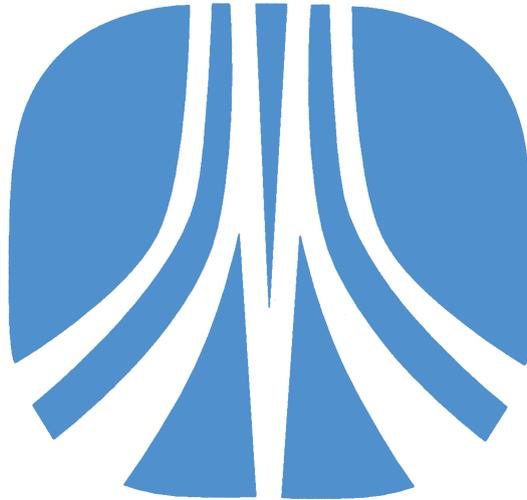


2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**Memphis-Shelby County
Airport Authority**
MEMPHIS, TENNESSEE

For the Fiscal Years Ended June 30, 2008 and 2007

A COMPONENT UNIT OF THE CITY OF MEMPHIS

Memphis-Shelby County Airport Authority
MEMPHIS, TENNESSEE

A COMPONENT UNIT OF THE CITY OF MEMPHIS

Comprehensive
Annual
Financial Report

For the Fiscal Years Ended June 30, 2008 and 2007
PREPARED BY THE FINANCE DIVISION

Memphis-Shelby County Airport Authority

JUNE 30, 2008

BOARD OF COMMISSIONERS

Arnold E. Perl, Chairman
Ruby R. Wharton, Vice-Chairman
Jim D. Etheridge
James J. Keras, Jr.
Herbert H. Hilliard, Sr.
John W. Stokes, Jr.
Jon K. Thompson

OFFICERS AND KEY STAFF MEMBERS

MEMBERS	POSITION
Larry D. Cox, A.A.E.....	President and Chief Executive Officer
Scott A. Brockman, A.A.E.....	Executive Vice President Finance and Administration, CFO/Authority Treasurer
John E. Greaud, P.E.	Vice President Operations
Sara L. Hall, J.D.	Vice President and General Counsel and Authority Secretary
George E. Mabon, P.H.R.	Vice President Human Resources and Authority Assistant Secretary
Richard V. White, A.A.E.	Vice President Properties and Business Development
Forrest B. Artz, C.P.A.....	Director of Finance, Authority Assistant Treasurer
Robert A. Beesley, P.E.	Director of Development
Mahi C. Chambers, C.P.A.	Director of Staff Services
James A. Hay II	Director of Properties
Bobby D. Kellum	Director of Maintenance
Gwendolyn E. Pritchard.....	Director of Customer Service
Walter T. White, A.A.E.	Director of Operations and Public Safety

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal and Exhibits	5
Organizational Chart.....	14

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT.....	15
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	17

BASIC FINANCIAL STATEMENTS:

Statements of Net Assets.....	32
Statements of Revenues, Expenses, and Changes in Net Assets.....	34
Statements of Cash Flows	35
Notes to Basic Financial Statements	37

SUPPLEMENTAL SCHEDULES

Supplemental Schedule of Statement of Net Assets Information by Airport	60
Supplemental Schedule of Statement of Revenues, Expenses and Changes in Net Assets Information by Airport.....	62
Supplemental Schedule of Statement of Cash Flows Information by Airport.....	63
Supplemental Schedule of Operating Revenues by Source by Airport.....	65
Supplemental Schedule of Operating Expenses by Source by Airport.....	66
Supplemental Schedule of Debt Service Requirements - Cash Basis	68

STATISTICAL SECTION (Unaudited)

Total Annual Revenues, Expenses and Changes in Net Assets for Ten Years Ended	72
Net Assets - Last Eight Years	75

TABLE OF CONTENTS (CONTINUED)

Passenger Enplaned Market Share - Last Ten Years	76
Originating and Destination (O&D) Airline Passengers - Last Ten Years	78
Cost Per Enplaned Passenger - Last Ten Years	79
Cargo Market Share Enplaned - Last Ten Years	80
Landed Weights - Last Ten Years.....	82
Aircraft Operations - Last Ten Years	84
Debt Service Coverage - Last Ten Years	85
Ratio of Annual Bond Debt Service to the Total Expenses Excluding Depreciation and Amortization - Last Ten Years.....	86
Airport Revenue Bond Debt Per Enplaned Passenger - Last Ten Years.....	86
Use of Bond Proceeds	87
Ten Largest Employers - Metropolitan Statistical Area.....	90
Population - Metropolitan Statistical Area	90
Airlines Serving Memphis International Airport.....	91
Employers Located on Airport Property	92
Full-time Equivalent Employees by Cost Center - Last Ten Years.....	93
Insurance In Force.....	94

COMPLIANCE SECTION

SINGLE AUDIT INFORMATION:

Schedule of Expenditures of Federal and State Awards	96
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	99
Independent Auditors' Report on Compliance with Requirements Applicable to the Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133	101
Schedule of Findings and Questioned Costs	103



INTRODUCTORY SECTION

This Section Contains the Following Subsections:

Letter of Transmittal and Exhibits

Organizational Chart

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

*OFFICE: MEMPHIS INTERNATIONAL AIRPORT
2491 WINCHESTER RD., SUITE 113
MEMPHIS, TENNESSEE 38116-3856
OFFICE: 901-922-8000 / FAX 901-922-8099
INTERNET WEB PAGE ADDRESS <http://www.mscaa.com>*



December 5, 2008

To the Board of Commissioners of the
Memphis-Shelby County Airport Authority

The Comprehensive Annual Financial Report (“CAFR”) of the Memphis-Shelby County Airport Authority (the “Authority”) for the fiscal year ended June 30, 2008, 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 Division of the Authority. To the best of our knowledge and belief, and as indicated by the opinion of our independent auditors, the enclosed data of the Authority is accurate in all material respects and reported in a manner designed to present fairly the financial position, results of operations, and cash flows in accordance with U.S. generally accepted accounting principles (“GAAP”). All disclosures necessary to enable the reader to gain an understanding of the Authority’s financial activities have been included.

In developing and evaluating the Authority’s accounting system, consideration is given to the adequacy of internal controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits requires estimates and judgments by management. We believe that the Authority’s internal control processes adequately safeguard assets and provide reasonable assurance that financial transactions are recorded properly.

The CAFR is presented in four sections: Introductory, Financial, Statistical and Compliance. Just prior to the Introductory Section is a list of principal officials and the table of contents. The Introductory Section includes this transmittal letter, the Authority’s organizational chart and a copy of the Certificate of Achievement for Excellence in Financial Reporting awarded to the Authority by the Government Finance Officers Association of the United States and Canada for the fiscal year ended June 30, 2007. The Financial Section includes the independent auditors’ report, Management’s Discussion and Analysis (“MD&A”) of the financial condition of the Authority, the Authority’s financial statements, and supplemental schedules. The Statistical Section includes select financial and demographic information, generally presented on a multi-year basis.

Management is required by GAAP to provide a narrative introductory overview and analysis as an accompaniment to the financial statements in the form of the MD&A. This letter of transmittal should be read in conjunction with the MD&A, which is discussed in the preceding paragraph and can be found in the Financial Section of this report.

Pursuant to Article VII E. of the Agreement between the City of Memphis (“City”) and the Authority dated May 26, 1970, an audit of the financial statements has been completed by the Authority’s independent certified public accountants, Dixon Hughes, PLLC. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority’s financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the Financial Section of this report.

The Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, require the Authority to arrange for an annual audit in conformity with their provisions. Information related to a single audit, including the Schedule of Expenditures of Federal and State Awards, findings and recommendations, are reported in the compliance section. The independent auditors’ reports on the internal control structure and compliance with applicable laws and regulations are also included in the compliance section of this report.

PROFILE OF THE MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

The Authority is established pursuant to the Metropolitan Airport Authority Act of Tennessee and all amendments thereto. The major purposes of the Authority are to plan, establish, acquire, construct, improve and operate one or more airports within the City and Shelby County (the “County”). The Authority has the power to issue bonds to accomplish any of the purposes authorized by the Metropolitan Airport Authority Act of Tennessee. All bonds shall be payable solely from the revenues, income and charges of the Authority and such bonds shall not constitute an obligation of the City or County.

The Mayor of the City, with the Mayor of Shelby County nominating two, appoints all members of the seven-member Board of Commissioners to govern the Authority. The Memphis City Council confirms these appointments for a seven-year term. A member of the Board may be removed from office by a two-thirds vote of the Memphis City Council, but only after notice of cause for the removal has been served and the member has been granted an opportunity for a public hearing on the matter.

The Board appoints the President, who is the chief executive officer of the Authority. The President appoints, and the Board confirms, the remaining officers. These officers manage and operate the Authority’s airports with a staff of approximately 300 employees, both permanent and temporary.

Based on the financial accountability the City has over the Authority, the Authority is considered a component unit of the City under the criteria set forth by the Governmental Accounting Standards Board (“GASB”).

The Authority prepares an annual budget on the basis established by the 1973 General Revenue Bond Resolution dated June 15, 1973, as amended and restated, for all accounts and funds established by those agreements and resolutions, except construction and debt service funds. The annual budget serves as the foundation for the Authority’s financial planning and control. All appropriations, except open project account appropriations,

lapse at the end of each fiscal year and must be reappropriated. Since there is no legal requirement to report on the budgetary basis, no budget information is presented in the accompanying financial statements.

The Authority owns Memphis International (the “Airport”), Charles W. Baker, and General DeWitt Spain Airports. Charles W. Baker Airport (“Baker”) is located south of Millington, Tennessee and General DeWitt Spain Airport (“Spain”) is located just north of downtown Memphis. Both Baker and Spain Airports serve general aviation and are considered reliever airports for the Airport.

The Airport occupies about 4,300 acres of land in Shelby County and is 13 miles by road southeast of downtown Memphis. The Airport is 99.9% unaffected by impassable weather and handles all types of aircraft. The Airport has four runways equipped with precision instrument landing systems suitable for use by large aircraft and a surface movement guidance system allowing the Airport to operate down to a 300 foot runway visual range. The terminal building has 85 gates to accommodate passenger aircraft and includes a Federal Inspection Station (“FIS”) for clearing international flights and associated passengers.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Conditions and Outlook

In 2008 the Airport continued to be the single largest economic engine in Memphis, as determined by an economic impact study conducted by the Sparks Bureau of Business and Economic Research at the University of Memphis, dated May 2005. The combined direct expenditures of its FY 2004 cargo and passenger operations and construction projects and expenditures at the Airport totaled nearly \$10.7 billion. This resulted in total output in the Memphis Metropolitan Statistical Area (“MMSA”) of over \$20.7 billion, earnings of nearly \$6 billion and the generation of nearly 166,000 jobs. In 2004, the Airport’s impact on total MMSA employment was 1 in 4 jobs, with the largest share of that impact coming from air cargo operations. It was also estimated that approximately 23% of the 2004 enplaned passengers were visitors to the Memphis area.

Five major and thirteen regional scheduled passenger airlines currently serve Memphis International Airport. Northwest Airlines (“Northwest”), the largest passenger airline serving Memphis, has been using the Airport as a major transfer hub since 1985. In October 2008, the U.S. Department of Justice approved the acquisition of Northwest Airlines by Delta Airlines. The “new” Delta will be the world’s largest airline and is expected to continue transfer hub operations at the Airport in the foreseeable future.

All-cargo air carriers continue to have a significant impact at the Airport, making the Airport one of only a few dual-purpose hub airports in the country. The Airport handled a total of 4.2 million U.S. tons of cargo in 2008. Since 1991, the Airport has continually maintained its #1 ranking in the world for total air cargo handled, according to statistics reported by Airports Council International, Geneva, Switzerland. Nearly 96% of the cargo was reported as domestic. FedEx Corporation (“FedEx”), the world’s largest express transportation company, is headquartered in Memphis and operates its primary overnight package sorting facility at the Airport. FedEx

continues to dominate the cargo business at the Airport, transporting approximately 98% of all cargo handled at the Airport in fiscal year 2008. This activity keeps the Airport active twenty-four hours a day.

Population and Employment

The Memphis Metropolitan Statistical Area (“MMSA”) encompasses a 3,000-square-mile area comprised of Shelby, Fayette and Tipton Counties in Tennessee, Desoto County in Mississippi and Crittenden County in Arkansas. Transportation and distribution services, tourism, technology, healthcare, trade and construction help make the MMSA a richly diverse economic engine.

The MMSA population is estimated to be approximately 1,187,100 at July 1, 2006, which is up 5% from 2000. Additionally, the population for the MMSA is expected to increase to 1,314,400 by 2010. Shelby County’s estimated population for 2006 is 911,400, which was 3% higher than the 897,500 for 2000. More population information can be found in the Statistical Section.

The Airport is the principal air carrier airport serving the MMSA with approximately 80% of the passengers originating their air journeys living in the MMSA.

The Airport and the Port of Memphis, as well as the seven federal highways, 15 state highways and two U. S. interstate systems (with a third one under construction) that cross the City, along with its central location in the United States, all contribute to Memphis’ position as America’s Distribution Center. Accordingly, transportation plays a major role in the economy of the MMSA. More metropolitan markets can be served overnight (within 600 miles) from Memphis than any other city in the central United States. Memphis offers multiple inter-modal transportation options such as air to truck or truck to air, water to truck or rail, or rail to truck. Memphis boasts the fourth busiest inland river port with enhanced inter-modal capabilities.

Visitors are also attracted to Memphis for sporting events such as the Grizzlies, a National Basketball Association team, the Redbirds, a AAA team affiliated with Major League Baseball’s 2006 World Champion St. Louis Cardinals, the Autozone Liberty Bowl Football Classic and the Stanford St. Jude Golf Classic, to name a few. Gaming has developed as a major contributor to the economy of the MMSA. Tunica County, Mississippi, just 30 miles from downtown Memphis, is recognized as the third largest grossing gaming center in the country. Memphis also attracts worldwide visitors to Graceland, home of Elvis Presley, St. Jude Children’s Research Center, Stax Museum of American Soul Music and the National Civil Rights Museum.

LONG TERM FINANCIAL PLANNING

Master Plan/Strategic Plan

One of the tools the Authority uses for long term planning is the Master Plan, which is updated every 7 to 10 years. This document is prepared with the input of staff, the signatory airlines and other key tenants of the Airport. The master plan specifies the physical improvements that are needed to meet projections of future demand. It consists of a technical report that specifies the logic and reasoning for proposed capital improvements as well as large scale drawings that illustrate the physical layout of the improvements. The financial implications of a master plan are very important because it serves as the basis for requesting federal funds for the

construction of capital improvements proposed in the plan. The Authority's most recent update of the Master Plan provides a flexible and cost-effective guide for the future development of Memphis International Airport through the year 2015. Capital improvements recommended by the plan are demand-driven. This means that although there are a large number of projects proposed by the plan, only those that are needed as a result of actual increase in demand will be constructed. The Authority initiated an update to this Master Plan in June 2007. This plan is expected to take several years to complete.

The Authority is also in the process of developing a comprehensive Strategic Plan, which will identify and inventory strengths and weaknesses and guide the Authority's operating, capital and financial planning for the next 5-7 years.

Multi-Year Financial Plan

The Authority also prepares Multi-Year Financial Plans, which are updated annually. This plan contains the first year of the proposed annual Operating Budget and the Capital Improvements Budget and the remaining two years reflecting fiscal projections developed through a combination of historical trends, contractual and other known commitments, anticipated changes to future revenues and expenditures and other reasonable assumptions. The Capital Improvements Budget contains not only the current fiscal year, but also the ensuing five fiscal years.

RELEVANT FINANCIAL POLICIES

Cash and Investment Management

The Authority uses a portfolio manager to help direct the investment of the Authority's funds and to provide comparative investment market information. Allowable investments are limited to those authorized by the 1988 Bond Resolution. All investments were made in compliance with their applicable resolution or bond indenture.

The Authority invests temporarily idle cash in direct obligations of or obligations guaranteed by the United States Government, obligations of specific agencies of the United States Government, New Housing Authority Bonds or Project Notes issued by public agencies or municipalities and guaranteed by the United States Government, secured negotiable certificates of deposit and secured repurchase agreements. Investments are insured, registered or held by a trustee in the Authority's name.

The Authority's primary objective under this policy is to preserve the principal of those funds within the portfolio. The portfolio is managed in such a manner that assures that funds are available as needed to meet immediate and/or future operating requirements and that it is managed to maximize the return of investments. The carrying value of all investments approximates their fair value.

Risk Management

It is the policy of the Authority to eliminate or transfer risk where possible. The Authority currently maintains approximately \$1.3 billion of total insurance coverage. For claims arising out of bodily injury or property damage at the Airport, the Authority carries approximately \$524 million of liability insurance. The Authority also has approximately \$800 million of property insurance on airport properties, which includes earthquake cov-

erage. The Authority or its tenants, within limits and with deductibles approved by the Authority, maintain fire insurance coverage on all buildings at the airports. Contractors and lessees are required to carry certain amounts of insurance. A schedule of insurance in force at June 30, 2008, can be found in the Statistical Section of this report.

In addition to the coverage discussed above, the Authority maintains an Owner Controlled Insurance Program (“OCIP”). OCIP is a method of assuring that all contractors and subcontractors of any tier performing work at a construction project jobsite are provided insurance for Tennessee Workers’ Compensation, Employers Liability and Commercial General Liability, including Completed Operations and Excess Liability. The Authority pays for the full cost of the OCIP and charges those costs back to the projects covered.

The Authority has also implemented various risk control techniques including employee safety and accident training. The Authority’s general counsel reviews all contracts and leases.

Debt Management

As part of its strategic and long term financial planning, the Authority strives to ensure that financial resources are adequate to meet long-term planning objectives. In managing its debt, the Authority strives to achieve the lowest cost of capital, ensure high credit quality, assure access to the capital credit markets, preserve financial flexibility, and manage interest rate risk exposure. See Note 6 in the Financial Section for Long Term Debt information.

Pension and other Post-employment Benefits

The Authority participates in the contributory defined benefit pension plans of the City of Memphis Retirement System. A Board of Administration administers the plans under the direction of the City’s Mayor. Substantially all full-time salaried employees are required to participate in one of the two plans. Hourly employees are eligible for coverage under a supplemental retirement plan based on their wages under the Federal Insurance Contribution Act (“Social Security”). The plans provide retirement benefits as well as death and disability benefits. The Authority is required to contribute at an actuarially determined rate. See Note 9 in the Financial Section for more information.

The Authority also provides a supplemental retirement benefit to all Authority employees that participate in the City of Memphis Retirement System. It is a defined contribution plan under which the Authority makes contributions on a discretionary basis. See Note 10 In the Financial Section for more information.

In addition to the pension benefits, the Authority provides 80% of the cost of certain health care and life insurance coverage to active employees and those who retire from the Authority under the provisions of the City’s Retirement System. See Note 12 in the Financial Section for more information.

MAJOR INITIATIVES

Projects underway or completed in fiscal year 2008 in the airfield area include the development of the southeast area of the airfield area for cargo expansion, the addition of de-ice pads and de-ice chemical collection stations at

the south end of the airport and the rehabilitation of taxiway Sierra. The construction of new air cargo facilities is underway and will be complete by the fall of 2008. These projects, which were identified in the prior Airport Master Plan Update, amount to approximately \$18 million and are identified as phase II of the new capital improvement plan with funding to be obtained from Authority funds, existing airport revenue bonds and Federal and State grants.

The Authority is working with the Tennessee Air National Guard (“TnANG”) to develop the southeast corner of the airport for their relocation. This project, totaling approximately \$234 million, is being financed by TnANG and a third party, with no Authority financial participation. It includes building replacement facilities, a new aircraft parking apron, and the extension of Taxiway Y into their ramp area. The project was announced and kicked off in September 2004 and should be finished by the end of calendar year 2008. The new facilities will be able to house TnANG’s newest aircraft, the C-5 Galaxy, of which TnANG has already received nine.

AWARDS AND ACKNOWLEDGMENTS

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report (“CAFR”) for the fiscal year ended June 30, 2007. The Authority has received a Certificate of Achievement for nineteen consecutive fiscal years from 1989-2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparations of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. The CAFR must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program’s requirements, and we are submitting it to GFOA for consideration.

Acknowledgements

The preparation of the financial statements would not have been possible without the efficient and dedicated services of the entire staff of the Finance Division. We would like to express our appreciation to all members of the Division for their help and contributions to its preparation.

