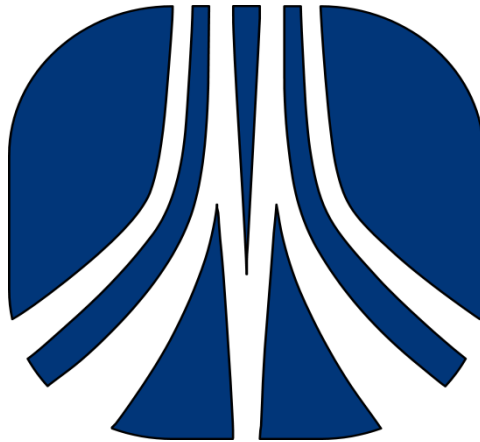


# 2012

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



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

**For the Fiscal Years Ended June 30, 2012 and 2011**  
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, 2012 and 2011  
PREPARED BY THE FINANCE DIVISION

# Memphis-Shelby County Airport Authority

## JUNE 30, 2012

### BOARD OF COMMISSIONERS

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

### OFFICERS AND KEY STAFF MEMBERS POSITION

#### MEMBERS..... POSITION

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

Scott A. Brockman, A.A.E ..... Executive Vice President and Chief Operating  
Officer/Authority Treasurer

John E. Greaud, P.E ..... Vice President Operations

Brian L. Kuhn, Esquire ..... 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 and Chief Financial Officer,  
Authority Assistant Treasurer

Mahi C. Chambers, C.P.A ..... Director of Staff Services

James A. Hay II ..... Director of Development

Bobby D. Kellum ..... Director of Maintenance

J. Jarrett Morgan ..... Director of Information Technology

## 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 .....                                   | 36 |
| Statements of Revenues, Expenses and Changes in Net Assets ..... | 38 |
| Statements of Cash Flows .....                                   | 39 |
| Notes to Basic Financial Statements .....                        | 41 |

#### SUPPLEMENTAL SCHEDULES:

|  |    |
|--|----|
| Supplemental Schedule of Statement of Net Assets Information by Airport .....                                      | 64 |
| Supplemental Schedule of Statement of Revenues, Expenses and<br>Changes in Net Assets Information by Airport ..... | 66 |
| Supplemental Schedule of Statement of Cash Flows Information by Airport .....                                      | 67 |
| Supplemental Schedule of Operating Revenues by Source by Airport .....   | 69 |
| Supplemental Schedule of Operating Expenses by Source by Airport .....   | 70 |
| Supplemental Schedule of Debt Service Requirements - Cash Basis .....  | 72 |

### STATISTICAL SECTION

---

|   |    |
|---|----|
| Operating Revenues, Expenses and Changes in Net Assets - Last Ten Years ..... | 76 |
| Net Assets - Last Ten Years .....   | 79 |

## TABLE OF CONTENTS (CONTINUED)

|   |    |
|---|----|
| Passenger Enplanements Market Share - Last Ten Years .....  | 80 |
| Originating and Destination (O&D) Airline Passengers - Last Ten Years .....   | 82 |
| Cost Per Enplaned Passenger - Last Ten Years .....  | 83 |
| Cargo Market Share Enplaned - Last Ten Years .....  | 84 |
| Landed Weights - Last Ten Years .....   | 86 |
| Aircraft Operations - Last Ten Years .....  | 88 |
| Debt Service Coverage - Last Ten Years .....  | 89 |
| Ratio of Annual Bond Debt Service to Total Expenses<br>Excluding Depreciation and Amortization - Last Ten Years ..... | 90 |
| Airport Revenue Bond Debt Per Enplaned Passenger - Last Ten Years .....   | 90 |
| Use of Bond Proceeds .....  | 91 |
| Ten Largest Employers - Metropolitan Statistical Area .....   | 94 |
| Population - Metropolitan Statistical Area .....  | 94 |
| Airlines Serving Memphis International Airport .....  | 95 |
| Employers Located on Airport Property .....   | 96 |
| Full-time Equivalent Employees by Cost Center - Last Ten Years .....  | 97 |
| Insurance In Force .....  | 98 |

## COMPLIANCE SECTION

---

### SINGLE AUDIT INFORMATION:

|   |     |
|---|-----|
| Schedule of Expenditures of Federal and State Awards .....  | 100 |
| Independent Auditors' Report on Internal Control Over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> ..... | 103 |
| Independent Auditors' Report on Compliance with Requirements that Could Have a<br>Direct and Material Effect on the Major Program and On Internal Control Over<br>Compliance in Accordance with OMB Circular A-133 .....              | 105 |
| Schedule of Findings and Questioned Costs .....   | 107 |



# **INTRODUCTORY SECTION**

*This Section Contains the Following:*

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>



October 11, 2012

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, 2012, 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 accounting principles generally accepted in the United States of America (“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, 2011. 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 Goodman, LLP. 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, 2012, 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, 2012, 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 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 Airport (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 4,600 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 79 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**

The Memphis area continues to show the effects of the slow recovering economy. The Memphis Metropolitan Statistical Area ("MMSA") unemployment rate for August 2012 was 9.1%, which was above the State of Tennessee and the national rates of 8.5% and 8.1%, respectively.

The fall-off in traffic from FY 2011 to FY 2012 for the Airport was the result of a continued national economic recession and the turmoil in the U.S. housing and credit markets. U.S. airlines responded to the fall-off in passenger demand by reducing capacity (total scheduled seats) and eliminating marginally performing routes.

In June 2012, Delta announced an additional service reduction of 25 daily flights at Memphis International Airport effective September 5, 2012. This service reduction combined with previous service reductions will comprise a reduction of 47 daily flights from its September 2011 schedule of approximately 175 flights per day. Delta and their affiliates comprise approximately 84% of the enplanements at the Airport.

The Authority has analyzed Delta's announcements and developed multi-year financial projections based on these reduced activity levels, taking into account estimated impacts on the Airport's landed weight, nonairline revenues, amount of leased space in the terminal complex and operating expenses. Based on this analysis, the Authority projects a cost per enplaned passenger ("CPE") to be reasonable when compared to airports of similar size and activity levels.

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 4.39 million U.S. tons of cargo in FY 2012. The Airport is ranked #1 in the United States for total air cargo handled, and #2 in the world according to statistics reported by Airports Council International, Geneva, Switzerland. Nearly 94% 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 99% of all cargo handled at the Airport in FY 2012. This activity keeps the Airport active twenty-four hours a day. Based on information from FedEx, the Authority believes that FedEx has shifted sorting activity from its regional facilities back to Memphis International Airport in order to make better use of the SuperHub capacity during the current recessionary period.

## **Population and Employment**

The 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 was 1,239,292 according to the United States 2010 Census, which is up 9% from 2000. Additionally, the population for the MMSA is expected to increase to 1,346,067 by 2015. Shelby County's estimated population for 2010 was 927,644, 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 affiliate with Major League Baseball's 2011 World Champion St. Louis Cardinals, the Autozone Liberty Bowl Football Classic and the 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 fifth 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. The Authority has issued a Master Plan update in January 2010. 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 2020. 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 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. At year-end, all Authority investments are presented in the basic financial statements at fair market 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 \$526 million of liability insurance. The Authority also has approximately \$800 million of property insurance on airport properties, which includes earthquake coverage. 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, 2012, 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 participants 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 provision of the

City's Retirement System. See Note 12 in the Financial Section for more information.

## **MAJOR INITIATIVES**

**Ground Transportation Center (GTC).** This project consists generally of the construction of a new 7-level 5,743 space parking garage and support facilities including a parking office within the new garage and two toll plazas, rental car ("RAC") facilities inside the new garage and a quick turnaround ("QTA") surface lot and renovations and rehabilitation of the existing garage. Levels 1 and 2 of the new garage will be for RAC operations including, 1,220 ready/return spaces, and levels 3 through 7 will provide approximately 4,500 spaces for long-term parking. The Authority estimates the GTC will be placed in service November 2012. As part of the new Parking Garage, certain public access improvements will be constructed including a moving walkway from the new garage through the center of the existing garage at basement level to the terminal; reconfiguration of ramps and equipment in the existing garage to make room for the moving walkway; and improvements to existing pedestrian tunnels from the existing garage into the terminal. The estimated project cost is \$121.3 million.

**Terminal B Checkpoint Expansion.** This project will expand and reconfigure the existing Security Checkpoint "B" to accommodate enhanced security scanning equipment to be provided by TSA. To acquire the additional space needed the project will also include the expansion of the A-B Connector, relocation of existing retail and food service vendors, reconfiguration of existing Authority office space, and new passenger access to the baggage claim level. This project was completed in August 2012. The project cost was approximately \$10.4 million.

**Terminal Apron Replacement.** Starting in March 2012, the apron area around the passenger terminals is being replaced in stages, the project will replace apron concrete around the three passenger terminals and replace the existing fueling piping and control stations with new equipment. This project is expected to take three years to complete at a cost of approximately \$110 million.

## 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, 2011. The Authority has received a Certificate of Achievement for twenty-three consecutive fiscal years from 1989-2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparations of state and local government financial reports.

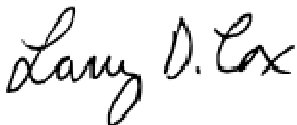
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. The CAFR must satisfy both GAAP and applicable legal requirements.

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 and  
Chief Executive Officer



Scott A. Brockman, A.A.E.  
Executive Vice President and Chief Operating Officer  
COO, Authority Treasurer



Forrest B. Artz, C.P.A.  
Director of Finance and Chief Financial Officer,  
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, 2011

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.



*Linda C. Sandson*

President

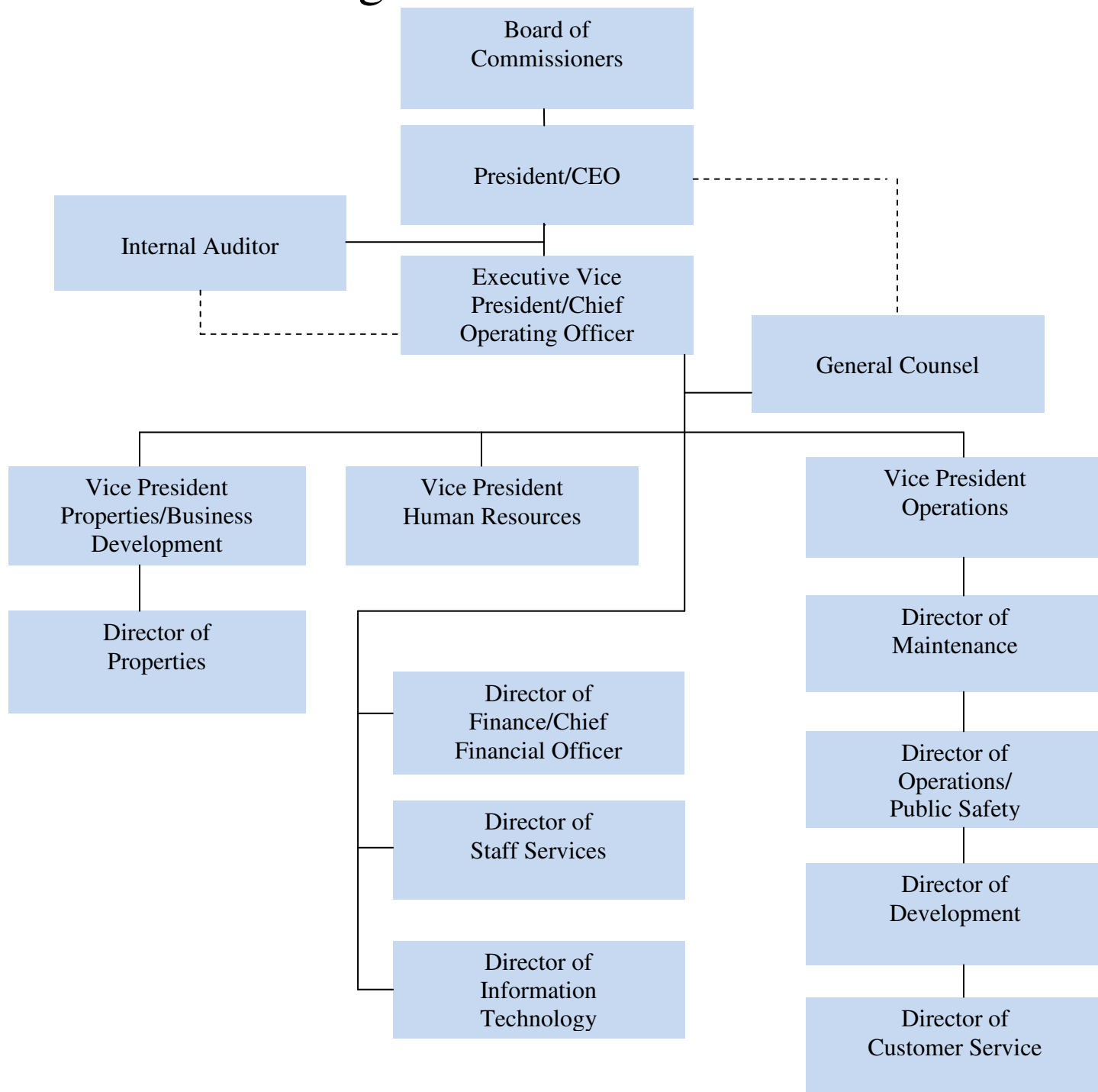
*Jeffrey R. Emer*

Executive Director



MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

## Organizational Chart







# **FINANCIAL SECTION**

*This Section Contains the Following:*

Independent Auditors' Report

Management's Discussion and Analysis

Financial Statements

Supplemental Schedules



## Independent Auditors' Report

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

We have audited the accompanying financial statements of the Memphis-Shelby County Airport Authority (the "Authority"), a component unit of the City of Memphis, Tennessee, as of and for the year ended June 30, 2012 and 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years 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 October 11, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial

statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements as a whole. The introductory section, supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplemental schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Dixon Hughes Goodman LLP*

October 11, 2012

# **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2012**

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, 2012 and 2011. 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 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. All capital assets, except land, aviation easements and construction-in-process 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.

## **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

#### **FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2012**

- Operating revenues (\$110,807) for fiscal year 2012 decreased by .9 percent when compared to fiscal year 2011 operating revenues (\$111,760).
- Operating expenses, before depreciation and amortization of \$55,177 for fiscal year 2012 increased by .4 percent compared to fiscal year 2011 operating expenses.
- The Authority's total net assets at June 30, 2012 were \$669,349. This is an increase of \$31,694 (5.0 percent) over total net assets at June 30, 2011.
- Capital assets, net of accumulated depreciation increased by \$46,767 mainly due to fiscal year 2012 capital additions, net of approximately \$104,052 offset by current year change in accumulated depreciation of \$57,285.
- The Authority's total outstanding long-term bonds and notes payable, net at June 30, 2012 decreased by \$14,964 (3.2 percent) compared to June 30, 2011 due to the scheduled debt service payments (principal and interest) made during fiscal year 2012 offset by \$11,500 of long-term notes payable issued in fiscal year 2012.

#### **FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2011**

- Operating revenues (\$111,760) for fiscal year 2011 increased by 2.3 percent when compared to fiscal year 2010 operating revenues (\$109,282).
- Operating expenses, before depreciation and amortization of \$54,938 for fiscal year 2011 increased by 3.5 percent compared to fiscal year 2010 operating expenses.
- The Authority's total net assets at June 30, 2011 were \$637,655. This is an increase of \$21,561 (3.5 percent) over total net assets at June 30, 2010.
- Capital assets, net of accumulated depreciation increased by \$10,613 mainly due to fiscal year 2011 capital additions, net of approximately \$57,500 offset by current year change in accumulated depreciation of \$46,900.
- The Authority's total outstanding long-term bonds and notes payable, net at June 30, 2011 decreased by \$27,677 (5.6 percent) compared to June 30, 2010 due to the scheduled debt service payments (principal and interest) made during fiscal year 2011.

## FINANCIAL ANALYSIS

At June 30, 2012 the Authority's net assets increased year over year with total assets of \$1,254,328, total liabilities of \$584,979 and total net assets of \$669,349. A comparative combined condensed summary of the Authority's net assets at June 30, 2012, 2011 and 2010 is as follows:

### MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY SUMMARY OF CHANGES IN NET ASSETS

|   | 2012      | JUNE 30,<br>2011 | 2010      |
|---|-----------|------------------|-----------|
| Assets:                                 |           |                  |           |
| Current assets                          | \$189,777 | \$183,993        | \$226,813 |
| Net capital assets                      | 981,320   | 934,553          | 923,940   |
| Other non-current assets                | 83,231    | 113,497          | 94,455    |
| Total assets                            | 1,254,328 | 1,232,043        | 1,245,208 |
| Liabilities:                            |           |                  |           |
| Current liabilities                     | 55,855    | 48,319           | 54,242    |
| Long-term liabilities                   | 529,124   | 546,069          | 574,872   |
| Total liabilities                       | 584,979   | 594,388          | 629,114   |
| Net assets:                             |           |                  |           |
| Invested in capital assets, net of debt | 550,032   | 494,311          | 457,560   |
| Restricted                              | 93,457    | 118,699          | 135,975   |
| Unrestricted                            | 25,860    | 24,645           | 22,559    |
| Total net assets                        | \$669,349 | \$637,655        | \$616,094 |

### Fiscal Year 2012

Current assets at June 30, 2012 increased by \$5,784 (3.1 percent) when compared to current assets at June 30, 2011. This increase was primarily due to an increase of \$8,138 in capital contributions receivable, an increase of \$561 in prepaid expenses offset by a decrease in cash and cash equivalents and investments of \$2,532 and a decrease of \$724 in accrued interest receivable. The increase in capital contributions receivable results from the timing of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the grantor agency. The increase in prepaid expenses relates to increased insurance premiums paid in April 2012 that covers the majority of the next fiscal year. The decrease in restricted cash and investments was mainly due to ongoing construction of the Ground Transportation Center and other ongoing construction projects; as a result, accrued interest receivable was lower due to smaller cash balances available to invest.

Capital assets, net of depreciation increased by \$46,767 in fiscal year 2012 from fiscal year 2011 due principally to ongoing capital activities of the Authority's capital improvement program. Fiscal year 2012 capital additions, net were approximately \$104,052 offset by the current year change in accumulated depreciation of \$57,285.

## **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

### **SUMMARY OF CHANGES IN NET ASSETS (CONTINUED)**

Non-current assets, other than capital assets, decreased by \$30,266 due to decreases in unrestricted and restricted investments of \$31,825 and bond issues costs of \$691 offset by an increase in special facilities rent receivable of \$2,250. The decrease in investments was mainly due to the decision to invest certain restricted assets in demand deposits that yielded greater interest returns than investments; as a result, these funds were classified current assets at fiscal year end 2012. The increase in special facilities rent receivable was due to the annual rent accrual of \$2,250 at June 30, 2012. Bond issuance costs decreased due to the annual amortization and recognition of related expenses.

Current liabilities increased from \$48,319 in 2011 to \$55,855 in 2012. This increase of \$7,536 (15.6 percent) is primarily due to increases in construction contracts payable (\$2,904), accrued interest payable (\$2,258), current maturities of long-term debt (\$2,375) and accrued expenses (\$1,087) offset by decreases in accounts payable (\$1,033). The increase in construction contracts payable is due to the ongoing Ground Transportation Center (GTC) project and other ongoing projects. The increase in accrued interest payable and current maturities of long-term debt was due to the increase of scheduled interest and principal payments, respectively. The increase of accrued expense is due to the accrual of a full period at year end. The decrease in accounts payable is mainly due to the prior year accrual of bond issuance costs related to the 2011 Series B, C and D refunding revenues bonds, and prepayments of terminal rents not included in fiscal year 2012 activity.

Long-term liabilities at June 30, 2012 were \$529,124, a decrease of \$16,945 compared to fiscal year 2011 (\$546,069). The decrease in long-term liabilities was mainly due to the reduction in bonds and notes payable by the payment of scheduled principal payments of approximately \$24,000 on outstanding Airport Revenue Bonds, General Obligation Bonds and notes payable, and the annual deferred lease revenue amount of \$1,540 amortized to recognize rental revenue from FedEx Corporation related to the prior TnANG facility, offset by increased compensated absences of \$204, due to an increased number of Authority employees eligible for retirement offset by \$11,500 of notes payable drawn on a letter of credit during fiscal year 2012.

The largest portion of the Authority's net assets (82.2 percent of total net assets for 2012) 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.

The Authority's restricted net assets (14.0 percent of total net assets for 2012) 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 \$25,860 in 2012 compared to \$24,645 for 2011, may be used for any lawful purpose of the Authority.

## **Fiscal Year 2011**

Current assets at June 30, 2011 decreased by \$42,820 (18.9 percent) when compared to current assets at June 30, 2010. This decrease was primarily due to a decrease of \$40,742 in restricted cash and investment and a decrease of \$2,803 in capital contributions receivable, offset by an increase in unrestricted accounts receivable of \$3,043. The collection of these receivables will increase the unrestricted cash and cash equivalents balance in future periods. The decrease in restricted cash and investments was mainly due to ongoing construction of the Ground Transportation Center, Taxiway Alpha and other ongoing construction projects and the decision to invest available construction balances in longer maturities; resulting in a classification of non-current assets. The decrease in capital contributions receivable results from the timing of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the grantor agency. The increase in accounts receivable was due to the normal timing issues of billing and collection of outstanding balances.

