setting rates, charges and rentals for activities on airport properties. Although the Authority has an independent governing body, based upon the criteria set forth in Governmental Accounting Standards Board, it has been determined 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 Metropolitan Mayor with the tenth being the Metropolitan 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 and CEO, who is the chief executive and administrative officer responsible for day-to-day operations and planning for both airports and MPC. The President and CEO leads a full-time staff of professional and technical personnel, with a budgeted headcount of 305 positions for fiscal year 2016. Authority staff is actively engaged with many trade and community organizations, often receiving awards and serving in leadership positions.

Fiscal year 2016 marked the first year for the Authority under New Airline Agreements. On September 24, 2015, the Metropolitan Nashville Airport Authority entered into the Signatory Airline Use and Lease Agreement July 1, 2015 – June 30, 2022 (the New Airline Agreement) with American Airlines, Delta Air Lines, Southwest Airlines and United Airlines.

The New Airline Agreements were effective July 1, 2015 and replace the "Prior Airline Agreements" which were scheduled to expire on September 30, 2017. The Prior Airline Agreements were "residual" in nature and generally provided for break-even financial operation of Nashville International Airport.

Under the Prior Airline Agreements, signatory airlines had a majority-in-interest (MII) vote to approve or reject most capital projects. With the New Airline Agreements, signatory airlines only have an MII approval for airfield capital projects. The Notes to Financial Statements provide additional information about the New Airline Agreements in Note 12, Airline Lease Agreements.

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. 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, as well as statutory and revenue bond trust indenture requirements.

The Authority utilizes a cash management and investment policy intended to achieve reasonable financial returns 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, 2016 and 2015 were $1,723,000 and $11,369,000, respectively. For more detailed information concerning 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 manage risk to minimize losses in order to protect and preserve MNAA assets. The Authority recently implemented an Enterprise Risk Management system to identify and mitigate potential risk exposures. To further protect the Authority's exposure to loss, MNAA maintains various lines of insurance, including a $500 million general liability policy with self-retention of $5,000 per occurrence and a $25,000 aggregate deductible. Additionally, real and personal property is insured for $400 million 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 OF THE METROPOLITAN STATISTICAL AREA (MSA)

Nashville International Airport experienced growth again in fiscal year 2016 with 12.3 million passengers served and more than 6.1 million enplanements. The airport continued a trend of consistent enplanement growth, with percentage increases of 9.6% and 5.5% for fiscal years 2016 and 2015, making BNA one of the fastest growing airports in the United States.

The region continued to experience strong economic growth in fiscal year 2016, with the Nashville-area outpacing other areas of the state and the nation. ***Forbes*** ranked Nashville as one of the **"Best Cities in U.S. for Jobs in 2016"**. Nashville consistently ranks high in this annual ranking, holding the top spot in 2012, No. 6 in 2013 and No. 5 in 2014 and No. 3 in 2016.

The Music City continues to receive high praise, receiving many honors and rankings within the travel industry. Nashville's culturally diverse and friendly environment makes it a favorite place for conventioneers and tourists alike, as well as a great place to work, live, and raise a family. A few of our more recent accolades follow.

Worth — **NASHVILLE IS THE FIRST WORTH DESTINATION, WORTH GROUP'S AUTHORITATIVE LIST OF AMERICA'S MOST DYNAMIC CITIES.**
(June 2016)

TRAVEL+ LEISURE — **NASHVILLE WAS NAMED DESTINATION OF THE YEAR BY TRAVEL + LEISURE READERS.**
(December 2015)

Forbes TRAVEL GUIDE — **FORBES TRAVEL GUIDE NAMED NASHVILLE AS ONE OF THE 16 TOP DESTINATIONS FOR 2016.**
(January 2016)

BUSINESS INSIDER — **NASHVILLE WAS NAMED ONE OF THE 13 HOTTEST AMERICAN CITIES FOR 2016 BY BUSINESS INSIDER.**
(December 2015)

Inquisitr called out Nashville as one of the "**Six US Cities You Don't Want To Miss During Fall 2016**" *(September 2016).* Nashville made the list of "**America's Most Attractive Cities**" according to ***Travel + Leisure*** *(August 2016).* Nashville was ranked "**Fifth best city in America**", according to the ***Travel + Leisure World's Best Awards 2016*** readers' survey *(July 2016).* Nashville made ***Budget Travel's*** list of the "**Most Beautiful Cities in America**" *(June 2016*).

Condé Nast Traveler ranked Nashville as having some of "**The Best 4th of July Fireworks in the USA**" *(June 2016*). With a peak attendance of more than 260,000, other leading publications have also promoted Nashville's 4th of July fireworks display as one of best in the nation, including *Yahoo!, Fodor's, Mashable, and TripAdvisor.*

Nashville hit #1 on ***Thrillist's*** list of the "**Best US Cities to Spend a Weekend**" *(March 2016).* Nashville was ranked as one of the "**Top 25 Destinations"** in ***TripAdvisor's 2016 Travelers' Choice*** *(March 2016).* Nashville is 1 of 10 cities worldwide, and the only US city, to hit ***Lonely Planet****'s* **"Top 10 Cities"** in their **Best in Travel 2016** collection *(October 2015).* **Travel + Leisure** ranked Nashville No. 1 in their list of **America's Best Cities for Music Scenes**. *(March 2015)*

Nashville is a destination for "foodies" too! ***Zagat*** named Nashville one of **"America's Next Hot Food Cities"**. ***Collaborate Magazine*** put Nashville in their list of **"Top 12 Foodie Cities for Meetings"**. **Bastion** and **Little Octopus** made ***Southern Living's*** list of the **Best New Restaurants in the South** *(August 2016).* ***Eater*** named **Bastion** one of the **21 Best New Restaurants in America** *(July 2016).* Nashville was named in ***CheapTickets.com's*** list of **Best Barbecue Destinations for Fourth of July Weekend**. *(June 2016*). **Thistle Farms Founder Becca Stevens** was recognized as a **CNN 2016 Hero**. *(June 2016*). In 2015, ***The Daily Meal*** included three Nashville Food Trucks on their **"101 Best Food Trucks in America"** list and included five Nashville restaurants on its list of **"America's 75 Best Fried Chicken Spots".**

While there are too many accolades to list, you can find a current list on-line at: http://www.visitmusiccity.com/visitors/aboutmusiccity/rankings.

Nashville's new convention center is located on a 16-acre site and known as Music City Center. With more than 1.2 million square feet of meeting and exhibition space, it has helped Nashville become a prime meeting destination. Nashville was in the top 10 on ***Cvent's*** list of "**Top 50 U.S. Meeting Destinations 2016**" *(May 2016*).

Nashville is not only a great place to have fun, but is a great place for business as well, ranking high in many surveys. ***WalletHub*** ranked Nashville third among large U.S. cities for "**2016's Best Real-Estate Markets**" (August 31, 2016). ***Forbes.com*** ranked Nashville fourth, with 30 percent growth, on its list of "**America's Hottest Spots for Tech Jobs**" (August 24, 2016) and "**The U.S. Cities Creating The Most White-Collar Jobs**" (July 27, 2016).

Nashville ranks No. 1, with business service employment growth of 47.2 percent since 2010 to 152,700 jobs, with 7.7 percent growth last year alone. Nashville was the No. 2 Market for Growth of Highly Skilled Tech Workers according to ***CBRE Group, Inc.'s*** annual report, "**Scoring Tech Talent**," (July 5, 2016) which ranks U.S. and Canadian markets according to their ability to attract and grow tech talent.

The Nashville MSA leads the nation among metro areas that are increasing employment in financial services at the fastest rate, according to researchers at ***New Geography*** (Aug 18, 2016). Factors contributing to this shift are lower costs (including for housing), less regulation and expanding markets, driven by rapid population growth.

Nashville was named in the list of "**Best Cities for a Healthy & Happening Retirement**" by ***Kiplinger*** (July 26, 2016) and "**The Best Cities for Retirement**" (July 7, 2016) by ***Bankrate.com***. ***Livability.com*** reported that Nashville had the No. 1 metro housing market in the nation, according to its report "**The Best and Most Improved Housing Markets in America**" (July 13, 2016).

Tennessee was named to the 2016 list of "**Top States for Doing Business**" by ***Area Development*** magazine. Tennessee was recently the first state to win back-to-back "**State of the Year**" honors from ***Business Facilities***. A complete list of recent rankings and awards for Nashville and the state of Tennessee may be found on the Chamber of Commerce website:

http://www.nashvillechamber.com/homepage/relocation/relocatebusiness/RecentRankings.aspx

The television drama series "**Nashville**" was been picked up for another season and will continue filming at prominent locations throughout the city, including scenes at both of the Authority's airports. The show airs in many foreign countries, giving Nashville exposure in many new markets. "The series covers the personal lives of country stars in the South's hottest city with music tracks that are often overnight hits on iTunes.

Nashville International Airport's award winning concessions program, considered a model in the industry, continues to find ways to innovate and improve. Most recently, the Authority received approval for a terminal wide liquor license allowing passengers to purchase and consume alcohol anywhere in the terminal complex. The airport has also recently added many new concession offerings including a sushi bar, a bakery and a wine bar selections.

In May 2015, the ***Tennessee Department of Environment and Conservation*** (TDEC) awarded the Authority the **Governor's Environmental Stewardship Award for Sustainable Performance**, noting the Authority's efforts to promote water conservation, energy efficiency, social well-being and community involvement.

The Authority's initiatives have included a car facility that reclaims water for washing rental cars and a lighting management system that adjusts lighting levels as well as solar-covered electric vehicle charging stations, the reuse and repurposing of materials such as recycled/reused concrete and asphalt to build runways; using recycled or repurposed demolition debris; reusing asphalt millings for roads, shoulders and entrances; using excavated rock and demolished concrete for erosion control and for slope stabilization and reusing tree mulch for berm material, erosion control and matting for new grass seed. The Authority also implemented an energy savings project upgrading lighting fixtures and motion sensors and have helped educate people about sustainability by presenting at national and regional conferences, hosting community recycling days and by installing an interactive green screen in the terminal to allow passengers and business partners to learn about their sustainability initiatives.

The Authority was the first airport in the nation to reach an agreement with a transportation network company (TNC) (i.e., Lyft, Uber) in September 2014. TNCs are now the predominant mode of ground transportation travel for passengers at BNA, surpassing taxis. Many other U.S. airports now permit TNCs to operate with terms similar to Nashville's agreement.

Fiscal years 2016 and 2015 saw unemployment rates continue to decrease from their peak in 2010. At June 30, 2016, the unemployment rate was 3.78% for the Nashville – Davidson – Murfreesboro – Metropolitan Statistical Area (Nashville MSA) compared with 5.0% for Tennessee, and 4.99% for the nation as a whole according to the U.S. Bureau of Labor Statistics. Additional information on average annual unemployment rates is provided in the statistical section of this report. The unemployment rates for the Nashville MSA, state of Tennessee, and United States at June 30, 2012 - 2016 were as follows:

	Nashville MSA	Tennessee	United States
June 30, 2016	3.94%	5.07%	4.90%
June 30, 2015	4.96%	6.17%	5.30%
June 30, 2014	5.51%	6.97%	7.50%
June 30, 2013	6.35%	7.85%	7.80%
June 30, 2012	6.98%	8.23%	8.20%

During fiscal year 2016, the Authority maintained an "A" rating and stable outlook with Standard & Poor's Ratings Services for its airport revenue bonds. Moody's Investors Service rated the airport revenue bonds "A2" with a "stable" outlook, but upgraded the outlook to "positive" in August 2012. Moody's also upgraded its rating on the Special Facility bond for the Consolidated Rental Car Facility from "Baa1" to "A3" with a "stable" outlook. The rating improvements were due to the Airport's dominant air market share, positive economic trends, low service costs, aggressive debt amortization, and a stable rental car market.

MAJOR INITIATIVES AND DEVELOPMENTS

Nashville International Airport served more than 12.3 million total passengers in fiscal year 2016, operating an average of 440 daily flights to 54 nonstop markets. It is utilized by 8 airlines and 42 operating air carrier gates. The Airport is able to accommodate continued growth in coming years, with space available for additional gates and aircraft parking. The Authority's two airports contribute more than $3.75 billion in total economic activity, $1.18 billion in wages, and more than approximately 37,000 jobs annually to the regional economy.

Nashville International Airport also continued to add new air service in fiscal year 2016. Airlines announcing new air service to Nashville include Alaska Airlines (Fall 2015),) and JetBlue (Spring 2016). In fiscal year 2016, 12 new daily nonstop flights were added including flights to Boston, San Francisco, Seattle and Ft Lauderdale. Additionally, WestJet (Summer 2016) began new international service to Toronto. Since the end of fiscal year 2016, new daily flights have been announced to Charlotte and Boston.

In recent years, the Authority had an aggressive capital program with major airfield and landside improvements, including extensive terminal renovations. The 2016 capital improvement budget was $185.2 million. The largest projects included in the budget were $10.5 million for the quarry geothermal project, $22.6 million for taxiway and runway reconstruction, $100.0 million for a new terminal area parking garage and $12.6 million for new passenger loading bridges.

THE BNA VISION

The Authority recently announced plans for the BNA Vision. The BNA Vision is an acceleration and expansion of the MNAA Master Plan due to Nashville's unprecedented growth. By 2035, the population of the Greater Nashville Area is expected to surpass 2.5 million people, and BNA passenger traffic is expected to grow from 12 million passengers of today to more than 20 million. The BNA Vision is designed to enable the airport to meet the needs of this record-setting growth and maintain the customer-friendly character that is unique to Nashville. Projects that are part of the BNA Vision include the following:

<u>Parking Garage</u>
A six-story structure to the south of the existing Short Term Garage with approximately 2,000 spaces.

<u>International Arrivals Building</u>
A new International Arrivals facility will be a state-of-the-art expansion to accommodate the increase of international travelers and set the stage for attracting new nonstop flights to Europe, Asia, Latin America and more.

<u>Ticketing and Baggage Claim Expansions</u>
This expansion will include additional ticketing counters and baggage claim areas in the north and south ends of the terminal to accommodate the growth in passenger traffic.

<u>Concourse D Expansion</u>
This expansion will include additional gate capacity to attract new airlines and services, as well as offer new retail and dining offerings.

<u>Concourse B Expansion</u>
This concourse expansion will Increase the footprint to allow for additional gate capacity and new retail and dining options.

<u>Grand Ole Lobby</u>
This will create a spacious central entrance hall that will welcome travelers with natural light and compelling airfield views, while providing space for airline ticketing, baggage check-in, and federal security screening. Queueing for security screening will be consolidated, with additional lanes added to minimize wait times and expedite the screening process.

<u>Multi-Modal Transit</u>
Co-located near the ground transportation center, the multi-modal connector will help link BNA to Nashville's future mass-transit system.

<u>On-site Hotel</u>
A 200-300-room hotel to provide travelers easy and convenient lodging

<u>Donelson Pike Relocation</u>
A shift in the road slightly to the east to improve traffic circulation and terminal access

The Authority's reliever airport, John C Tune (JWN), recently undertook a $30 million capital program that extended the runway, taxiway, added runway safety areas and included apron, hangar and terminal renovations. The improvements required a 60-day closure, with the airport reopening in early fiscal year 2016. The new 6000' runway has resulted in an increase in operations, especially jet traffic.

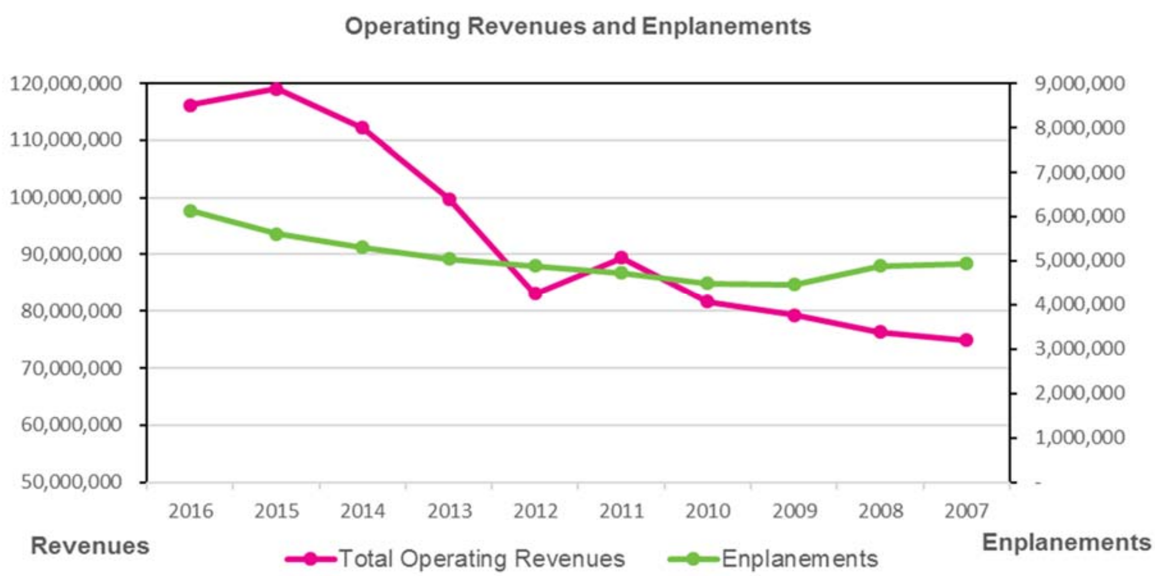
In the past several years, airline bankruptcies and consolidations have reduced the number of major airlines operating in the United States. Recent changes include Alaska Airlines purchase of Virgin America, US Airways merger with American Airlines, and Southwest's acquisition of Airtran. Previous airline consolidations included United's acquisition of Continental; Delta acquiring Northwest; and Republic Airlines purchase of Frontier and Midwest Airlines. Recent airline bankruptcies have mostly been small or regional carriers, many operating under contract or being wholly-owned by legacy airlines. Most airline carriers now charge ancillary fees for many services that have helped increase airline revenues and profitability (i.e., baggage, early boarding, seat preference, internet service, etc.). As fuel prices are the greatest cost for most airlines, reduced fuel prices and more fuel efficient aircraft have also improved airline profits in recent years.

OUTLOOK FOR FISCAL YEAR 2017

Airlines continue to focus on international routes where they see higher profit margins. Airlines also have continued to increase load factors by eliminating small regional jets in favor of larger aircraft and reduced route frequency, thus providing lower seat costs and higher utilization of seat capacity.

Airlines are becoming more sensitive to certain changes in economic conditions, especially fuel prices and reductions in consumer spending. Airlines now seemingly respond quickly and decisively by raising fares or assessing new fees to maintain revenues. These actions are allowing most U.S. air carriers to show consistent profits for the first time in decades.

The Authority cannot accurately predict the economic climate in fiscal year 2017. However, we have used conservative budget assumptions, including enplanements and landed weights. This conservatism should enable the Authority to meet or exceed the budgeted performance in fiscal year 2017.



FINANCIAL INFORMATION

Financial Position and Results of Operations

Management's Discussion and Analysis (MD&A), starting on page 22, summarizes the Authority's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position and reviews the changes from the beginning to the end of fiscal year 2016 as well as certain comparisons of the current year to the prior year. The actual financial statements and related footnotes are presented on pages 34 to 76. 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 U.S. generally accepted accounting principles applicable to governmental unit enterprise funds. This results in financial statements prepared on the full accrual basis.

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

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:

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

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

OTHER INFORMATION

Independent Audit

The Authority's independent auditor, Dixon Hughes Goodman LLP, has rendered an unmodified opinion that the Authority's financial statements as of and for the years ended June 30, 2016 and 2015, present fairly, in all material respects, the Authority's financial position, changes in net position 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 our independent auditors met the requirements set forth by the State of Tennessee and the Federal Single Audit Act of 1996 and related Uniform Guidance. The independent auditors' issued separate reports, not included herein, based upon work performed in accordance with those requirements for the fiscal years ending June 30, 2016 and 2015.

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 (CAFR) for the fiscal year ended June 30, 2015. 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. The CAFR was judged by an impartial panel to meet the high standards of the program and demonstrate a constructive “spirit of full disclosure” to clearly communicate its financial story and motivate users to read the CAFR.

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 are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

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

Respectfully submitted,

Stan Van Ostran
Vice President and Chief Financial Officer

Board of Commissioners

Chair

Robert J. Joslin, Jr.
Joslin and Son Signs

Vice Chair

A. Dexter Samuels, Ph.D.
Meharry Medical College

Secretary

Aubrey B. Harwell, III
Neal & Harwell, PLC

Commissioners

Honorable Megan Barry
Mayor, Metropolitan Government of Nashville & Davidson County

Rod Essig
Creative Artists Agency

Amanda Farnsworth

William H. Freeman
Freeman Webb Company

Nicole R. Maynard
J.P. Morgan Chase

Kabir Sandhu
R.C. Mathews

Deborah Wright
Victory Global Solutions, Inc.

Executive Staff

Robert R. Wigington
President & Chief Executive Officer

Douglas E. Kruelen
Senior Vice President & Chief Operating Officer

Robert C. Watson
Senior Vice President & Chief Legal Officer

Stanley R. Van Ostran
Vice President & Chief Financial Officer

Michael A. Lee
Vice President & Chief Commercial Officer

Vanessa J. Hickman
Vice President & Chief Administrative Officer

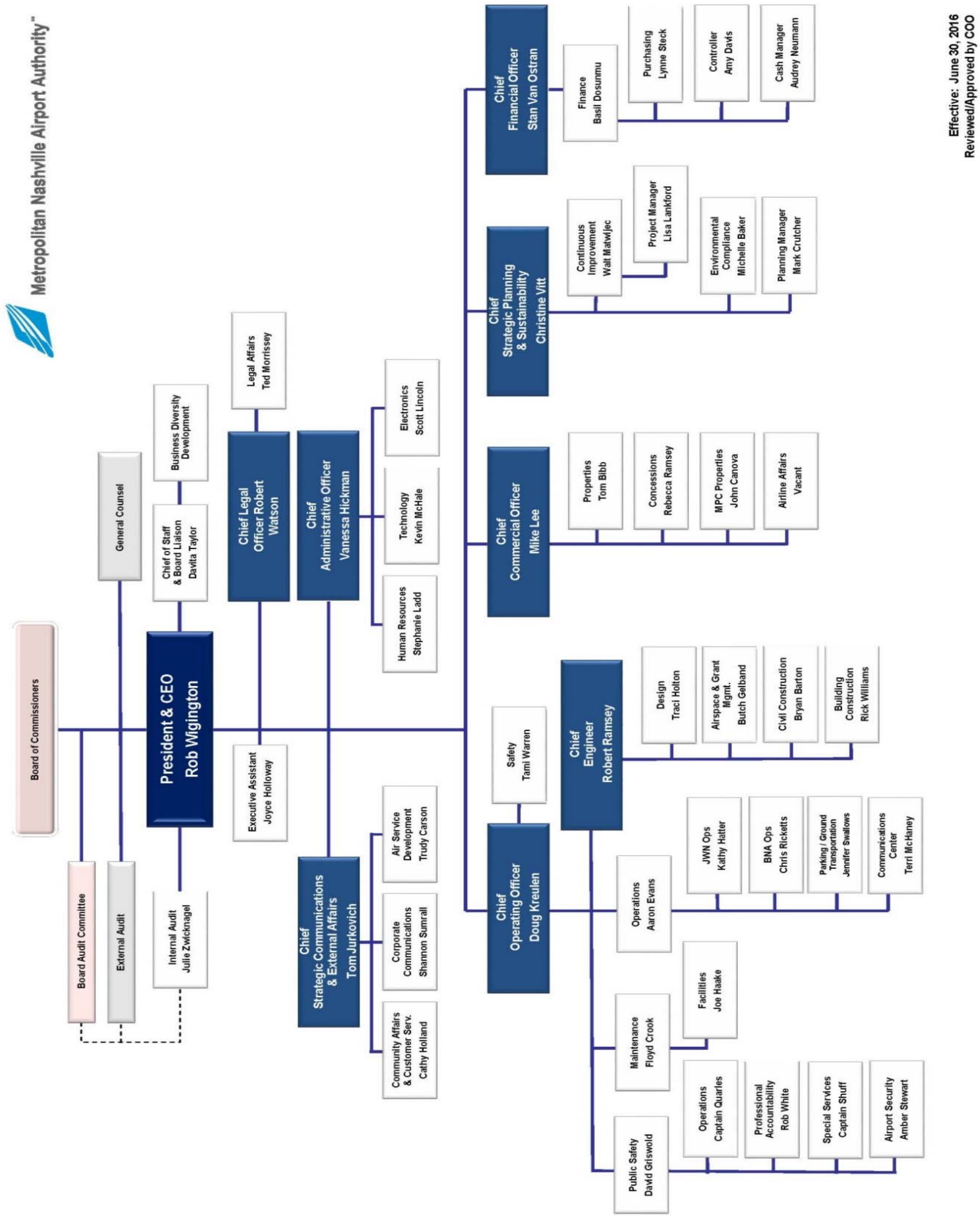
Robert L. Ramsey
Vice President, Development and Engineering & Chief Engineer

Christine M. Vitt
Vice President, Strategic Planning and Sustainability

Mark (Tom) Jurkovich
Vice President, Strategic Communications and External Affairs

Walter J. Matwijec
Assistant Vice President, Continuous Improvement

METROPOLITAN NASHVILLE AIRPORT AUTHORITY ORGANIZATION CHART
JUNE 30, 2016



Government Finance Officers Association

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, 2015

Executive Director/CEO

FINANCIAL SECTION

This section contains the following subsections:

Independent Auditors' Report

Management's Discussion & Analysis

Financial Statements

DIXON HUGHES GOODMAN LLP

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Metropolitan Nashville Airport Authority (the "Authority"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

DIXON HUGHES GOODMAN LLP

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, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, other information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

DHG
DIXON HUGHES GOODMAN LLP

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Brentwood, Tennessee
October 24, 2016

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

BASIC FINANCIAL STATEMENTS

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

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

The *Statements of Revenues, Expenses and Changes in Net Position* presents information showing the change in the Authority's net position during the fiscal year. All changes in net position are reported when the underlying events occur, regardless of the 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 *Statements 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 Statements of Cash Flows to assist in understanding the difference between cash flows from operating activities and operating income.

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

AIRPORT ACTIVITY HIGHLIGHTS

Nashville International Airport (BNA) experienced another year of record growth in fiscal year 2016, surpassing 12.3 million passengers and over 6.1 million enplanements. Enplanements were up 9.6%, 5.5% and 5.4%, in fiscal years 2016, 2015 and 2014, making Nashville one of the fastest growing airports in the United States. Since 2010, BNA has had consistent enplanement growth of 3% or better every year. Nashville International Airport is currently served by 8 airlines with 440 daily flights to 54 nonstop markets.

In fiscal year 2016, Nashville maintained its A+ and A1 ratings from Standard & Poor's and Moody's rating services, respectively. The Authority was the only U.S. airport to receive a rating upgrade from more than one rating agency for its general airport revenue bonds (GARB) during fiscal year 2014. In making their decisions, rating agencies cited the airport's low and declining debt levels and the above average growth of the Metropolitan Nashville area's population base, economy, and passenger enplanement levels. They further noted the airport had one of the strongest recoveries in passenger enplanement levels from the economic downturn, driven by both travel demand from area residents, as well as growing tourism supported by a new convention center.

The first ratings action occurred in February 2014, when Moody's Investors Service upgraded its rating on the Metropolitan Nashville Airport Authority's Airport Improvement Revenue Bonds from A2 to A1. Moody's also affirmed the A3 rating on the Authority's Special Facility Rental Bonds (MPC CONRAC LLC Project), Series 2010. The outlook for both rating actions was "stable". In May 2014, Standard &

Poor's Ratings Services raised its long-term rating for the Authority's outstanding airport improvement revenue bonds from A to A+. Standard & Poor's also affirmed the long-term rating on MNAA's series 2010 special facility revenue bonds issued for BNA's consolidated rental car facility (CONRAC) project, with a "stable" outlook for both rating actions.