Respectfully submitted,



Larry D. Cox, A.A.E.
President
Chief Executive Officer



Scott A. Brockman, A.A.E.
Executive Vice President Finance &
Administration
CFO/Authority Treasurer



Forrest B. Artz, C.P.A.
Director of Finance
Authority Assistant Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Memphis-Shelby County
Airport Authority, Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



Charles S. Cox

President

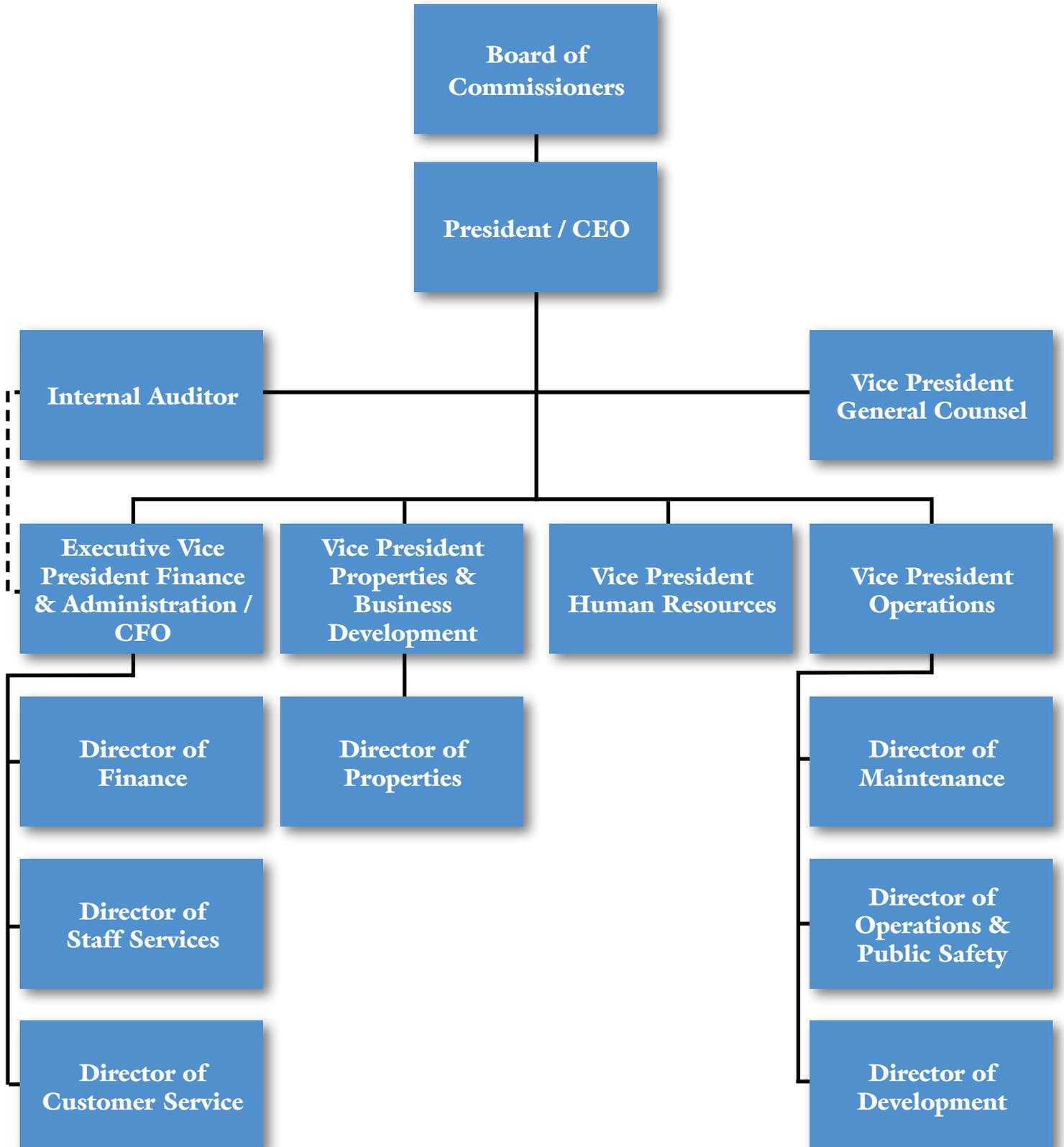
Jeffrey R. Emer

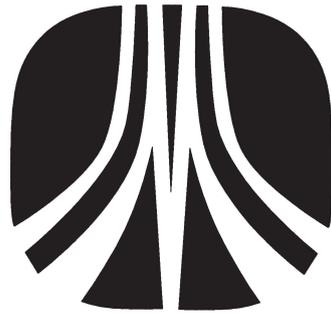
Executive Director



MEMPHIS - SHELBY COUNTY AIRPORT AUTHORITY

Organizational Chart





FINANCIAL SECTION

This Section Contains the Following Subsections:

Independent Auditors' Report

Financial Statements

Supplemental Schedules

Independent Auditors' Report

The Board of Commissioners and Management
Memphis-Shelby County Airport Authority

We have audited the accompanying statement of net assets of the Memphis-Shelby County Airport Authority (the "Authority"), a component unit of the City of Memphis, Tennessee, as of June 30, 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of and for the year ended June 30, 2007 were audited by Moore Stephens Rhea & Ivy, P.L.C., certain of whose members joined Dixon Hughes PLLC as of February 1, 2008, and whose report dated October 26, 2007 expressed an unqualified opinion on those statements.

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

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's 2008 basic financial statements taken as a whole. The accompanying supplemental schedules as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the 2008 basic financial statements. The accompanying schedule of expenditures of federal and state awards as listed in the table of contents is presented for the purpose of additional analysis as required by OMB Circular A-133 and the State of Tennessee and is not a required part of the 2008 basic financial statements. The supplemental schedules and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the 2008 basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the 2008 basic financial statements taken as a whole. Supplemental schedules for the year ended June 30, 2007, were audited by Moore Stephens Rhea & Ivy, P.L.C., certain of whose members joined Dixon Hughes PLLC as of February 1, 2008, whose report dated October 24, 2007, expressed an unqualified opinion on such information in relation to the 2007 basic financial statements taken as a whole. The introductory section and statistical section as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the 2008 basic financial statements and, accordingly, we express no opinion on them.

December 5, 2008

Dixon Hughes PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

The following discussion and analysis of Memphis-Shelby County Airport Authority's (the "Authority") financial performance provides an introduction and overview of the Authority's financial activities for the fiscal years ended June 30, 2008 and 2007. Please read this discussion in conjunction with the Authority's basic financial statements and the notes to the basic financial statements immediately following this discussion.

All dollar amounts, except per unit data, are expressed in thousands.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority owns and operates Memphis International Airport and two general aviation airports, Charles W. Baker and General DeWitt Spain. The Authority's financial statements are presented as an enterprise fund with separate accounts for each of the three airports. The accounts of the Authority are reported using the flow of economic resources measurement focus. The financial statements are prepared on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred. All capital assets, except land and aviation easements, are capitalized and depreciated over their useful lives. See Note 1 of the notes to the basic financial statements for a summary of the Authority's significant accounting policies.

The *Statements of Net Assets* presents all of the Authority's assets and liabilities. The difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Authority's financial position. However, the consideration of other non-financial factors such as changes within the airline industry may be necessary in the assessment of overall financial position and health of the Authority.

The *Statements of Revenues, Expenses and Changes in Net Assets* present all revenues and expenses of the Authority, regardless of when cash is received or paid, and the ensuing change in net assets.

The *Statements of Cash Flows* report how cash and cash equivalents were provided and used by the Authority's operating, capital financing and investing activities. These statements are prepared on a cash basis and present the cash received and disbursed, the net increase or decrease in cash and cash equivalents for the year and the cash and cash equivalents balance at year-end.

In addition to the basic financial statements, this report includes a section for Statistical Information. This section presents certain unaudited information related to the Authority's historical financial and non-financial operating results, bonded debt activity, capital asset activity and other demographic information.

FINANCIAL HIGHLIGHTS

- Operating revenues (\$111,547) for fiscal year 2008 decreased by approximately 1.0% under fiscal year 2007 operating revenues.
- Operating expenses, before depreciation and amortization, (\$51,909) for fiscal year 2008 remained flat (less than 1 percent increase) compared to fiscal year 2007 operating expenses.
- The Authority's total net assets at June 30, 2008 were \$556,419. This is an increase of \$24,732 (4.7 percent) over total net assets at June 30, 2007.
- Capital assets, net of accumulated depreciation, increased by \$22,586 mainly due to fiscal year 2008 capital additions of approximately \$71,000 offset by current year depreciation expense of \$48,422.
- The Authority's total outstanding long-term bonds and notes payable, net at June 30, 2008 decreased by \$30,980 (5.6 percent) compared to June 30, 2007 due to scheduled debt service payments (principal and interest) made during fiscal year 2008.

FINANCIAL ANALYSIS

At June 30, 2008 the Authority's financial position continued to be strong with total assets of \$1,229,424, total liabilities of \$673,005 and total net assets of \$556,419. A comparative combined condensed summary of the Authority's net assets at June 30, 2008, 2007 and 2006 is as follows:

SUMMARY OF NET ASSETS

	2008	JUNE 30, 2007	2006
Assets:			
Current assets	\$ 196,374	\$ 187,169	\$ 182,659
Net capital assets	921,792	899,204	882,842
Other non-current assets	111,258	114,968	96,909
Total assets	1,229,424	1,201,341	1,162,410
Liabilities:			
Current liabilities	75,643	73,012	68,819
Long-term liabilities	597,362	596,642	601,497
Total liabilities	673,005	669,654	670,316
Net assets:			
Invested in capital assets, net of debt	407,677	383,985	351,896
Restricted	128,607	126,566	115,254
Unrestricted	20,135	21,136	24,944
Total net assets	\$ 556,419	\$ 531,687	\$ 492,094

Current assets at June 30, 2008 increased by \$9,205 (4.9 percent) over current assets at June 30, 2007. This increase was primarily due to increased cash and investment balances and capital contributions receivable of approximately \$9,100 and \$3,500, respectively, offset by reductions in prepaid insurance of approximately \$1,200 and accounts receivable of approximately \$2,200. The increase in cash and investments was mainly due to the collection of Customer Facility Charges (\$5,900), amounts held for others related to construction projects (\$4,800), and accounts receivables (\$2,200), respectively, offset by capital asset expenditures during the year. The increase in capital contributions resulted from the timing of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the grantor agency. The reductions in prepaid insurance and accounts receivable was due to the recognition of insurance expense for the Authority's owner controlled insurance program (OCIP) and the collection of certain amounts due to the Authority related to the Tennessee Air National Guard ("TnANG") base relocation costs (see Note 14 of the notes to the basic financial statements), respectively.

Capital assets, net of depreciation increased by \$22,588 in fiscal year 2008 over 2007 due principally to ongoing capital activities of the Authority's capital improvement program.

Non-current assets, other than capital assets, decreased by \$3,710 due to the decrease in restricted investments of \$9,840 offset by increased unrestricted investments of \$3,411, increased special facilities rent receivable of \$2,500 and increased bond issue costs, net (\$219). The changes in investments was mainly due to the timing of cash flow and investment requirements. The increase in special facilities rent receivable was due to the \$2,500 fiscal year 2008 rent accrual and the payment of the Series 2008 Bond's cost of issuance net of related amortizations.

Current liabilities increased from \$73,012 in 2007 to \$75,643 in 2008. The increase of \$2,631 (3.6 percent) is primarily due to increases of \$3,872 and \$336 for amounts held for others and accrued payroll and benefits liabilities, respectively, offset by decreased accounts payable of \$1,643.

Long-term liabilities at June 30, 2008 were \$597,362, a slight increase of \$720 over fiscal year 2007 (\$596,642). The increase is mainly due to increased deferred lease revenue of \$32,210 offset by a decrease in bonds and notes payable of \$30,980. The increase in deferred lease revenue represents amounts received from FedEx Corporation to be used for future rentals related to the existing TnANG facility (see Notes 5 and 14 of the notes to the basic financial statements). The bonds and notes payable decrease was primarily due to the payment of scheduled principal payments during fiscal year 2008.

The largest portion of the Authority's net assets (73.2% of total net assets for 2008) represents the investment in capital assets (e.g., land, buildings, machinery, and equipment), less related outstanding debt used to acquire those assets. The Authority uses these assets to provide services to its passengers, visitors and tenants of the airport; accordingly, these assets are not available for future spending.

Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operations, since the capital assets themselves are not used to liquidate these liabilities.

SUMMARY OF NET ASSETS (CONTINUED)

The Authority's restricted net assets (23.1% of total net assets for 2008) represent resources that are subject to restrictions from contributors, bond resolutions and State and Federal regulations on how they may be used. The remaining balance, unrestricted net assets of \$20,135 in 2008 compared to \$21,136 for 2007, may be used for any lawful purpose of the Authority.

The primary sources of Authority operating revenues are from landing fees, terminal area use charges, rents and concession revenues. These revenues fund the Authority's operating expenses and debt service requirements. A comparative condensed summary of the Authority's Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2008, 2007 and 2006 is as follows:

SUMMARY OF CHANGES IN NET ASSETS

	2008	2007	2006
Operating revenues	\$ 111,547	\$ 112,634	\$ 111,015
Operating expenses	(51,909)	(51,486)	(46,795)
Operating income before depreciation and amortization	59,638	61,148	64,220
Depreciation and amortization	(49,230)	(50,464)	(44,264)
Operating income	10,408	10,684	19,956
Non-operating income	18,851	12,632	8,312
Non-operating expense	(32,074)	(33,255)	(34,847)
Loss before capital contributions	(2,815)	(9,939)	(6,579)
Capital contributions	27,547	49,532	26,042
Increase in net assets	\$ 24,732	\$ 39,593	\$ 19,463

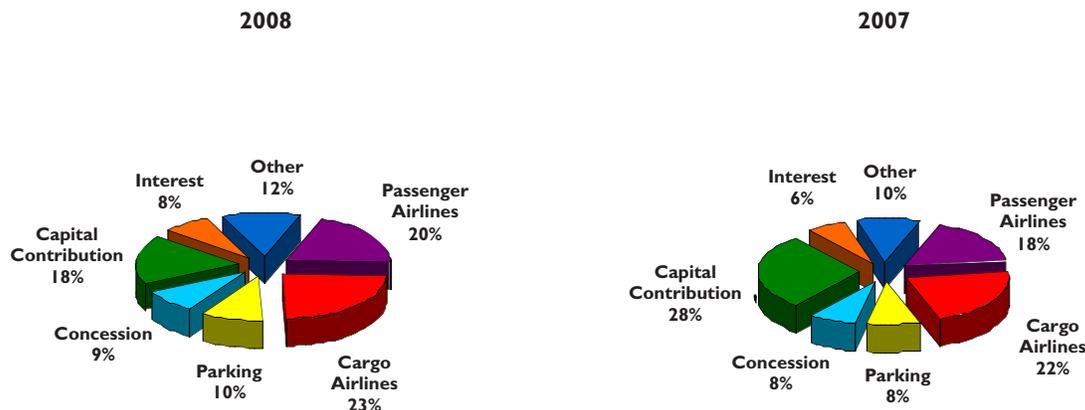
REVENUES

The following table presents revenue by major source for the years ended June 30, 2008, 2007 and 2006 and the pie charts show the percentage of revenues by source for the years ended June 30, 2008 and 2007. Due to the strong presence of cargo operations at Memphis International Airport (FedEx super-hub and the world's largest in total tonnage), airline revenues have been separated to reflect separate passenger and cargo categories.

REVENUES BY MAJOR SOURCE

	2008	2007	2006
Operating Revenues			
Passenger Airlines			
Passenger landing fee	\$ 10,654	\$ 10,849	\$ 11,799
Airline terminal rentals	18,859	18,095	19,632
Airline fee payments-international charges	1,636	1,566	1,719
Other rentals	527	571	353
Total	31,676	31,081	33,503
Cargo Airlines			
Cargo landing fees	28,723	29,219	29,692
Ground rents	5,569	5,439	5,304
Other rentals	2,642	2,837	2,821
Total	36,934	37,495	37,817
Non-Airline Rentals			
Concessions-terminal	7,155	6,019	5,466
Concessions-rental car	7,330	7,741	6,621
Public parking	12,857	12,397	12,189
Employee parking	2,000	1,732	1,777
Other rentals	7,472	10,052	7,526
Total	36,814	37,941	33,579
Other Revenue			
Restricted rental income	1,598	1,592	1,591
Special facilities lease income	4,525	4,525	4,525
Total other revenues	6,123	6,117	6,116
Total operating revenues	111,547	112,634	111,015
Non-operating Revenues			
Interest and investment income	11,977	11,138	8,149
Customer facility charges	5,938	1,323	
Other	936	171	163
Total non-operating revenues	18,851	12,632	8,312
Capital Contributions			
Total Revenues	\$ 157,945	\$ 174,798	\$ 145,369

REVENUES (CONTINUED)



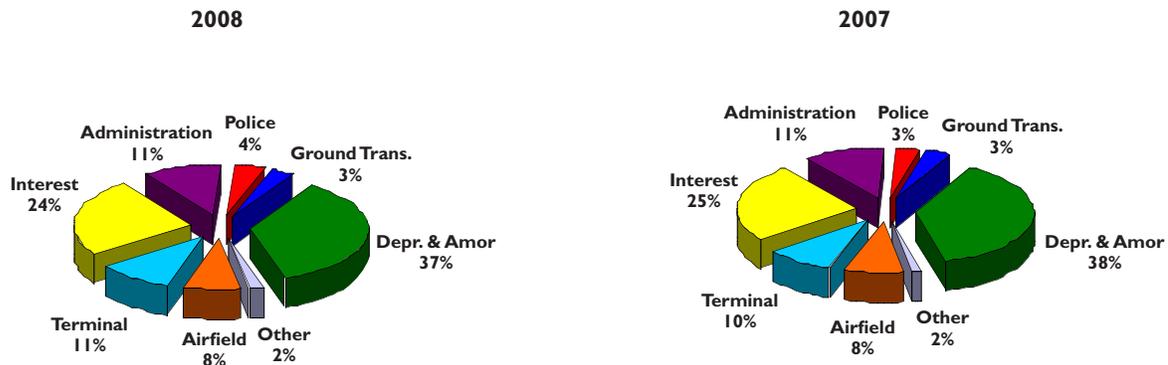
Operating revenues of \$111,547 for fiscal year 2008 decreased slightly by \$1,087 (.97 percent) under 2007 revenues of \$112,634. This decrease in operating revenues is primarily due to decreased passenger and cargo landings fees (\$691) due to rate reductions and lower than expected rental car revenues (\$411) and other non-airlines revenues (\$2,580) offset by increased airlines terminal rents (\$764), terminal concessions (\$1,136) and parking revenues (\$728). Such activity was due to the residual Airport Use Agreement that requires airline revenues to be recognized to the extent necessary to pay the Authority's operating and maintenance expenses and net debt service requirements, reduced by non-airline revenues.

EXPENSES

The following table presents expenses by cost center for the years ended June 30, 2008, 2007 and 2006 and the pie charts show the percentage of expenses by cost center for the years ended June 30, 2008 and 2007.

EXPENSES BY COST CENTER

	2008	2007	2006
Operating Expenses			
Terminal area	\$ 14,122	\$ 12,533	\$ 12,538
Airfield area	10,421	10,396	8,265
Ground transportation area	4,322	4,492	4,045
Administration area	14,668	13,852	15,551
Police and operations area	5,690	4,373	4,432
Other areas	2,686	5,840	1,964
Total operating expense	51,909	51,486	46,795
Non-operating Expense			
Interest expense	32,074	33,255	34,847
Total expenses before depreciation and amortization	83,983	84,741	81,642
Depreciation and Amortization	49,230	50,464	44,264
Total Expense	\$ 133,213	\$ 135,205	\$ 125,906



In 2008, the Authority's operating expenses of \$51,909 increased over 2007 operating expenses of \$51,486 by a minimal \$423 (less than 1 percent). The increase was mainly due to increased terminal area costs (\$1,589), administration costs (\$836) and police costs (\$1,317), offset by decreased other area expenses of \$3,154. The increase in terminal area costs was due primarily to increased janitorial costs (new contract) of approximately \$1,320 and increased electrical utility costs of approximately \$300. Administration costs increased due to the addition of new executive management positions and retirement payouts for several management level staff. Police costs in 2008 were higher than 2007 due to certain Federal reimbursements recognized in 2007 offsetting expenses that were recognized as revenue in 2008. Other area expenses decreased in 2008 primarily due to the write-off of certain fixed assets in 2007 that did not occur in 2008.

Depreciation and amortization expenses decreased from \$50,454, in 2007 to \$49,230 for fiscal year 2008. This decrease of \$1,224 is mainly due to the adoption of GASB 51; accordingly, aviation easements are no longer amortized (See Foot Note 1(J) of the notes to basic financial statements) for fiscal year 2008.

Non-operating revenues for 2008 are comprised of interest income (\$11,977), customer facility charges (CFC) (\$5,938) and other revenues (\$936). Total non-operating revenues increased by \$6,219 in 2008 over 2007 non-operating revenues. This increase was mainly due to higher investment earnings as a result of slightly higher cash and investment balances on hand and higher investment yields, a full year of CFC collections in 2008 versus a partial year in 2007 and a certain Federal operating grant related to police salary reimbursements reported as an expenditure offset in 2007 and as a non-operating revenue in 2008.

Non-operating expenses are comprised of interest expenses on outstanding debt. Fiscal year 2008 interest expense of \$32,074 decreased \$1,181 under fiscal year 2007 interest expense of \$33,255. This decrease in interest expense was due to scheduled payments of principal on outstanding bonds and notes; as a result, interest expense is reduced year over year.

Capital contributions, comprised primarily of Federal capital grants, decreased from \$49,532 in 2007 to \$27,547 in 2008, as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

CAPITAL ASSETS

The Authority's capital assets at June 30, 2008, 2007 and 2006 are summarized as follows:

NET CAPITAL ASSETS

	2008	2007	2006
Avigation easements	\$ 42,324	\$ 42,324	\$ 58,173
Land and improvements	161,693	161,171	162,251
Buildings	338,206	326,182	335,649
Runways, taxiways, and airfield lighting	625,201	615,642	631,372
Facilities leases to others	27,077	27,077	27,077
Roads, bridges, and fences	58,423	35,361	35,606
Equipment and utility systems	80,069	76,762	71,617
Construction in process	87,695	65,534	36,878
Total capital assets	1,420,688	1,350,053	1,358,623
Less accumulated depreciation and amortization	498,896	450,849	475,781
Net capital assets	\$ 921,792	\$ 899,204	\$ 882,842

At the end of 2008 and 2007 the Authority had \$921,792 and \$899,204, respectively, invested in net capital assets. During 2008 the authority had additions of \$71,083 related to capital activities. This included \$522 for land acquisition and \$70,561 for runway and taxiway projects, building improvements, equipment and roads, bridges and fencing projects.

During 2008, completed projects totaling \$48,400 were transferred from construction in progress to applicable buildings and other facilities capital asset accounts. These major completed projects were related to runways, taxiways, aprons and airfield lighting (\$9,559), buildings (\$12,024), roads, bridges and fences (\$23,062) and equipment and utility systems (\$3,797).

The Authority's capital activities are funded through revenue bonds, Federal and State grants and airport revenues. Additional information on the Authority's capital assets is presented in Note 4 of the notes to the basic financial statements.

DEBT ACTIVITY

The Authority's outstanding bonds and notes payable at June 30, 2008, 2007 and 2006 are summarized as follows:

BONDS AND NOTES PAYABLE	2008	2007	2006
Bonds:			
Airport Revenue	\$ 504,585	\$ 526,765	\$ 552,165
City of Memphis General Obligation	7,435	10,855	14,090
Special Facilities Revenue	45,000	45,000	45,000
Unamortized bond premiums	4,483	2,814	3,307
Unamortized deferred loss	(9,645)	(2,121)	(2,695)
Notes payable	570	790	998
Current portion of bonds and notes	(28,520)	(29,215)	(29,633)
Total long-term bonds and notes payable, net	\$ 523,908	\$ 554,888	\$ 583,232

DEBT ACTIVITY (CONTINUED)

The Authority's 2008 total long-term bonds and notes payable, net (\$523,908) decreased \$30,980 (5.6%) compared to 2007. The reduction in the total long-term bonds and notes payable, net outstanding, was mainly due to scheduled debt service payments made during fiscal year 2008.

