

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



FISCAL YEAR 2018

For the Fiscal Years Ended
June 30, 2018 and 2017



Metropolitan Nashville Airport Authority™

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

PREPARED BY THE FINANCE DEPARTMENT

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INTRODUCTORY SECTION

**METROPOLITAN NASHVILLE AIRPORT AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

This section contains the following subsections:

Letter of Transmittal

Board of Commissioners and Executive Staff

Organization Chart

Certificate of Achievement for Excellence in Financial Reporting



Metropolitan Nashville Airport AuthoritySM

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

November 26, 2018

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, 2018, 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 is accurate in all material respects and is 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); setting rates and charges for airlines; and setting rates for all 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 332 positions for fiscal year 2018. Authority staff is actively engaged with many trade and community organizations, often receiving awards and serving in leadership positions.

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 Agreement was effective retroactively to July 1, 2015. This Agreement was substantially different from and replaced the Authority's Prior Amended and Restated Lease Amendments (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 Notes to Financial Statements provide additional information about the New Airline Agreements in Note 13, Airline Lease Agreements.

LETTER OF TRANSMITTAL

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, 2018 and 2017 were \$900,000 and \$1,698,000, respectively. For more detailed information concerning the Authority's cash and investments, refer to Note 4, Cash and Cash Equivalents and Investments, of 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. To protect the Authority's exposure to loss, MNAA maintains various lines of insurance, including a \$600 million general liability policy with self-insured retention of \$5,000 per occurrence and a \$25,000 annual aggregate deductible. Additionally, real and personal property is insured with a limit of \$1 billion, subject various deductibles depending on the type of loss. 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.

With the dramatic increase in capital projects to be undertaken, MNAA also looked to methods to insure its liabilities from third-party bodily injury and property damage accidents that may result from numerous contractors and subcontractors that will be working on our premises. Effective April 1, 2017, MNAA placed a General Liability Owner Controlled Insurance Program (OCIP) into effect that provides \$102 million per occurrence and \$104 million in aggregate liability protection for projects the Authority chooses to include in the OCIP. In exchange, the bidding contractors are required to remove their own costs for General Liability and Excess or Umbrella coverages from their bids to perform this work, since they are insureds under the OCIP for enrolled projects.

ECONOMIC CONDITIONS AND OUTLOOK OF THE METROPOLITAN STATISTICAL AREA (MSA)

Nashville International Airport experienced significant growth again in fiscal year 2018 with approximately 14.9 million passengers served and approximately 7.5 million enplanements. The airport continued a trend of solid enplanement growth, with percentage increases of 10 percent and 10.6 percent for fiscal years 2018 and 2017, making BNA one of the fastest-growing airports in the United States.

The region continued to experience strong economic growth in fiscal year 2018, 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 2018**”. Nashville consistently ranks high in this annual ranking, holding the top spot in 2012, No. 6 in 2013, No. 5 in 2014, and No. 3 in 2016 and No. 3 in 2018.

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 conventioners and tourists alike, as well as a great place to work, live, and raise a family. A few of Nashville's more recent accolades follow.



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



#1 Metro Area for Professional and Business Service Jobs

Forbes

Forbes analyzed which metropolitan areas are gaining the most professional and business services jobs and the trends that are driving some to pull ahead while others fade. The rankings look at employment in the sector over time. Since 2011, Nashville's job count in professional and business services has expanded a remarkable 42.6 percent to 160,300, the highest growth rate of any major metropolitan area. Management and technical consulting, architecture and related services have led this growth.

Nashville #1 fastest-growing large metro of 2017

Headlight Data

Recently released data from the U.S. Bureau of Labor Statistics illuminates which large metros have the fastest growing economies. Growth is measured by the percentage change in employment between the annual average of 2016 and 2017. Among large metros, the highest growth is found in Nashville (3.5 percent).

Top 20 Happiest Cities to Work in Right Now

Forbes

This ranking, based on work-life balance, employee relationships, work environment, average compensation, opportunities for career advancement, company culture and resources, places Nashville in the top 20 happiest cities to work in.

Nashville Named Major Market of the Year for 2017

Southern Business & Development

Southern Business & Development Magazine ranks states and peer group markets based on the capture of projects announced in the South meeting or exceeding 200 jobs and/or \$30 million in investments. The SB&D 100 (the 24th annual) ranks each state and market through points earned based on the capital investment, jobs and the size of each project captured. Nashville earned "Major Market of the Year" for 2017 for its performance in calendar year 2016 with 165 points. The second highest ranking metro received 105 points.

Top Cities Americans are Moving to

Realtor.com

Realtor.com compiled data ranking some of the country's fastest-growing metropolitan regions. Nashville ranked fourth overall in their migration ranking with a moving in vs. moving out ration of 1.23 from 2010-2014. The top three sources of migration during this period were Memphis, TN, Knoxville, TN and Atlanta, GA.

Nashville's High Notes

<http://www.visitmusiccity.com/visitors/aboutmusiccity/rankings>.



NATIONAL GEOGRAPHIC TRAVELLER U.K.'S **THE COOL LIST INCLUDED NASHVILLE.**

(December 2017)



NASHVILLE WAS NAMED ONE OF THE **33 TRIPS EVERYONE SHOULD TAKE IN THE US IN 2018 BY BUSINESS INSIDER.**

(November 2017)



NASHVILLE WAS LISTED IN TRAVELOCITY'S **BEST PLACES TO TRAVEL IN 2018 ROUNDUP.**

(December 2017)

- CVENT ranked Nashville as #7 on their list of [Top 50 Meeting Destinations in the United States](#). *(July 2018)*
- CNN's [Best Places to Watch Fireworks on July 4th](#) included Let Freedom Sing! Music City July 4th in Nashville. *(June 2018)*
- Nashville was named one of [America's Best Cities for Beer and Brewery Tours](#), and one of the [10 Best Foodie Vacations in America](#) by TripAdvisor. *(June 2018)*
- U.S. News & World Report named Nashville #4 on [Best Summer Vacations in the U.S.A.](#) and #7 on [Best Summer Vacations](#). *(April 2018)*
- Nashville was named at the top of the list of [Best Places to Go in 2018](#) by Condé Nast Traveler on Megyn Kelly TODAY. *(January 2018)*
- Nashville was listed in Thrillist's roundup of [The 18 Best Places For A Big Trip In 2018](#). *(January 2018)*
- HuffPost UK named Nashville [The Hottest Travel Destination of 2018](#). *(January 2018)*
- TripAdvisor named Nashville as one of the [30 Top USA Cities to Visit in 2018](#). *(January 2018)* [The 18 Best Holiday Ideas for 2018](#) by The Times (UK) listed Nashville. *(January 2018)*



In September 2017, The Nashville Area Chamber of Commerce awarded MNA A a 2017 Regional Impact Award. MNA A was recognized for its efforts in economic inclusion and international business.

In October 2017, Nashville International Airport (BNA) and Arts at the Airport Curator and Consultant Mary Grissim received Star Awards from American Craft Week (ACW) for their work with ACW and the Tennessee Craft organization. BNA received a Star Award for Exceptional Public Sector Support and was the only U.S. airport to be recognized. Mary Grissim received the Most Energizing Advocate Award.

Also, in October 2017, The Nashville Minority Business Center honored MNA A with the 2017 MEDWeek Corporate Sponsor Award for our continued commitment and support of the Center. Minority Enterprise Development Week (MEDWeek) is an annual national celebration in recognition of the contributions made by minority businesses to the nation's economy.

In January 2018, BNA's live music and visual arts programs received praise from Trip Advisor's Seat Guru in a recent article, "Airports With Unique Attractions for While You Wait." Nashville is known as Music City and its airport pays homage to that legacy with an expansive live music schedule that encompasses some 700 performances per year spread out over six terminal-based stages. Though Nashville is most famous for its country and bluegrass acts, the airport showcases all genres. There are also rotating art exhibits throughout BNA that give fresh talents an opportunity to share their creations and weary travelers a much-needed dose of culture between flights.

In February 2018, MNA A was Recognized for Outstanding GIS Work. MNA A has been selected to receive a Special Achievement in GIS (SAG) Award at the 2018 Esri User Conference in July. This award is given to user sites around the world to recognize outstanding work with GIS technology. MNA A was selected from more than 100,000 GIS user sites.

In March 2018, MNA A was named to Cheapism.com's list of "The 16 Most Passenger-Friendly Airports in the WORLD." One of only four U.S. airports on the list!

2017 North American Airport Traffic Rankings:

1.86 Billion Passengers – More than 5 times the combined U.S. and Canadian population arrived at or departed from North America's Airports.

33.1 Million Metric Tonnes Air Cargo – Total air cargo handled in North America weight over 5 times the Great Pyramid of Giza.

31.8 Million Aircraft movements – By the time you finish reading this sentence, 6 aircraft would have taken off or landed in North America.

LETTER OF TRANSMITTAL

In June 2018, MNAA staff and the Board of Commissioners were joined by Nashville Mayor David Briley, for the ground breaking on BNA's new Concourse D. The project is part of BNA Vision, the airport's dynamic growth and expansion plan. The 115,000-square-foot Concourse D will feature six domestic aircraft gates and a variety of new dining and retail options. In addition to the new concourse, the project entails expanding the airport's Ticketing Lobby and Baggage Claim by adding 200,000 square feet of space to the north and south ends of the terminal. Other components of the project include remodeling 136,000 square feet of existing terminal space and building an 11,000-square-foot central utility plant. The Concourse D project is set for completion in summer 2020.

Fiscal years 2018 and 2017 saw unemployment rates continue to decrease from their peak in 2010. As of June 30, 2018, the unemployment rate was 2.71 percent for the Nashville – Davidson – Murfreesboro – Metropolitan Statistical Area (Nashville MSA) compared with 3.45 percent for Tennessee, and 3.93 percent 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, 2014 - 2018 were as follows:

	Nashville MSA	Tennessee	United States
June 30, 2018	2.71%	3.45%	3.93%
June 30, 2017	3.30%	4.20%	4.52%
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%

In fiscal year 2018, Nashville maintained its A+ and A1 ratings from Standard & Poor's and Moody's rating services, respectively. In 2017, Moody's revised the outlook for general airport revenue bonds (GARB) to positive from stable and also upgraded the Authority's special facility bonds to A2 from A3 with a "stable" outlook. In making their decisions, Moody's cited strong parking growth well above 2015 bond issue projections, strong economic fundamentals of the service area, and growing and unique tourism attractions that drive destination passengers. Moody's further noted the strong growth in rental car transaction days that resulted in higher-than-expected debt service coverage and accumulation of strong liquidity balances.

MAJOR INITIATIVES AND DEVELOPMENTS

Nashville International Airport served more than 14.9 million total passengers in fiscal year 2018, operating an average of 486 daily flights to 63 nonstop markets. It is utilized by 17 airlines and 42 operating air carrier gates. In 2016, the Authority unveiled BNA Vision, an approximately \$1.3 billion comprehensive plan designed to accommodate the region's booming population growth and meet the needs to the airport's record-breaking passenger increase. BNA Vision includes expanded parking, concourse and lobby areas, adding new gates, developing a state-of-the-art International Arrivals Building, increasing federal security lanes and the potential for an on-site hotel, among other projects. For additional details, please visit www.bnavisionnashville.com.

Nashville International Airport also continued to add new air service in fiscal year 2018, including new nonstop flights to London's Heathrow Airport with British Airways, Nashville's first transatlantic service since 1994. Additionally, BNA added another carrier — Allegiant Airlines — as well as nonstop service to new domestic destinations, including Myrtle Beach, Punta Gorda, St. Petersburg/Clearwater, Oklahoma City, Milwaukee, Richmond, Virginia, and Savannah, Georgia; and additional flights to Cancun, San Francisco, Atlanta, Pittsburgh, and Trenton.

LETTER OF TRANSMITTAL

In recent years, the Authority had an active capital program with major airfield and landside improvements, including extensive terminal renovations. The 2018 capital improvement budget was \$375 million. The largest projects included in the budget were; \$150 million for ticketing and baggage claim expansion, \$120 million for D-Concourse expansion, \$25 million for terminal apron and taxi-lane expansion, \$22 million for the terminal area parking garage, \$13.1 million to reconstruct Taxiway Alpha South, and \$12 million to expand the employee parking lot

BNA VISION

In July 2016, the Authority announced plans for “BNA Vision,” a major renovation and expansion project arising out of the MNAA Master Plan in response to the region’s unprecedented growth. By 2035, the population of the Greater Nashville Area is expected to surpass 2.5 million, and passenger traffic at BNA is expected to grow from 14.9 million passengers today to more than 20 million. The renovation/expansion project is intended to enable the airport to meet the needs of this record-setting growth and maintain the customer friendly focus that is unique to Nashville. Specific elements of BNA Vision include the following:

Parking Garage

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

International Arrivals Facility

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.

Ticketing and Baggage Claim Expansions

This expansion will include additional ticketing counters and baggage claim to be in the north and south ends of the terminal to accommodate the growth in passenger traffic.

Concourse D Expansion

This expansion will include additional gates capacity to attract new airlines and services, as well as offer new retail and dining offerings.

Central Terminal and Security Screening

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.

Parking/Office Plaza

Add 4,900 parking spaces, and an administrative office plaza

Donelson Pike Relocation

A shift in the road slightly to the east to improve traffic circulation and terminal access

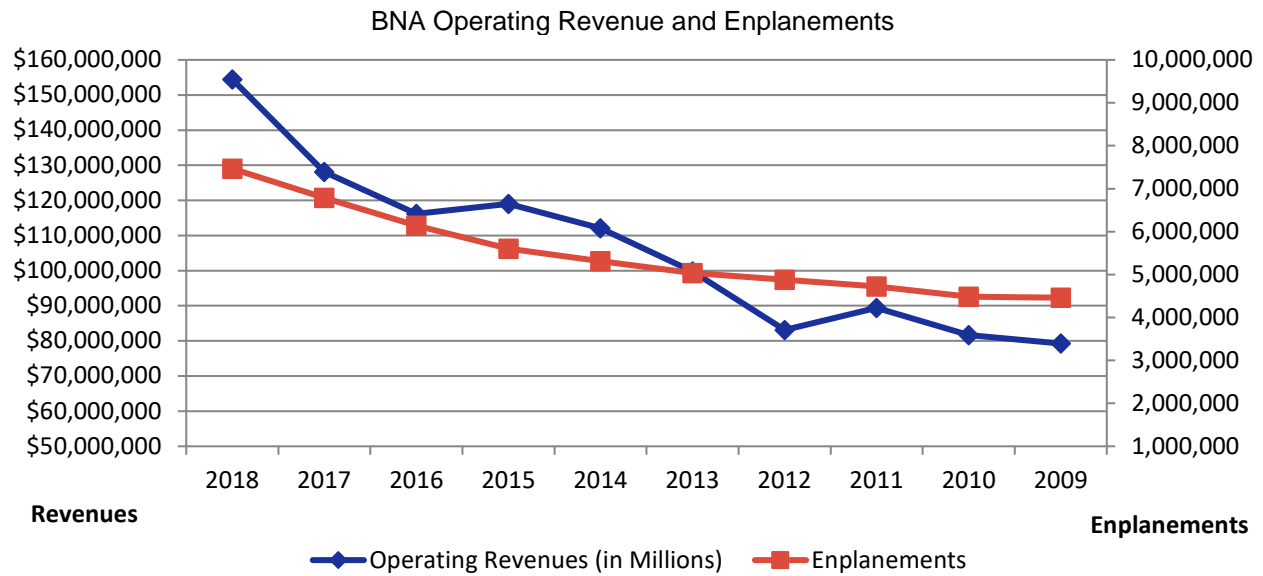
The Authority’s reliever airport, John C Tune (JWN), undertook a \$2 million project to provide site development for a new aircraft hangar with attached office and shop space, including aircraft asphalt taxi-lane, asphalt apron and vehicle parking. Construction plans to begin during fiscal year 2019.

LETTER OF TRANSMITTAL

OUTLOOK FOR FISCAL YEAR 2019

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 2019. However, we have used conservative budget assumptions, including enplanements and landed weights. This conservative approach should enable the Authority to meet or exceed the budgeted performance in fiscal year 2019.



FINANCIAL INFORMATION

Financial Position and Results of Operations

Management's Discussion and Analysis (MD&A), starting on page 26, 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 2018 as well as certain comparisons of the current year to the prior year. The actual financial statements and related footnotes are presented on pages 38 to 85. 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

LETTER OF TRANSMITTAL

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;
- 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, 2018 and 2017, present fairly, in all material respects, the Authority's financial position, changes in net position and cash flows.

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, 2017. This was the seventeenth consecutive year that the Authority has achieved this prestigious award. 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.

LETTER OF TRANSMITTAL

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,



Margaret Basrai, CPA, CGMA, C.M.
Chief Financial Officer

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

BOARD OF COMMISSIONERS AND EXECUTIVE STAFF

BOARD OF COMMISSIONERS

Chair

Robert J. Joslin, Jr.

Vice Chair

A. Dexter Samuels, Ph.D.

Secretary

Aubrey B. Harwell, III

Commissioners

Honorable David Briley
Mayor, Metropolitan Government of
Nashville & Davidson County

Dierks Bentley

John E. Doerge

Amanda Farnsworth

William H. Freeman

Kabir Sandhu

Christy Smith

EXECUTIVE STAFF

Douglas E. Kreulen

President & Chief Executive Officer

Robert L. Ramsey

Senior Vice President & Chief Operating Officer

J. Douglas Sloan, III

Vice President & Chief Legal Officer

Margaret M. Basrai

Vice President & Chief Financial Officer

Mark (Tom) Jurkovich

Vice President, Strategic Communications

SENIOR STAFF

Vanessa J. Hickman

Assistant Vice President, Information Technology

Tommy W. Bibb

Assistant Vice President, Operations and Maintenance

W. David Griswold

Assistant Vice President, Chief of Police

Theodore G. Morrissey

Assistant Vice President, Legal Affairs: Contracts and
Compliance

Carrie R. Logan

Assistant Vice President, Legal Affairs: Policies and
Procedures

Traci C. Holton

Assistant Vice President, Development and
Engineering & Chief Engineer

Davita L. Taylor

Assistant Vice President, Procurement and Diversity

Kristen M. Deuben

Assistant Vice President, Finance

Margaret C. Martin

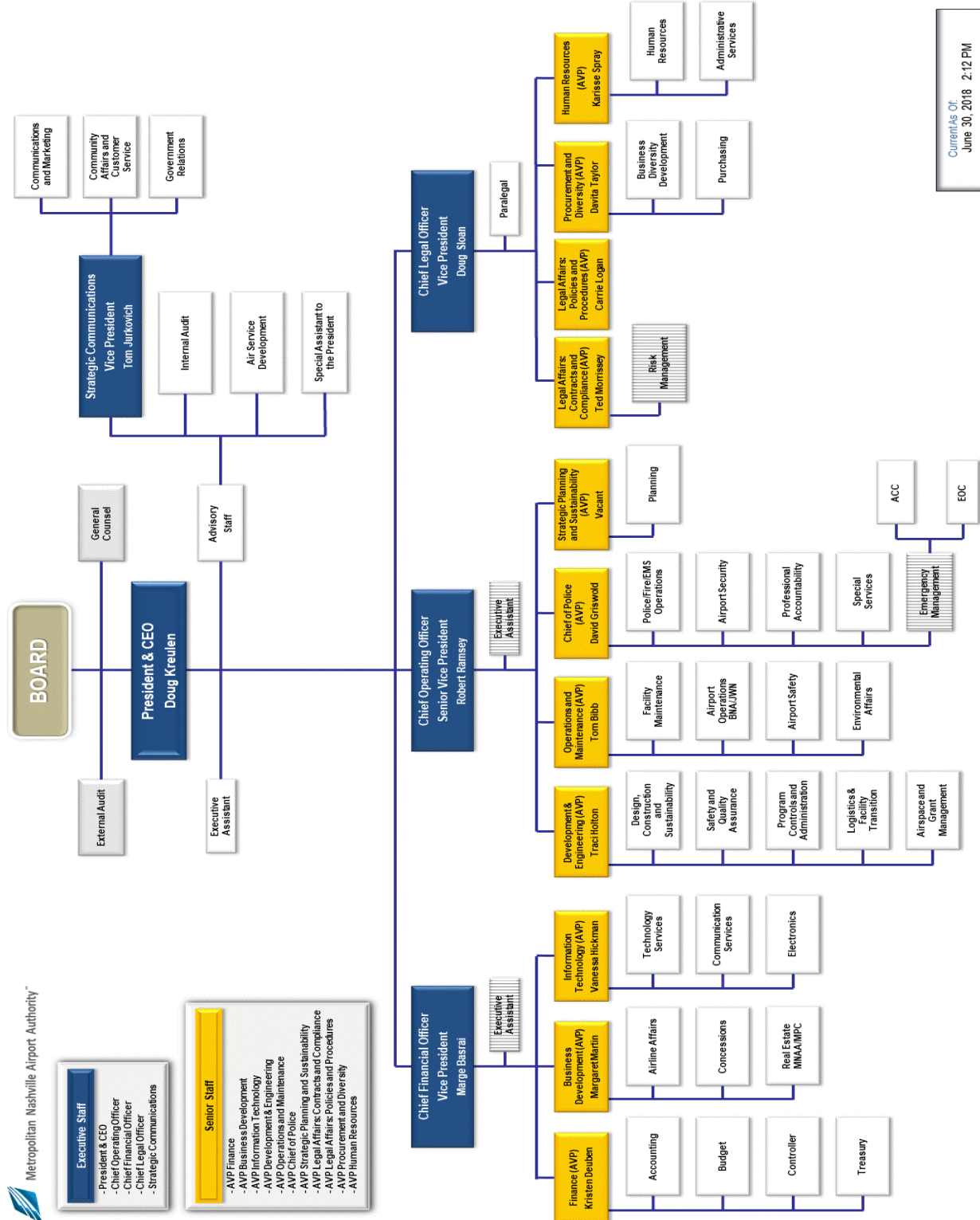
Assistant Vice President, Business Development

Karisse L. Spray

Assistant Vice President, Human Resources

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

ORGANIZATION CHART
JUNE 30, 2018



Current As of
June 30, 2018 2:12 PM



- Executive Staff**
- President & CEO
 - Chief Operating Officer
 - Chief Financial Officer
 - Chief Legal Officer
 - Strategic Communications

- Senior Staff**
- AVP Finance
 - AVP Business Development
 - AVP Information Technology
 - AVP Development & Engineering
 - AVP Operations and Maintenance
 - AVP Chief of Police
 - AVP Strategic Planning and Sustainability
 - AVP Legal Affairs: Contracts and Compliance
 - AVP Legal Affairs: Policies and Procedures
 - AVP Procurement and Diversity
 - AVP Human Resources

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING



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, 2017

Executive Director/CEO





FINANCIAL SECTION

**METROPOLITAN NASHVILLE AIRPORT AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

This section contains the following subsections:

Independent Auditors' Report

Management's Discussion & Analysis

Financial Statements

Independent Auditors' Report



Independent Auditors' Report

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, 2018 and 2017, 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.

Independent Auditors' Report



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, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, the financial statements as of and for the year ended June 30, 2017 were restated due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. Our opinion is not modified with respect to these changes.

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 and OPEB liabilities, and schedules of pension and OPEB contributions, 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 introduction 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.

Independent Auditors' Report



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

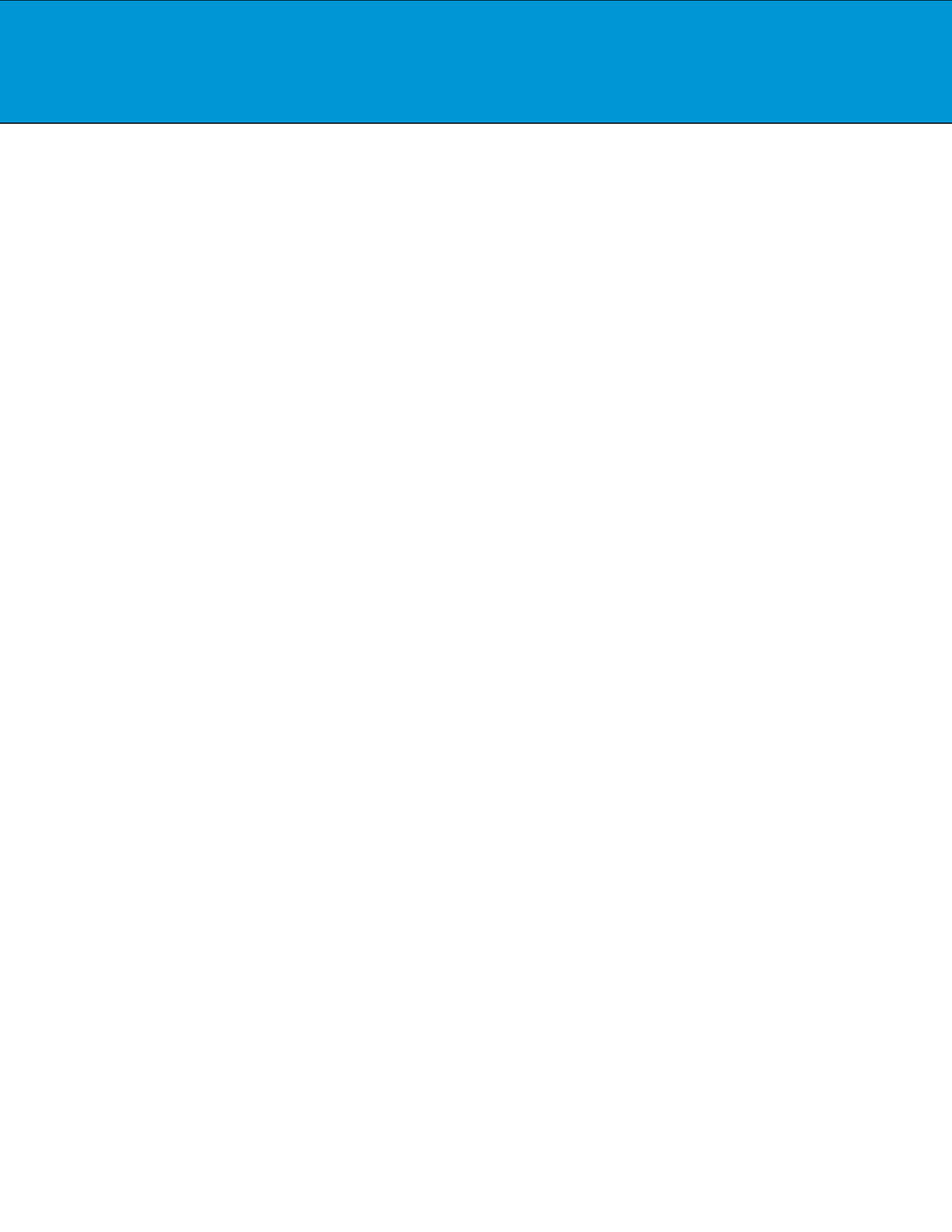
The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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

Memphis, Tennessee
October 29, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Basic Financial Statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with Accounting Principles Generally Accepted and promulgated by the Governmental Accounting Standards Board. The Authority is structured as a single enterprise fund with revenues recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and (except land and construction in progress) are depreciated over their useful lives. Please refer to Note 2 to the financial statements for a summary of the Authority's significant accounting policies.