Capital assets, net of depreciation increased by \$10,613 in fiscal year 2011 from fiscal year 2010 due principally to ongoing capital activities of the Authority's capital improvement program. Fiscal year 2011 capital additions, net were approximately \$57,489 offset by the current year change in accumulated depreciation of \$46,876.

Non-current assets, other than capital assets, increased by \$19,042 due to increases in unrestricted and restricted investments of \$17,618 and special facilities rent receivable of \$2,250, offset by a decrease in bond issues costs of \$826. The increase in investments was mainly due to the decision to invest certain restricted assets in investments with longer maturities; as a result, these investments were classified as non-current assets at fiscal year end 2011. The increase in special facilities rent receivable was due to the annual rent accrual of \$2,250 at June 30, 2011. Bond issuance costs decreased due to the annual amortization and recognition of related expenses.

Current liabilities decreased from \$54,242 in 2010 to \$48,319 in 2011. This decrease of \$5,923 (10.9 percent) is primarily due to decreases in construction contracts payable (\$2,095), accrued interest payable (\$1,033) and current maturities of long-term debt (\$4,773), offset by increases in accounts payable (\$1,669) and accrued expenses (\$297). The decrease in construction contracts payable is due to the completion of the Taxiway Alpha reconstruction project and other completed projects. The decrease in accrued interest payable and current maturities of long-term debt was due to the interest savings attained from the issuance of the fiscal year 2011 refunding revenue bonds and the reduction of scheduled principal payments, respectively. The increase in accounts payable is due to the acquisition of equipment at year end, accrual of bond issuance costs related to the 2011 Series B, C and D refunding revenues bonds, and prepayments of terminal rents. The increase of accrued expense is due to the timing of the payroll accrual at year end.

Long-term liabilities at June 30, 2011 were \$546,069, a decrease of \$28,803 compared to fiscal year 2010 (\$574,872). The decrease in long-term liabilities was mainly due to the reduction in bonds and notes payable by the payment of scheduled principal payments of approximately \$28,800 on outstanding Airport Revenue Bonds, General Obligation Bonds and notes payable, and the annual deferred lease revenue amount of \$1,592 amortized to recognize rental revenue from FedEx Corporation related to the prior TnANG facility, offset by increased compensated absences of \$466, due to an increased number of Authority employees eligible for retirement.



## **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

### **SUMMARY OF CHANGES IN NET ASSETS (CONTINUED)**

The largest portion of the Authority's net assets (77.5 percent of total net assets for 2011) 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.

The Authority's restricted net assets (18.6 percent of total net assets for 2011) 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 \$24,645 in 2011 compared to \$22,559 for 2010, 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, 2012, 2011 and 2010 is as follows:

#### **SUMMARY OF CHANGES IN NET ASSETS**

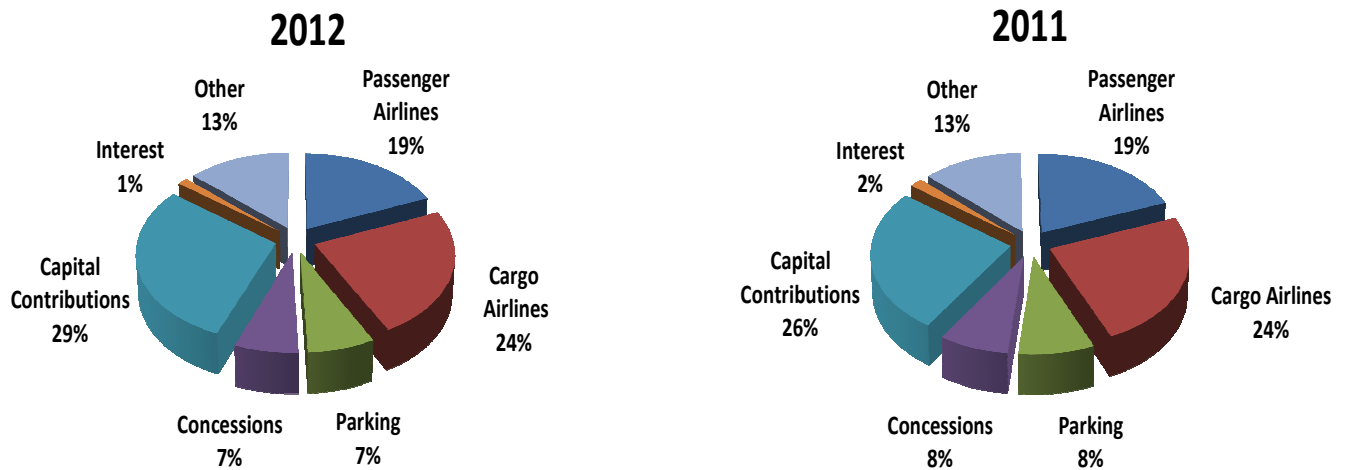
|   | <b>2012</b> | <b>2011</b> | <b>2010</b> |
|---|-------------|-------------|-------------|
| Operating revenues  | \$110,807   | \$111,760   | \$109,282   |
| Operating expenses  | (55,177)    | (54,938)    | (53,070)    |
| Operating income before depreciation and amortization     | 55,630      | 56,822      | 56,212      |
| Depreciation and amortization                             | (58,398)    | (57,067)    | (55,940)    |
| Operating income (loss)                                   | (2,768)     | (245)       | 272         |
| Non-operating income                                      | 9,040       | 5,139       | 7,863       |
| Non-operating expense                                     | (23,536)    | (25,772)    | (28,679)    |
| Loss before capital contributions and extraordinary items | (17,264)    | (20,878)    | (20,544)    |
| Capital contributions                                     | 49,831      | 42,578      | 53,353      |
| Extraordinary Item  | (873)       | (139)       |             |
| Increase in net assets                                    | \$31,694    | \$21,561    | \$32,809    |

The following table presents revenue by major source for the years ended June 30, 2012, 2011 and 2010 and the pie charts show the percentage of revenues by source for the years ended June 30, 2012 and 2011. 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.

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**REVENUES BY MAJOR SOURCE**

|  | 2012             | 2011             | 2010             |
|--|------------------|------------------|------------------|
| <b>Operating Revenues</b>                  |                  |                  |                  |
| <b>Passenger Airlines</b>                  |                  |                  |                  |
| Passenger landing fee                      | \$6,822          | \$8,437          | \$8,847          |
| Airline terminal rentals                   | 22,950           | 20,776           | 19,557           |
| Airline fee payments-international charges | 1,700            | 1,700            | 1,700            |
| Other rentals                              | 392              | 486              | 486              |
| <b>Total Passenger Airlines</b>            | <b>31,864</b>    | <b>31,399</b>    | <b>30,590</b>    |
| <b>Cargo Airlines</b>                      |                  |                  |                  |
| Cargo landing fees                         | 29,339           | 28,212           | 27,054           |
| Ground rents                               | 7,240            | 7,158            | 7,263            |
| Other rentals                              | 3,455            | 4,167            | 3,911            |
| <b>Total Cargo Airlines</b>                | <b>40,034</b>    | <b>39,537</b>    | <b>38,228</b>    |
| <b>Non-Airline Rentals</b>                 |                  |                  |                  |
| Concessions-terminal                       | 4,901            | 5,828            | 6,154            |
| Concessions-rental car                     | 6,308            | 6,216            | 6,007            |
| Public parking                             | 10,196           | 11,356           | 11,377           |
| Employee parking                           | 1,643            | 1,842            | 1,853            |
| Other rentals                              | 10,338           | 9,748            | 9,217            |
| <b>Total Non-Airline Rentals</b>           | <b>33,386</b>    | <b>34,990</b>    | <b>34,608</b>    |
| <b>Other Revenue</b>                       |                  |                  |                  |
| Restricted rental income                   | 1,248            | 1,559            | 1,581            |
| Special Facilities lease income            | 4,275            | 4,275            | 4,275            |
| <b>Total other revenues</b>                | <b>5,523</b>     | <b>5,834</b>     | <b>5,856</b>     |
| <b>Total operating revenues</b>            | <b>110,807</b>   | <b>111,760</b>   | <b>109,282</b>   |
| <b>Non-operating Revenues</b>              |                  |                  |                  |
| Interest and investment income             | 2,261            | 2,697            | 2,900            |
| Customer facility charges                  | 5,151            | 4,911            | 4,559            |
| Other                                      | 1,628            | 123              | 229              |
| <b>Total non-operating revenues</b>        | <b>9,040</b>     | <b>7,731</b>     | <b>7,688</b>     |
| <b>Capital Contributions</b>               | <b>49,831</b>    | <b>42,578</b>    | <b>53,353</b>    |
| <b>Total Revenues</b>                      | <b>\$169,678</b> | <b>\$162,069</b> | <b>\$170,323</b> |

## MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY REVENUES (CONTINUED)



### Fiscal Year 2012

Operating revenues of \$110,807 for fiscal year 2012 decreased by \$953 (.9 percent) compared to 2011 revenues of \$111,760. This decrease in operating revenues is primarily due to decreased passenger landing fees (\$1,615), cargo rents (\$630), terminal concession revenue (\$927) and parking revenues (\$1,359) offset by increases in terminal rent and cargo landing fees of \$2,174 and \$1,127, respectively. 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.

Non-operating revenues for 2012 are comprised of interest income (\$2,261), customer facility charges (CFC) (\$5,151), insurance proceeds (\$1,388) operating grants (\$116) and gains on capital assets (\$124). Total non-operating revenues increased by \$1,309 in 2012 compared to 2011 non-operating revenues. This increase was mainly due to the collection of \$1,388 of insurance proceeds related to the General DeWitt Spain general aviation airport flood, increased CFC revenues of \$240 due to additional rental car activity during the fiscal year 2012 offset by lower interest rates on investment earnings (\$436).

Capital contributions comprised primarily of Federal capital grants, increased from \$42,578 in 2011 to \$49,831 in 2012, as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

### Fiscal Year 2011

Operating revenues of \$111,760 for fiscal year 2011 increased by \$2,478 (2.3 percent) over 2010 revenues of \$109,282. This increase in operating revenues is primarily due to increased terminal rentals (\$1,219), cargo landing fees (\$1,158), car rental concessions (\$209) and other cargo rents (\$256), offset by decreased passenger landing fees (\$401) and terminal concession income (\$326). 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.

Non-operating revenues for 2011 are comprised of interest income (\$2,697), customer facility charges (CFC) (\$4,911), other revenues (\$123). Total non-operating revenues increased by \$43 in 2011 over 2010 non-operating revenues. This increase was mainly due to lower interest rates on investments in FY 2011 (\$203) offset by \$352 in increased collection of CFC's from car rental agencies.

Capital contributions comprised primarily of Federal capital grants, decreased from \$53,353 in 2010 to \$42,578 in 2011, as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

## **MEMPHIS-SHELBY COUNTY AIRPORTY AUTHORITY**

### **EXPENSES**

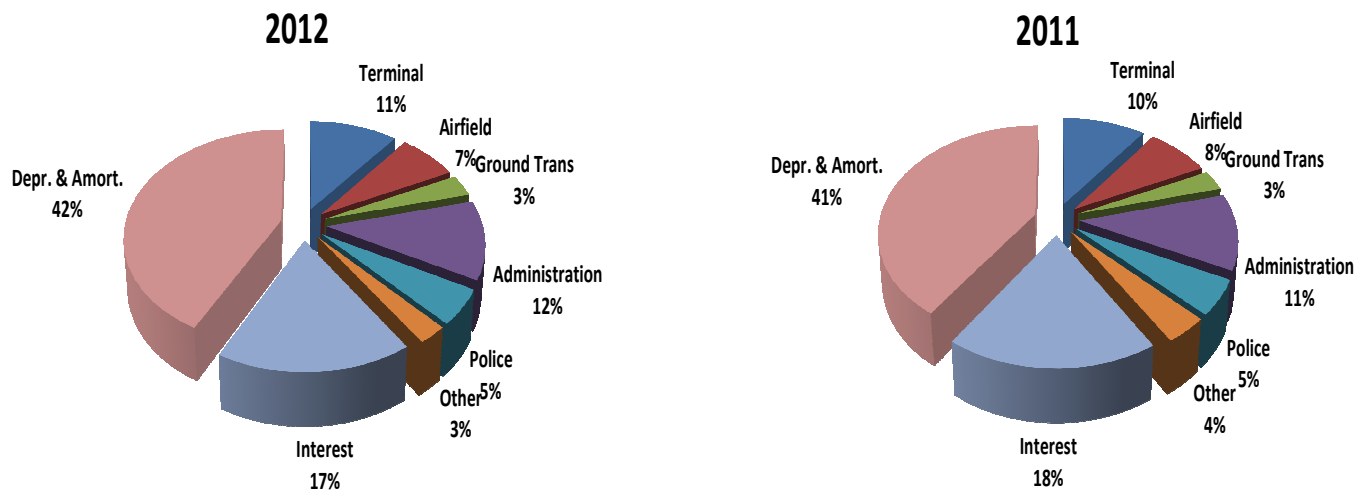
The following table presents expenses by cost center for the years ended June 30, 2012, 2011 and 2010 and the pie charts show the percentage of expenses by cost center for the years ended June 30, 2012 and 2011.

#### **EXPENSES BY COST CENTER**

|  | 2012             | 2011             | 2010             |
|--|------------------|------------------|------------------|
| <b>Operating Expenses</b>  |                  |                  |                  |
| Terminal area  | \$14,713         | \$14,337         | \$13,898         |
| Airfield area  | 9,936            | 10,417           | 10,033           |
| Ground transportation area   | 4,523            | 4,287            | 4,230            |
| Administration area  | 16,119           | 15,943           | 15,372           |
| Police and operations area   | 7,172            | 7,304            | 6,934            |
| Other areas  | 2,714            | 2,650            | 2,603            |
| Total operating expense  | 55,177           | 54,938           | 53,070           |
| <b>Non-operating Expense</b>   |                  |                  |                  |
| Interest expense   | 23,536           | 25,772           | 28,679           |
| Loss on disposal of fixed assets   |                  | 2,592            |                  |
| Total expenses before depreciation and amortization and extraordinary item | 78,713           | 83,302           | 81,749           |
| Depreciation and amortization  | 58,398           | 57,067           | 55,940           |
| <b>Total Expense</b>   | <b>\$137,984</b> | <b>\$140,508</b> | <b>\$137,689</b> |

# MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

## EXPENSES (CONTINUED)



### Fiscal Year 2012

In 2012, the Authority's operating expenses of \$55,177 increased over 2011 operating expenses of \$54,938 by \$239 (.4 percent). The net increase was mainly due to increased terminal building, ground transportation area, administration area costs and non-aviation areas expenses of \$376, \$236, \$176 and \$285, respectively, offset by decreased airfield and police operations area costs of \$481 and \$132, respectively. The increase in terminal building and administration area costs were mainly due to increased salaries and wages costs as a result of a 3 percent cost of living increase effective July 1, 2011 offset by lower terminal utilities due to a mild winter and lower administration costs due to the hosting of the World Airport Cities Conference in Memphis during fiscal year 2011 and not having the associated costs for fiscal year 2012. The increase in ground transportation area costs and non-aviation area costs were primarily due to contractual fee increases in the ground transportation parking management and parking security agreements and additional shuttle bus maintenance costs and the additional operation and maintenance costs in the non-aviation area associated with airport expansion property acquired during the fiscal year 2012. The decrease in airfield costs was due to reduced deicing costs in the airfield area during fiscal year 2012 due to a mild winter offset by increased salaries and wages costs as a result of a 3 percent cost of living increase effective July 1, 2011. The decrease in police operations area costs was due to the purchase of heart defibrillators and two way radios during fiscal year 2011 that were not purchased in fiscal year 2012 offset by increased salaries and wages costs as a result of a 3 percent cost of living increase effective July 1, 2011.

Depreciation and amortization expenses increased from \$57,067 in 2011 to \$58,398 for fiscal year 2012. This increase of \$1,331 is mainly due to greater depreciation expense related to the increase of depreciable Authority assets year over year.

Non-operating expenses are comprised of interest expenses on outstanding debt. Fiscal year 2012 interest expense of \$23,536 decreased \$2,236 compared to fiscal year 2011 interest expense of \$25,772. This decrease in interest expense was due to the refunding of certain Series 1999 D, 2001 A and B Bonds in fiscal year 2011 at lower interest rates and scheduled payments of principal on outstanding bonds and notes; as a result, interest expense was reduced year over year.

In May 2011 the Mississippi River overflowed its banks and flooded the General DeWitt Spain general aviation airport. As a result, at June 30, 2012, the Authority recognized an \$873 extraordinary item loss that is comprised of airport repair costs of \$1,377 offset by building design and construction and security system costs of \$504 that was capitalized.

### **Fiscal Year 2011**

In 2011, the Authority's operating expenses of \$54,938 increased over 2010 operating expenses of \$53,070 by \$1,868 (3.5 percent). The increase was mainly due to increased terminal, airfield, administration, and police operations area costs of \$439, \$384, \$571 and \$370, respectively. The main increases in airfield costs related to increased snow removal costs (\$193) as a result of additional snow events in fiscal year 2011 compared to fiscal year 2010, increased airfield lighting supplies (\$174) and increased health insurance premiums (\$25) due to increased rates. The terminal building increases were primarily due to additional terminal elevator maintenance (\$118) in fiscal year 2011, increased utility costs (\$295) due to increased rates, increased janitorial costs (\$66) as a result of a contract increase for services and increased health insurance premiums (\$53) due to a rate increase offset by decreased terminal building and equipment maintenance costs (\$118). General administration costs increased mainly due to the costs associated with the Authority hosting the World Airport Conference in Memphis (\$394) during fiscal year 2011, the accrual of retired employee benefit costs (\$351) due to certain employees obtaining the required years of service for retirement eligibility, the increased professional services contract (\$101) for capital project design services and increased health care premiums (\$52) due to a rate increase, offset by decreased property insurance costs (\$299) as a result of a onetime membership credit for fiscal year 2011 and reduced professional trade organization membership fees (\$66) for fiscal year 2011. Police costs increased primarily due to higher salary and related benefits costs (\$358) due to promotions, filling vacant positions and increased insurance premium rates, new police radios (\$93), new heart defibrillators (\$35), offset by a reduction in security guard services (\$135) due to a new contract for fiscal year 2011.

Depreciation and amortization expenses increased from \$55,940 in 2010 to \$57,067 for fiscal year 2011. This increase of \$1,127 is mainly due to greater depreciation expense related to the increase of depreciable Authority assets year over year.

Non-operating expenses are comprised of interest expenses on outstanding debt. Fiscal year 2011 interest expense of \$25,772 decreased \$2,907 under fiscal year 2010 interest expense of \$28,679. This decrease in interest expense was due to the refunding of certain Series 1999 D, 2001 A and B Bonds at lower interest rates and scheduled payments of principal on outstanding bonds and notes; as a result, interest expense was reduced year over year.

In May 2011 the Mississippi River overflowed its banks and flooded the General DeWitt Spain general aviation airport. As a result, at June 30, 2011, the Authority recognized a \$139 extraordinary item loss that is comprised of flood mitigation and repair costs of \$1,236, General DeWitt Spain Airport asset impairments of \$54 offset by insurance proceeds received of \$725 and flood mitigation cost of \$426 that were capitalized.

# MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

## CAPITAL ASSETS

The Authority's capital assets at June 30, 2012, 2011 and 2010 are summarized as follows:

### NET CAPITAL ASSETS

|  | 2012      | 2011      | 2010      |
|--|-----------|-----------|-----------|
| Avigation easements                      | \$43,703  | \$43,703  | \$42,324  |
| Land and improvements                    | 160,780   | 160,772   | 162,150   |
| Buildings                                | 374,856   | 347,454   | 345,586   |
| Runways, taxiways, and airfield lighting | 711,829   | 694,060   | 693,600   |
| Facilities leases to others              | 104,077   | 104,077   | 104,077   |
| Roads, bridges, and fences               | 64,672    | 60,229    | 59,782    |
| Equipment and utility systems            | 97,273    | 94,461    | 88,270    |
| Construction in process                  | 130,386   | 78,768    | 30,246    |
| Total capital assets                     | 1,687,576 | 1,583,524 | 1,526,035 |
| Less accumulated depreciation            | 706,256   | 648,971   | 602,095   |
| Net capital assets                       | \$981,320 | \$934,553 | \$923,940 |

### Fiscal Year 2012

At the end of fiscal years 2012 and 2011, the Authority had \$981,320 and \$934,553, respectively, invested in net capital assets. During 2012 the Authority had additions of \$104,052 related to capital activities for runway and taxiway projects, building improvements, equipment and roads, bridges and fencing projects, offset by the current year change in accumulated depreciation of approximately \$57,285.

During 2012, completed projects totaling \$52,845 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 (\$17,769), buildings (\$27,402), roads, bridges and fences (\$4,443) and equipment and utility systems (\$3,231).

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.

### Fiscal Year 2011

At the end of 2011 and 2010, the Authority had \$934,553 and \$923,940, respectively, invested in net capital assets. During 2011 the Authority had additions of \$57,500 related to capital activities for runway and taxiway projects, building improvements, equipment and roads, bridges and fencing projects, offset by the current year change in accumulated depreciation of approximately \$46,900.