Nashville International Airport also continued to add new air service in fiscal year 2016. Airlines announcing new air service to Nashville include Alaska Airlines (Fall 2015),) and jetBlue (Spring 2016). In fiscal year 2016, 12 new daily nonstop flights were added including flights to Boston, San Francisco, Seattle and Ft Lauderdale. Additionally, WestJet (Summer 2016) began new international service to Toronto. Since the end of fiscal year 2016, new daily flights have been announced to Charlotte and Boston.

John C. Tune (JWN), BNA's reliever airport on the west side of Nashville, closed for a 60-day period in June and July of 2015 to make over $30 million in capital improvements. The airfield improvements extended both the runway and taxiway, added new runway safety areas, and included new LED airfield lighting. The closure period and absence of aircraft also provided an ideal environment to make major renovations to the main terminal, hangar repairs and improvements, and pave the aircraft ramp and apron.

The property development organization of the Authority, MNAA Properties Corporation (MPC), continued its efforts to refurbish its largest property, International Plaza. It continued to increase its operating revenue and maintain an occupancy level over 80%.

OPERATIONAL HIGHLIGHTS

Enplanements rose 9.6%, 5.5% and 5.4% in fiscal years 2016, 2015 and 2014. Certified gross landed weights were also up 6.6%, totaling 7.2 billion pounds in 2016. Nashville International Airport served more than 12.3 million total passengers in fiscal year 2016, operating an average of 440 daily flights to 54 nonstop markets. Nashville International Airport is able to accommodate continued growth in coming years, with space available for additional gates and aircraft parking. MNAA's two airports contribute more than $3.75 billion in total economic activity, $1.18 billion in wages and 37,000 jobs annually to the regional economy.

Several of the most common indicators of activity during 2016, 2015, and 2014 appear below:

	2016	2015	2014
Enplanements	**6,141,092**	**5,604,148**	**5,312,021**
% increase (decrease)	9.6%	5.5%	5.4%
Aircraft landed weight (all – 000)	**7,203,374**	**6,757,176**	**6,616,828**
% increase (decrease)	6.6%	2.1%	3.4%
Aircraft operations (passenger)	**112,889**	**103,007**	**94,314**
% increase (decrease)	9.6%	9.2%	3.1%
Aircraft operations (all other)	**75,865**	**75,725**	**81,038**
% increase (decrease)	1.8%	(6.6%)	(0.3%)
Load factors	**85.0%**	**82.4%**	**80.5%**
% increase (decrease)	2.6%	1.9%	1.7%

Load factors are the percentages of seats occupied on all passenger aircraft, both arriving and departing airplanes. Load factors continued to increase in 2016. Available seats also increased 6.5% in 2016. BNA saw a dramatic increase of 9.6% in passenger aircraft operations and a 5.6% increase in total aircraft operations in 2016. Consistent increases in load factors and landed weight indicate airlines continue to get better at optimizing the appropriate mix of aircraft to meet scheduling requirements.

The Authority approved the imposition of CFCs for rental car customers and began collecting a $4.00 CFC per transaction day, effective January 1, 2008. The CFC rate increased to $4.50 effective January 1, 2010. This non-operating revenue source is to pay for costs, fees, and expenses associated with the planning, design, construction, financing, maintenance, and operation of the CONRAC facility as well as other costs, fees, and expenses that may be paid from CFC proceeds. Since imposition of the CFC fee, the Authority has collected over $84.7 million, with almost $13 million collected in fiscal year 2016. Transaction days have consistently improved in recent years, averaging 237,226 per month in 2016, compared to 216,523, 200,472, 191,020, 186,844, and 168,050 in fiscal years 2015, 2014, 2013, 2012, and 2011, respectively.

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

The Authority's Statements of Revenues, Expenses and Changes in Net Position for the three most recent fiscal years provide considerable insight about the financial impact of activities during the respective years. The following represents a summary of changes in net position over the past three fiscal years with "% Change" representing the change from 2015 to 2016 and 2014 to 2015:

	2016	2015	% Change	(as restated) 2014	% Change
Operating revenues	$116,189,518	$118,995,123	-2.4%	$112,129,122	6.1%
Operating expenses	76,472,191	73,126,544	4.6%	73,154,789	0.0%
Operating income before depreciation	**39,717,327**	**45,868,579**	**-13.4%**	**38,974,333**	**17.7%**
Depreciation	37,223,834	36,534,617	1.9%	35,773,468	2.1%
Operating (loss) income	**2,493,493**	**9,333,962**	**-73.3%**	**3,200,865**	**>100.0%**
Non-operating revenues	37,636,368	27,850,266	35.1%	24,969,783	11.5%
Non-operating expenses	10,104,700	7,610,829	32.8%	9,000,146	-15.4%
Income (loss) before capital contributions	**30,025,161**	**29,573,399**	**1.5%**	**19,170,502**	**54.3%**
Capital contributions	28,763,278	27,506,580	4.6%	12,739,063	>100.0%
Increase in net position	**58,788,439**	**57,079,979**	**3.0%**	**31,909,565**	**78.9%**
Net position, beginning of year	463,183,856	406,103,877	14.1%	374,194,312	8.5%
Net position, end of year	**$521,972,295**	**$463,183,856**	**12.7%**	**$406,103,877**	**14.1%**

During fiscal year 2015, the Authority implemented GASB Statement No. 68, *Accounting and Financial Report for Pensions – An Amendment of GASB Statement No. 27.* Accordingly, the amounts reported within the financial statements and in this management's discussion and analysis have been restated for the application of the new accounting principle.

OPERATING AND NONOPERATING REVENUE HIGHLIGHTS

Operating revenue for the year was down 2.4% over the prior year. The decrease is attributable to the new airline agreement that went into effect July 1, 2015 providing the signatory airlines with a "revenue share" based on enplanements. Detail summary of activity for FY2016 are as follows; increases in space rental (2.8%), parking (8.2%), and concessions (11.3%), decreases in signatory airlines (-22.5%), and "Other" revenues (-0.6%).

Non-operating revenues were up 33.3% in 2016. CFCs, which fund debt service for the CONRAC facility, were up 10.8%. CFC revenues were $12.9 million in 2016 compared to $11.6 million in 2015. Passenger facility charges (PFC) collections improved 51.2% due to higher enplanements, as well as the FAA approving collection authority from $3.00 to $4.50 level beginning in May 2015. Interest income was down by -7.3%.

In addition to BNA, MPC decreased its total operating revenue to $2,534,475 for 2016, compared to $2,550,496 in 2015. JWN saw a slight increase in operating revenue at $708,636 for 2016 as the airfield improvements project was completed in late July 2015. JWN operating revenues in 2015 were $689,553.

The following summarizes all the Authority's revenues for the fiscal years ended June 30, 2016, 2015, and 2014 with "% Change" representing the change from 2015 to 2016 and 2014 to 2015:

	2016	2015	% Change	2014	% Change
Operating revenues					
Signatory airline	$30,561,053	$39,414,175	-22.5%	$37,026,998	6.4%
Parking	41,889,907	38,725,346	8.2%	36,258,325	6.8%
Concession	25,453,862	22,873,310	11.3%	21,520,372	6.3%
Space rental	12,324,959	11,989,094	2.8%	11,045,010	8.5%
Other	5,959,737	5,993,198	-0.6%	6,278,417	-4.5%
Total operating revenues	**116,189,518**	**118,995,123**	**-2.4%**	**112,129,122**	**6.1%**
Nonoperating revenues					
Investment income	333,542	359,790	-7.3%	328,349	9.6%
Passenger facility charges	23,735,979	15,703,411	51.2%	13,502,385	16.3%
Customer facility charges	12,956,481	11,692,265	10.8%	10,825,490	8.0%
Other nonoperating revenues, net	610,366	94,800	>100.0%	313,559	-69.8%
Total nonoperating revenues	**37,636,368**	**27,850,266**	**33.3%**	**24,969,783**	**11.5%**
Capital contributions	**28,763,278**	**27,506,580**	**4.6%**	**12,739,063**	**>100.0%**
Total revenues and capital Contributions	**$182,589,164**	**$174,351,969**	**4.7%**	**$149,837,968**	**16.4%**

On September 24, 2015, the Authority executed the Metropolitan Nashville Airport Authority Signatory Airline Use and Lease Agreement July 1, 2015 – June 30, 2022 (the New Agreement) with American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines. The New Agreements are effective retroactively to July 1, 2015 and replace, and are substantially different from, the Authority's prior

Amended and Restated Lease Agreements (the Prior Agreement) which was scheduled to expire on September 30, 2017.

The Prior Agreement was "residual" in nature and generally provided for break-even financial operation of the Nashville International Airport (the Airport), including the full recovery on a cost center basis of debt service on Majority-in-Interest (MII) approved capital improvement projects. The Prior Agreement had five revenue sources that comprised signatory airline fees and charges including ramp fees (RF), main terminal (MT), north (NC) and south concourse (SC) fees, as well as landing fees (LF).

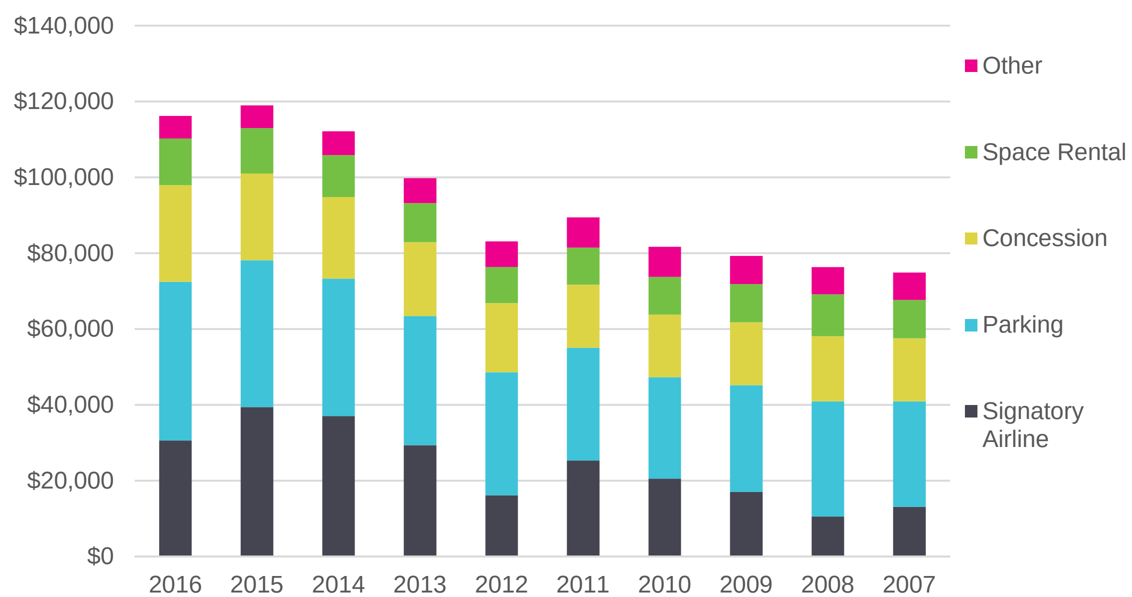
The New Agreement establishes three cost centers for determining rates and charges payable by the signatory airlines and other users of Airport facilities: Airfield, Terminal, and Terminal Ramp Area. Baggage and passenger loading bridge fees are also assessed. The New Agreement has a "hybrid" airline rate-setting methodology with the Landing Fees being calculated on a residual basis (as described below) and the Terminal Rental Rates (as described below) and Terminal Ramp Area rates being compensatory. Other than the Airfield, the signatory airlines are not required to provide for break-even financial operation of the Airport per the New Agreement.

Signatory Landing Fees under the New Agreement are calculated on a primarily residual basis and are currently budgeted at $2.99 and $3.25 for fiscal year 2017 and 2016. The Terminal Rental Rate per square foot for fiscal year 2017 and 2016 is $90.00, while the terminal ramp rental rate for FY 2017 and FY 2016 is $1.71.

Capital cost allocable to the Airfield, including debt service on Bonds, may be included in the calculation of the Landing Fees with MII approval or with MII approval under the Prior Agreement. While debt service on Bonds allocable to the Airfield may be included in the Landing Fees, the New Agreement does not include a provision for any coverage for bonds. The Terminal Rental Rate under the New Agreement is calculated on a compensatory basis with fixed rates.

The following chart demonstrates the 10-year trend for MNAA's operating revenues from 2007 through 2016:

Operating Revenues (000s)



Capital contributions were up 4.6% in 2016 and 116.5.9% in 2015. Capital contributions were $28.7 million in 2016, compared to $27.5 million in 2015, and $12.7 million in 2014.

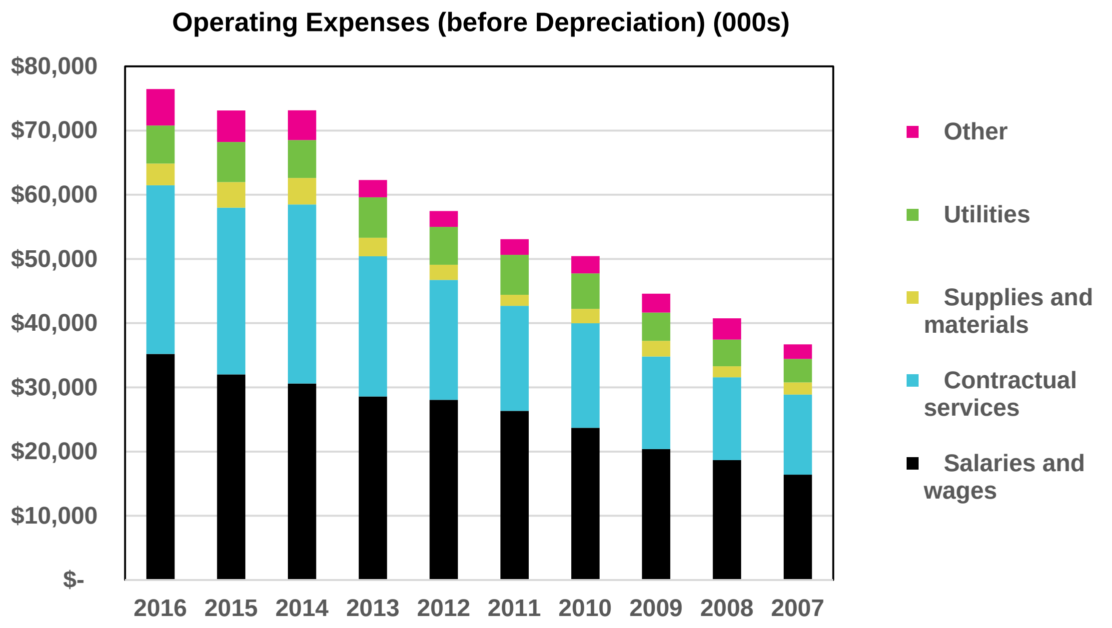
OPERATING AND NONOPERATING EXPENSES HIGHLIGHTS

The Authority's expenses increased in 2016 for BNA, MPC, and JWN. The following represents a summary of expenses for the fiscal years ended June 30, 2016, 2015, and 2014, with "% Change" representing the change from 2015 to 2016 and 2014 to 2015:

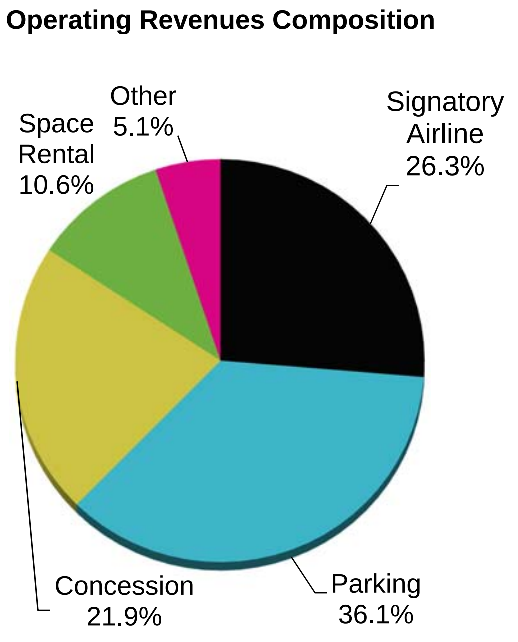
	2016	2015	% Change	(as restated) 2014	% Change
Operating expenses					
Salaries and wages	$35,205,048	$32,019,144	9.9%	$30,602,436	4.6%
Contractual services	26,270,995	25,962,137	1.2%	27,886,714	-6.9%
Materials and supplies	3,374,113	3,987,451	-15.4%	4,132,884	-3.5%
Utilities	5,944,858	6,255,942	-5.0%	5,887,708	6.3%
Other	5,677,177	4,901,870	15.8%	4,645,047	5.5%
Total operating expenses Before provision for depreciation	**76,472,191**	**73,126,544**	**4.6%**	**73,154,789**	**0.0%**
Provision for depreciation	**37,223,834**	**36,534,617**	**1.9%**	**35,773,468**	**2.1%**
Non-operating expenses					
Interest expense	8,874,244	7,610,829	16.6%	9,000,146	-15.4%
Bond issue cost	1,230,456	-	>100%	-	-
Total non-operating expenses	**10,104,700**	**7,610,829**	**32.8%**	**9,000,146**	**-15.4%**
Total expenses	**$123,800,725**	**$117,271,990**	**5.6%**	**$117,928,403**	**-0.6%**

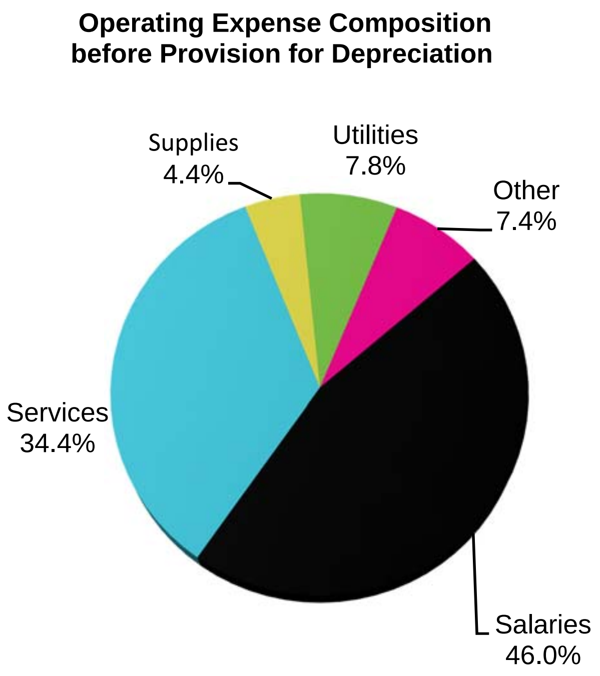
While expenses were up in most categories in both 2016 and 2015, we noted a reduction in Materials and Supplies in both 2016 and 2015 and Utilities in 2016. The remaining categories had anticipated increases budgeted in 2016 and 2015. Depreciation increased in fiscal year 2016 by 1.9% and by 2.1% in 2015, reflecting the aggressive capital investment program that had been undertaken in recent years.

The following chart demonstrates the 10-year trend for MNAA's operating expenses from 2007 through 2016:



The composition of all MNAA operating revenues and operating expenses are presented here for 2016:





FINANCIAL POSITION SUMMARY

The Statements of Net Position depict the Authority's financial position as of June 30 and include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Authority. Following is a condensed summary of the Authority's financial position at June 30, 2016, 2015, and 2014. The "% Change" reflects changes from 2015 to 2016 and 2014 to 2015, as follows:

	2016	2015	% Change	(as restated) 2014	% Change
Assets					
Current assets	$153,526,273	$137,739,261	11.5%	$122,198,923	12.7%
Capital assets, net	535,825,308	515,693,132	3.9%	507,804,937	1.6%
Other noncurrent assets	249,824,917	21,406,595	>100%	20,622,292	3.8%
Total assets	**939,176,498**	**674,838,988**	**39.2%**	**650,626,152**	**3.7%**
Deferred outflows	**7,850,315**	**4,726,150**	**66.1%**	**3,157,917**	**49.7%**
Total assets and deferred outflows	**$947,026,813**	**$679,565,138**	**39.4%**	**$653,784,069**	**3.9%**
Liabilities					
Current liabilities	$47,649,679	$50,125,210	-4.9%	$46,822,686	7.1%
Noncurrent liabilities	376,517,250	164,924,688	128.3%	199,122,327	-17.2%
Total liabilities	**424,166,929**	**215,049,898**	**97.2%**	**245,945,013**	**-12.6%**
Deferred Inflows	**887,589**	**1,331,384**	**-34.0%**	**1,775,179**	**-25.0%**
Net position					
Net investment in capital assets	419,177,366	387,595,082	8.1%	342,147,659	13.3%
Restricted	70,954,111	56,559,259	25.5%	65,801,442	-14.0%
Unrestricted	31,840,818	19,029,515	67.3%	(1,845,224)	>100%
Total net position	**521,972,295**	**463,183,856**	**12.7%**	**406,103,877**	**14.1%**
Total liabilities, deferred inflows, and net position	**$947,026,813**	**$679,565,138**	**39.4%**	**$653,824,069**	**3.9%**

Current assets increased by 11.5% in 2016. Net capital assets increased by $20.1 million or 3.9%. Total liabilities increased by $209.1 million, or 97.2%, in 2016, due to new airport revenue bond issue. Current liabilities in 2016 decreased during the year by $2.5 million, or 4.9%. The current portion of maturities for airport revenue bonds decreased from $29,105,000 in 2015 to $12,775,000 in 2016.

The net pension liability declined by $4.1 million in fiscal year 2016. Other postemployment benefits (OPEB) commitments decreased slightly by $48,780 in 2016. The Authority previously adopted a funding plan in which MNAA made $33.9 million in contributions to the retirement plan fiduciary since fiscal year 2010. The Board of Commissioners recently adopted 3-905, Funding Policy of the Retirement Plan for Employees of the Metropolitan Nashville Airport Authority (the Plan) on September 16, 2015. This policy requires the Authority to fund, at minimum, the actuarially determined contribution (ADC) each fiscal year to the Plan. The Authority has stated that during the term of the new airline agreement, it expects to budget combined contributions of $10 million each fiscal year to fund the retirement plan and the OPEB Trust. The Authority's intent is to prioritize funding for the retirement plan, with a goal to fully fund the retirement plan by 2022, with remaining contributions going to the OPEB Trust.

The portion of the Authority's net position shown below, $70,954,111, represents 13.6% of total net position. This compares with $56,559,259 (12.2% of total net position) in restricted net position at June 30, 2015. These resources are subject to restrictions on use and are not available for spending as they have already been committed as follows:

Passenger facility charge projects and related debt services	$ 27,236,690
Customer facility charge projects and related debt service	20,848,620
Debt service and other	22,868,801
Total restricted net position	$ 70,954,111

The unrestricted net position of $31,840,818 may be used to meet the Authority's ongoing obligations.

CASH MANAGEMENT POLICIES AND CASH FLOW ACTIVITIES

All cash receipts are deposited daily into interest-bearing accounts. All investment types are in compliance with laws of the State of Tennessee and the Investment Policy adopted by the Board of Commissioners. Cash balances in fiscal year 2016 mostly due to the issuance of new revenue bonds, Series 2015A and 2015B.

	2016	2015	2014
Cash flows provided by (used in):			
Operating	$ 38,222,620	$ 42,836,983	$ 35,930,378
Non-capital financing	(1,356,651)	(1,359,435)	(1,369,336)
Capital and related financing	208,252,104	(28,738,198)	(24,107,787)
Investing	9,912,289	(3,598,004)	3,210,200
Net (decrease) increase in cash and cash equivalents	**255,030,362**	**9,141,346**	**13,663,455**
Cash and cash equivalents:			
Beginning of year	131,102,652	121,961,306	108,297,851
End of year	$ 386,133,014	$ 131,102,652	$ 121,961,306

CAPITAL ACTIVITIES

Capital assets, net of accumulated depreciation, increased from $515,693,132 to $535,825,308 in 2016. The 2016 capital improvement budget was $185.2 million. The largest projects included in the budget was $10.5 million for the quarry geothermal project, $22.6 million for taxiway and runway reconstruction, $100.0 million for a new terminal area parking garage and $12.6 million for new passenger loading bridges. The Authority continues to seek out federal and state support for eligible projects whenever possible. Additional funding is provided through PFCs, CFCs, airline rates and charges, and the issuance of debt. Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Note 4 to the financial statements provides additional information about the additions, retirements, and transfers during the years ended June 30, 2016 and 2015.

DEBT ADMINISTRATION

The Authority's most recent debt issuance was the 2015 series bonds issued for a total of $200 million in December 2015. The 2015A (Non-AMT) series bonds were in the amount of $91,855,000. The 2015 B (AMT) series bonds were in the amount of $108,145,000. This new money issue is intended to fund several construction projects, including a parking garage, jet bridges, hangar construction and various other capital projects.

The Authority's next most recent issuance of debt was the Airport Improvement Revenue Bond Series 2010B in the amount of $70,400,000 and Revenue Bond Series 2010 C in the amount of $16,170,000 in August 2010. The Series 2010B and 2010C bonds were issued to refund certain of the outstanding Airport Improvement Revenue Bonds, pay the premiums of municipal bond insurance policies and debt service reserve surety policies for the 2010 Bonds, and pay certain costs of their issuance. The refunding did not extend the maturity dates of the bonds and reduced the total principal and interest due during the remaining term of the bonds, fiscal years 2012 to 2017, by $11,345,710. For more information on the Authority's outstanding bonds, see Note 5 of the Notes to Financial Statements and "Schedule of Airport Revenue Bonds, Principal and Interest Requirements by Fiscal Year" on pp. 64 and 65.

As of June 30, 2016, the Authority's principal balance of outstanding long-term revenue bonds was $315,070,000 compared with $144,175,000 at the end of the prior year. The current portion of revenue bonds is $12,775,000 and is due on July 1, 2016.

There are currently no bonds issued under the PFC resolution. The last of these bonds matured on July 1, 2012. A portion of 2009A, 2010A, 2015A, and 2015B bonds are being paid for with draws from PFC collections as a result of eligible projects. These dollars are being reimbursed back to the Authority as needed to cover both principal and interest payments until maturity. These bond series were issued under the MNAA master resolution as general airport revenue bonds rather than as a special revenue bond (under the PFC resolution), which result in lower financing costs.

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

Airport bond activity for the year ended June 30, 2016, is summarized as follows:

Series Description	Balance June 30, 2015	Borrowings	Principal Repayment	Refundings	Amortization	Balance June 30, 2016
Series 2003B Revenue Bonds	$ 15,250,000	$ -	$ (465,000)	$ -	$ -	$ 14,785,000
Series 2008A Revenue Bonds	12,200,000	-	(200,000)	-	-	12,000,000
Series 2009A Revenue Bonds	23,755,000	-	(3,715,000)	-	-	20,040,000
Series 2010A Revenue Bonds	11,085,000	-	(3,560,000)	-	-	7,525,000
Series 2010 CONRAC Revenue Bonds	61,070,000	-	(2,090,000)	-	-	58,980,000
Series 2010B Revenue Bonds	16,475,000	-	(16,475,000)	-	-	-
Series 2010C Revenue Bonds	4,340,000	-	(2,600,000)	-	-	1,740,000
Series 2015A Revenue Bonds	-	91,855,000	-	-	-	91,855,000
Series 2015B Revenue Bonds	-	108,145,000	-	-	-	108,145,000
Total	144,175,000	200,000,000	(29,105,000)	-	-	315,070,000
Plus unamortized premiums	787,902	26,903,756	-	-	(1,042,789)	26,648,869
Less unamort deferred amount on refunding	(1,066,370)	-	-	-	357,145	(709,224)
	143,896,531	$ 226,903,756	$ (29,105,000)	$ -	$ (685,643)	341,009,645
Less: current portion	(29,105,000)					(12,775,000)
	$ 114,791,531					$ 328,234,645

REQUEST FOR INFORMATION

This financial report is designed to provide detailed 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 the Metropolitan Nashville Airport Authority, One Terminal Drive, Suite 501, Nashville, Tennessee, 37214-4114.