In March 2008, the Authority sold \$90,375 of Airport Refunding Revenue Bonds Series 2008A at a \$2,230 premium. The bonds have fixed interest rates ranging from 3.75 percent to 5.0 percent and maturity dates from March 1, 2009 through March 1, 2016. Certain net proceeds and net debt service funds were used to refund all outstanding Series 1999 A and B revenue bonds.

Notes Payable were issued to finance the purchase of replacement shuttle buses for transporting passengers to and from the public parking lots and employees to and from the employee parking lot on Democrat Road to the terminal complex. The notes are renewable on an annual basis and bear interest at a rate of Prime minus 1.75% in 2008 (LIBOR plus 1.75% prior to 2008). Debt service payments will come from revenues generated by the respective parking operations. The Authority has a line of credit of \$20,000, the amount available for draw down is reduced by the \$570 outstanding at June 30, 2008.

More detailed information related to long-term debt can be found in Note 6 of the Notes to the Basic Financial Statements.

DEBT SERVICE COVERAGE

Airport revenue bond resolution covenants require that revenues available to pay debt service, as defined in the bond resolution, are equal to a minimum of 125% of the debt service on airport revenue bonds and 100% of the combined debt service on the airport revenue bonds and the City of Memphis general obligation bonds. Coverage ratios for the years 2008, 2007 and 2006 are as follows:

COVERAGE RATIO

	FY 2008	FY 2007	FY 2006
Airport Revenue Bonds	135%	137%	136%
Airport Revenue and General Obligation Bonds	129%	128%	127%

AIRPORT ACTIVITIES AND HIGHLIGHTS

During fiscal year 2008, 10,906,304 passengers traveled through the Airport, a slight increase of 2.2 percent over the 10,674,667 passengers in fiscal year 2007. Additionally, aircraft landed weight, increased from 26,565,330 per thousand pound units in 2007 to 26,792,837 per thousand pound units in 2008. These increases were realized with a slight decrease in aircraft operations from 334,804 in 2007 to 330,226 in 2008.

AIRPORT ACTIVITIES AND HIGHLIGHTS (CONTINUED)

Air Cargo activity remained strong in spite of significant challenges within the national and world economies. Memphis remained the world's largest cargo airport with approximately 4.2 million U.S. tons of total cargo in 2008 and 2007. Cargo activity at the Airport is dominated by FedEx Express, which has its corporate headquarters and operates its worldwide super-hub from Memphis.

The Authority's Airport Use and Lease Agreement, in effect with eight airlines known collectively as the signatory airlines, establishes the rates and charges methodology for the signatory airlines and their affiliates each year. The existing agreement was extended and will remain in effect until a new agreement is negotiated. Landing fees and rates for non-signatory and non-scheduled airlines are assessed at 125% and 150%, respectively, of the signatory rates.

RATES AND CHARGES

SIGNATORY AIRLINE RATES AND CHARGES	FISCAL YEAR 2009	FISCAL YEAR 2008	FISCAL YEAR 2007	FISCAL YEAR 2006
Terminal Average Square Foot Rate	\$ 32.97	\$ 32.97	\$ 31.20	\$ 34.60
Cargo Building Square Foot Rate	26.12	23.18	21.23	22.53
Aircraft Loading Position Rate-per lineal foot	47.03	52.49	52.08	29.31
Signatory Landing Fee-per 1,000 lbs. unit	\$ 1.42	\$ 1.47	\$ 1.50	\$ 1.59

Cost per enplaned passenger is a measure used by the airline industry to reflect the relative costs a passenger airline pays to operate at an airport based upon the number of enplaned passengers for that airport. That measure, however, is not exact for comparison, as not all airports calculate the number in the same way and cautions should be taken when comparing individual or groups of airports.

COST PER ENPLANED PASSENGER

	2008	2007	2006
Baseline Cost Per Enplaned Passengers ⁽¹⁾	\$ 4.66	\$ 4.68	\$ 5.01
Average Cost Per Enplaned Passenger ⁽¹⁾	\$ 5.59	\$ 5.61	\$ 5.94
Average Cost Per Enplaned Passenger Including FIS fees ⁽²⁾	\$ 5.90	\$ 5.91	\$ 6.26

⁽¹⁾The baseline calculation does not include certain debt service requirements on special facility debt that is exclusive to Northwest Airlines. The average cost per enplanement calculation includes these debt service amounts.

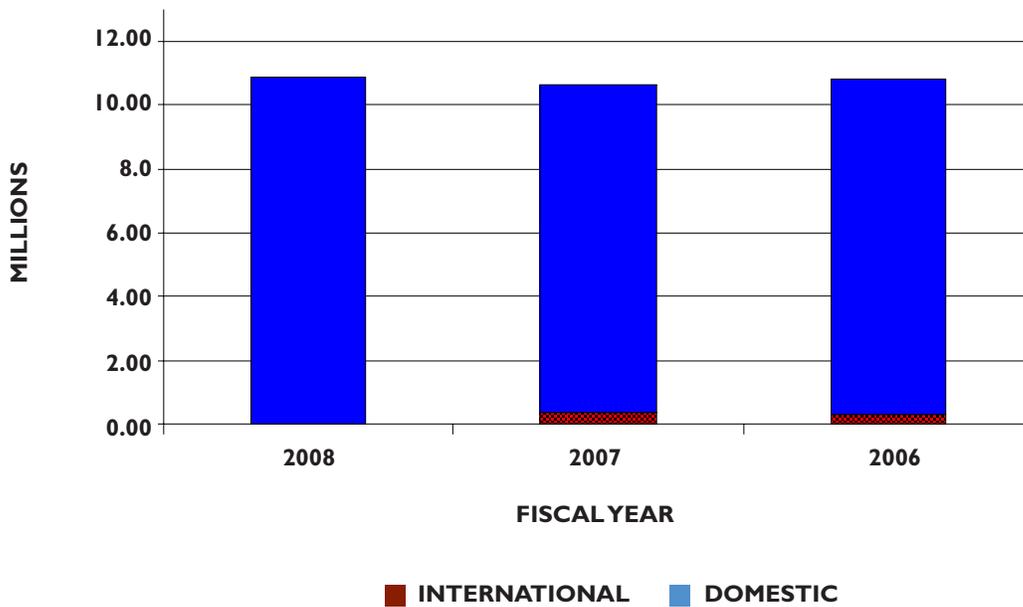
⁽²⁾Since Northwest Airlines and some charters are subject to Federal Inspection Station (FIS) fees related to international travel, the cost per enplaned passenger analysis is expanded to show detail including and excluding FIS fees.

AIRPORT ACTIVITIES AND HIGHLIGHTS (CONTINUED)

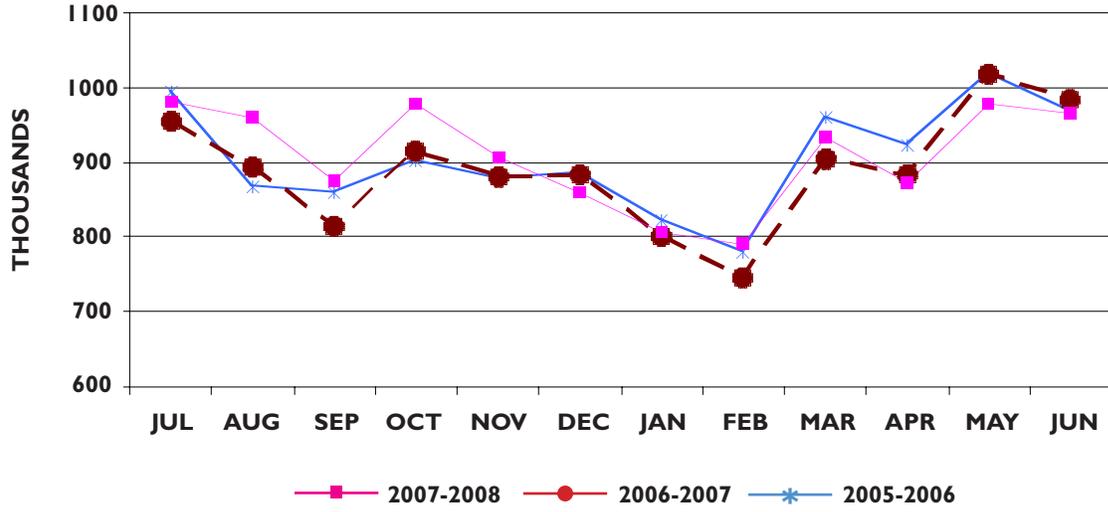
Selected statistical information about total passengers, total cargo, aircraft landed weight, and air carrier movements for the past three years is presented in the table and graphs below.

FISCAL YEAR	TOTAL PASSENGERS	TOTAL CARGO HANDLED (U.S. TONS)	AIRCRAFT LANDED WEIGHT (1000 POUND UNITS)	AIR CARRIER MOVEMENTS
2008	10,906,304	4,182,784	26,792,837	330,226
2007	10,674,667	4,185,008	26,565,330	334,804
2006	10,853,934	4,009,413	25,960,030	339,528

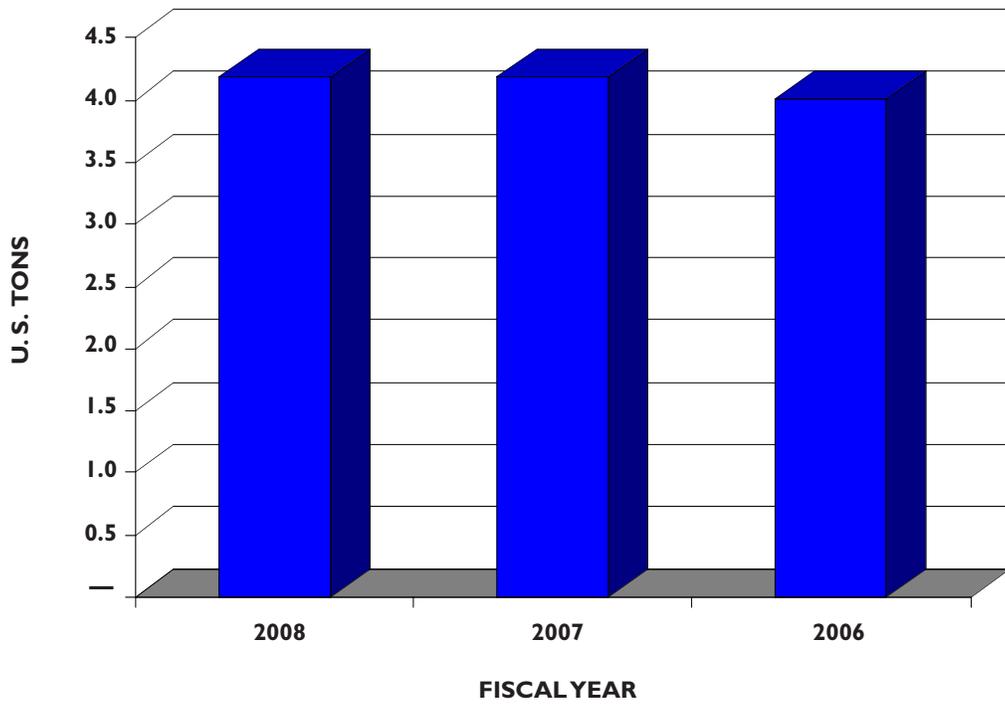
TOTAL PASSENGERS



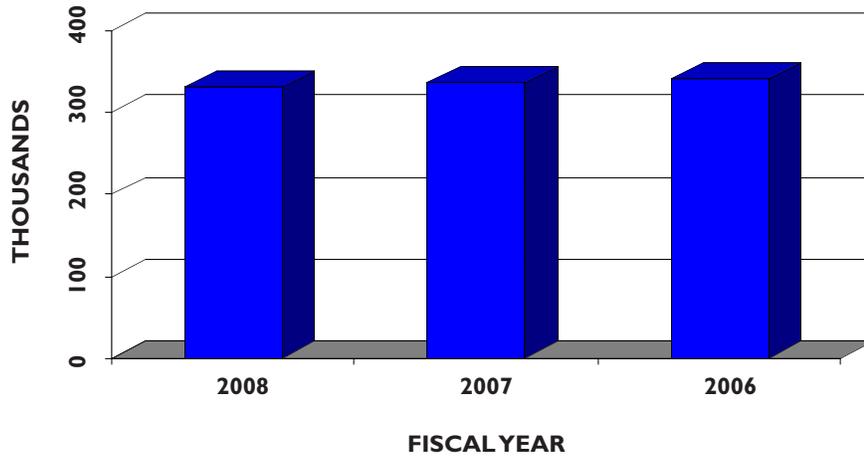
MONTHLY PASSENGERS



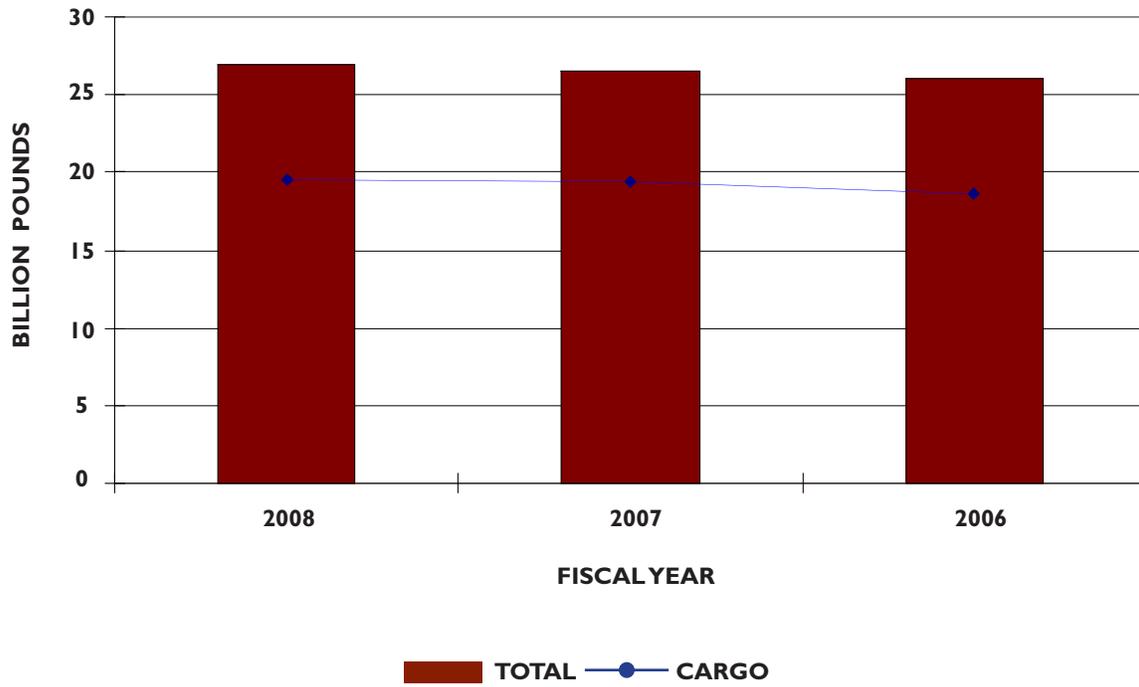
CARGO HANDLED



MOVEMENTS



LANDED WEIGHTS



FUTURE OUTLOOK

In October 2008 the Justice Department approved the acquisition of Northwest Airlines by Delta Airlines. The combination process is expected to be complete over the next 18 to 24 months. The “new” Delta will be the world’s largest airline with an anticipated 75,000 employees, 770 mainline jets and 375 world wide destinations. The long-term impact on Memphis is expected to be positive with new nonstop scheduled service already announced for Salt Lake City (January 5, 2009) and New York City–JFK (March 1, 2009). Additionally, Delta plans to replace selected regional jet flights with mainline equipment.

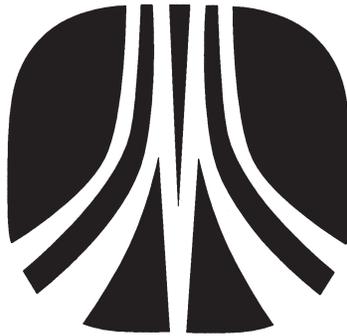
The Airport continues to work with its existing passenger airline partners and other carriers not currently serving Memphis to identify new markets and air service enhancements.

Cargo operations continue to remain strong and all information indicates that FedEx will continue its history of stability within the industry and at the Airport. Additionally, the recent completion of the new Tennessee Air National Guard (“TnANG”) base on the southeast of the airport will allow TnANG to relocate from their current 103 acre site that lies within the FedEx hub operation. The Airport previously negotiated a new long-term lease with FedEx that includes the 103 acres of land currently being used by TnANG once TnANG relocates to its new base in 2009. The 103 acre site is important as it provides additional growth potential for FedEx in the future

There are distinct operational and financial advantages of having both a passenger and cargo hub. From an operational standpoint, the Airport boasts four runways with advanced technology to allow continued flight operations in severe weather conditions. Financially, many of the costs of operating the Memphis airport system are decentralized and are not borne individually by either hub carrier. No assurance can be given as to the levels of aviation activity which will be achieved at the Airport in future fiscal years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority’s finances for all those with an interest in its finances. Questions concerning any of the information should be addressed to the Chief Financial Officer, Memphis-Shelby County Airport Authority, 2491 Winchester Road, Suite 113, Memphis, Tennessee 38116-3856.



STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007 (\$ IN THOUSANDS)

	2008	2007
ASSETS		
CURRENT ASSETS		
UNRESTRICTED ASSETS		
Cash and cash equivalents	\$ 2,972	\$ 4,795
Investments	14,830	15,412
Accounts receivable	6,961	7,092
Accrued interest receivable	504	262
Materials and supplies inventory	1,676	1,669
Prepaid expenses	942	2,105
Grants receivable	4	20
Total current unrestricted assets	27,889	31,355
RESTRICTED ASSETS		
Cash	29,312	29,644
Investments	124,659	112,787
Account receivable	1,739	3,998
Accrued interest receivable	2,205	2,365
Capital contributions receivable	10,570	7,020
Total current restricted assets	168,485	155,814
TOTAL CURRENT ASSETS	196,374	187,169
NON-CURRENT ASSETS		
UNRESTRICTED ASSETS		
Investments	7,620	4,209
RESTRICTED ASSETS		
Investments	65,602	75,442
Special facilities rent receivable	31,013	28,513
Total non-current restricted assets	96,615	103,955
CAPITAL ASSETS		
Land and improvements	161,693	161,171
Avigation easements	42,324	42,324
Depreciable capital assets (less accumulated depreciation of \$498,896 and \$450,849)	630,080	630,175
Construction in progress	87,695	65,534
Total capital assets, net	921,792	899,204
BOND ISSUE COSTS (less accumulated amortization of \$6,179 and \$6,945)	7,023	6,804
TOTAL NON-CURRENT ASSETS	1,033,050	1,014,172
TOTAL ASSETS	\$1,229,424	\$1,201,341

See notes to basic financial statements.

	2008	2007
LIABILITIES		
CURRENT LIABILITIES		
Payable from unrestricted assets:		
Accounts payable	\$ 3,807	\$ 3,686
Accrued expenses	1,707	1,371
Current portion – compensated absences	316	226
Total payable from unrestricted assets	5,830	5,283
Payable from restricted assets:		
Construction contracts payable	21,773	23,537
Funds held for others	9,359	5,487
Accrued interest payable	10,161	9,464
Current maturities of long-term debt	28,520	29,241
Total payable from restricted assets	69,813	67,729
TOTAL CURRENT LIABILITIES	75,643	73,012
NON-CURRENT LIABILITIES		
Deferred lease revenue	72,721	40,511
Compensated absences	733	1,243
Bonds and notes payable	523,908	554,888
TOTAL NON-CURRENT LIABILITIES	597,362	596,642
TOTAL LIABILITIES	\$ 673,005	\$ 669,654
NET ASSETS		
Invested in capital assets, net of related debt	\$ 407,677	\$ 383,985
Restricted for:		
Capital acquisition	128,607	126,566
Unrestricted	20,135	21,136
TOTAL NET ASSETS	\$ 556,419	\$ 531,687

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2008 AND 2007 (\$ IN THOUSANDS)

	2008	2007
OPERATING REVENUES		
Airfield	\$ 46,875	\$ 46,867
Terminal building	29,929	28,728
Ground transportation	23,740	23,317
Other aviation areas	4,473	4,986
Non-aviation areas	6,530	8,736
Total operating revenues	111,547	112,634
OPERATING EXPENSES		
Airfield	10,421	10,396
Terminal building	14,122	12,533
Ground transportation	4,322	4,492
General administration	14,668	13,852
Police	5,690	4,373
Field shop	1,819	1,161
Other aviation areas	143	174
Non-aviation areas	724	4,505
Total operating expenses before depreciation and amortization	51,909	51,486
DEPRECIATION AND AMORTIZATION	49,230	50,464
OPERATING INCOME	10,408	10,684
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment income	11,977	11,138
Interest expense	(32,074)	(33,255)
Customer facility charges	5,938	1,323
Operating grants	867	171
Gain on sale of capital assets	69	
Total non-operating revenues (expenses)	(13,223)	(20,623)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(2,815)	(9,939)
CAPITAL CONTRIBUTIONS	27,547	49,532
CHANGE IN NET ASSETS	24,732	39,593
TOTAL NET ASSETS, BEGINNING OF YEAR	531,687	492,094
TOTAL NET ASSETS, END OF YEAR	\$556,419	\$531,687

See notes to basic financial statements.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007 (\$ IN THOUSANDS)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$108,388	\$111,045
Cash paid to suppliers for goods and services	(28,427)	(26,788)
Cash paid to employees for services	(21,499)	(20,351)
Net cash provided by operating activities	58,462	63,906
CASH FLOWS FROM NON-CAPITAL FINANCING		
Operating grants received	883	161
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sale of capital assets	182	14
Acquisition and construction of capital assets	(72,890)	(63,085)
Reimbursements from other governments and entities	38,341	18,068
Reserve cash used in bond refunding	(4,432)	
Principal paid on long-term debt, notes payable and capital leases	(28,672)	(29,117)
Interest paid on long-term debt	(30,998)	(33,499)
Capital contributions received	23,997	51,041
Customer facility charges	5,938	1,323
Net cash used in capital and related financing activities	(68,534)	(55,255)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(159,372)	(204,348)
Proceeds from sales and maturities of investment securities	157,880	197,835
Interest and dividends on investments	8,526	10,050
Net cash provided by investing activities	7,034	3,537
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
	(2,155)	12,349
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR		
	34,439	22,090
END OF YEAR		
	\$ 32,284	\$ 34,439
CASH AND CASH EQUIVALENTS, END OF YEAR CONSIST OF		
Unrestricted cash and cash equivalents	2,972	4,795
Restricted cash	29,312	29,644
	\$ 32,284	\$ 34,439

See notes to basic financial statements.