During 2011, completed projects totaling \$21,226 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 (\$11,347), buildings (\$1,868), roads, bridges and fences (\$447) and equipment and utility systems (\$7,564).

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.

## **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

### **DEBT ACTIVITY**

The Authority's outstanding bonds and notes payable at June 30, 2012, 2011 and 2010 are summarized as follows:

#### **BONDS AND NOTES PAYABLE**

|  | <b>2012</b> | <b>2011</b> | <b>2010</b> |
|--|-------------|-------------|-------------|
| Bonds:                                       |             |             |             |
| Airport Revenue                              | \$421,275   | \$443,305   | \$479,200   |
| City of Memphis General Obligation           |             | 2,015       | 3,920       |
| Special Facilities Revenue                   | 45,000      | 45,000      | 45,000      |
| Unamortized bond premiums                    | 12,034      | 13,942      | 9,243       |
| Unamortized deferred loss                    | (7,376)     | (9,270)     | (10,009)    |
| Notes payable                                | 11,500      | 30          | 118         |
| Current portion of bonds and notes           | (26,450)    | (24,075)    | (28,848)    |
| Total long-term bonds and notes payable, net | \$455,983   | \$470,947   | \$498,624   |

#### **Fiscal Year 2012**

The Authority's 2012 total long-term bonds and note payable, net, of \$455,983 decreased \$14,964 (3.2 percent) compared to 2011 total of \$470,947. The decrease in the total long-term bonds and notes payable, net outstanding was mainly due to scheduled debt service principal payments made during the fiscal year 2012, offset by the increase of \$11,500 of notes payable drawn on a letter of credit during fiscal year 2012.

The Authority had obtained a \$10,000 revolving line of credit with a bank. The purpose for this line of credit is to provide temporary funding for capital improvements. Any outstanding notes are renewable on an annual basis and bear interest at a rate of LIBOR plus 1.35 percent.

During fiscal year 2012 the Authority made principal payments in the amount of \$30 that came from revenues generated by the parking operations. At June 30, 2012 there were no outstanding notes payable related to this line of credit.

The Authority had obtained a \$25,000 revolving line of credit with a bank. The purpose for this line of credit is to provide temporary funding for capital improvements. At June 30, 2012, the Authority had drawn \$11,500 on this line of credit. The notes are renewable on June 30, 2014 and bear an interest rate of 30 day LIBOR plus 1.85 percent. The outstanding notes payable will be repaid with Federal grant reimbursements, State grant reimbursements or future bond proceeds, as applicable, received by the Authority.



## **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

### **DEBT ACTIVITY (CONTINUED)**

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

#### **Fiscal Year 2011**

The Authority's 2011 total long-term bonds and note payable, net, of \$470,947 decreased \$27,677 (5.5 percent) compared to 2010 total of \$498,624. The decrease in the total long-term bonds and notes payable, net outstanding was mainly due to scheduled debt service principal payments made during the fiscal year 2011.

In March 2011, the Authority sold \$89,855 of Airport Refunding Revenue Bonds, Series 2011 A-1 and A-2 at a \$4,542 premium. The bonds have fixed interest rates ranging from 3.00 percent to 6.00 percent. Maturity dates range from July 1, 2011 through July 1, 2022. Certain net proceed amounts from the debt service reserve account for the Airport Revenue Bonds, Series 2001A were deposited in escrow to defease \$60,085 and \$38,700 outstanding Series 1999D and 2001A revenue bonds, respectively, and certain net proceeds were used to pay the cost of issuance of the bonds.

In June 2011, the Authority sold \$80,810 of Airport Refunding Revenue Bonds, Series 2011B, C and D at a \$2,731 premium. The bonds have fixed interest rates ranging from 4.50 percent to 5.25 percent. Maturity dates range from July 1, 2018 through July 1, 2026. Certain net proceeds together with amounts from the debt service account for the Airport Revenue Bonds, Series 1999D, 2001A and 2001B were deposited in escrow to defease \$17,080, \$21,490 and \$42,380 outstanding Series 1999D, 2001A and 2001B revenue bonds, respectively, and certain net proceeds were used to pay the cost of issuance of the bonds.

Notes Payable was issued to finance the purchase of replacement shuttle buses for transporting passengers to and from the public parking lots. The notes are renewable on an annual basis and bear interest at a rate of Prime minus 1.75 percent. Debt service payments will come from revenues generated by the respective parking operations. The Authority has a line of credit of \$10,000; the amount available for draw down is reduced by the \$30 outstanding at June 30, 2011.

The Authority has obtained a \$25,000 revolving line of credit with a bank. The purpose for this line of credit is to provide temporary funding for capital improvements. At June 30, 2011, the Authority had not drawn on this line of credit. Future draw downs, if any, will be repaid with Federal grant reimbursements, State grant reimbursements or future bond proceeds, as applicable, received by the Authority.

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 percent of the debt service on airport revenue bonds and 100 percent of the combined debt service on the airport revenue bonds and the City of Memphis general obligation bonds. At June 30, 2012, no City of Memphis General Obligation Bonds were outstanding. Coverage ratios for the years 2012, 2011 and 2010 are as follows:

### COVERAGE RATIO

|  | 2012 | 2011 | 2010 |
|--|------|------|------|
| Airport Revenue Bonds                        | 134% | 133% | 129% |
| Airport Revenue and General Obligation Bonds | N/A  | 128% | 124% |

## MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY AIRPORT ACTIVITIES AND HIGHLIGHTS

During fiscal year 2012, 7,874,888 passengers traveled through the Airport, a decrease of 18.1 percent under the 9,617,254 passengers in fiscal year 2011. Additionally, aircraft landed weight decreased from 26,012,876 per thousand pound units in 2011 to 25,524,562 per thousand pound units in 2012. These decreases were realized with the decrease in 2012 carrier aircraft operations of 263,730 compared to 2011 carrier aircraft operations of 302,750.

Air Cargo activity remained strong in spite of significant challenges within the national and world economies. Memphis remained the United States largest cargo airport, and the world's second largest cargo airport with approximately 4.39 million and 4.31 million U.S. tons of total cargo in 2012 and 2011, respectively. 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 six airlines known collectively as the signatory airlines, establishes the rates and charges methodology for the signatory airlines and their affiliates each year. A new 5 year agreement became effective July 1, 2012. Landing fees and rates for non-signatory and non-scheduled airlines are assessed at 115 percent and 125 percent, respectively, of the signatory rates.

# MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

## AIRPORT ACTIVITIES AND HIGHLIGHTS (CONTINUED)

### RATES AND CHARGES

|   | FISCAL<br>YEAR<br>2013 | FISCAL<br>YEAR<br>2012 | FISCAL<br>YEAR<br>2011 | FISCAL<br>YEAR<br>2010 |
|---|------------------------|------------------------|------------------------|------------------------|
| Terminal Average Square Foot Rate         | \$73.58                | \$51.00                | \$35.92                | \$33.54                |
| Cargo Building Square Foot Rate           | \$12.00                | \$12.00                | \$26.12                | \$26.12                |
| Aircraft Loading Position                 |                        |                        |                        |                        |
| Rate-per linear foot                      | \$76.77                | \$46.47                | \$53.36                | \$52.29                |
| Signatory Landing Fee-per 1,000 lbs. unit | \$1.45                 | \$1.41                 | \$1.41                 | \$1.41                 |

Cost per enplaned passenger ("CPE") 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

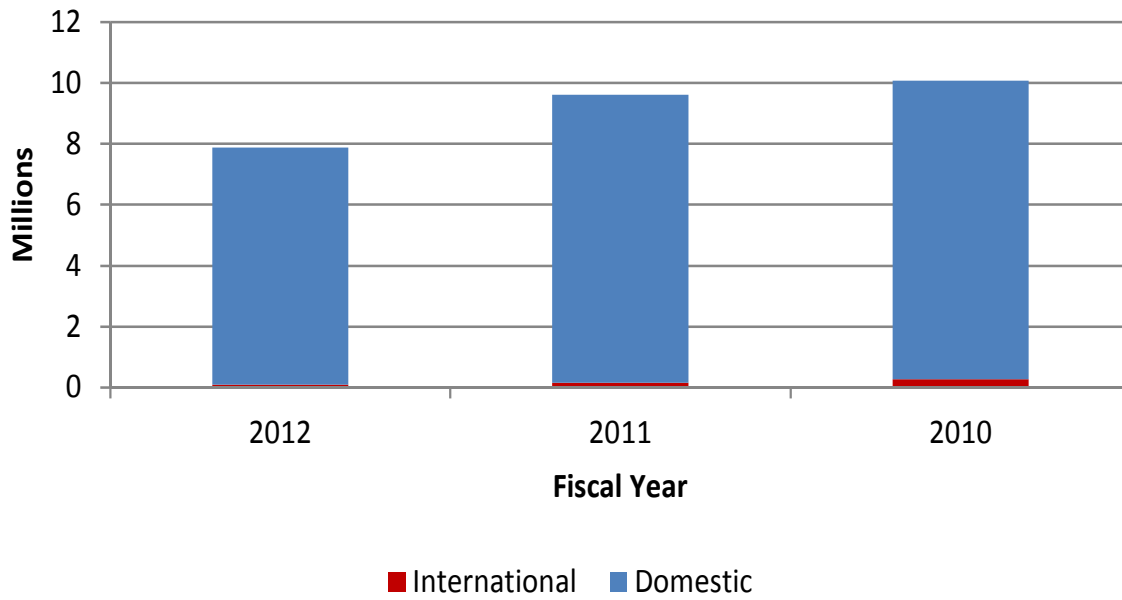
|  | 2012   | 2011   | 2010   |
|--|--------|--------|--------|
| Average Cost Per Enplaned Passenger  | \$6.75 | \$5.23 | \$4.81 |
| Average cost Per Enplaned Passenger<br>plus special facility debt                  | \$7.69 | \$6.22 | \$5.81 |
| Average Cost Per Enplaned Passenger<br>plus special facility debt and FIS fees (1) | \$8.12 | \$6.57 | \$6.15 |

<sup>(1)</sup> Since Delta Air Lines 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.

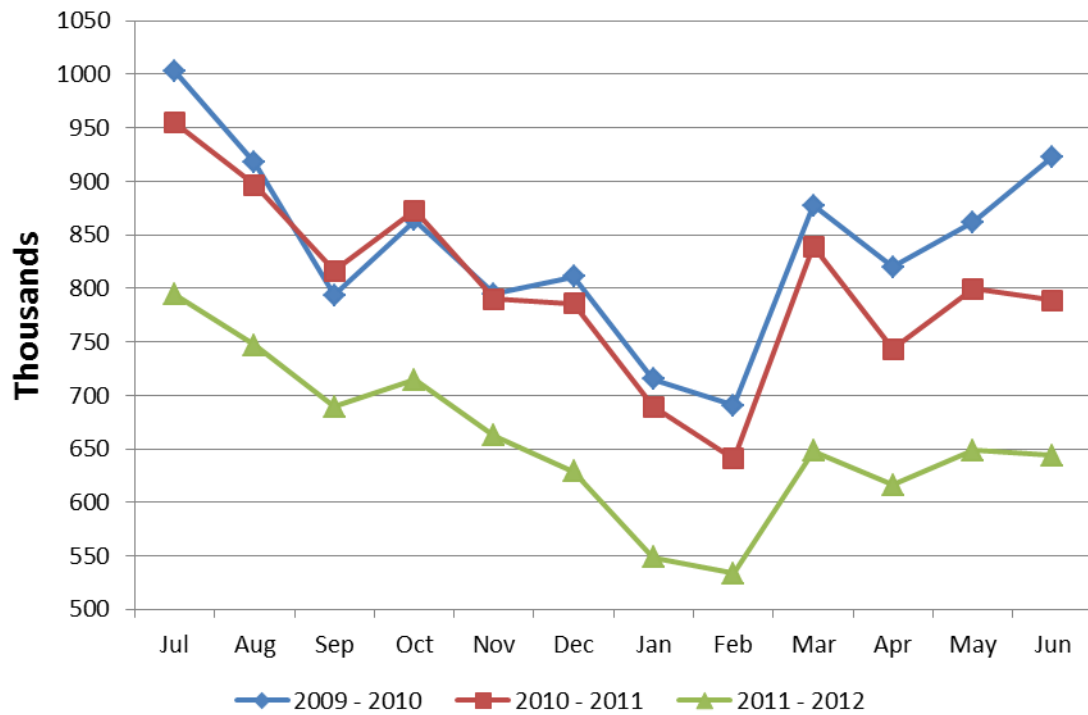
Selected statistical information about total passengers, total cargo, aircraft landed weight, and air carrier movements for the past three years is presented in the table and graphs below.

| FISCAL YEAR | TOTAL<br>PASSENGERS | TOTAL CARGO<br>HANDLED<br>(U.S. TONS) | AIRCRAFT<br>LANDED WEIGHT<br>(1000 POUND UNITS) | AIR CARRIER<br>MOVEMENTS |
|-------------|---------------------|---------------------------------------|---|--------------------------|
| 2012        | 7,874,888           | 4,385,342                             | 25,524,562                                      | 263,730                  |
| 2011        | 9,617,254           | 4,313,902                             | 26,012,876                                      | 302,750                  |
| 2010        | 10,070,483          | 4,250,806                             | 25,473,250                                      | 307,768                  |

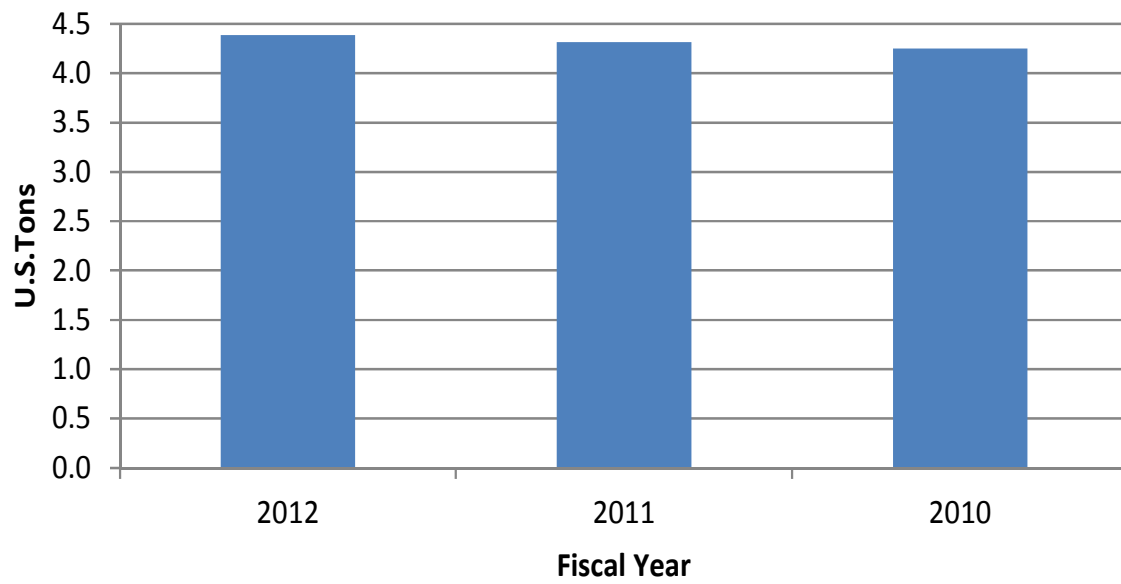
## Total Passengers



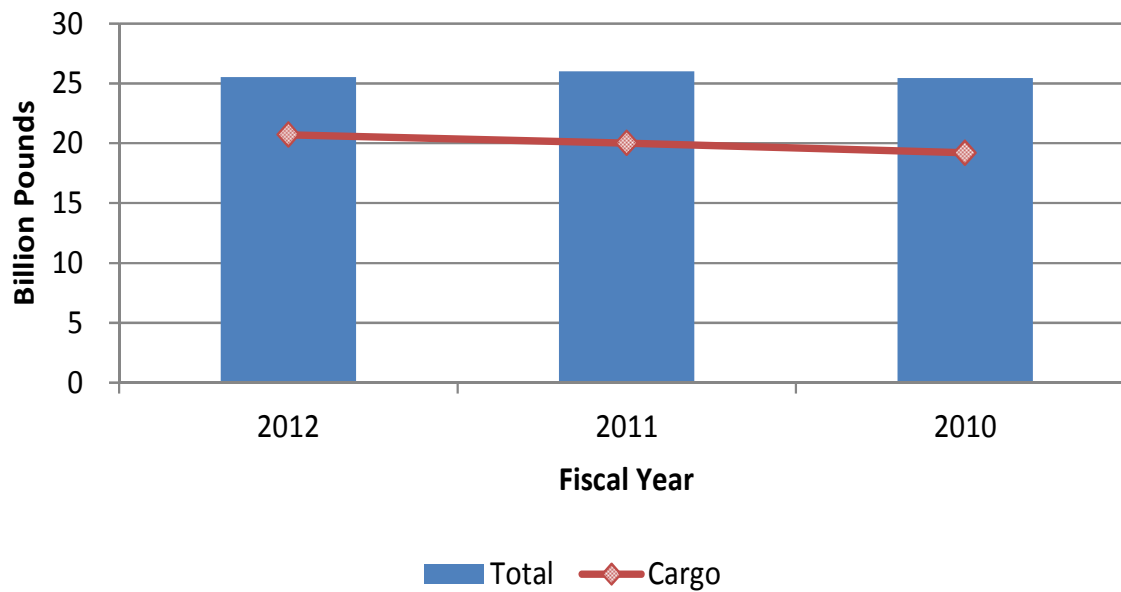
## Monthly Passengers



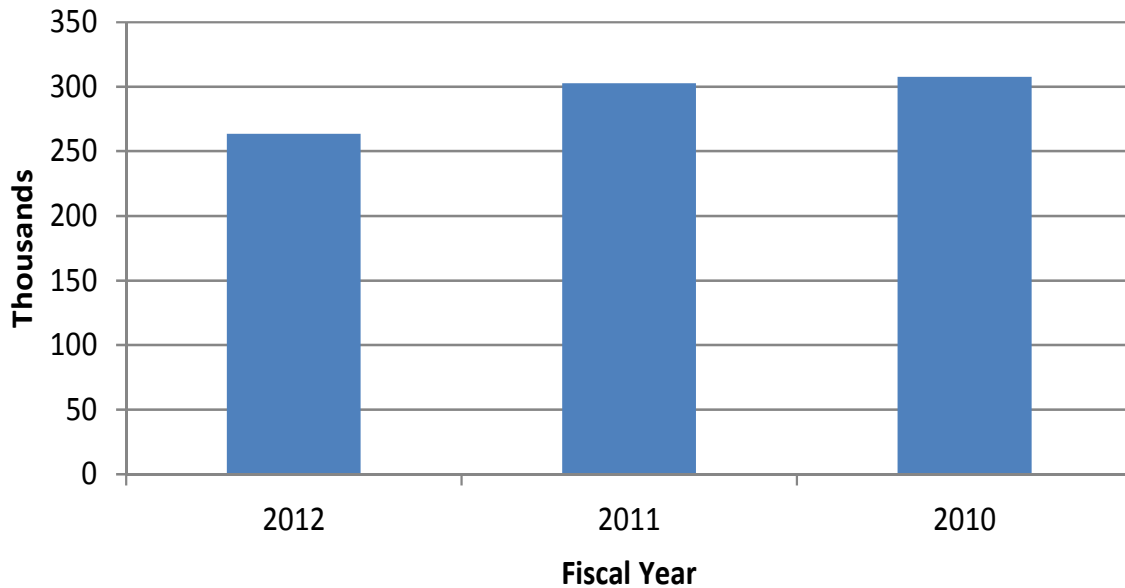
## Cargo Handled



## Landed Weights



## Movements



## MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY FUTURE OUTLOOK

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. On April 27, 2011 the U.S. Department of Justice approved the merger of Southwest Airlines with Air Tran Airways. The Authority has met with Southwest and they have announced that a transition from Air Tran Airways to Southwest operations will occur in the fourth quarter of 2013.

Air 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. The Authority purchased areas adjacent to the airport in July 2011 for future Airport expansion of apron cargo area.

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.