Respectfully submitted,

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

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	2016	2015
ASSETS		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	$ 93,189,798	$ 78,234,916
Accounts receivable (net of allowance for doubtful accounts of $60,000 and $90,000 in 2016 and 2015, respectively)	6,154,074	5,145,345
Inventories	479,200	519,276
Prepaid expenses and other	1,406,582	1,550,628
Total current unrestricted assets	101,229,654	85,450,165
Restricted assets:		
Cash and cash equivalents	44,953,968	32,950,497
Short-term investments	1,723,000	11,369,000
Passenger facility charges receivable	2,616,832	2,372,149
Customer facility charges receivable	1,181,582	1,086,438
Amounts due from governmental agencies	1,821,237	4,511,012
Total current restricted assets	52,296,619	52,289,096
Total current assets	153,526,273	137,739,261
Noncurrent Assets:		
Restricted assets:		
Cash and cash equivalents	247,989,248	19,917,239
Capital assets:		
Land and land improvements	601,731,787	547,668,791
Land held for future expansion	36,701,068	36,701,068
Buildings and building improvements	264,629,088	258,305,085
Equipment, furniture and fixtures	129,795,510	114,296,969
Construction in progress	42,890,290	62,125,108
Total capital assets	1,075,747,743	1,019,097,021
Less accumulated depreciation	(539,922,435)	(503,403,889)
Total capital assets, net	535,825,308	515,693,132
Other assets	1,835,669	1,489,356
Total noncurrent assets	785,650,225	537,099,727
Total assets	939,176,498	674,838,988
DEFERRED OUTFLOWS OF RESOURCES		
Actuarial losses - pension	7,141,092	3,659,781
Loss on bond refundings	709,223	1,066,369
Total deferred outflows of resources	7,850,315	4,726,150
Total assets and deferred outflows of resources	$ 947,026,813	$ 679,565,138

See accompanying notes to financial statements.

	2016	2015
LIABILITIES		
Current liabilities:		
Payable from unrestricted assets:		
Trade accounts payable	$ 14,809,924	$ 10,975,290
Accrued payroll and related items	5,243,936	4,448,016
Unearned income	3,620,476	-
Current maturities of notes payable	1,189,324	882,666
Accrued interest payable	59,770	-
Total payable from unrestricted assets	24,923,430	16,305,972
Payable from restricted assets:		
Trade accounts payable and other	1,807,935	1,191,333
Accrued interest payable	8,143,314	3,522,905
Current maturities of airport revenue bonds	12,775,000	29,105,000
Total payable from restricted assets	22,726,249	33,819,238
Total current liabilities	47,649,679	50,125,210
Noncurrent liabilities:		
Airport revenue bonds, less current maturities	328,943,869	115,857,902
Notes payable, less current maturities	11,434,250	8,326,676
Fair value of derivative financial instrument	1,134,589	1,542,095
Unearned income	1,828,281	1,890,423
Net pension liability	6,538,938	10,621,488
Other postemployment benefits obligation	26,637,323	26,686,104
Total noncurrent liabilities	376,517,250	164,924,688
Total liabilities	424,166,929	215,049,898
DEFERRED INFLOWS OF RESOURCES		
Actuarial gains - pension	887,589	1,331,384
NET POSITION		
Net investment in capital assets	419,177,366	387,595,082
Restricted for:		
Passenger facility charge projects and debt service	27,236,690	13,461,933
Customer facility charge projects and debt service	20,848,620	19,285,387
Debt service and other	22,868,801	23,811,939
Total restricted net position	70,954,111	56,559,259
Unrestricted net position	31,840,818	19,029,515
Total net position	521,972,295	463,183,856
Total liabilities, deferred inflows of resources, and net position	$ 947,026,813	$ 679,565,138

See accompanying notes to financial statements.

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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating revenues:		
Signatory airline	$ 30,561,053	$ 39,414,175
Parking	41,889,907	38,725,346
Concession	25,453,862	22,873,310
Space rental	12,324,959	11,989,094
Other	5,959,737	5,993,198
	116,189,518	118,995,123
Operating expenses:		
Salaries and wages	35,205,048	32,019,144
Contractual services	26,270,995	25,962,137
Materials and supplies	3,374,113	3,987,451
Utilities	5,944,858	6,255,942
Other	5,677,177	4,901,870
	76,472,191	73,126,544
Operating income before provision for depreciation	39,717,327	45,868,579
Provision for depreciation	37,223,834	36,534,617
Operating income	2,493,493	9,333,962
Nonoperating revenues (expenses):		
Investment income	333,542	359,790
Passenger facility charges	23,735,979	15,703,411
Customer facility charges	12,956,481	11,692,265
Interest expense	(8,874,244)	(7,610,829)
Gain (loss) on disposal of property and equipment	112,497	(180,139)
Gain on derivative financial instrument	407,506	344,230
Other nonoperating, net	(1,140,093)	(69,291)
	27,531,668	20,239,437
Income before capital contributions	30,025,161	29,573,399
Capital contributions	28,763,278	27,506,580
Increase in net position	58,788,439	57,079,979
Total net position - beginning of year	463,183,856	406,103,877
Total net position - end of year	$ 521,972,295	$ 463,183,856

See accompanying notes to financial statements.

	2016	2015
Cash flows from operating activities:		
Cash received from customers	$ 118,806,376	$ 118,818,818
Cash paid to employees	(42,465,565)	(36,895,984)
Cash paid to suppliers	(31,300,921)	(34,114,690)
Other payments	(6,817,270)	(4,971,161)
Net cash provided by operating activities	38,222,620	42,836,983
Cash flows from noncapital financing activities:		
Payment on long-term debt	(465,000)	(445,000)
Interest paid on long-term debt	(891,651)	(914,435)
Net cash used in noncapital financing activities	(1,356,651)	(1,359,435)
Cash flows from capital and related financial activities:		
Receipt of passenger facility charges	23,491,296	14,897,146
Receipt of customer facility charges	12,861,337	11,591,339
Purchases of property and equipment	(56,471,246)	(44,602,951)
Interest paid on long-term debt	(3,988,057)	(7,656,857)
Payments on long-term debt	(29,525,768)	(28,242,382)
Proceeds from issuance of long-term debt	231,203,756	-
Contributions from governmental agencies	30,568,289	25,275,507
Receipts from sale of capital assets	112,497	-
Net cash provided by (used in) capital and related financing activities	208,252,104	(28,738,198)
Cash flows from investing activities:		
Purchase of investments	(2,986,000)	(18,258,000)
Proceeds from the sale and maturities of investments	12,632,000	14,595,000
Interest received on investments	266,289	64,996
Net cash provided by (used in) investing activities	9,912,289	(3,598,004)
Net increase in cash and cash equivalents	255,030,362	9,141,346
Cash and cash equivalents:		
Beginning of year	131,102,652	121,961,306
End of year	$ 386,133,014	$ 131,102,652

See accompanying notes to financial statements.

	2016	2015
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 2,493,493	$ 9,333,962
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for depreciation	37,223,834	36,534,617
Amortization of unearned rental income	(34,904)	(34,903)
Payments for nonoperating expenses	(1,140,093)	(69,291)
Changes in operating assets and liabilities:		
Accounts receivable	(1,008,729)	(242,634)
Inventories	40,076	(10,679)
Prepaid expenses	144,046	(431,018)
Other assets	(346,313)	342,300
Trade accounts payable	4,451,236	2,189,923
Accrued payroll and related items	795,920	383,907
Unearned income	3,660,491	101,546
Net pension liability and related deferred inflows/outflows of resources	(8,007,656)	(5,487,674)
Other postemployment benefit obligation	(48,781)	226,927
Net cash provided by operating activities	$ 38,222,620	$ 42,836,983
Cash and cash equivalents - end of year consist of:		
Unrestricted cash and cash equivalents	$ 93,189,798	$ 78,234,916
Restricted cash and cash equivalents	292,943,216	52,867,736
	$ 386,133,014	$ 131,102,652
Noncash investing and financing activities:		
Interest expense for amortization of deferred outflows for refunding of debt, net of bond premium amortization	$ 685,644	$ 386,092
Investment income related to the amortization of unearned interest income	$ 67,253	$ 294,794
Change in fair value of derivative financial instruments	$ 407,506	$ 344,230
In-kind capital contribution	$ 884,764	$ -

See accompanying notes to financial statements.

1. METROPOLITAN NASHVILLE AIRPORT AUTHORITY

The creation of the Metropolitan Nashville Airport Authority (the "Authority") was authorized by Public Chapter 174 of the Public Acts of the 86th General Assembly of the State of Tennessee, 1969 Session. The Metropolitan Council of the Metropolitan Government of Nashville and Davidson County, Tennessee ("Metropolitan Government") created the Authority to operate as a separate enterprise. The Authority owns and operates Nashville International Airport and John C. Tune Airport, a general aviation reliever airport. Based upon the criteria set forth by the Governmental Accounting Standards Board ("GASB"), it has been determined that the Authority is a component unit of the Metropolitan Government.

The Authority's Board of Commissioners consists of ten members who serve without compensation, nine of whom are appointed by the Metropolitan Government Mayor and approved by the Metropolitan Government Council, with the tenth being the Mayor (or his designee). There are provisions whereby commissioners may be removed by vote of the Metropolitan Government Council. All appointments to the Authority are for a term of four years. The terms are staggered to provide for continuity of Authority development and management. The Board of Commissioners appoints a President and charges him with the responsibility for day-to-day operations.

The Authority formed the MNAA Properties Corporation ("MPC"), a Tennessee non-profit corporation, for the purpose of supporting and facilitating the operations of the Authority and to help the economic development of the surrounding area. The Commissioners of the Authority constitute the Board of Directors of MPC. During fiscal year 2008, MPC Holdings, LLC, a limited liability company in which MPC is the sole member, purchased two separate multi-tenant buildings and commenced operation. Both facilities are on Nashville International Airport property. In July 2012, MPC Holdings, LLC purchased a small commercial building adjoining Nashville International Airport.

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

MPC, including its subsidiaries MPC Holdings, LLC and MPC CONRAC, LLC, is considered to be a blended component unit for financial reporting purposes based on the following: (i) the Authority's Board of Commissioners constitutes the Board of Directors of MPC; (ii) management of the Authority has operational responsibility for MPC; (iii) the Authority is financially accountable for MPC, including MPC's fiscal dependence on the Authority and MPC's potential to provide specific financial benefits or burden to the Authority; and (iv) MPC was created for the benefit of the Authority. The Authority does not issue separate financial statements for the blended component unit (see Note 23).

The accompanying financial statements also include the accounts of the Arts at the Airport Foundation, a nonprofit organization that facilitates the display and performance of artists within the Nashville International Airport terminal. The Arts at the Airport Foundation qualifies as a blended component unit of the Authority due to it being fiscally dependent on the Authority and due to the Authority's appointment of the voting majority of its governing board. The financial operations of the Arts at the Airport Foundation are generally immaterial to the Authority's financial statements and; thus, not shown separately in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

Use of Estimates in the Preparation of Financial Statements

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

Budgets

The Authority prepares an annual operating budget and capital improvement budget and submits for approval to the Board of Commissioners. A five-year capital improvement program, including modifications and reasons therefore, is also submitted each year.

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 such as space rental and fees, landing fees, parking and other miscellaneous income. 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 the signatory airlines operating at Nashville International Airport primarily for terminal space rentals and landing fees. The Authority entered into New Airline Agreements effective July 1, 2015 (See Note 12). The New Airline Agreements have a “hybrid” airline rate-setting methodology with the landing fees being calculated on a residual basis and the terminal rental rates and terminal ramp area rates being compensatory. Other than the airfield, the signatory airlines are no longer required to provide for break-even financial operation of the airport per the New Airline Agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Parking - Parking revenue is generated primarily from the operation of Authority-owned parking facilities at Nashville International Airport. 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. Certain cash and cash equivalents are reported as noncurrent as these amounts are held for the liquidation of long-term debts.

Investments

Investments consist primarily of securities of U.S. Agencies. Investments are accounted for in accordance with GASB Statement No. 72, *Fair Value Measurement and Application,* which requires that certain investments be recorded at fair value (e.g., quoted market prices).

Amounts Due from Governmental Agencies

The Authority has grants for aid in construction and equipment from the Federal Airport Improvement Program (“AIP”) of the Federal Aviation Administration (“FAA”), the U.S. Department of Homeland Security (“DHS”), and the Tennessee Department of Transportation (“TDOT”). 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 and Payables from Restricted Assets

Restricted assets consist of cash and cash equivalents, investments, and other resources which are restricted legally or by enabling legislation. The Authority’s restricted assets are to be used for purposes specified in the respective bond indentures or other authoritative or legal documents as is the case with the collection of CFCs for the consolidated rental car facility or for purposes specified by the PFC program, as administered by the FAA. Restricted assets not generally available for use within the next year are reported as noncurrent assets.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets are stated at cost, except for contributions of property received from governmental agencies, which are recorded at fair value at the time of contribution. The Authority's policy is to capitalize assets with a cost of $25,000 or more at Nashville International Airport and $10,000 at John C. Tune Airport and MPC. Routine maintenance and repairs are expensed as incurred. Interest cost incurred during the construction of facilities is capitalized as part of project costs if funding is not from grants. Provision for depreciation of property and equipment is made on a basis considered adequate to depreciate the cost of depreciable assets over their estimated useful lives and is computed on the straight-line method.

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

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

Derivative Financial Instrument

The Authority's derivative financial instrument consists of an interest rate swap agreement, and is accounted for at fair value in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

Postemployment Benefits

Postemployment pension benefits are accounted for under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment to GASB Statement No. 27* ("GASB No. 68"), which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred inflows/outflows of resources, note disclosures, and required supplementary information. See additional information regarding the Authority's pension benefits in Recent Accounting Pronouncements below and in Note 16. The Authority's Retirement Plan issues a separate, publically available, financial report under the requirement of GASB Statement No. 67.

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 accompanying statements of net position.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

unpaid claims are accrued based on management's estimate using historical experience and current trends and are included in accrued payroll and related items on the statements of net position. The appropriateness of the self-insurance accrued liabilities is continually reviewed and updated by management.

Deferred Outflows/Inflows of Resources

The statements of net position will sometimes report a separate section for deferred outflows of resources and/or deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position that applies to a future period and, therefore, not recognized as an outflow of resources (expense) until then. *Deferred inflows of resources* represent an acquisition of net position that applies to a future period and, therefore, not recognized as an inflow of resources (revenue) until then.

The Authority has two items that qualify for reporting as deferred outflows/inflows of resources. These are losses on bond refundings and GASB No. 68 variances from actuarial assumptions.

A deferred loss on refunding results from the difference between the net carrying amount of the original debt and the reacquisition price, shown as a deferred outflow of resources in the accompanying statements of net position. This amount is deferred and amortized over the term of the new bonds or old bonds, whichever is shorter, using the effective interest method or the straight-line method, when not materially different.

GASB No. 68 variances can occur due to actuarial assumptions that differ between the actual plan experience and the original actuarial assumed rates. Differences can result from, among others, earnings on investments, changes in assumptions, and other experience gains or losses. A variance represents a gain or a loss, shown as deferred inflows of resources or deferred outflows of resources, respectively, in the accompanying statements of net postiton. These outflows/inflows are outflows/inflows are amortized in accordance with the provisions of GASB No. 68. Additional items are determined annually based on each subsequent year's variances from actuarial assumptions.

Unearned Income

Current unearned income represents incremental amounts due to airlines under the signature airline agreements (see Note 12). Incremental amounts due from airlines are reflected in accounts receivable. Incremental amounts due to the airlines arise when amounts assessed, based on the estimated rates used during the year, exceed actual expenses for the year. Incremental amounts due from the airlines arise when amounts assessed, based on the estimated rates used during the year, are less than actual expenses for the year. Amounts due from or to airlines are typically settled in one to three months after period end, and are therefore recorded as a current asset or liability.

Noncurrent unearned income consists of unearned interest income and unearned rental income. Unearned interest income relates to the Authority's debt forward delivery agreement entered into in connection with certain bond-financing transactions (Note 3). The unearned interest income is being amortized to nonoperating income using the effective interest method over the term of the related agreements. Unearned rental income represents lease rentals received in advance under certain ground leases entered into with developers (Note 19). The unearned rental income is being recognized in nonoperating income on a straight-line basis over the terms of the related leases. Unearned revenues are included within liabilities in the accompanying statements of net position as such amounts may be returned to the counterparty if the related agreements were terminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Components of Net Position

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

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

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

Unrestricted net position - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Taxes

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

Fair Value Measurements

Assets and liabilities recorded at fair value in the statements of net position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs are as follows:

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

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

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

Recent Accounting Pronouncements Applicable to the Authority

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

periods beginning after June 15, 2016, with earlier application being encouraged. The Authority elected to implement this standard in prior years (see Note 22).

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB No. 74 revises existing guidance for the financial reports of most other post-employment benefit ("OPEB") plans for state and local governments and replaces the requirements of Statement Nos. 25, 43, 50, and 57 as they relate to OPEB plans that are administered through trusts or similar arrangements meeting certain criteria. GASB No. 74 enhances note disclosures and Required Supplementary Information (RSI). This statement is effective for periods beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which provides accounting and financial reporting guidance for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions and related disclosures. The accounting changes required by GASB No. 75 should be applied retroactively by reclassifying the statement of net position, net position information, and results of operations. This statement is effective for periods beginning after June 15, 2017.

In March 2016, GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Most provisions of this statement are effective for periods beginning after June 15, 2016.

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.

<u>Cash and Cash Equivalents</u>

The Authority's unrestricted and restricted cash and cash equivalent bank balances totaling $388,998,762 and $134,811,037 at June 30, 2016 and 2015, respectively, (with a carrying value of $386,133,014 and $131,102,652) represent a variety of time deposits and cash equivalents.

Cash deposits, maintained at three financial institutions, are carried at cost plus interest, which approximates fair value. Cash deposits are required by State statute to be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance or the bank must be a member of the State's Bank Collateral Pool.

The amount of collateral required to secure public deposits for Collateral Pool participants ranges between 90% and 115% of the average daily balance of public deposits held, depending on the participant's status and compliance with certain benchmarks established by the Collateral Pool.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

Collateral securities pledged by the participating banks are pledged to the State Treasurer on behalf of the 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*.

The Authority's financial institutions are members of the State of Tennessee's Bank Collateral Pool that collateralizes public funds accounts including those of the Authority. Financial institutions participating in the Collateral Pool determine the aggregate balance of their public fund accounts and the required collateral for the Authority. The amount of collateral required to secure these public deposits must be equal to 105% of the average daily balance of public deposits held.

Cash equivalents are held at another financial institution, and consist of money market and other short-term investments with original maturities of three months or less. Investment risk for such cash equivalent funds is governed by the Authority's investment policy.

Investments

As of June 30, 2016 and 2015, the Authority had the following investments and related maturities:

			Investment Maturities (in Years)		
Investment Type	Credit Rating	Fair Value	Less than 1	1– 5	6–10
June 30, 2016:					
U.S. Agencies	AA+/Aaa	$ 1,723,000	$ 1,723,000	$ -	$ -
June 30, 2015:					
U.S. Agencies	AA+/Aaa	$ 11,369,000	$ 11,369,000	$ -	$ -

The carrying amount of investments is reflected in short-term restricted investments in the accompanying statements of net position at June 30, 2016 and 2015.

Interest Rate Risk - The Authority's investment policy states that the investment portfolio may be allocated among U.S. Treasury Obligations (0 - 100%), U.S. Agency Instruments (0 - 100%), Repurchase Agreements (0 - 20%), Commercial Paper (0 - 25%), Money Market Mutual Funds (0 - 25%), Corporate Debt (0 - 15%), Asset-Backed Securities (0 - 25%), CMOs/Mortgage-Backed Securities (0 - 25%), and Cash Equivalents (0 - 100%). In addition, the maximum maturity of investments is 270 days (commercial paper), 180 days (repurchase agreements), 365 days (certificates of deposit, time deposits and bankers acceptances), 5 years (all other corporate debt), and 10 years (all other investments). To control the volatility of the portfolio and limit exposure to interest rate risk, the Authority's Chief Financial Officer ("CFO") determines a duration target for the portfolio, which typically does not exceed 3 years.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

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 are held in third-party safekeeping at a financial institution, acting solely as agent of the Authority and qualified to act in this capacity. As a means to limit custodial credit risk, all trades of marketable securities are executed on the basis of delivery versus payment and avoid the physical delivery of securities (bearer form) to ensure that securities are deposited with a custodian prior to the release of Authority funds. The Authority’s investments at June 30, 2016 and 2015, are collateralized by securities held by the Authority’s agent in the Authority’s name.

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

Forward Delivery Agreement

In November 1999, the Authority entered into a Debt Service Forward Delivery Agreement (“1999 DSFDA”) with a financial institution for the continuous investment of certain bond principal and interest investments through the term of the respective bonds. The present value of future investment earnings under the 1999 DSFDA was received by the Authority in an upfront, lump sum payment of $3,275,000. The amount of the upfront payment was recorded as unearned interest income and is being amortized into income over the term of the agreement. Certain bond refundings have occurred since the Authority entered into the 1999 DSFDA. The principal and interest investments of the new bonds have replaced the investments of the former bond series. As of June 30, 2015, the bonds subject to the 1999 DSFDA include Series 2008A, Series 2010B (matured on July 1, 2015), and Series 2010C.

The remaining unearned amount relating to the forward delivery agreement was $67,253 at June 30, 2015. There was no unearned amount at June 30, 2016. Such amounts are reported as unearned interest income in the accompanying statements of net position.

4. CAPITAL ASSETS

Capital assets and related accumulated depreciation activity for the years ended June 30, 2016 and 2015, were as follows:

	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Capital assets not being depreciated:					
Land	$ 60,267,703	$ -	$ -	$ -	$ 60,267,703
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	62,125,108	56,981,173	-	(76,215,991)	42,890,290
Total capital assets not being depreciated	159,093,879	56,981,173	-	(76,215,991)	139,859,061
Capital assets being depreciated:					
Land improvements	487,401,088	27,033	-	54,035,963	541,464,084
Buildings and building improvements	258,305,085	-	-	6,324,003	264,629,088
Equipment, furniture and fixtures	114,296,969	347,804	(705,288)	15,856,025	129,795,510
Total capital assets being depreciated	860,003,142	374,837	(705,288)	76,215,991	935,888,682
Less accumulated depreciation:					
Land improvements	(312,636,362)	(18,177,393)	-	(290,150)	(331,103,905)
Buildings and building improvements	(133,365,169)	(12,296,584)	-	290,150	(145,371,603)
Equipment, furniture and fixtures	(57,402,358)	(6,749,857)	705,288	-	(63,446,927)
Total accumulated depreciation	(503,403,889)	(37,223,834)	705,288	-	(539,922,435)
Net capital assets being depreciated	356,599,253	(36,848,997)	-	76,215,991	395,966,247
Net capital assets	$ 515,693,132	$ 20,132,176	$ -	$ -	$ 535,825,308

	Balance June 30, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Capital assets not being depreciated:					
Land	$ 60,291,397	$ 156,445	$ (180,139)	$ -	$ 60,267,703
Land held for future expansion	36,701,068	-	-	-	36,701,068
Construction in progress	36,845,372	43,436,725	-	(18,156,989)	62,125,108
Total capital assets not being depreciated	133,837,837	43,593,170	(180,139)	(18,156,989)	159,093,879
Capital assets being depreciated:					
Land improvements	476,885,301	23,957	-	10,491,830	487,401,088
Buildings and building improvements	255,460,891	275,421	-	2,568,773	258,305,085
Equipment, furniture and fixtures	108,530,594	710,405	(40,416)	5,096,386	114,296,969
Total capital assets being depreciated	840,876,786	1,009,783	(40,416)	18,156,989	860,003,142
Less accumulated depreciation:					
Land improvements	(295,002,744)	(17,633,618)	-	-	(312,636,362)
Buildings and building improvements	(121,057,323)	(12,307,846)	-	-	(133,365,169)
Equipment, furniture and fixtures	(50,849,619)	(6,593,155)	40,416	-	(57,402,358)
Total accumulated depreciation	(466,909,686)	(36,534,619)	40,416	-	(503,403,889)
Net capital assets being depreciated	373,967,100	(35,524,836)	-	18,156,989	356,599,253
Net capital assets	$ 507,804,937	$ 8,068,334	$ (180,139)	$ -	$ 515,693,132

4. CAPITAL ASSETS - Continued

The amount of construction in progress at June 30, 2016, is attributable to the following:

Improve Stormwater Collection & Treatment	$ 8,153,459
Reconstruct Taxiway Lima & Juliet East	3,930,030
Outbound Load Balancing	3,307,410
BNA MRO Hangar Development	2,933,553
Passenger Loading Bridge Replacement	2,752,554
L/T Parking Garage Design	2,305,131
Other projects	19,508,153
Total construction in progress	$ 42,890,290

During fiscal year 2016, $76,215,991 of construction in progress was substantially completed and transferred to capital assets as follows:

Runway Safety Area (JWN)	$ 26,692,422
Reconstruct Runway 13-31 West	13,917,661
Quarry Geothermal Water	10,499,843
Reconstruct Taxiway Bravo North	6,317,459
Data Center Relocation	2,420,255
Pavement Repairs	2,127,976
Reconstruct Taxiway T3	1,407,796
Jet Bridges Gates B6 & B8	1,009,929
Hangar Repairs	809,419
Other projects	11,013,231
	$ 76,215,991

The amount of construction in progress at June 30, 2015, is attributable to the following:

Runway Safety Area (JWN)	$ 15,144,974
Reconstruct Runway 13-31 West	13,899,564
Improve Stormwater Collection & Treatment	7,388,312
Reconstruct Taxiways B & T3	6,315,743
Enterprise Resource Planning (“ERP”) implementation	1,503,846
Other projects	17,872,669
	$ 62,125,108

During fiscal year 2015, $18,156,989 of construction in progress was substantially completed and transferred to capital assets as follows:

Taxiway Kilo Reconstruction	$ 10,334,265
Energy Phase 2 (Chiller, Lighting, Quarry design)	2,759,460
HVAC Improvements (AHUs)	1,816,413
Replace Concourse Roof (Phase 3)	1,284,699
Other projects	1,962,152
	$ 18,156,989

The Authority capitalized $2,322,126 of net interest cost in fiscal year 2016 and no amounts in fiscal year 2015.

5. AIRPORT BONDS

Airport Improvement Revenue Bonds, Series 2003B

During November 2003, the Authority issued Series 2003B taxable bonds in the principal amount of $19,585,000. These bonds were issued to provide funding for a portion of the projected unfunded liability of the Metropolitan Nashville Airport Authority Retirement Plan for Employees (See Note 16).

The remaining Series 2003B bonds contain serial bonds at an interest rate of 5.22%, with annual sinking fund requirements in progressive annual amounts ranging from $1,555,000 on July 1, 2016, to $1,280,000 on July 1, 2033. The annual amounts accumulated in the sinking fund will be used to pay bond holders on July 1, 2015, 2018, 2023, and 2033. The 2003B bonds are subject to an extraordinary optional redemption, in whole at any time, at a redemption price equal to the principal amount plus accrued interest to the date of redemption only in the event of the destruction or damage to all or substantially all of the Nashville International Airport or the condemnation of the airport facility.

Airport Improvement Revenue Bonds, Refunding Series 2008A

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

The Series 2008A issue contains serial bonds bearing interest at a weekly variable rate. In order to limit its exposure to changes in interest rates, the Authority transferred its existing 1993 interest rate swap agreement to the 2008A bonds ("2008A Swap Agreement"), resulting in a fixed interest rate of 4.49% (See Note 8). The 2008A bonds mature in progressive annual amounts ranging from $1,200,000 on July 1, 2016, to $3,800,000 on July 1, 2019.

Airport Improvement Revenue Bonds, Series 2009A

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

The remaining Series 2009A bonds contain serial bonds at interest rates ranging from 4.00% to 5.25%, maturing in progressive annual amounts ranging from $3,860,000 on July 1, 2016, 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

5. AIRPORT BONDS - Continued

terminating an interest rate swap with a financial institution. There were no significant changes to the terms of the bonds, and there was no significant economic gain as a result of the refunding.

The refunding of the Series 2008B bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $948,838. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized through fiscal year 2018.

The remaining Series 2010A issue contains serial bonds at interest rates of 5%, maturing in amounts ranging from $3,690,000 on July 1, 2016, to $3,835,000 on July 1, 2017.