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2008 AND 2007 (\$ IN THOUSANDS)

	2008	2007
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 10,408	\$ 10,684
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	49,230	50,464
Disposal of property and equipment		3,703
Provision for uncollectible accounts receivable	22	2
(Increase) decrease in assets:		
Receivables	(2,391)	(1,912)
Materials and supplies inventory	(7)	(109)
Prepaid expenses	1,163	818
Increase (decrease) in liabilities:		
Accounts payable	121	976
Accrued expenses	(84)	(720)
Net cash provided by operating activities	\$ 58,462	\$ 63,906

NON-CASH INVESTING ACTIVITIES

Investments increased by \$1,402 and \$648 in 2008 and 2007, respectively, due to the change in fair value.

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

During fiscal year 2008, the net proceeds of \$92,605 from revenue refunding bonds were sent directly to the escrow agent for defeasance of debt and thus did not result in a cash flow to the Authority.

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007 (\$ IN THOUSANDS)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization – The Memphis-Shelby County Airport Authority (the “Authority”) is a body politic and corporate of the State of Tennessee, created in 1969 pursuant to the Metropolitan Airport Authority Act. The Authority is governed by a seven-member Board of Commissioners (the “Board”), who is appointed by the Mayor of the City of Memphis (the “City”), with two members nominated by the Mayor of Shelby County (the “County”). The Memphis City Council confirms all members. The Authority owns and operates the Memphis International Airport (the “Airport”) and two general aviation reliever airports - Charles W. Baker Airport and General DeWitt Spain Airport.

B. Reporting Entity – The Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Reporting Entity*, defines the governmental financial reporting entity as the primary government, organizations for which the primary government is “financially accountable,” and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

“Financial Accountability” is the benchmark for determining which organizations are component units of a primary government. Financial accountability exists when a primary government has appointed a voting majority of the governing body of a legally separate organization and (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Based on the criteria below, the Authority is considered a component unit of the City:

- i. **Financial Accountability** – The members of the Board are appointed as described above. A member of the Board may be removed from office by a two-thirds vote of the Memphis City Council, but only after notice of cause for the removal has been served and the member has been granted an opportunity for a public hearing on the matter.
- ii. **Specific Financial Burden** – The City has issued its general obligation bonds to finance projects associated with the Authority. The Authority has entered into agreements with the City to pay debt service on these bonds; however, the City’s full faith and credit are pledged against these bonds and in the event of the Authority’s default on payment would be payable from taxes levied on all taxable property in the City subject to taxation by the City without limitations as to rate or amount. The Authority is not empowered to levy taxes.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- C. **Basis of Accounting** – The Authority is presented as an enterprise fund with separate accounts for each of the three airports. The accounts of the Authority are reported using the flow of economic resources measurement focus. The financial statements are prepared on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Board is that the costs of providing services on a continuing basis be recovered through user charges.

Operating revenues and expenses – Revenues from landing fees, terminal area use charges, cargo building space rentals, parking revenues and concession revenues are reported as operating revenues. Transactions related to financing and investing activities are reported as nonoperating revenues. Salaries and wages, repair and maintenance, professional and engineering services and other expenses that relate to airport operations are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

Pursuant to GASB Statement No. 20, as amended, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (“FASB”) Statements and Interpretations, Accounting Principles Board (“APB”) Opinions, and Accounting Research Bulletins (“ARBs”) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected to not apply FASB Statements and Interpretations issued after November 30, 1989.

- D. **Budgets** – In accordance with the Metropolitan Airport Authority Act, the City entered into an agreement dated May 26, 1970 with the Authority, which transferred all airport properties, functions, and outstanding obligations to the Authority. Provisions of the agreement require the Authority to prepare an annual operating budget, which must be filed with the City. A five-year capital improvement program, including modifications and reasons therefore is also required to be submitted each year. Even though the budgets are required to be filed with the City, the Board is responsible for approving the budget and any subsequent revisions.

The Airline Airport Affairs Committee, composed of signatory airlines, reviews the proposed annual budget, which is the basis for rates and charges under basic airport leases. This committee and other users may present objections and, if not adequately addressed, force a public hearing. Once adopted and issued, users have sixty days to respond after which time the budget becomes effective.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 the airport lease and use agreements and in conformance with requirements contained in bond resolutions. Unexpended appropriations lapse at year-end.

- E. Cash and Cash Equivalents** – Cash and cash equivalents include amounts in demand deposits as well as investments with a maturity date within three months of the date acquired.
- F. Investments** – Investments are reported at fair value with the exception of nonnegotiable investment contracts, which are reported at cost. The investment portfolio is managed to maintain the preservation of the principal of those funds within the portfolio, while maintaining enough liquidity to meet immediate and/or future operating requirements, and to maximize the return on investments while remaining within the context of these parameters.
- G. Materials and Supplies Inventory** – Inventory is valued at the lower of cost, determined on an average cost method, or market.
- H. Restricted Assets** – The bond indentures and bond resolutions authorizing the issuance of bonds require segregation of cash and investments into restricted accounts. Additionally, certain assets are restricted by the Board or by regulatory agencies (Note 3).
- I. Leases** – The Authority is lessor under numerous lease agreements. The leases are classified as operating leases, except for certain special facility leases, which are accounted for as direct financing leases.
- J. Capital Assets** – Assets with a cost of five thousand dollars or more are capitalized. Capital assets are stated at cost when purchased or fair value when donated, less accumulated depreciation. During construction of assets, interest incurred on related construction debt, less interest earned from investments whose use is restricted to related capital improvements, is capitalized from the time of borrowing until completion of the project. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The estimated lives by general classification are as follows:

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	YEARS
Runways, taxiways, aprons, and airfield lighting	15-30
Buildings	10-40
Facilities constructed for tenants	18
Roads, bridges, and fences	20
Equipment and utility systems	3-40

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB No. 51”). GASB No. 51 provides that intangible assets should be classified as capital assets and establishes guidance specific to intangible assets related to their useful life and amortization. This statement is effective for the Authority in fiscal year 2010; however, management adopted this statement in fiscal 2008 on a prospective basis as it relates to the amortization of aviation easements. Under GASB No. 51, aviation easements are no longer amortized; therefore, there was no amortization related to these easements recorded for the year ended June 30, 2008 compared to \$1,327 for the year ended June 30, 2007.

- K. Bond Issue Costs** – Bonds issue costs include underwriting spreads, insurance, and various professional fees. The costs are deferred and amortized over the life of the respective bond issues using the interest method.
- L. Original Issue Discount/Premium** – Original issue discounts and premiums are netted against the bond payable account and amortized over the lives of respective bond issues using the interest method.
- M. Compensated Absences** – Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. Liabilities relating to these absences are recognized as incurred.
- N. Capital Contributions** – Grants from federal, state and local governments and private enterprises are received for payment of costs related to various property acquisitions and construction projects and for debt retirement. Grants are recorded when all applicable eligibility requirements are met.
- O. Retirement Systems** – The Authority currently funds pension costs, which are composed of normal cost and amortization of unfunded prior service costs.
- P. Taxes** – The Authority is exempt from payment of federal and state income, property, and certain other taxes.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

- I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**
- Q. Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates.
- R. Risk Management** – The Authority purchases commercial insurance coverage for claims arising out of bodily injury or property damage as well as property insurance on airport properties, which includes earthquake and flood coverage. There were no significant reductions in insurance coverage in the current year. Additionally, there were no significant settlements, which exceeded insurance coverages for each of the past three years. The Authority is a member of both the City of Memphis health insurance program and the self-insured fund for health and medical benefits. The City’s Health Insurance-Internal Service Fund charges premiums which are used to pay claims and fund the accrual for “incurred but not reported” claims and administrative costs of its health and medical benefits program.
- S. Net Assets** – The Authority recognizes the difference between its assets and liabilities as net assets. Net assets categories include the following:
- Invested in capital assets, net of related debt – comprised of the Authority’s capital assets less any related outstanding debt used to acquire those assets.
 - Restricted for debt service – comprised of the Authority’s assets, mainly cash and investments, restricted by bond resolution to be used in paying debt service obligations.
 - Restricted for capital acquisition – comprised of the Authority’s assets restricted by contributors, bond resolutions and State and Federal regulations to be used in purchasing or construction of capital items or improvements.
 - Unrestricted – the remaining balance of net assets.
- T. Conduit Debt** – The conduit debt obligations are special limited obligations of the Authority, payable solely from and secured by pledges of rentals to be received from lease agreements the Authority has secured with FedEx Corporation and Pinnacle Airlines. The bonds do not constitute a debt or pledge of the faith and credit or net revenues of the Authority, the City of Memphis, the County, or the State. As such, the debt is considered “conduit debt” to the Authority, and the related assets and liabilities are not included in the accompanying statements of net assets. Conduit debt transactions are more fully described in Note 7.
- U. Reclassifications** – Certain financial statement line items including net asset restrictions contain amounts reclassified to conform to the 2008 financial statement presentation with no effect on total net assets.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

2. DEPOSITS AND INVESTMENTS

- A. Deposits** – Cash deposits as of June 30, 2008 and 2007, were \$32,267 and \$33,645 respectively. These deposits consisted of interest bearing and non-interest bearing demand accounts. Petty cash as of June 30, 2008 and 2007 was \$16. The Authority had cash equivalents, representing money market accounts and U.S. Government agencies of \$1 and \$778 at June 30, 2008 and 2007, respectively.

Custodial credit risk – In the case of deposits, this is the risk that in the event of bank failure, the Authority’s deposits may not be returned. The Authority’s policy is for the deposits to be collateralized through the State of Tennessee collateral pool or for collateral to be pledged on such deposits held by the custodian. State statute requires cash deposits in excess of Federal Deposit Insurance Corporation insurance to be collateralized at 105%. At June 30, 2007, the Authority had a cash balance with one custodian for which the collateral pledged on this deposit was \$772 less than the amount required by the State. The collateral amount was increased subsequent to year end to meet State guidelines.

- B. Investments** – Investments consist of the following at June 30, 2008 and 2007:

	2008	2007	WEIGHTED AVERAGE MATURITY (YEARS) AT JUNE 30, 2008
<hr/>			
At fair value:			
U.S. Government agencies	\$ 187,573	\$ 182,728	.94
Deferred compensation – mutual funds	625	609	
At cost:			
Forward purchase agreement	24,513	24,513	16.68
	<hr/> \$ 212,711	<hr/> \$ 207,850	

The investments made during fiscal years 2008 and 2007, were limited to the classifications above. Investments in U.S. Government agencies included the Federal National Mortgage Association, Federal Home Loan Mortgage Company, Federal Home Loan Bank, and Federal Farm Credit Bank, during fiscal years 2008 and 2007. With the exception of the discount note investments, which were not rated, all investment in U.S. Government agencies had a credit rating of Aaa by Moody’s at June 30, 2008.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**2. DEPOSITS AND INVESTMENTS (CONTINUED)**

In 2000, the Authority entered into a forward purchase agreement to invest \$24,513 of bond reserve funds. Under the agreement, the trustee holds the investments until they are required for bond maturities or until the agreement is terminated. The Authority is paid a fixed return of 6.558%. If the agreement is terminated prior to the bond's maturity, the Authority or the Trustee may be required to pay a termination amount. This termination amount would be determined by prevailing interest rates at the time of termination. The Authority records this nonnegotiable investment contract at cost. This investment represents more than 5% of the Authority's portfolio at June 30, 2008. The issuer of this investment contract had a credit rating of A1 by Moody's at June 30, 2008.

Interest rate risk – In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the maturity of individual investments to no more than 5 years from the date of purchase unless the security is matched to a specific obligation or debt of the Authority.

Credit risk - Bond resolutions 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 money market funds. The Authority may also invest in municipal bonds and investment agreements as long as the issuer is rated in one of the two highest rating categories by at least two nationally recognized rating agencies.

Concentration of credit risk – The Authority's investment policy provides for certain maximum limits in each eligible security type to reduce the risk of loss from an over concentration in a specific class of security. The policy also does not allow for an investment in any one issuer that is in excess of 5% percent of the Authority's total investments with the following exceptions:

INVESTMENT TYPE	MAXIMUM
U.S. Treasury Obligations	100%
Each Federal Agency	50%
Each Repurchase Agreement Counterparty	25%
Bank Deposits or Savings Accounts	80%
Investment Agreements	50%

Custodial Credit Risk – The Authority's investment policy provides that all securities purchased by the Authority or held as collateral on either deposits or investments shall be held in third-party safekeeping at a qualified financial institution.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
2. DEPOSITS AND INVESTMENTS (CONTINUED)

C. Reconciliation of Deposits and Investments to the Balance Sheet – A reconciliation of cash and cash equivalent and investments as shown in the accompanying statements of net assets is as follows:

	2008	2007
Unrestricted current assets:		
Cash and cash equivalents	\$ 2,972	\$ 4,795
Short term investments	14,830	15,412
Unrestricted non-current assets:		
Investments	7,620	4,209
Restricted current assets:		
Cash	29,312	29,644
Short-term investments	124,659	112,787
Restricted non-current assets:		
Investments	65,602	75,442
Total	\$ 244,995	\$ 242,289
Total deposits and petty cash	\$32,283	\$33,661
Total cash equivalents	1	778
Total investments	212,711	207,850
Total	\$ 244,995	\$ 242,289

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**3. RESTRICTED ASSETS**

Restricted assets consist of the following at June 30, 2008 and 2007:

					2008	2007
	Cash	Investments	Accrued Interest Receivable	Other Receivables	Total	Total
Restricted by Bond						
Indentures:						
Debt service:						
Special facilities bonds				\$ 31,013	\$ 31,013	\$28,513
Airport revenue bonds		\$ 19,210			19,210	17,547
General obligation bonds	\$ 1,924	7,767	\$ 32		9,723	11,623
Total	1,924	26,977	32	31,013	59,946	57,683
Bond reserves:						
Airport revenue bonds		52,507	937		53,444	58,046
Total		52,507	937		53,444	58,046
Construction and land acquisition and associated costs:						
Airport expansion		99,012	1,208	9,582	109,802	109,154
Contractor retainage	13,744				13,744	11,987
Total	13,744	99,012	1,208	9,582	123,546	121,141
Restricted by Regulatory Agency:						
Federal grants				984	984	89
State grant				4	4	324
Total				988	988	413
Restricted by Contributors:						
Airport improvements	2	2,249	6		2,257	1,683
International park	16	1,731	5		1,752	1,638
Customer facility charges	136	7,161	17		7,314	1,078
Deferred compensation		624			624	609
Tennessee Air National Guard						
Relocation	13,490			1,739	15,229	17,478
Total	13,644	11,765	28	1,739	27,176	22,486
Total Restricted Assets	\$ 29,312	\$ 190,261	\$ 2,205	\$ 43,322	\$ 265,100	\$ 259,769

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

3. RESTRICTED ASSETS (CONTINUED)

Revenues of the Authority are deposited to the revenue fund, which was created by the airport revenue bond resolution. Monies in the revenue fund are to be used and applied in the following order of priority:

First, there shall be applied each month the amount that the Authority determines to be required to pay costs of operation and maintenance;

Second, there shall be deposited each month into the Airport Improvement Bond Fund and the accounts therein the amounts by the resolution to be used for the purposes specified therein;

Third, so long as the Authority shall be required to make payments to the City or the County or other municipality for the payment by such city, county or other municipality of principal, interest and premiums on bonds, notes or other evidences of indebtedness issued by it for the Airport, there shall be set aside in the separate account of the Authority continued under the Basic Resolution that amount which, together with other monies credited to such account, if the same amount were set aside in such account in each month thereafter prior to the next date on which the Authority is required to make payments to the City or the County or other municipality, as the case may be, for the payment by the City, County or other municipality of principal of and interest and premium on the bonds, notes or other evidences of indebtedness issued by it for the Airport, the aggregate of the amounts so set aside in such separate account will on such next date be equal to the payment required to be made on such date by the Authority to the City or the County or such other municipality, as the case may be; and

Fourth, the Authority may use any monies remaining for any lawful purpose of the Authority.

The Authority covenants in bond resolutions that it will impose, prescribe, and collect rates, rentals, fees, and charges for the use of the airports and revise the same when necessary to assure that the Authority will be financially self-sufficient and that revenues so produced shall be sufficient to pay debt service when due; to pay all costs of operations and maintenance; to reimburse the City for its general obligation bonds; and to pay when due any other claims payable.

The construction and land acquisition accounts are to be used for construction projects and acquisition of land in connection with the Authority's noise compatibility and airport expansion programs. Withdrawals of money on credit in these accounts are made upon written requisition.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008, was as follows:

	BALANCE JULY 1, 2007	ADDITIONS AND RECLASS- IFICATIONS	LESS RETIREMENTS	BALANCE JUNE 30, 2008
CAPITAL ASSETS NOT BEING DEPRECIATED:				
Land	\$ 161,171	\$ 522		\$ 161,693
Avigation easements	42,324			42,324
Construction in progress	65,534	70,561	\$48,400	87,695
Total capital assets, not being depreciated	269,029	71,083	48,400	291,712
CAPITAL ASSETS BEING DEPRECIATED:				
Runways, taxiways, aprons and airfield lighting	615,642	9,559		625,201
Buildings	326,182	12,024		338,206
Facilities constructed for tenants	27,077			27,077
Roads, bridges and fences	35,361	23,062		58,423
Equipment and utility systems	76,762	3,797	490	80,069
Total capital assets being depreciated	1,081,024	48,442	490	1,128,976
ACCUMULATED DEPRECIATION:				
Runways, taxiways, aprons and airfield lighting	190,969	28,350		219,319
Buildings	167,679	13,464		181,143
Facilities constructed for tenants	27,077	14		27,091
Roads, bridges and fences	13,628	1,784		15,412
Equipment and utility systems	51,496	4,810	375	55,931
Total accumulated depreciation	450,849	48,422	375	498,896
Total capital assets being depreciated, net	630,175	20	115	630,080
CAPITAL ASSETS, NET	\$ 899,204	\$ 71,103	\$ 48,515	\$ 921,792

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS (CONTINUED)

There was no interest capitalized in fiscal year 2008 or 2007.

Substantially all capital assets are held by the Authority for the purpose of rental or related use.

5. LEASE AND USE OF AIRPORT FACILITIES

The Authority leases terminal space, buildings, and airfield space on both a fixed-fee and contingent rental (percent of revenue) basis. Contingent rentals generally have fixed specified minimum rent provisions. Contingent rentals were \$55,383 and \$56,324 for fiscal years 2008 and 2007, respectively.

Substantially all of the leases provide for periodic re-computation (based on a defined formula) of the rental amounts. Rates and fees charged by the Authority for the use of its facilities are required by terms of the individual leases to be sufficient to cover operating expenses, debt service, and general obligation debt, but not depreciation and amortization.

Other fees are received from public parking and miscellaneous other sources. Non-aviation revenue consists primarily of hotel and other rentals. Site and building rentals from these tenants are governed by the terms of various leases.

The Authority has acquired equipment or constructed facilities for lease to others under agreements accounted for as operating leases. The cost of these leased properties was financed by the airport revenue bonds issued by the Authority (Note 6). The lease agreements provide for rentals equal to or exceeding principal and interest payments due on the related bonds and, in addition, call for certain ground rentals.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**5. LEASE AND USE OF AIRPORT FACILITIES (CONTINUED)**

Minimum future rentals for leases are as follows:

YEAR	AMOUNT
2009	\$ 36,790
2010	23,364
2011	23,131
2012	22,181
2013	21,084
2014-2018	133,105
2019-2023	75,052
2024-2028	63,782
2029-2033	57,872
2034-2038	63,660
Total	\$ 520,021

In addition to the above future rentals, the Authority will recognize \$77,000 in rental revenues over a 50 year period commencing when FedEx Corporation occupies the existing Tennessee Air National Guard facility as discussed in Note 14.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM DEBT

Long-term debt information and activity for fiscal year 2008 was as follows:

	ORIGINAL ISSUE AMOUNT	INTEREST RATES	BALANCE JULY 1, 2007	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2008	AMOUNTS DUE WITHIN ONE YEAR
Airport Revenue Bonds:							
Series 1993B	\$ 30,630	5.0-5.65%	\$ 4,335		\$ 2,100	\$ 2,235	\$ 2,235
Series 1997A	43,805	5.25-6.25%	17,805		4,515	13,290	4,790
Series 1999A	67,800	Variable	48,075		48,075		
Series 1999B	67,600	Variable	48,075		48,075		
Series 1999D	238,400	4.5-6.125%	237,690			237,690	
Series 1999E	6,730	4.5-5.625%	3,340		595	2,745	625
Series 2001A	121,860	4.0-5.5%	94,365		7,250	87,115	9,030
Series 2001B	42,380	5.125%	42,380			42,380	
Series 2002	23,150	3.25-5.5%	14,005		385	13,620	395
Series 2003A	21,030	4.0-5.25%	16,695		1,560	15,135	1,620
Series 2008A	90,375	3.75-5.00		\$ 90,375		90,375	7,545
Total	753,760		526,765	90,375	112,555	504,585	26,240
City of Memphis							
General Obligation Bonds:							
Series 1995	13,500	Variable	1,800		1,800		
Series 1998	19,290	5.5-5.7%	9,055		1,620	7,435	1,710
Total	32,790		10,855		3,420	7,435	1,710
Special Facilities							
Revenue Bonds:							
Series 2003	45,000	4.5%	45,000			45,000	
Notes Payable	1,540	Variable	790		220	570	570
Less unamortized deferred							
amount on refunded bonds			(2,121)	(8,464)	(940)	(9,645)	
Unamortized bond premiums			2,814	2,230	561	4,483	
Total bonds and notes payable			584,103	84,141	115,816	552,428	28,520
Other liabilities:							
Capital leases			26		26		
Compensated absences			1,469		420	1,049	316
Total other liabilities			1,495		446	1,049	316
Total long-term debt			\$ 585,598	\$ 84,141	\$ 116,262	\$553,477	\$28,836

The unamortized deferred amount on refunded bonds at June 30, 2008, represents \$9,580 deferred on the Airport Revenue Bonds and \$65 deferred on the City of Memphis General Obligation Bonds. Interest expense includes amortization of loss on bond refunding for 2008 and 2007 of \$940 and \$574, respectively, and amortization of \$561 premium, net and \$493 of premium, net, respectively.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**6. LONG-TERM DEBT (CONTINUED)**

Airport Revenue Bonds – The bonds were issued for airfield and terminal building improvements and expansion of Memphis International Airport parking capacity. The bond resolution contains a rate covenant which requires collection of rentals and charges for the use of the airports so that the Authority will be financially self-sufficient and the revenues produced will be sufficient to pay principal, interest, and premium, if any, when due. The Authority may issue additional airport revenue bonds, subject to historical and future revenue tests.