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY****STATEMENTS OF NET ASSETS**

YEARS ENDED JUNE 30, 2012 AND 2011 (\$ IN THOUSANDS)

|  | 2012        | 2011        |
|--|-------------|-------------|
| <b>ASSETS</b>  |             |             |
| <b>CURRENT ASSETS</b>                                      |             |             |
| <b>UNRESTRICTED ASSETS</b>                                 |             |             |
| Cash   | \$27,360    | \$15,611    |
| Investments  | 5,534       | 10,271      |
| Accounts receivable  | 9,271       | 8,986       |
| Accrued interest receivable                                | 16          | 201         |
| Materials and supplies inventory                           | 1,863       | 1,910       |
| Prepaid expenses   | 2,715       | 2,154       |
| Grants receivable  | 116         | 13          |
| Total current unrestricted assets                          | 46,875      | 39,146      |
| <b>RESTRICTED ASSETS</b>                                   |             |             |
| Cash   | 76,067      | 4,832       |
| Investments  | 50,777      | 131,556     |
| Accrued interest receivable                                | 759         | 1,298       |
| Capital contributions receivable                           | 15,299      | 7,161       |
| Total current restricted assets                            | 142,902     | 144,847     |
| <b>TOTAL CURRENT ASSETS</b>                                | 189,777     | 183,993     |
| <b>NON-CURRENT ASSETS</b>                                  |             |             |
| <b>UNRESTRICTED ASSETS</b>                                 |             |             |
| Investments  |             | 5,637       |
| <b>RESTRICTED ASSETS</b>                                   |             |             |
| Investments  | 37,762      | 63,950      |
| Special facilities rent receivable                         | 41,512      | 39,262      |
| Total non-current restricted assets                        | 79,274      | 103,212     |
| <b>CAPITAL ASSETS</b>                                      |             |             |
| Land and improvements                                      | 160,780     | 160,772     |
| Avigation easements  | 43,703      | 43,703      |
| Depreciable capital assets                                 |             |             |
| (less accumulated depreciation of \$706,256 and \$648,971) | 646,451     | 651,310     |
| Construction in progress                                   | 130,386     | 78,768      |
| Total capital assets, net                                  | 981,320     | 934,553     |
| <b>BOND ISSUE COSTS</b>                                    |             |             |
| (less accumulated amortization of \$4,875 and \$4,181)     | 3,957       | 4,648       |
| <b>TOTAL NON-CURRENT ASSETS</b>                            | 1,064,551   | 1,048,050   |
| <b>TOTAL ASSETS</b>  | \$1,254,328 | \$1,232,043 |

*See notes to basic financial statements.*

|   | 2012             | 2011             |
|---|------------------|------------------|
| <b>LIABILITIES</b>                              |                  |                  |
| <b>CURRENT LIABILITIES</b>                      |                  |                  |
| Payable from unrestricted assets:               |                  |                  |
| Accounts payable                                | \$5,224          | \$6,257          |
| Accrued expenses                                | 3,129            | 2,042            |
| Current portion - compensated absences          | 169              | 224              |
| Total payable from unrestricted assets          | 8,522            | 8,523            |
| Payable from restricted assets:                 |                  |                  |
| Construction contracts payable                  | 9,627            | 6,723            |
| Accrued interest payable                        | 11,256           | 8,998            |
| Current maturities of long-term debt            | 26,450           | 24,075           |
| Total payable from restricted assets            | 47,333           | 39,796           |
| <b>TOTAL CURRENT LIABILITIES</b>                | <b>55,855</b>    | <b>48,319</b>    |
| <b>NON-CURRENT LIABILITIES</b>                  |                  |                  |
| Deferred lease revenue                          | 71,747           | 73,287           |
| Compensated absences                            | 1,394            | 1,190            |
| Settlement                                      |                  | 645              |
| Bonds and notes payable                         | 455,983          | 470,947          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>            | <b>529,124</b>   | <b>546,069</b>   |
| <b>TOTAL LIABILITIES</b>                        | <b>\$584,979</b> | <b>\$594,388</b> |
| <b>NET ASSETS</b>                               |                  |                  |
| Invested in capital assets, net of related debt | 550,032          | 494,311          |
| Restricted for:                                 |                  |                  |
| Capital acquisition                             | 93,457           | 118,699          |
| Unrestricted                                    | 25,860           | 24,645           |
| <b>TOTAL NET ASSETS</b>                         | <b>\$669,349</b> | <b>\$637,655</b> |



**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
YEARS ENDED JUNE 30, 2012 AND 2011 (\$ IN THOUSANDS)

|   | 2012      | 2011      |
|---|-----------|-----------|
| <b>OPERATING REVENUES</b>   |           |           |
| Airfield  | \$44,728  | \$45,130  |
| Terminal building   | 31,336    | 30,911    |
| Ground transportation   | 19,593    | 20,877    |
| Other aviation areas  | 4,911     | 5,419     |
| Non-aviation areas  | 10,239    | 9,423     |
| Total operating revenues  | 110,807   | 111,760   |
| <b>OPERATING EXPENSES</b>   |           |           |
| Airfield  | 9,936     | 10,417    |
| Terminal building   | 14,713    | 14,337    |
| Ground transportation   | 4,523     | 4,287     |
| General administration  | 16,119    | 15,943    |
| Police  | 7,172     | 7,304     |
| Field shop  | 1,592     | 1,679     |
| Other aviation areas  | 183       | 317       |
| Non-aviation areas  | 939       | 654       |
| Total operating expenses before depreciation and amortization       | 55,177    | 54,938    |
| <b>DEPRECIATION AND AMORTIZATION</b>                                | 58,398    | 57,067    |
| <b>OPERATING LOSS</b>   | (2,768)   | (245)     |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                            |           |           |
| Interest and investment income                                      | 2,261     | 2,697     |
| Interest expense  | (23,536)  | (25,772)  |
| Customer facility charges   | 5,151     | 4,911     |
| Insurance proceeds  | 1,388     |           |
| Operating grants  | 116       | 123       |
| Gain (Loss) on capital assets                                       | 124       | (2,592)   |
| Total non-operating expenses, net                                   | (14,496)  | (20,633)  |
| <b>LOSS BEFORE CAPITAL CONTRIBUTIONS<br/>AND EXTRAORDINARY ITEM</b> | (17,264)  | (20,878)  |
| <b>CAPITAL CONTRIBUTIONS</b>  | 49,831    | 42,578    |
| <b>EXTRAORDINARY ITEM</b>   | (873)     | (139)     |
| <b>CHANGE IN NET ASSETS</b>   | 31,694    | 21,561    |
| <b>TOTAL NET ASSETS, BEGINNING OF YEAR</b>                          | 637,655   | 616,094   |
| <b>TOTAL NET ASSETS, END OF YEAR</b>                                | \$669,349 | \$637,655 |

See notes to basic financial statements.

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2012 AND 2011 ( \$ IN THOUSANDS)

|  | 2012      | 2011      |
|--|-----------|-----------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |           |           |
| Cash received from customers                                       | \$106,732 | \$105,656 |
| Cash paid to suppliers for goods and services                      | (31,543)  | (28,150)  |
| Cash paid to employees for services                                | (24,590)  | (24,047)  |
| Net cash provided by operating activities                          | 50,599    | 53,459    |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING</b>                       |           |           |
| Operating grants received  | 13        | 136       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>    |           |           |
| Proceeds from sale of capital assets                               | 124       | 190       |
| Acquisition and construction of capital assets                     | (101,166) | (71,791)  |
| Payment to governments and entities                                |           | (4)       |
| Proceeds from bond issue   | 275       |           |
| Principal paid on long-term debt, notes payable and capital leases | (12,589)  | (32,390)  |
| Interest paid on long-term debt                                    | (21,973)  | (26,805)  |
| Capital contributions received                                     | 41,693    | 45,381    |
| Customer facility charges  | 5,151     | 4,911     |
| Proceeds from insurance  | 1,388     |           |
| Extraordinary Item   | (873)     | (864)     |
| Net cash used in capital and related financing activities          | (87,970)  | (81,372)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |           |           |
| Purchase of investment securities                                  | (52,826)  | (240,647) |
| Proceeds from sales and maturities of investment securities        | 168,133   | 267,091   |
| Interest and dividends on investments                              | 5,035     | 2,577     |
| Net cash provided by investing activities                          | 120,342   | 29,021    |
| <b>NET INCREASE IN CASH AND CASH CASH EQUIVALENTS</b>              | 82,984    | 1,244     |
| <b>CASH AND CASH EQUIVALENTS</b>                                   |           |           |
| BEGINNING OF YEAR  | 20,443    | 19,199    |
| END OF YEAR  | \$103,427 | \$20,443  |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR CONSIST OF</b>           |           |           |
| Unrestricted cash and cash equivalents                             | \$27,360  | \$15,611  |
| Restricted cash  | 76,067    | 4,832     |
|  | \$103,427 | \$20,443  |

See notes to basic financial statements.

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
YEARS ENDED JUNE 30, 2012 AND 2011 (\$ IN THOUSANDS)

|   | 2012       | 2011     |
|---|------------|----------|
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  |            |          |
| Operating loss  | \$ (2,768) | \$ (245) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: |            |          |
| Depreciation and amortization   | 58,398     | 57,067   |
| Provision for uncollectible accounts receivable                                       | 16         | 6        |
| (Increase) decrease in assets:  |            |          |
| Receivables   | (2,551)    | (4,574)  |
| Materials and supplies inventory  | 47         | (211)    |
| Prepaid expenses  | (561)      | 487      |
| Increase (decrease) in liabilities:   |            |          |
| Accounts payable  | (1,033)    | 1,669    |
| Accrued expenses  | (949)      | (740)    |
| Net cash provided by operating activities   | \$50,599   | \$53,459 |

**NON-CASH INVESTING ACTIVITIES**

Investments decreased by \$150 in 2012 and \$304 in 2011, respectively, due to the change in fair market value.

**NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES**

During the fiscal year 2011, the net proceeds of \$181,463 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.

# MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011 (\$ 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. These general obligation bonds were paid in full in fiscal 2012.

# MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### 1. 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 non-operating 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 non-operating 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. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, codified these elements into a single source for governmental standards. GASB Statement No. 62 also eliminated the election to use such guidance issued after November 30, 1989 for business type activities for new entries; however, entities that has previously made this election are allowed to continue to apply post-November 30, 1989 guidance. The Authority had previously elected not to apply FASB Statements and interpretations issued after November 30, 1989. The Authority has elected to early implement this guidance as recommended by Statement No. 62.

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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.

# MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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:

| Asset Classification                             | 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  |

Avigation easements have an indefinite life and therefore are not amortized.

- 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. **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.
- N. **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.
- 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)

### 1. 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 coverage 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:
- i. 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.
  - ii. 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.
  - iii. 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.
  - iv. 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.



# MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### 2. DEPOSITS AND INVESTMENTS

- A. **Deposits** – Cash deposits as of June 30, 2012 and 2011, were \$103,424 and \$20,429, respectively. These deposits consisted of interest bearing and non-interest bearing demand accounts. Petty cash as of June 30, 2012 and 2011 was \$3 and \$14, respectively. The Authority had no cash equivalents at June 30, 2012, or June 30, 2011.

*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 percent. At June 30, 2012, all amounts were properly collateralized with the exception of \$527. The collateral was increased subsequent to year end to meet state guidelines.

- B. **Investments** – Investments consist of the following at June 30, 2012 and 2011:

|                                     | 2012     | 2011      | WEIGHTED<br>AVERAGE<br>MATURITY<br>(YEARS) AT<br>June 30, 2012 |
|-------------------------------------|----------|-----------|--|
| At fair value:                      |          |           |  |
| U. S. Government agencies           | \$69,187 | \$185,950 | 0.69   |
| Deferred compensation- mutual funds | 1,046    | 951       |  |
| At cost:                            |          |           |  |
| Forward purchase agreement          | 23,840   | 24,513    | 12.68  |
| Total Investments                   | \$94,073 | \$211,414 |  |

The investments made during fiscal years 2012 and 2011 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 2012 and 2011. With the exception of the discount note investments, which were rated P-1, all investments in U.S. Government agencies had a credit rating of Aaa by Moody's at June 30, 2012.

In 2000, the Authority entered into a forward purchase agreement to invest \$24,513 of bond reserve funds. Per the agreement, this amount was reduced to \$23,840 on March 1, 2012. 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 percent. If the agreement is terminated prior to

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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 25 percent of the Authority's portfolio at June 30, 2012. The issuer of this investment contract had a credit rating of Aa3 by Moody's at June 30, 2012.

*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:

| <b><u>INVESTMENT TYPE</u></b>          | <b><u>MAXIMUM</u></b> |
|--|-----------------------|
| U.S. Treasury Obligations              | 100%                  |
| Each Federal Agency                    | 50%                   |
| Each Repurchase Agreement Counterparty | 25%                   |
| Bank Deposits or Savings Accounts      | 80%                   |
| <u>Investment Agreements</u>           | <u>50%</u>            |

*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.

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

**2 DEPOSITS AND INVESTMENTS (CONTINUED)**

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

|                                  | <b>2012</b> | <b>2011</b> |
|----------------------------------|-------------|-------------|
| Unrestricted current assets:     |             |             |
| Cash                             | \$27,360    | \$15,611    |
| Short term investments           | 5,534       | 10,271      |
| Unrestricted non-current assets: |             |             |
| Investments                      |             | 5,637       |
| Restricted current assets:       |             |             |
| Cash                             | 76,067      | 4,832       |
| Short-term investments           | 50,777      | 131,556     |
| Restricted non-current assets:   |             |             |
| Investments                      | 37,762      | 63,950      |
| Total                            | 197,500     | 231,857     |
| Total deposits and petty cash    | 103,427     | 20,443      |
| Total investments                | 94,073      | 211,414     |
| Total                            | \$197,500   | \$231,857   |

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### 3. RESTRICTED ASSETS

Restricted assets consist of the following at June 30, 2012 and 2011:

|   | Cash     | Investments | Accrued<br>Interest<br>Receivable | Other<br>Receivables | 2012<br>Total | 2011<br>Total |
|---|----------|-------------|-----------------------------------|----------------------|---------------|---------------|
| Restricted by Bond<br>Indentures:                             |          |             |                                   |                      |               |               |
| Debt service:   |          |             |                                   |                      |               |               |
| Special facilities bonds                                      |          |             |                                   | \$41,512             | \$41,512      | \$39,262      |
| Airport revenue bonds   | \$25,671 |             |                                   |                      | 25,671        | 20,525        |
| General obligation bonds                                      | 306      |             |                                   |                      | 306           | 2,504         |
| Total   | 25,977   |             |                                   | 41,512               | 67,489        | 62,291        |
| Bond reserves:  |          |             |                                   |                      |               |               |
| Airport revenue bonds   | 674      | 49,107      | 630                               |                      | 50,411        | 51,295        |
| Total   | 674      | 49,107      | 630                               |                      | 50,411        | 51,295        |
| Construction and land<br>acquisition and associated<br>costs: |          |             |                                   |                      |               |               |
| Airport expansion   | 42,196   | 36,969      | 127                               | 15,299               | 94,591        | 120,041       |
| Contractor retainage  | 347      |             |                                   |                      | 347           | 388           |
| Total   | 42,543   | 36,969      | 127                               | 15,299               | 94,938        | 120,429       |
| Restricted by Contributors:                                   |          |             |                                   |                      |               |               |
| Airport improvements  | 2,172    |             |                                   |                      | 2,172         | 2,167         |
| International park  | 516      | 1,417       | 2                                 |                      | 1,935         | 1,921         |
| Customer facility charges                                     | 4,185    |             |                                   |                      | 4,185         | 9,006         |
| Deferred compensation   |          | 1,046       |                                   |                      | 1,046         | 950           |
| Total   | 6,873    | 2,463       | 2                                 |                      | 9,338         | 14,044        |
| Total Restricted Assets                                       | \$76,067 | \$88,539    | \$759                             | \$56,811             | \$222,176     | \$248,059     |

# **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

## **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 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 Authority was in compliance with its debt service coverage requirements as of June 30, 2012.

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, 2012, was as follows:

|  | Balance<br>July 1,<br>2011 | Additions &<br>Reclassifications | Less<br>Deletions &<br>Reclassifications | Balance<br>June 30,<br>2012 |
|--|----------------------------|----------------------------------|--|-----------------------------|
| <b>CAPITAL ASSETS NOT<br/>BEING DEPRECIATED:</b>   |                            |                                  |  |                             |
| Land   | \$160,772                  | \$8                              |  | \$160,780                   |
| Avigation easements                                | 43,703                     |                                  |  | 43,703                      |
| Construction in progress                           | 78,768                     | 93,065                           | \$41,447                                 | 130,386                     |
| Total capital assets<br>not being depreciated      | 283,243                    | 93,073                           | 41,447                                   | 334,869                     |
| <b>CAPITAL ASSETS<br/>BEING DEPRECIATED:</b>       |                            |                                  |  |                             |
| Runways, taxiways, aprons<br>and airfield lighting | 694,060                    | 17,769                           |  | 711,829                     |
| Buildings  | 347,454                    | 27,402                           |  | 374,856                     |
| Facilities constructed<br>for tenants              | 104,077                    |                                  |  | 104,077                     |
| Roads, bridges and fences                          | 60,229                     | 4,443                            |  | 64,672                      |
| Equipment and utility systems                      | 94,461                     | 3,231                            | 419                                      | 97,273                      |
| Total capital assets<br>being depreciated          | 1,300,281                  | 52,845                           | 419                                      | 1,352,707                   |
| <b>ACCUMULATED DEPRECIATED:</b>                    |                            |                                  |  |                             |
| Runways, taxiways, aprons<br>and airfield lighting | 298,092                    | 31,718                           |  | 329,810                     |
| Buildings  | 223,009                    | 14,620                           |  | 237,629                     |
| Facilities constructed<br>for tenants              | 33,860                     | 2,800                            |  | 36,660                      |
| Roads, bridges and fences                          | 24,846                     | 3,133                            |  | 27,979                      |
| Equipment and utility systems                      | 69,164                     | 5,433                            | 419                                      | 74,178                      |
| Total accumulated depreciation                     | 648,971                    | 57,704                           | 419                                      | 706,256                     |
| Total capital assets being<br>depreciated, net     | 651,310                    | (4,859)                          |  | 646,451                     |
| <b>CAPITAL ASSETS, NET</b>                         | <b>\$934,553</b>           | <b>\$88,214</b>                  | <b>\$41,447</b>                          | <b>\$981,320</b>            |

## **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

### **NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

#### **4. CAPITAL ASSETS (CONTINUED)**

The Authority capitalized \$710 and \$1,435 of interest expense, \$16 and \$56 of interest income for a net capitalization of \$693 and \$1,379 for fiscal years 2012 and 2011, respectively.

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 \$49,686 and \$51,020 for fiscal years 2012 and 2011, 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    |
|-----------|-----------|
| 2013      | \$44,106  |
| 2014      | 87,197    |
| 2015      | 41,500    |
| 2016      | 41,347    |
| 2017      | 39,757    |
| 2018-2022 | 92,445    |
| 2023-2027 | 87,366    |
| 2028-2032 | 77,363    |
| 2033-2037 | 84,037    |
| 2038-2042 | 23,235    |
| 2043-2047 | 7,682     |
| 2048-2052 | 7,682     |
| 2053-2057 | 7,682     |
| 2058-2059 | 3,073     |
| Total     | \$644,472 |



# MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### 6. LONG-TERM DEBT

Long-term debt information and activity for fiscal year 2012 was as follows:

|   | ORIGINAL<br>ISSUE<br>AMOUNT | INTEREST<br>RATES | BALANCE<br>JULY 1,<br>2011 | ADDITIONS | DEDUCTIONS | BALANCE<br>JUNE 30,<br>2012 | AMOUNTS<br>DUE<br>WITHIN<br>ONE YEAR |
|---|-----------------------------|-------------------|----------------------------|-----------|------------|-----------------------------|--------------------------------------|
| Airport Revenue Bonds:                                |                             |                   |                            |           |            |                             |                                      |
| Series 2002   | \$23,150                    | 3.25 - 5.50%      | \$6,390                    |           | \$5,530    | \$860                       | \$420                                |
| Series 2003A  | 21,030                      | 4.00 - 5.25%      | 10,075                     |           | 1,835      | 8,240                       | 1,920                                |
| Series 2008A  | 90,375                      | 3.75 - 5.00%      | 66,785                     |           | 12,280     | 54,505                      | 13,135                               |
| Series 2010A  | 30,290                      | 4.46 - 5.02%      | 30,290                     |           |            | 30,290                      |                                      |
| Series 2010B  | 159,340                     | 3.00 - 5.75%      | 159,100                    |           | 885        | 158,215                     | 5,265                                |
| Series 2011A-1  | 57,825                      | 3.00 - 6.00%      | 57,825                     |           |            | 57,825                      | 1,585                                |
| Series 2011A-2  | 32,030                      | 3.00 - 5.50%      | 32,030                     |           | 1,500      | 30,530                      | 4,125                                |
| Series 2011B  | 17,600                      | 4.50 - 5.00%      | 17,600                     |           |            | 17,600                      |                                      |
| Series 2011C  | 22,040                      | 5.00%             | 22,040                     |           |            | 22,040                      |                                      |
| Series 2011D  | 41,170                      | 4.00 - 5.25%      | 41,170                     |           |            | 41,170                      |                                      |
| Total   | 494,850                     |                   | 443,305                    |           | 22,030     | 421,275                     | 26,450                               |
| City of Memphis G. O. Bonds:                          |                             |                   |                            |           |            |                             |                                      |
| Series 1998   | 19,290                      | 5.5 - 5.7%        | 2,015                      |           | 2,015      |                             |                                      |
| Special Facilities Revenue Bonds:                     |                             |                   |                            |           |            |                             |                                      |
| Series 2003   | 45,000                      | 4.5%              | 45,000                     |           |            | 45,000                      |                                      |
| Notes Payable   | 500                         | Variable          | 30                         |           | 30         |                             |                                      |
|   | 11,500                      | Variable          |                            | \$11,500  |            | 11,500                      |                                      |
| Less unamortized deferred<br>amount on refunded bonds |                             |                   | (9,270)                    |           | (1,894)    | (7,376)                     |                                      |
| Unamortized bond premiums                             |                             |                   | 13,942                     |           | 1,908      | 12,034                      |                                      |
| Total bonds and notes payable                         | 571,140                     |                   | 495,022                    | 11,500    | 24,089     | 482,433                     | 26,450                               |
| Other liabilities:                                    |                             |                   |                            |           |            |                             |                                      |
| Compensated absences                                  |                             |                   | 1,414                      | 446       | 297        | 1,563                       | 169                                  |
| Total other liabilities                               |                             |                   | 1,414                      | 446       | 297        | 1,563                       | 169                                  |
| Total long-term debt                                  | \$571,140                   |                   | \$496,436                  | \$11,946  | \$24,386   | \$483,996                   | \$26,619                             |

The unamortized deferred amount on refunded bonds at June 30, 2012, represents \$7,376 deferred on the Airport Revenue Bonds. Interest expense includes amortization of loss on bond refunding for 2012 and 2011 of \$1,893 and \$2,087, respectively, and amortization of the net premium of \$1,908 and \$1,457, respectively.