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

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing the change in the Authority's net position during the fiscal year. All changes in net position are reported when the underlying events occur, regardless of 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 *Statement of Cash Flows* relates to the inflows and outflows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is provided within the 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 2018, surpassing 14.9 million passengers and approximately 7.5 million enplanements. Enplanements were up 10.0 percent, 10.6 percent and 9.6 percent, in fiscal years 2018, 2017, and 2016, making Nashville one of the fastest-growing airports in the United States. Since 2010, BNA has had consistent enplanement growth of 3 percent or better every year. Nashville International Airport is currently served by 17 airlines with 486 daily flights to 63 nonstop markets.

In fiscal year 2018, Nashville maintained its A+ and A1 ratings from Standard & Poor's and Moody's rating services, respectively. In 2017, Moody's revised the outlook for general airport revenue bonds (GARB) to positive from stable and also upgraded the Authority's special facility bonds to A2 from A3 with a "stable" outlook. In making their decisions, Moody's cited strong parking growth well above 2015 bond issue projections, strong economic fundamentals of the service area, and growing and unique tourism attractions that drive destination passengers. Moody's further noted the strong growth in rental car transaction days that resulted in higher-than-expected debt service coverage and accumulation of strong liquidity balances.

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 travel demand from area residents, as well as growing tourism supported by a new convention center.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nashville International Airport also continued to add new air service in fiscal year 2018, including new nonstop flights to London's Heathrow Airport with British Airways, Nashville's first transatlantic service since 1994. Additionally, BNA added another carrier - Allegiant Airlines - as well as nonstop service to new domestic destinations, including Myrtle Beach, Punta Gorda, St. Petersburg/Clearwater, Oklahoma City, Milwaukee, Richmond, Virginia, and Savannah, Georgia; and additional flights to Cancun, San Francisco, Atlanta, Pittsburgh, and Trenton.

The Authority's reliever airport, John C Tune (JWN), undertook a \$2 million project to provide site development for a new aircraft hangar with attached office and shop space, including aircraft asphalt taxiway, asphalt apron and vehicle parking. Construction plans to begin during fiscal year 2019.

The business development organization of the Authority, MNA Properties Corporation (MPC), continued its efforts to refurbish its largest property, International Plaza. While MPC revenue decreased slightly in 2018, it continues an occupancy level near 100 percent.

Operational Highlights

Enplanements increased 10.0, 10.6, and 9.6 percent in fiscal years 2018, 2017 and 2016, respectively. Certified gross landed weights also increased 8.6 percent, totaling approximately 8.6 billion pounds in 2018. Nashville International Airport served more than 14.9 million total passengers in fiscal year 2018, operating an average of 486 daily flights to 63 nonstop markets. In 2016, the Authority unveiled BNA Vision, an approximately \$1.3 billion comprehensive plan designed to accommodate the region's booming population growth and meet the needs to the airport's record-breaking passenger increase. BNA Vision includes expanded parking, concourse and lobby areas, adding new gates, developing a state-of-the-art International Arrivals Building, increasing federal security lanes and the potential for an on-site hotel, among other projects. For additional details, please visit www.bnavisionnashville.com.

Several of the most common indicators of activity during 2018, 2017, and 2016 appear below:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Enplanements	7,466,332	6,790,099	6,141,092
% increase (decrease)	10.0%	10.6%	9.6%
Aircraft landed weight (all-000)	8,640,900	7,953,656	7,203,374
% increase (decrease)	8.6%	10.4%	6.6%
Aircraft operations (passenger)	137,614	126,273	112,889
% increase (decrease)	9.0%	11.8%	9.6%
Aircraft operations (all other)	72,743	75,811	75,865
% increase (decrease)	-4.0%	-0.0%	1.8%
Load factors	86.0%	84.0%	85.0%
% increase (decrease)	2.4%	-0.8%	2.6%

Load factors are the percentages of seats occupied on all passenger aircraft, both arriving and departing, which increased 2.4 percent in 2018. Available seats increased by 7.4 percent, as well as an increase of 9.0 percent in passenger aircraft operations and a 4.1 percent increase in total aircraft operations in 2018.

The Authority approved the imposition of Customer Facility Charges (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 the imposition of the CFC fee, the Authority has collected over \$112.6 million, with almost \$14.3 million collected in fiscal year 2018. Transaction days have consistently improved in recent years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following summarizes average transaction days by fiscal year:

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
263,851	251,138	237,266	216,523	200,472	191,020	186,844

Summary of Operations and Changes in Net Position

The Authority's Statement 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 2018 to 2017 and 2017 to 2016:

	<u>2018</u>	<u>(as restated) 2017</u>	<u>% Change</u>	<u>(as restated) 2016</u>	<u>% Change</u>
Operating revenues	\$ 154,479,617	\$ 128,096,221	20.6	\$ 116,189,518	10.2
Operating expenses	<u>85,262,244</u>	<u>77,564,577</u>	9.9	<u>75,933,181</u>	2.1
Operating income before depreciation	69,217,373	50,531,644	37.0	40,256,337	25.5
Depreciation	<u>39,914,221</u>	<u>38,979,958</u>	2.4	<u>37,223,834</u>	4.7
Operating income	29,303,152	11,551,686	>100.0	3,032,503	>100.0
Non-operating revenues	45,235,559	40,903,990	10.6	37,636,368	8.7
Non-operating expenses	<u>11,176,971</u>	<u>10,381,669</u>	7.7	<u>10,104,700</u>	2.7
Income before capital contributions	63,361,740	42,074,007	50.6	30,564,171	37.7
Capital contributions	<u>15,010,688</u>	<u>14,552,791</u>	3.1	<u>28,763,278</u>	-49.4
Increase in net position	78,372,428	56,626,798	38.4	59,327,449	-4.6
Net position, beginning of year	<u>579,138,103</u>	<u>522,511,305</u>	10.8	<u>463,183,856</u>	12.8
Net position, end of year	<u>\$ 657,510,531</u>	<u>\$ 579,138,103</u>	13.5	<u>\$ 522,511,305</u>	10.8

Note: During fiscal year 2018, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the amounts reported within the financial statements and in this Management's Discussion and Analysis have been restated for the application of the new accounting principle. See additional information in Note 3 to the financial statements.

Operating and Nonoperating Revenue Highlights

Operating revenue increased from fiscal year 2018 compared to 2017 by \$26,383,396 and by \$11,906,703 from fiscal year 2017 to 2016. The revenue increase is attributable to increased overall airport traffic, and a contractual reduction in the revenue share to signatory airlines with the exception of other revenues which was due to an insurance reimbursement of covered losses of approximately \$1.4 million in 2017. Detail summary of activity for fiscal year 2018 and 2017 are as follows: increases in signatory airlines 56.8 and 0.4 percent; parking 14.5 and 5 percent; concessions 14.2 and 15.3 percent; space rental 10.1 and 22.7 percent. Other revenues decreased 34.7 percent in 2018 and increased 50.8 percent in 2017. In addition, MPC total operating revenues decreased by \$39,936 in 2018 compared to an increase of \$622,587 in 2017. The increase in revenues for MPC in 2017 was due to a one time reimbursement for services provided. The decrease in reimbursable service for 2018 was offset by rental rate adjustment from tenants. As a result, MPC revenue decreased by approximately 1 percent. JWN saw an increase in operating revenue of \$18,365 in 2018 and \$137,426 in 2017. JWN revenues increased year over year due to additional aircraft landings, which resulted in an increase of fuel flowage fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-operating revenues increased 10.6 and 8.7 percent in 2018 and 2017, respectively. Customer Facility Charges (CFCs), which fund debt service for the CONRAC facility, as well as other costs, fees, and expenses were up 5.4 and 4.7 percent in 2018 and 2017. CFC revenues were approximately \$14.3, \$13.6 and \$13.0 million for fiscal years 2018, 2017 and 2016, respectively. Passenger facility charges (PFC) collections improved 8.9 percent in 2018 and 9.5 percent in 2017, due increased growth in passenger enplanements. Investment income increased 194.4 percent in 2018 and 118.9 percent in 2017. The increase is attributable to better market conditions and changes in investment strategy.

The following summarizes all the Authority's revenues for the fiscal years ended June 30, 2018, 2017, and 2016 with "% Change" representing the change from 2018 to 2017 and 2017 to 2016:

	<u>2018</u>	<u>(as restated) 2017</u>	<u>% Change</u>	<u>(as restated) 2016</u>	<u>% Change</u>
Operating revenues:					
Signatory airline	\$ 48,091,521	\$ 30,671,634	56.8	\$ 30,561,053	0.4
Parking	50,369,200	43,977,208	14.5	41,889,907	5.0
Concession	33,498,728	29,338,439	14.2	25,453,862	15.3
Space rental	16,648,433	15,121,337	10.1	12,324,959	22.7
Other	<u>5,871,735</u>	<u>8,987,603</u>	-34.7	<u>5,959,737</u>	50.8
Total operating revenues	<u>154,479,617</u>	<u>128,096,221</u>	20.6	<u>116,189,518</u>	10.2
Nonoperating revenues:					
Investment income	2,149,363	730,198	>100.0	333,542	>100.0
Passenger facility charges	28,300,013	25,982,494	8.9	23,735,979	9.5
Customer facility charges	14,290,386	13,561,430	5.4	12,956,481	4.7
Other nonoperating revenues, net	<u>495,797</u>	<u>629,868</u>	-21.3	<u>610,366</u>	3.2
Total nonoperating revenues	<u>45,235,559</u>	<u>40,903,990</u>	10.6	<u>37,636,368</u>	8.7
Capital contributions	<u>15,010,688</u>	<u>14,552,791</u>	3.1	<u>28,763,278</u>	-49.4
Total revenues and capital contributions	<u>\$ 214,725,864</u>	<u>\$ 183,553,002</u>	17.0	<u>\$ 182,589,164</u>	0.5

Note: During fiscal year 2018, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the amounts reported within the financial statements and in this Management's Discussion and Analysis have been restated for the application of the new accounting principle. See additional information in Note 3 to the financial statements.

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 Agreement was effective retroactively to July 1, 2015. This Agreement was substantially different from and replaced the Authority's Prior Amended and Restated Lease Amendments (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).

MANAGEMENT'S DISCUSSION AND ANALYSIS

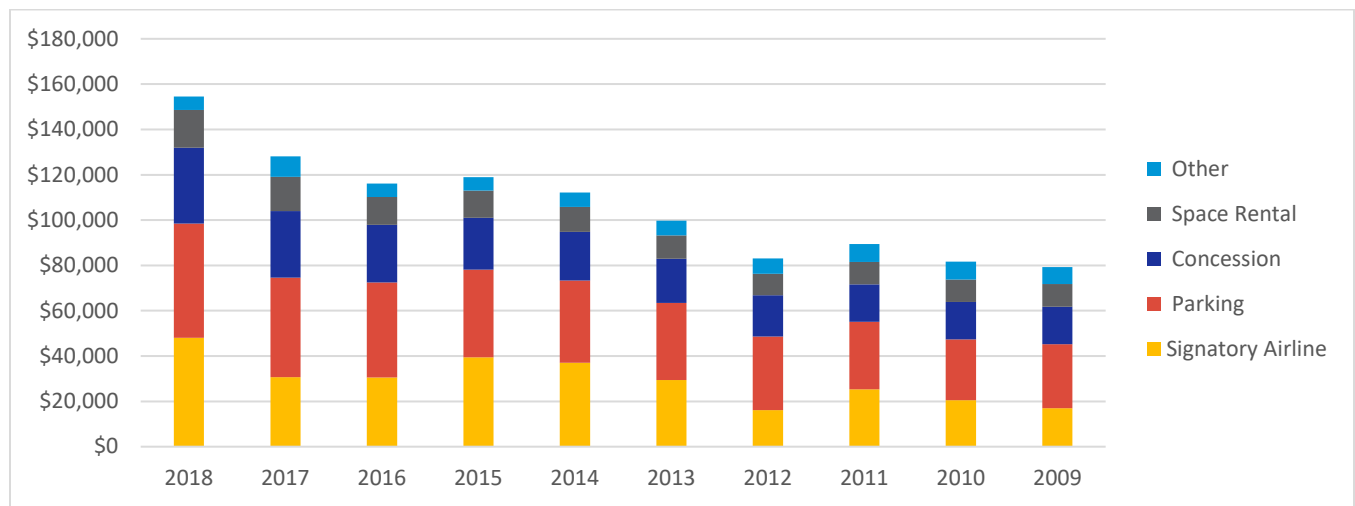
The New Agreement establishes three cost centers for determining rates and charges payable by the signatory airlines and other users of Airport facilities: Airfield, Terminal, and Terminal Ramp Area. Baggage and passenger loading bridge fees are also assessed. The New Agreement has a “hybrid” airline 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 \$3.43 and \$3.38 for fiscal years 2019 and 2018, respectively. The terminal rental rate per square foot for fiscal year 2019 is \$103.07, the terminal rental rate per square foot was \$100.55 and \$90 for fiscal year 2018 and 2017, respectively. While the terminal ramp rental rate for fiscal year 2019 is \$2.23, the ramp rental rate was \$2.34 and \$1.71 for 2018 and 2017, respectively.

Capital costs allocable to the Airfield, including debt service on Bonds, are included in the calculation of the Landing Fees with MII approval. While debt service on Bonds allocable to the Airfield are 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 2009 through 2018:

Operating Revenues (000s)



MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating and Nonoperating Expenses Highlights

The Authority's expenses increased in 2018 for BNA while they decreased for MPC and JWN. The following represents a summary of expenses for the fiscal years ended June 30, 2018, 2017, and 2016, with "% Change" representing the change from 2018 to 2017 and 2017 to 2016:

	<u>2018</u>	<u>(as restated) 2017</u>	<u>% Change</u>	<u>(as restated) 2016</u>	<u>% Change</u>
Operating expenses:					
Salaries and wages	\$ 32,879,302	\$ 33,862,254	-2.9	\$ 34,666,038	-2.3
Contractual services	36,801,980	28,610,678	28.6	26,270,995	8.9
Materials and supplies	3,840,490	3,509,520	9.4	3,374,113	4.0
Utilities	5,639,206	5,971,391	-5.6	5,944,858	0.4
Other	<u>6,101,266</u>	<u>5,610,734</u>	8.7	<u>5,677,177</u>	-1.2
Total operating expenses before provision for depreciation	<u>85,262,244</u>	<u>77,564,577</u>	9.9	<u>75,933,181</u>	2.1
Provision for depreciation	<u>39,914,221</u>	<u>38,979,958</u>	2.4	<u>37,223,834</u>	4.7
Total operating expenses	<u>125,176,465</u>	<u>116,544,535</u>	7.4	<u>113,157,015</u>	3.0
Non-operating expenses:					
Interest expense	10,262,472	10,299,910	-0.4	8,874,244	16.1
Other Non-Operating	763,641	81,759	>100.0	-	>100.0
Bond issue cost	<u>150,858</u>	-	>100.0	<u>1,230,456</u>	>100.0
Total non-operating expenses	<u>11,176,971</u>	<u>10,381,669</u>	7.7	<u>10,104,700</u>	2.7
Total expenses	<u>\$ 136,353,436</u>	<u>\$ 126,926,204</u>	7.4	<u>\$ 123,261,715</u>	3.0

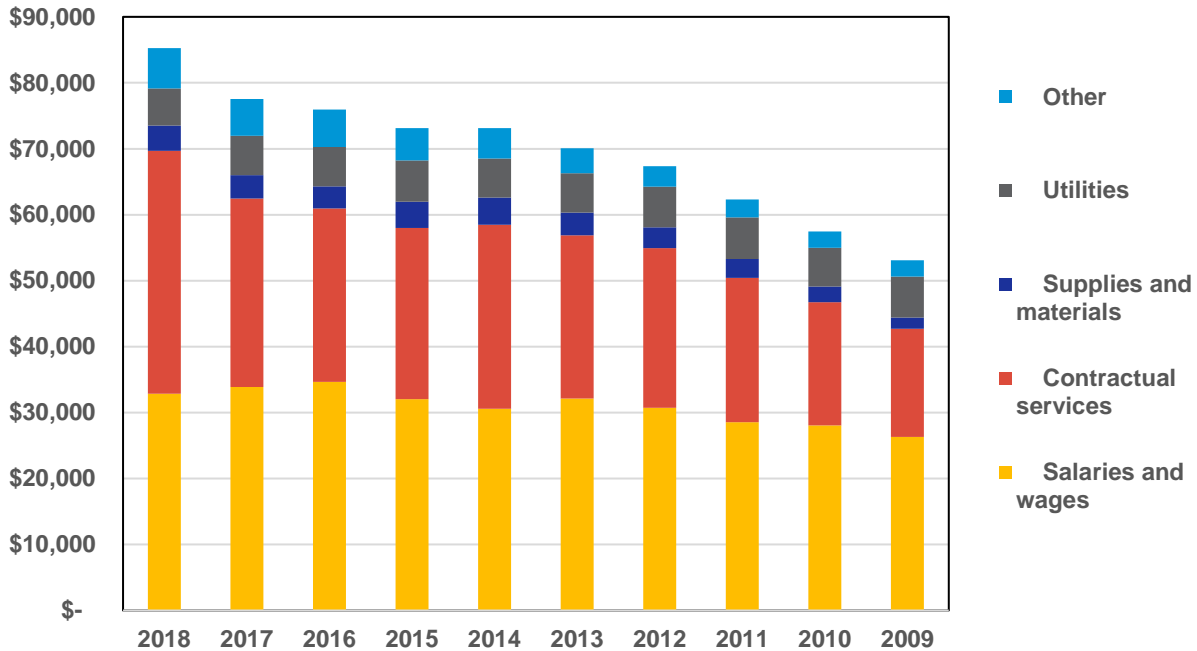
Note: During fiscal year 2018, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the amounts reported within the financial statements and in this Management's Discussion and Analysis have been restated for the application of the new accounting principle. See additional information in Note 3 to the financial statements.

Operating expenses before provision for depreciation increased by approximately \$7.7 million in 2018 and approximately \$1.6 million in 2017. The largest increase was contractual services of \$8.2 million (28.6 percent) in 2018 compared to \$2.3 million (8.9 percent) in 2017. Depreciation expense increase by 2.4 percent from 2018 to 2017 and 4.7 percent from 2017 to 2016. Materials and supplies and other operating expenses both increased from 2018 to 2017 by 9.4 and 8.7 percent compared to an increase in material and supplies of 4% and a decrease in other operating expenses of 1.2 percent from 2017 to 2016. These increases were offset by a decrease in salary of 2.9 percent from 2018 to 2017 and 2.3 percent from 2017 to 2016. Utilities decreased by 5.6 percent from 2018 to 2017 which was offset by an increase from 2017 to 2016 of 0.4 percent.

MANAGEMENT'S DISCUSSION AND ANALYSIS

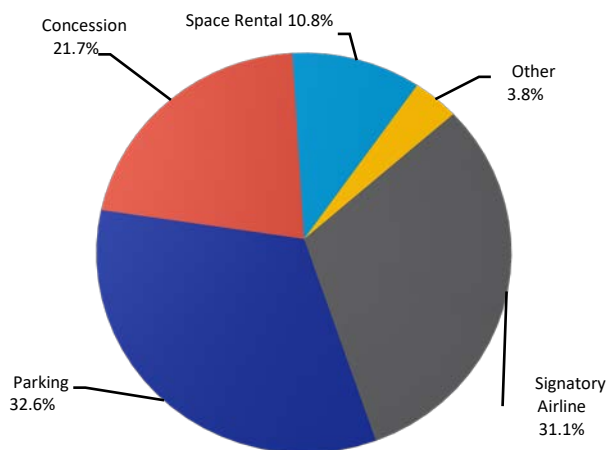
The following chart demonstrates the 10-year trend for MNAA's operating expenses from 2009 through 2018:

Operating Expenses (before Depreciation) (000s)

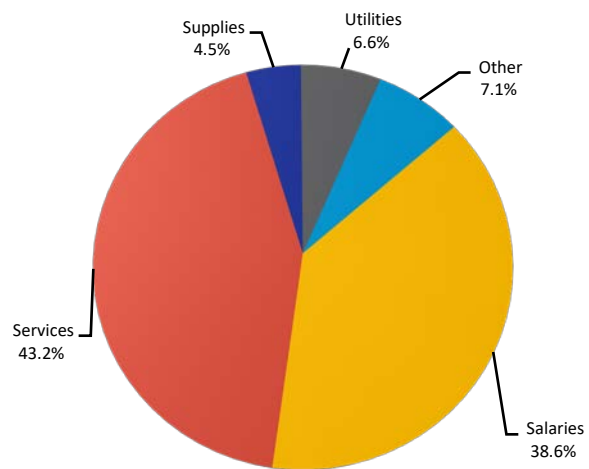


The composition of all MNAA operating revenues and operating expenses are presented here for 2018:

Operating Revenues Composition



Operating Expense Composition before Provision for Depreciation



MANAGEMENT'S DISCUSSION AND ANALYSIS

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 as of June 30, 2018, 2017, and 2016. The "% Change" reflects changes from 2017 to 2018 and 2016 to 2017, as follows:

	<u>2018</u>	<u>(as restated) 2017</u>	<u>% Change</u>	<u>(as restated) 2016</u>	<u>% Change</u>
ASSETS					
Current assets	\$ 214,282,828	\$ 190,783,356	12.3	\$ 153,526,273	24.3
Capital assets, net	710,656,338	617,061,803	15.2	535,825,308	15.2
Other noncurrent assets	<u>107,282,457</u>	<u>179,092,315</u>	-40.1	<u>250,363,927</u>	-28.5
Total assets	1,032,221,623	986,937,474	4.6	939,715,508	5.0
DEFERRED OUTFLOWS					
	<u>6,629,356</u>	<u>3,206,783</u>	>100.0	<u>6,962,726</u>	-53.9
Total assets and deferred outflows	<u>\$ 1,038,850,979</u>	<u>\$ 990,144,257</u>	4.9	<u>\$ 946,678,234</u>	4.6
LIABILITIES					
Current liabilities	\$ 70,717,676	\$ 59,544,844	18.8	\$ 47,649,679	25.0
Noncurrent liabilities	<u>307,694,050</u>	<u>349,762,744</u>	-12.0	<u>376,517,250</u>	-7.1
Total liabilities	378,411,726	409,307,588	-7.5	424,166,929	-3.5
DEFERRED INFLOWS					
	2,928,722	1,698,566	72.4	-	>100.0
NET POSITION					
Net investment in capital assets	502,944,702	441,689,611	13.9	419,177,366	5.4
Restricted	80,171,526	80,758,915	-0.7	70,954,111	13.8
Unrestricted	<u>74,394,303</u>	<u>56,689,577</u>	31.2	<u>32,379,828</u>	75.1
Total net position	<u>657,510,531</u>	<u>579,138,103</u>	13.5	<u>522,511,305</u>	10.8
Total liabilities, deferred inflows, and net position	<u>\$ 1,038,850,979</u>	<u>\$ 990,144,257</u>	4.9	<u>\$ 946,678,234</u>	4.6

Note:

During fiscal year 2018, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the amounts reported within the financial statements and in this Management's Discussion and Analysis have been restated for the application of the new accounting principle. See additional information in Note 3 to the financial statements.

Current assets increased by \$23.5 million (12.3 percent) in 2018 and \$37.3 million (24.3 percent) in 2017. Net capital assets increased by \$93.6 million or 15.2 percent from 2018 to 2017 and \$81.2 million, or 15.2 percent, from 2017 to 2016. Total liabilities decreased by \$30.9 million, or 7.5 percent from 2018 to 2017 and \$14.9 million or 3.5 percent from 2017 to 2016. The current portion of maturities for airport revenue bonds increased in 2018 to \$15,215,000 from \$13,735,000 in 2017 above \$12,775,000 in 2016.

The net pension asset decreased by \$1.6 million in fiscal year 2018, from \$2,047,037 to \$441,851. Other postemployment benefits (OPEB) liability decreased by approximately \$10.9 million in fiscal year 2018 from \$21,738,923 to \$10,795,289. The Authority previously adopted a funding plan in which MNAA made \$41.1 million in contributions to the retirement plan fiduciary since fiscal year 2010. The Board of Commissioners 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 \$12 million each fiscal year to fund the retirement plan and the OPEB Trust.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The restricted portion of the Authority's net position shown below, \$80,171,526, represents 12.2% of total net position. This compares with \$80,758,915 (14.0% of total net position) in restricted net position as of June 30, 2017. These resources are subject to restrictions on use and are not available for spending as they have already been committed as follows:

Net pension asset	\$ 441,851
Passenger facility charge projects and related debt services	39,359,559
Customer facility charge projects and related debt service	18,488,396
Debt service and other	<u>21,881,720</u>
Total restricted net position	<u>\$ 80,171,526</u>

The unrestricted net position of \$74,394,303 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 decreased in fiscal year 2018 primarily due the purchase or construction of property and equipment.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash flows provided by (used in):			
Operating	\$ 40,902,599	\$ 52,538,633	\$ 38,222,620
Non-capital financing	(1,390,822)	(867,378)	(1,356,651)
Capital and related financing	(101,865,149)	(86,042,077)	208,252,104
Investing	<u>2,947,362</u>	<u>755,198</u>	<u>9,912,289</u>
Net increase(decrease) in cash and cash equivalents	(59,406,010)	(33,615,624)	255,030,362
Cash and cash equivalents:			
Beginning of year	<u>352,517,390</u>	<u>386,133,014</u>	<u>131,102,652</u>
End of year	<u>\$ 293,111,380</u>	<u>\$ 352,517,390</u>	<u>\$ 386,133,014</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Activities

Capital assets, net of accumulated depreciation, increased from \$617,061,803 in 2017 to \$710,656,338 in 2018. The 2018 capital improvement budget was \$375 million. The largest projects included in the budget were; \$150 million for ticketing and baggage claim expansion, \$120 million for D-Concourse expansion, \$25 million for terminal apron and taxi-lane expansion, \$22 million for the terminal area parking garage, \$13.1 million to reconstruct Taxiway Alpha South, and \$12 million to expand the employee parking lot. 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 5 to the financial statements provides additional information about the additions, retirements, and transfers during the years ended June 30, 2018 and 2017.

Debt Administration

The Authority's most recent debt issuance was May 2018. The Authority issued CONRAC Refunding Series 2018 bonds in the principal amount of \$27,358,295. The bonds, together with available Customer Facility Charge ("CFC") revenues shall be used to refund the Series 2010 Bonds maturing in the years 2021 through and including 2029 and pay the costs of issuance of the bond of \$150,858. As part of the refunding the Authority used available CFCs to reduce the outstanding principal on the 2010 bonds of \$18,106,705. The CONRAC Refunding Series 2018 bonds are payable from and secured by a pledge of certain rental payments derived from CFCs under leases with rental car agencies (Note 11).