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

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

The remaining CONRAC Series 2010 bonds contain serial bonds at interest rates ranging from 4.13% to 6.19%, maturing in progressive annual amounts ranging from $2,285,000 on July 1, 2016, to $3,800,000 on July 1, 2024. The CONRAC Series 2010 bonds also contain term bonds of $31,765,000, bearing interest at 6.79% and maturing on July 1, 2029. The CONRAC term bonds are subject to mandatory annual sinking fund requirements of $4,055,000 on July 1, 2025, to $13,755,000 on July 1, 2029.

Airport Improvement Revenue Bonds, Series 2010B&C

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

The refunding of the Series 1995, 1998A, 1998C and 2001A bonds resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $4,918,969, including a 3.00% repayment premium of $1,274,700 on the 2001A bonds. This difference, reported as a deferred outflows of resources, is being amortized through fiscal year 2017.

The Series 2010B issue matured on July 1, 2015 upon the Authority making the final payment of $16,475,000. The Series 2010C issue contains serial bonds at interest of 3.00%, which matured on July 1, 2016 upon the Authority making the final payment of $1,740,000.

5. AIRPORT BONDS - Continued

Airport Improvement Revenue Bonds, Series 2015A&B

During December 2015, The Authority issued Series 2015A bonds in the principal amount of $91,855,000 and Series 2015B in the principal amount of $108,145,000, collectively the “Series 2015A&B Bonds”. The Series 2015A&B Bonds were issued to finance certain capital improvement at Nashville International and John C. Tune Airport, fund capitalized interest on the Series 2015A&B Bonds, make deposits to the reserve accounts in the Airport Improvement Bond Reserve Fund, and pay certain costs of their issuance. The bonds were issued at a premium of $13,825,131 and $13,078,625 for 2015A and 2015B, respectively. This amount is being amortized through 2045. Interest on the 2015B bonds is treated as a preference item in calculating alternative minimum tax.

Interest on the Series 2015A&B Bonds is payable on each January 1 and July 1, commencing July 1, 2016.

The Series 2015A bonds contain serial bonds at interest rates ranging from 4.00% to 5.00%, maturing in amounts ranging from $1,650,000 on July 1, 2018 to $3,575,000 on July 1, 2035. $20,730,000 of term bonds at 5.00% are due on July 1, 2040, and $26,460,000 of term bonds at 5.00% are due on July 1, 2045.

The Series 2015B bonds contain serial bonds at interest rates ranging from 4.00% to 5.00%, maturing in amounts ranging from $1,530,000 on July 1, 2018 to $4,475,000 on July 1, 2035. $23,525,000 of term bonds at 5.00% are due on July 1, 2040, $17,130,000 of term bonds at 5.00% are due on July 1, 2043, and $12,828,000 of term bonds at 3.875% are due on July 1, 2045.

The Series 2015A&B bonds maturing on and after July 1, 2026, are subject to redemption prior to maturity, at the option of the Authority, at a redemption price equal to the principal amount plus interest to the date of redemption. The first optional call date is July 1, 2025.

All of the Authority’s 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, the “General Resolution”) and a nineteenth Supplemental Resolution adopted by the Board on October 21, 2015. The Authority is 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, and anticipate using PFC funds for approximately $66M of the Series 2015A bonds and $9M of the Series 2015B Series (See Note 9). Although the CONRAC Series 2010 Bonds were issued under the General Resolution, the CFCs are not in and of themselves a part of airport revenues or net revenues as defined in the General Bond Resolution. Therefore, airport revenues derived by the Authority from the operation of the Airport are not pledged for payment of and do not constitute security for the CONRAC Series 2010 Bonds. All other bonds are secured by a pledge of and lien on net revenues derived by the Authority from the operation of the airports.

5. AIRPORT BONDS - Continued

The following shows the composition of restricted cash and cash equivalents and investments as of June 30, 2016 and 2015 (the restricted funds relate primarily to airport bonds and related activity):

	2016	2015
Principal and Interest Funds:		
Airport Improvement Revenue Bonds, Series 2003B	$ 923,717	$ 910,875
Airport Improvement Revenue Bonds, Series 2008A	724,837	175,565
Airport Improvement Revenue Bonds, Series 2009A	4,313,126	4,239,532
Airport Improvement Revenue Bonds, Series 2010A	3,878,863	3,833,558
Airport Improvement Revenue Bonds, Series 2010B	-	11,152,525
Airport Improvement Revenue Bonds, Series 2010C	1,026,101	1,773,104
CONRAC Series 2010 Bonds	4,121,529	3,969,667
Airport Improvement Revenue Bonds, Series 2015A	2,403,352	-
Airport Improvement Revenue Bonds, Series 2015B	2,810,073	-
Bond Reserve Funds:		
Airport Improvement Revenue Bonds, Series 2009A	3,670,030	3,665,909
Airport Improvement Revenue Bonds, Series 2010A	2,591,391	2,590,353
CONRAC Series 2010 Bonds	5,902,231	6,109,843
Airport Improvement Revenue Bonds, Series 2015A	6,121,895	-
Airport Improvement Revenue Bonds, Series 2015B	7,239,519	-
Construction Funds:		
PFC and Airport Improvement Revenue Bonds, Series 2003	24,619,857	11,089,784
Airport Improvement Revenue Bonds, Series 2009A	285,302	774,235
CONRAC Series 2010 Bonds	51,495	77,870
Airport Improvement Revenue Bonds, Series 2015A	99,225,693	-
Airport Improvement Revenue Bonds, Series 2015B	108,887,498	-
Other Funds:		
Various CONRAC Accounts	13,803,767	12,219,527
Energy Improvement	136,261	136,262
Fiduciary Obligations	1,260,152	1,088,247
Other	669,527	429,880
	$ 294,666,216	$ 64,236,736

5. AIRPORT BONDS - Continued

Airport bond activity for the years ended June 30, 2016 and 2015, is summarized as follows:

2016:

Series Description	Balance June 30, 2015	New Borrowings	Principal Repayment	Refundings	Amortization	Balance June 30, 2016
Series 2003B	$ 15,250,000	$ -	$ (465,000)	$ -	$ -	$ 14,785,000
Series 2008A	12,200,000	-	(200,000)	-	-	12,000,000
Series 2009A	23,755,000	-	(3,715,000)	-	-	20,040,000
Series 2010A	11,085,000	-	(3,560,000)	-	-	7,525,000
CONRAC Series 2010	61,070,000	-	(2,090,000)	-	-	58,980,000
Series 2010B	16,475,000	-	(16,475,000)	-	-	-
Series 2010C	4,340,000	-	(2,600,000)	-	-	1,740,000
Series 2015A	-	91,855,000	-	-	-	91,855,000
Series 2015B	-	108,145,000	-	-	-	108,145,000
Total	144,175,000	200,000,000	(29,105,000)	-	-	315,070,000
Plus unamortized premium	787,902	26,903,756	-	-	(1,042,789)	26,648,869
	144,962,902	$ 226,903,756	$ (29,105,000)	$ -	$ (1,042,789)	341,718,869
Less current portion	(29,105,000)					(12,775,000)
	$ 115,857,902					$ 328,943,869

2015:

Series Description	Balance June 30, 2014	New Borrowings	Principal Repayment	Refundings	Amortization	Balance June 30, 2015
Series 2003B	$ 15,695,000	$ -	$ (445,000)	$ -	$ -	$ 15,250,000
Series 2008A	12,400,000	-	(200,000)	-	-	12,200,000
Series 2009A	27,310,000	-	(3,555,000)	-	-	23,755,000
Series 2010A	14,520,000	-	(3,435,000)	-	-	11,085,000
CONRAC Series 2010	62,975,000	-	(1,905,000)	-	-	61,070,000
Series 2010B	31,965,000	-	(15,490,000)	-	-	16,475,000
Series 2010C	7,145,000	-	(2,805,000)	-	-	4,340,000
Total	172,010,000	-	(27,835,000)	-	-	144,175,000
Plus unamortized premium	2,207,486	-	-	-	(1,419,584)	787,902
	174,217,486	$ -	$ (27,835,000)	$ -	$ (1,419,584)	144,962,902
Less current portion	(27,835,000)					(29,105,000)
	$ 146,382,486					$ 115,857,902

5. AIRPORT BONDS - Continued

Aggregate maturities of the Authority's bonds outstanding at June 30, 2016, including the annual sinking fund requirements of the Series 2003B and CONRAC Series 2010 bonds, are as follows:

Year ending June 30,	Principal	Interest	Total
2017	$ 13,265,000	$ 16,160,161	$ 29,425,161
2018	14,250,000	15,142,549	29,392,549
2019	14,210,000	14,459,478	28,669,478
2020	18,995,000	13,646,887	32,641,887
2021	7,600,000	13,105,037	20,705,037
2022-2026	44,610,000	59,124,208	103,734,208
2027-2031	61,255,000	47,793,390	109,048,390
2032-2036	40,215,000	30,683,707	70,898,707
2037-2041	44,255,000	23,339,718	67,594,718
2042-2046	56,415,000	10,331,117	66,746,117
	$ 315,070,000	$ 243,786,252	$ 558,856,252

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

6. NOTES PAYABLE

In October 2007, MPC Holdings, LLC, entered into a term note in the amount of $7,600,000 with a financial institution, the proceeds of which were used to provide financing for the purchase of International Plaza. During November 2012, the note was amended to bear interest at a fixed rate of 3.01%, and extend payments through November 2017. Principal and interest payments are due in monthly installments of $31,640 through November 2017, at which time the remaining balance will be $4,608,057. The principal balance outstanding was $4,913,833 and $5,141,855 at June 30, 2016 and 2015, respectively. The note is collateralized by the building.

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. During March 2013, the note was amended to bear interest at a fixed rate of 3.12% with principal and interest payments of $5,758 per month. The amended note matures on April 1, 2018, at which time the remaining balance will be $823,302. The principal balance outstanding was $896,179 and $936,155 at June 30, 2016 and 2015, respectively. The note is collateralized by the building.

The anticipated aggregate principal and interest maturities of the MPC notes payable are as follows at June 30, 2016:

Year Ending June 30,	Principal	Interest	Total
2017	$ 273,357	$ 175,339	$ 448,696
2018	5,536,655	67,962	5,604,617
	$ 5,810,012	$ 243,301	$ 6,053,313

6. NOTES PAYABLE - Continued

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, 2016 and 2015, MPC was in compliance with its financial covenants.

Activity with respect to the MPC notes for 2016 and 2015 is as follows:

Description	Balance June 30, 2015	Principal Repayments	Balance June 30, 2016
MPC Note 1 - IBP Loan	$ 5,141,856	$ (228,023)	$ 4,913,833
MPC Note 2 - MPB Loan	936,155	(39,976)	896,179
	$ 6,078,011	$ (267,999)	$ 5,810,012

Description	Balance June 30, 2014	Principal Repayments	Balance June 30, 2015
MPC Note 1 - IPB Loan	$ 5,363,129	$ (221,273)	$ 5,141,856
MPC Note 2 - MPB Loan	974,965	(38,810)	936,155
	$ 6,338,094	$ (260,083)	$ 6,078,011

Energy Savings Performance Contract

The Authority has entered into an energy savings performance contract with an energy service company (ESCO) that conducted a comprehensive energy audit and identified improvements to save energy. The ESCO worked with the Authority to design and construct the approved projects, as well as to assist it with project financing. The ESCO guarantees that the improvements will generate energy cost savings sufficient to pay for the project over the term of the contract. After the contract ends, the Authority continues to benefit with additional energy cost savings as a result of the contract.

The Authority agreed to an energy saving project known as “Comprehensive Energy and Operational Services,” Phases I and II. The project primarily included lighting retrofits and replacement of a chiller, but also a conceptual design for a quarry geothermal system.

In June 2011, the Authority entered into a financing agreement in the amount of $1,807,000 with a financial institution, the proceeds of which were used to make certain energy enhancements at Nashville International Airport. The annual interest rate is 2.27%. Principal and interest payments are due in monthly installments of $30,878 from August 2012 through July 2017. The principal balance outstanding was $396,143 and $753,277 at June 30, 2016 and 2015, respectively.

In December 2012, the Authority entered into another financing agreement in the amount of $2,777,500 with a financial institution for phase II of the energy enhancement project. The annual interest rate is 1.85%. Principal and interest payments are due in progressive monthly installments between $23,700 and $31,178 from January 2014 through November 2022. The principal balance outstanding was $2,117,419 and $2,378,054 at June 30, 2016 and 2015, respectively.

In July 2015, the Authority entered into an equipment lease purchase agreement in the amount of $4,300,000 with a financial institution providing for the equipment to be installed in the Geothermal project. The annual interest rate is 2.78%. Principal payments are due annually beginning July 2017; interest payments are due semi-annually beginning January 2016. The final principal and

6. NOTES PAYABLE - Continued

interest payment is due in July 2030. The principal balance outstanding was $4,300,000 at June 30, 2016.

The anticipated aggregate principal and interest maturities of the Energy Loans are as follows at June 30, 2016:

Year Ending June 30,	Principal	Interest	Total
2017	$ 915,967	$ 161,592	$ 1,077,559
2018	605,915	143,568	749,483
2019	600,679	130,126	730,805
2020	627,440	116,213	743,653
2021	650,507	101,760	752,267
2022	665,488	86,915	752,403
2023	2,747,566	332,018	3,079,584
	$ 6,813,562	$ 1,072,192	$ 7,885,754

Activity with respect to the Energy Loans for fiscal years 2016 and 2015, is as follows:

Description	Balance June 30, 2015	Principal Additions	Principal Repayments	Balance June 30, 2016
Energy Loan Phase I	$ 753,277	$ -	$ (357,134)	$ 396,143
Energy Loan Phase II	2,378,054	-	(260,635)	2,117,419
Geothermal Loan	-	4,300,000	-	4,300,000
	$ 3,131,331	$ 4,300,000	$ (617,769)	$ 6,813,562

Description	Balance June 30, 2014	Principal Additions	Principal Repayments	Balance June 30, 2015
Energy Loan Phase I	$ 1,102,402	$ -	$ (349,125)	$ 753,277
Energy Loan Phase II	2,621,228	-	(243,174)	2,378,054
	$ 3,723,630	$ -	$ (592,299)	$ 3,131,331

JWN Credit Facility Loan Agreement

On June 23, 2015, the Authority entered into a Credit Facility Loan Agreement with a financial institution. The Lender has made available to the Authority a non-revolving line of credit in the maximum principal of $10,000,000, the proceeds of which are to be used solely to pay all or a portion of costs associated with runway and taxiway improvements at the John C. Tune (JWN) Airport. The Note shall be payable from, but not secured by, available revenues of the Authority, including, without limitation, various grant funds to be received by the Authority for these projects. The Loan will bear interest at a variable interest rate equal to LIBOR (as adjusted by Lender on the first calendar day of each month) plus 32 basis points per annum. The Credit Facility Loan Agreement matured on February 1, 2016. During fiscal 2016, draws on this line were $2,638,000 which were paid back during October 2015. Interest on this Credit Facility during fiscal 2016 was $5,255. There were no amounts outstanding under this facility at June 30, 2016.

7. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities activity for the years ended June 30, 2016 and 2015, is as follows:

Other Noncurrent Liabilities Description	Balance June 30, 2015	Net Cash Receipts (Repayments)	Amortization	Change in Derivative Instruments	Balance June 30, 2016
Fair value of derivative financial instruments	$ 1,542,095	$ -	$ -	$ (407,506)	$ 1,134,589
Unearned interest income	67,253	-	(67,253)	-	-
Unearned rental income	1,823,170	40,015	(34,904)	-	1,828,281
	$ 3,432,518	$ 40,015	$ (102,157)	$ (407,506)	$ 2,962,870

Other Noncurrent Liabilities Description	Balance June 30, 2014	Net Cash Receipts (Repayments)	Amortization	Change in Derivative Instruments	Balance June 30, 2015
Fair value of derivative financial instruments	$ 1,886,325	$ -	$ -	$ (344,230)	$ 1,542,095
Unearned interest income	362,047	-	(294,794)	-	67,253
Unearned rental income	1,756,527	101,548	(34,905)	-	1,823,170
	$ 4,004,899	$ 101,548	$ (329,699)	$ (344,230)	$ 3,432,518

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Authority maintained a pay-fixed, receive-variable interest rate swap agreement during 2016 and 2015, in order to manage its exposure to market risk from fluctuations in interest rates.

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 provided that the Authority will pay a fixed rate of 4.49% to the counterparty on a notional amount, which is equal to the principal amount of the Series 2008A bonds outstanding.

The fair value of the interest rate swap agreement was a liability of $1,134,589 and $1,542,095 at June 30, 2016 and 2015, respectively. Other details of the interest rate swap are as follows:

Description	Notional Amount June 30, 2016	Maturity Date	Terms	Counterparty Credit Rating Moody's/S&P
2008A Swap	$ 12,000,000	7/1/2019	pay 4.49% fixed; receive SIFMA	A2/A

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

8. DERIVATIVE FINANCIAL INSTRUMENTS - Continued

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, 2016 or 2015. The Authority relies primarily on the credit rating of the counterparty to assess credit risk.

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

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

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

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

9. PASSENGER FACILITY CHARGES

On January 1, 1993, the airlines began collecting a Passenger Facility Charge ("PFC") on qualifying enplaning passengers at Nashville International Airport on behalf of the Authority. PFCs are fees imposed on enplaning passengers by airports to finance eligible airport-related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. Both the fee and intended projects must be reviewed and approved by the FAA. Federal guidance on the PFC program has been updated from time to time since 1993, and the current maximum fee that can be authorized through federal regulation is $4.50 per enplaning passenger. PFCs are recorded as nonoperating revenue. PFC revenue during fiscal years 2016 and 2015 totaled $23,735,979 and $15,703,411, respectively.

Effective September 2010, the Authority was allowed to collect a $3.00 PFC per enplaning passenger. In May 2015, the Authority began collecting at a $4.50 PFC per enplaning passenger. The Authority anticipates remaining at this $4.50 collection level. The following project summary has been approved by the FAA as of June 30, 2016:

Airfield development	$ 189,259,771
Terminal development	122,311,816
Land acquisition	21,260,411
	$ 332,831,998

As of June 30, 2016, cumulative expenditures to date on approved PFC projects totaled $295,121,621.

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 ("CONRAC")

10. CUSTOMER FACILITY CHARGES - Continued

Facility, and other costs, fees, and expenses that may be paid from CFC proceeds. The CFC is a $4.50 per transaction day fee and is collected by on-airport car rental companies from each of their customers and subsequently remitted to the Authority. The Authority has pledged the CFC proceeds as collateral security for the payment of the CONRAC Series 2010 bonds issued in February 2010. Additionally, in accordance with the terms of the CONRAC Series 2010 bond agreements, CFCs must be used to establish bond principal, interest, and reserve funds, as well as various other funds for the operation and maintenance of the CONRAC facility (See Note 5). The Authority can use CFCs collected in excess of the various refunded funds for any lawful purpose. CFC revenue during fiscal years 2016 and 2015 totaled $12,956,481 and $11,692,265, respectively. CFC revenue is reported as non-operating revenues.

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

Net position relating to CFCs totaled $20,848,620 and $19,285,387 at June 30, 2016 and 2015, respectively, and is included in net investment in capital assets and restricted net position in the statements of net position.

11. SPECIAL FACILITY REVENUE BONDS

Special Facility Revenue Bonds, Series 2005

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

The outstanding Special Facility Revenue Bonds, Series 2005, are special obligations of the Authority, and the debt service thereon shall be payable solely from revenues provided by Embraer Aircraft Maintenance Services, Inc., pursuant to a special facility sublease agreement or from letter of credit drawings made by the trustee. These bonds mature in April 2030. The principal balance outstanding as of both June 30, 2016 and 2015 was $9,500,000. Since these bonds do not represent a claim on the Authority's assets or require the Authority to incur future obligations, they represent conduit debt and have not been recorded in the Authority's financial statements.

Special Facility Revenue Bonds, Series 2006/Refunding Series 2010

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

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

11. SPECIAL FACILITY REVENUE BONDS - Continued

The Special Facility Revenue Bonds, Series 2006, and outstanding Refunding Series 2010 bonds are special obligations of the Authority and the debt service thereon shall be payable solely from revenues provided by Aero Nashville, LLC pursuant to a special facility sublease agreement or from letter of credit drawings made by the trustee. The principal balance outstanding as of June 30, 2016 and 2015 was $5,185,000 and $5,460,000, respectively. Since these bonds do not represent a claim on the Authority's assets or require the Authority to incur future obligations, they represent conduit debt and have not been recorded in the Authority's financial statements.

12. AIRLINE LEASE AGREEMENTS

The Authority recently entered into a new Signatory Airline Use and Lease Agreement with a term from July 1, 2015 to June 30, 2022 (the "New Airline Agreement") with American Airlines, Delta Air Lines, Southwest Airlines and United Airlines. As more fully described below, the New Airline Agreement replaces, and is substantially different from, the Authority's prior Amended and Restated Lease Agreements (the "Prior Airline Agreements") which were scheduled to expire on September 30, 2017.

The Prior Airline Agreements were "residual" in nature, pursuant to which the signatory airlines generally provided for break-even financial operation of the Nashville International Airport (the "Airport"), including the full recovery on a cost center basis of debt service on Majority-in-Interest (MII) approved capital improvement projects, including any coverage amount necessary to meet any rate covenant under the documents providing for the issuance of revenue bonds and any amount required to be deposited to any bond reserve fund under such documents.

The New Airline Agreements establish three cost centers for the purpose of determining rates and charges payable by the signatory airlines and other users of Airport facilities: Airfield, Terminal, and Terminal Ramp Area. Baggage and passenger loading bridge fees are also assessed. The New Airline Agreements have a "hybrid" airline rate-setting methodology with Landing Fees calculated on a residual basis (as described below); whereas, Terminal Rental Rates (as described below) and Terminal Ramp Area rates are compensatory. Other than the Airfield, the signatory airlines are not required to provide for break-even financial operation of the Airport per the New Airline Agreements.

Landing Fees under the New Airline Agreements are calculated on a primarily residual basis. Capital cost allocable to the Airfield, including debt service on Bonds, may be included in the calculation of the Landing Fees with MII approval. While debt service on Bonds allocable to the Airfield may be included in the Landing Fees, the New Airline Agreements do not permit inclusion in the Landing Fees of coverage on Bonds allocable to the Airfield or any amount required for replenishing the Airport Improvement Bond Reserve Fund Requirement allocable to such Bonds.

The Terminal Rental Rate under the New Airline Agreements is calculated on a compensatory basis with fixed rates. There is no provision in the New Airline Agreements for increasing the Terminal Rental Rate to provide for the payment of debt service on Outstanding or Additional Bonds, as defined, allocable to the Terminal or coverage on such Bonds or any amount required to replenish the Airport Improvement Bond Reserve Fund Requirement allocable to such Bonds. However, it should be noted that when the fixed Terminal Rental Rates were established, the Authority assumed allowances for Outstanding Bonds, the funding of its approximately $150.3 million capital improvement program for the Terminal from various sources including the debt service on Additional Bonds required to support approximately $66.5 million of projects costs, and typical Operations and Maintenance Expense escalations. With limited exceptions, there is no provision in the New Airline Agreements for increasing the Terminal Rental Rates for payment of

12. AIRLINE LEASE AGREEMENTS - Continued

debt service on Additional Bonds or increases in Operations and Maintenance Expenses, greater than modeled and assumed.

Additionally, other than revenues allocable to the Airfield and the sharing with airlines a portion of revenues from in-terminal concessions and rental car concessions, the Authority is permitted to retain all other revenues. Under the Prior Airline Agreements, the residual nature of the agreement obligated the Authority to share these revenues as offsets to lower airline rates and charges.

Except as provided in the next succeeding paragraph, there is no provision in the New Airline Agreements for including debt service on Outstanding or Additional Bonds in airline rates and charges for Bonds issued for other Airport improvements not included in the Airfield or Terminal cost centers with or without MII approval.

Debt service on Bonds allocable to the acquisition of Passenger Loading Bridges or for Baggage Claim Equipment, Baggage Make-up Equipment and the Baggage Claim Areas may be included in the Passenger Loading Bridge fees or baggage fees that may be imposed under the New Airline Agreements without MII approval. There is no provision in the New Airline Agreements for increasing the Passenger Loading Bridge fees or baggage fees to provide for coverage on such Bonds or any amount required to replenish the Airport Improvement Bond Reserve Fund Requirement allocable to such Bonds. Debt Service on Bonds allocable to capital improvements in the Terminal Ramp Area may be included in the Terminal Ramp Area rate without MII approval. There is no provision in the New Airline Agreements for increasing the Terminal Ramp Area rate to provide for coverage on such Bonds or any amount required to replenish the Airport Improvement Bond Reserve Fund Requirement allocable to such Bonds.

Debt service on Bonds that are not allocated to Airfield improvements or the acquisition of Passenger Loading Bridges, as well as coverage or amounts required to replenish the Airport Improvement Bond Reserve Fund Requirement allocable to any Bonds, must be paid from sources other than signatory airlines rates and charges, which would principally be the Authority's share of in-terminal concession revenues, rental car concessions, parking fees, and other non-airline lease revenues. Under the New Airline Agreement, the Authority shares a portion of in-terminal concession and rental car concession revenue with the signatory airlines by means of revenue sharing credits. The Authority does not share parking fees with the signatory airlines.

The Authority is obligated under the New Airline Agreements to undertake $250,312,000 of capital improvement projects that may not be funded through rates and charges to be paid by signatory airlines. It is anticipated that a large portion of the capital improvement project costs will be funded from sources other than rates and charges to be paid by signatory airlines (e.g. Federal and state grants, Passenger Facility Charges (PFCs), Authority net revenues, and new, additional non-airline revenues.) Principal amount of Bonds allocable to the funding of capitalized interest are not counted toward these requirements.

The New Airline Agreements provide signatory airline support for John C. Tune Airport, including the inclusion of certain Reliever Airport Support Costs in the Landing Fees and the use of amounts in the Operations and Maintenance Reserve Fund to pay Operating Expenses at John C. Tune Airport. It is anticipated that John C. Tune Airport will be included in the definition of Airport under the Master Resolution, with the effect of including Operating Expenses attributable to John C. Tune Airport in amounts which must be paid for by Airport Revenues from the Operating Fund and included in rate covenant calculation purposes.

12. AIRLINE LEASE AGREEMENTS - Continued

The Authority also owns MNAA Properties Corporation ("MPC"), a Tennessee nonprofit corporation, whose purpose is to support and facilitate the operations of the Authority and to help the economic development of the surrounding area. The New Airline Agreements do not provide any signatory airline support for MPC. MPC financial obligations are not included within the Master Resolution, and any MPC shortfalls or deficits must be paid from other available Authority funds.

It is anticipated that changes will be made to the Master Resolution to, among other things, accommodate the provisions of the New Airline Agreements.

13. RISK MANAGEMENT AND INSURANCE ARRANGEMENTS

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

Self-insured employee medical benefit claims are accrued as incurred. The liability for reported claims and claims incurred but not reported, an estimate of which is based on historical experience and management projections, is reported with accrued payroll and related items in the financial statements. This liability does not include non-incremental claims adjustment expenses.