**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 2011, the Authority sold \$89,855 of Airport Refunding Revenue Bonds, Series 2011A-1 and A-2 at a \$4,542 premium. The bonds have fixed interest rates ranging from 3.00 percent to 6.00 percent. Maturity dates range from July 1, 2011 through July 1, 2022. Certain net proceeds of \$93,936 together with \$5,408 from the debt service reserve account for the Airport Revenue Bonds, Series 2001A were deposited in escrow to defease \$60,085 and \$38,700 outstanding Series 1999D and 2001A revenue bonds, respectively, and certain net proceeds of \$812 were used to pay the cost of issuance of the bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$620 that will be charged over 11 years using the straight-line method. The refunding decreased the Authority's total debt service payments by \$28,828 and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of \$10,260.

In June 2011, the Authority sold \$80,810 of Airport Refunding Revenue Bonds, Series 2011B, C and D at a \$2,731 premium. The bonds have fixed interest rates ranging from 4.50 percent to 5.25 percent. Maturity dates range from July 1, 2018 through July 1, 2026. Certain net proceeds of \$82,842 together with \$1,077 from the debt service account for the Airport Revenue Bonds, Series 1999D, 2001A and 2001B were deposited in escrow to defease \$17,080, \$21,490 and \$42,380 outstanding Series 1999D, 2001A and 2001B revenue bonds, respectively, and certain net proceeds of \$777 were used to pay the cost of issuance of the bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$728 that will be charged over 15 years using the straight-line method. The refunding decreased the Authority's total debt service payments by \$6,484 and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of \$5,484.

**City of Memphis General Obligation Bonds** – 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. The final maturity of these bonds occurred on July 1, 2011.

## **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

### **NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

#### **6. LONG-TERM DEBT (CONTINUED)**

**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 and bear interest at 4.5 percent 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 Payable** – On July 12, 2011, the Authority entered into a note payable with an original amount of \$11,500 to purchase lease holds on currently owned property for airfield expansion. The new note is renewable on June 30, 2014 and bears interest at a rate of 30 day LIBOR plus 1.83 percent. Payments will be generated through the current leases on subject property.

**Lines of Credit** – The Authority has a revolving line of credit of \$10,000 with a bank, which is available to June 30, 2014.

The Authority has obtained a \$25,000 revolving line of credit with a bank. The purpose for this line of credit is to provide temporary funding for the purchase of leaseholds and property for airfield expansion. The amount available is reduced by the \$11,500 outstanding notes payable leaving \$13,500 available at June 30, 2012.

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### 6. LONG-TERM DEBT (CONTINUED)

**Maturities of Bond Debt and Interest Payable** – Maturities and interest payments of long-term debt are as follows:

| <b>YEAR</b>  | <b>SPECIAL<br/>FACILITIES<br/>REVENUE<br/>BONDS</b> | <b>AIRPORT<br/>REVENUE<br/>BONDS</b> | <b>INTEREST<br/>PAYMENTS</b> |
|--------------|---|--------------------------------------|------------------------------|
| 2013         |   | \$26,450                             | \$23,316                     |
| 2014         | \$45,000  | 28,785                               | 21,121                       |
| 2015         |   | 30,330                               | 18,717                       |
| 2016         |   | 32,350                               | 17,184                       |
| 2017         |   | 21,210                               | 15,523                       |
| 2018-2022    |   | 125,550                              | 59,228                       |
| 2023-2027    |   | 126,310                              | 21,512                       |
| 2028-2032    |   | 9,445                                | 6,438                        |
| 2033-2037    |   | 12,070                               | 3,762                        |
| 2038-2040    |   | 8,775                                | 672                          |
| <b>Total</b> | <b>\$45,000</b>                                     | <b>\$421,275</b>                     | <b>\$187,473</b>             |

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 bonds and general operation and maintenance costs of the airport, respectively. The special facilities and airport revenue bonds are not an obligation of any other governmental unit.

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**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, the County, or the State. The Authority has facilitated the issuance of the following series of conduit debt:

| DESCRIPTION   | AMOUNT<br>OUTSTANDING<br>AS OF JUNE 30, |                  |
|---|---|------------------|
|   | 2012                                    | 2011             |
| Special Facilities Revenue Bonds - Refunding Series 1997<br>Issued in the amount of \$3,160 bearing interest at 6.125 percent, 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. and are payable solely from and are secured by a pledge of rental payments to be received from lease agreements and Unconditional Guaranty. | \$1,480                                 | \$1,680          |
| Special Facilities Revenue Bonds- Refunding Series 1997<br>Issued in the amount of \$20,105 bearing interest at 5.35 percent, 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 Unconditional Guaranty.   | 20,105                                  | 20,105           |
| Special Facilities Revenue Bonds - Refunding Series 2002<br>Issued in the amount of \$95,770 bearing interest at 5.05 percent, 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 Unconditional Guaranty.  | 95,770                                  | 95,770           |
| <b>TOTAL</b>  | <b>\$117,355</b>                        | <b>\$117,555</b> |

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 and other Federal agreements as follows:

|                                | 2012     | 2011     |
|--------------------------------|----------|----------|
| Federal grants                 | \$29,764 | \$21,060 |
| State grants                   | 19,342   | 20,590   |
| Total Federal and State grants | 49,106   | 41,650   |
| Federal agreements             | 725      | 928      |
| Total Capital Contributions    | \$49,831 | \$42,578 |

### 9. DEFINED BENEFIT RETIREMENT PLANS

**General** – The Authority participates in the City of Memphis Retirement System (the “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 City Plan 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 City Plan 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 \$16,209 and \$16,841 for fiscal years 2012 and 2011, respectively. Total payroll was \$18,928 and \$18,766 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.

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

1. After age sixty and the completion of ten years of service
2. After age sixty-five and the completion of five years of service
3. After twenty-five years of service

# **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

## **NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

### **9. DEFINED BENEFIT RETIREMENT PLANS (CONTINUED)**

**Funding Policy** - Plan members are required to contribute 5 percent under Plan A and 8 percent under Plan B of their annual covered salary and the Authority is required to contribute at an actuarially determined rate, which was 6 percent at June 30, 2012. 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 2012, 2011, and 2010 were \$972, \$819, and \$829, 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 2012 and 2011 was \$866 and \$841, 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, 2012 and 2011, the fair value of the plan assets was \$11,453 and \$11,416, respectively. There is no separate, audited postemployment benefit plan report available for the defined contribution postemployment plan.

### **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.

The plan has been amended to meet the 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, 2012 and 2011, the fair value of the plan assets was \$5,836 and \$6,000, respectively.

## **NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

### **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, 129 employees are eligible for post-employment 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-employment health care benefits are recognized when premiums are incurred. Premiums are determined on a contract basis with the City. Expenses for fiscal years 2012, 2011, and 2010, were \$892, \$808 and \$689, respectively which were equal to the required contribution. There was no transition liability or asset as a result of implementing GASB No. 45, and the Authority has no liability for premiums due at June 30, 2012 and 2011.

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 \$3,802 for fiscal years 2012 and 2011.

The Authority receives a large portion of its operating revenues from two airlines, FedEx Express and Delta Air Lines. Rentals, landing fees, and other revenues from these two airlines were approximately 58 percent and 60 percent of operating revenues for the fiscal years 2012 and 2011, respectively.

### **14. COMMITMENTS AND CONTINGENCIES**

The Authority’s construction projects are estimated at \$312,741, of which \$150,767 has been expended through June 30, 2012. Of the remaining \$161,974 expected to be spent, the outstanding commitments were \$113,549 at June 30, 2012, 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.



## **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

### **NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

#### **14. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Amounts received or receivable from grantor agencies are subject to audit by the grantor agencies, principally the Federal government. Disallowed expenditures, if any, may constitute a liability of the applicable funds. The Authority is not aware of any disallowed expenditures at this time.

In December 2009, the Authority was served with a class action alleging violations of the Fair Credit Reporting Act ("FCRA") and the Fair and Accurate Credit Transaction Act ("FACTA") in the Authority's public parking operations. The complaint alleged statutory violations but no actual harm to any plaintiff or plaintiffs. In July 2011, the Court approved a settlement between the parties that requires the Authority to provide five dollar vouchers (with a maximum of six vouchers to be given to any one applicant) to qualified applicants and will provide a two dollar discount on the economy parking charge when the Authority's new Ground Transportation Center opens in late 2012 until \$725 has been paid out through a combination of vouchers and discounts. The Authority accrued a \$1,000 settlement amount in fiscal year 2010 and paid \$275 in plaintiff attorney fees and \$5 to the named plaintiff in fiscal year 2011.

Excluding the above case, it is the opinion of management that no other matters will have a material adverse effect upon the financial position or results of operations of the Authority.

#### **15. EXTRAORDINARY ITEMS**

In May 2011, the Mississippi River overflowed its banks and flooded the General DeWitt Spain general aviation airport. As a result, at June 30, 2012, the Authority recognized an \$873 extraordinary item loss that is comprised of airport repair costs of \$1,377 offset by building design and construction and security system cost of \$504 that were capitalized. The Authority received \$800 in insurance proceeds during FY 2012 and accrued an additional \$588 of insurance proceeds that will be received after June 30, 2012. Insurance proceeds of \$1,388 were recognized in fiscal year 2012. For fiscal year 2011 the Authority recognized \$139 extraordinary item loss that is comprised of flood mitigation and repair costs of \$1,236, General DeWitt Spain Airport asset impairments of \$54 offset by insurance proceeds received of \$725 and flood mitigation cost of \$426 that were capitalized.

## **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.



**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**SUPPLEMENTAL SCHEDULE OF STATEMENT OF**  
**NET ASSETS INFORMATION BY AIRPORT**

JUNE 30, 2012, WITH COMPARATIVE TOTALS FOR 2011

(\$ IN THOUSANDS)

|   |                                     |                                |                                    | 2012               | 2011               |
|---|-------------------------------------|--------------------------------|------------------------------------|--------------------|--------------------|
|   | Memphis<br>International<br>Airport | Charles W.<br>Baker<br>Airport | General<br>DeWitt Spain<br>Airport | Total              | Total              |
| <b>ASSETS</b>   |                                     |                                |                                    |                    |                    |
| <b>CURRENT ASSETS</b>   |                                     |                                |                                    |                    |                    |
| <b>UNRESTRICTED ASSETS</b>  |                                     |                                |                                    |                    |                    |
| Cash and cash equivalents   | \$27,339                            | \$3                            | \$18                               | \$27,360           | \$15,611           |
| Investments   | 5,534                               |                                |                                    | 5,534              | 10,271             |
| Accounts receivable   | 8,670                               | 5                              | 596                                | 9,271              | 8,986              |
| Accrued interest receivable   | 16                                  |                                |                                    | 16                 | 201                |
| Materials and supplies inventory  | 1,753                               | 59                             | 51                                 | 1,863              | 1,910              |
| Prepaid expenses  | 2,683                               | 18                             | 14                                 | 2,715              | 2,154              |
| Grants receivable   |                                     | 58                             | 58                                 | 116                | 13                 |
| Total current unrestricted assets   | 45,995                              | 143                            | 737                                | 46,875             | 39,146             |
| <b>RESTRICTED ASSETS</b>  |                                     |                                |                                    |                    |                    |
| Cash  | 76,067                              |                                |                                    | 76,067             | 4,832              |
| Investments   | 50,777                              |                                |                                    | 50,777             | 131,556            |
| Accrued interest receivable   | 759                                 |                                |                                    | 759                | 1,298              |
| Capital contribution receivable   | 14,649                              | 274                            | 376                                | 15,299             | 7,161              |
| Total current restricted assets   | 142,252                             | 274                            | 376                                | 142,902            | 144,847            |
| <b>TOTAL CURRENT ASSETS</b>   | <b>188,247</b>                      | <b>417</b>                     | <b>1,113</b>                       | <b>189,777</b>     | <b>183,993</b>     |
| <b>NON-CURRENT ASSETS</b>   |                                     |                                |                                    |                    |                    |
| <b>UNRESTRICTED ASSETS</b>  |                                     |                                |                                    |                    |                    |
| Investments   |                                     |                                |                                    |                    | 5,637              |
| <b>RESTRICTED ASSETS</b>  |                                     |                                |                                    |                    |                    |
| Investments   | 37,762                              |                                |                                    | 37,762             | 63,950             |
| Special facilities rent receivable  | 41,512                              |                                |                                    | 41,512             | 39,262             |
| Total non-current restricted assets   | 79,274                              |                                |                                    | 79,274             | 103,212            |
| <b>CAPITAL ASSETS</b>   |                                     |                                |                                    |                    |                    |
| Land and improvements   | 159,100                             | 479                            | 1,201                              | 160,780            | 160,772            |
| Avigation easements   | 43,703                              |                                |                                    | 43,703             | 43,703             |
| Depreciable capital assets (less<br>accumulated depreciation of<br>\$702,256 and \$648,971) | 642,593                             | 1,085                          | 2,773                              | 646,451            | 651,310            |
| Construction in progress  | 130,386                             |                                |                                    | 130,386            | 78,768             |
| Total capital assets, net   | 975,782                             | 1,564                          | 3,974                              | 981,320            | 934,553            |
| <b>BOND ISSUE COSTS (less accumulated<br/>amortization of \$4,875 and \$4,181)</b>          |                                     |                                |                                    |                    |                    |
|   | 3,957                               |                                |                                    | 3,957              | 4,648              |
| <b>TOTAL NON-CURRENT ASSETS</b>   | <b>1,059,013</b>                    | <b>1,564</b>                   | <b>3,974</b>                       | <b>1,064,551</b>   | <b>1,048,050</b>   |
| <b>TOTAL ASSETS</b>   | <b>\$1,247,260</b>                  | <b>\$1,981</b>                 | <b>\$5,087</b>                     | <b>\$1,254,328</b> | <b>\$1,232,043</b> |

|   |                                     |                                |                                    | 2012             | 2011             |
|---|-------------------------------------|--------------------------------|------------------------------------|------------------|------------------|
|   | Memphis<br>International<br>Airport | Charles W.<br>Baker<br>Airport | General<br>DeWitt Spain<br>Airport | Total            | Total            |
| <b>LIABILITIES</b>                              |                                     |                                |                                    |                  |                  |
| <b>CURRENT LIABILITIES</b>                      |                                     |                                |                                    |                  |                  |
| Payable from unrestricted assets:               |                                     |                                |                                    |                  |                  |
| Accounts payable                                | \$5,222                             | \$2                            |                                    | \$5,224          | \$6,257          |
| Accrued expenses                                | 3,129                               |                                |                                    | 3,129            | 2,042            |
| Due to (from) other airports                    | (6,761)                             | 2,329                          | \$4,432                            |                  |                  |
| Current portion - compensated absences          | 165                                 | 2                              | 2                                  | 169              | 224              |
| <b>Total payable from unrestricted assets</b>   | <b>1,755</b>                        | <b>2,333</b>                   | <b>4,434</b>                       | <b>8,522</b>     | <b>8,523</b>     |
| Payable from restricted assets:                 |                                     |                                |                                    |                  |                  |
| Construction contracts payable                  | 9,627                               |                                |                                    | 9,627            | 6,723            |
| Accrued interest payable                        | 11,256                              |                                |                                    | 11,256           | 8,998            |
| Current maturities of long-term debt            | 26,450                              |                                |                                    | 26,450           | 24,075           |
| <b>Total payable from restricted assets</b>     | <b>47,333</b>                       |                                |                                    | <b>47,333</b>    | <b>39,796</b>    |
| <b>TOTAL CURRENT LIABILITIES</b>                | <b>49,088</b>                       | <b>2,333</b>                   | <b>4,434</b>                       | <b>55,855</b>    | <b>48,319</b>    |
| <b>NON-CURRENT LIABILITIES</b>                  |                                     |                                |                                    |                  |                  |
| Deferred lease revenue                          | 71,747                              |                                |                                    | 71,747           | 73,287           |
| Compensated absences                            | 1,342                               | 26                             | 26                                 | 1,394            | 1,190            |
| Settlement                                      |                                     |                                |                                    |                  | 645              |
| Bonds and notes payable                         | 455,983                             |                                |                                    | 455,983          | 470,947          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>            | <b>529,072</b>                      | <b>26</b>                      | <b>26</b>                          | <b>529,124</b>   | <b>546,069</b>   |
| <b>TOTAL LIABILITIES</b>                        | <b>\$578,160</b>                    | <b>\$2,359</b>                 | <b>\$4,460</b>                     | <b>\$584,979</b> | <b>\$594,388</b> |
| <b>NET ASSETS</b>                               |                                     |                                |                                    |                  |                  |
| Invested in capital assets, net of related debt | 544,494                             | 1,564                          | 3,974                              | 550,032          | 494,311          |
| Restricted for:                                 |                                     |                                |                                    |                  |                  |
| Capital acquisition                             | 92,807                              | 274                            | 376                                | 93,457           | 118,699          |
| Unrestricted                                    | 31,799                              | (2,216)                        | (3,723)                            | 25,860           | 24,645           |
| <b>TOTAL NET ASSETS (DEFICITS)</b>              | <b>\$669,100</b>                    | <b>(\$378)</b>                 | <b>\$627</b>                       | <b>\$669,349</b> | <b>\$637,655</b> |

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**SUPPLEMENTAL SCHEDULE OF STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS INFORMATION BY AIRPORT**  
YEAR ENDED JUNE 30, 2012, WITH COMPARATIVE TOTALS FOR 2011  
(\$ IN THOUSANDS)

|  |                                     |                                |                                    | 2012      | 2011      |
|--|-------------------------------------|--------------------------------|------------------------------------|-----------|-----------|
|  | Memphis<br>International<br>Airport | Charles W.<br>Baker<br>Airport | General<br>DeWitt Spain<br>Airport | Total     | Total     |
| <b>OPERATING REVENUES</b>  |                                     |                                |                                    |           |           |
| Airfield   | \$43,854                            | \$406                          | \$468                              | \$44,728  | \$45,130  |
| Terminal building  | 31,336                              |                                |                                    | 31,336    | 30,911    |
| Ground transportation  | 19,593                              |                                |                                    | 19,593    | 20,877    |
| Other aviation areas   | 4,721                               | 112                            | 78                                 | 4,911     | 5,419     |
| Non-aviation areas   | 10,239                              |                                |                                    | 10,239    | 9,423     |
| Total operating revenues   | 109,743                             | 518                            | 546                                | 110,807   | 111,760   |
| <b>OPERATING EXPENSES</b>  |                                     |                                |                                    |           |           |
| Airfield   | 9,013                               | 413                            | 510                                | 9,936     | 10,417    |
| Terminal building  | 14,713                              |                                |                                    | 14,713    | 14,337    |
| Ground transportation  | 4,523                               |                                |                                    | 4,523     | 4,287     |
| General administration   | 15,676                              | 224                            | 219                                | 16,119    | 15,943    |
| Police   | 7,172                               |                                |                                    | 7,172     | 7,304     |
| Field shop   | 1,592                               |                                |                                    | 1,592     | 1,679     |
| Other aviation areas   | 176                                 | 3                              | 4                                  | 183       | 317       |
| Non-aviation areas   | 939                                 |                                |                                    | 939       | 654       |
| Total operating expenses before<br>depreciation and amortization             | 53,804                              | 640                            | 733                                | 55,177    | 54,938    |
| DEPRECIATION AND AMORTIZATION  | 57,909                              | 230                            | 259                                | 58,398    | 57,067    |
| OPERATING LOSS   | (1,970)                             | (352)                          | (446)                              | (2,768)   | (245)     |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                                     |                                     |                                |                                    |           |           |
| Interest and investment income   | 2,261                               |                                |                                    | 2,261     | 2,697     |
| Interest expense   | (23,536)                            |                                |                                    | (23,536)  | (25,772)  |
| Customer facility charges  | 5,151                               |                                |                                    | 5,151     | 4,911     |
| Insurance proceeds   |                                     |                                | 1,388                              | 1,388     |           |
| Operating grants   |                                     | 58                             | 58                                 | 116       | 123       |
| (Loss) Gain on capital assets  | 124                                 |                                |                                    | 124       | (2,592)   |
| Total non-operating expenses, net  | (16,000)                            | 58                             | 1,446                              | (14,496)  | (20,633)  |
| <b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS<br/>AND EXTRAORDINARY ITEM</b> | (17,970)                            | (294)                          | 1,000                              | (17,264)  | (20,878)  |
| <b>CAPITAL CONTRIBUTIONS</b>   | 49,189                              | 264                            | 378                                | 49,831    | 42,578    |
| <b>EXTRAORDINARY ITEM</b>  |                                     |                                | (873)                              | (873)     | (139)     |
| <b>CHANGE IN NET ASSETS</b>  | 31,219                              | (30)                           | 505                                | 31,694    | 21,561    |
| <b>TOTAL NET ASSETS, (DEFICITS)</b>  |                                     |                                |                                    |           |           |
| <b>BEGINNING OF YEAR</b>   | 637,881                             | (348)                          | 122                                | 637,655   | 616,094   |
| <b>TOTAL NET ASSETS, (DEFICITS) END OF YEAR</b>                              | \$669,100                           | (\$378)                        | \$627                              | \$669,349 | \$637,655 |