In March 2008, the Authority sold \$90,375 of Airport Refunding Revenue Bonds, Series 2008A at a \$2,230 premium. The bonds have fixed interest rates ranging from 3.75 percent to 5.00 percent. Maturity dates range from March 1, 2009 through March 1, 2016. Certain net proceeds of \$73,966 together with \$13,785 transferred from the debt service reserve account for the Airport Revenue Bonds, Series 1999A and B were deposited in escrow to defease all (\$87,751) outstanding Series 1999A and B revenue bonds. In conjunction with the refunding, the Authority terminated their interest rate swap agreement related to the 1999A and 1999B variable rate bonds and paid a termination fee of \$7,707. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$8,464 that will be charged over 8 years using the straight-line method. The refunding, excluding the termination fee of \$7,707, increased the Authority's total debt service payments by \$2,859 and resulted in an economic loss (difference between the present value of the old debt and the new debt service payments) of \$659.

City of Memphis General Obligation Bonds – The 1995 bonds were issued to refund previous general obligation debt used for land acquisition in connection with the Authority's noise compatibility program. The 1995 bonds were paid off in 2008. The 1998 bonds were issued to refund previous general obligation debt used for acquisition of land for expansion. The bonds are direct obligations of the City who has pledged its full faith and credit and taxing power to the punctual payment of principal and interest; however, the Authority has entered into agreements with the City to pay debt service as it is due.

Special Facilities Revenue Bonds – Special Facilities Revenue Bonds – Series 1993 were issued to fund construction of an aircraft maintenance hangar, corporate hangar and apron area for FedEx Corporation.

The Authority issued \$45,000 in Special Facilities Bonds, Refunding Series 2003. These bonds were used to refund the Special Facilities Revenue Bonds, Series 1993. The bonds are due July 1, 2014 bearing interest at 4.5% payable semi-annually. Costs of issuance were paid by the lessee. No gain or loss resulted from this refunding and no effect on the Authority's cash flows resulted from the refunding as rents charged the lessee pay the debt service on the bonds. The bonds are payable solely by rentals from the facilities. Rents collected by the trustee are sufficient to pay debt service and certain administrative and trustee costs. See Note 3 regarding the Special Facilities Bonds receivable which is restricted for repayment of the principal portion of the debt.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM DEBT (CONTINUED)

Notes Payable – On June 30, 2004, the Authority entered into a note payable of \$930 to finance the purchase of eight shuttle buses for transporting employees from the Democrat Road employee parking lot to the terminal complex. The note is renewable on an annual basis and bears interest at a rate of Prime minus 1.75% at June 30, 2008. Payments will be generated through rates charged for employee parking.

On June 16, 2005, the Authority entered into a second note payable with an original amount of \$500 to finance the purchase of five shuttle buses for transporting parkers from the outlying public parking lots to the terminal building. The note is renewable on an annual basis and bears interest at a rate of Prime minus 1.75% at June 30, 2008. Payments will be generated through rates charged for public parking.

Line of Credit – The Authority has a line of credit of \$20,000 with a bank. The amount available is reduced by the \$570 outstanding on notes payable leaving \$19,430 available at June 30, 2008.

Maturities of Bond Debt and Interest Payable – Maturities, mandatory sinking fund redemptions, and interest payments of long-term debt are as follows:

YEAR	SPECIAL FACILITIES REVENUE BONDS	AIRPORT REVENUE BONDS	CITY OF MEMPHIS GENERAL OBLIGATION BONDS	INTEREST PAYMENTS
2009		\$26,240	\$ 1,710	\$ 30,196
2010		26,795	1,805	28,999
2011		27,290	1,905	27,444
2012		25,080	2,015	25,833
2013		21,565		24,629
2014-2018	\$ 45,000	126,415		95,944
2019-2023		162,985		54,886
2024-2026		88,215		8,454
Total	\$ 45,000	\$ 504,585	\$ 7,435	\$ 296,385

The special facilities and airport revenue bonds are subject to optional redemption at a premium over no greater than a five-year period prior to maturity. Bond resolutions provide that airport revenues are to be used to satisfy debt service requirements of the airport revenue, general operation and maintenance costs of the airport, and City of Memphis general obligation bonds, respectively. The special facilities and airport revenue bonds are not an obligation of any other governmental unit.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**7. CONDUIT DEBT**

The conduit debt obligations are special limited obligations of the Authority, payable solely from and secured by pledges of rentals to be received from lease agreements the Authority has secured with FedEx Corporation and Pinnacle Airlines. The bonds do not constitute a debt or pledge of the faith and credit or net revenues of the Authority, the City or Memphis, the County, or the State. The Authority has facilitated the issuance of the following series of conduit debt:

	AMOUNT OUTSTANDING AS OF JUNE 30,	
	2008	2007
Special Facilities Revenue Bonds – Refunding Series 1997. Issued in the amount of \$3,160 bearing interest at 6.125%, due in full on December 1, 2016. Proceeds used to refund bonds previously issued to finance the cost of the acquisition and construction of certain aircraft maintenance and repair facilities for Pinnacle Airlines, Inc. (formerly Express Airlines I, Inc.) and are payable solely from and are secured by a pledge of rental payments to be received from lease agreements and an Unconditional Guaranty.	\$ 2,140	\$ 2,260
Special Facilities Revenue Bonds – Refunding Series 1997. Issued in the amount of \$20,105 bearing interest at 5.35%, due in full on September 1, 2012. Proceeds used to refund bonds previously issued to finance the cost of the acquisition and construction of certain aircraft cargo handling and sorting facilities for FedEx Corporation and are payable solely from and are secured by a pledge of rental payments to be received from lease agreements and an Unconditional Guaranty.	20,105	20,105
Special Facilities Revenue Bonds – Refunding Series 2001. Issued in the amount of \$87,875 bearing interest at 5.00%, due in full on September 1, 2009. Proceeds used to refund bonds previously issued to finance the cost of the acquisition and construction of certain aircraft cargo handling and sorting facilities for FedEx Corporation and are payable solely from and are secured by a pledge of rental payments to be received from lease agreements and an Unconditional Guaranty.	87,875	87,875
Special Facilities Revenue Bonds – Refunding Series 2002. Issued in the amount of \$95,770 bearing interest at 5.05%, due in full on September 1, 2012. Proceeds used to refund bonds previously issued to finance the cost of the acquisition and construction of certain aircraft cargo handling and sorting facilities for FedEx Corporation and are payable solely from and are secured by a pledge of rental payments to be received from lease agreements and an Unconditional Guaranty.	95,770	95,770
Total	\$ 205,890	\$ 206,010

These bonds are special limited obligations of the Authority, payable as described above. The bonds do not constitute a debt or obligation of the Authority and accordingly have not been reported in the accompanying financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

8. CAPITAL CONTRIBUTIONS

The Authority has received capital contributions by means of Federal and State grants, as well as other funding sources as follows:

	2008	2007
Federal	\$ 24,556	\$ 46,814
State	2,741	2,440
Other	250	278
Total capital contributions	\$ 27,547	\$ 49,532

9. DEFINED BENEFIT RETIREMENT PLANS

General – The Authority participates in the City of Memphis Retirement System (“City Plan”). Although the Authority is a separate entity, plan benefits have not been allocated to employees of the Authority. Consequently, disclosures will follow guidelines for cost-sharing multiple employer public employee retirement systems. The Retirement System is established under Chapter 25, Code of Ordinances, City of Memphis, Tennessee, and is administered by a Board of Administration under the direction of the Mayor. The Retirement System is included in the City’s basic financial statements as a pension trust fund. That report may be obtained by writing to the City of Memphis, Comptroller’s Office, 125 N. Main Street, Memphis, TN 38103.

Plan Description – Substantially all full-time salaried employees are required to participate in one of two contributory defined benefit pension plans (the “Plans”). Plan A is for salaried employees hired before July 1, 1978, and Plan B is for salaried employees hired thereafter. Hourly employees are eligible for coverage under a supplemental retirement plan based on their wages under the Federal Insurance Contribution Act (Social Security). The Authority’s payroll for employees covered by the plans was \$18,586 and \$17,395 for fiscal years 2008 and 2007, respectively. Total payroll was \$18,793 and \$17,566 for the same two periods.

The Plans provide retirement benefits as well as death and disability benefits. Retirement benefits vest after ten years of service. General employees under Plan A may retire after completion of twenty-five years of service or, if earlier, after age sixty and completion of ten years of service.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**9. DEFINED BENEFIT RETIREMENT PLANS (CONTINUED)**

Under Plan B, general employees may retire after meeting any of the following schedules:

- After age sixty and the completion of ten years of service
- After age sixty-five and the completion of five years of service
- After twenty-five years of service

Funding Policy – Plan members are required to contribute 5% under Plan A and 8% under Plan B of their annual covered salary and the Authority is required to contribute at an actuarially determined rate, which was 5% at June 30, 2008. The contribution requirements of Plan members and the Authority are established and may be amended by the Board of Administration. The Authority's contributions to the Plan for fiscal years 2008, 2007, and 2006 were \$794, \$750, and \$755, respectively, equal to the required contributions for each year.

10. DEFINED CONTRIBUTION PLAN

On July 1, 1999, the Authority established the Memphis-Shelby County Airport Authority Supplemental Defined Contribution Plan that was designed to meet the requirements of Code Section 401(a). All participants in the Supplemental Defined Contribution Plan are also participants in the Memphis Retirement System. The purpose of the supplemental plan is to provide supplemental retirement benefits to participants in addition to the benefits provided by the City Plan. The Authority makes contributions on a discretionary basis. The amount of contributions expensed for fiscal years 2008 and 2007 was \$825 and \$776, respectively. Since the plan assets are held in trust for the benefit of the plan members, the related assets of the plan are not included in the accompanying statements of net assets. At June 30, 2008 and 2007, the fair value of the plan assets was \$8,452 and \$8,360 respectively.

11. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits the deferral of a portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

11. DEFERRED COMPENSATION PLAN (CONTINUED)

The plan has been amended to meet the recently enacted requirements of Internal Revenue Code Section 457. The amended plan provides that assets or income of the plan shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of administration of the plan. Since the assets of the amended plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not included in the accompanying statements of net assets. At June 30, 2008 and 2007, the fair value of the plan assets was \$5,733 and \$5,547 respectively.

12. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Notes 9 and 10, the Authority provides post-retirement health care benefits to all employees who retire from the Authority under the provisions of the City of Memphis Retirement System. The Board in conjunction with the City has established benefit provisions and contribution obligations. Currently, 80 employees are eligible for post-retirement benefits. The plan provides 80% of the cost of certain health care and life insurance coverage to retirees. The Authority accounts for cost of these benefits as a cost-sharing employer under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* ("GASB No 45"), which was implemented in 2008. Expenses for post-retirement health care benefits are recognized when premiums are incurred. Premiums are determined on a contract basis with the City. Expenses for fiscal years 2008, 2007, and 2006, were \$421, \$401, and \$377, respectively. There was no transition liability or asset as a result of implementing GASB No. 45, and the Authority has no liability at June 30, 2008 for premiums due.

The Retirement System and related other post-employment benefits disclosures are included in the City's basic financial statements as a pension trust fund. That report may be obtained by writing to the City of Memphis, Comptroller's Office, 125 N. Main Street, Memphis, TN 38103.

13. RELATED PARTIES AND MAJOR CUSTOMERS

The City provided fire protection and other services to the Authority at a cost of \$3,558 and \$3,600 for fiscal years 2008 and 2007, respectively.

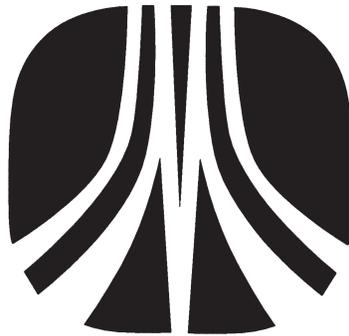
The Authority receives a large portion of its operating revenues from two airlines, FedEx Corporation and Northwest Airlines Corporation ("Northwest"). Rentals, landing fees, and other revenues from these two airlines were approximately 57% and 54% of operating revenues for the fiscal years 2008 and 2007, respectively. On September 14, 2005, Northwest filed for Chapter 11 bankruptcy. At the date of the bankruptcy filing, Northwest owed the Authority \$2,864, which was written off as a bad debt in fiscal 2006. During fiscal year 2007, the Authority recovered approximately \$1,800 of the previously written off balance.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**14. COMMITMENTS AND CONTINGENCIES**

During fiscal year 2005, the Authority entered into a series of agreements to facilitate the exchange of land currently leased by the Tennessee Air National Guard (“TnANG”) and to develop the southeast corner of the Airport for TnANG’s relocation. The estimated \$234,512 cost of the TnANG project is being funded by \$157,512 from TnANG and \$77,000 in future rentals from FedEx Corporation, which will occupy TnANG’s existing lease area once TnANG is relocated to their new facility. Of the \$77,000 in future rentals, \$72,721 and \$16,794 has been received in advance and is recorded as deferred lease revenue at June 30, 2008 and 2007, respectively. As of June 30, 2008, a total of \$209,699 has been expended on the TnANG project, and the Authority has open construction commitments of \$16,509 related to this project. Funds provided by TnANG to construct their own facilities are not recorded in the Authority’s financial statements.

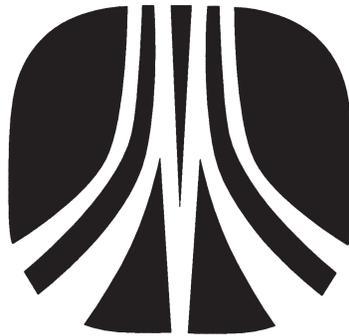
The Authority has other construction projects estimated at \$82,916, of which \$53,445 has been expended through June 30, 2008. Of the remaining \$29,471 expected to be spent, the outstanding commitments were \$13,068 at June 30, 2008, related primarily to air cargo buildings, reconstruction and extension of existing taxiways, parking garage improvements, and terminal access roads. The remaining commitments relate to projects to be funded from Airport Expansion funds included in restricted assets (Note 3) and federal grants.

In the normal course of operations, the Authority is subject to claims and litigation. Management is of the opinion that, based on the information presently available, no matters will have a material adverse effect on the financial position or results of operations of the Authority.



SUPPLEMENTAL SCHEDULES

Supplemental schedules, although not necessary for fair presentation of financial position and results of operation in conformity with generally accepted accounting principles, are often included to provide additional information.



**SUPPLEMENTAL SCHEDULE OF STATEMENT OF
NET ASSETS INFORMATION BY AIRPORT
JUNE 30, 2008, WITH COMPARATIVE TOTALS FOR 2007
(\$ IN THOUSANDS)**

				2008	2007
	MEMPHIS INTERNATIONAL AIRPORT	CHARLES W. BAKER AIRPORT	GENERAL DEWITT SPAIN AIRPORT	TOTAL	TOTAL
ASSETS					
CURRENT ASSETS					
UNRESTRICTED ASSETS					
Cash and cash equivalents	\$ 2,949	\$ 6	\$ 17	\$ 2,972	\$ 4,795
Investments	14,830			14,830	15,412
Accounts receivable	6,944	1	16	6,961	7,092
Accrued interest receivable	504			504	262
Materials and supplies inventory	1,543	72	61	1,676	1,669
Prepaid expenses	918	13	11	942	2,105
Grants receivable		2	2	4	20
Total current unrestricted assets	27,688	94	107	27,889	31,355
RESTRICTED ASSETS					
Cash	29,312			29,312	29,644
Investments	124,659			124,659	112,787
Account receivable	1,739			1,739	3,998
Accrued interest receivable	2,205			2,205	2,365
Capital contributions receivable	9,387	151	1,032	10,570	7,020
Total current restricted assets	167,302	151	1,032	168,485	155,814
TOTAL CURRENT ASSETS	194,990	245	1,139	196,374	187,169
NON-CURRENT ASSETS					
UNRESTRICTED ASSETS					
Investments	7,620			7,620	4,209
RESTRICTED ASSETS					
Investments	65,602			65,602	75,442
Special facilities rent receivable	31,013			31,013	28,513
Total non-current restricted assets	96,615			96,615	103,955
CAPITAL ASSETS					
Land and improvements	160,013	479	1,201	161,693	161,171
Avigation easements	42,324			42,324	42,324
Depreciable capital assets (less accumulated depreciation of \$498,896 and \$450,849)	626,200	1,581	2,299	630,080	630,175
Construction in progress	87,695			87,695	65,534
Total capital assets, net	916,232	2,060	3,500	921,792	899,204
BOND ISSUE COSTS (less accumulated amortization of \$6,179 and \$6,945)	7,023			7,023	6,804
TOTAL NON-CURRENT ASSETS	1,027,490	2,060	3,500	1,033,050	1,014,172
TOTAL ASSETS	\$1,222,480	\$2,305	\$4,639	\$1,229,424	\$1,201,341

				2008	2007
	MEMPHIS INTERNATIONAL AIRPORT	CHARLES W. BAKER AIRPORT	GENERAL DEWITT SPAIN AIRPORT	TOTAL	TOTAL
LIABILITIES					
CURRENT LIABILITIES					
Payable from unrestricted assets:					
Accounts payable	\$ 3,787	\$ 2	\$ 18	\$ 3,807	\$ 3,686
Accrued expenses	1,707			1,707	1,371
Due to (from) other airports	(5,561)	1,830	3,731		
Current portion - compensated absences	304	5	7	316	226
Total payable from unrestricted assets	237	1,837	3,756	5,830	5,283
Payable from restricted assets:					
Construction contracts payable	21,773			21,773	23,537
Funds held for others	9,359			9,359	5,487
Accrued interest payable	10,161			10,161	9,464
Current maturities of long-term debt	28,520			28,520	29,241
Total payable from restricted assets	69,813			69,813	67,729
TOTAL CURRENT LIABILITIES	70,050	1,837	3,756	75,643	73,012
NON-CURRENT LIABILITIES					
Deferred lease revenue	72,721			72,721	40,511
Compensated absences	728		5	733	1,243
Bonds and notes payable	523,908			523,908	554,888
TOTAL NON-CURRENT LIABILITIES	597,357		5	597,362	596,642
TOTAL LIABILITIES	\$667,407	\$1,837	\$3,761	\$673,005	\$669,654
NET ASSETS					
Invested in capital assets, net of related debt	\$402,117	\$2,060	\$3,500	\$407,677	\$383,985
Restricted for:					
Capital acquisition	127,424	151	1,032	128,607	126,566
Unrestricted	25,532	(1,743)	(3,654)	20,135	21,136
TOTAL NET ASSETS	\$555,073	\$468	\$878	\$556,419	\$531,687

**SUPPLEMENTAL SCHEDULE OF STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS INFORMATION BY AIRPORT
YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007
(\$ IN THOUSANDS)**

				2008	2007
	MEMPHIS INTERNATIONAL AIRPORT	CHARLES W. BAKER AIRPORT	GENERAL DEWITT SPAIN AIRPORT	TOTAL	TOTAL
OPERATING REVENUES					
Airfield	\$ 45,798	\$ 388	\$ 689	\$ 46,875	\$ 46,867
Terminal building	29,929			29,929	28,728
Ground transportation	23,740			23,740	23,317
Other aviation areas	4,248	107	118	4,473	4,986
Non-aviation areas	6,527		3	6,530	8,736
Total operating revenues	110,242	495	810	111,547	112,634
OPERATING EXPENSES					
Airfield	9,471	336	614	10,421	10,396
Terminal building	14,122			14,122	12,533
Ground transportation	4,322			4,322	4,492
General administration	14,302	180	186	14,668	13,852
Police	5,690			5,690	4,373
Field shop	1,819			1,819	1,161
Other aviation areas	141		2	143	174
Non-aviation areas	724			724	4,505
Total operating expenses before depreciation and amortization	50,591	516	802	51,909	51,486
DEPRECIATION AND AMORTIZATION	48,761	236	233	49,230	50,464
OPERATING INCOME (LOSS)	10,890	(257)	(225)	10,408	10,684
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment income	11,977			11,977	11,138
Interest expense	(32,074)			(32,074)	(33,255)
Customer facility charges	5,938			5,938	1,323
Operating grants	847	10	10	867	171
Gain on sale of capital assets	69			69	
Total non-operating revenues (expenses)	(13,243)	10	10	(13,223)	(20,623)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(2,353)	(247)	(215)	(2,815)	(9,939)
CAPITAL CONTRIBUTIONS	27,065	147	335	27,547	49,532
CHANGE IN NET ASSETS	24,712	(100)	120	24,732	39,593
TOTAL NET ASSETS, BEGINNING OF YEAR	530,361	568	758	531,687	492,094
TOTAL NET ASSETS, END OF YEAR	\$555,073	\$468	\$878	\$556,419	\$531,687

**SUPPLEMENTAL SCHEDULE OF STATEMENT OF CASH FLOWS
INFORMATION BY AIRPORT
YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007
(\$ IN THOUSANDS)**

				2008	2007
	MEMPHIS INTERNATIONAL AIRPORT	CHARLES W. BAKER AIRPORT	GENERAL DEWITT SPAIN AIRPORT	TOTAL	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 107,097	\$ 493	\$ 798	\$ 108,388	\$ 111,045
Cash paid to suppliers for goods and services	(27,744)	(878)	195	(28,427)	(26,788)
Cash paid to employees for services	(21,250)	(124)	(125)	(21,499)	(20,351)
Net cash provided by (used in) operating activities	58,103	(509)	868	58,462	63,906
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating grants received	847	18	18	883	161
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from the sale of capital assets	182			182	14
Acquisition and construction of capital assets	(71,675)	(112)	(1,103)	(72,890)	(63,085)
Reimbursements from other governments and entities	38,341			38,341	18,068
Reserve cash used in bond refunding	(4,432)			(4,432)	
Principal paid on long-term debt, notes payable and capital leases	(28,672)			(28,672)	(29,117)
Interest paid on long-term debt	(30,998)			(30,998)	(33,499)
Capital contributions received	23,171	606	220	23,997	51,041
Customer facility charges	5,938			5,938	1,323
Net cash provided by (used in) capital and related financing activities	(68,145)	494	(883)	(68,534)	(55,255)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	(159,372)			(159,372)	(204,348)
Proceeds from sales and maturities of investment securities	157,880			157,880	197,835
Interest and dividends on investments	8,526			8,526	10,050
Net cash provided by investing activities	7,034			7,034	3,537
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(2,161)	3	3	(2,155)	12,349
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR					
	34,422	3	14	34,439	22,090
CASH AND CASH EQUIVALENTS, END OF YEAR					
	\$32,261	\$ 6	\$ 17	\$ 32,284	\$ 34,439
CASH AND CASH EQUIVALENTS, END OF YEAR CONSIST OF					
Unrestricted cash and cash equivalents	\$2,949	\$ 6	\$ 17	\$2,972	\$4,795
Restricted cash	29,312			29,312	29,644
	\$32,261	\$ 6	\$ 17	\$ 32,284	\$ 34,439