The remaining CONRAC Refunding Series 2018 bonds contain serial bonds at an interest rate of 3.4 percent, maturing in progressive annual amounts ranging from \$3,028,385 on July 1, 2021, to \$3,838,790 on July 1, 2028.

As of June 30, 2018, the Authority's principal balance of outstanding long-term revenue bonds was \$270,238,295 compared with \$302,295,000 at the end of the prior year. The current portion of revenue bonds is \$15,215,000 and is due on July 1, 2018.

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, and 2015A 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 6 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Airport bond activity for the year ended June 30, 2018 is summarized as follows:

<u>Revenue Bond Description</u>	<u>Balance July 1, 2017</u>	<u>Borrowings</u>	<u>Principal Repayment</u>	<u>Refundings</u>	<u>Amortization</u>	<u>Balance June 30, 2018</u>
Series 2003B	\$ 14,785,000	\$ -	\$ -	\$ -	\$ -	\$ 14,785,000
Series 2008A	10,800,000	-	(3,400,000)	-	-	7,400,000
Series 2009A	16,180,000	-	(4,020,000)	-	-	12,160,000
Series 2010A	3,835,000	-	(3,835,000)	-	-	-
Series 2010 CONRAC	56,695,000	-	(20,801,705)	(27,358,295)	-	8,535,000
Series 2018 CONRAC Refunding	-	27,358,295	-	-	-	27,358,295
Series 2015A	91,855,000	-	-	-	-	91,855,000
Series 2015B	<u>108,145,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,145,000</u>
Total	302,295,000	27,358,295	(32,056,705)	(27,358,295)	-	270,238,295
Plus unamortized premiums	25,296,995	-	-	-	(1,138,079)	24,158,916
Less unamortized deferred amount on refunding	<u>(386,191)</u>	<u>-</u>	<u>-</u>	<u>(3,614,352)</u>	<u>222,724</u>	<u>(3,777,819)</u>
	327,205,804	<u>\$ 27,358,295</u>	<u>\$ (32,056,705)</u>	<u>\$ (30,972,647)</u>	<u>\$ (915,355)</u>	290,619,392
Less: current portion	<u>(13,735,000)</u>					<u>(15,215,000)</u>
	<u>\$ 313,470,804</u>					<u>\$ 275,404,392</u>

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.



STATEMENTS OF NET POSITION

JUNE 30, 2018 AND 2017

	2018	2017 (as restated)
ASSETS		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 134,761,391	\$ 122,269,341
Accounts receivable (net of allowance for doubtful accounts of \$149,099 in 2018 and \$60,000 in 2017)	6,428,918	2,844,787
Inventories	537,937	513,596
Prepaid expenses and other	2,682,948	2,474,197
Total current unrestricted assets	<u>144,411,194</u>	<u>128,101,921</u>
Restricted assets:		
Cash and cash equivalents	52,666,919	54,074,856
Short-term investments	900,000	1,698,000
Passenger facility charges receivable	3,806,684	3,467,311
Customer facility charges receivable	1,354,784	1,222,581
Amounts due from governmental agencies	11,143,247	2,218,687
Total current restricted assets	<u>69,871,634</u>	<u>62,681,435</u>
Total current assets	<u>214,282,828</u>	<u>190,783,356</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	105,683,070	176,173,193
Capital assets:		
Land and land improvements	637,387,261	621,972,216
Land held for future expansion	36,701,068	36,701,068
Buildings and building improvements	315,970,461	298,911,276
Equipment, furniture and fixtures	182,051,284	165,348,939
Construction in progress	153,579,003	72,814,778
Total capital assets	1,325,689,077	1,195,748,277
Less accumulated depreciation	<u>(615,032,739)</u>	<u>(578,686,474)</u>
Total capital assets, net	710,656,338	617,061,803
Net pension asset	441,851	2,047,037
Other assets	1,157,536	872,085
Total noncurrent assets	<u>817,938,795</u>	<u>796,154,118</u>
Total assets	<u>1,032,221,623</u>	<u>986,937,474</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions	1,843,825	1,309,023
Deferred outflows from OPEB	1,007,712	1,511,569
Deferred amount on refunding	3,777,819	386,191
Total deferred outflows of resources	<u>6,629,356</u>	<u>3,206,783</u>
Total assets and deferred outflows of resources	<u>\$ 1,038,850,979</u>	<u>\$ 990,144,257</u>

See accompanying notes.

STATEMENTS OF NET POSITION

JUNE 30, 2018 AND 2017

	2018	2017 (as restated)
LIABILITIES		
Current liabilities:		
Payable from unrestricted assets:		
Trade accounts payable	\$ 41,757,112	\$ 20,274,154
Accrued payroll and related items	4,414,542	4,743,125
Unearned income	981,217	5,536,727
Current maturities of notes payable	595,516	6,134,537
Accrued interest payable	80,992	68,937
Total payable from unrestricted assets	<u>47,829,379</u>	<u>36,757,480</u>
Payable from restricted assets:		
Trade accounts payable and other	1,811,850	1,547,082
Accrued interest payable	5,861,447	7,505,282
Current maturities of airport revenue bonds	15,215,000	13,735,000
Total payable from restricted assets	<u>22,888,297</u>	<u>22,787,364</u>
Total current liabilities	<u>70,717,676</u>	<u>59,544,844</u>
Noncurrent liabilities:		
Airport revenue bonds, less current maturities	279,182,211	313,856,995
Notes payable, less current maturities	15,766,131	11,697,600
Fair value of derivative financial instrument	118,789	614,586
Unearned income	1,831,630	1,854,640
Net OPEB liability	10,795,289	21,738,923
Total noncurrent liabilities	<u>307,694,050</u>	<u>349,762,744</u>
Total liabilities	<u>378,411,726</u>	<u>409,307,588</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow from pensions	698,414	1,251,198
Deferred inflow from OPEB	2,230,308	447,368
Total deferred inflows of resources	<u>2,928,722</u>	<u>1,698,566</u>
NET POSITION		
Net investment in capital assets	502,944,702	441,689,611
Restricted for:		
Net pension asset	441,851	2,047,037
Passenger facility charge projects and debt service	39,359,559	36,397,922
Customer facility charge projects and debt service	18,488,396	20,415,352
Debt service and other	21,881,720	21,898,604
Total restricted net position	<u>80,171,526</u>	<u>80,758,915</u>
Unrestricted net position	<u>74,394,303</u>	<u>56,689,577</u>
Total net position	<u>657,510,531</u>	<u>579,138,103</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,038,850,979</u>	<u>\$ 990,144,257</u>

See accompanying notes.

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u> <u>(as restated)</u>
Operating revenues:		
Signatory airline	\$ 48,091,521	\$ 30,671,634
Parking	50,369,200	43,977,208
Concession	33,498,728	29,338,439
Space rental	16,648,433	15,121,337
Other	5,871,735	8,987,603
	<u>154,479,617</u>	<u>128,096,221</u>
Operating expenses:		
Salaries and wages	32,879,302	33,862,254
Contractual services	36,801,980	28,610,678
Materials and supplies	3,840,490	3,509,520
Utilities	5,639,206	5,971,391
Other	6,101,266	5,610,734
	<u>85,262,244</u>	<u>77,564,577</u>
Operating income before provision for depreciation	69,217,373	50,531,644
Provision for depreciation	<u>39,914,221</u>	<u>38,979,958</u>
Operating income	<u>29,303,152</u>	<u>11,551,686</u>
Nonoperating revenues (expenses):		
Investment income	2,149,363	730,198
Passenger facility charges	28,300,013	25,982,494
Customer facility charges	14,290,386	13,561,430
Interest expense	(10,262,472)	(10,299,910)
Gain (loss) on disposal of property and equipment	(703,900)	23,266
Gain on derivative financial instrument	495,797	520,003
Other nonoperating, net	(210,599)	4,840
	<u>34,058,588</u>	<u>30,522,321</u>
Income before capital contributions	63,361,740	42,074,007
Capital contributions	<u>15,010,688</u>	<u>14,552,791</u>
Increase in net position	78,372,428	56,626,798
Total net position - beginning of year	<u>579,138,103</u>	<u>522,511,305</u>
Total net position - end of year	<u>\$ 657,510,531</u>	<u>\$ 579,138,103</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u> <u>(as restated)</u>
Cash flows from operating activities:		
Cash received from customers	\$ 150,949,093	\$ 133,348,118
Cash paid to employees	(41,337,055)	(41,002,000)
Cash paid to suppliers	(68,649,699)	(34,201,591)
Other payments	(59,740)	(5,605,894)
	<u>40,902,599</u>	<u>52,538,633</u>
Cash flows from noncapital financing activities:		
Advance for airline support services	(523,444)	-
Interest paid on long-term debt	(867,378)	(867,378)
	<u>(1,390,822)</u>	<u>(867,378)</u>
Cash flows from capital and related financial activities:		
Receipt of passenger facility charges	27,960,640	25,132,015
Receipt of customer facility charges	14,158,183	13,520,431
Purchases of property and equipment	(97,633,892)	(120,216,453)
Interest paid on long-term debt	(18,769,884)	(11,099,406)
Payments on long-term debt	(38,191,240)	(13,695,676)
Proceeds from issuance of long-term debt	4,664,046	6,138,405
Payment for bond issuance cost	(150,858)	-
Contributions from governmental agencies	6,076,419	14,155,341
Receipts from sale of capital assets	21,437	23,266
	<u>(101,865,149)</u>	<u>(86,042,077)</u>
Cash flows from investing activities:		
Purchase of investments	(900,000)	(3,396,000)
Proceeds from the sale and maturities of investments	1,698,000	3,421,000
Interest received on investments	2,149,362	730,198
	<u>2,947,362</u>	<u>755,198</u>
Net decrease in cash and cash equivalents	<u>(59,406,010)</u>	<u>(33,615,624)</u>
Cash and cash equivalents:		
Beginning of year	<u>352,517,390</u>	<u>386,133,014</u>
End of year	<u>\$ 293,111,380</u>	<u>\$ 352,517,390</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u> <u>(as restated)</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 29,303,152	\$ 11,551,686
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for depreciation	39,914,221	38,979,958
Amortization of unearned rental income	(34,904)	(34,904)
Payments for nonoperating expenses	(59,740)	4,840
Changes in operating assets and liabilities:		
Accounts receivable	(3,574,422)	3,309,287
Inventories	(24,341)	(34,396)
Prepaid expenses	224,768	(1,067,615)
Other assets	213,843	(211,369)
Trade accounts payable	(16,983,603)	5,203,378
Accrued payroll and related items	(328,583)	(500,811)
Unearned income	74,171	1,977,514
Other fiduciary obligations	317,274	-
Net pension liability/asset and related deferred inflows/outflows of resources	517,600	(1,215,244)
Other postemployment benefit obligation	(8,656,837)	(5,423,691)
Net cash provided by operating activities	<u>\$ 40,902,599</u>	<u>\$ 52,538,633</u>
Cash and cash equivalents - end of year consist of:		
Unrestricted cash and cash equivalents	\$ 134,761,391	\$ 122,269,341
Restricted cash and cash equivalents	<u>158,349,989</u>	<u>230,248,049</u>
	<u>\$ 293,111,380</u>	<u>\$ 352,517,390</u>
Noncash investing and financing activities:		
Deferred bond refundings	\$ 3,614,351	\$ -
Interest expense, net of bond premium amortization	<u>915,357</u>	<u>1,019,119</u>
Net noncash financing activities	<u>\$ 4,529,708</u>	<u>\$ 1,019,119</u>
Change in fair value of derivative financial instruments	<u>\$ 495,797</u>	<u>\$ 520,003</u>
In-kind capital contribution	<u>\$ 4,945</u>	<u>\$ 3,580</u>
See accompanying notes.		

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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 24).

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 earlier.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

2. Summary of Significant Accounting Policies - Continued

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 valuation, 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 10 and customer facility charges ("CFCs") as described in Note 11.

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.

Revenues are reported net of discounts and allowances. Bad debts are expensed using the allowance method. The provision for bad debts was \$163,590 and \$32,111 for the years ended June 30, 2018 and 2017, respectively. The allowance for doubtful accounts was \$149,099 and \$60,000 at June 30, 2018 and 2017, respectively.

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 13). 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

2. Summary of Significant Accounting Policies - Continued

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 non-signatory 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 non-signatory 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 cost 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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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 acquisition 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 Note 17. The Authority's Retirement Plan issues a separate, publically available, financial report under the requirement of GASB Statement No. 67.

Postemployment benefits other than pension benefits are accounted for under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes standards for the measurement, recognition, and display of postemployment benefits expense and related liabilities, assets, deferred inflows/outflows of resources, note disclosures, and required supplementary information. See additional information regarding the Authority's Other Postemployment Benefits (OPEB) in Note 3 and in Note 18.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

2. Summary of Significant Accounting Policies - Continued

Deferred outflows/Inflows of resources

The statement of net position will 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 several items that qualify for reporting as deferred outflows/inflows of resources. These are losses on bond refundings; GASB No. 68 deferred inflows and outflows from earnings on investments, changes in assumptions, changes in benefit terms, and other experience gains or losses related to the Authority's Pension plan, and GASB No. 75 deferred inflows and outflows earnings on investments, changes in assumptions, changes in benefit terms, and other experience gains or losses relating to the Authority's OPEB plan.

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 and GASB No. 75 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, changes in benefit terms, 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 position. These deferred outflows/inflows are amortized in accordance with the provisions of GASB No. 68 and GASB No. 75. 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 (Note 13). 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 rental income. Unearned rental income represents lease rentals received in advance under certain ground leases entered into with developers (Note 20). 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

2. Summary of Significant Accounting Policies - Continued

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted.

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Effective for reporting periods beginning after December 15, 2018. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

2. Summary of Significant Accounting Policies - Continued

Effective July 1, 2017, GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB statements. Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, Statement No. 85 addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans

The MNAA has adopted GASB Statement No. 85, *Omnibus 2017*, for the fiscal year ending June 30, 2018.

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Federal Aviation Administration (FAA) has issued a policy statement governing all leases for aeronautical uses as exempt from recognizing a lease receivable and a deferred inflow of resources in their financial statements. Effective for reporting periods beginning after December 15, 2019. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, addresses the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Effective for reporting periods beginning after June 15, 2018. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

2. Summary of Significant Accounting Policies - Continued

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Effective for reporting periods beginning after December 15, 2019. Statement will be applied prospectively. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted.

Reclassifications

Certain 2017 balances have been reclassified to conform to the 2018 presentation.

3. Retrospective Application of a Change in Accounting Principle

During the current year, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As the Authority has historically recognized OPEB expense in accordance with GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Authority recognized a change in accounting principle upon implementation of GASB No. 75 to record the deferred outflows of resources, deferred inflows of resources and a net OPEB liability.

The following table summarizes the effects of the implementation of GASB No. 75 in the statements of net position as of June 30, 2017:

	<u>As Previously Reported June 30, 2017</u>	<u>Record Effects GASB 75</u>	<u>As Adjusted June 30, 2017</u>
Total assets	\$ 986,937,474	\$ -	\$ 986,937,474
Deferred outflows of resources	1,695,214	1,511,569	3,206,783
Total liabilities	408,542,489	765,099	409,307,588
Deferred inflows of resources	1,251,198	447,368	1,698,566
Net position			
Net investment in capital assets	441,689,611	-	441,689,611
Restricted	80,758,915	-	80,758,915
Unrestricted	<u>56,390,475</u>	<u>299,102</u>	<u>56,689,577</u>
Total net position	<u>\$ 578,839,001</u>	<u>\$ 299,102</u>	<u>\$ 579,138,103</u>

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

3. Retrospective Application of a Change in Accounting Principle - Continued

The following table summarizes the effects of the implementation of GASB No. 75 in the statements of revenues, expenditures, and changes in net position as of June 30, 2017:

	<u>As Previously Reported June 30, 2017</u>	<u>Record Effects GASB 75</u>	<u>As Adjusted June 30, 2017</u>
Total operating revenues	\$ 128,096,221	\$ -	\$ 128,096,221
Total operating expenses	<u>77,324,669</u>	<u>239,908</u>	<u>77,564,577</u>
Operating income before depreciation	50,771,552	(239,908)	50,531,644
Provision for depreciation	<u>38,979,958</u>	<u>-</u>	<u>38,979,958</u>
Total operating income(loss)	11,791,594	(239,908)	11,551,686
Non operating revenues (expenses)	<u>30,522,321</u>	<u>-</u>	<u>30,522,321</u>
Income before capital contributions	42,313,915	(239,908)	42,074,007
Capital contributions	<u>14,552,791</u>	<u>-</u>	<u>14,552,791</u>
Increase in net position	56,866,706	(239,908)	56,626,798
Net position - beginning	<u>521,972,295</u>	<u>539,010</u>	<u>522,511,305</u>
Net position - ending	<u>\$ 578,839,001</u>	<u>\$ 299,102</u>	<u>\$ 579,138,103</u>

4. Cash and Cash Equivalents and Investments

The Authority's deposit and investment policy is governed by the laws of the State of Tennessee and bond trust indentures and supplemental resolutions, which govern the investment of bond proceeds. Permissible investments generally include direct obligations of, or obligations guaranteed by, the U.S. Government, obligations issued or guaranteed by specific agencies of the U.S. Government, secured certificates of deposit, secured repurchase agreements, and specifically rated obligations of state governments, commercial paper and money market funds.

Cash and cash equivalents

The Authority's unrestricted and restricted cash and cash equivalent bank balances totaling \$293,675,542 and \$356,594,612 at June 30, 2018 and 2017, respectively, (with a carrying value of \$293,111,380 and \$352,517,390) represent a variety of time deposits and cash equivalents.

Cash deposits, maintained at four 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. 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*.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

4. Cash and Cash Equivalents and Investments - Continued

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

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, 2018 and 2017, the Authority had the following investments and related maturities:

Investment Type	Credit Rating	Fair Value	Investment Maturities (in Years)		
			Less than 1	1-5	6-10
June 30, 2018:					
U.S. Agencies	AA+/Aaa	\$ 900,000	\$ 900,000	\$ -	\$ -
June 30, 2017:					
U.S. Agencies	AA+/Aaa	\$ 1,698,000	\$ 1,698,000	\$ -	\$ -

The carrying amount of investments is reflected in short-term restricted investments in the accompanying statements of net position at June 30, 2018 and 2017.

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.

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, 2018 and 2017, are collateralized by securities held by the Authority's agent in the Authority's name.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

4. Cash and Cash Equivalents and Investments - Continued

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. 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, 2018, the remaining bonds subject to the 1999 DSFDA include only Series 2008A, Series 2010B (matured on July 1, 2015), and Series 2010C (matured on July 1, 2016).

There was no remaining unearned amount relating to the forward delivery agreement at June 30, 2018.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

5. Capital Assets

Capital assets and related accumulated depreciation activity for the years ended June 30, 2018 and 2017, were as follows:

	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
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	<u>72,814,778</u>	<u>134,239,643</u>	<u>-</u>	<u>(53,475,418)</u>	<u>153,579,003</u>
Total capital assets not being depreciated	<u>169,783,549</u>	<u>134,239,643</u>	<u>-</u>	<u>(53,475,418)</u>	<u>250,547,774</u>
Capital assets being depreciated:					
Land improvements	561,704,513	-	(1,307,711)	16,722,756	577,119,558
Buildings and building improvements	298,911,276	-	-	17,059,185	315,970,461
Equipment, furniture and fixtures	<u>165,348,939</u>	<u>-</u>	<u>(2,991,132)</u>	<u>19,693,477</u>	<u>182,051,284</u>
Total capital assets being depreciated	1,025,964,728	-	(4,298,843)	53,475,418	1,075,141,303
Less accumulated depreciation:					
Land improvements	(350,550,172)	(19,375,740)	697,274	-	(369,228,638)
Buildings and building improvements	(157,770,064)	(11,801,105)	-	-	(169,571,169)
Equipment, furniture and fixtures	<u>(70,366,238)</u>	<u>(8,737,376)</u>	<u>2,870,682</u>	<u>-</u>	<u>(76,232,932)</u>
Total accumulated depreciation	<u>(578,686,474)</u>	<u>(39,914,221)</u>	<u>3,567,956</u>	<u>-</u>	<u>(615,032,739)</u>
Net capital assets being depreciated	<u>447,278,254</u>	<u>(39,914,221)</u>	<u>(730,887)</u>	<u>53,475,418</u>	<u>460,108,564</u>
Net capital assets	<u>\$ 617,061,803</u>	<u>\$ 94,325,422</u>	<u>\$ (730,887)</u>	<u>\$ -</u>	<u>\$ 710,656,338</u>
	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
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	<u>42,890,290</u>	<u>119,829,843</u>	<u>-</u>	<u>(89,905,355)</u>	<u>72,814,778</u>
Total capital assets not being depreciated	<u>139,859,061</u>	<u>119,829,843</u>	<u>-</u>	<u>(89,905,355)</u>	<u>169,783,549</u>
Capital assets being depreciated:					
Land improvements	541,464,084	-	-	20,240,429	561,704,513
Buildings and building improvements	264,629,088	-	-	34,282,188	298,911,276
Equipment, furniture and fixtures	<u>129,795,510</u>	<u>386,330</u>	<u>(215,639)</u>	<u>35,382,738</u>	<u>165,348,939</u>
Total capital assets being depreciated	935,888,682	386,330	(215,639)	89,905,355	1,025,964,728
Less accumulated depreciation:					
Land improvements	(331,103,905)	(19,446,267)	-	-	(350,550,172)
Buildings and building improvements	(145,371,603)	(12,398,461)	-	-	(157,770,064)
Equipment, furniture and fixtures	<u>(63,446,927)</u>	<u>(7,135,230)</u>	<u>215,919</u>	<u>-</u>	<u>(70,366,238)</u>
Total accumulated depreciation	<u>(539,922,435)</u>	<u>(38,979,958)</u>	<u>215,919</u>	<u>-</u>	<u>(578,686,474)</u>
Net capital assets being depreciated	<u>395,966,247</u>	<u>(38,593,628)</u>	<u>280</u>	<u>89,905,355</u>	<u>447,278,254</u>
Net capital assets	<u>\$ 535,825,308</u>	<u>\$ 81,236,215</u>	<u>\$ 280</u>	<u>\$ -</u>	<u>\$ 617,061,803</u>

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

5. Capital Assets - Continued

The amount of construction in progress at June 30, 2018, is attributable to the following:

Long Term Parking Garage	\$ 84,168,554
Terminal & Landside Area Programming & Initial Design	20,455,734
D Concourse Expansion	6,882,646
Terminal & Taxilane Expansion	5,480,340
Reconstruct Txwy Alpha South	4,665,344
Txwy Lima Rehabilitation	4,415,846
Other projects	<u>27,510,539</u>
Total construction in progress	<u>\$ 153,579,003</u>

During fiscal year 2018, \$53,475,418 of construction in progress was substantially completed and transferred to capital assets as follows:

Txwy Sierra South	\$ 8,154,544
Passenger Boarding Bridge Replacement	8,085,810
Interim International Arrivals Building	6,703,870
Other projects	<u>30,531,194</u>
	<u>\$ 53,475,418</u>

The amount of construction in progress at June 30, 2017, is attributable to the following:

Long Term Parking Garage-Design	\$ 23,387,469
Terminal & Landside Area Programming & Initial Design	10,423,289
Reconstruct Txwy Sierra South	7,848,996
Outbound Load Balancing	3,536,433
Replace Stormwater Pipe Ph 2	3,071,088
Parking Lot Revenue Control System Replacement	2,997,532
Passenger Boarding Bridge Replacements	2,275,558
CNG Fueling Station	1,993,005
Other projects	<u>17,281,408</u>
Total construction in progress	<u>\$ 72,814,778</u>

During fiscal year 2017, \$89,905,355 of construction in progress was substantially completed and transferred to capital assets as follows:

BNA MRO Hangar Development	\$ 33,977,503
Passenger Boarding Bridge Replacement	23,521,429
Improve Stormwater Collection & Treatment System	8,193,277
Reconstruct Txwy Lima & Juliet	7,518,012
ERP Systems Implementation	4,542,240
Air Handling Unit & IAB HVAC Replacement	2,809,302
Radio System Replacement	2,157,336
Other projects	<u>7,186,256</u>
	<u>\$ 89,905,355</u>

The Authority capitalized \$4,354,243 of net interest cost in fiscal year 2018 and \$4,276,656 in fiscal year 2017.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

6. 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 17).

The remaining Series 2003B bonds contain serial bonds at interest rates ranging from 5.49% to 5.94%, with annual sinking fund requirements in progressive annual amounts ranging from \$1,550,000 on July 1, 2018, 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, 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 9). The 2008A bonds mature in progressive annual amounts ranging from \$3,600,000 on July 1, 2018, 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 4.125% to 5.25%, maturing in progressive annual amounts ranging from \$4,190,000 on July 1, 2018, to \$7,970,000 on July 1, 2019. The debt service reserve account and interest earned on that account will be used to pay a portion of the final principal payment on July 1, 2019.

Airport improvement revenue bonds, Series 2010A

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

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

6. Airport Bonds - Continued

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 an interest rate of 5%, and have matured in the amount of \$3,835,000 on July 1, 2017.

Special facility revenue bonds (MPC CONRAC LLC Project) Series 2010

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 (Note 11). The bonds maturing in the years 2021 through and including 2029 were refunded with the Special facility revenue bond (MPC CONRAC LLC Project) Refunding Series 2018 bonds in May 2018.

The remaining CONRAC Series 2010 bonds contain serial bonds at interest rates ranging from 4.816% to 5.787%, maturing in progressive annual amounts ranging from \$2,695,000 on July 1, 2018, to \$3,000,000 on July 1, 2020.

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 bonds 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% repayment premium of \$1,274,700 on the 2001A bonds. This difference, reported as a deferred outflows of resources, was 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%, which matured on July 1, 2016, upon the Authority making the final payment of \$1,740,000.

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 Airport 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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

6. Airport Bonds - Continued

The Series 2015A bonds contain serial bonds at interest rates ranging from 4% to 5%, 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% are due on July 1, 2040, and \$26,460,000 of term bonds at 5% are due on July 1, 2045.

The Series 2015B bonds contain serial bonds at interest rates ranging from 4% to 5%, 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% are due on July 1, 2040, \$17,130,000 of term bonds at 5% are due on July 1, 2043, and \$12,825,000 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.

Special facility revenue bond (MPC CONRAC LLC Project) Refunding Series 2018 bonds

During May 2018, the Authority issued CONRAC Refunding Series 2018 bonds in the principal amount of \$27,358,295. The bonds, together with \$23,334,428 available customer facility charge ("CFC") revenues were placed in an irrevocable trust to advance refund the Series 2010 Bonds maturing in the years 2021 through 2029 and pay the costs of issuance of the bond of \$150,858. Accordingly, the trust account assets and the liability on the defeased bonds are not included in the Authority's financial statements. At June 30, 2018, \$45,680,000 of defeased bonds remain outstanding. The difference between the reacquisition price and the net carrying amount of the refunded debt was \$3,614,352. This difference, reported as a deferred outflows of resources, and is being amortized through fiscal year 2029. The refunding resulted in an economic gain of approximately \$6,400,000.