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**SUPPLEMENTAL SCHEDULE OF STATEMENT OF**  
**CASH FLOWS INFORMATION BY AIRPORT**  
YEAR ENDED JUNE 30, 2012, WITH COMPARATIVE TOTALS FOR 2011  
(\$ IN THOUSANDS)

|  |                                     |                                |                                    | 2012             | 2011            |
|--|-------------------------------------|--------------------------------|------------------------------------|------------------|-----------------|
|  | Memphis<br>International<br>Airport | Charles W.<br>Baker<br>Airport | General<br>DeWitt Spain<br>Airport | Total            | Total           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                                     |                                |                                    |                  |                 |
| Cash received from customers                                       | \$105,517                           | \$518                          | \$697                              | \$106,732        | \$105,656       |
| Cash paid to suppliers for goods and services                      | (31,393)                            | (70)                           | (80)                               | (31,543)         | (28,150)        |
| Cash paid to employees for services                                | (24,267)                            | (159)                          | (164)                              | (24,590)         | (24,047)        |
| Net cash provided by operating activities                          | 49,857                              | 289                            | 453                                | 50,599           | 53,459          |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>            |                                     |                                |                                    |                  |                 |
| Operating grants received  |                                     | 13                             |                                    | 13               | 136             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>    |                                     |                                |                                    |                  |                 |
| Proceeds from the sale of capital assets                           | 124                                 |                                |                                    | 124              | 190             |
| Acquisition and construction of capital assets                     | (99,872)                            | (320)                          | (974)                              | (101,166)        | (71,791)        |
| Payments to other governments and entities                         |                                     |                                |                                    |                  | (4)             |
| Proceed from bond refunding  | 275                                 |                                |                                    | 275              |                 |
| Principal paid on long-term debt, notes payable and capital leases | (12,589)                            |                                |                                    | (12,589)         | (32,390)        |
| Interest paid on long-term debt                                    | (21,973)                            |                                |                                    | (21,973)         | (26,805)        |
| Capital contributions received                                     | 41,651                              | 18                             | 24                                 | 41,693           | 45,381          |
| Customer facility charges  | 5,151                               |                                |                                    | 5,151            | 4,911           |
| Proceeds from insurance  |                                     |                                | 1,388                              | 1,388            |                 |
| Extraordinary item   |                                     |                                | (873)                              | (873)            | (864)           |
| Net cash used in capital and related financing activities          | (87,233)                            | (302)                          | (435)                              | (87,970)         | (81,372)        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |                                     |                                |                                    |                  |                 |
| Purchase of investment securities                                  | (52,826)                            |                                |                                    | (52,826)         | (240,647)       |
| Proceeds from sales and maturities of investment securities, net   | 168,133                             |                                |                                    | 168,133          | 267,091         |
| Interest and dividends on investments                              | 5,035                               |                                |                                    | 5,035            | 2,577           |
| Net cash provided by investing activities                          | 120,342                             |                                |                                    | 120,342          | 29,021          |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                   | 82,966                              |                                | 18                                 | 82,984           | 1,244           |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                | 20,440                              | 3                              |                                    | 20,443           | 19,199          |
| <b>END OF YEAR</b>   | <b>\$103,406</b>                    | <b>\$3</b>                     | <b>\$18</b>                        | <b>\$103,427</b> | <b>\$20,443</b> |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR CONSIST OF</b>           |                                     |                                |                                    |                  |                 |
| Unrestricted cash and cash equivalents                             | \$27,339                            | \$3                            | \$18                               | \$27,360         | \$15,611        |
| Restricted cash  | 76,067                              |                                |                                    | 76,067           | 4,832           |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                      | <b>\$103,406</b>                    | <b>\$3</b>                     | <b>\$18</b>                        | <b>\$103,427</b> | <b>\$20,443</b> |

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**SUPPLEMENTAL SCHEDULE OF STATEMENT OF**  
**CASH FLOWS INFORMATION BY AIRPORT (CONTINUED)**

YEAR ENDED JUNE 30, 2012, WITH COMPARATIVE TOTALS FOR 2011  
(\$ IN THOUSANDS)

|  |                                     |                                |                                    | 2012      | 2011     |
|--|-------------------------------------|--------------------------------|------------------------------------|-----------|----------|
|  | Memphis<br>International<br>Airport | Charles W.<br>Baker<br>Airport | General<br>DeWitt Spain<br>Airport | Total     | Total    |
| <b>RECONCILIATION OF OPERATING INCOME TO<br/>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |                                     |                                |                                    |           |          |
| Operating loss   | (\$1,970)                           | (\$352)                        | (\$446)                            | (\$2,768) | (\$245)  |
| Adjustments to reconcile operating loss<br>to net cash provided by operating activities:   |                                     |                                |                                    |           |          |
| Depreciation and amortization  | 57,909                              | 230                            | 259                                | 58,398    | 57,067   |
| Provision for uncollectible accounts receivable  | 16                                  |                                |                                    | 16        | 6        |
| (Increase) decrease in assets:   |                                     |                                |                                    |           |          |
| Receivables  | (2,702)                             |                                | 151                                | (2,551)   | (4,574)  |
| Materials and supplies inventory   | 33                                  | (17)                           | 31                                 | 47        | (211)    |
| Prepaid expenses   | (555)                               | (3)                            | (3)                                | (561)     | 487      |
| Increase (decrease) in liabilities:  |                                     |                                |                                    |           |          |
| Accounts payable   | (1,031)                             | (2)                            |                                    | (1,033)   | 1,669    |
| Accrued expenses   | (953)                               | 4                              |                                    | (949)     | (740)    |
| Transfer between airports for operating activities   | (890)                               | 429                            | 461                                |           |          |
| Net cash provided by operating activities  | \$49,857                            | \$289                          | \$453                              | \$50,599  | \$53,459 |



**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**SUPPLEMENTAL SCHEDULE OF OPERATING REVENUES**  
**BY SOURCE BY AIRPORT**

YEAR ENDED JUNE 30, 2012, WITH COMPARATIVE TOTALS FOR 2011

(\$ IN THOUSANDS)

|  |                                     |                                |                                    | 2012             | 2011             |
|--|-------------------------------------|--------------------------------|------------------------------------|------------------|------------------|
|  | Memphis<br>International<br>Airport | Charles W.<br>Baker<br>Airport | General<br>DeWitt Spain<br>Airport |                  |                  |
| <b>AIRFIELD</b>                                      |                                     |                                |                                    |                  |                  |
| Landing fees - signatory                             | \$32,654                            |                                |                                    | \$32,654         | \$31,607         |
| Landing fees - non-signatory                         | 3,507                               |                                |                                    | 3,507            | 5,042            |
| Apron fees   | 752                                 | 5                              |                                    | 757              | 864              |
| Fuel flow fees - fixed base operations               | 195                                 |                                |                                    | 195              | 203              |
| Ground rentals - fixed base operations               | 595                                 |                                |                                    | 595              | 511              |
| Ground rentals - airlines                            | 6,104                               |                                |                                    | 6,104            | 6,130            |
| Other  | 47                                  | 401                            | 468                                | 916              | 773              |
| Total  | 43,854                              | 406                            | 468                                | 44,728           | 45,130           |
| <b>TERMINAL BUILDING</b>                             |                                     |                                |                                    |                  |                  |
| Space rental - airlines                              | 20,094                              |                                |                                    | 20,094           | 17,275           |
| Concessionaires - food and beverages                 | 1,747                               |                                |                                    | 1,747            | 2,091            |
| Concessionaires - other                              | 3,529                               |                                |                                    | 3,529            | 4,009            |
| Shared tenant - telephone system                     | 324                                 |                                |                                    | 324              | 358              |
| Other commissions fees, etc.                         | 718                                 |                                |                                    | 718              | 909              |
| Debt service rental                                  | 4,924                               |                                |                                    | 4,924            | 6,269            |
| Total  | 31,336                              |                                |                                    | 31,336           | 30,911           |
| <b>GROUND TRANSPORTATION</b>                         |                                     |                                |                                    |                  |                  |
| Public parking                                       | 10,196                              |                                |                                    | 10,196           | 11,356           |
| Employee parking                                     | 1,643                               |                                |                                    | 1,643            | 1,842            |
| Rental car agencies and other                        | 7,754                               |                                |                                    | 7,754            | 7,679            |
| Total  | 19,593                              |                                |                                    | 19,593           | 20,877           |
| <b>OTHER AVIATION AREAS</b>                          |                                     |                                |                                    |                  |                  |
| Building rentals - fixed base operations             | 394                                 | 3                              |                                    | 397              | 394              |
| Building rentals - airlines                          | 294                                 |                                |                                    | 294              | 300              |
| Building rentals - others                            | 44                                  | 85                             | 57                                 | 186              | 229              |
| Cargo building rentals - airlines                    | 741                                 |                                |                                    | 741              | 1,209            |
| Cargo building rentals - other                       | 286                                 |                                |                                    | 286              | 299              |
| Fuel farm - airlines                                 | 10                                  |                                |                                    | 10               | 10               |
| Fuel farm - others                                   | 6                                   |                                |                                    | 6                | 3                |
| Ground rentals - airlines                            | 1,003                               |                                |                                    | 1,003            | 1,000            |
| Ground rentals - others                              | 1,943                               | 24                             | 21                                 | 1,988            | 1,975            |
| Total  | 4,721                               | 112                            | 78                                 | 4,911            | 5,419            |
| <b>NON-AVIATION AREAS</b>                            |                                     |                                |                                    |                  |                  |
| Rental - commercial sites                            | 842                                 |                                |                                    | 842              | 145              |
| Rental - hotel                                       | 181                                 |                                |                                    | 181              | 178              |
| Special facilities and other restricted lease income | 5,783                               |                                |                                    | 5,783            | 5,867            |
| Other  | 3,433                               |                                |                                    | 3,433            | 3,233            |
| Total  | 10,239                              |                                |                                    | 10,239           | 9,423            |
| <b>TOTAL OPERATING REVENUES</b>                      | <b>\$109,743</b>                    | <b>\$518</b>                   | <b>\$546</b>                       | <b>\$110,807</b> | <b>\$111,760</b> |

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES**  
**BY SOURCE BY AIRPORT**

YEAR ENDED JUNE 30, 2012, WITH COMPARATIVE TOTALS FOR 2011  
(\$ IN THOUSANDS)

|   |                                     |                                |                                    | 2012             | 2011             |
|---|-------------------------------------|--------------------------------|------------------------------------|------------------|------------------|
|   | Memphis<br>International<br>Airport | Charles W.<br>Baker<br>Airport | General<br>DeWitt Spain<br>Airport | Total            | Total            |
| <b>AIRFIELD</b>                                 |                                     |                                |                                    |                  |                  |
| Airfield maintenance and operations             | \$5,875                             | \$413                          | \$510                              | \$6,798          | \$7,177          |
| Salaries and employee benefits                  | 3,138                               |                                |                                    | 3,138            | 3,240            |
| Total   | 9,013                               | 413                            | 510                                | 9,936            | 10,417           |
| <b>TERMINAL BUILDING</b>                        |                                     |                                |                                    |                  |                  |
| Terminal shop maintenance and operations        | 8,898                               |                                |                                    | 8,898            | 8,622            |
| Steam and refrigeration                         | 215                                 |                                |                                    | 215              | 187              |
| Salaries and employee benefits                  | 5,318                               |                                |                                    | 5,318            | 5,172            |
| Shared tenant - telephone systems               | 230                                 |                                |                                    | 230              | 262              |
| Customer service operations                     | 52                                  |                                |                                    | 52               | 94               |
| Total   | 14,713                              |                                |                                    | 14,713           | 14,337           |
| <b>GROUND TRANSPORTATION</b>                    |                                     |                                |                                    |                  |                  |
| Public parking - operations                     | 2,498                               |                                |                                    | 2,498            | 2,238            |
| Employee parking - operations                   | 1,637                               |                                |                                    | 1,637            | 1,655            |
| Taxicab operations                              | 388                                 |                                |                                    | 388              | 394              |
| Total   | 4,523                               |                                |                                    | 4,523            | 4,287            |
| <b>GENERAL ADMINISTRATION</b>                   |                                     |                                |                                    |                  |                  |
| General - non-departmental                      | 1,187                               | 56                             | 55                                 | 1,298            | 2,519            |
| General - departmental                          | 4,115                               |                                |                                    | 4,115            | 3,125            |
| Telephone                                       | 182                                 | 5                              |                                    | 187              | 124              |
| Salaries and employee benefits                  | 10,192                              | 163                            | 164                                | 10,519           | 10,175           |
| Total   | 15,676                              | 224                            | 219                                | 16,119           | 15,943           |
| <b>POLICE</b>                                   |                                     |                                |                                    |                  |                  |
| Airport police operations                       | 1,274                               |                                |                                    | 1,274            | 1,383            |
| Salaries and employee benefits                  | 5,586                               |                                |                                    | 5,586            | 5,501            |
| Operation coordinators                          | 312                                 |                                |                                    | 312              | 420              |
| Total   | 7,172                               |                                |                                    | 7,172            | 7,304            |
| <b>FIELD SHOP</b>                               |                                     |                                |                                    |                  |                  |
| Field and paint shop maintenance and operations | 972                                 |                                |                                    | 972              | 1,002            |
| Salaries and employee benefits                  | 620                                 |                                |                                    | 620              | 677              |
| Total   | 1,592                               |                                |                                    | 1,592            | 1,679            |
| <b>OTHER AVIATION AREAS</b>                     |                                     |                                |                                    |                  |                  |
| Cargo building complexes                        | 10                                  | 3                              | 2                                  | 15               | 22               |
| Other aviation areas                            | 166                                 |                                | 2                                  | 168              | 295              |
| Total   | 176                                 | 3                              | 4                                  | 183              | 317              |
| <b>NON-AVIATION AREAS</b>                       |                                     |                                |                                    |                  |                  |
|   | 939                                 |                                |                                    | 939              | 654              |
| <b>Total Operating Expenses Before</b>          |                                     |                                |                                    |                  |                  |
| Depreciation and Amortization                   | 53,804                              | 640                            | 733                                | 55,177           | 54,938           |
| DEPRECIATION AND AMORTIZATION                   | 57,909                              | 230                            | 259                                | 58,398           | 57,067           |
| <b>TOTAL OPERATING EXPENSES</b>                 | <b>\$111,713</b>                    | <b>\$870</b>                   | <b>\$992</b>                       | <b>\$113,575</b> | <b>\$112,005</b> |



**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**SUPPLEMENTAL SCHEDULE OF DEBT SERVICE**  
**REQUIREMENTS – CASH BASIS**  
**YEAR ENDED JUNE 30, 2012 (\$ IN THOUSANDS)**

**AIRPORT REVENUE BONDS**

| Fiscal Year        | Series 2002 | Series 2003A | Series 2008A | Series 2010A | Series 2010B | Series 2011A-1 | Series 2011A-2 |
|--------------------|-------------|--------------|--------------|--------------|--------------|----------------|----------------|
| 2013               | \$448       | \$2,295      | \$15,783     | \$1,514      | \$13,792     | \$4,491        | \$5,506        |
| 2014               | 450         | 2,287        | 15,216       | 1,515        | 11,606       | 8,424          | 5,484          |
| 2015               |             | 2,276        | 15,062       | 1,514        | 10,050       | 10,778         | 5,453          |
| 2016               |             | 2,263        | 15,198       | 1,515        | 10,268       | 10,931         | 5,447          |
| 2017               |             |              |              | 1,514        | 13,723       | 12,138         | 5,445          |
| 2018               |             |              |              | 1,515        | 20,632       | 5,173          | 5,422          |
| 2019               |             |              |              | 1,514        | 20,589       | 5,109          | 3,211          |
| 2020               |             |              |              | 1,515        | 20,561       | 4,468          |                |
| 2021               |             |              |              | 1,514        | 20,531       | 4,458          |                |
| 2022               |             |              |              | 1,515        | 20,496       | 4,484          |                |
| 2023               |             |              |              | 1,514        | 20,465       | 2,807          |                |
| 2024               |             |              |              | 1,515        | 20,439       |                |                |
| 2025               |             |              |              | 1,514        | 20,409       |                |                |
| 2026               |             |              |              | 1,515        | 13,327       |                |                |
| 2027               |             |              |              | 1,514        |              |                |                |
| 2028               |             |              |              | 3,181        |              |                |                |
| 2029               |             |              |              | 3,179        |              |                |                |
| 2030               |             |              |              | 3,177        |              |                |                |
| 2031               |             |              |              | 3,175        |              |                |                |
| 2032               |             |              |              | 3,169        |              |                |                |
| 2033               |             |              |              | 3,173        |              |                |                |
| 2034               |             |              |              | 3,166        |              |                |                |
| 2035               |             |              |              | 3,168        |              |                |                |
| 2036               |             |              |              | 3,165        |              |                |                |
| 2037               |             |              |              | 3,160        |              |                |                |
| 2038               |             |              |              | 3,154        |              |                |                |
| 2039               |             |              |              | 3,147        |              |                |                |
| 2040               |             |              |              | 3,147        |              |                |                |
| Total              | 898         | 9,121        | 61,259       | 63,878       | 236,888      | 73,261         | 35,968         |
| Less interest      | 38          | 881          | 6,754        | 33,588       | 78,673       | 15,436         | 5,438          |
| Principal payments | \$860       | \$8,240      | \$54,505     | \$30,290     | \$158,215    | \$57,825       | \$30,530       |

*The schedule of debt service requirements presents principal and interest when due.*

**Special  
Facilities  
Bonds**

| Series<br>2011B | Series<br>2011C | Series<br>2011D | Total     | Series<br>2003 | Total of<br>All Bonds |
|-----------------|-----------------|-----------------|-----------|----------------|-----------------------|
| \$851           | \$1,102         | \$1,959         | \$47,741  | \$2,025        | \$49,766              |
| 851             | 1,102           | 1,959           | 48,894    | 46,012         | 94,906                |
| 851             | 1,102           | 1,959           | 49,045    |                | 49,045                |
| 852             | 1,102           | 1,959           | 49,535    |                | 49,535                |
| 852             | 1,102           | 1,959           | 36,733    |                | 36,733                |
| 852             | 1,102           | 1,959           | 36,655    |                | 36,655                |
| 852             | 3,734           | 1,959           | 36,968    |                | 36,968                |
| 852             | 6,949           | 1,959           | 36,304    |                | 36,304                |
| 852             | 6,939           | 1,959           | 36,253    |                | 36,253                |
| 852             | 6,934           | 4,319           | 38,600    |                | 38,600                |
| 2,792           |                 | 9,292           | 36,870    |                | 36,870                |
| 5,606           |                 | 9,315           | 36,875    |                | 36,875                |
| 5,596           |                 | 9,275           | 36,794    |                | 36,794                |
| 5,586           |                 | 9,267           | 29,695    |                | 29,695                |
|                 |                 | 6,074           | 7,588     |                | 7,588                 |
|                 |                 |                 | 3,181     |                | 3,181                 |
|                 |                 |                 | 3,179     |                | 3,179                 |
|                 |                 |                 | 3,177     |                | 3,177                 |
|                 |                 |                 | 3,175     |                | 3,175                 |
|                 |                 |                 | 3,169     |                | 3,169                 |
|                 |                 |                 | 3,173     |                | 3,173                 |
|                 |                 |                 | 3,166     |                | 3,166                 |
|                 |                 |                 | 3,168     |                | 3,168                 |
|                 |                 |                 | 3,165     |                | 3,165                 |
|                 |                 |                 | 3,160     |                | 3,160                 |
|                 |                 |                 | 3,154     |                | 3,154                 |
|                 |                 |                 | 3,147     |                | 3,147                 |
|                 |                 |                 | 3,147     |                | 3,147                 |
| 28,097          | 31,168          | 65,173          | 605,711   | 48,037         | 653,748               |
| 10,497          | 9,128           | 24,003          | 184,436   | 3,037          | 187,473               |
| \$17,600        | \$22,040        | \$41,170        | \$421,275 | \$45,000       | \$466,275             |