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

	06/30/2016	06/30/2015
Balance – Beginning of year	$ 306,697	$ 358,190
Provision for incurred claims	4,283,611	3,466,884
Claim payments	(4,239,839)	(3,518,377)
Balance – End of year	$ 350,469	$ 306,697

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. COMPENSATED ABSENCES

Compensated absences. Compensated absences are another component of the Authority's employee benefits program. Based on years of service, employees earn annual leave and may accumulate earned hours to certain limits for future use. In 2016 and 2015, employees sold back $198,638 and $191,696 of their annual leave balances to the Authority in exchange for cash. Additional payments of $285,682 and $57,240 were made to employees who left employment with the Authority during the years ended June 30, 2016 and 2015, 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 which is included in accrued payroll and related items on the statements of net position:

	06/30/2016	06/30/2015
Balance – Beginning of year	$2,070,408	$1,743,853
Provision for compensated absences	1,828,628	2,334,900
Annual leave used	(1,344,306)	(1,759,409)
Annual leave buy-back and other	(397,115)	(248.936)
Balance – End of year	$2,157,615	$2,070,408

15. COMMITMENTS AND CONTINGENCIES

Uncompleted construction contracts. Estimated costs of completion of construction in progress at June 30, 2016, total $33,370,882 and relate to various projects. The estimated costs to complete construction in progress are anticipated to be received from the following sources:

Reimbursed by governmental agencies, grant contracts	$ 8,111,000
Reimbursed from PFC funds	1,500,482
Funded by the Authority	23,759,400
	$ 33,370,882

Environmental remediation. On October 9, 2012, the Authority entered into a Consent Order with the Tennessee Department of Environment and Conservation in response to a routine inspection which identified that a local area stream had been contaminated by untreated de-icing chemicals. In the Consent Order, the Authority was assessed a penalty of $22,500; and it was determined that Natural Resource Damages in the amount of $218,520 exist. In lieu of payment, the Authority proposed to upgrade its de-icing fluid collection and treatment system. Multiple projects, worth over $7,000,000, have been undertaken. The upgrades divert uncontaminated storm water away from the treatment system so that only storm water containing deicer fluid is collected for treatment. This allows for additional fluid storage and improves the treatment system process by systematically feeding the fluids to the biological treatment lagoon. The Authority continues to perform monitoring and reporting to the Tennessee Department of Environment and Conservation.

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

16. RETIREMENT BENEFIT PLAN

General Information about the Pension Plan

Plan Description. Effective September 1, 1989, the Metropolitan Nashville Airport Authority (the "Authority") adopted a single-employer public employee retirement system ("PERS") for its employees, whereby the net position restricted for benefits relative to the Authority's employees were transferred from the retirement system of the Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government") to the Metropolitan Nashville Airport Authority Retirement Plan for Employees. Those net assets transferred from the Metropolitan Government's retirement system to the Plan included accumulated employee contributions and allocated investment income. The Plan is a defined benefit pension plan.

The Plan is administered by management of the Authority and is governed by a Retirement Committee (the "Committee"). The Committee members are appointed by the Authority. At June 30, 2016, the Committee consists of 8 voting members, three of whom are active Authority senior management, four of whom are active Authority employees and members of the Plan and one of whom is a retiree under the Plan. Non-voting members of the Committee consist of an Advisor Member (vacant), and the Authority's paralegal, cash manager and assistant vice president of finance.

16. RETIREMENT BENEFIT PLAN - Continued

Benefits provided. Eligible employees become 100% vested in their accrued pension benefit after 5 years of credited service and may elect to retire at any time after age 65 (or after age 55 for safety and security employees with completion of 10 years of service).

The employees who retire at or after age 65 (55 for safety and security employees) are entitled to a retirement benefit, payable monthly for life, equal to one-twelfth of the product of 2% of average earnings multiplied by years of credited service. Average earnings are the average of annual earnings for the five full consecutive calendar years in which earnings were the highest or for such lesser number of full calendar years of service as have been actually completed. Credited service is the total number of years and completed one-half months of service from the date of hire to date of termination, adjusted for some certain periods of unpaid absence. Certain supplemental benefits have been provided for in the Plan as incentives for certain prior officers of the Authority.

Early retirement under the Plan is retirement from service prior to the participant's normal retirement date and on or after the date as of which the participant has attained both the age of 55 years and completed 5 years of vesting service. A participant classified as a safety and security employee is eligible for early retirement on or after the date as of which such employee has attained both the age of 50 years and completed 5 years of vesting service. Participants electing early retirement, as defined above, receive reduced benefits immediately or may defer and receive full benefits at normal retirement age. There are also certain benefit provisions upon death or disability.

Changes to the Plan, including benefits provided thereunder can be made only by formal resolutions of the Authority's Board of Commissioners. Additionally, cost-of-living adjustments are made only as approved by the Board of Commissioners. 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.

Employees covered by benefit terms. At June 30, 2016, the following employees were covered by the benefit terms:

Retired	138
Deferred Vested	50
Active Vested	120
	308

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.

Contributions. The Plan is non-contributory for employees; accordingly, no contributions shall be required or permitted to be made by plan participants. The Authority's Board of Commissioners has approved a funding plan which establishes the expected employer contributions to the Plan through fiscal year 2022. In determining the funding plan, the Authority considers the actuarially determined contribution, as recommended by an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan participants, with an additional amount to finance the net pension liability.

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

16. RETIREMENT BENEFIT PLAN - Continued

Actuarial Assumptions. The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%, compounded annually
Salary increases	4% per annum, compounded annually
Investment rate of return	7.5% per annum, compounded annual, net of pension plan investment expense and inflation

Mortality rates were based on the RP-2014 Generational Mortality Table for Males and Females, as applicable, with adjustments for mortality improvements based on Scale MP-2015.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Small Cap	5.20%	8.50%
Domestic Equity - Large Cap	34.45%	6.75%
Domestic Equity - Mid Cap	9.10%	7.75%
International Equity	16.25%	6.75%
Fixed Income	32.00%	1.00%
Cash	3.00%	0.25%

Discount rate. The discount rate used to measure total pension liability is 7.50%, compounded annually. The Authority's Board of Commissioners has approved the funding policy, as described in the contributions section above. The Authority intends to make contributions under the funding plan, as required to keep the Plan solvent, and to meet the minimum funding requirements of the State of Tennessee. Having a formal funding policy and statutory contributions in the future supports the position that the Plan's fiduciary net position will remain positive in the future. Accordingly, the long-term rate of return on investment assets has been used as the discount rate for all future periods.

16. RETIREMENT BENEFIT PLAN - Continued

Changes in the Net Pension Liability

	Total Pension Liabiiity (a)	Plan Net Postion (b)	Net Pension Liability (a) - (b)
Balances-at 6/30/15	$ 54,275,949	$ 43,654,461	$ 10,621,488
Changes for the year:			
Service cost	679,217	-	679,217
Interest	4,342,076	-	4,342,076
Difference between expected and actual experience	537,929	-	537,929
Changes of assumptions	2,516,013	-	2,516,013
Contributions - Employer	-	11,951,995	(11,951,995)
Net investment income	-	205,790	(205,790)
Benefits paid	(2,589,887)	(2,589,887)	-
Net changes	5,485,348	9,567,898	(4,082,550)
Balance at 6/30/16	$ 59,761,297	$ 53,222,359	$ 6,538,938

	Total Pension Liability (a)	Plan Net Postion (b)	Net Pension Liability (a) - (b)
Balances-at 6/30/14	$ 49,842,443	$ 36,778,801	$ 13,063,642
Changes for the year:			
Service cost	645,437	-	645,437
Interest	3,987,395	-	3,987,395
Difference between expected and actual experience	677,000	-	677,000
Changes of assumptions	1,676,218	-	1,676,218
Contributions - Employer	-	8,000,000	(8,000,000)
Net investment income	-	1,428,204	(1,428,204)
Benefits paid	(2,552,544)	(2,552,544)	-
Net changes	4,433,506	6,875,660	(2,442,154)
Balance at 6/30/15	$ 54,275,949	$ 43,654,461	$ 10,621,488

Changes in assumption primarily relate to updated mortality table information and a reduced discount rate.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Sensitivity of the net pension liability to changes in the discount rate. The following represents the net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net Pension Liability	$ 13,455,612	$ 6,538,938	$ 675,600

16. RETIREMENT BENEFIT PLAN - Continued

Pension plan fiduciary net position. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. Detailed information about the pension plan's fiduciary net position is available in this separately issued financial report. 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 years ending June 30, 2016 and 2015, the Authority recognized pension expense of $3,944,339 and $2,512,326, respectively. At June 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2016

	Deferred Outflows of resources	Deferred Inflows of resources
Experience gains or losses	$ 673,442	$ -
Change of Assumptions	2,499,611	-
Net difference between projected and actual earnings on investments	3,968,039	(887,589)
Total	$ 7,141,092	$ (887,589)

June 30, 2015

	Deferred Outflows of resources	Deferred Inflows of resources
Experience gains or losses	$ 629,646	$ -
Change of Assumptions	1,644,537	-
Net difference between projected and actual earnings on investments	1,385,598	(1,331,384)
Total	$ 3,659,781	$ (1,331,384)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2016 will be recognized in pension expense as follows:

Year ended June 30:	
2017	$ 2,789,888
2018	$ 1,652,796
2019	$ 1,078,608
2020	$ 732,211
2021	$ -
Thereafter	$ -

17. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Authority voluntarily provides postemployment healthcare benefits to certain eligible employees who retire under either the Authority's PERS or the Metropolitan Government's PERS.

The Authority pays approximately 75% of the medical, dental, vision, and prescription coverage cost, with retirees paying the remaining 25%. The Authority also pays 100% of the premium cost of a $14,000 life insurance policy on each retiree. In addition, the retirees have the option to pay 100% of the cost of supplemental life insurance coverage. Currently, 86 retirees and 63 retiree spouses are receiving OPEB benefits. The monthly contribution requirements for participants in the Authority's medical plan range from $44.80 (single "Core Wellness" premium) to $410.00 (family "Core Plus" premium). The Authority decided it would not provide postemployment benefits to any new entrants on January 1, 2009. Therefore, any employee hired on or after this date is not eligible for any postemployment benefits through the Authority. The Authority does not issue separate financial statements for postemployment benefits.

The Authority's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for 2016, 2015, and 2014 are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 1,915,044	102.5%	$ 26,637,323
2015	2,284,474	90.1%	26,686,104
2014	4,089,602	75.0%	26,459,177

The following table summarizes the changes in the Authority's OPEB obligation for the years ended June 30, 2016 and 2015:

	2016	2015
Annual OPEB cost:		
Annual required contribution	$ 2,360,891	$ 2,726,529
Plus: Interest on the net OPEB obligation	1,067,444	1,058,367
Less: Amortization on the net OPEB obligation	(1,513,291)	(1,500,422)
Annual OPEB cost	1,915,044	2,284,474
Contributions made	(1,963,824)	(2,057,547)
Increase in the net OPEB obligation	(48,780)	226,927
Net OPEB obligation:		
Beginning of year	26,686,104	26,459,177
End of year	$ 26,637,324	$ 26,686,104

The Authority's contributions to the OPEB Trust during fiscal years 2016 and 2015 totaled $963,824 and $2,057,547, respectively. The amount contributed during fiscal years 2016 and 2015 included $1,000,000 to an OPEB Trust to fund plan assets as further described below.

17. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

The funded status of the OPEB Trust as of the biennial actuarial valuation date, July 1, 2016, is detailed below:

Actuarial accrued liability (a)	$ 28,164,204
Actuarial value of plan assets (b)	6,490,123
Unfunded actuarial accrued liability (a) - (b)	$ 21,674,081
Funded ratio (b) / (a)	23.0%
Covered payroll (c)	$ 17,042,559
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	127.2%

On April 22, 2009, the Board of Commissioners approved MNAA Resolution 2009-07 establishing an investment trust for the purpose of funding OPEB as provided in Tennessee Code Annotated, Title 8, Chapter 50, Part 12. The Tennessee State Funding Board approved the formation of the trust on June 17, 2009. There is no obligation to fund the trust; however, management has a plan whereby cash contributions are intended to be made to help offset the anticipated increased outflows in future years to cover retiree benefits. As described above, the Authority made $1,000,000 in contributions to the OPEB Trust during fiscal years 2016 and 2015. These contributions were considered in the July 1, 2015 and 2013 biennial actuarial valuations, respectively.

Actuarial valuations of an ongoing postemployment benefits 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 Trust 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 postemployment benefits (the plan as understood by the employer and retirees) 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 retirees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant actuarial methods and assumptions as of the July 1, 2016, biennial actuarial valuation are detailed below:

Actuarial valuation method	Entry age normal method
Amortization method	Level dollar open over 30 years
Discount rate	4%
Health care cost trend rate	7.5% grading to 5% over 5 years for 2016 and beyond
Inflation rate	4%
Mortality	RP-2014 Combined Mortality Table under Projection Scale MP-2015
Retirement rates	Varying rates beginning with 5% at age 50 to 100% retirement at age 65

17. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

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

As part of the OPEB actuarial evaluation on July 1, 2013, which was effective for the Authority's 2014 fiscal year, certain changes to the OPEB Trust were considered, including the following: The Authority adopted an Employer Group Waiver Plan (EGWP) for post-65 retiree pharmacy benefits effective January 1, 2014. Additionally, the Authority adopted certain post-65 stop loss coverage. In the July 1, 2015, biennial valuation, for the Authority's fiscal years 2015 and 2016, these changes in assumptions reduced the unfunded accrued liability by approximately $14.6 million.

Effective January 1, 2017, Medicare-eligible retirees, retiree spouses, and disabled participants will receive $3,000 per year to purchase health coverage on an exchange.

Under the Metropolitan Government's PERS, the Authority pays 75% of the cost of medical and dental coverage, while the retirees pay the remaining 25%. The Authority also pays 100% of the premium cost of a $10,000 life insurance policy on each retiree. As of June 30, 2016 and 2015, there were 16 retirees receiving benefits under the PERS. During the years ended June 30, 2016 and 2015, payments of $71,316 and $76,116, respectively, were made to the Metropolitan Government for postemployment benefits under this PERS.

18. DEFINED CONTRIBUTION PLANS

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, which is administered by a third party, ICMA-RC Services LLC. The plan, available to all Authority employees, permits the deferral of a portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, and accordingly, the related assets of the plan are not reflected on the Authority's statement of net position. Beginning January 1, 2001, the Authority's matching contributions have been made to a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a). Employer contributions vest after six months of employment. Any forfeitures are refunded to the Authority. Amounts contributed by the Authority to the deferred compensation plan were $949,871 and $879,788 in 2016 and 2015, respectively. Employees contributed through payroll deductions to the plan $1,343,795 and $1,118,252 in 2016 and 2015, respectively.

During May 2013, the Board of Commissioners approved an additional 401(a) defined contribution retirement plan, which is administered by a third party, ICMA-RC Services LLC. Under this additional plan, the Authority contributed 10% of an employee's base compensation on an annual basis. The new 401(a) plan is available only to employees hired after June 27, 2003, who do not participate in the Authority's defined benefit pension plan described in Note 16. All contributions by the Authority are discretionary, and vest after three years of employment. Any forfeitures are refunded to the Authority. Amounts contributed by the Authority to the deferred retirement compensation plan were $939,781 and $876,353 in 2016 and 2015, respectively.

19. 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 $1,457,441 and $1,492,345 at June 30, 2016 and 2015, respectively, and is included in unearned rental income in the statements of net position. The buildings and any other improvements constructed on the land become the property of the Authority upon the expiration or termination of the leases.

20. MAJOR CUSTOMERS

The largest airline serving Nashville International Airport accounted for approximately 55.8% and 55.6% of the total enplanements of 6,411,092 and 5,604,148 in fiscal years 2016 and 2015, respectively.

21. CAPITAL CONTRIBUTIONS

The Authority has recognized capital contributions by means of federal and state grants and other agreements as follows:

	2016	2015
Federal grants	$ 18,250,935	$ 23,291,633
State grants	9,627,579	4,214,947
In-kind contributions	884,764	-
	$ 28,763,278	$ 27,506,580

22. FINANCIAL INSTRUMENTS REPORTED AT FAIR VALUE

Disclosures concerning financial instruments that are reported at fair value are presented below. Fair value has been determined based on the Authority's assessment of available market information and appropriate valuation methodologies. The following table summarizes fair value disclosures and measurements at June 30, 2016 and 2015:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2016:				
Cash equivalents:				
Money market mutual funds	$236,653,417	$236,653,417	-	-
Commercial Paper	19,161,339	-	$19,161,339	-
Investments:				
U.S. agencies	1,723,000	-	1,723,000	-
Derivative financial instrument – interest rate swap	1,134,589	-	1,134,589	-
June 30, 2015:				
Cash equivalents:				
Commercial paper	17,630,649	-	17,630,649	-
Investments:				
U.S. agencies	11,369,000	-	11,369,000	-
Derivative financial instrument – interest rate swap	1,542,095	-	1,542,095	-

22. FINANCIAL INSTRUMENTS REPORTED AT FAIR VALUE - Continued

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

Cash Equivalents and Investments - Fair value is estimated based upon quoted market prices, where available, and on Level 2 inputs (Note 3).

Derivative Financial Instruments - The fair value is estimated using pricing models that include observable inputs of these instruments (Note 8).

The fair value presented herein is based on pertinent information available to management as of June 30, 2016 and 2015. Although management is not aware of any factors that would significantly affect fair value amounts, future events or other valuation techniques for determining fair value may differ significantly from the amounts presented herein.

23. CONDENSED FINANCIAL INFORMATION BY ENTITY

The following information presents the condensed financial information for the Authority's airports and its blended component unit, MPC. Such information is presented in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, An Amendment of GASB Statements No. 14 and 34*. There are no separately issued financial statements for Nashville International Airport, John C. Tune, and MNAA Properties Corporation.

23. CONDENSED FINANCIAL INFORMATION BY ENTITY - Continued

	June 30, 2016			
	Airports		Blended Component Unit	
	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation (1)	Total
Condensed Statements of Net Position				
Assets				
Current assets	$ 148,312,226	$ 1,048,915	$ 4,165,132	$ 153,526,273
Noncurrent assets	247,989,248	-	-	247,989,248
Capital assets, net	488,102,088	39,976,018	7,747,202	535,825,308
Other assets	397,985	56,680	1,381,004	1,835,669
Total assets	884,801,547	41,081,613	13,293,338	939,176,498
Deferred outflows of resources	7,850,315	-	-	7,850,315
Total assets and deferred outflows of resources	$ 892,651,862	$ 41,081,613	$ 13,293,338	$ 947,026,813
Liabilities				
Current liabilities	$ 46,736,247	$ 80,247	$ 833,185	$ 47,649,679
Noncurrent liabilities	370,872,729	39,836	5,604,685	376,517,250
Total liabilities	417,608,976	120,083	6,437,870	424,166,929
Deferred inflows of resources	887,589	-	-	887,589
Net position				
Net investment in capital assets	377,207,477	40,032,698	1,937,191	419,177,366
Restricted for:				
Passenger facility charge projects and debt service	27,236,690	-	-	27,236,690
Customer facility charge projects and debt service	20,848,620	-	-	20,848,620
Debt service and other	22,868,801	-	-	22,868,801
Total restricted net position	70,954,111	-	-	70,954,111
Unrestricted net position	25,993,709	928,832	4,918,277	31,840,818
Total net position	474,155,297	40,961,530	6,855,468	521,972,295
Total liabilities, deferred inflows of resources, and net position	$ 892,651,862	$ 41,081,613	$ 13,293,338	$ 947,026,813
Condensed Statements of Revenues, Expenses Changes in Net Position				
Operating revenues	$ 112,946,407	$ 708,636	$ 2,534,475	$ 116,189,518
Operating expenses	74,206,682	689,613	1,575,896	76,472,191
Provision for depreciation	34,952,951	1,519,971	750,912	37,223,834
Operating income (loss)	3,786,774	(1,500,948)	207,667	2,493,493
Nonoperating revenues (expenses),	27,338,147	372,647	(179,126)	27,531,668
net Capital contributions	14,054,704	14,708,574	-	28,763,278
Increase in net position	45,179,625	13,580,273	28,541	58,788,439
Net position, beginning of year	428,975,672	27,381,257	6,826,927	463,183,856
Net position, end of year	$ 474,155,297	$ 40,961,530	$ 6,855,468	$ 521,972,295
Condensed Statements of Cash Flows				
Cash flows from operating activities	$ 40,803,749	$ (3,680,169)	$ 1,099,040	$ 38,222,620
Cash flows from noncapital financing activities	(1,356,651)	-	-	(1,356,651)
Cash flows from capital and related financing activities	206,138,021	3,160,913	(1,046,830)	208,252,104
Cash flows from investing activities	9,912,289	-	-	9,912,289
Increase (decrease) in cash and cash equivalents	255,497,408	(519,256)	52,210	255,030,362
Cash and cash equivalents, beginning of year	125,696,912	1,263,556	4,142,184	131,102,652
Cash and cash equivalents, end of year	$ 381,194,320	$ 744,300	$ 4,194,394	$ 386,133,014

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

23. CONDENSED FINANCIAL INFORMATION BY ENTITY - Continued

	June 30, 2015			
	Airports		Blended Component Unit	
	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation (1)	Total
Condensed Statements of Net Position				
Assets				
Current assets	$ 129,067,787	$ 4,492,819	$ 4,178,655	$ 137,739,261
Noncurrent assets	19,917,239	-	-	19,917,239
Capital assets, net	479,237,627	28,555,446	7,900,059	515,693,132
Other assets	1,436,864	(950,000)	1,002,492	1,489,356
Total assets	629,659,517	32,098,265	13,081,206	674,838,988
Deferred outflows of resources	4,726,150	-	-	4,726,150
Total assets and deferred outflows of resources	$ 634,385,667	$ 32,098,265	$ 13,081,206	$ 679,565,138
Liabilities				
Current liabilities	$ 45,050,334	$ 4,691,002	$ 383,874	$ 50,125,210
Noncurrent liabilities	159,028,277	26,006	5,870,405	164,924,688
Total liabilities	204,078,611	4,717,008	6,254,279	215,049,898
Deferred inflows of resources	1,331,384	-	-	1,331,384
Net position				
Net investment in capital assets	357,167,586	28,605,448	1,822,048	387,595,082
Restricted for:				
Passenger facility charge projects and debt service	13,461,933	-	-	13,461,933
Customer facility charge projects and debt service	19,285,387	-	-	19,285,387
Debt service and other	23,811,939	-	-	23,811,939
Total restricted net position	56,559,259	-	-	56,559,259
Unrestricted net position	15,248,827	(1,224,191)	5,004,879	19,029,515
Total net position	428,975,672	27,381,257	6,826,927	463,183,856
Total liabilities, deferred inflows of resources, and net position	$ 634,385,667	$ 32,098,265	$ 13,081,206	$ 679,565,138
Condensed Statements of Revenues, Expenses Changes in Net Position				
Operating revenues	$ 115,755,073	$ 689,554	$ 2,550,496	$ 118,995,123
Operating expenses	70,914,057	611,338	1,601,149	73,126,544
Provision for depreciation	34,658,067	1,126,839	749,711	36,534,617
Operating income (loss)	10,182,949	(1,048,623)	199,636	9,333,962
Nonoperating revenues (expenses),	20,444,924	(18,401)	(187,086)	20,239,437
net Capital contributions	17,286,276	10,220,304	-	27,506,580
Transfer from (to) other funds	(1,573,750)	1,573,750	-	-
Increase in net position	46,340,399	10,727,030	12,550	57,079,979
Net position, beginning of year	382,635,273	16,654,227	6,814,377	406,103,877
Net position, end of year	$ 428,975,672	$ 27,381,257	$ 6,826,927	$ 463,183,856
Condensed Statements of Cash Flows				
Cash flows from operating activities	$ 37,416,307	$ 4,518,228	$ 902,448	$ 42,836,983
Cash flows from noncapital financing activities	(1,359,435)	-	-	(1,359,435)
Cash flows from capital and related financing activities	(23,601,102)	(4,054,889)	(1,082,207)	(28,738,198)
Cash flows from investing activities	(3,598,004)	-	-	(3,598,004)
Increase (decrease) in cash and cash equivalents	8,857,766	463,339	(179,759)	9,141,346
Cash and cash equivalents, beginning of year	116,839,146	800,217	4,321,943	121,961,306
Cash and cash equivalents, end of year	$ 125,696,912	$ 1,263,556	$ 4,142,184	$ 131,102,652

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

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REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015	2014
Total pension liability			
Service cost	$ 679,217	$ 645,437	$ 845,864
Interest	4,342,076	3,987,395	3,521,317
Changes of benefit terms	-	-	-
Differences between expected and actual experience	537,929	677,000	356,625
Changes of assumptions	2,516,013	1,676,218	3,581,969
Benefit payments	(2,589,887)	(2,552,544)	(2,479,800)
Net change in total pension liability	5,485,348	4,433,506	5,825,975
Total pension liability - beginning	54,275,949	49,842,443	44,016,468
Total pension liability - ending (a)	$ 59,761,297	$ 54,275,949	$ 49,842,443
Plan fiduciary net position			
Contributions - employer	$ 11,951,995	$ 8,000,000	$ 8,000,000
Net investment income	205,790	1,428,204	4,574,509
Benefit payments	(2,589,887)	(2,552,544)	(2,479,800)
Administrative expenses	-	-	-
Net change in plan fiduciary net position	9,567,898	6,875,660	10,094,709
Plan fiduciary net position - beginning	43,654,461	36,778,801	26,684,092
Plan fiduciary net position - ending (b)	$ 53,222,359	$ 43,654,461	$ 36,778,801
Authority's net pension liability - ending (a) - (b)	$ 6,538,938	$ 10,621,488	$ 13,063,642
Plan fiduciary net position as a percentage of the total pension liability	89.1%	80.4%	73.8%
Covered-employee payroll	$ 8,497,486	$ 8,078,834	$ 7,895,716
Net pension liability as a percentage of covered-employee payroll	77.0%	131.5%	165.5%

Notes to Schedule

Change in assumptions. In 2015, mortality was changed from the RP-2000 Combined Mortality Table (Generational) to the RP-2014 Generational Mortality Table for Males and Females using scale MP-2014. In 2016, the RP-2014 Generational Mortality Table for Males and Females was updated to use scale MP-2015.