**SUPPLEMENTAL SCHEDULE OF STATEMENT OF CASH FLOWS
 INFORMATION BY AIRPORT (CONTINUED)
 YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007
 (\$ IN THOUSANDS)**

				2008	2007
	MEMPHIS INTERNATIONAL AIRPORT	CHARLES W. BAKER AIRPORT	GENERAL DEWITT SPAIN AIRPORT	TOTAL	TOTAL
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 10,890	\$ (257)	\$ (225)	\$ 10,408	\$ 10,684
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	48,761	236	233	49,230	50,464
Disposal of property and equipment					3,703
Provision for uncollectible accounts receivable	22			22	2
(Increase) decrease in assets:					
Receivables	(2,383)	2	(10)	(2,391)	(1,912)
Materials and supplies inventory	62	(37)	(32)	(7)	(109)
Prepaid expenses	1,163			1,163	818
Increase (decrease) in liabilities:					
Accounts payable	120	(6)	7	121	976
Accrued expenses	(84)			(84)	(720)
Transfer between airports for operating activities	(448)	(447)	895		
Net cash provided by (used in) operating activities	\$ 58,103	\$ (509)	\$ 868	\$ 58,462	\$ 63,906

SUPPLEMENTAL SCHEDULE OF OPERATING REVENUES BY SOURCE BY AIRPORT

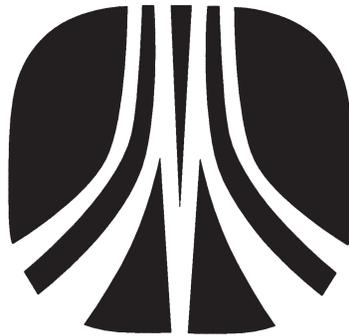
YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

(\$ IN THOUSANDS)

				2008	2007
	MEMPHIS INTERNATIONAL AIRPORT	CHARLES W. BAKER AIRPORT	GENERAL DEWITT SPAIN AIRPORT	TOTAL	TOTAL
AIRFIELD					
Landing fees - signatory	\$ 34,652			\$ 34,652	\$ 35,197
Landing fees - non-signatory	4,724			4,724	4,871
Apron fees	570	\$ 2	\$ 7	579	484
Fuel flow fees - fixed base operations	259			259	273
Ground rentals - fixed base operations	536			536	534
Ground rentals - airlines	5,054			5,054	4,513
Other	3	386	682	1,071	995
Total	45,798	388	689	46,875	46,867
TERMINAL BUILDING					
Space rental - airlines	15,949			15,949	15,256
Concessionaires - food and beverages	3,769			3,769	3,583
Concessionaires - other	2,604			2,604	2,436
Shared tenant - telephone system	457			457	432
Other commissions, fees, etc.	594			594	597
Debt service rental	6,556			6,556	6,424
Total	29,929			29,929	28,728
GROUND TRANSPORTATION					
Public parking	12,856			12,856	12,397
Employee parking	2,000			2,000	1,732
Rental car agencies and other	8,884			8,884	9,188
Total	23,740			23,740	23,317
OTHER AVIATION AREAS					
Building rentals - fixed base operations	389	2		391	400
Building rentals - airlines	301			301	406
Building rentals - others	41	84	95	220	176
Cargo building rentals - airlines	1,825			1,825	1,373
Cargo building rentals - others	265			265	599
Fuel farm - airlines	10			10	17
Fuel farm - others	54			54	73
Ground rentals - airlines	1,036			1,036	1,578
Ground rentals - others	327	21	23	371	364
Total	4,248	107	118	4,473	4,986
NON-AVIATION AREAS					
Rental - commercial sites	174			174	170
Rental - hotel	234			234	238
Special facilities and other restricted lease income	6,116			6,116	6,117
Other	3		3	6	2,211
Total	6,527		3	6,530	8,736
TOTAL OPERATING REVENUES	\$ 110,242	\$ 495	\$ 810	\$ 111,547	\$ 112,634

**SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES BY SOURCE
BY AIRPORT**
YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007
(\$ IN THOUSANDS)

				2008	2007
	MEMPHIS INTERNATIONAL AIRPORT	CHARLES W. BAKER AIRPORT	GENERAL DEWITT SPAIN AIRPORT	TOTAL	TOTAL
AIRFIELD					
Airfield maintenance and operations	\$ 6,625	\$ 336	\$ 614	\$ 7,575	\$ 7,643
Salaries and employee benefits	2,846			2,846	2,753
Total	9,471	336	614	10,421	10,396
TERMINAL BUILDING					
Terminal shop maintenance and operations	8,108			8,108	6,362
Steam and refrigeration	195			195	258
Salaries and employee benefit	5,459			5,459	5,531
Shared tenant - telephone systems	312			312	291
Customer service operations	48			48	91
Total	14,122			14,122	12,533
GROUND TRANSPORTATION					
Public parking - operations	2,258			2,258	2,403
Employee parking - operations	1,681			1,681	1,708
Taxicab operations	383			383	381
Total	4,322			4,322	4,492
GENERAL ADMINISTRATION					
General - non-departmental	1,875	49	63	1,987	2,416
General - departmental	4,078			4,078	4,031
Telephone	110	6		116	114
Salaries and employee benefits	8,239	125	123	8,487	7,291
Total	14,302	180	186	14,668	13,852
POLICE					
Airport police operations	1,660			1,660	705
Salaries and employee benefits	3,845			3,845	3,516
Operations coordinators	185			185	152
Total	5,690			5,690	4,373
FIELD SHOP					
Field and paint shop maintenance and operations	1,188			1,188	948
Salaries and employee benefits	631			631	213
Total	1,819			1,819	1,161
OTHER AVIATION AREAS					
Cargo building complexes	126			126	165
Other aviation areas	15		2	17	9
Total	141		2	143	174
NON-AVIATION AREAS					
	724			724	4,505
Total Operating Expenses Before					
Depreciation and Amortization	50,591	516	802	51,909	51,486
DEPRECIATION AND AMORTIZATION	48,761	236	233	49,230	50,464
TOTAL OPERATING EXPENSES	\$ 99,352	\$ 752	\$ 1,035	\$ 101,139	\$ 101,950



**SUPPLEMENTAL SCHEDULE OF DEBT SERVICE
REQUIREMENTS - CASH BASIS
JUNE 30, 2008 (\$ IN THOUSANDS)**

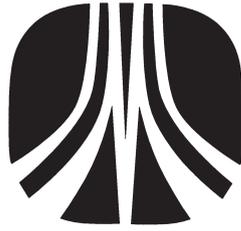
AIRPORT REVENUE BONDS				
FISCAL YEAR	SERIES 1993B	SERIES 1997A	SERIES 1999D	SERIES 1999E
2009	\$ 2,380	\$ 5,621	\$ 14,409	\$ 775
2010		5,616	14,409	782
2011		3,629	14,409	786
2012			14,409	792
2013			15,560	
2014			16,653	
2015			17,159	
2016			17,179	
2017			33,598	
2018			33,597	
2019			33,599	
2020			33,595	
2021			33,596	
2022			33,596	
2023			33,597	
2024			33,596	
2025			33,599	
2026				
Total	2,380	14,866	426,560	3,135
Less interest	145	1,576	188,870	390
Principal payments	\$ 2,235	\$ 13,290	\$ 237,690	\$ 2,745

SERIES 2001A	SERIES 2001B	SERIES 2002	SERIES 2003A	SERIES 2008A	TOTAL
\$ 13,714	\$ 2,172	\$ 1,039	\$ 2,335	\$ 11,601	\$ 54,046
13,088	2,172	3,430	2,325	11,678	53,500
12,734	2,172	4,417	2,313	12,081	52,541
7,909	2,172	5,719	2,304	15,526	48,831
7,912	2,172	448	2,295	15,783	44,170
7,910	2,172	450	2,287	15,216	44,688
7,909	2,172		2,276	15,062	44,578
7,912	2,172		2,263	15,198	44,724
7,908	2,172				43,678
7,911	2,172				43,680
7,911	2,172				43,682
7,907	2,172				43,674
7,911	2,172				43,679
	9,822				43,418
	9,820				43,417
	9,823				43,419
	9,824				43,423
	9,824				9,824
118,636	77,349	15,503	18,398	112,145	788,972
31,521	34,969	1,883	3,263	21,770	284,387
\$ 87,115	\$ 42,380	\$ 13,620	\$ 15,135	\$ 90,375	\$ 504,585

**SUPPLEMENTAL SCHEDULE OF DEBT SERVICE REQUIREMENTS -
CASH BASIS (CONTINUED)
JUNE 30, 2008 (\$ IN THOUSANDS)**

AIRPORT REVENUE BONDS	CITY OF MEMPHIS	SPECIAL FACILITIES REVENUE BONDS	TOTAL OF ALL BONDS
FISCAL YEAR	SERIES 2001	SERIES 2003	
2009	\$ 2,076	\$ 2,025	\$ 58,147
2010	2,074	2,025	57,599
2011	2,072	2,025	56,638
2012	2,073	2,025	52,929
2013		2,025	46,195
2014		46,013	90,701
2015			44,578
2016			44,724
2017			43,678
2018			43,680
2019			43,682
2020			43,674
2021			43,679
2022			43,418
2023			43,417
2024			43,419
2025			43,423
2026			9,824
Total	8,295	56,138	853,405
Less interest	860	11,138	296,385
Principal payments	\$ 7,435	\$ 45,000	\$ 557,020

The schedule of debt service requirements presents principal, mandatory sinking fund redemptions, and interest when due.



STATISTICAL SECTION

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.

CONTENTS

PAGE

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 72

Revenue Capacity

These schedules contain information to help the reader assess the Authority’s most significant revenue sources 76

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..... 85

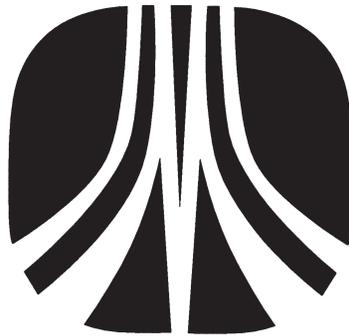
Demographic and Economic Information

These schedules offer demographic and economic indicators to help reader understand the environment within which the Authority’s financial activities take place..... 90

Operating Information

These schedules contain service data to help the reader understand the information in the Authority’s financial report relates to the services it provides and the activities it performs. 93

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports and the Authority’s accounting records for the relevant year.



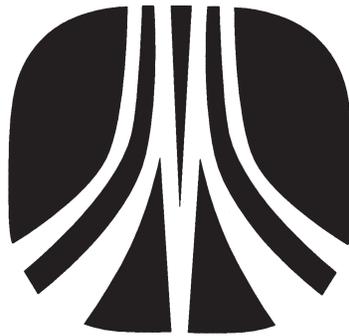
**TOTAL ANNUAL REVENUES, EXPENSES AND CHANGES
IN NET ASSETS FOR THE TEN YEARS ENDED
LAST TEN YEARS (IN THOUSANDS)**

	2008	2007	2006	2005
OPERATING REVENUES:				
Terminal building	\$ 29,929	\$ 28,728	\$ 29,287	\$ 29,659
Airfield	46,875	46,867	48,013	48,769
Ground transportation	23,740	23,317	21,850	18,972
Other aviation areas (1)	4,473	4,986	4,824	4,562
Non-aviation areas (1)	6,530	8,736	7,041	6,431
	111,547	112,634	111,015	108,393
Rental credit for signatory airlines (Note 15)				
TOTAL	111,547	112,634	111,015	108,393
OPERATING EXPENSES:				
Terminal building	14,122	12,533	12,538	12,158
Airfield	10,421	10,396	8,265	7,149
Ground transportation	4,322	4,492	4,045	4,516
General administration	14,668	13,852	15,551	11,967
Police	5,690	4,373	4,432	4,497
Field shop	1,819	1,161	1,478	1,436
Other aviation areas	143	174	76	62
Non-aviation areas	724	4,505	410	217
TOTAL	51,909	51,486	46,795	42,002
DEPRECIATION AND AMORTIZATION				
	49,230	50,464	44,264	44,463
OPERATING INCOME				
	10,408	10,684	19,956	21,928
NON-OPERATING REVENUE (EXPENSE):				
Interest and investment income ⁽¹⁾	11,977	11,138	8,149	5,830
Customer facility charges	5,938	1,323		
Gain on sale of capital assets	69			
Operating grants	867	171	163	118
Total Non-Operating Revenue	18,851	12,632	8,312	5,948
Interest Expense	(32,074)	(33,255)	(34,847)	(34,118)
TOTAL	(13,223)	(20,623)	(26,535)	(28,170)
LOSS BEFORE CONTRIBUTIONS	(2,815)	(9,939)	(6,579)	(6,242)
CAPITAL CONTRIBUTIONS ⁽²⁾	27,547	49,532	26,042	24,337
CHANGE IN NET ASSETS	\$ 24,732	\$ 39,593	\$ 19,463	\$ 18,095

(1) The Authority has reclassified revenues generated from property adjacent to the airfield, which was previously included in interest and investment income to non-aviation income. Also, rent related to the special facilities debt that is an operating lease has also been reclassified from both other aviation to non-aviation revenue. Prior years have been restated to reflect this change.

(2) The Authority adopted GASB Statement No. 33 resulting in contributions being included as a component of the change in net assets, 2000 was also restated.

2004	2003	2002	2001	2000	1999
\$ 26,354	\$ 27,901	\$ 24,125	\$ 19,421	\$ 15,879	\$ 17,816
45,763	46,995	40,642	35,704	22,766	16,648
17,799	17,213	17,292	19,057	16,681	15,506
4,191	4,062	3,358	2,997	5,089	5,403
6,302	7,280	6,969	6,802	6,815	6,913
100,409	103,451	92,386	83,981	67,230	62,286
(7,209)					
93,200	103,451	92,386	83,981	67,230	62,286
11,760	11,381	11,765	12,274	10,457	9,357
6,905	6,963	5,734	6,247	6,237	4,901
4,126	4,188	4,120	4,021	3,905	2,271
11,563	11,287	10,386	12,345	11,782	9,944
4,280	4,698	4,283	3,713	3,484	2,813
1,168	1,259	1,030	1,344	1,062	920
50	97	56	195	146	118
537	859	900	1,041	1,099	1,404
40,389	40,732	38,274	41,180	38,172	31,728
43,474	41,119	38,245	31,365	24,531	24,093
9,337	21,600	15,867	11,436	4,527	6,465
3,391	6,519	7,823	9,099	2,262	3,078
(4,530)		1,018			
239	151	1,117	81	18	18
(900)	6,670	9,958	9,180	2,280	3,096
(31,835)	(33,090)	(31,433)	(28,612)	(15,992)	(14,609)
(32,735)	(26,420)	(21,475)	(19,432)	(13,712)	(11,513)
(23,398)	(4,820)	(5,608)	(7,996)	(9,185)	(5,048)
42,866	7,473	26,747	37,297	16,613	
\$ 19,468	\$ 2,653	\$ 21,139	\$ 29,301	\$ 7,428	\$ (5,048)



NET ASSETS FOR THE EIGHT YEARS ENDED JUNE 30, 2008 (IN THOUSANDS)

	2008	2007	2006	2005	2004	2003	2002	2001
Invested in capital assets, net of related debt	\$407,677	\$383,985	\$351,896	\$333,199	\$320,251	\$309,223	\$346,266	\$354,576
Restricted for:								
Debt Service			102,440	100,086	97,823	96,409	51,317	41,791
Capital Acquisitions	128,607	126,566	12,814	16,115	19,278	2,779	23,124	10,562
Total Restricted	128,607	126,566	115,254	116,201	117,101	99,188	74,441	52,353
Unrestricted	20,135	21,136	24,944	23,231	17,184	26,657	11,708	4,347
Total Net Assets ⁽¹⁾	\$556,419	\$531,687	\$492,094	\$472,631	\$454,536	\$435,068	\$432,415	\$411,276

(1) The Authority adopted GASB Statement No. 34 in 2002 resulting in the elimination of Fund Equity and introducing Net Assets.

Fiscal Year 2001 was restated; however, fiscal years prior to 2001 are unavailable in this format. Ten year data will be presented when available.

PASSENGER ENPLANEMENTS MARKET SHARE LAST TEN YEARS

AIRLINE	FY2008		FY2007		FY 2006		FY 2005	
	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share
DOMESTIC								
Northwest Airlines	2,276,517	42.4%	2,381,113	45.2%	2,390,694	44.7%	2,641,818	48.9%
Northwest AirlinK	1,542,122	28.7%	1,477,975	28.1%	1,287,585	24.1%	992,367	18.4%
Mesaba Airlines	230,836	4.3%	205,045	3.9%	449,224	8.4%	542,082	10.0%
USAirways Express ⁽¹⁾	182,051	3.4%	160,884	3.1%	135,979	2.5%	116,757	2.2%
AirTran	171,915	3.2%	164,148	3.1%	152,708	2.9%	141,971	2.6%
Delta Connection ⁽²⁾	148,248	2.8%	147,769	2.8%	88,954	1.7%	103,104	1.9%
American Airlines	119,890	2.2%	108,941	2.1%	81,847	1.5%	56,671	1.0%
Delta Air Lines	114,941	2.1%	117,219	2.2%	236,424	4.4%	290,782	5.4%
Continental Express	100,285	1.9%	102,943	2.0%	96,419	1.8%	90,320	1.7%
United Express ⁽³⁾	90,968	1.7%	106,929	2.0%	126,241	2.4%	107,055	2.0%
American Eagle	76,459	1.4%	85,030	1.6%	114,738	2.1%	104,648	1.9%
Frontier Airlines ⁽⁴⁾	58,598	1.1%						
Compass Airlines	52,854	1.0%						
Other ⁽⁵⁾	13,378	0.2%	25,470	0.5%	32,912	0.6%	54,107	1.0%
TOTAL DOMESTIC	5,179,062	96.4%	5,083,466	96.6%	5,193,725	97.1%	5,241,682	97.0%
INTERNATIONAL								
Northwest Airlines	190,819	3.6%	179,928	3.4%	154,406	2.9%	158,323	2.9%
Other ⁽⁵⁾	4	0.0%	122	0.0%	976	0.0%	3,440	0.1%
TOTAL INTERNATIONAL	190,823	3.6%	180,050	3.4%	155,382	2.9%	161,763	3.0%
Grand Totals								
TOTAL ENPLANEMENTS -								
MSCAA	5,369,885	100.0%	5,263,516	100.0%	5,349,107	100.0%	5,403,445	100.0%
Percent of Total U.S.								
Enplanements⁽⁶⁾		N.A.		0.69%		0.72%		0.75%

Source: Memphis-Shelby County Airport Authority, Activity Reports and U.S. Bureau of Transportation

- (1) For FY2008 Mesa Airlines and PSA Airlines operated for USAirways Express. Previous years totals include America West.
- (2) For FY2008 Atlantic Southeast, Chautauqua, ComAir, Pinnacle, Shuttle America and Skywest Airlines operated for Delta Connection.
- (3) For FY2008 Skywest Airlines operated for United Express.
- (4) Frontier Airlines discontinued operations in May 2008 after one year of operations.
- (5) May include activity by airlines no longer serving Memphis.
- (6) Source: FAA, based upon calendar year.