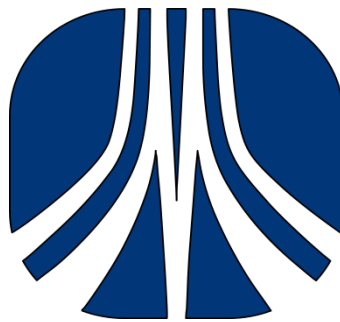




# STATISTICAL SECTION

*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 |
|---|------|
| <b>Financial Trends</b><br><i>These schedules contain trend information to help the reader understand how the Authority's financial performance and Well-being have changed over time.....</i>  | 76   |
| <b>Revenue Capacity</b><br><i>These schedules contain information to help the reader assess the Authority's most significant revenue sources.....</i>   | 80   |
| <b>Debt Capacity</b><br><i>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.....</i>          | 89   |
| <b>Demographic and Economic Information</b><br><i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.....</i>           | 94   |
| <b>Operating Information</b><br><i>These schedules contain service data to help the reader understand How the information in the Authority's financial report relates to The services it provides and the activities it performs.....</i> | 97   |





**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**OPERATING REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
LAST TEN YEARS (IN THOUSANDS)

|  | 2012            | 2011            | 2010            |
|--|-----------------|-----------------|-----------------|
| <b>OPERATING REVENUES:</b>                               |                 |                 |                 |
| Airfield   | \$44,728        | \$45,130        | \$44,329        |
| Terminal   | 31,336          | 30,911          | 29,935          |
| Ground transportation                                    | 19,593          | 20,877          | 20,726          |
| Other aviation areas                                     | 4,911           | 5,419           | 5,485           |
| Non-aviation areas                                       | 10,239          | 9,423           | 8,807           |
|  | 110,807         | 111,760         | 109,282         |
| Rental credit for signatory airlines                     |                 |                 |                 |
| <b>TOTAL</b>   | <b>110,807</b>  | <b>111,760</b>  | <b>109,282</b>  |
| <b>OPERATING EXPENSES:</b>                               |                 |                 |                 |
| Airfield   | 9,936           | 10,417          | 10,033          |
| Terminal building  | 14,713          | 14,337          | 13,898          |
| Ground transportation                                    | 4,523           | 4,287           | 4,230           |
| General administration                                   | 16,119          | 15,943          | 15,372          |
| Police   | 7,172           | 7,304           | 6,934           |
| Field shop   | 1,592           | 1,679           | 1,607           |
| Other aviation areas                                     | 183             | 317             | 231             |
| Non-aviation areas                                       | 939             | 654             | 765             |
| <b>TOTAL</b>   | <b>55,177</b>   | <b>54,938</b>   | <b>53,070</b>   |
| <b>DEPRECIATION AND AMORTIZATION</b>                     | <b>58,398</b>   | <b>57,067</b>   | <b>55,940</b>   |
| <b>OPERATING INCOME (LOSS)</b>                           | <b>(2,768)</b>  | <b>(245)</b>    | <b>272</b>      |
| <b>NON-OPERATING REVENUE (EXPENSE):</b>                  |                 |                 |                 |
| Interest and investment income                           | 2,261           | 2,697           | 2,900           |
| Customer facility charge                                 | 5,151           | 4,911           | 4,559           |
| Discretionary reserve credit                             |                 |                 |                 |
| Insurance Proceeds                                       | 1,388           |                 | 203             |
| Operating grants   | 116             | 123             | 26              |
| (Loss) Gain on sale of capital assets                    | 124             | (2,592)         | 175             |
| <b>Total Non-Operating Revenue</b>                       | <b>9,040</b>    | <b>5,139</b>    | <b>7,863</b>    |
| Interest Expense   | (23,536)        | (25,772)        | (28,679)        |
| <b>TOTAL</b>   | <b>(14,496)</b> | <b>(20,633)</b> | <b>(20,816)</b> |
| <b>LOSS BEFORE CONTRIBUTIONS AND EXTRAORDINARY ITEMS</b> | <b>(17,264)</b> | <b>(20,878)</b> | <b>(20,544)</b> |
| <b>CAPITAL CONTRIBUTIONS</b>                             | <b>49,831</b>   | <b>42,578</b>   | <b>53,353</b>   |
| <b>EXTRAORDINARY ITEM</b>                                | <b>(873)</b>    | <b>(139)</b>    |                 |
| <b>CHANGE IN NET ASSETS</b>                              | <b>\$31,694</b> | <b>\$21,561</b> | <b>\$32,809</b> |

| 2009     | 2008     | 2007     | 2006     | 2005     | 2004     | 2003     |
|----------|----------|----------|----------|----------|----------|----------|
| \$44,712 | \$46,875 | \$46,867 | \$48,013 | \$48,769 | \$45,763 | \$46,995 |
| 29,123   | 29,929   | 28,728   | 29,287   | 29,659   | 26,354   | 27,901   |
| 20,970   | 23,740   | 23,317   | 21,850   | 18,972   | 17,799   | 17,213   |
| 5,409    | 4,473    | 4,986    | 4,824    | 4,562    | 4,191    | 4,062    |
| 7,738    | 6,530    | 8,736    | 7,041    | 6,431    | 6,302    | 7,280    |
| 107,952  | 111,547  | 112,634  | 111,015  | 108,393  | 100,409  | 103,451  |
|          |          |          |          |          | (7,209)  |          |
| 107,952  | 111,547  | 112,634  | 111,015  | 108,393  | 93,200   | 103,451  |
| 9,977    | 10,421   | 10,396   | 8,265    | 7,149    | 6,905    | 6,963    |
| 14,059   | 14,122   | 12,533   | 12,538   | 12,158   | 11,760   | 11,381   |
| 4,257    | 4,322    | 4,492    | 4,045    | 4,516    | 4,126    | 4,188    |
| 13,697   | 14,668   | 13,852   | 15,551   | 11,967   | 11,563   | 11,287   |
| 5,625    | 5,690    | 4,373    | 4,432    | 4,497    | 4,280    | 4,698    |
| 1,618    | 1,819    | 1,161    | 1,478    | 1,436    | 1,168    | 1,259    |
| 204      | 143      | 174      | 76       | 62       | 50       | 97       |
| 745      | 724      | 4,505    | 410      | 217      | 537      | 859      |
| 50,182   | 51,909   | 51,486   | 46,795   | 42,002   | 40,389   | 40,732   |
| 52,908   | 49,230   | 50,464   | 44,264   | 44,463   | 43,474   | 41,119   |
| 4,862    | 10,408   | 10,684   | 19,956   | 21,928   | 9,337    | 21,600   |
| 8,251    | 11,977   | 11,138   | 8,149    | 5,830    | 3,391    | 6,519    |
| 4,758    | 5,938    | 1,323    |          |          |          |          |
|          |          |          |          |          | (4,530)  |          |
| 1,902    |          |          |          |          |          |          |
| 1,127    | 867      | 171      | 163      | 118      | 239      | 151      |
| (7,165)  | 69       |          |          |          |          |          |
| 8,873    | 18,851   | 12,632   | 8,312    | 5,948    | (900)    | 6,670    |
| (31,313) | (32,074) | (33,255) | (34,847) | (34,118) | (31,835) | (33,090) |
| (22,440) | (13,223) | (20,623) | (26,535) | (28,170) | (32,735) | (26,420) |
| (17,578) | (2,815)  | (9,939)  | (6,579)  | (6,242)  | (23,398) | (4,820)  |
| 44,444   | 27,547   | 49,532   | 26,042   | 24,337   | 42,866   | 7,473    |
| \$26,866 | \$24,732 | \$39,593 | \$19,463 | \$18,095 | \$19,468 | \$2,653  |



**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**NET ASSETS**  
**LAST TEN YEARS (IN THOUSANDS)**

|  | FY 2012   | FY 2011   | FY 2010   | FY 2009   | FY 2008   | FY 2007   | FY 2006   | FY 2005   | FY 2004   | FY 2003   |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Invested in capital assets,<br>net of related debt | \$550,032 | \$494,311 | \$457,560 | \$438,852 | \$407,677 | \$383,985 | \$351,896 | \$333,199 | \$320,251 | \$309,223 |
| Restricted for:                                    |           |           |           |           |           |           |           |           |           |           |
| Debt Services                                      |           |           |           |           |           |           | 102,440   | 100,086   | 97,823    | 96,409    |
| Capital Acquisitions                               | 93,457    | 118,699   | 135,975   | 123,059   | 128,607   | 126,566   | 12,814    | 16,115    | 19,278    | 2,779     |
| Total Restricted                                   | 93,457    | 118,699   | 135,975   | 123,059   | 128,607   | 126,566   | 115,254   | 116,201   | 117,101   | 99,188    |
| Unrestricted                                       | 25,860    | 24,645    | 22,559    | 21,374    | 20,135    | 21,136    | 24,944    | 23,231    | 17,184    | 26,657    |
| Total Net Assets                                   | \$669,349 | \$637,655 | \$616,094 | \$583,285 | \$556,419 | \$531,687 | \$492,094 | \$472,631 | \$454,536 | \$435,068 |

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**PASSENGER ENPLANEMENTS MARKET SHARE**  
**LAST TEN YEARS**

|                               | <b>FY 2012</b>      |               | <b>FY 2011</b>      |               | <b>FY 2010</b>      |               | <b>FY 2009</b>      |               |
|-------------------------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|
| <b>AIRLINE</b>                | <b>Enplanements</b> | <b>Share</b>  | <b>Enplanements</b> | <b>Share</b>  | <b>Enplanements</b> | <b>Share</b>  | <b>Enplanements</b> | <b>Share</b>  |
| <b>DOMESTIC</b>               |                     |               |                     |               |                     |               |                     |               |
| Delta Connection (3)          | 1,728,524           | 44.0%         | 2,174,440           | 45.5%         | 1,811,359           | 36.4%         | 134,903             | 2.6%          |
| Delta Air Lines (1)           | 1,362,642           | 34.8%         | 1,618,758           | 33.9%         | 1,694,988           | 34.1%         | 156,574             | 3.0%          |
| Mesaba Airlines               | 176,824             | 4.5%          | 254,790             | 5.3%          | 460,854             | 9.3%          | 464,190             | 9.0%          |
| AirTran                       | 141,192             | 3.6%          | 125,611             | 2.6%          | 118,513             | 2.4%          | 141,882             | 2.8%          |
| US Airways Express (2)        | 111,627             | 2.8%          | 157,924             | 3.3%          | 184,710             | 3.7%          | 185,549             | 3.6%          |
| United Express                | 102,186             | 2.6%          | 83,593              | 1.8%          | 91,720              | 1.8%          | 89,635              | 1.7%          |
| American Airlines             | 91,992              | 2.3%          | 101,970             | 2.1%          | 107,778             | 2.2%          | 103,182             | 2.0%          |
| Continental Express           | 59,929              | 1.5%          | 88,720              | 1.9%          | 89,891              | 1.8%          | 93,126              | 1.8%          |
| American Eagle                | 51,216              | 1.3%          | 56,690              | 1.2%          | 51,536              | 1.0%          | 62,396              | 1.2%          |
| US Airways                    | 42,705              | 1.1%          | 25,706              | 0.5%          |                     | 0.0%          |                     | 0.0%          |
| Other (5)                     | 7,048               | 0.2%          | 7,841               | 0.2%          | 3,356               | 0.1%          | 1,720               | 0.0%          |
| Compass Airlines              | 2,291               | 0.1%          | 3,312               | 0.1%          | 219,873             | 4.4%          | 244,394             | 4.7%          |
| Northwest Airlines (1) (7)    |                     | 0.0%          |                     | 0.0%          |                     | 0.0%          | 1,767,932           | 34.3%         |
| Northwest Airlink             |                     | 0.0%          |                     | 0.0%          |                     | 0.0%          | 1,526,245           | 29.7%         |
| <b>TOTAL DOMESTIC</b>         | <b>3,878,176</b>    | <b>98.8%</b>  | <b>4,699,355</b>    | <b>98.4%</b>  | <b>4,834,578</b>    | <b>97.2%</b>  | <b>4,971,728</b>    | <b>96.4%</b>  |
| <b>INTERNATIONAL</b>          |                     |               |                     |               |                     |               |                     |               |
| Delta Airlines                | 37,952              | 1.0%          | 69,536              | 1.5%          | 136,030             | 2.8%          |                     | 0.0%          |
| Jazz Air                      | 8,453               | 0.2%          | 7,094               | 0.1%          |                     | 0.0%          |                     | 0.0%          |
| Other (5)                     |                     | 0.0%          |                     | 0.0%          | 854                 | 0.0%          |                     | 0.0%          |
| Northwest Airlines (1)        |                     | 0.0%          |                     | 0.0%          |                     | 0.0%          | 186,393             | 3.6%          |
| <b>TOTAL INTERNATIONAL</b>    | <b>46,405</b>       | <b>1.2%</b>   | <b>76,630</b>       | <b>1.6%</b>   | <b>136,884</b>      | <b>2.8%</b>   | <b>186,393</b>      | <b>3.6%</b>   |
| <b>TOTAL ENPLANEMENTS</b>     | <b>3,924,581</b>    | <b>100.0%</b> | <b>4,775,985</b>    | <b>100.0%</b> | <b>4,971,462</b>    | <b>100.0%</b> | <b>5,158,121</b>    | <b>100.0%</b> |
| <b>Percent of Total</b>       |                     |               |                     |               |                     |               |                     |               |
| <b>U. S. Enplanements (6)</b> |                     | <b>N.A.</b>   |                     | <b>0.66%</b>  |                     | <b>0.70%</b>  |                     | <b>0.68%</b>  |

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

(1) In FY 2009 Delta Air Lines and Northwest Airlines merged effective October 29, 2008. The FAA issued a joint operating certificate on January 1, 2010. Beginning FY 2010 and going forward information is combined.

(2) For FY 2012 Air Wisconsin, Mesa Airlines, PSA Airlines and Republic Airlines operated for US Airways Express.

(3) For FY 2012 Chautauqua, ComAir, ExpressJet, Pinnacle, Shuttle America and Skywest Airlines operated for Delta Connection.

(4) For FY 2012 ExpressJet, Mesa Airlines and Skywest Airlines operated for United Express.

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

(6) Source: FAA, based upon calendar year.

(7) Enplanements for FY 2003 - 2009 were restated to correct a reporting error that excluded certain Northwest Airlines' enplaned passengers from the total enplaned passenger count. The restatements for the period FY 2003 - 2009 resulted in annual enplanement increases that ranged from 86,139 to 190,819 enplanements or 1.5 percent to 3.6 percent of total annual enplanements.

| FY 2008      |        | FY 2007      |        | FY 2006      |        | FY 2005      |        | FY 2004      |        | FY 2003      |        |
|--------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|
| Enplanements | Share  | Enplanements | Share  | Enplanements | Share  | Enplanements | Share  | Enplanements | Share  | Enplanements | Share  |
| 148,248      | 2.7%   | 147,769      | 2.7%   | 88,954       | 1.6%   | 103,104      | 1.9%   | 95,239       | 1.8%   | 88,871       | 1.6%   |
| 114,941      | 2.1%   | 117,219      | 2.2%   | 236,424      | 4.3%   | 290,782      | 5.2%   | 274,408      | 5.1%   | 268,223      | 4.8%   |
| 230,836      | 4.2%   | 205,045      | 3.8%   | 449,224      | 8.2%   | 542,082      | 9.7%   | 675,547      | 12.6%  | 683,291      | 12.2%  |
| 171,915      | 3.1%   | 164,148      | 3.0%   | 152,708      | 2.8%   | 141,971      | 2.6%   | 135,852      | 2.5%   | 100,757      | 1.8%   |
| 182,051      | 3.3%   | 160,884      | 3.0%   | 135,979      | 2.5%   | 116,757      | 2.1%   | 120,562      | 2.3%   | 63,358       | 1.1%   |
| 90,968       | 1.6%   | 106,929      | 2.0%   | 126,241      | 2.3%   | 107,055      | 1.9%   | 101,123      | 1.9%   | 85,404       | 1.5%   |
| 119,890      | 2.2%   | 108,941      | 2.0%   | 81,847       | 1.5%   | 56,671       | 1.0%   | 50,895       | 1.0%   | 82,041       | 1.5%   |
| 100,285      | 1.8%   | 102,943      | 1.9%   | 96,419       | 1.8%   | 90,320       | 1.6%   | 87,249       | 1.6%   | 78,866       | 1.4%   |
| 76,459       | 1.4%   | 85,030       | 1.6%   | 114,738      | 2.1%   | 104,648      | 1.9%   | 76,257       | 1.4%   | 41,558       | 0.7%   |
|              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |
| 71,976       | 1.3%   | 25,470       | 0.5%   | 32,912       | 0.6%   | 54,107       | 1.0%   | 58,285       | 1.1%   | 111,064      | 2.0%   |
| 52,854       | 1.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |
| 2,467,336    | 44.3%  | 2,561,041    | 46.9%  | 2,545,100    | 46.1%  | 2,800,141    | 50.4%  | 2,592,772    | 48.6%  | 3,176,338    | 57.0%  |
| 1,542,122    | 27.6%  | 1,477,975    | 27.1%  | 1,287,585    | 23.4%  | 992,367      | 17.8%  | 917,426      | 17.2%  | 643,120      | 11.5%  |
| 5,369,881    | 96.6%  | 5,263,394    | 96.7%  | 5,348,131    | 97.2%  | 5,400,005    | 97.1%  | 5,185,615    | 97.1%  | 5,422,891    | 97.1%  |
|              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |
|              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |
| 4            | 0.0%   | 122          | 0.0%   | 976          | 0.0%   | 3,440        | 0.1%   | 7,445        | 0.1%   | 76,840       | 1.4%   |
| 190,819      | 3.4%   | 179,928      | 3.3%   | 154,406      | 2.8%   | 158,323      | 2.8%   | 149,393      | 2.8%   | 86,139       | 1.5%   |
| 190,823      | 3.4%   | 180,050      | 3.3%   | 155,382      | 2.8%   | 161,763      | 2.9%   | 156,838      | 2.9%   | 162,979      | 2.9%   |
| 5,560,704    | 100.0% | 5,443,444    | 100.0% | 5,503,513    | 100.0% | 5,561,768    | 100.0% | 5,342,453    | 100.0% | 5,585,870    | 100.0% |
|              | 0.70%  |              | 0.69%  |              | 0.72%  |              | 0.75%  |              | 0.75%  |              | 0.86%  |

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**ORIGINATING AND DESTINATION (O&D) AIRLINE PASSENGERS**  
**LAST TEN YEARS**

| <b>FISCAL<br/>YEAR</b> | <b>O&amp;D<br/>PASSENGERS</b> | <b>TOTAL ENPLANED<br/>PASSENGERS <sup>(1)</sup></b> | <b>PERCENTAGE</b> |
|------------------------|-------------------------------|---|-------------------|
| 2012                   | 1,860                         | 3,925   | 47.39%            |
| 2011                   | 1,942                         | 4,776   | 40.66%            |
| 2010                   | 1,849                         | 4,971   | 37.20%            |
| 2009                   | 1,834                         | 5,158   | 35.56%            |
| 2008                   | 2,116                         | 5,561   | 38.05%            |
| 2007                   | 2,015                         | 5,443   | 37.02%            |
| 2006                   | 1,998                         | 5,504   | 36.30%            |
| 2005                   | 1,969                         | 5,562   | 35.40%            |
| 2004                   | 1,884                         | 5,342   | 35.27%            |
| 2003                   | 1,820                         | 5,586   | 32.58%            |

Source: Memphis-Shelby County Airport Authority Finance Division

(1) Enplanements for FY 2003-2009 were restated to correct a reporting error that excluded certain Northwest Airlines' enplaned passengers from the total enplaned passenger count. The restatements for the period FY 2003-2009 resulted in annual enplanement increases that ranged from 86,139 to 190,819 enplanements or 1.5% to 3.6% of total annual enplanements.

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**COST PER ENPLANED PASSENGER**  
**LAST TEN YEARS**

|  | FY 2012 | FY 2011 | FY 2010 | FY 2009 | FY 2008 | FY 2007 | FY 2006 | FY 2005 | FY 2004 | FY 2003 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Baseline Average<br>Cost per Enplaned<br>Passenger (1)(2)                                | \$6.75  | \$5.23  | \$4.81  | \$4.81  | \$4.76  | \$4.75  | \$5.07  |         |         |         |
| Average Cost per<br>Enplaned Passenger<br>plus Special<br>Facility Debt (2)              | \$7.69  | \$6.22  | \$5.81  | \$5.81  | \$5.66  | \$5.65  | \$5.98  | \$6.41  | \$6.03  | \$6.32  |
| Average Cost per<br>Enplaned Passenger<br>plus Special Facility<br>Debt and FIS Fees (2) | \$8.12  | \$6.57  | \$6.15  | \$6.14  | \$5.95  | \$5.93  | \$6.30  | \$6.82  | \$6.47  | \$6.70  |

- (1) Fiscal years 2012 - 2006 are shown without certain debt service revenues to provide a baseline for cost per enplaned passengers. Fiscal years 2005 and earlier are NOT shown with this adjustment. Future years will be shown as this baseline until 10 year data is available.
- (2) Fiscal years 2009 - 2003 have been restated to reflect changes in cost allocation and enplanement data to the airlines.
- (3) Enplanements for FY 2003 - 2009 were restated to correct a reporting error that excluded certain Northwest Airlines' enplaned passengers from the total enplaned passenger count. The restatements for the period FY 2003 - 2009 resulted in annual enplanement increases that ranged from 86,139 to 190,819 enplanements or 1.5 percent to 3.6 percent of the total annual enplanements.