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

	2016	2015	2014
Actuarially determined contribution	$ 1,652,788	$ 2,165,146	$ 2,667,945
Contributions in relation to the actuarially determined contribution	11,951,995	8,000,000	8,000,000
Contribution deficiency (excess)	$ (10,299,207)	$ (5,834,854)	$ (5,332,055)
Covered-employee payroll	$ 8,497,486	$ 8,078,834	$ 7,895,716
Contributions as a percentage covered-employee payroll	140.7%	99.0%	101.3%

Notes to Schedule

Actuarily determined contribution rates are based on the most recent valuation date, which was June 30, 2016. Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Entry age normal, level dollar
Asset valuation method	Fair Value
Amortization period	5-years for investment gains and losses 3-years for experience gains and losses
Inflation	2.25%, compounded annually
Salary increases	4%, compounded annually
Investment rate of return	7.5%, per annum for funding purposes
Retirement age	Estimated experience for general employees (10% at age 55, 40% at age 62, and 50% at age 65) Normal retirement age of 55 with 10 years of service, but no later than 65, for public safety employees
Mortality	RP-2014 Generational Mortality Table with rates projected using Scale MP-2015

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

OPEB TRUST:

Actuarial Valuation Date (biennial)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Underfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2012	$1,053,287	$59,473,329	$(58,420,042)	1.77%	$14,015,134	416.84%
July 1, 2013	$1,534,778	$60,857,129	$(59,322,351)	2.52%	$14,586,105	406.70%
July 1, 2014	$2,748,267	$42,543,287	$(39,795,020)	6.90%	$15,188,052	262.02%
July 1, 2015	$5,269,817	$30,434,908	$(25,165,091)	17.30%	$15,851,912	158.75%
July 1, 2016	$6,490,123	$28,164,204	$(21,674,081)	23.04%	$17,042,559	127.18%

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OTHER INFORMATION

	Nashville International Airport (1)	John C. Tune Airport	MNAA Properties Corporation (1)	Total
ASSETS				
Current assets:				
Unrestricted assets:				
Cash and cash equivalents	$ 88,251,104	$ 744,300	$ 4,194,394	$ 93,189,798
Accounts receivable, net	6,103,739	6,368	43,967	6,154,074
Inventories	479,200	-	-	479,200
Due from (to) other funds	427,046	(345,388)	(81,658)	-
Prepaid expenses and other	1,391,295	6,858	8,429	1,406,582
Total current unrestricted assets	96,652,384	412,138	4,165,132	101,229,654
Restricted assets:				
Cash and cash equivalents	44,953,968	-	-	44,953,968
Short-term investments	1,723,000	-	-	1,723,000
Passenger facility charges receivable	2,616,832	-	-	2,616,832
Customer facility charges receivable	1,181,582	-	-	1,181,582
Amounts due from governmental agencies	1,184,460	636,777	-	1,821,237
Total current restricted assets	51,659,842	636,777	-	52,296,619
Total current assets	148,312,226	1,048,915	4,165,132	153,526,273
Noncurrent Assets:				
Restricted assets:				
Cash and cash equivalents	247,989,248	-	-	247,989,248
Capital assets:				
Land and land improvements	546,644,498	54,886,472	200,817	601,731,787
Land held for future expansion	36,701,068	-	-	36,701,068
Buildings and building improvements	246,417,542	6,067,098	12,144,448	264,629,088
Equipment, furniture and fixtures	128,628,693	572,637	594,180	129,795,510
Construction in progress	42,177,522	25,995	686,773	42,890,290
Total capital assets	1,000,569,323	61,552,202	13,626,218	1,075,747,743
Less accumulated depreciation	(512,467,235)	(21,576,184)	(5,879,016)	(539,922,435)
Total capital assets, net	488,102,088	39,976,018	7,747,202	535,825,308
Other assets	397,985	56,680	1,381,004	1,835,669
Total noncurrent assets	736,489,321	40,032,698	9,128,206	785,650,225
Total assets	884,801,547	41,081,613	13,293,338	939,176,498
DEFERRED OUTFLOWS OF RESOURCES				
Actuarial losses - pension	7,141,092	-	-	7,141,092
Loss on bond refundings	709,223	-	-	709,223
Total deferred outflows of resources	7,850,315	-	-	7,850,315
Total assets and deferred outflows of resources	$ 892,651,862	$ 41,081,613	$ 13,293,338	$ 947,026,813

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	Nashville International Airport (1)	John C. Tune Airport	MNAA Properties Corporation (1)	Total
LIABILITIES				
Current liabilities:				
Payable from unrestricted assets:				
Trade accounts payable	$ 14,193,811	$ 56,285	$ 559,828	$ 14,809,924
Accrued payroll and related items	5,219,974	23,962	-	5,243,936
Unearned income	3,620,476	-	-	3,620,476
Current maturities of notes payable	915,967	-	273,357	1,189,324
Accrued interest payable	59,770	-	-	59,770
Total payable from unrestricted assets	24,009,998	80,247	833,185	24,923,430
Payable from restricted assets:				
Trade accounts payable and other	1,807,935	-	-	1,807,935
Accrued interest payable	8,143,314	-	-	8,143,314
Current maturities of airport revenue bonds	12,775,000	-	-	12,775,000
Total payable from restricted assets	22,726,249	-	-	22,726,249
Total current liabilities	46,736,247	80,247	833,185	47,649,679
Noncurrent liabilities:				
Airport revenue bonds, less current maturities	328,943,869	-	-	328,943,869
Notes payable, less current maturities	5,897,595	-	5,536,655	11,434,250
Fair value of derivative financial instrument	1,134,589	-	-	1,134,589
Unearned income	1,720,415	39,836	68,030	1,828,281
Net pension liability	6,538,938	-	-	6,538,938
Other postemployment benefits obligation	26,637,323	-	-	26,637,323
Total noncurrent liabilities	370,872,729	39,836	5,604,685	376,517,250
Total liabilities	417,608,976	120,083	6,437,870	424,166,929
DEFERRED INFLOWS OF RESOURCES				
Actuarial gains - pension	887,589	-	-	887,589
NET POSITION				
Net investment in capital assets	377,207,477	40,032,698	1,937,191	419,177,366
Restricted for:				
Passenger facility charge projects and debt service	27,236,690	-	-	27,236,690
Customer facility charge projects and debt service	20,848,620	-	-	20,848,620
Debt service and other	22,868,801	-	-	22,868,801
Total restricted net position	70,954,111	-	-	70,954,111
Unrestricted net position	25,993,709	928,832	4,918,277	31,840,818
Total net position	474,155,297	40,961,530	6,855,468	521,972,295
Total liabilities, deferred inflows of resources, and net position	$ 892,651,862	$ 41,081,613	$ 13,293,338	$ 947,026,813

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	Nashville International Airport (1)	John C. Tune Airport	MNAA Properties Corporation (1)	Total
Operating revenues:				
Signatory airline	$ 30,561,053	$ -	$ -	$ 30,561,053
Parking	41,889,907	-	-	41,889,907
Concession	25,453,862	-	-	25,453,862
Space rental	9,205,907	645,670	2,473,382	12,324,959
Other	5,835,678	62,966	61,093	5,959,737
	112,946,407	708,636	2,534,475	116,189,518
Operating expenses:				
Salaries and wages	34,798,277	406,771	-	35,205,048
Contractual services	25,220,605	114,843	935,547	26,270,995
Materials and supplies	3,306,110	52,582	15,421	3,374,113
Utilities	5,558,567	44,265	342,026	5,944,858
Other	5,323,123	71,152	282,902	5,677,177
	74,206,682	689,613	1,575,896	76,472,191
Operating income before provision for depreciation	38,739,725	19,023	958,579	39,717,327
Provision for depreciation	34,952,951	1,519,971	750,912	37,223,834
Operating income (loss)	3,786,774	(1,500,948)	207,667	2,493,493
Nonoperating revenues (expenses):				
Investment income	331,290	602	1,650	333,542
Passenger facility charges	23,735,979	-	-	23,735,979
Customer facility charges	12,956,481	-	-	12,956,481
Interest expense	(8,664,666)	(28,802)	(180,776)	(8,874,244)
Gain on disposal of property and equipment	112,497	-	-	112,497
Gain on derivative financial instrument	407,506	-	-	407,506
Other nonoperating, net	(1,540,940)	400,847	-	(1,140,093)
	27,338,147	372,647	(179,126)	27,531,668
Income before capital contributions	31,124,921	(1,128,301)	28,541	30,025,161
Capital contributions	14,054,704	14,708,574	-	28,763,278
Increase in net position	45,179,625	13,580,273	28,541	58,788,439
Total net position - beginning of year	428,975,672	27,381,257	6,826,927	463,183,856
Total net position - end of year	$ 474,155,297	$ 40,961,530	$ 6,855,468	$ 521,972,295

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SCHEDULE OF AIRPORT REVENUE BONDS, PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR JUNE 30, 2016

Year Ending June 30,	Series 2003B Revenue Bonds		Series 2008A Revenue Bonds		Series 2009A Revenue Bonds		Series 2010A Revenue Bonds		Series 2010C Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 490,000	$ 867,378	$ 1,200,000	$ 484,920	$ 3,860,000	$ 825,394	$ 3,690,000	$ 284,000	$ 1,740,000	$ 26,100
2018	515,000	867,378	3,400,000	332,260	4,020,000	661,625	3,835,000	95,875	-	-
2019	545,000	824,831	3,600,000	170,620	4,190,000	487,056	-	-	-	-
2020	575,000	782,283	3,800,000	-	7,970,000	197,700	-	-	-	-
2021	610,000	782,283	-	-	-	-	-	-	-	-
2022	645,000	782,283	-	-	-	-	-	-	-	-
2023	680,000	782,283	-	-	-	-	-	-	-	-
2024	720,000	688,290	-	-	-	-	-	-	-	-
2025	760,000	594,297	-	-	-	-	-	-	-	-
2026	805,000	594,297	-	-	-	-	-	-	-	-
2027	855,000	594,297	-	-	-	-	-	-	-	-
2028	905,000	594,297	-	-	-	-	-	-	-	-
2029	960,000	594,297	-	-	-	-	-	-	-	-
2030	1,015,000	594,297	-	-	-	-	-	-	-	-
2031	1,075,000	594,297	-	-	-	-	-	-	-	-
2032	1,140,000	594,297	-	-	-	-	-	-	-	-
2033	1,210,000	594,297	-	-	-	-	-	-	-	-
2034	1,280,000	297,148	-	-	-	-	-	-	-	-
2035	-		-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-	-	-
	14,785,000	12,022,830	12,000,000	987,800	20,040,000	2,171,775	7,525,000	379,875	1,740,000	26,100
Bond Premium	-	-	-	-	54,156	-	255,186	-	-	-
	$14,785,000	$12,022,830	$12,000,000	$ 987,800	$20,094,156	$ 2,171,775	$ 7,780,186	$ 379,875	$ 1,740,000	$ 26,100

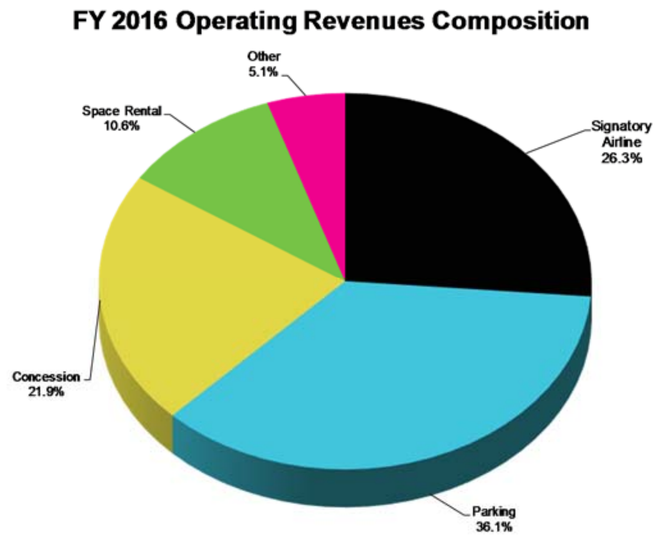
CONRAC Series 2010 Revenue Bonds		Series 2015A Revenue Bonds		Series 2015B Revenue Bonds		Total Debt Service		
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
$ 2,285,000	$ 3,622,034	$ -	$ 4,633,133	$ -	$ 5,417,202	$13,265,000	$ 16,160,161	$29,425,161
2,480,000	3,511,292	-	4,459,700	-	5,214,419	14,250,000	15,142,549	29,392,549
2,695,000	3,382,352	1,650,000	4,418,450	1,530,000	5,176,169	14,210,000	14,459,478	28,669,478
2,840,000	3,236,635	1,730,000	4,333,950	2,080,000	5,096,319	18,995,000	13,646,887	32,641,887
3,000,000	3,077,085	1,820,000	4,245,200	2,170,000	5,000,469	7,600,000	13,105,037	20,705,037
3,175,000	2,902,161	1,910,000	4,151,950	2,280,000	4,889,219	8,010,000	12,725,613	20,735,613
3,365,000	2,710,402	2,005,000	4,064,100	2,395,000	4,772,344	8,445,000	12,329,129	20,774,129
3,575,000	2,501,707	2,085,000	3,982,300	2,515,000	4,649,594	8,895,000	11,821,891	20,716,891
3,800,000	2,275,349	2,170,000	3,897,200	2,640,000	4,520,718	9,370,000	11,287,564	20,657,564
4,055,000	2,157,796	2,255,000	3,808,700	2,775,000	4,399,218	9,890,000	10,960,011	20,850,011
4,340,000	2,157,796	2,350,000	3,716,600	2,885,000	4,271,593	10,430,000	10,740,286	21,170,286
4,645,000	2,157,796	2,440,000	3,620,800	3,030,000	4,123,718	11,020,000	10,496,611	21,516,611
4,970,000	2,157,796	2,540,000	3,508,500	3,180,000	3,968,468	11,650,000	10,229,061	21,879,061
13,755,000	1,078,902	2,665,000	3,378,375	3,340,000	3,805,468	20,775,000	8,857,042	29,632,042
-	-	2,800,000	3,241,750	3,505,000	3,634,343	7,380,000	7,470,390	14,850,390
-	-	2,940,000	3,098,250	3,680,000	3,454,718	7,760,000	7,147,265	14,907,265
-	-	3,085,000	2,947,625	3,865,000	3,266,093	8,160,000	6,808,015	14,968,015
-	-	3,240,000	2,789,500	4,060,000	3,067,968	8,580,000	6,154,616	14,734,616
-	-	3,405,000	2,623,375	4,260,000	2,859,968	7,665,000	5,483,343	13,148,343
-	-	3,575,000	2,448,875	4,475,000	2,641,593	8,050,000	5,090,468	13,140,468
-	-	3,750,000	2,359,500	4,255,000	2,529,718	8,005,000	4,889,218	12,894,218
-	-	3,940,000	2,359,500	4,470,000	2,529,718	8,410,000	4,889,218	13,299,218
-	-	4,135,000	2,359,500	4,695,000	2,529,719	8,830,000	4,889,219	13,719,219
-	-	4,345,000	2,359,500	4,930,000	2,529,719	9,275,000	4,889,219	14,164,219
-	-	4,560,000	1,841,250	5,175,000	1,941,594	9,735,000	3,782,844	13,517,844
-	-	4,790,000	1,323,000	5,435,000	1,353,469	10,225,000	2,676,469	12,901,469
-	-	5,025,000	1,323,000	5,705,000	1,353,469	10,730,000	2,676,469	13,406,469
-	-	5,280,000	1,323,000	5,990,000	925,219	11,270,000	2,248,219	13,518,219
-	-	5,545,000	1,323,000	6,290,000	496,969	11,835,000	1,819,969	13,654,969
-	-	5,820,000	661,500	6,535,000	248,491	12,355,000	909,991	13,264,991
58,980,000	36,929,103	91,855,000	90,601,083	108,145,000	100,667,686	315,070,000	243,786,252	558,856,252
-	-	13,557,455	-	12,782,072	-	26,648,869	-	26,648,869
$ 58,980,000	$36,929,103	$105,412,455	$90,601,083	$120,927,072	$100,667,686	$341,718,869	$ 243,786,252	$585,505,121

STATISTICAL SECTION

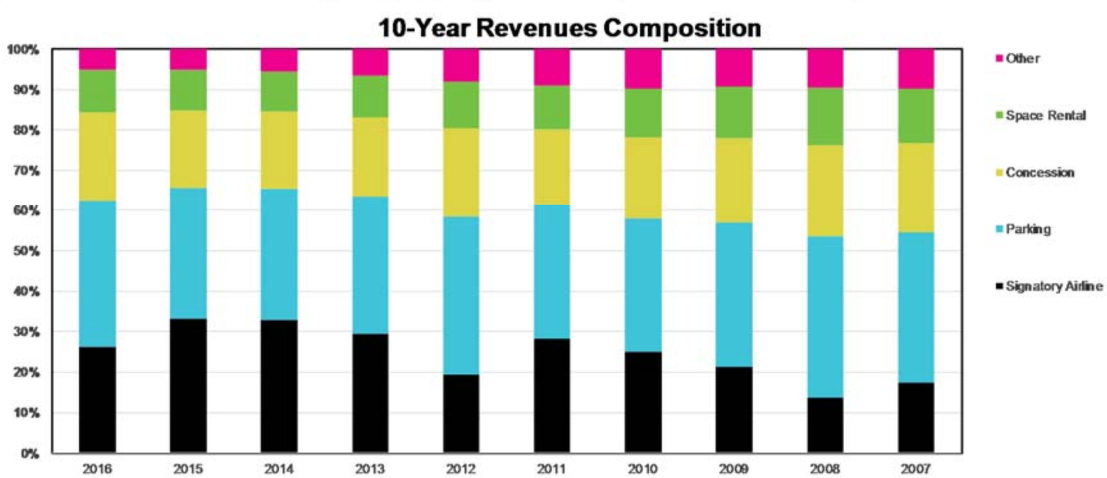
Statistical information differs from financial statements because it usually covers more than one fiscal year and may present non-accounting data. Available financial trend data is presented to assist the reader in understanding the Authority's primary business activities and to identify emerging financial trends. Operational data further supports this. Special attention is placed on operating revenues, operating expenses and related indicators. Readers may be 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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Revenues:										
Signatory Airline	$ 30,561	$ 39,414	$ 37,027	$ 29,373	$ 16,132	$ 25,306	$ 20,523	$ 17,018	$ 10,528	$ 13,116
Parking	41,890	38,726	36,258	34,020	32,468	29,744	26,769	28,175	30,405	27,795
Concession	25,454	22,873	21,520	19,491	18,220	16,610	16,512	16,559	17,165	16,631
Space Rental	12,325	11,989	11,045	10,308	9,545	9,804	9,939	10,077	11,051	10,136
Other	5,960	5,993	6,279	6,600	6,749	7,978	7,942	7,427	7,167	7,222
Total	**$116,190**	**$118,995**	**$112,129**	**$ 99,792**	**$ 83,114**	**$ 89,442**	**$ 81,685**	**$ 79,256**	**$ 76,316**	**$ 74,900**

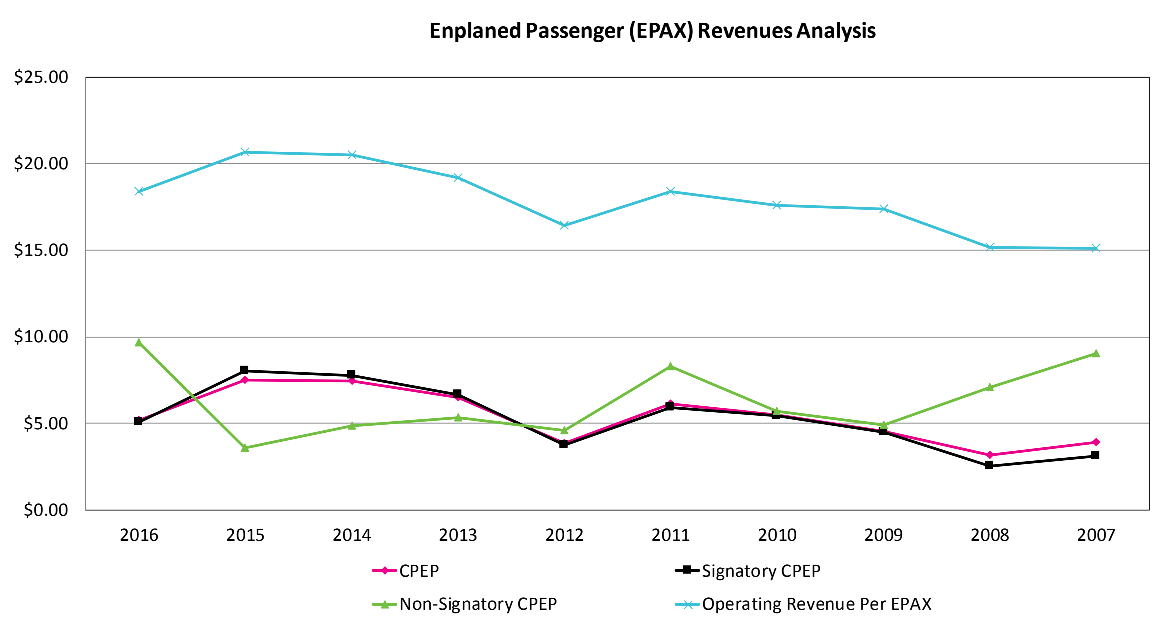


Operating revenues have increased 55.1% since 2007. Enplanements increased 24.4% to 6,141,092 compared to 4,938,191 ten years ago. Parking revenue increased $14.1 million since 2007. It continues to be the Authority's highest individual revenue source. The signatory airlines operated under a residual agreement, through June 30, 2015, whereby they were responsible to cover any revenue shortfall. Beginning July 1, 2015, a new hybrid lease agreement became effective. In FY 2012, the eight signatory carriers had a $2.4 million revenue shortfall, which carried to FY 2013 rates.



Nashville International Airport Cost per Enplaned Passenger (CPEP)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Signatory Airlines:										
Space and Ramp Fees	$ 11,399	$ 28,886	$ 27,027	$ 21,552	$ 13,565	$ 14,874	$ 13,470	$ 13,358	$ 9,293	$ 11,504
Landing Fees	19,162	10,528	10,000	7,821	2,567	10,432	7,053	3,660	1,235	1,612
Total Signatory Revenue	30,561	39,414	37,027	29,373	16,132	25,306	20,523	17,018	10,528	13,116
Signatory Enplaned (000s)	6,021	4,926	4,791	4,425	4,331	4,278	3,788	3,820	4,195	4,247
Cost per Signatory Enplaned	**$ 5.08**	**$ 8.00**	**$ 7.73**	**$ 6.64**	**$ 3.72**	**$ 5.92**	**$ 5.42**	**$ 4.45**	**$ 2.51**	**$ 3.09**
Non-signatory Airlines:										
Space and Ramp Fees	$ 502	$ 986	$ 1,156	$ 1,313	$ 746	$ 944	$ 1,245	$ 649	$ 2,081	$ 3,027
Landing Fees	657	1,452	1,380	1,943	1,771	2,751	2,731	2,486	2,748	3,216
Total Non-signatory Revenue	1,159	2,438	2,536	3,256	2,517	3,695	3,976	3,135	4,829	6,243
Non-signatory Enplaned (000s)	120	678	521	613	552	447	699	639	683	692
Cost per Non-signatory Enplaned	**$ 9.67**	**$ 3.60**	**$ 4.87**	**$ 5.31**	**$ 4.56**	**$ 8.27**	**$ 5.69**	**$ 4.91**	**$ 7.07**	**$ 9.02**
Summary Analysis:										
Total Signatory & Non-signatory Revenue	$ 31,720	$ 41,852	$ 39,563	$ 32,629	$ 18,649	$ 29,001	$ 24,499	$ 20,153	$ 15,357	$ 19,359
Blended Cost per Enplaned	**$ 5.17**	**$ 7.47**	**$ 7.45**	**$ 6.48**	**$ 3.82**	**$ 6.14**	**$ 5.46**	**$ 4.52**	**$ 3.15**	**$ 3.92**
Operating Revenues (BNA Only)	$ 112,946	$ 115,755	$ 108,918	$ 96,693	$ 80,192	$ 86,749	$ 78,855	$ 77,431	$ 74,041	$ 74,541
Total Enplaned (includes charters)	6,141	5,604	5,312	5,038	4,883	4,725	4,487	4,461	4,880	4,938
Operating Revenues per Enplaned	**$ 18.39**	**$ 20.66**	**$ 20.50**	**$ 19.19**	**$ 16.42**	**$ 18.36**	**$ 17.57**	**$ 17.36**	**$ 15.17**	**$ 15.10**



Metropolitan Nashville Airport Authority Operating Revenues Analysis - Activity Detail (000s)
Signatory & Non-signatory rate history effective July 1 of each fiscal year (unless noted below).

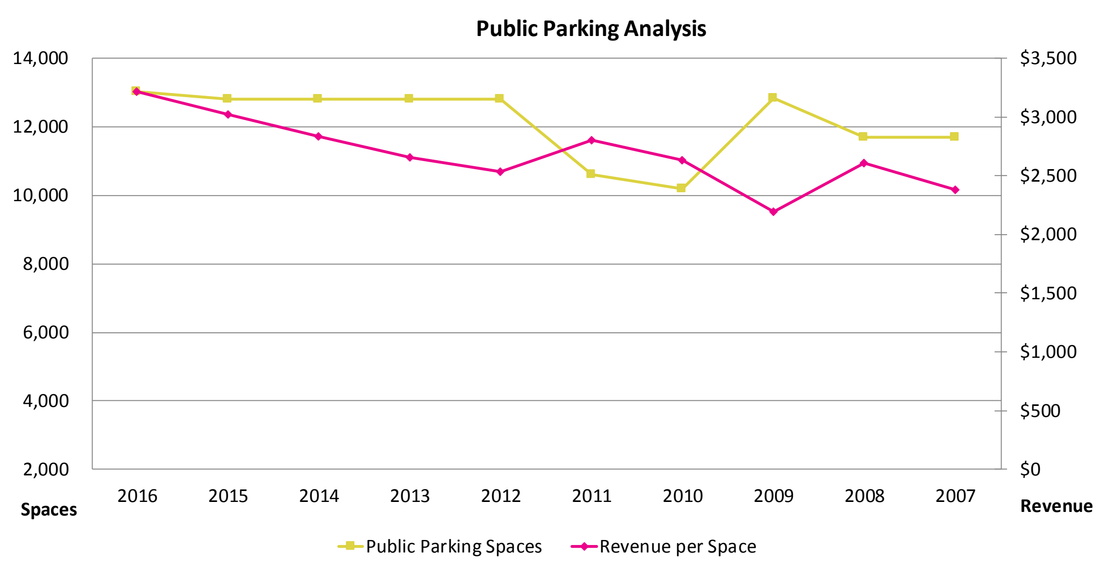
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Signatory Rates:										
Landing fee	$ 3.25	$ 1.65	$ 1.69	$ 1.52	$ 0.32	$ 2.05	$ 1.26	$ 0.30	$ 0.19	$ 0.29
Ramp (See note below)	1.71	266.99	223.05	133.09	84.78	101.26	114.62	62.36	71.20	95.80
Main terminal	90.00	180.58	164.54	130.84	78.84	93.16	89.12	50.03	63.24	81.91
North concourse	90.00	112.07	79.11	62.55	36.13	41.29	42.31	20.61	29.82	39.04
South concourse	90.00	104.35	113.96	57.62	37.51	41.12	41.33	21.61	22.24	25.45

The signatory FY 2009 rates are the original rates. The $7.265 million year end true-up was charged to landing fees and main terminal rents. Those of January 1, 2010 are reflected above as well as a non-signatory landing fees adjustment (was $3.52 on July 1, 2009). Per the new agreement effective July 1, 2015 there is a flat fee for all terminal area rent of $90.00 per square foot. The methodology for Ramp fees was previously charged per linear foot and under the new agreement has been changed to per square foot. This resulted in the rate looking substantially smaller; the actual billed amount is not materially different.

Non-signatory Rates:

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Landing fee	$ 4.07	$ 4.23	$ 4.10	$ 3.17	$ 3.92	$ 5.02	$ 3.96	$ 3.26	$ 3.24	$ 2.91
Ramp (see note above)	2.14	397.15	349.31	327.15	309.47	301.87	287.29	317.96	304.37	297.52
Main terminal	112.50	312.16	294.36	271.07	245.48	238.37	223.32	195.11	176.79	173.44
North concourse	112.50	113.74	111.78	107.23	98.44	90.13	89.86	88.87	80.67	80.45
South concourse	112.50	121.36	121.11	114.82	104.64	92.73	88.27	84.76	67.48	67.13

Per the new agreement effective July 1, 2015, the non-signatory airlines may be charged on a per use fee of $3.66 per departing seat. The per use fee covers the use of the ticket counter, baggage make up, baggage claim and gate usage.



	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Parking lot revenue (000)	$ 41,890	$ 38,725	$ 36,258	$ 34,020	$ 32,468	$ 29,744	$ 26,769	$ 28,175	$ 30,405	$ 27,795
Spaces available (actual)	13,025	12,811	12,811	12,811	12,811	10,605	10,189	12,830	11,675	11,675
Revenue per space	**$ 3,216**	**$ 3,023**	**$ 2,830**	**$ 2,656**	**$ 2,534**	**$ 2,805**	**$ 2,627**	**$ 2,196**	**$ 2,604**	**$ 2,381**

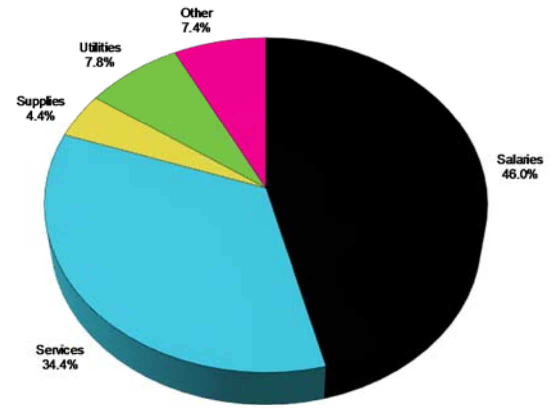
Fiscal year 2009 began with Short Term 1,706, Long Term A 3,883, Long Term B 2,129, Economy 3,957, and Valet 1,155 spaces - all for public use. During 2009 valet services were moved from various areas in and around the short term garage to a dedicated lot north of the terminal building. In fiscal year 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. The TARI roadway project was completed in October 2009, and the new 50-space complimentary cell phone lot opened shortly thereafter. 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. For FY 2011, available spaces were as follows: Short Term 1,706, Long Term A 1,959, Long Term B 2,129, Economy 3,660, Valet 1,151. For FY 2012, FY 2013 FY 2014, FY 2015 and 2016, available spaces were as follows: Short Term 2,369, Long Term A 2,060, Long Term B 2,124, Economy 3,690, Overflow 1,416, Valet 1,152. In FY 2016 However, during FY 2016 MNAA opened an Express Parking lot with 1,230 parking spaces.