The CONRAC Refunding Series 2018 bonds are payable from and secured by a pledge of certain rental payments derived from CFC's under leases with rental car agencies (Note 11). The remaining CONRAC Refunding Series 2018 bonds contain serial bonds at an interest rate of 3.4%, maturing in progressive annual amounts ranging from \$3,028,385 on July 1, 2021, to \$3,838,790 on July 1, 2028.

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 \$4,400,000 of the Series 2015A bonds (Note 10). Although the CONRAC Series 2010 and 2018 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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

6. Airport Bonds - Continued

The following shows the composition of restricted cash and cash equivalents and investments as of June 30, 2018 and 2017 (the restricted funds relate primarily to airport bonds and related activity):

	<u>2018</u>	<u>2017</u>
Principal and Interest Funds:		
Airport Improvement Revenue Bonds, Series 2003B	\$ 1,983,780	\$ 1,438,763
Airport Improvement Revenue Bonds, Series 2008A	900,000	1,702,957
Airport Improvement Revenue Bonds, Series 2009A	4,479,357	4,392,269
Airport Improvement Revenue Bonds, Series 2010A	-	3,931,645
CONRAC Series 2010 & 2018 Bonds	3,173,284	4,265,505
Airport Improvement Revenue Bonds, Series 2015A	3,879,975	2,229,934
Airport Improvement Revenue Bonds, Series 2015B	4,137,331	2,607,308
Bond Reserve Funds:		
Airport Improvement Revenue Bonds, Series 2009A	3,723,673	3,682,849
CONRAC Series 2010 & 2018 Bonds	3,594,552	5,676,912
Airport Improvement Revenue Bonds, Series 2015A	6,224,145	6,149,533
Airport Improvement Revenue Bonds, Series 2015B	7,360,436	7,272,204
Construction Funds:		
PFC accounts	35,552,876	32,930,612
Airport Improvement Revenue Bonds, Series 2009A	283,030	284,166
CONRAC Series 2010 Bonds	-	51,515
Airport Improvement Revenue Bonds, Series 2015A	32,306,698	83,407,699
Airport Improvement Revenue Bonds, Series 2015B	34,840,309	56,009,185
CIP Payments Account	50,327	19,678
Other Funds:		
Various CONRAC accounts	13,418,830	13,568,845
Energy improvement	18,040	136,261
Fiduciary obligations	1,804,781	1,487,508
Other	1,518,565	700,701
	<u>\$ 159,249,989</u>	<u>\$ 231,946,049</u>

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

6. Airport Bonds - Continued

Airport bond activity for the years ended June 30, 2018 and 2017, is summarized as follows:

2018:

<u>Series Description</u>	<u>Balance July 1, 2017</u>	<u>New Borrowings</u>	<u>Principal Repayment</u>	<u>Refundings</u>	<u>Amortization</u>	<u>Balance June 30, 2018</u>
Series 2003B	\$ 14,785,000	\$ -	\$ -	\$ -	\$ -	\$ 14,785,000
Series 2008A	10,800,000	-	(3,400,000)	-	-	7,400,000
Series 2009A	16,180,000	-	(4,020,000)	-	-	12,160,000
Series 2010A	3,835,000	-	(3,835,000)	-	-	-
CONRAC Series 2010	56,695,000	-	(20,801,705)	(27,358,295)	-	8,535,000
CONRAC Series 2018	-	27,358,295	-	-	-	27,358,295
Series 2015A	91,855,000	-	-	-	-	91,855,000
Series 2015B	108,145,000	-	-	-	-	108,145,000
Total	302,295,000	27,358,295	(32,056,705)	(27,358,295)	-	270,238,295
Plus unamortized premium	25,296,995	-	-	-	(1,138,079)	24,158,916
	327,591,995	\$ 27,358,295	\$ (32,056,705)	\$ (27,358,295)	\$ (1,138,079)	294,397,211
Less current portion	(13,735,000)					(15,215,000)
	<u>\$ 313,856,995</u>					<u>\$ 279,182,211</u>

2017:

<u>Series Description</u>	<u>Balance July 1, 2016</u>	<u>New Borrowings</u>	<u>Principal Repayment</u>	<u>Refundings</u>	<u>Amortization</u>	<u>Balance June 30, 2017</u>
Series 2003B	\$ 14,785,000	\$ -	\$ -	\$ -	\$ -	\$ 14,785,000
Series 2008A	12,000,000	-	(1,200,000)	-	-	10,800,000
Series 2009A	20,040,000	-	(3,860,000)	-	-	16,180,000
Series 2010A	7,525,000	-	(3,690,000)	-	-	3,835,000
CONRAC Series 2010	58,980,000	-	(2,285,000)	-	-	56,695,000
Series 2010C	1,740,000	-	(1,740,000)	-	-	-
Series 2015A	91,855,000	-	-	-	-	91,855,000
Series 2015B	108,145,000	-	-	-	-	108,145,000
Total	315,070,000	-	(12,775,000)	-	-	302,295,000
Plus unamortized premium	26,648,869	-	-	-	(1,351,874)	25,296,995
	341,718,869	\$ -	\$ (12,775,000)	\$ -	\$ (1,351,874)	327,591,995
Less current portion	(12,775,000)					(13,735,000)
	<u>\$ 328,943,869</u>					<u>\$ 313,856,995</u>

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

6. Airport Bonds - Continued

Aggregate maturities of the Authority's bonds outstanding at June 30, 2018, including the annual sinking fund requirements of the Series 2003B and CONRAC Series 2010 bonds, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 15,215,000	\$ 12,020,973	\$ 27,235,973
2020	18,995,000	11,595,959	30,590,959
2021	7,600,000	11,056,692	18,656,692
2022	7,863,385	10,713,927	18,577,312
2023	8,212,780	10,402,992	18,615,772
2024-2028	46,548,338	46,253,364	92,801,702
2029-2033	40,838,792	37,341,063	78,179,855
2034-2038	40,710,000	26,506,868	67,216,868
2039-2046	<u>84,255,000</u>	<u>23,892,392</u>	<u>108,147,392</u>
	<u>\$ 270,238,295</u>	<u>\$ 189,784,230</u>	<u>\$ 460,022,525</u>

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.

7. 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 approximately \$4,608,057. The principal balance outstanding was \$0 and \$4,678,848 at June 30, 2018 and 2017, respectively. The note is collateralized by the building. The note was paid in full in November, 2017.

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 approximately \$823,302. The principal balance outstanding was \$0 and \$854,840 at June 30, 2018 and 2017, respectively. The note was paid in full in April, 2018.

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, 2018 and 2017, MPC was in compliance with its financial covenants.

Activity with respect to the MPC notes for 2018 and 2017 is as follows:

<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Principal Repayments</u>	<u>Balance June 30, 2018</u>
MPC Note 1 – IBP Loan	\$ 4,678,848	\$ (4,678,848)	\$ -
MPC Note 2 – MPB Loan	<u>854,840</u>	<u>(854,840)</u>	<u>-</u>
	<u>\$ 5,533,688</u>	<u>\$ (5,533,688)</u>	<u>\$ -</u>

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

7. Notes Payable - Continued

Description	Balance July 1, 2016	Principal Repayments	Balance June 30, 2017
MPC Note 1 – IBP Loan	\$ 4,913,833	\$ (234,985)	\$ 4,678,848
MPC Note 2 – MPB Loan	896,179	(41,339)	854,840
	<u>\$ 5,810,012</u>	<u>\$ (276,324)</u>	<u>\$ 5,533,688</u>

Intercompany Loan Agreement

During March 2018, the Authority has entered into an agreement for an intercompany loan with MNAA Properties Corporation (MPC). MPC had a Guarantee Agreement with Suntrust Bank with a maturity date of April 1, 2018. As MPC did not have sufficient funds to pay the Guarantee Agreement in full, MNAA agreed to provide this credit facility to MPC. The credit facility amount was \$400,000, with a maturity date of April 1, 2021 with an annual interest rate of 3.25% and monthly total payments of \$11,677 (principal and interest) where the last payment will be made March 31, 2021.

Description	Balance July 1, 2017	New Borrowings	Principal Repayments	Balance June 30, 2018
MPC Intercompany Loan	\$ -	\$ 400,000	\$ (21,215)	\$ 378,785

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 \$0 and \$30,819 at June 30, 2018 and 2017, 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 \$1,539,976 and \$1,838,391 at June 30, 2018 and 2017, 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 interest payment is due in July 2030. The principal balance outstanding was \$4,028,386 and \$4,300,000 at June 30, 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

7. Notes Payable - Continued

The anticipated aggregate principal and interest maturities of the Energy Loans are as follows at June 30, 2018:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 595,516	\$ 133,972	\$ 729,488
2020	622,182	120,130	742,312
2021	645,159	105,751	750,910
2022	660,032	90,980	751,012
2023	453,087	76,928	530,015
2024 - 2028	1,575,057	252,495	1,827,552
2029 - 2031	<u>1,017,329</u>	<u>42,770</u>	<u>1,060,099</u>
	<u>\$ 5,568,362</u>	<u>\$ 823,026</u>	<u>\$ 6,391,388</u>

Activity with respect to the Energy Loans for fiscal years 2018 and 2017, is as follows:

<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Principal Additions</u>	<u>Principal Repayments</u>	<u>Balance June 30, 2018</u>
Energy Loan Phase I	\$ 30,819	\$ -	\$ (30,819)	\$ -
Energy Loan Phase II	1,838,391	-	(298,415)	1,539,976
Geothermal Loan	<u>4,300,000</u>	-	<u>(271,614)</u>	<u>4,028,386</u>
	<u>\$ 6,169,210</u>	<u>\$ -</u>	<u>\$ (600,848)</u>	<u>\$ 5,568,362</u>

<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Principal Additions</u>	<u>Principal Repayments</u>	<u>Balance June 30, 2017</u>
Energy Loan Phase I	\$ 396,143	\$ -	\$ (365,324)	\$ 30,819
Energy Loan Phase II	2,117,419	-	(279,028)	1,838,391
Geothermal Loan	<u>4,300,000</u>	-	-	<u>4,300,000</u>
	<u>\$ 6,813,562</u>	<u>\$ -</u>	<u>\$ (644,352)</u>	<u>\$ 6,169,210</u>

BNA credit facility loan agreement

On December 5, 2016, 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 \$100,000,000, the proceeds of which are to be used to finance a portion of the cost of the Authority's capital improvement program, including land acquisition and the acquisition, construction, rehabilitation, replacement, repair, renovation, improvement and reconstruction of terminal, airfield, parking, hanger, roadway, hotel, multi-modal transit facilities and the acquisition of airport equipment and other facilities and improvements as may be necessary and appropriate for the operation of such airport facilities at the Nashville International Airport or John C. Tune 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 75 basis points per annum, the rate at June 30, 2018 and June 30, 2017 was 2.73246% and 1.8005%, respectively. The Credit Facility Loan Agreement will mature on December 4, 2019. During fiscal years 2018 and 2017, draws on this line were \$4,664,046 and \$6,129,239, respectively, which will be repaid with a new line of credit prior to maturity on December 4, 2019. Interest on this Credit Facility during fiscal years 2018 and 2017 was \$145,280 and \$36,904, respectively.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

7. Notes Payable - Continued

Activity with respect to the BNA Credit Facility Loan Agreement for fiscal years 2018 and 2017 is as follows:

<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Principal Additions</u>	<u>Principal Repayments</u>	<u>Balance June 30, 2018</u>
BNA Credit Facility	<u>\$ 6,129,239</u>	<u>\$ 4,664,046</u>	<u>\$ -</u>	<u>\$ 10,793,285</u>

<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Principal Additions</u>	<u>Principal Repayments</u>	<u>Balance June 30, 2017</u>
BNA Credit Facility	<u>\$ -</u>	<u>\$ 6,129,239</u>	<u>\$ -</u>	<u>\$ 6,129,239</u>

8. Other Noncurrent Liabilities

Other noncurrent liabilities activity for the years ended June 30, 2018 and 2017, is as follows:

<u>Other Noncurrent Liabilities Description</u>	<u>Balance July 1, 2017</u>	<u>Net Cash Receipts (Prepayments)</u>	<u>Amortization</u>	<u>Change in Derivative Instruments</u>	<u>Balance June 30, 2018</u>
Fair value of derivative financial instruments	\$ 614,586	\$ -	\$ -	\$ (495,797)	\$ 118,789
Unearned rental income	<u>1,854,640</u>	<u>11,894</u>	<u>(34,904)</u>	<u>-</u>	<u>1,831,630</u>
	<u>\$ 2,469,226</u>	<u>\$ 11,894</u>	<u>\$ (34,904)</u>	<u>\$ (495,797)</u>	<u>\$ 1,950,419</u>

<u>Other Noncurrent Liabilities Description</u>	<u>Balance July 1, 2016</u>	<u>Net Cash Receipts (Prepayments)</u>	<u>Amortization</u>	<u>Change in Derivative Instruments</u>	<u>Balance June 30, 2017</u>
Fair value of derivative financial instruments	\$ 1,134,589	\$ -	\$ -	\$ (520,003)	\$ 614,586
Unearned rental income	<u>1,828,281</u>	<u>61,263</u>	<u>(34,904)</u>	<u>-</u>	<u>1,854,640</u>
	<u>\$ 2,962,870</u>	<u>\$ 61,263</u>	<u>\$ (34,904)</u>	<u>\$ (520,003)</u>	<u>\$ 2,469,226</u>

9. Derivative Financial Instruments

The Authority maintained a pay-fixed, receive-variable interest rate swap agreement during 2018 and 2017, 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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

9. Derivative Financial Instruments - Continued

The fair value of the interest rate swap agreement was a liability of \$118,789 and \$614,586 at June 30, 2018 and 2017, respectively. Other details of the interest rate swap are as follows:

<u>Description</u>	<u>Notional Amount June 30, 2018</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating Moody's / S&P</u>
2008A Swap	\$ 7,400,000	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.

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, 2018 or 2017. 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.

10. 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 2018 and 2017 totaled \$28,300,013 and \$25,982,494, respectively.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

10. Passenger Facility Charges - Continued

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, 2018:

Airfield development	\$ 220,910,934
Terminal development	160,471,816
Land acquisition	<u>21,260,411</u>
	<u>\$ 402,643,161</u>

As of June 30, 2018, cumulative expenditures to date on approved PFC projects totaled \$337,536,144.

11. Customer Facility Charges

On January 1, 2008, the Authority began requiring the car rental companies at Nashville International Airport to charge a Customer Facility Charge ("CFC") to be used to pay, or to reimburse the Authority, for costs, fees and expenses associated with the planning, design, construction, financing, maintenance and operation of the Consolidated Rental Car ("CONRAC") Facility, and other costs, fees, and expenses that may be paid from CFC proceeds. The CFC 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 and 2018 bonds issued in February 2010 and May 2018, respectively. Additionally, in accordance with the terms of the CONRAC Series 2010 and 2018 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 6). The Authority can use CFCs collected in excess of the various refunded funds for any lawful purpose. CFC revenue during fiscal years 2018 and 2017 totaled \$14,290,386 and \$13,561,430, 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 \$45,566,690 and \$22,873,353 at June 30, 2018 and 2017, respectively, and is included in net investment in capital assets and restricted net position in the statements of net position.

12. 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 June 30, 2018 and 2017 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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

12. Special Facility Revenue Bonds - Continued

Special facility revenue bonds, series 2006/refunding series 2010

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

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

The Special Facility Revenue Bonds, Series 2006, and outstanding Refunding Series 2010 bonds are special obligations of the Authority and the debt service thereon shall be payable solely from revenues provided by Aero Nashville, LLC pursuant to a special facility sublease agreement or from letter of credit drawings made by the trustee. The principal balance outstanding as of June 30, 2018 and 2017 was \$4,150,000 and \$4,885,000, 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.

13. Airline Lease Agreements

During fiscal year 2015, the Authority 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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

13. Airline Lease Agreements - Continued

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 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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

13. Airline Lease Agreements - Continued

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.

The Authority also owns 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.

14. 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 at June 30:

	<u>2018</u>	<u>2017</u>
Balance - Beginning of year	\$ 474,282	\$ 350,469
Provision for incurred claims	3,956,029	4,327,051
Claim payments	<u>(4,141,714)</u>	<u>(4,203,238)</u>
Balance - End of year	<u>\$ 288,597</u>	<u>\$ 474,282</u>

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

15. 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 2018 and 2017, employees sold back \$222,535 and \$217,866 of their annual leave balances to the Authority in exchange for cash. Additional payments of \$262,234 and \$121,156 were made to employees who left employment with the Authority during the years ended June 30, 2018 and 2017, respectively. The change in accrued compensated absences balance is charged to salaries and wages expense.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

15. Compensated Absences - Continued

The following summarizes the changes in the compensated absences liability at June 30, which is included in accrued payroll and related items on the statements of net position:

	<u>2018</u>	<u>2017</u>
Balance - Beginning of year	\$ 2,155,626	\$ 2,157,615
Provision for compensated absences	2,162,289	1,920,218
Annual leave used	(1,754,290)	(1,583,185)
Annual leave buy-back and other	<u>(484,769)</u>	<u>(339,022)</u>
Balance - End of year	<u>\$ 2,078,856</u>	<u>\$ 2,155,626</u>

16. Commitments and Contingencies

Uncompleted construction contracts

Estimated costs of completion of construction in progress at June 30, 2018, total \$36,624,640 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	\$ 5,167,148
Reimbursed from PFC funds	3,525,000
Funded by the Authority	<u>27,932,492</u>
	<u>\$ 36,624,640</u>

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 was closed on January 8, 2015. The Authority continues to perform monitoring and reporting to the Tennessee Department of Environment and Conservation in compliance with NPDES Permit TN0064041.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

17. 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, 2018, the Committee consists of 7 voting members, four of whom are active Authority senior management, two of whom are active Authority employees and members of the Plan. Non-voting members of the Committee consist of an Advisor Member (retiree in the plan), and the Authority's paralegal and cash manager.

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, 2018, the following employees were covered by the benefit terms:

Retired	162
Deferred vested	47
Active vested	<u>97</u>
	<u>306</u>

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

17. Retirement Benefit Plan - Continued

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/asset

The Authority's net pension liability/asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the June 30, 2018, 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% per annum, compounded annually, net of pension plan investment expense and inflation

Mortality table was changed from the RP-2014 Generational Mortality Table for Males and Females, as applicable, with adjustments for mortality improvements based on Scale MP-2016 to the RP-2014 Generational Mortality table for Males and Females with Improvement Scale MP-2017. The discount rate also changed from 7.5% to 7%.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity - Small Cap	5.20%	8.00%
Domestic Equity - Large Cap	34.45%	6.70%
Domestic Equity - Mid Cap	9.10%	7.50%
International Equity	16.25%	7.15%
Fixed Income	32.00%	1.00%
Cash	3.00%	0.25%

Discount rate

The discount rate used to measure total pension liability is 7%, compounded annually. The Authority's Board of Commissioners has approved the funding policy, as described in the contributions section above. The Authority

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

17. Retirement Benefit Plan - Continued

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.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at July 1, 2017	<u>\$ 60,268,906</u>	<u>\$ 62,315,943</u>	<u>\$ (2,047,037)</u>
Changes for the year:			
Service cost	667,297	-	667,297
Interest	4,218,823	-	4,218,823
Difference between expected and actual experience	745,177	-	745,177
Changes of assumptions	2,942,473	-	2,942,473
Contributions – Employer	-	2,000,000	(2,000,000)
Net investment income	-	4,968,584	(4,968,584)
Benefits paid	<u>(3,059,272)</u>	<u>(3,059,272)</u>	<u>-</u>
Net changes	<u>5,514,498</u>	<u>3,909,312</u>	<u>1,605,186</u>
Balances at June 30, 2018	<u>\$ 65,783,404</u>	<u>\$ 66,225,255</u>	<u>\$ (441,851)</u>
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at July 1, 2016	<u>\$ 59,761,297</u>	<u>\$ 53,222,359</u>	<u>\$ 6,538,938</u>
Changes for the year:			
Service cost	741,608	-	741,608
Interest	4,482,097	-	4,482,097
Difference between expected and actual experience	(1,259,978)	-	(1,259,978)
Changes of assumptions	(616,820)	-	(616,820)
Contributions – Employer	-	5,160,905	(5,160,905)
Net investment income	-	6,771,977	(6,771,977)
Benefits paid	<u>(2,839,298)</u>	<u>(2,839,298)</u>	<u>-</u>
Net changes	<u>507,609</u>	<u>9,093,584</u>	<u>(8,585,975)</u>
Balances at June 30, 2017	<u>\$ 60,268,906</u>	<u>\$ 62,315,943</u>	<u>\$ (2,047,037)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

17. Retirement Benefit Plan - Continued

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/(asset) calculated using the stated discount rate, as well as what the net pension liability/(asset) 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:

	<u>1% Decrease</u> <u>6.00%</u>	<u>Current Rate</u> <u>7.00%</u>	<u>1% Increase</u> <u>8.00%</u>
Net pension liability (asset)	\$ 6,900,121	\$ (441,851)	\$ (6,680,837)

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, 2018 and 2017, the Authority recognized pension expense of \$2,517,599 and \$2,770,608, respectively. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2018</u>	
	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Experience gains or losses	\$ 372,589	\$ 419,993
Change of assumption	1,471,236	205,607
Net difference between projected and actual earnings on investments	-	72,814
Total	<u>\$ 1,843,825</u>	<u>\$ 698,414</u>

	<u>June 30, 2017</u>	
	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Experience gains or losses	\$ 179,309	\$ 839,985
Change of assumption	838,671	411,213
Net difference between projected and actual earnings on investments	291,043	-
Total	<u>\$ 1,309,023</u>	<u>\$ 1,251,198</u>

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

17. Retirement Benefit Plan - Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2018, will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>		
2019	\$	1,691,263
2020		126,641
2021		(605,570)
2022		(66,923)
2023		-
Thereafter		-

18. Other Postemployment Benefits (OPEB)

General information about the OPEB plan

Plan description

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.

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, 2018, the Committee consists of 7 voting members, four of whom are active Authority senior management, two of whom are active Authority employees and members of the Plan. Non-voting members of the Committee consist of an Advisor Member (retiree in the plan), and the Authority's paralegal and cash manager.

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.

Benefits provided/Contributions

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, 2017, biennial valuation, for the Authority's fiscal years 2016 and 2017, these changes in assumptions increased the unfunded accrued liability by approximately \$4.4 million.

Effective January 1, 2017, MNAA offered a Medicare Supplement Plan. Retirees and spouses (post 65) had the option to enroll in the Medicare Supplement Core or Core Plus plans through AmWINS Group Benefits if they desired to continue coverage through MNAA. If they desired not to enroll in MNAA supplemental plans they have the option to enroll in the individual Market Medicare Plans.

MNAA makes a monthly contribution of \$250 for each participant (retiree and spouse) in a Health Reimbursement Account (HRA). These contributions are to be used toward the monthly premiums of those who have elected MNAA plans or an individual market plan.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

18. Other Postemployment Benefits (OPEB) - Continued

The account reimburses the participant for their individual medical, dental, or vision premiums along with out of pocket health care expenses such as copays, deductibles, coinsurance, etc.

For retirees under 65, 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, 27 under 65 retirees and 12 under 65 retiree spouses/dependents are receiving OPEB benefits. The monthly contribution requirements for participants in the Authority's medical plan range from \$83.95 (single "Core Wellness" premium) to \$509.23 (family "Core Plus" non-well 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.

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 \$14,000 life insurance policy on each retiree. As of June 30, 2018 and 2017, there were 9 and 9 retirees, respectively, receiving benefits under the PERS. During the years ended June 30, 2018 and 2017, payments of \$71,365 and \$66,026, respectively, were made to the Metropolitan Government for postemployment benefits under this PERS.

Employees covered by benefit terms

At June 30, 2018, the following employees were covered by the benefit terms:

Actives (with medical coverage)	150
Actives (without medical coverage)	120
Retirees (with medical coverage)	<u>122</u>
	<u>392</u>

OPEB Net Position

The Authority does not issue separate financial statements for postemployment benefits. The OPEB's net position consists solely of the Plan's investments at fair value as there are no significant related liabilities or deferred inflows or outflows.

The investments of the Plan are governed by an investment policy approved by the Authority's Retirement Committee. The investment policy establishes the Plan's investment objectives, portfolio benchmarks, and asset allocation parameters. The investment policy also requires certain qualifications of investment managers, review of investment returns, and reporting requirements. Generally, the investment policy specifies a long-term investment horizon with investment returns to be achieved without undue investment risk. Changes to the investment policy can be made only by formal resolution of the Board of Commissioners. No significant changes were made during fiscal years 2018 or 2017.

The Plan's investment assets are held in trust by the Plan's trustee for the benefit of plan participants. Investments in equity and bond mutual funds are stated at fair value using quoted market prices in active markets (level 1). Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The Plan's investment assets are held in trust by the Plan's trustee, Wells Fargo Bank N.A.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

18. Other Postemployment Benefits (OPEB) - Continued

The Plan's investments which represented 5% or more of net position as of June 30, 2018 and 2017 are as follows:

<u>Description of Investment</u>		<u>2018</u>	<u>2017</u>
Wells Fargo	Wells Fargo Core Bond	\$ 2,055,604	\$ 1,253,287
Metropolitan West	Total Return Bond Fund Class I	2,055,313	1,252,951
Wells Fargo	Wells Fargo/MFS Value Fund Class I	*	797,609
Wells Fargo	Wells Fargo/Federated Total Return Bond Fund Class I	2,052,104	1,254,363
Wells Fargo	Wells Fargo/Northern Mid Cap Index Fund	2,309,477	1,391,539
Wells Fargo	Wells Fargo/Dodge & Cox Income Fund	2,044,396	1,253,085
Wells Fargo	Wells Fargo/Vanguard 500 Index Fund	3,428,478	2,087,968
Wells Fargo	Wells Fargo/T. Rowe Price Institutional Equity Income Managed	*	798,240
	Other funds representing less than 5%	<u>11,366,150</u>	<u>5,200,053</u>
	Total investments and net position	<u>\$ 25,311,522</u>	<u>\$ 15,289,095</u>

* Balance was not reportable as an investment in excess of 5% of plan net position.

Net OPEB liability

The Authority's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

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 multi-year 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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

18. Other Postemployment Benefits (OPEB) - Continued

The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation method	Entry age normal method
Discount rate	4%
Expected long-term rate of return on plan assets	4%
Health care cost trend rate	7.75% graded down to 5% over 11 years
Inflation rate	5%; dental and vision per year
Retirement rates	Varying rates beginning with 5% at age 50 to 100% retirement at age 65

The mortality was changed from mortality table RP-2014 with improvement scale MP-2016 to mortality table RP-2014 mortality table adjusted to 2006 with generational mortality improvement projected under Projection Scale MP-2017.