FY 2004		FY 2003		FY 2002		FY 2001		FY 2000		FY 1999	
Enplanements	Share										
2,443,379	47.1%	3,090,199	56.2%	2,944,140	58.0%	3,659,317	59.2%	3,161,354	60.1%	3,079,452	63.2%
917,426	17.7%	643,120	11.7%	618,598	12.2%	823,030	13.3%	557,212	10.6%	558,951	11.4%
675,547	13.0%	683,291	12.4%	396,049	7.8%	510,607	8.3%	260,540	5.0%	20,158	0.4%
120,562	2.3%	63,358	1.2%	36,899	0.7%	5,495	0.1%				
135,852	2.6%	100,757	1.8%	100,916	2.0%	102,679	1.7%	94,532	1.8%	78,393	1.6%
95,239	1.8%	88,871	1.6%	55,344	1.1%	32,374	0.5%	42,840	0.8%	39,156	0.8%
50,895	1.0%	82,041	1.5%	77,990	1.5%	87,478	1.4%	92,066	1.7%	96,074	2.0%
274,408	5.3%	268,223	4.9%	318,528	6.3%	421,132	6.8%	494,836	9.4%	504,903	10.3%
87,249	1.7%	78,866	1.4%	85,222	1.7%	85,702	1.4%	83,902	1.6%	43,352	0.9%
101,123	1.9%	85,404	1.6%	74,343	1.5%	5,044	0.1%	23,136	0.4%	8,445	0.2%
76,257	1.5%	41,558	0.8%	49,810	1.0%	43,215	0.7%	36,415	0.7%	30,203	0.6%
58,285	1.1%	111,064	2.0%	167,401	3.3%	267,598	4.3%	271,234	5.2%	298,423	6.0%
5,036,222	97.0%	5,336,752	97.0%	4,925,240	97.1%	6,043,671	97.8%	5,118,067	97.3%	4,757,510	97.4%
149,393	2.9%	86,139	1.6%	61,200	1.2%	40,537	0.6%	43,242	0.8%	33,007	0.7%
7,445	0.1%	76,840	1.4%	85,487	1.7%	96,706	1.6%	101,064	1.9%	94,156	1.9%
156,838	3.0%	162,979	3.0%	146,687	2.9%	137,243	2.2%	144,306	2.7%	127,163	2.6%
5,193,060	100.0%	5,499,731	100.0%	5,071,927	100.0%	6,180,914	100.0%	5,262,373	100.0%	4,884,673	100.0%
	0.75%		0.86%		0.80%		0.96%		0.77%		0.74%

ORIGINATING AND DESTINATION (O&D) AIRLINE PASSENGERS LAST TEN YEARS

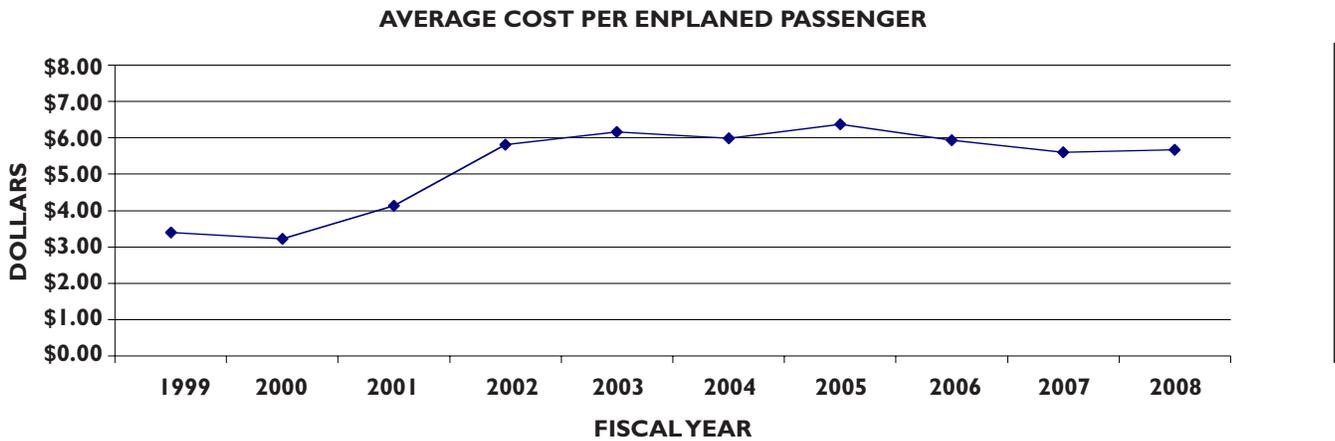
Year	O&D Passengers	Total Enplaned Passengers	Percentage
2008	1,929,289	5,369,885	35.73%
2007	1,933,816	5,263,516	36.74%
2006	1,978,635	5,349,107	36.99%
2005	2,103,561	5,403,445	38.93%
2004	2,318,182	5,193,060	44.64%
2003	2,238,940	5,499,731	40.71%
2002	1,333,917	5,071,927	26.30%
2001	2,293,167	6,389,431	35.89%
2000	1,994,966	5,262,373	37.91%
1999	2,061,572	4,905,000	42.03%

Source: Survey of Passenger Airlines

**COST PER ENPLANED PASSENGER
LAST TEN YEARS (IN THOUSANDS)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Baseline Cost per Enplaned Passenger ⁽¹⁾								\$ 5.01	\$ 4.68	\$ 4.66
Average Cost per Enplaned Passenger ⁽²⁾	\$3.39	\$3.22	\$4.13	\$5.81	\$6.16	\$5.98	\$6.38	\$5.94	\$5.61	\$5.59
Average Cost per Enplaned Passenger Including FIS Fees ⁽²⁾	\$3.62	\$3.43	\$4.31	\$6.09	\$6.55	\$6.43	\$6.79	\$6.26	\$5.91	\$5.90

- (1) The Baseline calculation does not include certain debt service requirements on special facility debt that is exclusive to Northwest Airlines. The average cost per enplanement calculation includes these debt service amounts.
- (2) Since Northwest Airlines and some charters are subject to Federal Inspection Station (FIS) fees related to international travel, the cost per enplaned passenger analysis is expanded to show detail including the FIS fees.



CARGO MARKET SHARE ENPLAINED (EXPRESSED IN THOUSANDS OF POUNDS)

AIRLINE	FY2008		FY2007		FY 2006		FY 2005	
	Cargo Weight	Share						
DOMESTIC FREIGHT								
Federal Express	4,062,354	93.9%	4,099,458	93.9%	3,908,589	93.2%	3,818,706	93.3%
United Parcel Service	33,282	0.8%	35,693	0.8%	37,256	0.9%	34,589	0.9%
Air Transport Int'l (prev BAX Global)	11,902	0.3%	12,951	0.3%	13,365	0.3%	13,981	0.4%
Mountain Air	10,890	0.3%	9,404	0.2%	9,256	0.2%	9,804	0.2%
DHL	4,896	0.1%	4,280	0.1%	5,125	0.1%	1,723	0.0%
ABX (prev Airborne Express)	3,891	0.1%	4,159	0.1%	3,275	0.1%	9,594	0.2%
Northwest	2,878	0.1%	3,100	0.1%	3,010	0.1%	4,183	0.1%
Other ⁽¹⁾	1,207	0.0%	1,802	0.0%	7,214	0.0%	8,267	0.1%
Northwest Airlink	1,047	0.0%	1,140	0.0%	948	0.0%	382	0.0%
Delta	897	0.0%	1,019	0.0%	2,003	0.1%	1,065	0.0%
Baron Aviation	663	0.0%	1,753	0.0%	3,879	0.1%	4,385	0.1%
UPS Supply Chain (prev Menlo/Emery)		0.0%		0.0%		0.1%		0.1%
Total Domestic Freight	4,133,907	95.6%	4,174,759	95.6%	3,993,920	95.2%	3,906,679	95.4%
INTERNATIONAL FREIGHT								
Federal Express	180,675	4.2%	176,511	4.0%	192,375	4.6%	178,127	4.4%
Northwest	4,166	0.1%	4,073	0.1%	3,038	0.1%	3,348	0.1%
Other ⁽¹⁾	491	0.0%	635	0.0%	929	0.0%	45	0.0%
Total International Freight	185,332	4.3%	181,219	4.1%	196,342	4.7%	181,520	4.5%
AIR MAIL								
Kalitta Air	5,146	0.1%	10,902	0.2%	6,463	0.2%	4,166	0.1%
American		0.0%		0.0%	54	0.0%		0.0%
Northwest	1	0.0%	16	0.0%	28	0.0%	12	0.0%
Northwest Airlink	2	0.0%		0.0%		0.0%		0.0%
Delta		0.0%		0.0%	15	0.0%	569	0.0%
Other ⁽¹⁾		0.0%	16	0.0%	74	0.0%	356	0.0%
Total Air Mail	5,149	0.1%	10,934	0.3%	6,634	0.2%	5,103	0.1%
Total Cargo Enplained	4,324,388	100.0%	4,366,912	100.0%	4,196,896	100.0%	4,093,302	100.0%

Source: Memphis-Shelby County Airport Authority, Activity Reports

(1) May include activity by airlines no longer servicing Memphis.

FY 2004		FY 2003		FY 2002		FY 2001		FY 2000		FY 1999	
Cargo Weight	Share										
3,744,889	93.6%	3,668,062	93.8%	3,399,669	93.4%	2,390,614	89.5%	2,448,268	90.0%	2,359,098	90.0%
29,999	0.7%	26,075	0.7%	27,092	0.7%	25,205	0.9%	25,663	0.9%	23,147	0.9%
13,858	0.3%	13,622	0.3%	13,932	0.4%	12,938	0.5%	21,657	0.9%	22,453	0.9%
9,994	0.2%	11,249	0.3%	9,698	0.3%	9,728	0.4%	8,595	0.3%	9,649	0.4%
1,705	0.0%	1,576	0.0%	1,501	0.0%	1,259	0.1%	810	0.0%		
9,369	0.2%	9,842	0.3%	9,133	0.3%	10,025	0.4%	8,526	0.3%	5,667	0.2%
7,133	0.2%	3,258	0.1%	3,184	0.1%	4,900	0.2%	7,105	0.3%	5,036	0.2%
6,932	0.2%	6,902	0.0%	8,714	0.0%	15,686	0.1%	18,488	0.1%	21,477	0.2%
371	0.0%	958	0.0%	361	0.0%	468	0.0%	364	0.0%	362	0.0%
955	0.0%	1,120	0.0%	936	0.0%	804	0.0%	1,237	0.1%	2,000	0.1%
4,318	0.1%	4,144	0.1%	4,396	0.1%	4,734	0.2%	5,497	0.2%	5,694	0.2%
	0.0%		0.2%		0.2%		0.5%		0.5%		0.6%
3,829,522	95.7%	3,746,809	95.8%	3,478,615	95.5%	2,476,361	92.8%	2,546,210	93.6%	2,454,583	93.7%
163,261	4.1%	144,416	3.7%	132,395	3.6%	141,856	5.3%	130,098	4.6%	121,930	4.6%
507	0.0%										
69	0.0%	4,534	0.1%	5,930	0.2%	9,259	0.3%	9,014	0.3%	9,291	0.4%
163,837	4.1%	148,950	3.8%	138,325	3.8%	151,115	5.6%	139,112	4.9%	131,221	5.0%
3,927	0.1%		0.0%		0.0%		0.0%				
	0.0%		0.0%		0.0%		0.0%				
1,171	0.0%	14,103	0.4%	21,604	0.6%	36,813	1.4%	32,392	1.2%	26,204	1.0%
	0.0%		0.0%		0.0%		0.0%				
1,063	0.0%	480	0.0%	1,647	0.0%	2,777	0.1%	3,122	0.1%	3,756	0.1%
498	0.0%	223	0.0%	1,166	0.1%	5,072	0.1%	4,182	0.2%	6,162	0.2%
6,659	0.1%	14,806	0.4%	24,417	0.7%	44,662	1.6%	39,696	1.5%	36,122	1.3%
4,000,018	100.0%	3,910,564	100.0%	3,641,357	100.0%	2,672,138	100.0%	2,725,018	100.0%	2,621,926	100.0%

LANDED WEIGHTS LAST TEN YEARS (EXPRESSED IN THOUSANDS OF POUNDS)

AIRLINE	FY2008		FY2007		FY 2006		FY 2005	
	Landed Weight	Share						
MAJOR/NATIONAL								
Northwest Airlines	3,471,984	13.0%	3,667,471	13.8%	3,645,688	14.0%	4,173,077	16.3%
Airtran	216,006	0.8%	209,664	0.8%	182,650	0.8%	182,208	0.7%
American Airlines	202,135	0.7%	193,212	0.7%	142,037	0.5%	104,428	0.5%
Delta Air Lines	156,997	0.6%	169,367	0.6%	343,854	1.3%	386,830	1.5%
Frontier	131,103	0.5%	21,077	0.1%		0.0%		0.0%
Continental	1,178	0.0%	1,630	0.0%	9,070	0.0%	26,074	0.1%
Other (1)	503	0.0%		0.0%	23,108	0.1%	30,631	0.1%
Total Major/National	4,179,906	15.6%	4,262,421	16.0%	4,346,407	16.7%	4,903,248	19.2%
REGIONAL								
Pinnacle Airlines	1,861,435	6.9%	1,838,734	7.0%	1,696,089	6.5%	1,365,679	5.4%
Mesaba	338,724	1.3%	293,391	1.1%	548,226	2.2%	646,572	2.5%
United Express	127,824	0.5%	142,229	0.5%	178,181	0.7%	145,972	0.6%
Continental Express	134,570	0.5%	136,581	0.5%	122,303	0.5%	133,742	0.5%
Delta Connection	192,716	0.7%	198,730	0.8%	114,966	0.4%	137,817	0.5%
American Eagle	108,876	0.4%	117,541	0.4%	141,608	0.5%	126,356	0.5%
Compass	66,811	0.2%		0.0%		0.0%		0.0%
USAirways Express	205,199	0.8%	110,895	0.4%	110,849	0.4%	75,204	0.3%
Other (1)	41,200	0.2%	111,543	0.4%	91,756	0.4%	126,093	0.5%
Total Regional	3,077,355	11.5%	2,949,644	11.1%	3,003,978	11.6%	2,757,435	10.8%
CARGO								
Federal Express	19,111,270	71.3%	18,899,280	71.1%	18,098,283	69.7%	17,398,021	68.0%
United Parcel Service	190,606	0.7%	152,691	0.6%	153,161	0.6%	140,871	0.4%
Kalitta Air	36,360	0.1%	101,880	0.4%	54,720	0.2%	39,735	0.2%
Air Transport Int'l (fmr BAX Global)	76,557	0.3%	76,568	0.3%	78,262	0.3%	84,380	0.3%
DHL (formerly Menlo/Emery)	42,876	0.2%	41,358	0.2%	39,734	0.2%	13,584	0.1%
Mountain Air Cargo	32,618	0.1%	27,023	0.1%	29,803	0.1%	47,887	0.2%
ABX (Airborne Express)	25,908	0.1%	26,961	0.1%	34,861	0.1%	81,589	0.3%
Other (1)	19,381	0.1%	27,504	0.1%	120,821	0.5%	127,911	0.5%
Total Cargo	19,535,575	72.9%	19,353,266	72.9%	18,609,645	71.7%	17,933,978	70.0%
Total Landed Weights	26,792,837	100.0%	26,565,330	100.0%	25,960,030	100.0%	25,594,661	100.0%

(1) May include activity by airlines no longer serving Memphis.

FY 2004		FY 2003		FY 2002		FY 2001		FY 2000		FY 1999	
Landed Weight	Share										
4,027,714	16.1%	4,690,885	18.5%	4,714,431	19.4%	5,498,081	25.7%	4,945,130	24.8%	4,637,523	24.7%
169,684	0.7%	141,128	0.6%	141,273	0.6%	141,174	0.7%	142,560	0.7%	137,808	0.7%
106,426	0.4%	145,874	0.6%	139,339	0.7%	156,322	0.7%	158,490	0.8%	171,061	0.9%
372,802	1.5%	391,600	1.5%	513,245	2.1%	688,567	3.2%	745,043	3.8%	744,379	4.0%
	0.0%		0.0%								
34,760	0.1%	33,550	0.1%	31,680	0.1%	17,710	0.1%				
423	0.0%	209,478	0.8%	306,883	1.2%	504,081	2.4%	470,588	2.3%	467,103	2.5%
4,711,809	18.8%	5,612,515	22.1%	5,846,851	24.1%	7,005,935	32.8%	6,461,811	32.4%	6,157,874	32.8%
1,270,551	5.1%	978,739	3.8%	958,194	3.9%	1,199,072	5.6%	751,203	3.8%	734,081	3.9%
823,742	3.3%	928,975	3.6%	513,413	2.1%	699,930	3.3%	328,125	1.6%	25,358	0.1%
129,908	0.5%	104,763	0.4%	96,444	0.4%	7,972	0.0%	33,476	0.2%	12,925	0.1%
120,182	0.5%	116,939	0.5%	125,566	0.5%	131,796	0.6%	102,853	0.5%	78,292	0.4%
168,766	0.7%	150,545	0.6%	97,901	0.4%	50,055	0.2%	65,001	0.3%	52,712	0.3%
112,328	0.4%	59,636	0.2%	48,957	0.2%	44,775	0.2%	37,541	0.2%	26,531	0.1%
	0.0%		0.0%								
102,874	0.4%	69,894	0.3%	48,365		7,148	0.0%				
157,228	0.6%	117,285	0.5%	110,928	0.7%	130,802	0.7%	165,976	0.8%	158,841	0.9%
2,885,579	11.5%	2,526,776	9.9%	1,999,768	8.2%	2,271,550	10.6%	1,484,175	7.4%	1,088,740	5.8%
16,896,343	67.5%	16,721,926	65.5%	15,784,101	65.0%	11,343,962	53.0%	11,221,895	56.2%	10,774,270	57.5%
178,982	0.7%	255,214	1.0%	257,356	1.1%	259,746	1.2%	252,649	1.3%	245,640	1.3%
31,905	0.1%		0.0%	585	0.0%		0.0%		0.0%		0.0%
75,161	0.3%	82,776	0.3%	82,820	0.3%	71,341	0.3%	128,873	0.6%	138,469	0.7%
13,260	0.1%	13,104	0.1%	13,136	0.1%	13,118	0.1%	7,735	0.0%		0.0%
51,870	0.2%	57,834	0.2%	63,378	0.3%	64,988	0.3%	51,917	0.3%	56,908	0.3%
71,230	0.3%	73,661	0.3%	72,875	0.3%	101,660	0.5%	80,085	0.4%	49,496	0.3%
124,407	0.5%	147,938	0.6%	156,479	0.6%	259,569	1.2%	279,425	1.4%	241,701	1.3%
17,443,159	69.7%	17,352,454	68.0%	16,430,731	67.7%	12,114,384	56.6%	12,022,579	60.2%	11,506,484	61.4%
25,040,546	100.0%	25,491,744	100.0%	24,277,349	100.0%	21,391,869	100.0%	19,968,565	100.0%	18,753,098	100.0%

AIRCRAFT OPERATIONS (1)
LAST TEN YEARS

FISCAL YEAR	MAJOR/ NATIONALS	REGIONAL	CARGO	GENERAL AVIATION	MILITARY	TOTAL
2008	66,978	132,242	131,006	40,583	1,541	372,350
2007	68,730	129,254	135,882	42,999	1,622	378,487
2006	70,622	132,662	136,244	48,185	1,692	389,405
2005	81,854	124,394	134,486	50,523	1,454	392,711
2004	77,942	132,236	131,766	49,994	1,752	393,690
2003	94,738	119,824	133,030	55,111	1,712	404,415
2002	96,144	101,778	129,586	59,011	3,617	390,136
2001	114,156	118,916	103,170	59,897	4,488	400,627
2000	103,704	88,962	104,456	76,237	4,651	378,010
1999	99,786	75,162	103,046	79,573	5,588	363,155

Source: Memphis-Shelby County Airport Authority, Activity Reports

(1) Takeoffs and Landings

DEBT SERVICE COVERAGE

LAST TEN YEARS (\$ IN THOUSANDS)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
REVENUES:										
(as defined in bond indenture)										
Terminal building	\$29,929	\$28,728	\$29,287	\$29,659	\$26,354	\$27,901	\$24,125	\$19,421	\$15,879	\$17,816
Airfield	46,875	46,867	48,013	48,769	45,763	46,995	40,642	35,704	22,766	16,648
Ground Transportation	23,740	23,317	21,850	18,972	17,799	17,213	17,292	19,057	16,681	15,506
Other aviation areas	4,473	4,986	4,824	4,562	4,191	4,062	3,358	2,997	5,089	5,403
Non-aviation areas	6,530	8,736	7,041	6,431	6,302	7,280	6,969	6,802	6,815	6,913
Less Rental Credits					(7,209)					
Application of prior year surplus	6,107	6,171	5,148	3,653	7,266			2,974	6,858	5,122
Coverage Carryforward	9,780	9,780	9,780	9,280	9,841	9,841	3,831			
TOTAL	127,434	128,585	125,943	121,326	110,307	113,292	96,217	86,955	74,088	67,408
OPERATING EXPENSES:										
Terminal building	14,122	12,533	12,538	12,158	11,760	11,381	11,765	12,274	10,457	9,357
Airfield	10,421	10,396	8,265	7,149	6,905	6,963	5,734	6,247	6,237	4,901
Ground transportation	4,322	4,492	4,045	4,516	4,126	4,188	4,120	4,021	3,905	2,271
General administration	14,668	13,852	15,551	11,967	11,563	11,287	10,386	12,345	11,782	9,944
Police	5,690	4,373	4,432	4,497	4,280	4,698	4,283	3,713	3,484	2,813
Field shop	1,819	1,161	1,478	1,436	1,168	1,259	1,030	1,344	1,062	920
Other aviation areas	143	174	76	62	50	97	56	195	146	118
Non-aviation areas	724	4,505	410	217	537	859	900	1,041	1,099	1,404
TOTAL	51,909	51,486	46,795	42,002	40,389	40,732	38,274	41,180	38,172	31,728
Net Revenues										
Before Adjustments	75,525	77,099	79,148	79,324	69,918	72,560	57,943	45,775	35,916	35,680
Restricted Interest										
Earnings and Other (a)	5,074	5,464	4,499	3,674	4,819	3,752	5,344	4,180	2,621	1,976
Bond Reserves - 1999C							1,132			
Other Revenue	936	531	530	569	525	522	740	894	915	819
Capital Outlay	(2,525)	(2,333)	(1,924)	(2,273)	(2,760)	(1,624)	(4,470)	(1,482)	(3,414)	(2,861)
Debt Service on 1993 Special										
Facilities Bond	(4,525)	(4,525)	(4,525)	(4,525)	(4,396)	(5,290)	(5,290)	(5,290)	(5,290)	(5,290)
Notes Payable Principal and Interest	(40)	(352)	(658)	(525)	(331)	(416)	(355)	(66)	(49)	
Net Revenues (b)	\$74,445	\$75,884	\$77,070	\$76,244	\$67,775	\$69,504	\$55,044	\$44,011	\$30,699	\$30,324
DEBT SERVICE ON:										
Airport Revenue Bonds (c)	55,322	55,361	56,747	57,067	50,178	48,192	41,142	35,215	23,009	16,773
General Obligation Bonds	2,315	3,989	3,927	3,843	3,661	3,623	3,641	3,784	3,756	6,663
TOTAL DEBT SERVICE (d)	\$57,637	\$59,350	\$60,674	\$60,910	\$53,839	\$51,815	\$44,783	\$38,999	\$26,765	\$23,436
Coverage ratio - general and airport revenue bonds	135%	137%	136%	134%	135%	144%	134%	125%	133%	181%
Coverage ratio - all bonds (e)	129%	128%	127%	125%	126%	134%	123%	113%	115%	129%

Source: Audited financial statements of the Authority and revenue bond official statements.

(a) Restricted interest earnings represents earnings on current debt service fund and operating funds. Other includes operating grant income.

(b) Net revenues have been calculated in accordance with definitions in the basic revenue bond resolutions.

(c) Debt service portion payable from net revenues.

(d) Excludes amounts paid with capitalized interest.

(e) Special Facilities Revenue bonds are secured and payable from rentals equal to the debt service on the bonds. Debt service on these bonds is not payable from general revenues and, accordingly, does not enter into these coverage ratio calculations.