Metropolitan Nashville Airport Authority Operating Expenses Analysis (000s)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Expenses:										
Salaries and wages	$ 35,205	$ 32,019	$ 30,602	$ 32,118	$ 30,744	$ 28,570	$ 28,057	$ 26,340	$ 23,690	$ 20,379
Contractual services	26,271	25,962	27,887	24,783	24,215	21,851	18,681	16,359	16,299	14,430
Supplies and materials	3,374	3,987	4,133	3,437	3,156	2,876	2,363	1,705	2,229	2,437
Utilities	5,945	6,256	5,888	5,971	6,115	6,318	5,910	6,231	5,537	4,409
Depreciation	37,224	36,535	35,773	35,648	33,001	29,680	25,883	25,152	20,425	18,121
Other	5,677	4,902	4,645	3,786	3,147	2,680	2,464	2,442	2,689	2,944
Total	**$113,696**	**$109,661**	**$108,928**	**$105,743**	**$100,378**	**$ 91,975**	**$ 83,358**	**$ 78,229**	**$ 70,869**	**$ 62,720**

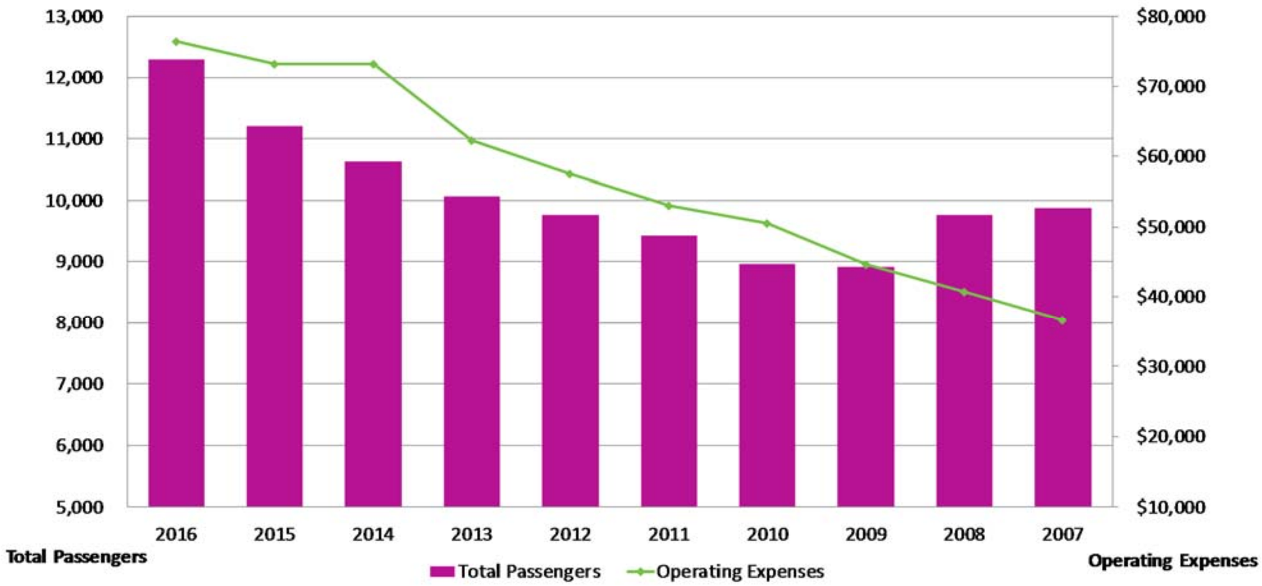
*** FY 2014 Salaries and wages has been restated due to implementation of GASB 68**

FY 2016 Operating Expenses before Provision for Depreciation



Costs associated with the Authority's closed pension program and other postemployment benefits ("OPEB") have decreased slightly. The unfunded liability for OPEB decreased ($48,780) in 2016 comparted to an increase of $226,926 in 2015, $1,020,425 in 2014, $4,011,455 in 2013, $4,636,773 in 2012 and $4,124,748 in 2011. Pension costs as a component of Salaries and Wages were $2,608,858 in 2011, $2,943,508 in 2012, $2,872,767 in 2013, originally $2,815,631 in 2014 as restated $1,916,154 in 2014 and $2,512,326 in 2015 and $3,944,669 in 2016. During 2015 the Authority recognized the adjustments for GASB 68 as related to the Pension plan. The effect on the FY 2014 Salary Expense from the GASB 68 adjustment was a decrease in the amount of $ 725,612.

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



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

	2016	%	2015	2014	2013	2012	2011	2010	2009	2008	2007
Land	$ 60,267,702	43.1%	$ 60,267,702	$ 60,291,397	$ 60,291,397	$ 60,291,397	$ 60,510,397	$ 60,994,397	$ 62,659,897	$ 62,659,897	$ 62,659,897
Land held for future expansion	36,701,068	26.2%	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	42,890,290	30.7%	62,125,107	36,845,372	20,469,818	14,275,669	113,187,969	90,428,596	32,813,869	48,447,956	46,276,385
Total capital assets not being depreciated	139,859,060	100.0%	159,093,877	133,837,837	117,462,283	111,268,134	210,399,434	188,124,061	132,174,834	147,808,921	145,637,350
Land improvements	541,464,084	57.9%	487,401,089	476,885,301	474,449,844	473,328,967	458,112,921	444,599,608	446,349,767	406,464,775	387,482,242
Buildings and building improvements	264,629,088	28.3%	258,305,083	255,460,891	254,508,281	253,445,668	183,122,322	161,692,621	171,150,808	156,272,307	127,250,001
Equipment, furniture and fixtures	129,795,510	13.9%	114,296,965	108,530,594	103,981,903	95,181,689	57,665,911	51,082,588	50,436,887	44,528,369	31,813,649
Total capital assets being depreciated	935,888,682	100.0%	860,003,137	840,876,786	832,940,028	821,956,324	698,901,154	657,374,817	667,937,462	607,265,451	546,545,892
Less accumulated depreciation	(539,922,435)	57.7%	(503,403,886)	(466,909,686)	(431,262,318)	(395,789,389)	(362,901,122)	(350,930,203)	(357,349,262)	(334,246,562)	(314,025,691)
Net capital assets	**$ 535,825,308**	**n/a**	**$ 515,693,128**	**$ 507,804,937**	**$ 519,139,993**	**$ 537,435,069**	**$ 546,399,466**	**$ 494,568,675**	**$ 442,763,034**	**$ 420,827,810**	**$ 378,157,551**

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

	2016	%	2015	2014	2013	2012	2011	2010	2009	2008	2007
Series 1993 Revenue Bonds	$ -	n/a	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 43,200,000
Series 1995 Revenue Bonds	-	n/a	-	-	-	-	-	38,265,000	42,775,000	46,875,000	50,600,000
Series 1998A Revenue Bonds	-	n/a	-	-	-	-	-	4,330,000	5,810,000	7,435,000	9,185,000
Series 1998C Revenue Bonds	-	n/a	-	-	-	-	-	16,190,000	18,150,000	20,010,000	21,770,000
Series 2001A Revenue Bonds	-	n/a	-	-	-	-	-	49,475,000	56,030,000	62,180,000	67,945,000
Series 2003 PFC Revenue Bonds	-	n/a	-	-	-	3,925,000	7,750,000	11,485,000	14,145,000	18,675,000	22,145,000
Series 2003B Revenue Bonds	14,785,000	4.7%	15,250,000	15,695,000	16,115,000	17,260,000	17,260,000	17,260,000	17,610,000	17,945,000	18,270,000
Series 2006 Revenue Bonds	-	n/a	-	-	-	-	-	-	-	-	18,285,000
Series 2008A Revenue Bonds	12,000,000	3.8%	12,200,000	12,400,000	12,500,000	12,600,000	19,300,000	25,700,000	31,800,000	37,600,000	-
Series 2008B Revenue Bonds	-	n/a	-	-	-	-	-	-	27,605,000	27,605,000	-
Series 2009A Revenue Bonds	20,040,000	6.4%	23,755,000	27,310,000	30,765,000	34,085,000	35,285,000	36,000,000	36,000,000	-	-
Series 2010A Revenue Bonds	7,525,000	2.4%	11,085,000	14,520,000	17,855,000	21,220,000	24,515,000	25,770,000	-	-	-
Series 2010 CONRAC Revenue Bonds	58,980,000	18.7%	61,070,000	62,975,000	64,720,000	66,300,000	66,300,000	66,300,000	-	-	-
Series 2010B Revenue Bonds	-	0.0%	16,475,000	31,965,000	46,545,000	60,410,000	70,400,000	-	-	-	-
Series 2010C Revenue Bonds	1,740,000	0.6%	4,340,000	7,145,000	10,155,000	13,365,000	16,170,000	-	-	-	-
Series 2015A Revenue Bonds	91,855,000	29.2%	-	-	-	-	-	-	-	-	-
Series 2015B Revenue Bonds	108,145,000	34.3%	-	-	-	-	-	-	-	-	-
Total Revenue Bonds	315,070,000	36.5%	144,175,000	172,010,000	198,655,000	229,165,000	256,980,000	290,775,000	249,925,000	238,325,000	251,400,000
Series 1999 Subordinated Note	-	n/a	-	-	-	-	-	-	-	-	409,553
Plus unamortized premium	26,648,869	n/a	787,902	2,207,486	3,627,071	5,046,652	6,466,233	1,945,321	180,568	-	-
Net Outstanding Debt	**$ 341,718,869**	**n/a**	**$ 144,962,902**	**$ 174,217,486**	**$ 202,282,071**	**$ 234,211,652**	**$ 263,446,233**	**$ 292,720,321**	**$ 250,105,568**	**$ 238,325,000**	**$ 251,809,553**
Enplanements	**6,141,092**	**n/a**	**5,604,148**	**5,311,799**	**5,037,975**	**4,883,374**	**4,724,974**	**4,487,336**	**4,460,962**	**4,880,360**	**4,938,191**
Net Outstanding Debt per Enplanement	**$ 55.64**	**n/a**	**$ 25.87**	**$ 32.80**	**$ 40.15**	**$ 47.96**	**$ 55.76**	**$ 65.23**	**$ 56.07**	**$ 48.83**	**$ 50.99**

Metropolitan Nashville Airport Authority Change in Net Position
As of June 30 for Each of the Years Presented

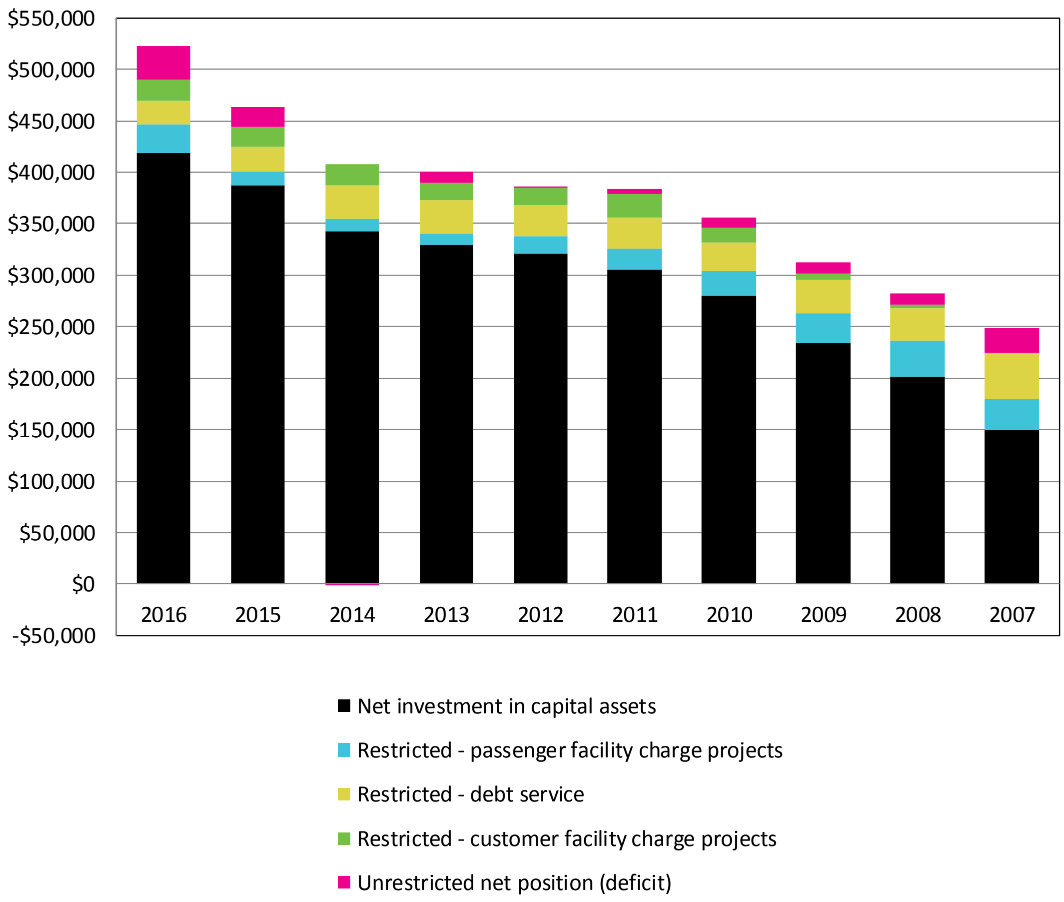
	2016	2015	(as restated) 2014	(as restated) 2013	2012	2011	2010	2009	2008	2007
Operating Revenues:										
Signatory Airline	$ 30,561,053	$ 39,414,175	$ 37,026,998	$ 29,373,222	$ 16,132,099	$ 25,305,820	$ 20,522,901	$ 17,017,714	$ 10,527,728	$ 13,116,169
Parking	41,889,907	38,725,346	36,258,325	34,020,205	32,467,762	29,743,911	26,768,620	28,174,733	30,405,023	27,794,482
Concession	25,453,862	22,873,310	21,520,372	19,490,760	18,220,104	16,609,629	16,511,983	16,558,935	17,164,513	16,631,319
Space Rental	12,324,959	11,989,094	11,045,009	10,308,115	9,545,208	9,804,161	9,938,642	10,077,305	11,050,944	10,135,718
Other	5,959,737	5,993,198	6,278,417	6,599,423	6,748,967	7,978,056	7,942,283	7,427,153	7,167,118	7,221,908
Total Operating Revenues	**116,189,518**	**118,995,122**	**112,129,122**	**99,791,725**	**83,114,140**	**89,441,577**	**81,684,429**	**79,255,840**	**76,315,326**	**74,899,596**
Operating Expenses:										
Salaries and wages	35,205,048	32,019,144	30,602,436	32,118,328	30,744,071	28,570,046	28,057,407	26,339,723	23,690,248	20,379,376
Contractual Services	26,270,995	25,962,137	27,886,714	24,783,144	24,214,616	21,851,020	18,680,783	16,358,604	16,299,124	14,430,214
Materials and Supplies	3,374,113	3,987,451	4,132,884	3,436,780	3,156,304	2,875,601	2,363,467	1,704,622	2,228,830	2,437,293
Utilities	5,944,858	6,255,942	5,887,708	5,970,579	6,115,153	6,317,661	5,909,708	6,231,268	5,537,335	4,408,582
Other	5,677,177	4,901,870	4,645,047	3,786,262	3,147,215	2,680,441	2,464,114	2,441,956	2,688,651	2,943,678
Total Operating Expenses	**76,472,191**	**73,126,544**	**73,154,789**	**70,095,093**	**67,377,359**	**62,294,769**	**57,475,479**	**53,076,173**	**50,444,188**	**44,599,143**
Provision for Depreciation	**37,223,834**	**36,534,617**	**35,773,468**	**35,648,323**	**33,000,622**	**29,679,570**	**25,882,986**	**25,151,547**	**20,424,563**	**18,121,419**
Nonoperating Revenues:										
Investment income	333,542	359,790	328,349	426,259	305,715	342,616	781,719	1,642,936	4,603,766	4,931,594
Passenger facility charges	23,735,979	15,703,411	13,502,385	13,262,426	12,522,227	13,300,248	15,494,672	11,480,154	12,836,344	13,237,806
Customer facility charges	12,956,481	11,692,265	10,825,490	10,307,062	10,090,579	9,074,716	7,911,785	7,648,876	4,259,428	-
Other nonoperating revenues	614,432	396,880	313,559	553,407	21,911	1,874,664	57,143	-	27,536	25,393
Total Nonoperating Revenues	**37,640,434**	**28,152,346**	**24,969,783**	**24,549,154**	**22,940,432**	**24,592,244**	**24,245,319**	**20,771,966**	**21,727,074**	**18,194,793**
Nonoperating Expenses:										
Debt-related expenses	8,874,244	7,610,829	9,000,146	10,231,288	10,281,744	11,854,314	17,458,092	14,509,709	14,799,964	14,345,493
Other nonoperating expenses	1,234,523	302,080	-	-	-	(1,138,286)	8,247,840	730,354	1,690,402	1,029,704
Total Nonoperating Expenses	**10,108,767**	**7,912,909**	**9,000,146**	**10,231,288**	**10,281,744**	**10,716,028**	**25,705,932**	**15,240,063**	**16,490,366**	**15,375,197**
Capital Contributions	**28,763,278**	**27,506,580**	**12,739,063**	**6,023,925**	**6,807,058**	**16,861,226**	**46,422,786**	**24,316,658**	**22,299,530**	**13,168,339**
Increase in Net Position	**58,788,439**	**57,079,979**	**31,909,565**	**14,390,100**	**2,201,905**	**28,204,680**	**43,288,137**	**30,876,681**	**32,982,813**	**28,166,969**
Total Net Position - End of Year	**$ 521,972,295**	**$ 463,183,856**	**$ 406,103,877**	**$ 374,194,312**	**$ 386,387,255**	**$ 384,185,350**	**$ 355,980,670**	**$ 312,692,533**	**$ 281,815,852**	**$ 248,833,039**

* Fiscal 2013 ending net position was restated in fiscal 2015 for the effects of the retrospective application of GASB Statement No. 68.

Metropolitan Nashville Airport Authority Net Position Analysis (000s)

	2016	2015	(as restated) 2014	(as restated) 2013	2012	2011	2010	2009	2008	2007
Net Position:										
Net investment in capital assets	$419,177	$387,595	$ 342,148	$ 329,877	$321,079	$305,011	$280,079	$233,509	$201,765	$149,834
Restricted - passenger facility charge projects	27,237	13,462	12,723	9,854	16,976	20,472	24,031	30,015	34,950	29,760
Restricted - debt service	22,869	23,812	32,634	32,690	29,886	30,061	28,097	32,431	31,049	45,117
Restricted - customer facility charge projects	20,849	19,285	20,444	17,775	17,125	23,106	14,097	6,189	4,244	-
Unrestricted net position (deficit)	31,841	19,030	(1,845)	10,581	1,321	5,535	9,677	10,549	9,808	24,122
Total	**$521,972**	**$463,184**	**$ 406,104**	**$ 374,194**	**$386,387**	**$384,185**	**$355,981**	**$312,693**	**$281,816**	**$248,833**

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



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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Description:										
Operating Revenue	$112,946	$115,755	$108,918	$96,693	$80,192	$86,749	$78,855	$76,435	$74,041	$74,541
Less Operating Expenses (net of non-cash items)*	(82,264)	(73,980)	(70,893)	(64,522)	(57,106)	(52,319)	(47,712)	(44,468)	(45,176)	(43,094)
Less Capital Items Funded with Operating Revenues	(1,715)	(13,536)	(5,184)	(4,018)	(2,473)	(2,656)	(2,449)	(1,476)	(1,922)	-
Change in Working Capital & Other Items	11,365	(3,770)	1,069	4,063	(723)	2,356	4,854	(8,344)	3,077	3,837
Add Investment Income	331	326	357	309	330	340	756	1,565	4,252	4,877
Add PFCs and CFCs	36,692	27,395	24,327	23,569	22,613	22,375	23,406	11,480	12,836	13,238
Add Cash Various Transfers	-	-	-	3,000	4,440	4,321	5,184	10,741	3,086	3,000
Add Transfer from CIF**	-	3,574	5,619	727	8,167	3,555	3,499	6,767	9,152	6,005
COVERAGE CASH FLOW	**$ 77,355**	**$ 55,764**	**$ 64,213**	**$ 59,821**	**$ 55,440**	**$ 64,721**	**$ 66,393**	**$ 52,700**	**$ 59,346**	**$ 62,404**
INTEREST	11,627	7,599	9,275	10,226	10,938	11,078	13,119	11,847	12,422	13,013
PRINCIPAL	13,265	29,105	27,835	26,645	30,510	27,815	27,805	26,170	23,420	22,594
TOTAL DEBT SERVICE***	24,892	36,704	37,110	36,871	41,448	38,893	40,924	38,017	35,842	35,607
DEBT SERVICE COVERAGE	**310.8%**	**151.9%**	**173.0%**	**162.2%**	**133.8%**	**166.4%**	**162.2%**	**138.6%**	**165.6%**	**175.3%**

*Pension expense and Other Post-Employment 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.

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Working Capital & Other Changes:										
Decrease (Increase) in:										
Accounts Receivable (incl PFC and CFC)	$ (1,368)	$ (1,136)	$ 175	$ 1,797	$ (949)	$ 3,207	$ (974)	$ (4,220)	$ 1,082	$ (306)
Receivables from Gov't Agencies	383	417	(1,356)	331	2,448	437	1,348	(3,237)	(1,033)	(736)
Inventory	40	(11)	83	48	(44)	(74)	(96)	21	12	(61)
Prepaid Expenses	135	(428)	(225)	(22)	(13)	(56)	116	320	(211)	39
Due to/from Other Airports	(656)	(995)	1,354	(75)	(46)	(1)	19	16	(21)	(14)
Increase (Decrease) in:										
Accounts Payable	12,064	(1,947)	735	1,629	(2,494)	(1,267)	3,370	(1,551)	3,241	4,299
Accrued Payroll	801	364	337	389	288	142	881	(555)	85	133
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)	(35)	(35)	(35)
(Appreciation)/Depreciation of Investments	-	-	-	-	-	2	87	(176)	(74)	491
Net proceeds from PP&E	-	-	-	-	121	-	137	1,072	30	26
Working Capital & Other Changes	**$ 11,365**	**$ (3,770)**	**$ 1,069**	**$ 4,063**	**$ (723)**	**$ 2,356**	**$ 4,854**	**$ (8,344)**	**$ 3,077**	**$ 3,837**

Nashville International Airport (only BNA for 2003B, 2008A, 2010B, 2010C Bonds)
Debt Service Coverage Analysis (000s)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Revenue	$ 112,946	$ 115,755	$ 108,918	$ 96,693	$ 80,192	$ 86,749	$ 78,855	$ 76,435	$ 74,041	$ 74,541
Less Operating Expenses (net of non-cash items)	(80,752)	(72,488)	(70,746)	(63,820)	(56,648)	(51,941)	(46,929)	(44,463)	(45,176)	(43,094)
Less Capital Items Funded with Operating Revenues	(1,715)	(13,536)	(5,184)	(4,018)	(2,473)	(2,656)	(2,449)	(1,476)	(1,922)	-
Change in Working Capital & Other Items	12,695	(3,452)	2,213	6,179	2,312	696	8,157	(10,868)	4,121	845
Add Investment Income	300	309	345	294	310	233	574	1,436	2,440	2,618
Add Various Transfers	-	-	-	3,000	-	-	3,000	6,940	3,000	3,000
Add Transfer from CIF*	-	3,574	5,619	727	8,167	3,555	3,499	6,767	9,152	6,005
COVERAGE CASH FLOW	**$ 43,474**	**$ 30,162**	**$ 41,165**	**$ 39,055**	**$ 31,860**	**$ 36,636**	**$ 44,707**	**$ 34,771**	**$ 45,656**	**$ 43,915**
INTEREST	6,672	2,246	3,527	4,033	4,485	4,572	8,497	9,629	11,729	12,147
PRINCIPAL	3,430	19,740	18,940	18,110	18,320	19,495	22,100	19,975	19,870	19,124
TOTAL DEBT SERVICE	10,102	21,986	22,467	22,143	22,805	24,067	30,597	29,604	31,599	31,271
DEBT SERVICE COVERAGE	**430.4%**	**137.2%**	**183.2%**	**176.4%**	**139.7%**	**152.2%**	**146.1%**	**117.5%**	**144.5%**	**140.4%**

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Passenger Facility Charges (net)	$ 23,736	$ 15,703	$ 13,502	$ 13,262	$ 12,522	$ 13,300	$ 15,495	$ 11,480	$ 12,836	$ 12,929
Less Operating Expenses	(12)	(17)	(9)	(10)	(63)	(142)	(509)	(5)	-	-
Add Various Transfers	-	-	-	-	4,440	4,321	2,184	3,801	86	-
Change in Working Capital & Other Items	150	(218)	(1,072)	(1,679)	(606)	1,270	(2,447)	2,524	(1,044)	2,992
Add Investment Income	10	5	4	-	5	17	121	129	1,812	2,259
COVERAGE CASH FLOW	**$ 23,884**	**$ 15,473**	**$ 12,425**	**$ 11,573**	**$ 16,298**	**$ 18,766**	**$ 14,844**	**$ 17,929**	**$ 13,690**	**$ 18,180**
INTEREST	1,282	1,594	1,918	2,290	2,550	2,581	3,098	2,218	693	866
PRINCIPAL	7,550	7,275	6,990	6,790	10,610	8,320	5,705	6,195	3,550	3,470
TOTAL DEBT SERVICE	8,832	8,869	8,908	9,080	13,160	10,901	8,803	8,413	4,243	4,336
DEBT SERVICE COVERAGE	**270.4%**	**174.5%**	**139.5%**	**127.5%**	**123.8%**	**172.1%**	**168.6%**	**213.1%**	**322.6%**	**419.3%**

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

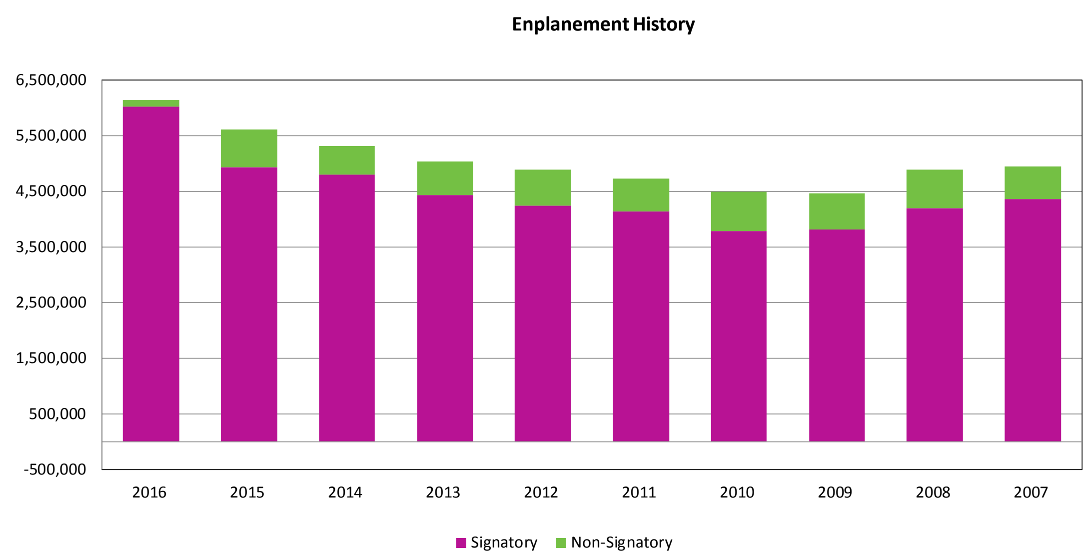
	2016	2015	2014	2013	2012	2011	2010
Customer Facility Charges	$ 12,956	$ 11,692	$ 10,825	$ 10,307	$ 10,091	$ 9,075	$ 7,912
Less Operating Expenses	(1,500)	(1,475)	(138)	(692)	(396)	(236)	(274)
Change in Working Capital & Other Items	(1,480)	(100)	(72)	(437)	(2,429)	391	(855)
Add Investment Income	21	12	8	15	15	91	61
COVERAGE CASH FLOW	**$ 9,997**	**$ 10,129**	**$ 10,623**	**$ 9,193**	**$ 7,281**	**$ 9,321**	**$ 6,844**
INTEREST	3,673	3,759	3,830	3,903	3,903	3,926	1,525
PRINCIPAL	2,285	2,090	1,905	1,745	1,580	-	-
TOTAL DEBT SERVICE	5,958	5,849	5,735	5,648	5,483	3,926	1,525
DEBT SERVICE COVERAGE	**167.8%**	**173.2%**	**185.2%**	**162.8%**	**132.8%**	**237.4%**	**448.8%**

Nashville International Airport Passenger Enplanements Market Share
as of July 1, 2015 the Authority entered into a new agreement.