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.

Claims were adjusted downward 3% each year for aging for attained ages 65 to 55. Prescription claims were adjusted downward 3% each year for aging for attained ages 65 to 55.

The long-term expected rate of return on plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 OPEB plan's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity - Small Cap	5.20%	8.00%
Domestic Equity - Large Cap	34.45%	6.70%
Domestic Equity - Mid Cap	9.10%	7.50%
International Equity	16.25%	7.15%
Fixed Income	32.00%	1.00%
Cash	3.00%	0.25%
Total	100%	4.90%

Due to the Plan's funded status of 70%, a more conservative long-term rate of return of 4.0% was selected, rather than the return of 4.90% calculated using the percentages above. However, plan assets, together with projected future contributions based on historic experience, are expected to cover benefit payments for the duration of the Plan.

Legislative changes

The valuation results provided in this report reflect a best estimate of the potential impact of the Patient Protection and Affordable Care Act (PPACA). Consideration has been made for provisions of the law that are effective as of the valuation date as well as those provisions that will take effect in the future. In particular, the anticipated future excise tax has been valued and deemed immaterial.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

18. Other Postemployment Benefits (OPEB) - Continued

Changes in the net OPEB liability

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2017	<u>\$ 37,028,018</u>	<u>\$ 15,289,095</u>	<u>\$ 21,738,923</u>
Changes for the year:			
Service cost	1,287,152	-	1,287,152
Interest	1,478,732	-	1,478,732
Difference between expected and actual experience	(2,340,217)	-	(2,340,217)
Net investment income	-	1,204,489	(1,204,489)
Contributions – Employer	-	10,195,977	(10,195,977)
Benefits paid	(1,346,874)	(1,346,874)	-
Administrative expenses	-	(31,165)	31,165
Net changes	<u>(921,207)</u>	<u>10,022,427</u>	<u>(10,943,634)</u>
Balances at June 30, 2018	<u>\$ 36,106,811</u>	<u>\$ 25,311,522</u>	<u>\$ 10,795,289</u>
	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2016	<u>\$ 33,598,342</u>	<u>\$ 7,499,929</u>	<u>\$ 26,098,413</u>
Changes for the year:			
Service cost	1,259,595	-	1,259,595
Interest	1,346,638	-	1,346,638
Change of assumptions	1,205,435	-	1,205,435
Difference between expected and actual experience	809,991	-	809,991
Net investment income	-	1,016,930	(1,016,930)
Contributions – Employer	-	7,983,073	(7,983,073)
Benefits paid	(1,191,983)	(1,191,983)	-
Administrative expenses	-	(18,854)	18,854
Net changes	<u>3,429,676</u>	<u>7,789,166</u>	<u>(4,359,490)</u>
Balances at June 30, 2017	<u>\$ 37,028,018</u>	<u>\$ 15,289,095</u>	<u>\$ 21,738,923</u>

The Authority made \$10,195,977 and \$7,983,073 in contributions to the OPEB Trust during fiscal years 2018 and 2017, respectively. These contributions were considered in the June 30, 2018 and 2017 actuarial valuations, respectively.

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following represents the net OPEB liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using the healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the assumed trend rate:

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

18. Other Postemployment Benefits (OPEB) - Continued

	<u>6.75%</u> <u>Decreasing to</u> <u>4%</u> <u>Over 11 years</u>	<u>7.75%</u> <u>Decreasing to</u> <u>5%</u> <u>Over 11 years</u>	<u>8.75%</u> <u>Decreasing to</u> <u>6%</u> <u>Over 11 years</u>
Net OPEB liability	\$ 9,078,949	\$ 10,795,289	\$ 12,758,571

Sensitivity of the net OPEB liability to changes in the discount rate

The following represents the net OPEB liability calculated using the stated discount rate, as well as what the net OPEB 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:

	<u>1% Decrease</u> <u>3.00%</u>	<u>Current Rate</u> <u>4.00%</u>	<u>1% Increase</u> <u>5.00%</u>
Net OPEB liability	\$ 14,512,554	\$ 10,795,289	\$ 7,614,960

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the years ending June 30, 2018 and 2017, the Authority recognized OPEB expense of \$1,539,140 and \$2,559,382, respectively. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>June 30, 2018</u>	
	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Experience gains or losses	\$ 404,995	\$ -
Change of assumption	602,717	1,560,145
Net difference between projected and actual earnings on investments	-	670,163
Total	<u>\$ 1,007,712</u>	<u>\$ 2,230,308</u>
	<u>June 30, 2017</u>	
	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Experience gains or losses	\$ 607,493	\$ -
Change of assumption	904,076	-
Net difference between projected and actual earnings on investments	-	447,368
Total	<u>\$ 1,511,569</u>	<u>\$ 447,368</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2018, will be recognized in OPEB expense as follows:

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

18. Other Postemployment Benefits (OPEB) - Continued

<u>Year Ended June 30,</u>	
2019	\$ (471,716)
2020	(471,718)
2021	(195,501)
2022	(83,661)
2023	-
Thereafter	-

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

19. 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 \$940,773 and \$906,450 in 2018 and 2017, respectively. Employees contributed through payroll deductions to the plan \$1,373,378 and \$1,331,853 in 2018 and 2017, 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 17. 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 \$994,001 and \$939,164 in 2018 and 2017, respectively.

20. 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 \$1,387,634 and \$1,422,537 at June 30, 2018 and 2017, 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.

21. Major Customers

The largest airline serving Nashville International Airport accounted for approximately 53.7% and 53.8% of the total enplanements of 7,466,332 and 6,790,099 in fiscal years 2018 and 2017, respectively.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

22. Capital Contributions

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

	<u>2018</u>	<u>2017</u>
Federal grants	\$ 367,107	\$ 6,839,041
State grants	14,638,636	7,710,170
In-kind contributions	<u>4,945</u>	<u>3,580</u>
	<u>\$ 15,010,688</u>	<u>\$ 14,552,791</u>

23. 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, 2018 and 2017:

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
June 30, 2018:				
Cash equivalents:				
Money market mutual funds	\$ 225,939,307	\$ 225,939,307	\$ -	\$ -
Commercial Paper	15,905,487	-	15,905,487	-
Investments:				
U.S. agencies	900,000	-	900,000	-
Derivative financial instrument – interest rate swap	118,789	-	118,789	-
	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
June 30, 2017:				
Cash equivalents:				
Money market mutual funds	\$ 167,799,151	\$ 167,799,151	\$ -	\$ -
Commercial Paper	19,080,017	-	19,080,017	-
Investments:				
U.S. agencies	1,698,000	-	1,698,000	-
Derivative financial instrument – interest rate swap	614,586	-	614,586	-

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 2).

Derivative financial instruments

The fair value is estimated using pricing models that include observable inputs of these instruments (Note 9).

The fair value presented herein is based on pertinent information available to management as of June 30, 2018 and 2017. 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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

24. 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.

	June 30, 2018			
	Airports		Blended Component Unit	Total
	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation ⁽¹⁾	
Condensed statements of net position:				
Assets:				
Current assets	\$ 210,612,435	\$ 2,450,693	\$ 1,219,700	\$ 214,282,828
Restricted cash and cash equivalents	105,683,070	-	-	105,683,070
Capital assets, net	665,173,123	38,504,231	6,978,984	710,656,338
Net pension asset	441,851	-	-	441,851
Other assets	332,712	572,638	252,186	1,157,536
Total assets	982,243,191	41,527,562	8,450,870	1,032,221,623
Deferred outflows of resources	6,629,356	-	-	6,629,356
Total assets and deferred outflows of resources	\$ 988,872,547	\$ 41,527,562	\$ 8,450,870	\$ 1,038,850,979
Liabilities:				
Current liabilities	\$ 69,852,598	\$ 728,231	\$ 136,847	\$ 70,717,676
Noncurrent liabilities	307,561,069	40,136	92,845	307,694,050
Total liabilities	377,413,667	768,367	229,692	378,411,726
Deferred inflows of resources	2,928,722	-	-	2,928,722
Net position:				
Net investment in capital assets	457,268,658	39,076,869	6,599,175	502,944,702
Restricted for:				
Net pension asset	441,851	-	-	441,851
Passenger facility charge projects and debt service	39,359,559	-	-	39,359,559
Customer facility charge projects and debt service	18,488,396	-	-	18,488,396
Debt service and other	21,881,720	-	-	21,881,720
Total restricted net position	80,171,526	-	-	80,171,526
Unrestricted net position	71,089,974	1,682,326	1,622,003	74,394,303
Total net position	608,530,158	40,759,195	8,221,178	657,510,531
Total liabilities, deferred inflows of resources, and net position	\$ 988,872,547	\$ 41,527,562	\$ 8,450,870	\$ 1,038,850,979
Condensed statements of revenues, expenses, changes in net position:				
Operating revenues	\$ 150,498,064	\$ 864,427	\$ 3,117,126	\$ 154,479,617
Operating expenses	83,087,638	681,393	1,493,213	85,262,244
Provision for depreciation	37,084,592	2,036,837	792,792	39,914,221
Operating income (loss)	30,325,834	(1,853,803)	831,121	29,303,152
Nonoperating revenues (expenses)	32,116,865	2,011,056	(69,333)	34,058,588
Capital contributions	14,792,401	218,287	-	15,010,688
Increase in net position	77,235,100	375,540	761,788	78,372,428
Net position, beginning of year	531,295,058	40,383,655	7,459,390	579,138,103
Net position, end of year	\$ 608,530,158	\$ 40,759,195	\$ 8,221,178	\$ 657,510,531
Condensed statements of cash flows:				
Cash flows from operating activities	\$ 38,861,982	\$ 177,889	\$ 1,862,728	\$ 40,902,599
Cash flows from noncapital financing activities	(1,390,822)	-	-	(1,390,822)
Cash flows from capital and related financing activities	(94,187,436)	(1,684,164)	(5,993,549)	(101,865,149)
Cash flows from investing activities	2,945,529	854	979	2,947,362
Intercompany	(1,716,318)	1,352,630	363,688	-
Increase (decrease) in cash and cash equivalents	(55,487,065)	(152,791)	(3,766,154)	(59,406,010)
Cash and cash equivalents, beginning of year	345,228,241	1,978,078	5,311,071	352,517,390
Cash and cash equivalents, end of year	\$ 289,741,176	\$ 1,825,287	\$ 1,544,917	\$ 293,111,380

⁽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.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

24. Condensed Financial Information by Entity - Continued

	June 30, 2017 (as restated)			
	Airports		Blended Component Unit MNA Properties Corporation ⁽¹⁾	Total
	Nashville International Airport	John C. Tune Airport		
Condensed statements of net position:				
Assets:				
Current assets	\$ 183,531,230	\$ 1,874,866	\$ 5,377,260	\$ 190,783,356
Restricted cash and cash equivalents	176,173,193	-	-	176,173,193
Capital assets, net	571,097,346	38,583,255	7,381,202	617,061,803
Net pension asset	2,047,037	-	-	2,047,037
Other assets	365,156	56,679	450,250	872,085
Total assets	<u>933,213,962</u>	<u>40,514,800</u>	<u>13,208,712</u>	<u>986,937,474</u>
Deferred outflows of resources	<u>3,206,783</u>	-	-	<u>3,206,783</u>
Total assets and deferred outflows of resources	<u>\$ 936,420,745</u>	<u>\$ 40,514,800</u>	<u>\$ 13,208,712</u>	<u>\$ 990,144,257</u>
Liabilities:				
Current liabilities	\$ 53,793,374	\$ 87,809	\$ 5,663,661	\$ 59,544,844
Noncurrent liabilities	<u>349,633,747</u>	<u>43,336</u>	<u>85,661</u>	<u>349,762,744</u>
Total liabilities	403,427,121	131,145	5,749,322	409,307,588
Deferred inflows of resources	1,698,566	-	-	1,698,566
Net position:				
Net investment in capital assets	401,202,163	38,639,935	1,847,513	441,689,611
Restricted for:				
Net pension asset	2,047,037	-	-	2,047,037
Passenger facility charge projects and debt service	36,397,922	-	-	36,397,922
Customer facility charge projects and debt service	20,415,352	-	-	20,415,352
Debt service and other	<u>21,898,604</u>	-	-	<u>21,898,604</u>
Total restricted net position	80,758,915	-	-	80,758,915
Unrestricted net position	<u>49,333,980</u>	<u>1,743,720</u>	<u>5,611,877</u>	<u>56,689,577</u>
Total net position	531,295,058	40,383,655	7,459,390	579,138,103
Total liabilities, deferred inflows of resources, and net position	<u>\$ 936,420,745</u>	<u>\$ 40,514,800</u>	<u>\$ 13,208,712</u>	<u>\$ 990,144,257</u>
Condensed statements of revenues, expenses, changes in net position:				
Operating revenues	\$ 124,093,097	\$ 846,062	\$ 3,157,062	\$ 128,096,221
Operating expenses	75,239,325	726,173	1,599,079	77,564,577
Provision for depreciation	<u>36,142,178</u>	<u>2,054,310</u>	<u>783,470</u>	<u>38,979,958</u>
Operating income (loss)	12,711,594	(1,934,421)	774,513	11,551,686
Nonoperating revenues (expenses)	29,829,459	863,453	(170,591)	30,522,321
Net Capital contributions	<u>14,059,698</u>	<u>493,093</u>	-	<u>14,552,791</u>
Increase in net position	56,600,751	(577,875)	603,922	56,626,798
Net position, beginning of year	<u>474,694,307</u>	<u>40,961,530</u>	<u>6,855,468</u>	<u>522,511,305</u>
Net position, end of year	<u>\$ 531,295,058</u>	<u>\$ 40,383,655</u>	<u>\$ 7,459,390</u>	<u>\$ 579,138,103</u>
Condensed statements of cash flows:				
Cash flows from operating activities	\$ 49,779,684	\$ 776,029	\$ 1,982,920	\$ 52,538,633
Cash flows from noncapital financing activities	(867,378)	-	-	(867,378)
Cash flows from capital and related financing activities	<u>(85,633,583)</u>	<u>457,749</u>	<u>(866,243)</u>	<u>(86,042,077)</u>
Cash flows from investing activities	<u>755,198</u>	-	-	<u>755,198</u>
Increase (decrease) in cash and cash equivalents	(35,966,079)	1,233,778	1,116,677	(33,615,624)
Cash and cash equivalents, beginning of year	<u>381,194,320</u>	<u>744,300</u>	<u>4,194,394</u>	<u>386,133,014</u>
Cash and cash equivalents, end of year	<u>\$ 345,228,241</u>	<u>\$ 1,978,078</u>	<u>\$ 5,311,071</u>	<u>\$ 352,517,390</u>

⁽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.



REQUIRED SUPPLEMENTARY INFORMATION

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

This section contains the following subsections:

Schedule of Changes in Net Pension Liability

Schedule of Pension Contributions

Schedule of Changes in Net OPEB Liability

Schedule of OPEB Contributions

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

YEAR ENDED JUNE 30 FOR EACH OF THE YEARS PRESENTED

	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	\$ 667,297	\$ 741,608	\$ 679,217	\$ 645,437	\$ 845,864
Interest	4,218,823	4,482,097	4,342,076	3,987,395	3,521,317
Differences between expected and actual experience	745,177	(1,259,978)	537,929	677,000	356,625
Changes of assumptions	2,942,473	(616,820)	2,516,013	1,676,218	3,581,969
Benefit payments	<u>(3,059,272)</u>	<u>(2,839,298)</u>	<u>(2,589,887)</u>	<u>(2,552,544)</u>	<u>(2,479,800)</u>
Net change in total pension liability	5,514,498	507,609	5,485,348	4,433,506	5,825,975
Total pension liability - beginning	<u>60,268,906</u>	<u>59,761,297</u>	<u>54,275,949</u>	<u>49,842,443</u>	<u>44,016,468</u>
Total pension liability - ending (a)	<u>65,783,404</u>	<u>60,268,906</u>	<u>59,761,297</u>	<u>54,275,949</u>	<u>49,842,443</u>
Plan fiduciary net position:					
Contributions - employer	2,000,000	5,160,905	11,951,995	8,000,000	8,000,000
Net investment income	4,968,584	6,771,977	205,790	1,428,204	4,574,509
Benefit payments	<u>(3,059,272)</u>	<u>(2,839,298)</u>	<u>(2,589,887)</u>	<u>(2,552,544)</u>	<u>(2,479,800)</u>
Net change in plan fiduciary net position	3,909,312	9,093,584	9,567,898	6,875,660	10,094,709
Plan fiduciary net position - beginning	<u>62,315,943</u>	<u>53,222,359</u>	<u>43,654,461</u>	<u>36,778,801</u>	<u>26,684,092</u>
Plan fiduciary net position - ending (b)	<u>66,225,255</u>	<u>62,315,943</u>	<u>53,222,359</u>	<u>43,654,461</u>	<u>36,778,801</u>
Authority's net pension liability (asset) - ending (a) - (b)	<u>\$ (441,851)</u>	<u>\$ (2,047,037)</u>	<u>\$ 6,538,938</u>	<u>\$ 10,621,488</u>	<u>\$ 13,063,642</u>
Plan fiduciary net position as a percentage of the total pension liability	100.7%	103.4%	89.1%	80.4%	73.8%
Covered-employee payroll	\$ 8,493,682	\$ 8,497,486	\$ 8,078,834	\$ 7,895,716	\$ 7,732,080
Net pension liability as a percentage of covered-employee payroll	(5.20%)	(24.09%)	80.9%	134.5%	169.0%

Notes to Schedule

Change in assumptions. Effective June 30, 2018, the mortality table was changed from the RP-2014 Generational Mortality Table for Males and Females with improvement Scale MP-2016 to the RP-2014 Generational Mortality table for Males and Females with Improvement Scale MP-2017.

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.

SCHEDULE OF PENSION CONTRIBUTIONS

YEAR ENDED JUNE 30 FOR EACH OF THE YEARS PRESENTED

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 717,344	\$ 1,101,679	\$ 1,652,788	\$ 2,165,146	\$ 2,667,945
Contributions in relation to the actuarially determined contribution	<u>2,000,000</u>	<u>5,160,905</u>	<u>11,951,995</u>	<u>8,000,000</u>	<u>8,000,000</u>
Contribution deficiency (excess)	<u>\$ (1,282,656)</u>	<u>\$ (4,059,226)</u>	<u>\$ (10,299,207)</u>	<u>\$ (5,834,854)</u>	<u>\$ (5,332,055)</u>
Covered-employee payroll	\$ 7,440,484	\$ 8,493,682	\$ 8,497,486	\$ 8,078,834	\$ 7,895,716
Contributions as a percentage covered-employee payroll	26.9%	60.8%	140.7%	99.0%	101.3%

Notes to Schedule

Actuarially determined contribution rates are based on the most recent valuation date, which was June 30, 2017. Methods and assumptions used to determine contribution rates are as follows:

Actuarial valuation method	Entry age normal
Asset valuation method	Fair market value for Statement No. 67 and Statement No. 68
	Fair market value is based on quoted market prices
Amortization method	Level Dollar
Amortization period	For Statement No. 68 as of June 30, 2016 and June 30, 2017
	Investment gains or losses are amortized over 5 years.
	Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 3 years.
	Plan amendments are recognized immediately.
	Changes in actuarial assumptions are amortized over the average working lifetime of all participants.
Inflation	2.25%, per annum, compounded annually
Salary increases	4%, per annum, compounded annually
Investment rate of return	7%, per annum, compounded annually
Discount rate	7%, 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-2017

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.

SCHEDULE OF CHANGES IN NET OPEB LIABILITY

YEAR ENDED JUNE 30 FOR EACH OF THE YEARS PRESENTED

	<u>2018</u>	<u>2017</u> <u>(as restated)</u>
Total OPEB liability:		
Service cost	\$ 1,287,152	\$ 1,259,595
Interest	1,478,732	1,346,638
Differences between expected and actual experience	(2,340,217)	809,991
Changes of assumptions	-	1,205,435
Benefit payments	<u>(1,346,874)</u>	<u>(1,191,983)</u>
Net change in total OPEB liability	(921,207)	3,429,676
Total OPEB liability - beginning	<u>37,028,018</u>	<u>33,598,342</u>
Total OPEB liability - ending (a)	<u>36,106,811</u>	<u>37,028,018</u>
Plan fiduciary net position:		
Contributions - employer	10,195,977	7,983,073
Net investment income	1,204,489	1,016,930
Benefit payments	(1,346,874)	(1,191,983)
Administrative expenses	<u>(31,165)</u>	<u>(18,854)</u>
Net change in plan fiduciary net position	10,022,427	7,789,166
Plan fiduciary net position - beginning	<u>15,289,095</u>	<u>7,499,929</u>
Plan fiduciary net position - ending (b)	<u>25,311,522</u>	<u>15,289,095</u>
Authority's net OPEB liability - ending (a) - (b)	<u>\$ 10,795,289</u>	<u>\$ 21,738,923</u>
Plan fiduciary net position as a percentage of the total OPEB liability	70.1%	41.3%
Covered-employee payroll	\$ 11,523,443	\$ 16,792,985
Net OPEB liability as a percentage of covered-employee payroll	93.7%	129.5%

Notes to Schedule

Change in assumptions. Effective June 30, 2018, from mortality table RP-2014 with improvement scale MP-2016 to mortality table RP-2014 mortality table adjusted to 2006 with generational mortality improvement projected under Projection Scale MP-2017.

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.

SCHEDULE OF OPEB CONTRIBUTIONS

YEAR ENDED JUNE 30 FOR EACH OF THE YEARS PRESENTED

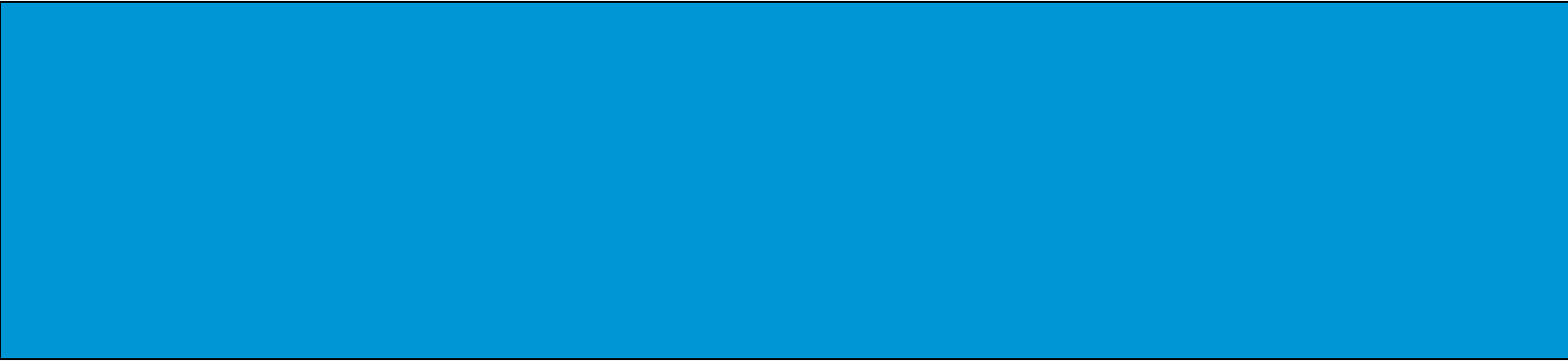
	<u>2018</u>	<u>2017</u> <u>(as restated)</u>
Actuarially determined contribution	\$ 1,911,323	\$ 3,167,615
Contributions in relation to the actuarially determined contribution	<u>10,195,977</u>	<u>7,983,073</u>
Contribution deficiency (excess)	<u>\$ (8,284,654)</u>	<u>\$ (4,815,458)</u>
Covered-employee payroll	\$ 10,678,528	\$ 11,523,443
Contributions as a percentage covered-employee payroll	95.5%	69.3%

Notes to Schedule

Actuarially determined contribution rates are based on the most recent valuation date, which was June 30, 2018. Methods and assumptions used to determine contribution rates are as follows:

Actuarial valuation method	Entry age normal method
Discount rate	4%
Health care cost trend rate	7.75% graded down to 5% over 11 years
Inflation rate	5% dental and vision per year
Retirement rates	Varying rates beginning with 5% at age 50 and 100% retirement at age 65.

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.



OTHER INFORMATION

**METROPOLITAN NASHVILLE AIRPORT AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

This section contains the following subsections:

Combining Schedule of Net Position Information by Entity

**Combining Schedule of Revenues, Expenses, and Changes
in Net Position Information by Entity**

**Schedule of Airport Revenue Bonds, Principal and Interest
Requirements by Fiscal Year**

COMBINING SCHEDULE OF NET POSITION INFORMATION BY ENTITY

JUNE 30, 2018

	Nashville International Airport ⁽¹⁾	John C. Tune Airport	MNA Properties Corporation ⁽¹⁾	Total
ASSETS				
Current assets:				
Unrestricted assets:				
Cash and cash equivalents	\$ 131,391,188	\$ 1,825,287	\$ 1,544,916	\$ 134,761,391
Accounts receivable, net	6,264,812	119,849	44,257	6,428,918
Inventories	537,151	786	-	537,937
Due from (to) other funds	(104,997)	484,731	(379,734)	-
Prepaid expenses and other	2,664,990	7,697	10,261	2,682,948
Total current unrestricted assets	<u>140,753,144</u>	<u>2,438,350</u>	<u>1,219,700</u>	<u>144,411,194</u>
Restricted assets:				
Cash and cash equivalents	52,666,919	-	-	52,666,919
Short-term investments	900,000	-	-	900,000
Passenger facility charges receivable	3,806,684	-	-	3,806,684
Customer facility charges receivable	1,354,784	-	-	1,354,784
Amounts due from governmental agencies	11,130,904	12,343	-	11,143,247
Total current restricted assets	<u>69,859,291</u>	<u>12,343</u>	<u>-</u>	<u>69,871,634</u>
Total current assets	210,612,435	2,450,693	1,219,700	214,282,828
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	105,683,070	-	-	105,683,070
Capital assets:				
Land and land improvements	582,010,735	55,175,710	200,816	637,387,261
Land held for future expansion	36,701,068	-	-	36,701,068
Buildings and building improvements	297,322,145	6,070,061	12,578,255	315,970,461
Equipment, furniture and fixtures	179,774,989	621,105	1,655,190	182,051,284
Construction in progress	151,274,317	2,304,686	-	153,579,003
Total capital assets	<u>1,247,083,254</u>	<u>64,171,562</u>	<u>14,434,261</u>	<u>1,325,689,077</u>
Less accumulated depreciation	<u>(581,910,131)</u>	<u>(25,667,331)</u>	<u>(7,455,277)</u>	<u>(615,032,739)</u>
Total capital assets, net	<u>665,173,123</u>	<u>38,504,231</u>	<u>6,978,984</u>	<u>710,656,338</u>
Net pension asset	441,851	-	-	441,851
Other assets	332,712	572,638	252,186	1,157,536
Total noncurrent assets	<u>771,630,756</u>	<u>39,076,869</u>	<u>7,231,170</u>	<u>817,938,795</u>
Total assets	982,243,191	41,527,562	8,450,870	1,032,221,623
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow s from pensions	1,843,825	-	-	1,843,825
Deferred outflow s from OPEB	1,007,712	-	-	1,007,712
Deferred amount on refunding	3,777,819	-	-	3,777,819
Total deferred outflow s of resources	<u>6,629,356</u>	<u>-</u>	<u>-</u>	<u>6,629,356</u>
Total assets and deferred outflow s of resources	<u>\$ 988,872,547</u>	<u>\$ 41,527,562</u>	<u>\$ 8,450,870</u>	<u>\$ 1,038,850,979</u>

(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.