RATIO OF ANNUAL BOND DEBT SERVICE TO TOTAL EXPENSES EXCLUDING DEPRECIATION AND AMORTIZATION LAST TEN YEARS (IN THOUSANDS)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Principal	\$27,628	\$28,213	\$28,059	\$26,937	\$21,384	\$18,392	\$16,227	\$15,180	\$12,220	\$14,280
Interest ⁽¹⁾	30,009	31,137	32,615	33,973	32,454	33,423	28,556	23,819	14,545	9,156
TOTAL										
DEBT SERVICE ⁽²⁾	\$57,637	\$59,350	\$60,674	\$60,910	\$53,838	\$51,815	\$44,783	\$38,999	\$26,765	\$23,436
Total Expenses ⁽³⁾	133,213	135,205	125,906	120,583	115,698	114,941	107,952	101,157	78,695	70,430
Less Depreciation and Amortization and Gain or Loss on Property Disposals										
	(49,161)	(54,167)	(44,202)	(44,463)	(43,469)	(41,104)	(38,227)	(31,365)	(24,534)	(24,114)
Add Principal	27,628	28,213	28,059	26,937	21,384	18,392	16,227	15,180	12,220	14,280
Add Net Capitalized Interest				1,627	5,117	4,002	4,624	2,975	6,079	3,419
TOTAL GENERAL EXPENDITURES										
	\$111,680	\$109,251	\$109,763	\$104,684	\$98,730	\$96,231	\$90,576	\$87,947	\$72,460	\$64,015
RATIO OF DEBT SERVICE TO EXPENDITURES										
	51.6%	54.3%	55.3%	58.2%	54.5%	53.8%	49.4%	44.3%	36.9%	36.6%

Source: Authority bond amortization scheduled and audited financial statements.

(1) Excludes capitalized interest paid, if any, from bond proceeds during construction.

(2) Includes all bond debt except the Special Facilities Bonds.

(3) Excludes conduit debt obligations.

AIRPORT REVENUE BOND DEBT PER ENPLANED PASSENGER LAST TEN YEARS (IN THOUSANDS)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Aiport Revenue Bond Debt	\$504,585	\$526,765	\$552,165	\$576,615	\$600,150	\$616,500	\$634,340	\$483,625	\$496,030	\$256,005
Enplaned Passengers	5,370	5,263	5,349	5,403	5,193	5,500	5,072	6,181	5,262	4,885
Aiport Revenue Bond Debt per Enplaned Passenger	\$94	\$100	\$103	\$107	\$116	\$112	\$125	\$78	\$94	\$52

USE OF BOND PROCEEDS

Descriptions of the uses of proceeds from the Authority's outstanding bond issues are summarized below.

AIRPORT REVENUE BONDS

Series 2008A – The bonds were issued to provide funds for the purpose of refunding all Series 1999A and 1999B bonds outstanding (\$87,751) at date of refunding (March 2008). See Series 1999A and B below.

Series 2003A – The bonds were issued to provide funds for the purpose of refunding a portion of the Series 1993 Bonds. The Series 1993 bonds were issued to provide funds for the purpose of refunding the outstanding principal balance of the Series 1985 Bonds; which were issued to fund airfield improvements including runway paving and lighting, airfield drainage improvements, airfield maintenance facility and fencing; terminal improvements including passenger holdrooms and baggage claim improvements for both the Authority and tenants and a hydrant fueling system; and ground transportation site preparations.

Series 2002 – The bonds were issued to provide funds for the purpose of refunding a portion of the Series 1993B and all of Series 1994A Bonds. The proceeds of the 1993B bonds were issued to provide funds for the purpose of refunding a portion of the Series 1988 Bonds. (See Series 1988, which follows.) The proceeds of the 1994A bonds were issued to finance the construction and related costs of certain capital improvements to the passenger terminal facilities, roadways, parking lots and taxiways.

Series 2001A and B – The proceeds of this bond issue were used to finance the construction, reconstruction and extension of runways and taxiways, acquisition of property for noise mitigation, replacement of airport signage, property acquisition and clearing, expansion of the parking garage and employee parking lot, the acquisition and implementation of an automated vehicle identification system, roadway improvements, construction of terminal improvements, a walkway connector, baggage system improvements and other airline tenant finishes at the Airport, construction of facilities for air cargo and airline ground service equipment and other associated projects at the Airport including the replacement and upgrade of two cooling plants and the relocation of an airport maintenance shop.

Series 1999E - The bonds were issued to provide funds for the purpose of refunding the Series 1991 Bonds. The proceeds of the Series 1991 Bonds were used to finance the completion of certain taxiway construction projects and the installation of an improved access control system to enhance Airport security.

Series 1999D - The proceeds of this bond issue were used to finance the extension of Taxiway N to the south end of Runway 18R-36L, construction of an aircraft apron at the south end of Taxiway N, reconstruction of Taxiway M as a temporary runway and connecting taxiways, reconstruction of Taxiway Z and T, construction of high-speed exits from Runway 9-27, enlarge the airfield maintenance facility and to acquire property for airport development in the airfield area. Repairs in the parking garage and upper level terminal drive were projects for the ground transportation area. Terminal projects include constructing a walkway connecting Concourse B and C, constructing additional gates to accommodate regional jets, construct space for airline clubs and concessions and other tenant improvements.

Funds were also used for the following airline-related improvements: finish and equip 23 regional jet gates on Concourses A & C, upgrade the flight information display system & gate check-in facilities on Concourse B, finish and equip the new Northwest World Club, renovate and expand the apron control,

upgrade passenger check-in computers, expand baggage sort system and install and equip additional ticket counters for Northwest Airlines. For other airline tenants, renovate existing ticket and baggage claim facilities in Terminal C for joint use, expand holdroom space and install some jet bridges in Concourse C.

Series 1999A and B - The bonds were issued to provide funds for the purpose of refunding the Series 1996A, and B bonds. The proceeds of the 1996A and B bonds were used to finance ongoing airfield projects which included the following items: a portion of the construction of Runway 18L-36R and its associated taxiways, the reconstruction and extension of Runway 18C-36C and associated taxiways, reconstruction, strengthening and extension of the tunnel structure over Winchester Road, the reconstruction and lowering of Shelby Drive, a portion of a taxiway parallel to Runway 18L-36R on the east side, Taxiway N slab replacement and partial rehabilitation, a Surface Movement Guidance and Control System, and the relocation of an air navigation transmitter south of the Airport.

Funds were also used for the following airline-related improvements: construct an 80,000 square foot parking apron for all-cargo aircraft adjacent to the existing cargo complex.

Series 1997A - The bonds were issued to provide funds for the purpose of refunding a portion of the Series 1988 Bonds, which were used for ongoing expansion and modification of the airports as outlined in a master plan adopted by the Authority in 1986. This bond issue funded airfield, terminal building, and airline projects.

Airfield projects involve the following taxiway construction and improvements: acquisition of 37 acres of land for future development, including planned third parallel north-south runway; construction of a second east-west taxiway south of the passenger terminal; reconstruction of taxiways along the east and south edges of the terminal aircraft parking apron; reconstruction of the taxiway paralleling runway 9-27; construction of holding aprons and bypass taxiways for runway 18R-36L; and a taxiway extension to ease traffic to and from the FedEx apron.

In the terminal area, the following improvements have been made: installation of additional electrical supply and chiller equipment; removal and treatment of asbestos; repair of the existing two levels of the garage; and design of additional curbside roadways.

Funds were also used for the following airline-related improvements: enlargement of certain passenger holdrooms; general improvements to passenger holdrooms; an airline club room, restrooms at the east and west concourses; construction of bridge connectors between the concourses; enlargement and remodeling of airlines operations offices and ticketing and baggage service counters; installation of various airlines equipment and fixtures and aircraft loading bridges; installation of electrical equipment and a hydrant fuel supply facility; construction of a maintenance and storage facility; and a storage and distribution warehouse for Northwest Airlines.

Series 1993 B - The bonds were issued to provide funds for the purpose of refunding a portion of the Series 1988 Bonds, which were issued to fund terminal improvements including the construction of additional public space; construction of a third level to the public parking garage; repair of the existing two levels of the garage; construction of overflow parking space; installation of equipment to monitor and control parking activity and revenues; and design of additional curbside roadways; and in the airfield area, various improvements to the reliever airports.

CITY OF MEMPHIS GENERAL OBLIGATION BONDS

Series 1998 - The bonds were issued to provide funds for the purpose of refunding the outstanding principal balance of the Series 1991B Bonds; which were issued to help finance the acquisition of land and 310 residential properties to allow future Airport development.

Series 1995B - The bonds were issued to provide funds for the purpose of refunding the outstanding principal balance of the Series 1987D Bonds; which were issued to help finance the purchase of land in connection with the Authority's noise compatibility program.

SPECIAL FACILITIES REVENUE BONDS

Series 2003 - The bonds were issued to provide funds for the purpose of refunding the outstanding principal balance of the Series 1993 Bonds, which were issued to construct aircraft maintenance facilities, a corporate aviation hangar, and a ramp extension at the Airport.

Series 2002 - The bonds were issued to provide funds for the purpose of refunding the outstanding principal balance of the Series 1992 Bonds, which were issued to refund the 1982A & 1982C Bonds, which were issued to finance facilities and equipment for the handling and sorting of packages at FedEx's central sorting facility.

Series 2001 - The bonds were issued to provide funds for the purpose of refunding the outstanding principal balance of the Series 1984 Bonds, which were issued for additions to buildings and acquisition of equipment for the handling and sorting of packages weighing up to 150 pounds at FedEx's central sorting facility located at the Airport. The project added 170,000 square feet of existing buildings and 122,000 square feet of space in a new building, which is leased to FedEx. Equipment acquired included a document sort system, sort belts, and an automated scanning system. Also included were input conveyer belts, an additional ramp, and parking spaces.

Series 1997, dated November 1 - The bonds were issued to provide funds for the purpose of refunding the outstanding principal balance of the Series 1986 Bonds, which were issued to construct a maintenance facility for Pinnacle Airlines, formerly Express Airlines I, Inc.

Series 1997, dated July 15 - The bonds were issued to provide funds for the purpose of refunding the outstanding principal balance of the Series 1982B Bonds, which were issued to finance facilities and equipment for the handling and sorting of packages at FedEx's central sorting facility. Primary additions were container and package handling equipment, document sorting equipment, an engine maintenance facility, an aircraft hangar, a back-up power system, a fire protection system, concrete ramp reinforcement and waterway stabilization, modification to a flight training facility, and miscellaneous related equipment .

TEN LARGEST EMPLOYERS METROPOLITAN STATISTICAL AREA (1) CURRENT YEAR AND NINE YEARS AGO

NAME OF EMPLOYER ⁽²⁾	EMPLOYEES ⁽²⁾	
	2008	1999
FedEx	30,000	29,500
Memphis City Schools	16,000	14,000
U.S. Government	14,800	14,900
Methodist Healthcare	10,000	6,700
Baptist Memorial Healthcare Corp.	8,000	5,200
Shelby County Government	7,183	6,600
Memphis City Government	6,680	6,400
Wal-mart Stores, Inc	6,500	
Naval Support Activity Mid-South	6,500	
Tennessee State Government	5,247	
Autozone		4,900
Shelby County Board of Education		4,900
Kroger - Delta Marketing Area		4,700

POPULATION METROPOLITAN STATISTICAL AREA (1)

Year ⁽³⁾	Shelby County	Memphis MSA	Tennessee	United States
1970	722,100	856,800	3,926,000	203,302,000
1980	777,100	938,500	4,591,100	226,546,000
1990	826,300	1,007,300	4,877,200	249,402,000
2000	897,500	1,135,600	5,689,300	281,422,000
Estimate 2006	911,438	1,187,087	6,038,803	299,398,485
Forecast 2010	926,200	1,314,400	6,230,900	310,233,000

(1) Metropolitan Statistical Area consists of Shelby, Tipton, and Fayette Counties, Tennessee; Crittenden County, Arkansas; and DeSoto County, Mississippi.

(2) Source: Memphis Chamber of Commerce

(3) Source: Tennessee Department of Economic and Community Development, and U.S. Department of Commerce, Bureau of Economic Analysis, Current Population Reports, 2000 and 2006 Estimates and Projections.

**AIRLINES SERVING MEMPHIS INTERNATIONAL AIRPORT
JUNE 30, 2008****CARGO AIRLINES**

ABX Air dba Airborne Express, Inc.
Air Transport International
Bankair, Inc.
Baron Aviation Services
DHL Worldwide Express
Express Net Airlines
FedEx
Kalitia Air
Mountain Air Cargo
Southern Air
United Parcel Service, Inc.
U.S. Check

PASSENGER AIRLINES

MAJOR

AirTran Airways
American Airlines, Inc.
Continental Airlines
Delta Air Lines, Inc.
Northwest Airlines, Inc.

CHARTER

Miami Air International
Palm Air
Xtra Airways

REGIONAL/COMMUTER

American Eagle
Atlantic Southeast Airlines dba Delta Connection
Chautauqua Airlines dba Delta Connection
Comair dba Delta Connection
Compass Airlines dba Northeast Airlines, Inc.
Continental Express
Mesa Airlines dba US Airways Express
Mesaba Airlines dba Northwest AirlinK
Pinnacle Airlines, Inc. dba Northwest AirlinK
Shuttle America dba Delta Connection
Skywest Airlines dba United Express
Trans States Airlines, inc. dba American Connection
US Airways dba PSA

**EMPLOYERS LOCATED ON AIRPORT PROPERTY
JUNE 30, 2008**

CONCESSIONAIRES AND TENANTS

Aircraft Services International, Inc.
Airport Fast Park
Anton Food
Avis Rent-A-Car
Budget Rent-A-Car
Cockrum Clark Delivery
Creative Host, Inc.
Delaware North Companies
Dollar Rent-A-Car
Edy's Ice Cream
Flight Support Solutions
Gate Gourmet
Marcus Hopson dba Barbershop
Hudson News
The Hertz Corporation
Huntleigh USA Corporation
Integrated Airline Services
Interstate Barbeque
International Business Services
Memphis Airport Hotel Partners
National Car Rental
NWA Federal Credit Union
The Paradies Shops
Parking Company of America
Republic Parking System
Service Master Management
Shoeshine Shop
Smarte Carte, Inc.
Starbucks
Swissport Fueling, Inc.
U S Security Associates, Inc.

CARGO AIRLINES

ABX Air dba Airborne Express, Inc.
BAX Global dba Air Transport International
DHL Worldwide Express
FedEx
United Parcel Service, Inc.

PASSENGER AIRLINES

AirTran Airways
American Airlines, Inc.
American Eagle
Atlantic Southeast Airlines dba Delta Connection
Chautauqua Airlines dba Delta Connection
Comair dba Delta Connection
Compass Airlines dba Northwest Airlines
Continental Airlines
Continental Express
Delta Airline, Inc.
Mesa Airlines dba US Airways Express
Mesaba Airlines dba Northwest Airlink
Northwest Airlines, Inc.
Pinnacle Airlines, Inc. dba Northwest Airlink
Skywest Airlines dba United Express
Trans States Airlines, Inc. dba American Connection
US Airways dba PSA

OTHER EMPLOYERS

AMFA
Aramark Aviation Services, LP
City of Memphis Fire Department
Complete Scale Service
Federal Aviation Administration
GAT Airline Ground Support
Richards Aviation
Signature Flight Support
Tennessee Air National Guard
Tennessee Technology Center
Transportation Safety Administration
United States Postal Service
Wilson Air Center

FULL-TIME EQUIVALENT EMPLOYEES BY COST CENTER LAST TEN YEARS

Cost Center	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Terminal areas										
Maintenance	58	56	56	56	57	57	57	52	50	48
Airfield areas										
Maintenance	80	78	78	84	77	80	80	76	76	74
Administration area	87	85	83	83	81	75	75	70	68	66
Police & Operations areas										
Officers	44	44	57	44	44	44	43	43	42	41
Support Staff	29	29	16	29	28	28	27	27	27	27
General Aviation Airports										
Maintenance	3	3	3	3	2	2	2	2	2	2
Total	301	295	293	299	289	286	284	270	265	258

INSURANCE IN FORCE JUNE 30, 2008

TYPE OF POLICY	AMOUNT OF POLICY	POLICY EXPIRATION DATE	NAME OF INSURER	RISKS COVERED
Airport liability (Comprehensive general liability, contractual liability, personal injury liability, and hangar keeper's liability)	\$250,000,000 total liability Deductible: \$5,000 per occurrence \$100,000 aggregate	April 1, 2009	Old Republic Insurance Company and Lloyds of London	Personal injury and property damage
Aircraft non-ownership liability	\$250,000,000 total liability Deductible: \$5,000	April 1, 2009	Old Republic Insurance Company and Lloyds of London	Personal injury and property damage
Employee Benefits Liability	\$1,000,000 aggregate Deductible: \$1,000	April 1, 2009	Old Republic Insurance Company	negligent act, error or omission damages
Automobile liability - bodily injury and property damage	\$1,000,000 each occurrence	April 1, 2009	Travelers Property Casualty Company	Bodily injury and property damage
Automobile - physical damage	Actual cash value at time of loss	April 1, 2009	Travelers Property Casualty Company	Automobile physical damage
Property	\$800,000,000 aggregate losses \$25,000,000 earthquake, \$10,000,000 flood \$5,000,000 Terrorism Deductibles: Terrorism - \$100,000 \$1,000,000 aggregate earthquake - 5% of value Property damage - \$25,000	July 8, 2008	FM Global	Building - All risk (includes fire and extended coverage, boiler & machinery as well as contents)
Fidelity and Crime	\$1,000,000 Deductible: \$10,000	until cancelled	Hartford Fire Insurance Company	Employee theft, forgery, robbery, and computer fraud
Employment practices liability	\$10,000,000 Deductible: \$25,000	April 1, 2009	State National Insurance Company	Wrongful termination, discrimination, sexual harassment and workplace torts
Public officials liability	\$10,000,000 Deductible: \$25,000	April 1, 2009	State National Insurance Company	Board of Commissioners, management and professional liability
Worker's compensation	\$1,000,000 Statutory coverage - State of TN Employers Liability	April 1, 2009	Chubb Indemnity Company	Workers' compensation for on-the-job injuries
OWNER CONTROLLED INSURANCE PROGRAM - (CONSTRUCTION INSURANCE):				
General Liability	\$1,000,000 per occurrence \$2,000,000 aggregate Deductible: \$250,000	October 1, 2009	Zurich Insurance	Personal injury and property damage
Excess liability insurance	\$10,000,000 per occurrence \$10,000,000 aggregate Deductible: \$250,000	October 1, 2009	Zurich Insurance	Personal injury and property damage
Workers' compensation	\$1,000,000 each occurrence \$1,000,000 aggregate Deductible: \$250,000	October 1, 2009	Zurich Insurance	Workers' compensation for on-the-job injuries



COMPLIANCE SECTION

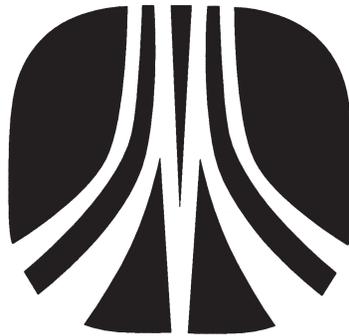
This Section Contains the Following Subsections:

Single Audit Information

SINGLE AUDIT INFORMATION

This Subsection Contains the Following Information:

Independent Auditors' Report



(Reduced) / Awarded	Total June 30, 2008	Grants Receivable June 30, 2007	Expenditures (I)	Cash Receipts	Grants Receivable June 30, 2008
	\$5,144	\$125	\$737	\$862	
	2,225	119	23	142	
	22,120	21	240	230	\$ 31
	22,639	272	992	1,117	147
	20,367	495	142	515	122
	18,292	1,548	6,359	6,933	974
7,277	7,277		5,922	4,433	1,489
5,805	5,805		5,805	5,805	
12,746	12,746		3,668		3,668
100	404	55	100	155	
	1,079	42	10	52	
	657		657	627	30
747	747		747	485	262
26,675	119,502	2,677	25,402	21,356	6,723
	443	5		5	
	450	95		95	
	9	9		9	
	450	398	43	394	47
	633	496	137		633
	1,985	1,003	180	503	680
26,675	121,487	3,680	25,582	21,859	7,403
	125	125		125	
	116	116		116	
	4,379	2,441	12	2,412	41
	82	82		82	
	10	10		10	
	10	10		10	
	411	201	101		302
	12		12		12
	4,831				
	1,719	375	1,345		1,720
20	20		20		20
1,750	1,750		904		904
53	53		48		48
53	53		48		48
20	20		20		20
24	24		18		18
41	41				
28	28		17		17
33	33		17		17
10	10		10	8	2
10	10		10	8	2
2,042	13,737	3,360	2,582	2,771	3,171
\$28,717	\$135,224	\$7,040	\$28,164	\$24,630	\$10,574

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
YEAR ENDED JUNE 30, 2008**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Memphis-Shelby County Airport Authority and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements.

2. CONTINGENCY

The grant revenue amounts received and expended are subject to audit and adjustment. If any expenditures are disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor would become a liability of the Authority. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Commissioners and Management
Memphis-Shelby County Airport Authority

We have audited the financial statements of the Memphis-Shelby County Airport Authority (the "Authority") as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements as of and for the year ended June 30, 2007 were audited by Moore Stephens Rhea & Ivy, P.L.C., certain of whose members joined Dixon Hughes PLLC as of February 1, 2008, and whose report dated October 26, 2007 noted no material weaknesses or instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles of the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Authority in a separate letter dated December 5, 2008.

This report is intended solely for the information and use of the Board of Commissioners, management, and federal program officials, and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

December 5, 2008

Dixon Hughes PLLC

Independent Auditors' Report on Compliance with Requirements Applicable to the Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133

The Board of Commissioners and Management
Memphis-Shelby County Airport Authority

Compliance

We have audited the compliance of the Memphis-Shelby County Airport Authority (the "Authority"), with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contract and grants applicable to its federal program. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management, federal program officials, and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes PLLC

December 5, 2008

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008****PART I – SUMMARY OF AUDIT RESULTS**

1. The Independent Auditors' Report on the financial statements of Memphis-Shelby County Airport Authority (the "Authority"), dated December 5, 2008, expressed an unqualified opinion.
2. We noted no significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (report dated December 5, 2008).
3. We noted no instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. We noted no significant deficiencies or material weaknesses relating to the audit of the major federal award program is reported in the Independent Auditors' Report on Compliance with Requirements Applicable to the Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 (report dated December 5, 2008).
5. The Independent Auditors' Report on Compliance with Requirements Applicable to the Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133, dated December 5, 2008, expressed an unqualified opinion.
6. There were no audit findings relative to the major federal awards program that are required to be reported under section 510(a) of OMB Circular A-133.
7. The Authority's major program was the Airport Improvement Program (CFDA 20.106).
8. A threshold of \$767,460 was used to distinguish between Type A and Type B Programs as those terms are defined in OMB Circular A-133.
9. The Authority qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

PART II – FINDINGS – FINANCIAL STATEMENTS AUDIT

None

PART III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS

None