	% of Total	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
SIGNATORY AIRLINES:											
Alaska Airlines	0.7%	41,233	-	-	-	-	-	-	-	-	-
American Airlines (A)	18.8%	1,156,141	454,897	460,153	430,900	381,231	413,028	440,120	485,037	569,878	537,270
American Eagle (A)	0.0%	-	218,520	280,860	282,113	279,504	208,880	201,322	158,588	143,476	139,338
Continental Express d/b/a ExpressJet (B)	0.0%	-	223,995	324,175	285,903	173,929	153,341	156,856	166,732	211,931	214,507
Delta Air Lines Inc. (B)	15.1%	926,454	623,480	552,169	444,584	412,008	381,859	277,740	170,821	186,493	276,209
Frontier Airlines	0.0%		81,596	94,385	89,549	125,423	115,004	108,283	112,954	121,853	120,921
Jet Blue	0.4%	22,570	-	-	-	-	-	-	-	-	-
Northwest Airlines Inc.	0.0%	-	-	-	-	-	-	-	170,974	220,949	306,451
Southwest Airlines	55.8%	3,426,391	3,114,815	2,879,200	2,723,295	2,643,725	2,619,094	2,400,069	2,341,657	2,474,183	2,435,801
United Airlines/Comair (C)	7.3%	448,396	6,400	115	2,994	31,750	77,136	56,844	35,327	81,958	106,866
US Airways (A)	0.0%	-	202,656	200,169	165,577	191,640	173,905	147,033	177,989	184,660	216,102
Sub Total	98.0%	6,021,185	4,926,359	4,791,226	4,424,915	4,239,210	4,142,247	3,788,267	3,820,079	4,195,381	4,353,465

MNAA entered into a new agreement with the airlines beginning July 1, 2015. Only major carriers are Signatory and subsidiary carrier activity will be consolidated under the Signatory carrier beginning FY 2016. Some previously Non-Signatory carriers now fly consolidated under multiple Signatory carriers. American Affiliates (A); Delta Affiliates (B), United Affiliates (C).

	% of Total	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NON-SIGNATORY AIRLINES:											
Air Canada d/b/a Jazz Air	0.0%	371	229	18,558	19,234	18,053	17,874	17,762	19,025	21,138	19,471
Air Georgian dba Air Canada	0.5%	29,589	26,056	4,542	-	-	-	-	-	-	-
Air Wisconsin (A)	0.0%	-	75,888	49,802	64,339	36,560	31,531	59,220	55,347	47,476	50,069
American Connection/Chautauqua	0.0%	-	-	-	-	-	-	5,236	21,222	14,211	21,899
Astral Aviation d/b/a Skyway	0.0%	-	-	-	-	-	-	10,152	26,139	27,387	22,097
Continental Airlines	0.0%	-	-	-	-	880	297	273	696	288	110
Delta/Chautauqua	0.0%	-	-	546	168	3,396	5,503	12,006	38,463	39,816	36,306
JetBlue Airways	0.0%				-	-	-	-	-	40,219	65,273
Frontier Airlines	1.2%	71,840	-	-	-	-	-	-	-	-	-
Mesa Airlines (A)	0.0%		43,348	47,608	70,822	48,693	63,566	97,023	75,315	94,816	207,224
Regionsair Inc.	0.0%	-	-	-	-	-	-	-	-	-	229
Republic	0.0%	-	77,117	69,823	41,761	65,239	63,933	59,370	45,458	53,616	26,104
US Air d/b/a US Air Express	0.0%	-	-	-	-	-	-	-	-	-	49
Various/Trans State Airlines (A)	0.0%	-	26,324	-	25,962	27,849	18,120	26,659	41,586	59,315	42,673
United/Skywest (C)	0.0%	-	37,261	-	433	6,861	29,434	58,021	72,035	67,357	44,788
All Others (includes Charters)	0.3%	18,107	391,566	329,916	390,341	436,633	352,469	353,347	245,597	219,340	48,434
Sub Total	2.0%	119,907	677,789	520,795	613,060	644,164	582,727	699,069	640,883	684,979	584,726
TOTAL	**100.0%**	**6,141,092**	**5,604,148**	**5,312,021**	**5,037,975**	**4,883,374**	**4,724,974**	**4,487,336**	**4,460,962**	**4,880,360**	**4,938,191**



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

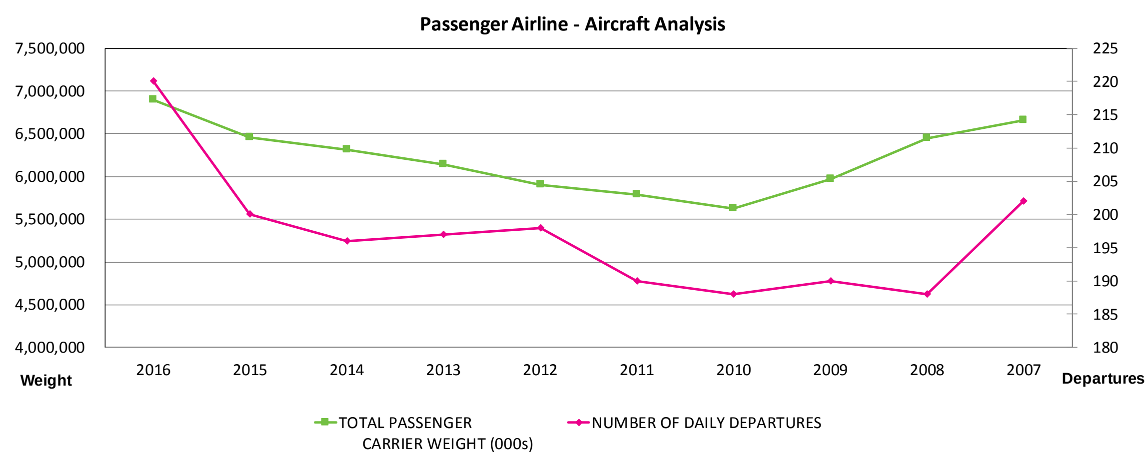
Nashville International Airport Passenger Airline Landed Weights (000's)

	% of Total	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
SIGNATORY AIRLINES:											
Alsaka Airlines	0.6%	43,248	-	-	-	-	-	-	-	-	-
American Airlines (A)	19.3%	1,332,377	523,970	518,096	516,356	426,041	524,980	545,126	649,016	689,632	655,872
American Eagle (A)	0.0%	-	261,251	334,087	359,788	361,390	250,201	256,929	208,495	187,228	183,165
Continental Express d/b/a ExpressJet (B)	0.0%	-	219,248	325,905	295,511	175,644	170,289	161,622	178,362	213,733	217,946
Delta Air Lines Inc. (B)	15.2%	1,051,357	693,222	650,841	538,467	487,302	463,462	235,775	215,579	220,001	332,566
Frontier Airlines	0.0%	-	85,862	98,132	96,648	140,569	138,158	136,647	140,062	150,367	156,727
JetBlue	0.3%	23,986	-	-	-	-	-	-	-	-	-
Northwest Airlines Inc.	0.0%			-	-	-	-	113,227	217,913	262,432	390,255
Southwest Airlines	55.2%	3,807,965	3,600,935	3,468,480	3,343,472	3,274,838	3,256,494	3,099,020	3,320,830	3,612,516	3,585,140
United Airlines/Comair (C)	6.9%	485,586	15,306	1,887	4,976	38,451	93,016	68,557	45,394	98,618	132,699
US Airways A)	0.0%	-	230,945	251,464	202,766	229,524	226,543	194,337	226,038	229,737	286,557
Sub Total	97.8%	6,744,519	5,630,739	5,648,892	5,357,984	5,133,759	5,123,143	4,811,240	5,201,689	5,664,264	5,940,927

MNAA entered into a new agreement with the airlines beginning July 1, 2015. Only major carriers are Signatory and subsidiary carrier activity will be consolidated under the Signatory carrier beginning FY 2016. Some previously Non-Signatory carriers now fly consolidated under multiple Signatory carriers. American Affiliates (A); Delta Affiliates (B), United Affiliates (C).

	% of Total	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NON-SIGNATORY AIRLINES:											
Air Canada d/b/a Jazz Air	0.0%	2,583	2,111	25,304	33,760	28,618	28,905	29,704	30,390	29,845	28,848
Air Georgian dba Air Canada	0.5%	33,506	30,759	4,740	-	-	-	-	-	-	-
Air Wisconsin (A)	0.0%	-	85,865	55,225	72,662	42,582	35,438	69,231	76,469	67,210	64,719
Express Jet/Delta (B)	0.0%	-	57,364	83,788	88,227	111,302	83,119	111,111	70,799	62,189	-
Branson Air Express	0.0%	-	-	-	-	-	1,940	573	-	-	-
Continental Airlines	0.0%	-	-	-	-	3,568	1,134	1,396	2,126	960	640
Compass Airlines (B)	0.0%	-	2,296	24,437	47,283	25,445	63,789	58,583	52,730	36,551	-
Delta, Midwest Connect)	0.0%	-	85	4,617	3,077	3,574	4,170	46,980	73,686	64,706	74,438
Express Jet/United Express (C)	0.0%	-	-	-	-	90,106	91,151	26,296	-	-	-
Frontier Airlines	1.0%	70,424	-	-	-	-	-	-	-	-	-
JetBlue Airways	0.0%	-	-	-	-	-	-	-	-	53,009	87,962
Mesa Airlines	0.0%	-	45,879	48,918	75,699	51,517	67,808	110,697	81,258	120,438	232,618
Pinnacle/Endeavor Airlines	0.0%	-	107,398	117,366	116,432	75,435	76,510	104,098	106,474	69,490	28,858
Republic	0.0%	-	183,157	92,102	55,122	78,253	70,635	65,566	49,314	65,171	38,655
Regionsair	0.0%	-	-	-	-	-	-	-	-	-	375
Skyway	0.0%	-	-	-	-	-	-	15,795	43,193	38,778	30,046
Trans States Airlines	0.0%	-	25,662	84	25,572	27,520	18,126	28,593	49,484	24,423	56,697
SkyWest	0.0%	-	157,259	129,226	149,781	129,188	72,522	111,077	81,313	108,687	60,141
All Others (includes charters)	0.6%	46,700	124,323	82,701	114,095	101,752	49,709	31,107	53,511	43,654	13,927
Sub Total	2.2%	153,213	822,158	668,508	782,431	768,860	664,956	810,807	770,747	785,111	717,924
TOTAL PASSENGER CARRIER WEIGHT (000s)	**100.0%**	**6,897,732**	**6,452,897**	**6,317,400**	**6,140,415**	**5,902,619**	**5,788,099**	**5,622,047**	**5,972,436**	**6,449,375**	**6,658,851**
CARGO & MISC CARRIER WEIGHT (000s)		305,642	304,279	300,986	261,389	244,138	250,181	253,646	459,433	555,378	520,621
TOTAL WEIGHT ALL AIRCRAFT (000s)		**7,203,374**	**6,757,176**	**6,618,386**	**6,401,804**	**6,146,757**	**6,038,280**	**5,875,693**	**6,431,869**	**7,004,753**	**7,179,472**
% PASSENGER CARRIER WEIGHT		**96%**	**95%**	**95%**	**96%**	**96%**	**96%**	**96%**	**93%**	**92%**	**93%**

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.



Metropolitan Nashville Airport Authority Aircraft Activity

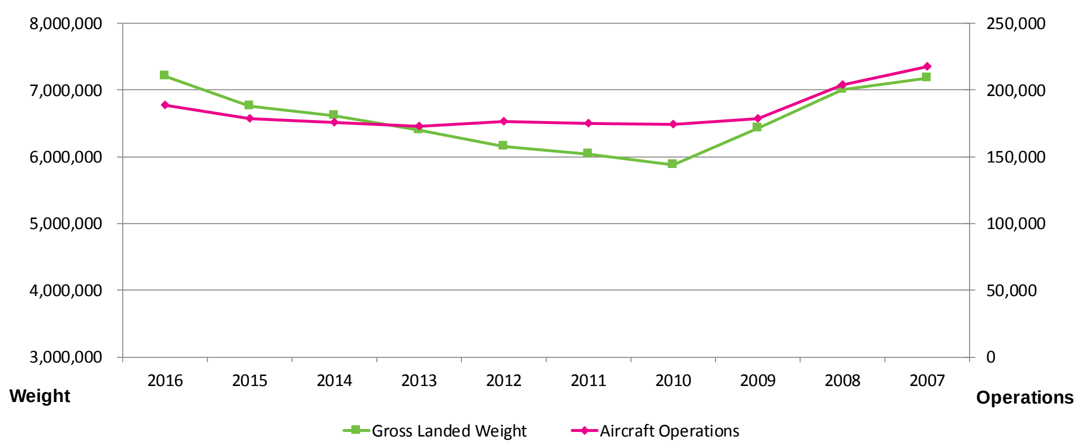
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Daily Departures	**220**	**200**	**196**	**197**	**198**	**190**	**188**	**190**	**188**	**202**

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Aircraft Operations:										
Cargo Carrier	2,880	2,702	2,288	2,064	2,462	2,526	2,360	3,080	3,750	4,380
Charter Carrier (all)	-	-	-	26	20	8	6	18	20	-
General Aviation	35,428	32,861	30,947	28,631	29,902	27,979	27,275	29,511	38,441	44,792
General Aviation Air Taxi	33,338	37,261	46,021	48,609	51,275	55,334	57,381	54,297	61,583	68,086
Mainline Carrier	73,998	68,087	60,402	53,289	50,235	50,883	42,621	50,610	55,661	47,880
Military Aircraft	4,219	2,901	1,782	1,942	3,332	3,612	4,123	3,853	3,102	3,186
Regional Carrier	38,891	34,920	33,912	38,200	38,834	34,256	40,402	37,362	41,333	49,237
Total Aircraft Operations	**188,754**	**178,732**	**175,352**	**172,761**	**176,060**	**174,598**	**174,168**	**178,731**	**203,890**	**217,561**
Gross Landed Weight (000s)										
Cargo Carrier	305,642	304,279	300,986	262,110	242,987	250,181	253,646	459,433	506,955	520,620
Charter Carrier (all)	33,325	27,548	16,761	16,078	6,766	6,552	1,266	1,428	2,455	-
Mainline Carrier	6,744,519	5,630,738	5,648,894	5,357,984	5,133,758	5,123,142	4,811,240	5,201,689	5,664,264	5,940,927
Military Aircraft	-	-	-	-	-	-	-	-	-	-
Regional Carrier	119,888	794,611	651,746	765,632	763,242	659,907	805,923	769,319	831,079	717,925
Total Gross Landed Weight	**7,203,374**	**6,757,176**	**6,618,387**	**6,401,804**	**6,146,753**	**6,039,782**	**5,872,075**	**6,431,869**	**7,004,753**	**7,179,472**

Differences between total gross landed weight summarized here and carrier-specific activity are attributable to adjustments made during the year. 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.

Aircraft Operations and Gross Landed Weight (000s)



	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Cargo (tons):										
Air Mail	601	163	-	1	1	2	8	18	459	543
Air Freight	6,905	3,151	3,095	3,231	6,403	3,467	7,851	8,319	6,912	6,174
Air Cargo - Domestic	32,670	13,749	14,999	16,056	36,445	17,177	36,162	33,914	38,230	38,040
Air Cargo - International	-	-	-	-	-	-	2,321	23,381	33,665	30,164
Total Cargo	**40,176**	**17,063**	**18,094**	**19,288**	**42,849**	**20,646**	**46,342**	**65,632**	**79,266**	**74,921**

Major Tenants at Nashville International Airport and John C. Tune Airport

Signatory Carriers:
Alaska Airlines
American Airlines (A)
Delta Air Lines (B)
JetBlue
Southwest Airlines
United Airlines (C)

Signatory Affiliate Carriers:*
Air Wisconsin (A)
Endeavor Air (B)
Envoy (A)
ExpressJet (Multiple)
GoJet Airlines (Multiple)
Mesa Airlines (A)
Republic Airways (Multiple)
Shuttle America (Multiple)
SkyWest Airlines (Multiple)
TransStates Airlines (Multiple)

Non-signatory Carriers:
AeroMexico
Air Georgian
Boutique Air
Contour Airlines
Frontier Airlines
Sun Country
Sunwing
Swift Air
WestJet Encore
Xtra Airways

Signatory Cargo Carriers:
Federal Express

Non-signatory Cargo Carriers:
Air General, Inc
Air Transport Int'l.
Airborne Express
CSA
DHL
Mountain Air Cargo

Fixed-base Operators:
Atlantic Aviation
Signature Flight Support

Other Airport Tenants:
Above and Beyond
Aeronautical Radio / Rockwell Collins
Aerovision
Aircraft Services International
Airline Maint. Svcs
AMD Freight
Embraer Aircraft Maintenance
Federal Aviation Administration
Genesco, Inc
Marisol
Metro Air Services
Metro Government
Mid South Express
Miller Transport
Monell's at the Manor
State of Tennessee
Swissport
TN Aeronautics Commission
TN Dept of Transportation
US Customs Border Patrol
US DEA
US Govt Weather Service
US Postal Service

Other Terminal Tenants:
24 Hour Flower
CareHere Medical Clinic
Clear Channel Airports
CTN Superior Shine
Delaware North (Food & Beverage Concession)
Fifth Third Bank
First Class Seats
Gaylord Opryland Resort
Graycliff
Green Bean Coffee Company
HMSHost (Food & Beverage Concession)
Hudson Group (News & Gift Concession)
In Motion
Jarmon Limousine
Massage Bar Inc
Morpho Trust (TSA Pre)
Nashville Nails
New Zoom Systems
Security Point Media
Smarte Carte
SunTrust Bank
TSA
Vino Volo
Wright Business Center

Vehicle Parking:
Standard Parking Plus
ABM Parking

Private Hangar Rentals:
Nashville Hangar
Owl Hill Holdings
SATA, Inc.
Skywest (Hangar 14)
TMC Under Construction Now

Rental Car:
Avis
Advantage Car Rental
Budget
Dollar
Enterprise
Hertz
Thrifty
Payless
Vanguard (Alamo/National)
ZipCar
EZ Rent A Car

Ground Transportation:
Hotel Shuttles
Taxicab Companies
Limousine Companies
TNC's (Uber, Lyft)

Ground Handlers:
Dynair/Swissport
Airport Terminal Services (ATS)
Delta Global Services (DGS)

Tenants at John C. Tune Airport:
Corporate Flight Management
Helistar
Plane Hangar
Pratts Hangar

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Metropolitan Nashville Airport Authority Staffing - Full-time Equivalents

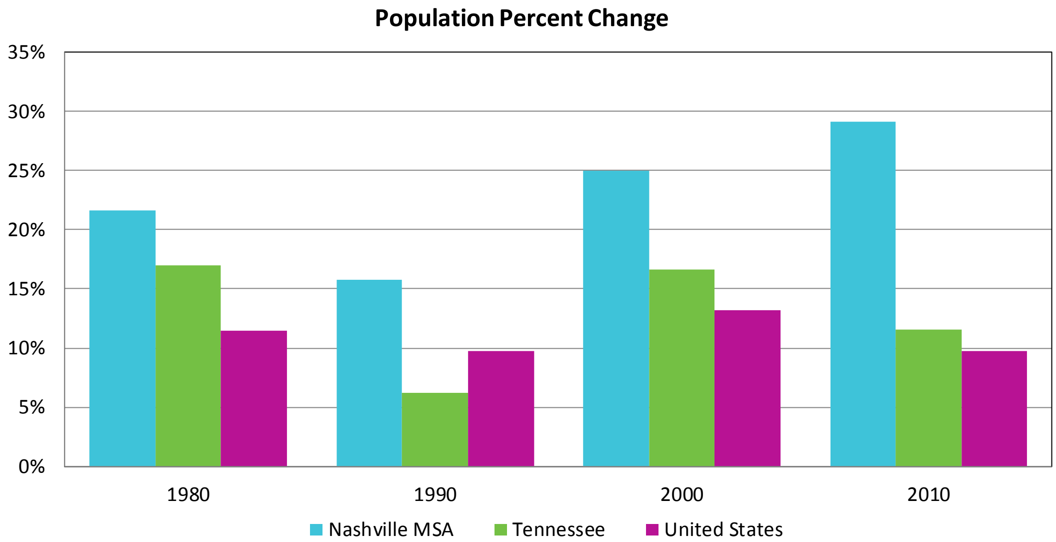
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Administration	89.5	89.5	96.5	90.5	91.5	96.2	94.5	92.5	90.5	91.0
Engineering & Maintenance	72.0	72.0	76.0	72.5	74.5	71.3	70.0	67.0	68.0	75.0
Operations, Safety, Security	125.5	127	129	117.5	120.5	109.5	107.5	111.0	114.0	121.5
Total Authority Full-time Equivalents	**287.0**	**288.5**	**301.5**	**280.5**	**286.5**	**277.0**	**272.0**	**270.5**	**272.5**	**287.5**

Note: Staffing levels represent fulltime 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
2010	1,589,934	6,346,105	308,745,538

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



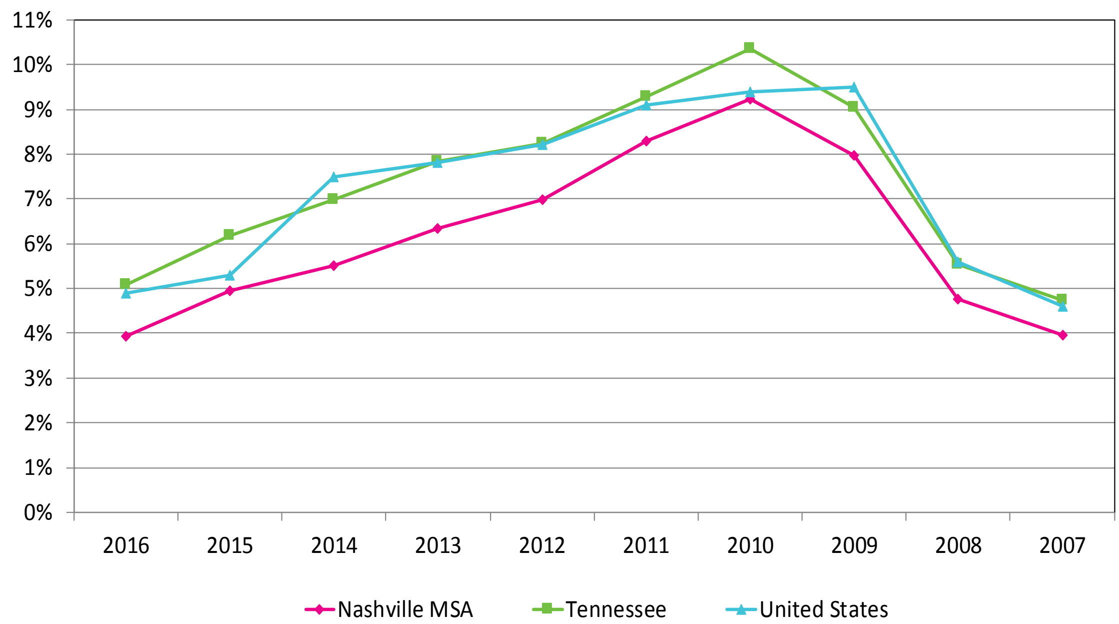
Nashville Metropolitan Statistical Area* Average Unemployment Rate

Year	Nashville MSA	Tennessee	United States
2016	3.94%	5.07%	4.90%
2015	4.96%	6.17%	5.30%
2014	5.51%	6.97%	7.50%
2013	6.35%	7.85%	7.80%
2012	6.98%	8.23%	8.20%
2011	8.28%	9.28%	9.10%
2010	9.24%	10.35%	9.40%
2009	7.96%	9.03%	9.50%
2008	4.77%	5.54%	5.60%
2007	3.97%	4.72%	4.60%

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

Source: U.S Bureau of Labor Statistics (http://data.bls.gov)

Average Unemployment Rates



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

2015	Staff	Employer	Headquarters	2014	Staff
1	38,375	State of Tennessee	Nashville	1	38,341
2	24,719	Vanderbilt University and Medical Center	Nashville	2	22,105
3	12,225	U.S. Government	Washington	3	12,179
4	10,900	Nissan North America, Inc.	Franklin	5	10,050
5	10,120	Metropolitan Nashville-Davidson County Public Schools	Nashville	4	10,120
6	8,700	Metropolitan Government of Nashville and Davidson County	Nashville	6	8,700
7	7,100	Saint Thomas Health Service	Nashville	7	7,000
8	7,000	HCA, Inc.	Nashville	7	7,000
10	5,505	Rutherford County Govemment	Murfreesboro	9	5,505
9	5,900	Williamson County Public Schools and County Govemment	Franklin	10	4,735
11	4,307	Sumner County Government and Public Schools	Gallatin	11	4,307
12	4,300	Community Health Systems, Inc.	Franklin	18	2,800
13	4,175	Asurion	Nashville	NR	NR
14	4,100	Randstad Work Solutions	Atlanta GA	13	3,785
15	3,900	Clarksville-Montgomery County School System	Clarksville	12	3,900
16	3,173	The Kroger Co.	Cincinnati, OH	19	2,554
17	3,100	National HealthCare Corporation	Murfreesboro	16	3,000
18	3,012	Cracker Barrel Old Country Store, Inc.	Lebanon	14	3,012
19	3,000	Shoney's, Inc.	Nashville	15	3,000
20	2,900	Electrolux Home Products of North America	Charlotte, NC	17	2,900
21	2,891	Lowe's Cos. Inc	Mooresville, N.C.	20	2,440
22	2,500	Gaylord Opryland Resort & Convention Center	Nashville	NR	NR
23	2,250	Amazon	Seattle, WA	25	1,900
24	2,171	Middle Tennessee State University	Murfreesboro	21	2,205
25	2,050	Dollar General Corporation	Goodlettsville	23	2,000

*Ranked by number of Middle Tennessee employees as of July 3, 2015.

Source: Nashville Business Joumal's Book of Lists 2015-16 (nashville.bizjournals.com)

Middle Tennessee Top 25 Public Companies**

2015	2014	Employer	Headquarters
1	1	HCA Holdings, Inc.	Nashville
2	3	Community Health Systems, Inc.	Franklin
3	2	Dollar General Corporation	Goodlettsville
4	4	Delek US Holdings, Inc.	Brentwood
5	5	Tractor Supply Co.	Brentwood
6	6	Lifepoint Hospitals, Inc.	Brentwood
7	7	Brookdale Senior Living Co.	Brentwood
8	9	Genesco, Inc.	Nashville
9	8	Cracker Barrel Old Country Store, Inc.	Lebanon
10	10	Louisiana-Pacific Corporation	Nashville
11	11	Corrections Corporation of America	Nashville
12	14	Amsurg Corporation	Nashville
13	13	Clarcor, Inc.	Franklin
14	12	Noranda Aluminum Holding Corporation	Franklin
15	15	Ryman Hospitality Properties	Nashville
16	18	Acadia Healthcare Co, Inc.	Franklin
17	17	National HealthCare Corporation	Murfreesboro
18	16	Delek Logistics Partners	Brentwood
19	19	Healthways, Inc.	Franklin
20	20	Kirkland's, Inc.	Nashville
21	21	Healthcare Realty Trust, Inc.	Nashville
22	22	Diversicare Healthcare Services, Inc	Brentwood
23	23	First Acceptance Corp	Nashville
24	24	Pinnacle Financial Partners, Inc	Nashville
25	NR	National Health Investors Inc.	Murfreesboro
25	25	HealthStream Inc.	Nashville

**Ranked by Revenue (Published June, 20, 2015)

Source: Nashville Business Journal's Book of Lists 2015-16 (nashville.bizjournals.com)

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