COMBINING SCHEDULE OF NET POSITION INFORMATION BY ENTITY

JUNE 30, 2018

	Nashville International Airport ⁽¹⁾	John C. Tune Airport	MNA Properties Corporation ⁽¹⁾	Total
LIABILITIES				
Current liabilities:				
Payable from unrestricted assets:				
Trade accounts payable	\$ 40,944,594	\$ 676,697	\$ 135,821	\$ 41,757,112
Accrued payroll and related items	4,363,008	51,534	-	4,414,542
Unearned income	981,217	-	-	981,217
Current maturities of notes payable	595,516	-	-	595,516
Accrued interest payable	79,966	-	1,026	80,992
Total payable from unrestricted assets	<u>46,964,301</u>	<u>728,231</u>	<u>136,847</u>	<u>47,829,379</u>
Payable from restricted assets:				
Trade accounts payable and other	1,811,850	-	-	1,811,850
Accrued interest payable	5,861,447	-	-	5,861,447
Current maturities of airport revenue bonds	15,215,000	-	-	15,215,000
Total payable from restricted assets	<u>22,888,297</u>	<u>-</u>	<u>-</u>	<u>22,888,297</u>
Total current liabilities	69,852,598	728,231	136,847	70,717,676
Noncurrent liabilities:				
Airport revenue bonds, less current maturities	279,182,211	-	-	279,182,211
Notes payable, less current maturities	15,766,131	-	-	15,766,131
Fair value of derivative financial instrument	118,789	-	-	118,789
Unearned income	1,698,649	40,136	92,845	1,831,630
Other postemployment benefits obligation	10,795,289	-	-	10,795,289
Total noncurrent liabilities	<u>307,561,069</u>	<u>40,136</u>	<u>92,845</u>	<u>307,694,050</u>
Total liabilities	377,413,667	768,367	229,692	378,411,726
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow s from pensions	698,414	-	-	698,414
Deferred inflow s from OPEB	2,230,308	-	-	2,230,308
Total deferred inflow s of resources	<u>2,928,722</u>	<u>-</u>	<u>-</u>	<u>2,928,722</u>
NET POSITION				
Net investment in capital assets	457,268,658	39,076,869	6,599,175	502,944,702
Restricted for:				
Net pension asset	441,851	-	-	441,851
Passenger facility charge projects and debt service	39,359,559	-	-	39,359,559
Customer facility charge projects and debt service	18,488,396	-	-	18,488,396
Debt service and other	21,881,720	-	-	21,881,720
Total restricted net position	<u>80,171,526</u>	<u>-</u>	<u>-</u>	<u>80,171,526</u>
Unrestricted net position	<u>71,089,974</u>	<u>1,682,326</u>	<u>1,622,003</u>	<u>74,394,303</u>
Total net position	<u>608,530,158</u>	<u>40,759,195</u>	<u>8,221,178</u>	<u>657,510,531</u>
Total liabilities, deferred inflow s of resources, and net position	<u>\$ 988,872,547</u>	<u>\$ 41,527,562</u>	<u>\$ 8,450,870</u>	<u>\$ 1,038,850,979</u>

(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.

(2) The beginning net position has been restated due to the implementation of GASB 75. Refer to Note 3 for additional detail of the related changes associated with implementation.

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COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION BY ENTITY

JUNE 30, 2018

	Nashville International Airport ⁽¹⁾	John C. Tune Airport	MNA Properties Corporation ⁽¹⁾	Total
Operating revenues:				
Signatory airline	\$ 48,091,521	\$ -	\$ -	\$ 48,091,521
Parking	50,369,200	-	-	50,369,200
Concession	33,498,728	-	-	33,498,728
Space rental	12,847,105	748,427	3,052,901	16,648,433
Other	5,691,510	116,000	64,225	5,871,735
	<u>150,498,064</u>	<u>864,427</u>	<u>3,117,126</u>	<u>154,479,617</u>
Operating expenses:				
Salaries and wages	32,471,105	408,197	-	32,879,302
Contractual services	35,978,787	120,487	702,706	36,801,980
Materials and supplies	3,737,605	55,675	47,210	3,840,490
Utilities	5,236,548	50,517	352,141	5,639,206
Other	5,663,593	46,517	391,156	6,101,266
	<u>83,087,638</u>	<u>681,393</u>	<u>1,493,213</u>	<u>85,262,244</u>
Operating income before provision for depreciation	67,410,426	183,034	1,623,913	69,217,373
Provision for depreciation	<u>37,084,592</u>	<u>2,036,837</u>	<u>792,792</u>	<u>39,914,221</u>
Operating income (loss)	<u>30,325,834</u>	<u>(1,853,803)</u>	<u>831,121</u>	<u>29,303,152</u>
Nonoperating revenues (expenses):				
Investment income	2,147,530	855	978	2,149,363
Passenger facility charges	28,300,013	-	-	28,300,013
Customer facility charges	14,290,386	-	-	14,290,386
Interest expense	(10,192,161)	-	(70,311)	(10,262,472)
Gain/(loss) on disposal of property and equipment	(703,900)	-	-	(703,900)
Gain on derivative financial instrument	495,797	-	-	495,797
Other nonoperating, net	(2,220,800)	2,010,201	-	(210,599)
	<u>32,116,865</u>	<u>2,011,056</u>	<u>(69,333)</u>	<u>34,058,588</u>
Income before capital contributions	62,442,699	157,253	761,788	63,361,740
Capital contributions	<u>14,792,401</u>	<u>218,287</u>	<u>-</u>	<u>15,010,688</u>
Increase in net position	77,235,100	375,540	761,788	78,372,428
Total net position - beginning of year	<u>531,295,058</u>	<u>40,383,655</u>	<u>7,459,390</u>	<u>579,138,103</u>
Total net position - end of year	<u>\$ 608,530,158</u>	<u>\$ 40,759,195</u>	<u>\$ 8,221,178</u>	<u>\$ 657,510,531</u>

(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.

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

JUNE 30, 2018

Year Ending June 30,	Series 2003B Revenue Bonds		Series 2008A Revenue Bonds		Series 2009A Revenue Bonds		CONRAC Series 2010 Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,550,000	\$ 824,831	\$ 3,600,000	\$ 170,620	\$ 4,190,000	\$ 487,056	\$ 2,695,000	\$ 388,322
2020	575,000	782,283	3,800,000	-	7,970,000	197,700	2,840,000	242,605
2021	610,000	782,283	-	-	-	-	3,000,000	83,055
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	\$ 10,288,074	\$ 7,400,000	\$ 170,620	\$ 12,160,000	\$ 684,756	\$ 8,535,000	\$ 713,982
Bond Premium	-	-	-	-	18,030	-	-	-
	\$ 14,785,000	\$ 10,288,074	\$ 7,400,000	\$ 170,620	\$ 12,178,030	\$ 684,756	\$ 8,535,000	\$ 713,982

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

JUNE 30, 2018

Series 2018 CONRAC Refunding Revenue Bonds		Series 2015A Revenue Bonds		Series 2015B Revenue Bonds		Total Debt Service		
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
\$ -	\$ 555,525	\$ 1,650,000	\$ 4,418,450	\$ 1,530,000	\$ 5,176,169	\$ 15,215,000	\$ 12,020,973	\$ 27,235,973
-	943,101	1,730,000	4,333,950	2,080,000	5,096,320	18,995,000	11,595,959	30,590,959
-	945,685	1,820,000	4,245,200	2,170,000	5,000,469	7,600,000	11,056,692	18,656,692
3,028,385	890,475	1,910,000	4,151,950	2,280,000	4,889,219	7,863,385	10,713,927	18,577,312
3,132,780	784,265	2,005,000	4,064,100	2,395,000	4,772,344	8,212,780	10,402,992	18,615,772
3,240,775	674,395	2,085,000	3,982,300	2,515,000	4,649,591	8,560,775	9,994,576	18,555,351
3,350,795	562,462	2,170,000	3,897,200	2,640,000	4,520,719	8,920,795	9,574,678	18,495,473
3,468,000	443,220	2,255,000	3,808,700	2,775,000	4,399,219	9,303,000	9,245,436	18,548,436
3,587,550	321,593	2,350,000	3,716,600	2,885,000	4,271,593	9,677,550	8,904,083	18,581,633
3,711,220	195,773	2,440,000	3,620,800	3,030,000	4,123,719	10,086,220	8,534,589	18,620,809
3,838,790	65,985	2,540,000	3,508,500	3,180,000	3,968,469	10,518,790	8,137,251	18,656,041
-	-	2,665,000	3,378,375	3,340,000	3,805,469	7,020,000	7,778,141	14,798,141
-	-	2,800,000	3,241,750	3,505,000	3,634,344	7,380,000	7,470,391	14,850,391
-	-	2,940,000	3,098,250	3,680,000	3,454,719	7,760,000	7,147,266	14,907,266
-	-	3,085,000	2,947,625	3,865,000	3,266,094	8,160,000	6,808,016	14,968,016
-	-	3,240,000	2,789,500	4,060,000	3,067,969	8,580,000	6,154,617	14,734,617
-	-	3,405,000	2,623,375	4,260,000	2,859,969	7,665,000	5,483,344	13,148,344
-	-	3,575,000	2,448,875	4,475,000	2,641,594	8,050,000	5,090,469	13,140,469
-	-	3,750,000	2,359,500	4,255,000	2,529,719	8,005,000	4,889,219	12,894,219
-	-	3,940,000	2,359,500	4,470,000	2,529,719	8,410,000	4,889,219	13,299,219
-	-	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	1,941,593	9,735,000	3,782,843	13,517,843
-	-	4,790,000	1,323,000	5,435,000	1,353,468	10,225,000	2,676,468	12,901,468
-	-	5,025,000	1,323,000	5,705,000	1,353,468	10,730,000	2,676,468	13,406,468
-	-	5,280,000	1,323,000	5,990,000	925,220	11,270,000	2,248,220	13,518,220
-	-	5,545,000	1,323,000	6,290,000	496,970	11,835,000	1,819,970	13,654,970
-	-	5,820,000	661,500	6,535,000	248,485	12,355,000	909,985	13,264,985
\$ 27,358,295	\$ 6,382,479	\$ 91,855,000	\$ 81,508,250	\$ 108,145,000	\$ 90,036,069	\$ 270,238,295	\$ 189,784,230	\$ 460,022,525
-	-	12,515,079	-	11,625,807	-	24,158,916	-	24,158,916
\$ 27,358,295	\$ 6,382,479	\$ 104,370,079	\$ 81,508,250	\$ 119,770,807	\$ 90,036,069	\$ 294,397,211	\$ 189,784,230	\$ 484,181,441



STATISTICAL SECTION

METROPOLITAN NASHVILLE AIRPORT AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time (schedules on pages 102, 105, 106, 107, and 108)

Revenue Capacity

These schedules contain information to help the reader assess the Authority's most significant revenue sources (schedules on pages 103, 104, 105, 111, 112, and 113)

Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and its ability to issue additional debt in the future (schedules on pages 106, 109, and 110)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place (schedules on pages 114, 115, 116 and 117)

Operating Information

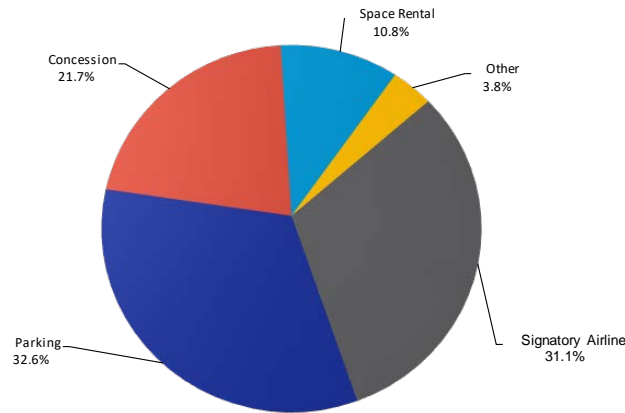
These schedules contain service data to help the reader understand how the information in the Authority's financial report relates to the services it provides and the activities it performs (schedule on page 115)

STATISTICAL INFORMATION

Metropolitan Nashville Airport Authority Operating Revenues Analysis (000s)

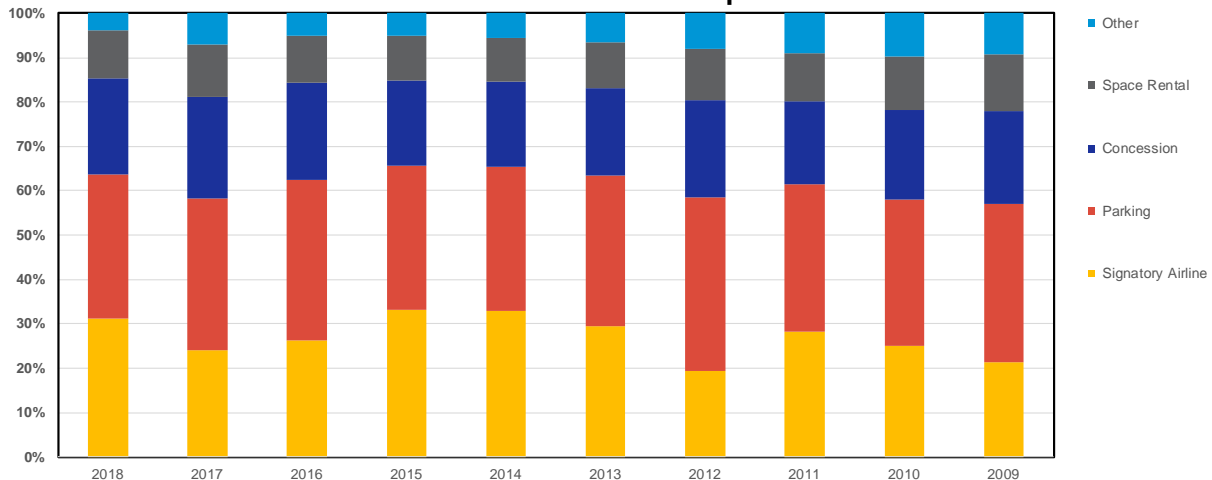
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Revenues:										
Signatory Airline	\$ 48,092	\$ 30,672	\$ 30,561	\$ 39,414	\$ 37,027	\$ 29,373	\$ 16,132	\$ 25,306	\$ 20,523	\$ 17,018
Parking	50,369	43,977	41,890	38,726	36,258	34,020	32,468	29,744	26,769	28,175
Concession	33,499	29,338	25,454	22,873	21,520	19,491	18,220	16,610	16,512	16,559
Space Rental	16,648	15,121	12,325	11,989	11,045	10,308	9,545	9,804	9,939	10,077
Other	5,872	8,988	5,960	5,993	6,279	6,600	6,749	7,978	7,942	7,427
Total	\$154,480	\$128,096	\$116,190	\$118,995	\$112,129	\$ 99,792	\$ 83,114	\$ 89,442	\$ 81,685	\$ 79,256

Operating Revenues Composition



Operating revenues have increased 94.9% since 2009. Enplanements increased 67.4% to 7,466,332 compared to 4,460,962 ten years ago. Parking revenue increased \$22.2 million since 2009. Parking 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.

10-Year Revenues Composition

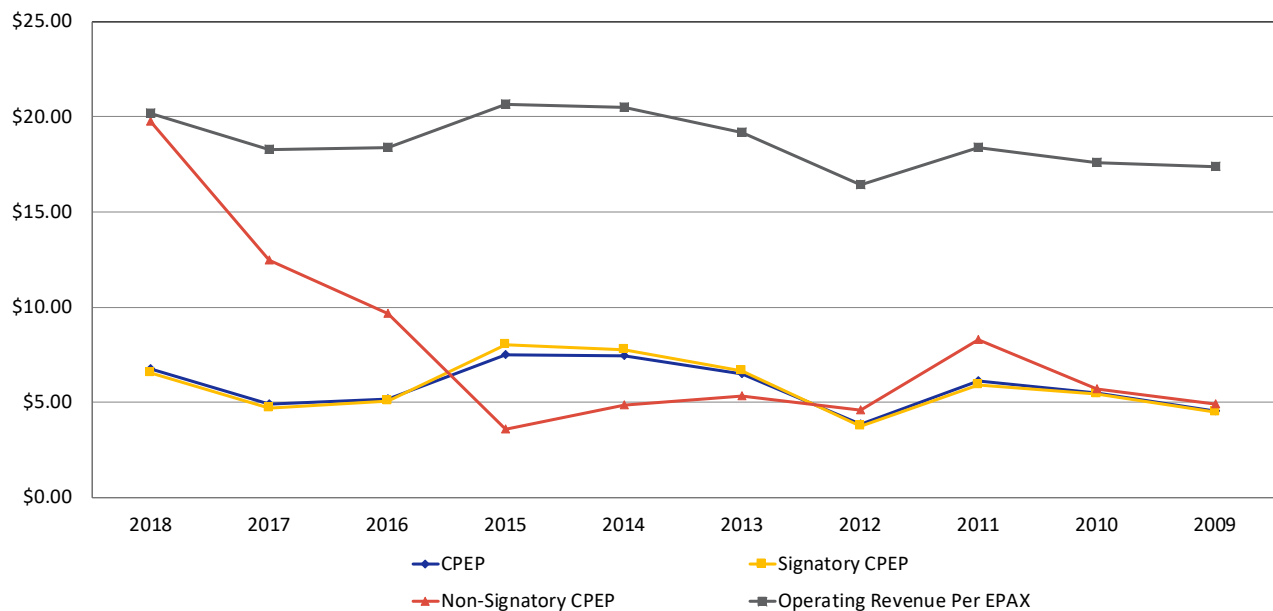


STATISTICAL INFORMATION

Nashville International Airport Cost per Enplaned Passenger (CPEP)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Signatory Airlines:										
Space and Ramp Fees	\$ 28,288	\$ 12,245	\$ 11,399	\$ 28,886	\$ 27,027	\$ 21,552	\$ 13,565	\$ 14,874	\$ 13,470	\$ 13,358
Landing Fees	19,804	18,427	19,162	10,528	10,000	7,821	2,567	10,432	7,053	3,660
Total Signatory Revenue	48,092	30,672	30,561	39,414	37,027	29,373	16,132	25,306	20,523	17,018
Signatory Enplaned (000s)	7,349	6,571	6,021	4,926	4,791	4,425	4,331	4,278	3,788	3,820
Cost per Signatory Enplaned	\$ 6.54	\$ 4.67	\$ 5.08	\$ 8.00	\$ 7.73	\$ 6.64	\$ 3.72	\$ 5.92	\$ 5.42	\$ 4.45
Non-signatory Airlines:										
Space and Ramp Fees	\$ 1,108	\$ 1,747	\$ 502	\$ 986	\$ 1,156	\$ 1,313	\$ 746	\$ 944	\$ 1,245	\$ 649
Landing Fees	1,203	979	657	1,452	1,380	1,943	1,771	2,751	2,731	2,486
Total Non-signatory Revenue	2,311	2,726	1,159	2,438	2,536	3,256	2,517	3,695	3,976	3,135
Non-signatory Enplaned (000s)	117	219	120	678	521	613	552	447	699	641
Cost per Non-signatory Enplaned	\$ 19.75	\$ 12.45	\$ 9.66	\$ 3.60	\$ 4.87	\$ 5.31	\$ 4.56	\$ 8.27	\$ 5.69	\$ 4.91
Summary Analysis:										
Total Signatory & Non-signatory Revenue	\$ 50,403	\$ 33,398	\$ 31,720	\$ 41,852	\$ 39,563	\$ 32,629	\$ 18,649	\$ 29,001	\$ 24,499	\$ 20,153
Blended Cost per Enplaned	\$ 6.75	\$ 4.92	\$ 5.17	\$ 7.47	\$ 7.45	\$ 6.48	\$ 3.82	\$ 6.14	\$ 5.46	\$ 4.52
Operating Revenues (BNA Only)	\$ 150,498	\$ 124,093	\$ 112,946	\$ 115,755	\$ 108,918	\$ 96,693	\$ 80,192	\$ 86,749	\$ 78,855	\$ 77,431
Total Enplaned (includes charters)	7,466	6,790	6,141	5,604	5,312	5,038	4,883	4,725	4,487	4,461
Operating Revenues per Enplaned	\$ 20.16	\$ 18.28	\$ 18.39	\$ 20.66	\$ 20.50	\$ 19.19	\$ 16.42	\$ 18.36	\$ 17.57	\$ 17.36

Enplaned Passenger (EPAX) Revenues Analysis



STATISTICAL INFORMATION

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).

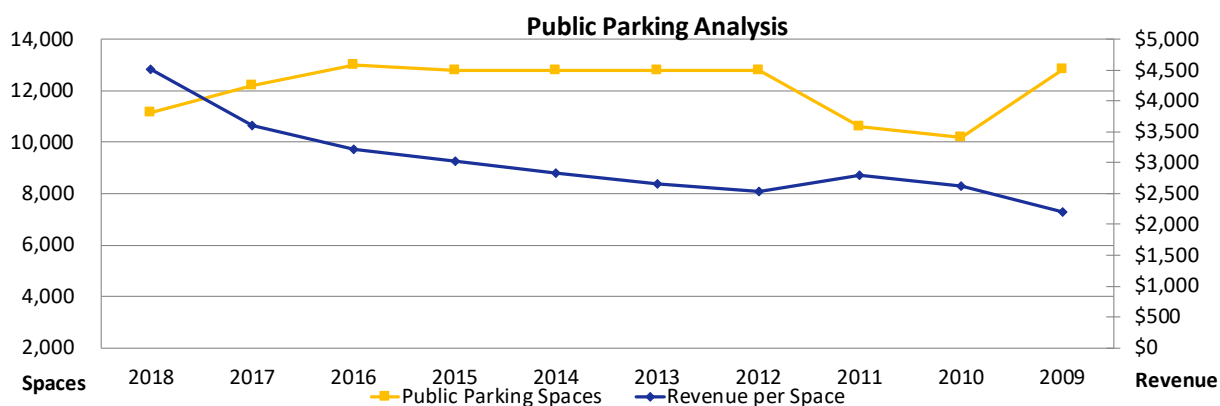
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Signatory Rates:										
Landing fee	\$ 3.21	\$ 2.99	\$ 3.25	\$ 1.65	\$ 1.69	\$ 1.52	\$ 0.32	\$ 2.05	\$ 1.26	\$ 0.30
Ramp (See note below)	2.34	1.71	1.71	266.99	223.05	133.09	84.78	101.26	114.62	62.36
Main terminal	100.55	90.00	90.00	180.58	164.54	130.84	78.84	93.16	89.12	50.03
North concourse	100.55	90.00	90.00	112.07	79.11	62.55	36.13	41.29	42.31	20.61
South concourse	100.55	90.00	90.00	104.35	113.96	57.62	37.51	41.12	41.33	21.61

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:

Landing fee	4.23	3.74	4.07	4.23	4.10	3.17	3.92	5.02	3.96	3.26
Per use fee (see note below)	3.55	3.51	3.66	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ramp (see note above)	2.93	2.14	2.14	397.15	349.31	327.15	309.47	301.87	287.29	317.96
Main terminal	125.69	112.50	112.50	312.16	294.36	271.07	245.48	238.37	223.32	195.11
North concourse	125.69	112.50	112.50	113.74	111.78	107.23	98.44	90.13	89.86	88.87
South concourse	125.69	112.50	112.50	121.36	121.11	114.82	104.64	92.73	88.27	84.76

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



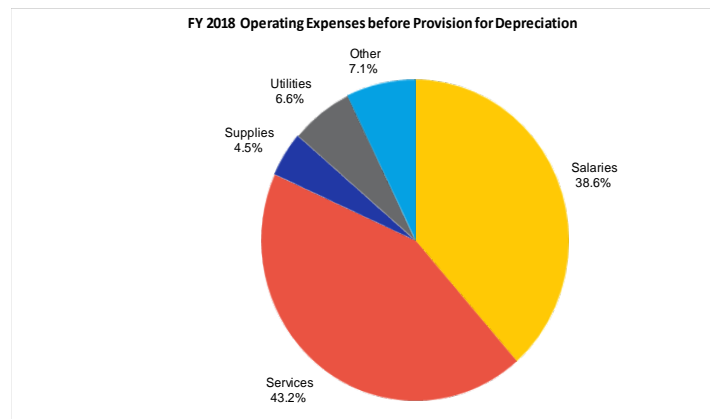
Parking lot revenue (000)	\$ 50,369	\$ 43,977	\$ 41,890	\$ 38,725	\$ 36,258	\$ 34,020	\$ 32,468	\$ 29,744	\$ 26,769	\$ 28,175
Spaces available (actual)	11,172	12,203	13,025	12,811	12,811	12,811	12,811	10,605	10,189	12,830
Revenue per space	\$ 4,509	\$ 3,604	\$ 3,216	\$ 3,023	\$ 2,830	\$ 2,656	\$ 2,534	\$ 2,805	\$ 2,627	\$ 2,196
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Short term	2,318	2,369	2,369	2,369	2,369	2,369	2,369	1,706	1,706	1,706
Long term A	830	1,810	2,060	2,060	2,060	2,060	2,060	1,959	1,517	3,883
Long term B	2,124	2,124	2,124	2,124	2,124	2,124	2,124	2,129	2,124	2,129
Economy	3,625	3,625	3,690	3,690	3,690	3,690	3,690	3,660	3,690	3,957
Express Park	1,230	1,230	1,230							-
Valet	1,045	1,045	1,152	1,152	1,152	1,152	1,152	1,151	1,152	1,155
Overflow			1,416	1,416	1,416	1,416	1,416			
Public parking spaces	11,172	12,203	14,041	12,811	12,811	12,811	12,811	10,605	10,189	12,830

STATISTICAL INFORMATION

Metropolitan Nashville Airport Authority Operating Expenses Analysis (000s)

	(as restated)		(as restated)		(as restated)					
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Expenses:										
Salaries and wages	\$ 32,879	\$ 33,862	\$ 34,666	\$ 32,019	\$ 30,602	\$ 32,118	\$ 30,744	\$ 28,570	\$ 28,057	\$ 26,340
Contractual services	36,802	28,611	26,271	25,962	27,887	24,783	24,215	21,851	18,681	16,359
Supplies and materials	3,841	3,510	3,374	3,987	4,133	3,437	3,156	2,876	2,363	1,705
Utilities	5,639	5,971	5,945	6,256	5,888	5,971	6,115	6,318	5,910	6,231
Depreciation	39,914	38,980	37,224	36,535	35,773	35,648	33,001	29,680	25,883	25,152
Other	6,101	5,611	5,677	4,902	4,645	3,786	3,147	2,680	2,464	2,442
Total	\$ 125,176	\$ 116,545	\$ 113,157	\$ 109,661	\$ 108,928	\$ 105,743	\$ 100,378	\$ 91,975	\$ 83,358	\$ 78,229

*FY 2017 & FY 2016 Salaries and wages has been restated due to implementation of GASB 75 and FY 2014 Salaries and wages has been restated due to implementation of GASB 68

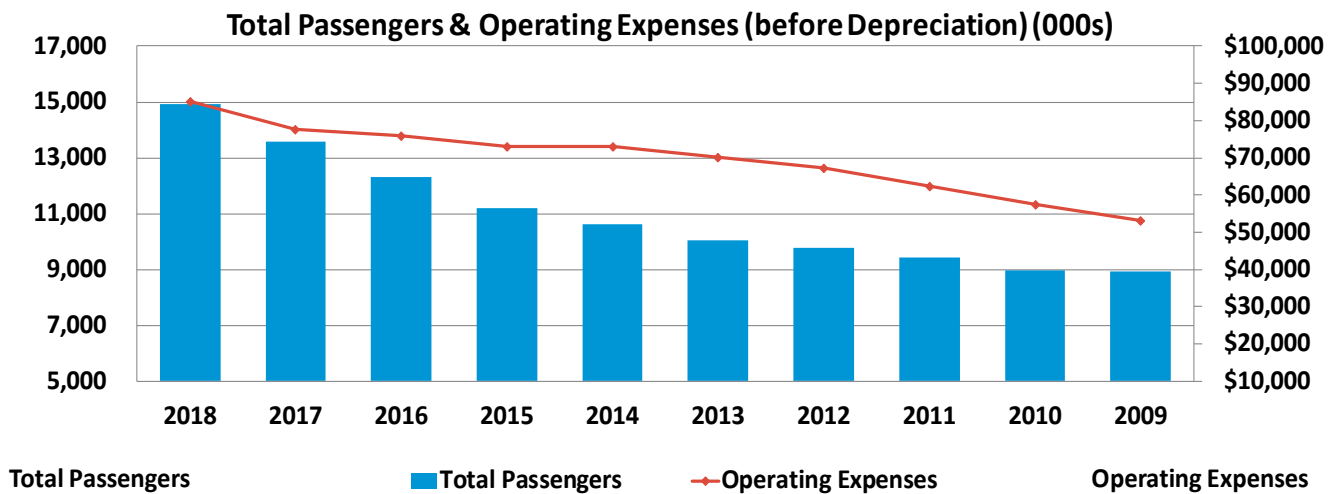


Costs associated with the Authority's closed pension program and other postemployment benefits ("OPEB") have continued to decrease in recent years. The unfunded liability for OPEB decreased by \$10,943,634 in 2018 and by \$4,359,490 in 2017, \$48,780 in 2016, prior years saw an increase in liability 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. During 2018, the Authority recognized the adjustment for GASB 75 as related to OPEB plans. The effect on the Salary Expense from the GASB 75 adjustment for 2017 and 2018 was \$239,908 and \$539,010 respectively.

The Authority's Pension currently is fully funded, with a pension asset in 2018 and 2017 of \$441,851 and \$ 2,047,037 respectively. Previously the Pension liability was \$6,538,938 in 2016, \$10,621,488 in 2015, and \$13,063,642 in 2014.

Pension costs as a component of Salaries and Wages were \$2,517,599 in 2018, \$2,770,594 in 2017, \$3,944,669 in 2016, \$2,512,326 in 2015, as restated \$1,916,154 in 2014, \$2,872,767 in 2013, \$2,943,508 in 2012, and \$2,608,858 in 2011. 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.

OPEB costs as a component of Salaries and Wages were \$1,539,140 and \$2,559,382 in 2018 and 2017 respectively.



STATISTICAL INFORMATION

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

	2018	%	2017	2016	2015	2014	2013	2012	2011	2010	2009
Land	\$ 60,267,703	24.1%	\$ 60,267,703	\$ 60,267,702	\$ 60,267,702	\$ 60,291,397	\$ 60,291,397	\$ 60,291,397	\$ 60,510,397	\$ 60,994,397	\$ 62,659,897
Land held for future expansion	36,701,068	14.6%	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	153,579,003	61.3%	72,814,778	42,890,290	62,125,107	36,845,372	20,469,818	14,275,669	113,187,969	90,428,596	32,813,869
Total capital assets not being depreciated	250,547,774	100.0%	169,783,549	139,859,060	159,093,877	133,837,837	117,462,283	111,268,134	210,399,434	188,124,061	132,174,834
Land improvements	577,119,558	53.7%	561,704,513	541,464,084	487,401,089	476,885,301	474,449,844	473,328,967	458,112,921	444,599,608	446,349,767
Buildings and building improvements	315,970,461	29.4%	298,911,276	264,629,088	258,305,083	255,460,891	254,508,281	253,445,668	183,122,322	161,692,621	171,150,808
Equipment, furniture and fixtures	182,051,284	16.9%	165,348,939	129,795,510	114,296,965	108,530,594	103,981,903	95,181,689	57,665,911	51,082,588	50,436,887
Total capital assets being depreciated	1,075,141,303	100.0%	1,025,964,728	935,888,682	860,003,137	840,876,786	832,940,028	821,956,324	698,901,154	657,374,817	667,937,462
Less accumulated depreciation	(615,032,739)	57.2%	(578,686,474)	(539,922,435)	(503,403,886)	(466,909,686)	(431,262,318)	(395,789,389)	(362,901,122)	(350,930,203)	(357,349,262)
Net capital assets	\$ 710,656,338	N/A	\$ 617,061,803	\$ 535,925,307	\$ 515,693,128	\$ 507,804,937	\$ 519,139,993	\$ 537,435,069	\$ 546,399,466	\$ 494,568,675	\$ 442,763,034

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

	2018	%	2017	2016	2015	2014	2013	2012	2011	2010	2009
Series 1995 Revenue Bonds	N/A		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,265,000	\$ 42,775,000
Series 1998A Revenue Bonds	N/A		-	-	-	-	-	-	-	4,330,000	5,810,000
Series 1998C Revenue Bonds	N/A		-	-	-	-	-	-	-	16,190,000	18,150,000
Series 2001A Revenue Bonds	N/A		-	-	-	-	-	-	-	49,475,000	56,030,000
Series 2003 PFC Revenue Bonds	N/A		-	-	-	-	-	3,925,000	7,750,000	11,485,000	14,145,000
Series 2003B Revenue Bonds	14,785,000	5.5%	14,785,000	14,785,000	15,250,000	15,695,000	16,115,000	17,260,000	17,260,000	17,260,000	17,610,000
Series 2008A Revenue Bonds	7,400,000	2.7%	10,800,000	12,000,000	12,200,000	12,400,000	12,500,000	12,600,000	19,300,000	25,700,000	31,800,000
Series 2008B Revenue Bonds	12,160,000	4.5%	16,180,000	20,040,000	23,755,000	27,310,000	30,765,000	34,085,000	35,285,000	36,000,000	27,605,000
Series 2009A Revenue Bonds	-	N/A	3,835,000	7,525,000	11,085,000	14,520,000	17,855,000	21,220,000	24,515,000	25,770,000	36,000,000
Series 2010A Revenue Bonds	8,535,000	3.2%	56,695,000	58,980,000	61,070,000	62,975,000	64,720,000	66,300,000	66,300,000	66,300,000	-
Series 2010 CONRAC Revenue Bonds	27,358,295	10.1%	-	-	-	-	-	-	-	-	-
Series 2018 CONRAC Revenue Bonds	-	N/A	-	-	-	-	-	-	-	-	-
Series 2010B Revenue Bonds	-	N/A	-	1,740,000	16,475,000	31,985,000	46,545,000	60,410,000	70,400,000	-	-
Series 2010C Revenue Bonds	91,855,000	34.0%	91,855,000	91,855,000	4,340,000	7,145,000	10,155,000	13,365,000	16,170,000	-	-
Series 2015A Revenue Bonds	108,145,000	40.0%	108,145,000	108,145,000	-	-	-	-	-	-	-
Series 2015B Revenue Bonds	270,238,295	100.0%	302,295,000	315,070,000	144,175,000	172,010,000	198,655,000	229,165,000	256,980,000	290,775,000	249,925,000
Total Revenue Bonds	24,158,916	N/A	25,296,995	26,648,969	787,902	2,207,486	3,627,071	5,046,652	6,466,233	1,945,321	180,568
Plus unamortized premium	\$ 294,397,211	N/A	\$ 327,591,995	\$ 341,718,869	\$ 144,962,902	\$ 174,217,486	\$ 202,282,071	\$ 234,211,652	\$ 263,446,233	\$ 292,720,321	\$ 250,105,568
Net Outstanding Debt	7,466,332	n/a	6,790,099	6,141,092	5,604,148	5,312,021	5,037,975	4,883,374	4,724,974	4,487,336	4,460,962
Enplanements	39.43	n/a	48.25	55.65	25.87	32.80	40.16	47.97	55.76	65.24	56.07
Net Outstanding Debt per Enplanement	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$

STATISTICAL INFORMATION

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

	2018	(as restated) 2017	(as restated) 2016	2015	(as restated) 2014	(as restated) 2013	2012	2011	2010	2009
Operating Revenues:										
Signatory Airline	\$ 48,091,521	\$ 30,671,634	\$ 30,561,053	\$ 39,414,175	\$ 37,026,998	\$ 29,373,222	\$ 16,132,099	\$ 25,305,820	\$ 20,522,901	\$ 17,017,714
Parking	50,369,200	43,977,208	41,889,907	38,725,346	36,258,325	34,020,205	32,467,762	29,743,911	26,768,620	28,174,733
Concession	33,498,728	29,338,439	25,453,862	22,873,310	21,520,372	19,490,760	18,220,104	16,609,629	16,511,983	16,558,935
Space Rental	16,648,433	15,121,337	12,324,959	11,989,094	11,045,009	10,308,115	9,545,208	9,804,161	9,938,642	10,077,305
Other	5,871,735	8,987,603	5,959,737	5,993,198	6,278,417	6,599,423	6,748,967	7,978,056	7,942,283	7,427,153
Total Operating Revenues	154,479,617	128,096,221	116,189,518	118,995,123	112,129,121	99,791,725	83,114,140	89,441,577	81,684,429	79,255,840
Operating Expenses:										
Salaries and wages	32,879,302	33,862,254	34,666,038	32,019,144	30,602,436	32,118,328	30,744,071	28,570,046	28,057,407	26,339,723
Contractual Services	36,801,980	28,610,678	26,270,995	25,962,137	27,886,714	24,783,144	24,214,616	21,851,020	18,680,783	16,358,604
Materials and Supplies	3,840,490	3,509,520	3,374,113	3,987,451	4,132,884	3,436,780	3,156,304	2,875,601	2,363,467	1,704,622
Utilities	5,639,206	5,971,391	5,944,858	6,255,942	5,887,708	5,970,579	6,115,153	6,317,661	5,909,708	6,231,268
Other	6,101,266	5,610,734	5,677,177	5,451,870	4,645,047	3,786,262	3,147,215	2,680,441	2,464,114	2,441,956
Total Operating Expenses	85,262,244	77,564,577	75,933,181	73,676,544	73,154,789	70,095,093	67,377,359	62,294,769	57,475,479	53,076,173
Provision for Depreciation	39,914,221	38,979,958	37,223,834	36,534,617	35,773,468	35,648,323	33,000,622	29,679,570	25,882,986	25,151,547
Nonoperating Revenues:										
Investment income	2,149,362	730,198	333,542	359,790	328,349	426,259	305,715	342,616	781,719	1,642,936
Passenger facility charges	28,300,013	25,982,494	23,735,979	15,703,411	13,502,385	13,282,426	12,522,227	13,300,248	15,494,672	11,480,154
Customer facility charges	14,290,386	13,561,430	12,956,481	11,692,265	10,825,490	10,307,062	10,090,579	9,074,716	7,911,785	7,648,876
Other nonoperating revenues	130,025	86,599	614,433	396,880	313,559	553,407	21,911	1,874,664	57,143	-
Total Nonoperating Revenues	44,869,786	40,360,721	37,640,435	28,152,346	24,969,783	24,549,154	22,940,432	24,592,244	24,245,319	20,771,966
Nonoperating Expenses:										
Debt-related expenses	10,262,472	10,299,910	8,874,244	7,610,829	9,000,146	10,231,288	10,281,744	11,854,314	17,458,092	14,509,709
Other nonoperating expenses	548,726	(461,510)	1,234,522	302,080	-	-	-	(1,138,286)	8,247,840	730,354
Total Nonoperating Expenses	10,811,198	9,838,400	10,108,766	7,912,909	9,000,146	10,231,288	10,281,744	10,716,028	25,705,932	15,240,063
Capital Contributions	15,010,688	14,552,791	28,763,278	28,056,580	12,739,063	6,023,925	6,807,058	16,861,226	46,422,786	24,316,658
Increase in Net Position	78,372,428	56,626,798	59,327,450	57,079,979	31,909,564	14,390,100	2,201,905	28,204,680	43,288,137	30,876,681
Total Net Position - End of Year	\$ 657,510,531	\$ 579,138,103	\$ 522,511,305	\$ 463,183,855	\$ 406,103,876	\$ 374,194,312	\$ 386,387,255	\$ 384,185,350	\$ 355,980,670	\$ 312,692,533

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

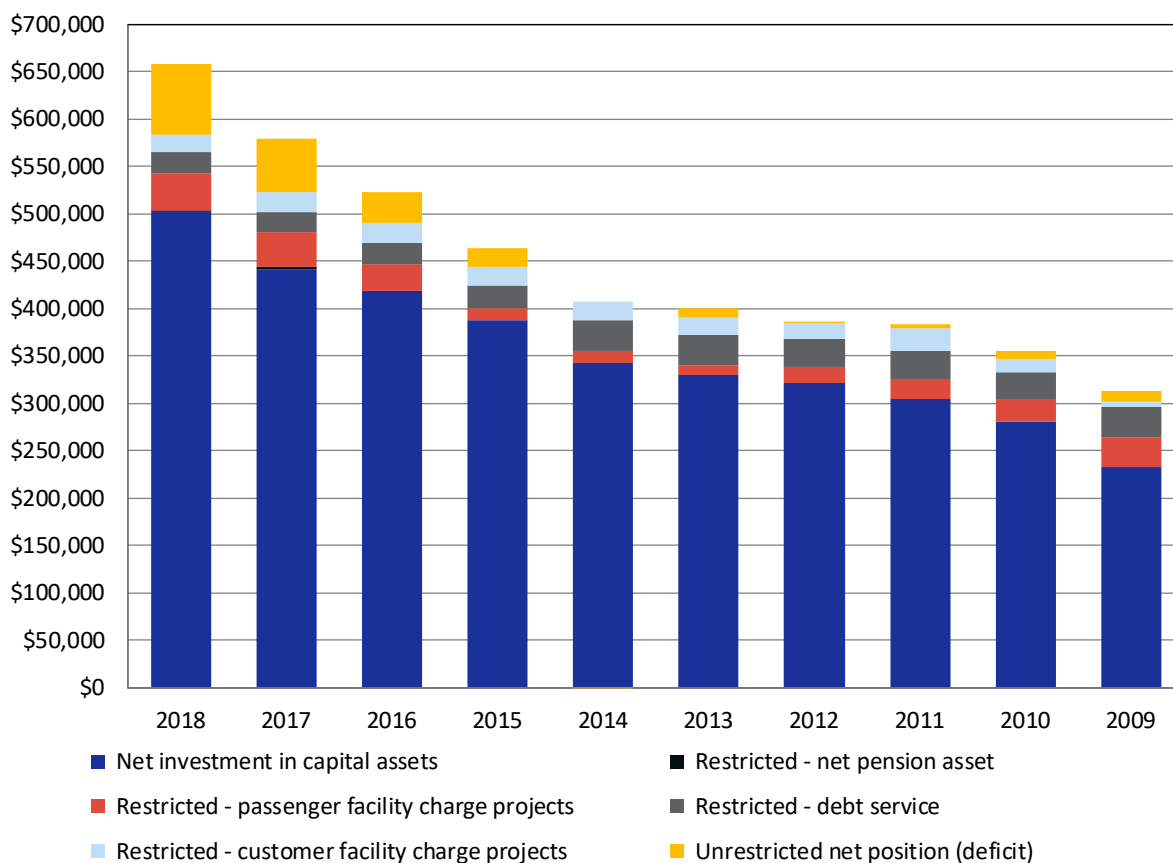
**Fiscal 2016 ending net position was restated in fiscal 2018 for the effects of the retrospective application of GASB Statement No. 75.

STATISTICAL INFORMATION

Metropolitan Nashville Airport Authority Net Position Analysis (000s)

	2018	(as restated) 2017	(as restated) 2016	2015	(as restated) 2014	(as restated) 2013	2012	2011	2010	2009
Net Position:										
Net investment in capital assets	\$502,945	\$441,690	\$419,177	\$387,595	\$342,148	\$329,877	\$321,079	\$305,011	\$280,079	\$233,509
Restricted - net pension asset	442	2,047			-	-	-	-	-	-
Restricted - passenger facility charge projects	39,360	36,398	27,237	13,462	12,723	9,854	16,976	20,472	24,031	30,015
Restricted - debt service	21,882	21,899	22,869	23,812	32,634	32,690	29,886	30,061	28,097	32,431
Restricted - customer facility charge projects	18,488	20,415	20,849	19,285	20,444	17,775	17,125	23,106	14,097	6,189
Unrestricted net position (deficit)	74,394	56,689	32,379	19,030	(1,845)	10,581	1,321	5,535	9,677	10,549
Total	\$657,511	\$579,138	\$522,511	\$463,184	\$406,104	\$400,777	\$386,387	\$384,185	\$355,981	\$312,693

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



STATISTICAL INFORMATION

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Description:										
Operating Revenue	\$ 150,498	\$ 124,093	\$ 112,946	\$ 115,755	\$ 108,918	\$ 96,693	\$ 80,192	\$ 86,749	\$ 78,855	\$ 76,435
Less Operating Expenses (net of non-cash items)*	(79,500)	(82,053)	(82,264)	(73,980)	(70,893)	(64,522)	(57,106)	(52,319)	(47,712)	(44,468)
Less Capital Items Funded with Operating Revenues	(9,757)	(1,891)	(1,715)	(13,536)	(5,184)	(4,018)	(2,473)	(2,656)	(2,449)	(1,476)
Change in Working Capital & Other Items	(28,202)	(6,236)	11,365	(3,770)	1,069	4,063	(723)	2,356	4,854	(8,344)
Add Investment Income	2,148	728	331	326	357	309	330	340	756	1,565
Add PFCs and CFCs	42,590	39,543	36,692	27,395	24,327	23,569	22,613	22,375	23,406	11,480
Add Cash Various Transfers	-	-	-	-	-	3,000	4,440	4,321	5,184	10,741
Add Transfer from CIF**	-	-	-	3,574	5,619	727	8,167	3,555	3,499	6,767
COVERAGE CASH FLOW	\$ 77,777	\$ 74,184	\$ 77,355	\$ 55,764	\$ 64,213	\$ 59,821	\$ 55,440	\$ 64,721	\$ 66,393	\$ 52,700
INTEREST	11,091	7,749	11,627	7,599	9,275	10,226	10,938	11,078	13,119	11,847
PRINCIPAL	32,057	14,250	13,265	29,105	27,835	26,645	30,510	27,815	27,805	26,170
TOTAL DEBT SERVICE***	43,148	21,999	24,892	36,704	37,110	36,871	41,448	38,893	40,924	38,017
DEBT SERVICE COVERAGE	180.3%	337.2%	310.8%	151.9%	173.0%	162.2%	133.8%	166.4%	162.2%	138.6%

*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.

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Working Capital & Other Changes:										
Decrease (Increase) in:										
Accounts Receivable (incl PFC and CFC)	\$ (6,815)	\$ 2,449	\$ (1,368)	\$ (1,136)	\$ 175	\$ 1,797	\$ (949)	\$ 3,207	\$ (974)	\$ (4,220)
Receivables from Gov't Agencies	(6,076)	(1,027)	383	417	(1,356)	331	2,448	437	1,348	(3,237)
Inventory	(23)	(35)	40	(11)	83	48	(44)	(74)	(96)	21
Prepaid Expenses	318	(1,069)	135	(428)	(225)	(22)	(13)	(56)	116	320
Due to/from Other Airports	245	287	(656)	(995)	1,354	(75)	(46)	(1)	19	16
Increase (Decrease) in:										
Accounts Payable	(16,158)	(7,339)	12,064	(1,947)	735	1,629	(2,494)	(1,267)	3,370	(1,551)
Accrued Payroll	333	524	801	364	337	389	288	142	881	(555)
Other Adjustments:										
Amortization of Def Real Estate	1	1	1	1	1	1	1	1	1	1
Amortization of Def Rental Income	(27)	(27)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)
(Appreciation)/Depreciation of Investments	-	-	-	-	-	-	-	2	87	(176)
Net proceeds from PP&E	-	-	-	-	-	-	121	-	137	1,072
Working Capital & Other Changes	\$ (28,202)	\$ (6,236)	\$ 11,365	\$ (3,770)	\$ 1,069	\$ 4,063	\$ (723)	\$ 2,356	\$ 4,854	\$ (8,344)

STATISTICAL INFORMATION

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Revenue	\$ 150,498	\$ 124,093	\$ 112,946	\$ 115,755	\$ 108,918	\$ 96,693	\$ 80,192	\$ 86,749	\$ 78,855	\$ 76,435
Less Operating Expenses (net of non-cash items)	(77,946)	(80,453)	(80,752)	(72,488)	(70,746)	(63,820)	(56,648)	(51,941)	(46,929)	(44,463)
Less Capital Items Funded with Operating Revenues	(9,757)	(1,891)	(1,715)	(13,536)	(5,184)	(4,018)	(2,473)	(2,656)	(2,449)	(1,476)
Change in Working Capital & Other Items	(22,374)	3,738	12,695	(3,452)	2,213	6,179	2,312	696	8,157	(10,868)
Add Investment Income	2,040	668	300	309	345	294	310	233	574	1,436
Add Various Transfers	-	-	-	-	-	3,000	-	-	3,000	6,940
Add Transfer from CIF*	-	-	-	3,574	5,619	727	8,167	3,555	3,499	6,767
COVERAGE CASH FLOW	\$ 42,461	\$ 46,155	\$ 43,474	\$ 30,162	\$ 41,165	\$ 39,055	\$ 31,860	\$ 36,636	\$ 44,707	\$ 34,771
INTEREST	7,499	3,420	6,672	2,246	3,527	4,033	4,485	4,572	8,497	9,629
PRINCIPAL	7,235	3,915	3,430	19,740	18,940	18,110	18,320	19,495	22,100	19,975
TOTAL DEBT SERVICE	14,734	7,335	10,102	21,986	22,467	22,143	22,805	24,067	30,597	29,604
DEBT SERVICE COVERAGE	288.2%	629.2%	430.4%	137.2%	183.2%	176.4%	139.7%	152.2%	146.1%	117.5%

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Passenger Facility Charges (net)	\$ 28,300	\$ 25,982	\$ 23,736	\$ 15,703	\$ 13,502	\$ 13,262	\$ 12,522	\$ 13,300	\$ 15,495	\$ 11,480
Less Operating Expenses	(17)	(15)	(12)	(17)	(9)	(10)	(63)	(142)	(509)	(5)
Add Various Transfers	-	-	-	-	-	-	4,440	4,321	2,184	3,801
Change in Working Capital & Other Items	(4,814)	(8,483)	150	(218)	(1,072)	(1,679)	(606)	1,270	(2,447)	2,524
Add Investment Income	63	26	10	5	4	-	5	17	121	129
COVERAGE CASH FLOW	\$ 23,532	\$ 17,510	\$ 23,884	\$ 15,473	\$ 12,425	\$ 11,573	\$ 16,298	\$ 18,766	\$ 14,844	\$ 17,929
INTEREST	310	758	1,282	1,594	1,918	2,290	2,550	2,581	3,098	2,218
PRINCIPAL	4,020	7,855	7,550	7,275	6,990	6,790	10,610	8,320	5,705	6,195
TOTAL DEBT SERVICE	4,330	8,613	8,832	8,869	8,908	9,080	13,160	10,901	8,803	8,413
DEBT SERVICE COVERAGE	543.5%	203.3%	270.4%	174.5%	139.5%	127.5%	123.8%	172.1%	168.6%	213.1%

CFC - 2010 & 2018 CONRAC Debt Service Coverage Analysis (000s)

	2018	2017	2016	2015	2014	2013	2012	2011
Customer Facility Charges	\$ 14,290	\$ 13,561	\$ 12,956	\$ 11,692	\$ 10,825	\$ 10,307	\$ 10,091	\$ 9,075
Less Operating Expenses	(1,537)	(1,585)	(1,500)	(1,475)	(138)	(692)	(396)	(236)
Change in Working Capital & Other Items	(1,014)	(1,491)	(1,480)	(100)	(72)	(437)	(2,429)	391
Add Investment Income	45	34	21	12	8	15	15	91
COVERAGE CASH FLOW	\$ 11,784	\$ 10,519	\$ 9,997	\$ 10,129	\$ 10,623	\$ 9,193	\$ 7,281	\$ 9,321
INTEREST	3,282	3,571	3,673	3,759	3,830	3,903	3,903	3,926
PRINCIPAL	20,802	2,480	2,285	2,090	1,905	1,745	1,580	-
TOTAL DEBT SERVICE	24,084	6,051	5,958	5,849	5,735	5,648	5,483	3,926
DEBT SERVICE COVERAGE	48.9%	173.8%	167.8%	173.2%	185.2%	162.8%	132.8%	237.4%

STATISTICAL INFORMATION

Nashville International Airport Passenger Enplanements Market Share

as of July 1, 2015 the Authority entered into a new agreement.

	% of Total	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
SIGNATORY AIRLINES:											
Alaska Airlines	1.2%	87,309	58,533	41,233	-	-	-	-	-	-	-
American Airlines (A)	16.5%	1,235,501	1,176,043	1,156,141	454,897	460,153	430,900	381,231	413,028	440,120	485,037
American Eagle (A)	0.0%	-	-	-	218,520	280,860	282,113	279,504	208,880	201,322	158,588
Continental Express d/b/a ExpressJet (B)	0.0%	-	-	-	223,995	324,175	285,903	173,929	153,341	156,856	166,732
Delta Air Lines Inc. (B)	15.3%	1,138,922	988,137	926,454	623,480	552,169	444,584	412,008	381,859	277,740	170,821
Frontier Airlines	2.0%	146,184	9,979	-	81,596	94,385	89,549	125,423	115,004	108,283	112,954
Jet Blue	1.7%	130,541	138,985	22,570	-	-	-	-	-	-	-
Northwest Airlines Inc.	0.0%	-	-	-	-	-	-	-	-	-	170,974
Southwest Airlines	53.7%	4,009,180	3,655,441	3,426,391	3,114,815	2,879,200	2,723,295	2,643,725	2,619,094	2,400,069	2,341,657
United Airlines/Comair (C)	8.0%	600,988	543,704	448,396	6,400	115	2,994	31,750	77,136	56,844	35,327
US Airways (A)	0.0%	-	-	-	202,656	200,169	165,577	191,640	173,905	147,033	177,989
Sub Total	98.4%	7,348,625	6,570,822	6,021,185	4,926,359	4,791,226	4,424,915	4,239,210	4,142,247	3,788,267	3,820,079

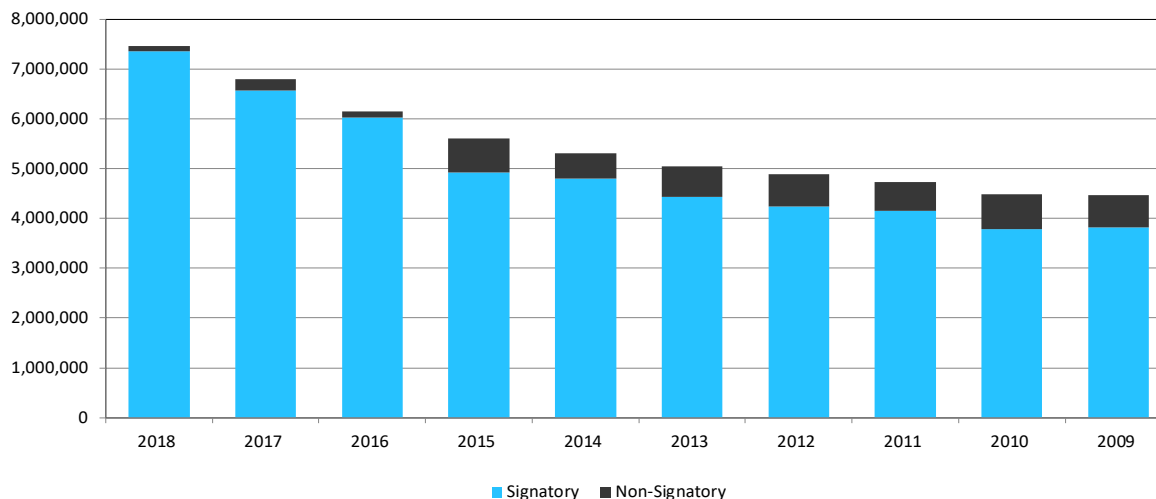
MNAA entered into a new agreement with the airlines beginning July 1, 2015. Only major carriers are Signatory and subsidiary carrier activity will be consolidated under the Signatory carrier beginning FY 2016. Some previously Non-Signatory carriers now fly consolidated under multiple Signatory carriers.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

NON-SIGNATORY AIRLINES:

Air Canada d/b/a Jazz Air	0.0%	174	1,034	371	229	18,558	19,234	18,053	17,874	17,762	19,025
Air Georgian dba Air Canada	0.6%	44,229	42,739	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
Allegiant Air	0.1%	6,136	-	-	-	-	-	-	-	-	-
American Connection/Chautauqua	0.0%	-	-	-	-	-	-	-	-	5,236	21,222
Astral Aviation d/b/a Skyway	0.0%	-	-	-	-	-	-	-	-	10,152	26,139
British Airways	0.1%	8,671	-	-	-	-	-	-	-	-	-
Continental Airlines	0.0%	-	-	-	-	-	-	880	297	273	696
Contour Airlines	0.1%	10,432	8,038	-	-	-	-	-	-	-	-
Delta/Chautauqua	0.0%	-	-	-	-	546	168	3,396	5,503	12,006	38,463
JetBlue Airways	0.0%	-	-	-	-	-	-	-	-	-	-
Frontier Airlines	0.0%	-	130,449	71,840	-	-	-	-	-	-	-
Mesa Airlines (A)	0.0%	-	-	-	43,348	47,608	70,822	48,693	63,566	97,023	75,315
Republic	0.0%	-	-	-	77,117	69,823	41,761	65,239	63,933	59,370	45,458
Various/Trans State Airlines (A)	0.0%	-	-	-	26,324	-	25,962	27,849	18,120	26,659	41,586
United/Skywest (C)	0.0%	-	-	-	37,261	-	433	6,861	29,434	58,021	72,035
Westjet Airlines	0.2%	11,591	2,252	-	-	-	-	-	-	-	-
Westjet/Encore	0.3%	22,210	20,479	1,115	-	-	-	-	-	-	-
All Others (includes Charters)	0.2%	14,264	14,286	16,992	391,566	329,916	390,341	436,633	352,469	353,347	245,597
Sub Total	1.6%	117,707	219,277	119,907	677,789	520,795	613,060	644,164	582,727	699,069	640,883

TOTAL 100.0% 7,466,332 6,790,099 6,141,092 5,604,148 5,312,021 5,037,975 4,883,374 4,724,974 4,487,336 4,460,962

Enplanement History



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

STATISTICAL INFORMATION

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

	% of Total	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
SIGNATORY AIRLINES:											
Alaska Airlines	1.2%	99,354	55,390	43,248	-	-	-	-	-	-	-
American Airlines (A)	17.0%	1,415,662	1,352,169	1,332,377	523,970	518,096	516,356	426,041	524,980	545,126	649,016
American Eagle (A)	0.0%	-	-	-	261,251	334,087	359,788	361,390	250,201	256,929	208,495
Continental Express d/b/a ExpressJet (B)	0.0%	-	-	-	219,248	325,905	295,511	175,644	170,289	161,622	178,362
Delta Air Lines Inc. (B)	15.4%	1,287,034	1,148,263	1,051,357	693,222	650,841	538,467	487,302	463,462	235,775	215,579
Frontier Airlines	1.7%	140,496	8,784	-	85,862	98,132	96,648	140,569	138,158	136,647	140,062
JetBlue	1.8%	147,967	152,321	23,986	-	-	-	-	-	-	-
Northwest Airlines Inc.	0.0%	-	-	-	-	-	-	-	-	113,227	217,913
Southwest Airlines	52.7%	4,391,669	4,065,313	3,807,965	3,600,935	3,468,480	3,343,472	3,274,838	3,256,494	3,099,020	3,320,830
United Airlines/Comair (C)	8.2%	683,646	614,443	485,586	15,306	1,887	4,976	38,451	93,016	68,557	45,394
US Airways A)	0.0%	-	-	-	230,945	251,464	202,766	229,524	226,543	194,337	226,038
Sub Total	98.0%	8,165,828	7,396,683	6,744,519	5,630,739	5,648,892	5,357,984	5,133,759	5,123,143	4,811,240	5,201,689

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).

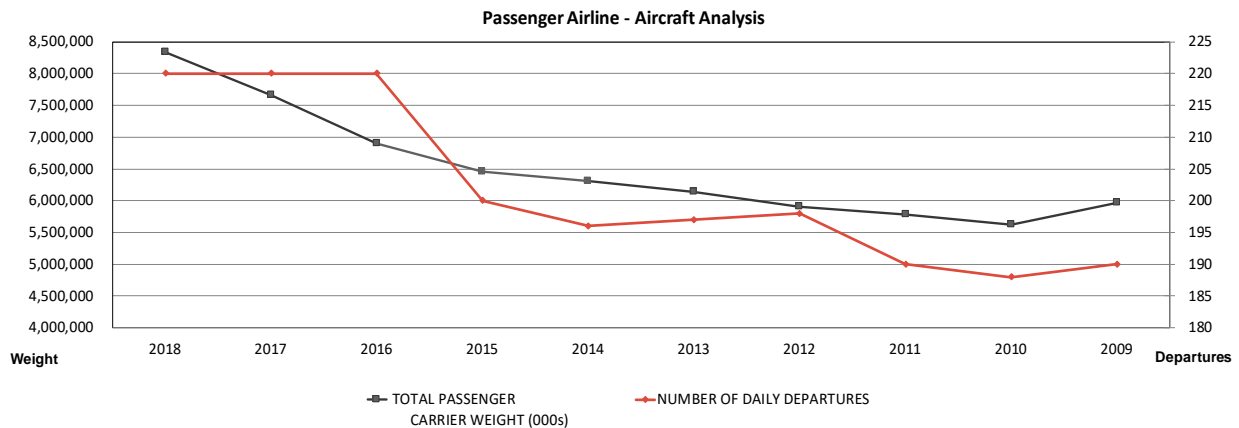
NON-SIGNATORY AIRLINES:

Air Canada d/b/a Jazz Air	0.0%	2,752	2,987	2,583	2,111	25,304	33,760	28,618	28,905	29,704	30,390
Air Georgian dba Air Canada	0.6%	47,422	47,610	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
Express Jet/Delta (B)	0.0%	-	-	-	57,364	83,788	88,227	111,302	83,119	111,111	70,799
Branson Air Express	0.0%	-	-	-	-	-	-	-	1,940	573	-
British Airways	0.2%	15,960	-	-	-	-	-	-	-	-	-
Continental Airlines	0.0%	-	-	-	-	-	-	3,568	1,134	1,396	2,126
Compass Airlines (B)	0.0%	-	-	-	2,296	24,437	47,283	25,445	63,789	58,583	52,730
Delta, Midwest Connect)	0.0%	-	-	-	85	4,617	3,077	3,574	4,170	46,980	73,686
Express Jet/United Express (C)	0.0%	-	-	-	-	-	-	90,106	91,151	26,296	-
Frontier Airlines	0.0%	-	126,550	70,424	-	-	-	-	-	-	-
Mesa Airlines	0.0%	-	-	-	45,879	48,918	75,699	51,517	67,808	110,697	81,258
Pinnacle/Endeavor Airlines	0.0%	-	-	-	107,398	117,366	116,432	75,435	76,510	104,098	106,474
Republic	0.0%	-	-	-	183,157	92,102	55,122	78,253	70,635	65,566	49,314
Skyway	0.0%	-	-	-	-	-	-	-	-	15,795	43,193
Trans States Airlines	0.0%	-	-	-	25,662	84	25,572	27,520	18,126	28,593	49,484
SkyWest	0.0%	-	-	-	157,259	129,226	149,781	129,188	72,522	111,077	81,313
All Others (includes charters)	1.2%	102,944	94,068	46,700	124,323	82,701	114,095	101,752	49,709	31,107	53,511
Sub Total	2.0%	169,078	271,215	153,213	822,158	668,508	781,710	768,860	664,956	810,807	770,747

TOTAL PASSENGER

CARRIER WEIGHT (000s)	100.0%	8,334,906	7,667,898	6,897,732	6,452,897	6,317,400	6,139,694	5,902,619	5,788,099	5,622,047	5,972,436
CARGO & MISC CARRIER WEIGHT (000s)		305,994	285,758	305,642	304,279	300,986	261,389	244,138	250,181	253,646	459,433
TOTAL WEIGHT ALL AIRCRAFT (000s)		8,640,900	7,953,656	7,203,374	6,757,176	6,618,386	6,401,083	6,146,757	6,038,280	5,875,693	6,431,869
% PASSENGER CARRIER WEIGHT		96%	96%	96%	95%	95%	96%	96%	96%	96%	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.



STATISTICAL INFORMATION

Metropolitan Nashville Airport Authority Aircraft Activity

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Daily Departures	220	220	220	200	196	197	198	190	188	190

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

Aircraft Operations:

Cargo Carrier	2,666	2,586	2,880	2,702	2,288	2,064	2,462	2,526	2,360	3,080
Charter Carrier (all)	-	-	-	-	-	26	20	8	6	18
General Aviation	36,424	35,402	35,428	32,861	30,947	28,631	29,902	27,979	27,275	29,511
General Aviation Air Taxi	30,530	33,598	33,338	37,261	46,021	48,609	51,275	55,334	57,381	54,297
Mainline Carrier	90,560	80,066	73,998	68,087	60,402	53,289	50,235	50,883	42,621	50,610
Military Aircraft	3,123	4,225	4,219	2,901	1,782	1,942	3,332	3,612	4,123	3,853
Regional Carrier	47,054	46,207	38,891	34,920	33,912	38,200	38,834	34,256	40,402	37,362

Total Aircraft Operations	210,357	202,084	188,754	178,732	175,352	172,761	176,060	174,598	174,168	178,731
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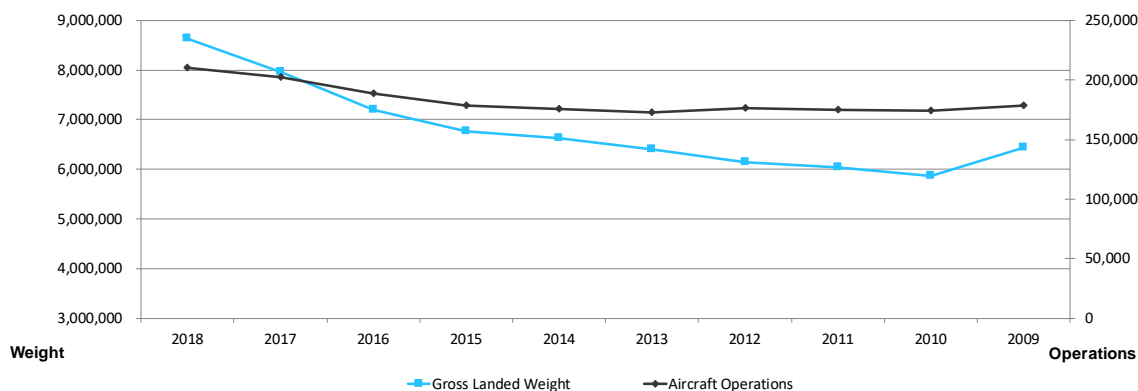
Gross Landed Weight (000s)

Cargo Carrier	305,994	285,758	305,642	304,279	300,986	262,110	242,987	250,181	253,646	459,433
Charter Carrier (all)	30,754	30,294	33,325	27,548	16,761	16,078	6,766	6,552	1,266	1,428
Mainline Carrier	8,165,828	7,396,683	6,744,519	5,630,738	5,648,894	5,357,984	5,133,758	5,123,142	4,811,240	5,201,689
Military Aircraft	-	-	-	-	-	-	-	-	-	-
Regional Carrier	138,324	240,921	119,888	794,611	651,746	765,632	763,242	659,907	805,923	769,319

Total Gross Landed Weight	8,640,900	7,953,656	7,203,374	6,757,176	6,618,387	6,401,804	6,146,753	6,039,782	5,872,075	6,431,869
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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)



Cargo (tons):

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Air Mail	644	855	601	163	-	1	1	2	8	18
Air Freight	8,799	7,751	6,905	3,151	3,095	3,231	6,403	3,467	7,851	8,319
Air Cargo - Domestic	41,703	38,894	32,670	13,749	14,999	16,056	36,445	17,177	36,162	33,914
Air Cargo - International	291	-	-	-	-	-	-	-	2,321	23,381
Total Cargo	51,437	47,500	40,176	17,063	18,094	19,288	42,849	20,646	46,342	65,632

STATISTICAL INFORMATION

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

Signatory Carriers:

Alaska Airlines
American Airlines (A)
Delta Air Lines (B)
Frontier Airlines
JetBlue
Southwest Airlines
United Airlines (C)

Signatory Affiliate Carriers:*

Air Wisconsin (A & C)
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
Allegiant Air
Boutique Air
British Airways
Contour Airlines
Sun Country
Sunwing
Swift Air
VivaAerobus
WestJet
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:

121 @ BNA
Above and Beyond
Aeronautical Radio / Rockwell Collins
Aircraft Services International
Airline Maint. Svcs
AMD Freight
Embraer Aircraft Maintenance
Federal Aviation Administration
Genesco, Inc
Graphic Ticket & Systems
Marisol
Metro Air Services
Metro Government
Mid South Express
Miller Transport
Monell's at the Manor
Simino Electric
State of Tennessee
Swissport
Sun Life Assurance of Canada
TN Aeronautics Commission
TN Dept of Transportation
US Customs Border Patrol
US DEA
US Govt Weather Service
US Postal Service
Wilson Tire & Auto

Other Terminal Tenants:

24 Hour Flower
Clear Channel Airports
Concourse Communications / Boingo
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
Massage Bar Inc
Mobile Cubes
Morpho Trust (TSA Pre)
Nashville Nails
New Zoom Systems
Ready Credit
Security Point Media
Smarte Carte
TSA
Vino Volo

Vehicle Parking:

ABM Parking
Nissan North America

Private Hangar Rentals:

Nashville Hangar
Owl Hill Holdings
SATA, Inc.
Skywest
The Martin Companies

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:

Airport Terminal Services (ATS)
Delta Global Services (DGS)
dnata
Dynair/Swissport
Trego Dugan
United Ground Express

Tenants at John C. Tune Airport:

Contour Flight Support dba/Corporate
Flight Management
Helistar
Plane Hangar
Mid America Jet

*MNA 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).

STATISTICAL INFORMATION

Metropolitan Nashville Airport Authority Staffing - Full-time Equivalents

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Administration	89.5	87.5	89.5	89.5	96.5	90.5	91.5	96.2	94.5	92.5
Engineering & Maintenance	72.0	75.0	72.0	72.0	76.0	72.5	74.5	71.3	70.0	67.0
Operations, Safety, Security	134.0	126.5	125.5	127.0	129.0	117.5	120.5	109.5	107.5	111.0
Total Authority Full-time Equivalents	295.5	289.0	287.0	288.5	301.5	280.5	286.5	277.0	272.0	270.5

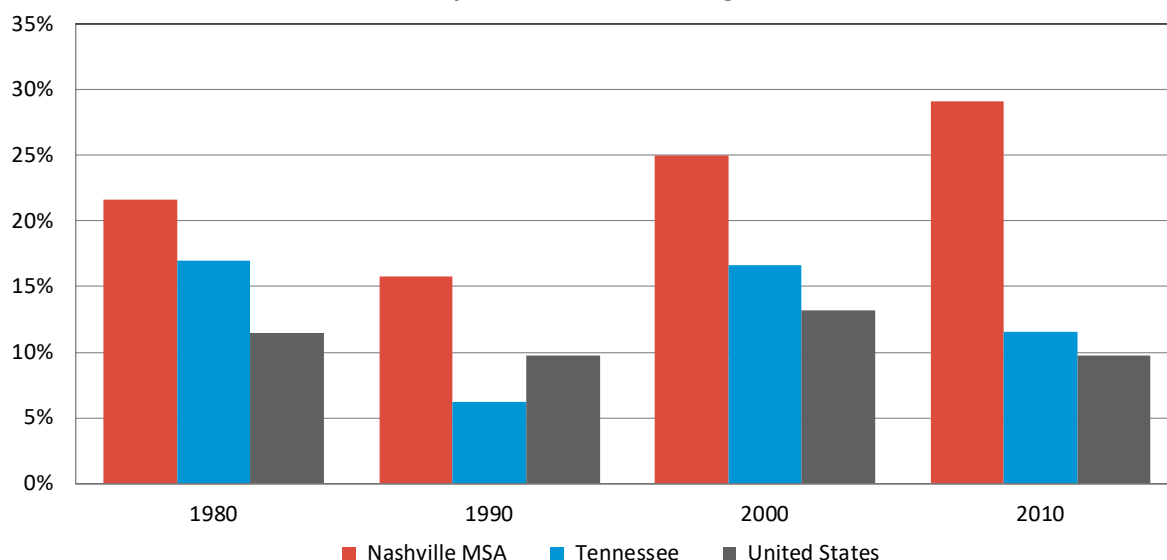
Note: Staffing levels represent fulltime equivalents as of the last pay cycle of each fiscal year. MPC has no employees.

Nashville - Davidson - Murfreesboro Metropolitan Statistical Area Population

<u>Year</u>	<u>Nashville MSA*</u>	<u>Tennessee</u>	<u>United States</u>
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.

Population Percent Change



STATISTICAL INFORMATION

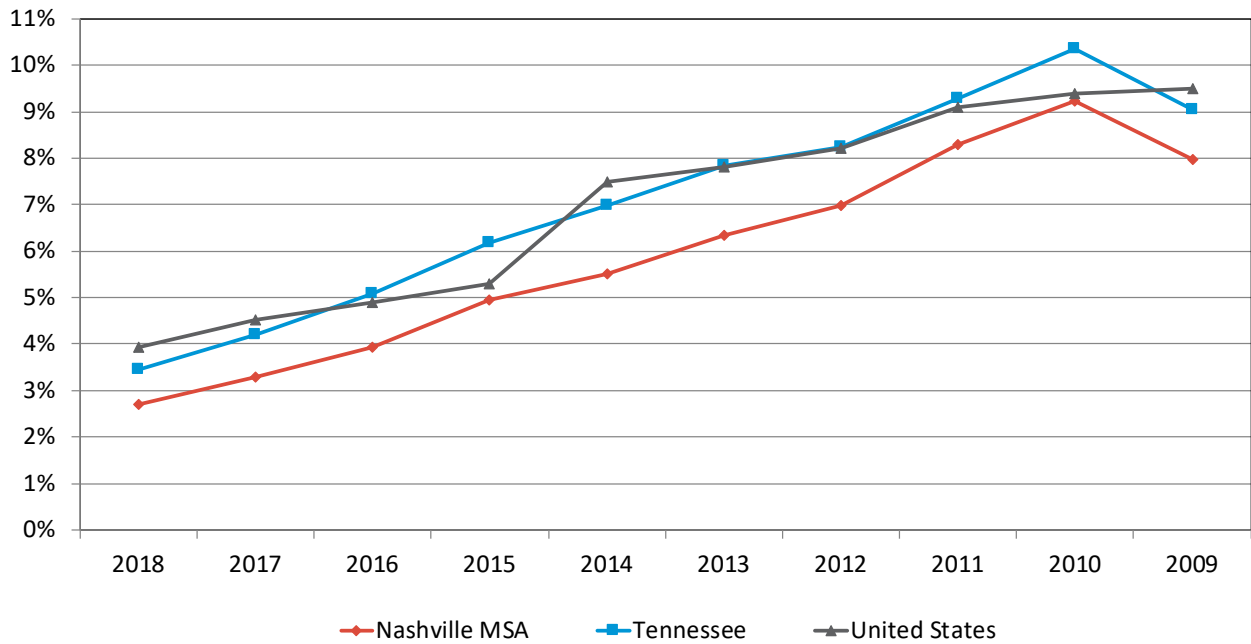
Nashville Metropolitan Statistical Area* Average Unemployment Rate

<u>Year</u>	<u>Nashville MSA</u>	<u>Tennessee</u>	<u>United States</u>
2018	2.71%	3.45%	3.93%
2017	3.30%	4.20%	4.52%
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%

*Nashville Metropolitan Statistical Area consists of Davidson, Murfreesboro and Franklin Tennessee.

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

Average Unemployment Rates



STATISTICAL INFORMATION

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

2017	Staff	Employer	Headquarters	2016	Staff
1	25,777	State of Tennessee	Nashville	1	24,548
2	20,428	Vanderbilt University Medical Center and Monroe Carroll Jr.	Nashville	2	20,000
3	13,148	U.S. Government	Washington	3	12,891
4	10,750	Nissan North America, Inc.	Franklin	6	10,100
5	10,613	HCA, Inc.	Nashville	4	10,380
6	10,120	Metropolitan Nashville-Davidson County Public Schools	Nashville	5	10,120
7	8,700	Metropolitan Government of Nashville and Davidson County	Nashville	7	8,700
8	6,912	Vanderbilt University	Nashville	9	6,400
9	6,243	Saint Thomas Health Service	Nashville	8	7,100
10	6,173	Williamson County Public Schools and County Government	Franklin	10	6,173
11	5,505	Rutherford County Government	Murfreesboro	11	5,505
12	4,700	Community Health Systems, Inc.	Franklin	12	5,000
13	4,557	Randstad Work Solutions	Atlanta, GA	13	4,361
14	4,307	Sumner County Government and Public Schools	Gallatin	14	4,307
15	4,000	Clarksville-Montgomery County School System	Clarksville	16	3,900
16	3,600	Asurion	Nashville	15	4,000
17	3,523	The Kroger Co.	Cincinnati, OH	17	3,212
18	3,250	National HealthCare Corporation	Murfreesboro	18	3,100
19	3,000	Shoney's, Inc.	Nashville	19	3,000
20	2,900	Electrolux Home Products of North America	Charlotte, NC	20	2,900
21	2,897	Bridgestone Americas Inc.	Nashville	NA	2,645
22	2,890	Lowe's Cos. Inc.	Mooresville, N.C.	21	2,891
23	2,600	Cracker Barrel Old Country Store, Inc.	Lebanon	22	2,600
24	2,500	Amazon.com	Seattle, WA	NA	2,500
24	2,500	Gaylord Opryland Resort & Convention Center	Nashville	23	2,500

*Ranked by number of Middle Tennessee employees as of July 7, 2017

Source: Nashville Business Journal's [Book of Lists 2017-18](#) (nashville.bizjournals.com)

Middle Tennessee Top 25 Public Companies**

2017	2016	Employer	Headquarters
1	1	HCA Holdings, Inc.	Nashville
2	2	Dollar General Corporation	Goodlettsville
3	3	Community Health Systems, Inc.	Franklin
4	4	Tractor Supply Co.	Brentwood
5	6	Lifepoint Hospitals, Inc.	Brentwood
6	7	Brookdale Senior Living Co.	Brentwood
7	5	Delek US Holdings, Inc.	Brentwood
8	10	Envision Healthcare Corp.	Nashville
9	9	Cracker Barrel Old Country Store, Inc.	Lebanon
10	8	Genesco, Inc.	Nashville
11	12	Acadia Healthcare Co, Inc.	Franklin
12	11	Louisiana-Pacific Corporation	Nashville
13	NA	Quorum Health Corp.	Brentwood
14	13	CoreCivic Inc.	Nashville
15	15	Ryman Hospitality Properties	Nashville
16	16	Surgery Partners Inc.	Nashville
17	17	National HealthCare Corporation	Murfreesboro
18	20	Kirkland's, Inc.	Brentwood
19	18	Tivity Health Inc.	Franklin
20	19	Delek Logistics Partners	Brentwood
21	24	Pinnacle Financial Partners, Inc	Nashville
22	22	Diversicare Healthcare Services, Inc	Brentwood
23	21	Healthcare Realty Trust, Inc.	Nashville
24	23	First Acceptance Corp	Nashville
25	27	AAC Hldings Inc.	Brentwood

**Ranked by Revenue (Published June, 16, 2017)

Source: Nashville Business Journal's [Book of Lists 2017-18](#) (nashville.bizjournals.com)

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