**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**CARGO MARKET SHARE ENPLANED**  
**LAST TEN YEARS (IN THOUSANDS OF POUNDS)**

|                                       | FY 2012          |               | FY 2011          |               | FY 2010          |               | FY 2009          |               |
|---------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| AIRLINE                               | Cargo Weight     | Share         | Cargo Weight     | Share         | Cargo Weight     | Share         | Cargo Weight     | Share         |
| <b>DOMESTIC FREIGHT</b>               |                  |               |                  |               |                  |               |                  |               |
| FedEx Express                         | 4,146,509        | 92.6%         | 4,098,243        | 93.2%         | 4,064,769        | 93.8%         | 3,836,943        | 93.8%         |
| United Parcel Service                 | 35,022           | 0.8%          | 34,867           | 0.8%          | 31,504           | 0.7%          | 31,126           | 0.9%          |
| Mountain Air                          | 6,064            | 0.1%          | 8,439            | 0.2%          | 8,390            | 0.2%          | 9,766            | 0.2%          |
| Capital Cargo International Airlines  | 5,412            | 0.1%          | 4,106            | 0.1%          |                  | 0.0%          |                  | 0.0%          |
| Atlas                                 | 1,784            | 0.0%          |                  | 0.0%          |                  | 0.0%          |                  | 0.0%          |
| Delta Air Lines (1)                   | 1,440            | 0.0%          | 1,752            | 0.0%          | 1,761            | 0.0%          | 422              | 0.0%          |
| Baron Aviation                        | 825              | 0.0%          | 1,123            | 0.0%          | 1,007            | 0.0%          | 782              | 0.0%          |
| Air Transport Int'l (prev BAX Global) | 325              | 0.0%          | 1,703            | 0.0%          | 4,959            | 0.1%          | 7,715            | 0.3%          |
| Other (2)                             | 227              | 0.0%          | 1,042            | 0.0%          | 1,155            | 0.0%          | 859              | 0.0%          |
| DHL                                   | 174              | 0.0%          | 98               | 0.0%          | 45               | 0.0%          | 1,763            | 0.0%          |
| ABX (prev Airborne Express)           | 5                | 0.0%          |                  | 0.0%          |                  | 0.0%          | 1,815            | 0.0%          |
| Northwest (1)                         |                  | 0.0%          |                  | 0.0%          |                  | 0.0%          | 1,993            | 0.0%          |
| Northwest Airlink                     |                  | 0.0%          |                  | 0.0%          |                  | 0.0%          | 1,028            | 0.0%          |
| Total Domestic Freight                | 4,197,787        | 93.6%         | 4,151,373        | 94.3%         | 4,113,590        | 94.8%         | 3,894,212        | 95.2%         |
| <b>INTERNATIONAL FREIGHT</b>          |                  |               |                  |               |                  |               |                  |               |
| FedEx Express                         | 286,484          | 6.4%          | 249,999          | 5.7%          | 216,668          | 5.0%          | 189,322          | 4.6%          |
| Other (2)                             | 1,375            | 0.0%          | 2,540            | 0.0%          | 3,141            | 0.1%          |                  | 0.0%          |
| Atlas Air                             | 1,006            | 0.0%          |                  | 0.0%          |                  | 0.0%          |                  | 0.0%          |
| Northwest (1)                         |                  | 0.0%          |                  | 0.0%          |                  | 0.0%          | 3,184            | 0.1%          |
| Total International Freight           | 288,865          | 6.4%          | 252,539          | 5.7%          | 219,809          | 5.1%          | 192,506          | 4.7%          |
| <b>AIR MAIL</b>                       |                  |               |                  |               |                  |               |                  |               |
| Delta Air Lines (1)                   | 522              | 0.0%          | 24               | 0.0%          | 10               | 0.0%          |                  | 0.0%          |
| Other (2)                             | 18               | 0.0%          | 8                | 0.0%          | 4                | 0.0%          | 4                | 0.0%          |
| Kalitta Air                           |                  | 0.0%          | 558              | 0.0%          | 2,513            | 0.1%          | 3,364            | 0.1%          |
| American                              |                  | 0.0%          |                  | 0.0%          |                  | 0.0%          |                  | 0.0%          |
| Northwest (1)                         |                  | 0.0%          |                  | 0.0%          |                  | 0.0%          | 14               | 0.0%          |
| Northwest Airlink                     |                  | 0.0%          |                  | 0.0%          |                  | 0.0%          |                  | 0.0%          |
| Total Air Mail                        | 540              | 0.0%          | 590              | 0.0%          | 2,527            | 0.1%          | 3,382            | 0.1%          |
| <b>TOTAL CARGO ENPLANED</b>           | <b>4,487,192</b> | <b>100.0%</b> | <b>4,404,502</b> | <b>100.0%</b> | <b>4,335,926</b> | <b>100.0%</b> | <b>4,090,100</b> | <b>100.0%</b> |

Source: Memphis-Shelby County Airport Authority, Activity Reports

(1) In FY 2009 Delta Air Lines and Northwest Airlines merged effective October 29, 2008. The FAA issued a joint operating certificate on January 1, 2010. Beginning FY 2010 and going forward information is combined.

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

| FY 2008      |        | FY 2007      |        | FY 2006      |        | FY 2005      |        | FY 2004      |        | FY 2003      |        |
|--------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|
| Cargo Weight | Share  | Cargo Weight | Share  | Cargo Weight | Share  | Cargo Weight | Share  | Cargo Weight | Share  | Cargo Weight | Share  |
| 4,062,354    | 93.9%  | 4,099,458    | 93.9%  | 3,908,589    | 93.1%  | 3,818,706    | 93.4%  | 3,744,889    | 93.7%  | 3,668,062    | 93.8%  |
| 33,282       | 0.8%   | 35,693       | 0.9%   | 37,256       | 0.9%   | 34,589       | 0.9%   | 29,999       | 0.8%   | 26,075       | 0.7%   |
| 10,890       | 0.3%   | 9,404        | 0.2%   | 9,256        | 0.2%   | 9,804        | 0.2%   | 9,994        | 0.2%   | 11,249       | 0.3%   |
|              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |
|              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |
| 897          | 0.0%   | 1,019        | 0.0%   | 2,003        | 0.0%   | 1,065        | 0.0%   | 955          | 0.0%   | 1,120        | 0.0%   |
| 663          | 0.0%   | 1,753        | 0.0%   | 3,879        | 0.1%   | 4,385        | 0.1%   | 4,318        | 0.1%   | 4,144        | 0.1%   |
| 11,902       | 0.3%   | 12,951       | 0.3%   | 13,365       | 0.3%   | 13,981       | 0.3%   | 13,858       | 0.3%   | 13,622       | 0.3%   |
| 1,207        | 0.0%   | 1,802        | 0.0%   | 7,214        | 0.2%   | 8,267        | 0.2%   | 6,932        | 0.2%   | 6,902        | 0.2%   |
| 4,896        | 0.1%   | 4,280        | 0.1%   | 5,125        | 0.1%   | 1,723        | 0.0%   | 1,705        | 0.0%   | 1,576        | 0.0%   |
| 3,891        | 0.1%   | 4,159        | 0.1%   | 3,275        | 0.1%   | 9,594        | 0.2%   | 9,369        | 0.2%   | 9,842        | 0.3%   |
| 2,878        | 0.1%   | 3,100        | 0.1%   | 3,010        | 0.1%   | 4,183        | 0.1%   | 7,133        | 0.2%   | 3,258        | 0.1%   |
| 1,047        | 0.0%   | 1,140        | 0.0%   | 948          | 0.0%   | 382          | 0.0%   | 371          | 0.0%   | 958          | 0.0%   |
| 4,133,907    | 95.6%  | 4,174,759    | 95.6%  | 3,993,920    | 95.1%  | 3,906,679    | 95.4%  | 3,829,523    | 95.7%  | 3,746,808    | 95.8%  |
| 180,675      | 4.2%   | 176,511      | 4.0%   | 192,375      | 4.6%   | 178,127      | 4.4%   | 163,261      | 4.1%   | 144,416      | 3.7%   |
| 491          | 0.0%   | 635          | 0.0%   | 929          | 0.0%   | 45           | 0.0%   | 69           | 0.0%   | 4,534        | 0.1%   |
|              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |
| 4,166        | 0.1%   | 4,073        | 0.1%   | 3,038        | 0.1%   | 3,348        | 0.1%   | 507          | 0.0%   |              | 0.0%   |
| 185,332      | 4.3%   | 181,219      | 4.1%   | 196,342      | 4.7%   | 181,520      | 4.5%   | 163,837      | 4.1%   | 148,950      | 3.8%   |
|              | 0.0%   |              | 0.0%   | 15           | 0.0%   | 569          | 0.0%   | 1,063        | 0.0%   | 480          | 0.0%   |
|              | 0.0%   | 16           | 0.0%   | 74           | 0.0%   | 356          | 0.0%   | 498          | 0.0%   | 223          | 0.0%   |
| 5,146        | 0.1%   | 10,902       | 0.3%   | 6,463        | 0.2%   | 4,166        | 0.1%   | 3,927        | 0.2%   |              | 0.0%   |
|              | 0.0%   |              | 0.0%   | 54           | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |
| 1            | 0.0%   | 16           | 0.0%   | 28           | 0.0%   | 12           | 0.0%   | 1,171        | 0.0%   | 14,103       | 0.4%   |
| 2            | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |              | 0.0%   |
| 5,149        | 0.1%   | 10,934       | 0.3%   | 6,634        | 0.2%   | 5,103        | 0.1%   | 6,659        | 0.2%   | 14,806       | 0.4%   |
| 4,324,388    | 100.0% | 4,366,912    | 100.0% | 4,196,896    | 100.0% | 4,093,302    | 100.0% | 4,000,019    | 100.0% | 3,910,564    | 100.0% |

# MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

## LANDED WEIGHTS

LAST TEN YEARS (IN THOUSANDS OF POUNDS)

| AIRLINE                               | FY 2012           |               | FY 2011           |               | FY 2010           |               | FY 2009           |               |
|---------------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
|                                       | Landed Weight     | Share         | Landed Weight     | Share         | Landed Weight     | Share         | Landed Weight     | Share         |
| <b>MAJOR/NATIONAL</b>                 |                   |               |                   |               |                   |               |                   |               |
| Delta Air Lines (1)                   | 1,728,281         | 6.8%          | 2,149,196         | 8.3%          | 2,286,928         | 9.0%          | 221,502           | 0.9%          |
| American Airlines                     | 164,922           | 0.6%          | 170,958           | 0.7%          | 201,177           | 0.8%          | 201,814           | 0.8%          |
| AirTran                               | 149,272           | 0.6%          | 144,040           | 0.5%          | 155,168           | 0.6%          | 180,752           | 0.7%          |
| US Airways                            | 65,867            | 0.3%          | 38,041            | 0.1%          |                   | 0.0%          | 340               | 0.0%          |
| Continental                           |                   | 0.0%          | 314               | 0.0%          |                   | 0.0%          | 402               | 0.0%          |
| Other (2)                             |                   | 0.0%          |                   | 0.0%          |                   | 0.0%          |                   | 0.0%          |
| Northwest Airlines (1)                |                   | 0.0%          |                   | 0.0%          |                   | 0.0%          | 2,520,905         | 9.7%          |
| <b>TOTAL MAJOR/NATIONAL</b>           | <b>2,108,342</b>  | <b>8.3%</b>   | <b>2,502,549</b>  | <b>9.6%</b>   | <b>2,643,273</b>  | <b>10.4%</b>  | <b>3,125,715</b>  | <b>12.1%</b>  |
| <b>REGIONAL</b>                       |                   |               |                   |               |                   |               |                   |               |
| Delta Connection                      | 1,159,341         | 4.3%          | 1,529,387         | 5.9%          | 36,097            | 0.1%          | 111,405           | 0.4%          |
| Pinnacle Airlines                     | 887,230           | 3.5%          | 1,094,151         | 4.2%          | 1,900,981         | 7.5%          | 1,971,362         | 7.6%          |
| Mesaba                                | 219,909           | 0.9%          | 343,398           | 1.3%          | 602,973           | 2.4%          | 677,205           | 2.6%          |
| US Airways Express                    | 125,387           | 0.5%          | 173,839           | 0.7%          | 188,601           | 0.6%          | 204,376           | 0.8%          |
| United Express                        | 123,459           | 0.5%          | 105,827           | 0.4%          | 57,020            | 0.2%          | 123,576           | 0.5%          |
| Continental Express                   | 72,070            | 0.3%          | 107,315           | 0.4%          | 119,785           | 0.5%          | 128,614           | 0.5%          |
| American Eagle                        | 67,914            | 0.3%          | 72,938            | 0.3%          | 73,288            | 0.3%          | 94,952            | 0.4%          |
| Other (2)                             | 20,723            | 0.1%          | 22,665            | 0.1%          | 356,036           | 1.4%          | 3,924             | 0.0%          |
| SeaPort Airlines                      | 19,650            | 0.1%          | 29,783            | 0.1%          |                   | 0.0%          |                   | 0.0%          |
| Compass                               | 3,143             | 0.0%          | 4,419             | 0.0%          | 268,217           | 1.1%          | 310,386           | 1.2%          |
| <b>TOTAL REGIONAL</b>                 | <b>2,698,826</b>  | <b>10.5%</b>  | <b>3,483,722</b>  | <b>13.4%</b>  | <b>3,602,998</b>  | <b>14.1%</b>  | <b>3,625,800</b>  | <b>14.0%</b>  |
| <b>CARGO</b>                          |                   |               |                   |               |                   |               |                   |               |
| FedEx Express                         | 20,417,765        | 80.0%         | 19,693,988        | 75.8%         | 18,904,542        | 74.2%         | 18,739,254        | 72.4%         |
| United Parcel Service                 | 196,229           | 0.8%          | 213,317           | 0.8%          | 199,060           | 0.8%          | 209,284           | 0.8%          |
| Capital Cargo International Airlines  | 46,900            | 0.2%          | 36,392            | 0.1%          |                   | 0.0%          |                   | 0.0%          |
| Mountain Air Cargo                    | 22,934            | 0.1%          | 31,859            | 0.1%          | 32,844            | 0.1%          | 32,165            | 0.1%          |
| Atlas Air                             | 15,750            | 0.1%          |                   | 0.0%          |                   | 0.0%          |                   | 0.0%          |
| Other (2)                             | 7,759             | 0.0%          | 12,808            | 0.0%          | 32,577            | 0.1%          | 15,450            | 0.1%          |
| Air Transport Int'l (prev BAX Global) | 6,119             | 0.0%          | 17,752            | 0.1%          | 42,540            | 0.2%          | 59,990            | 0.2%          |
| DHL                                   | 3,025             | 0.0%          | 1,925             | 0.0%          | 2,636             | 0.0%          | 24,219            | 0.1%          |
| Kalitta Air                           | 630               | 0.0%          | 18,292            | 0.1%          | 12,780            | 0.1%          | 22,905            | 0.1%          |
| ABX (prev Airborne Express)           | 283               | 0.0%          | 272               | 0.0%          |                   | 0.0%          | 28,538            | 0.1%          |
| <b>TOTAL CARGO</b>                    | <b>20,717,394</b> | <b>81.2%</b>  | <b>20,026,605</b> | <b>77.0%</b>  | <b>19,226,979</b> | <b>75.5%</b>  | <b>19,131,805</b> | <b>73.9%</b>  |
| <b>TOTAL LANDED WEIGHTS</b>           | <b>25,524,562</b> | <b>100.0%</b> | <b>26,012,876</b> | <b>100.0%</b> | <b>25,473,250</b> | <b>100.0%</b> | <b>25,883,320</b> | <b>100.0%</b> |

(1) In FY 2009 Delta Air Lines and Northwest Airlines merged effective October 29, 2008. The FAA issued a joint operating certificate on January 1, 2010. Beginning FY 2010 and going forward information is combined.

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

Source: Finance Division

| FY 2008       |        | FY 2007       |        | FY 2006       |        | FY 2005       |        | FY 2004       |        | FY 2003       |        |
|---------------|--------|---------------|--------|---------------|--------|---------------|--------|---------------|--------|---------------|--------|
| Landed Weight | Share  | Landed Weight | Share  | Landed Weight | Share  | Landed Weight | Share  | Landed Weight | Share  | Landed Weight | Share  |
| 156,997       | 0.6%   | 169,367       | 0.6%   | 343,854       | 1.4%   | 386,830       | 1.5%   | 372,802       | 1.5%   | 391,600       | 1.5%   |
| 202,135       | 0.7%   | 193,212       | 0.7%   | 142,037       | 0.5%   | 104,428       | 0.4%   | 106,426       | 0.4%   | 145,874       | 0.6%   |
| 216,006       | 0.8%   | 209,664       | 0.8%   | 182,650       | 0.7%   | 182,208       | 0.7%   | 169,684       | 0.7%   | 141,128       | 0.6%   |
|               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |
| 1,178         | 0.0%   | 1,630         | 0.0%   | 9,070         | 0.0%   | 26,074        | 0.1%   | 34,760        | 0.1%   | 33,550        | 0.1%   |
| 131,606       | 0.5%   | 21,077        | 0.1%   | 23,108        | 0.1%   | 30,631        | 0.1%   | 423           | 0.0%   | 209,478       | 0.8%   |
| 3,471,984     | 13.0%  | 3,667,471     | 13.8%  | 3,645,688     | 14.0%  | 4,173,077     | 16.3%  | 4,027,714     | 16.1%  | 4,690,885     | 18.4%  |
| 4,179,906     | 15.6%  | 4,262,421     | 16.0%  | 4,346,407     | 16.7%  | 4,903,248     | 19.1%  | 4,711,809     | 18.8%  | 5,612,515     | 22.0%  |
|               |        |               |        |               |        |               |        |               |        |               |        |
| 192,716       | 0.7%   | 198,730       | 0.8%   | 114,966       | 0.4%   | 137,817       | 0.5%   | 168,766       | 0.7%   | 150,545       | 0.6%   |
| 1,861,435     | 6.9%   | 1,838,734     | 7.0%   | 1,696,089     | 6.6%   | 1,365,679     | 5.4%   | 1,270,551     | 5.1%   | 978,739       | 3.8%   |
| 338,724       | 1.3%   | 293,391       | 1.1%   | 548,226       | 2.1%   | 646,572       | 2.5%   | 823,742       | 3.3%   | 928,975       | 3.6%   |
| 205,199       | 0.8%   | 110,895       | 0.4%   | 110,849       | 0.4%   | 75,204        | 0.3%   | 102,874       | 0.4%   | 69,894        | 0.3%   |
| 127,824       | 0.5%   | 142,229       | 0.5%   | 178,181       | 0.7%   | 145,972       | 0.6%   | 129,908       | 0.5%   | 104,763       | 0.4%   |
| 134,570       | 0.5%   | 136,581       | 0.5%   | 122,303       | 0.5%   | 133,742       | 0.5%   | 120,182       | 0.5%   | 116,939       | 0.5%   |
| 108,876       | 0.4%   | 117,541       | 0.4%   | 141,608       | 0.5%   | 126,356       | 0.5%   | 112,328       | 0.4%   | 59,636        | 0.2%   |
| 41,200        | 0.2%   | 111,543       | 0.4%   | 91,756        | 0.4%   | 126,093       | 0.5%   | 157,228       | 0.6%   | 117,285       | 0.5%   |
|               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |
| 66,811        | 0.2%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |
| 3,077,355     | 11.5%  | 2,949,644     | 11.1%  | 3,003,978     | 11.6%  | 2,757,435     | 10.8%  | 2,885,579     | 11.5%  | 2,526,776     | 9.9%   |
|               |        |               |        |               |        |               |        |               |        |               |        |
| 19,111,270    | 71.3%  | 18,899,281    | 71.1%  | 18,098,283    | 69.7%  | 17,398,021    | 68.0%  | 16,896,344    | 67.5%  | 16,721,926    | 65.6%  |
| 190,606       | 0.7%   | 152,691       | 0.6%   | 153,161       | 0.6%   | 140,871       | 0.5%   | 178,982       | 0.7%   | 255,214       | 1.0%   |
|               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |
| 32,618        | 0.1%   | 27,023        | 0.1%   | 29,803        | 0.1%   | 47,887        | 0.2%   | 51,870        | 0.2%   | 57,834        | 0.2%   |
|               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |               | 0.0%   |
| 19,381        | 0.1%   | 27,504        | 0.1%   | 120,821       | 0.5%   | 127,911       | 0.5%   | 124,407       | 0.5%   | 147,938       | 0.6%   |
| 76,557        | 0.3%   | 76,568        | 0.3%   | 78,262        | 0.3%   | 84,380        | 0.3%   | 75,161        | 0.3%   | 82,776        | 0.3%   |
| 42,876        | 0.2%   | 41,358        | 0.2%   | 39,734        | 0.2%   | 13,584        | 0.1%   | 13,260        | 0.1%   | 13,104        | 0.1%   |
| 36,360        | 0.1%   | 101,880       | 0.4%   | 54,720        | 0.2%   | 39,735        | 0.2%   | 31,905        | 0.1%   |               | 0.0%   |
| 25,908        | 0.1%   | 26,961        | 0.1%   | 34,861        | 0.1%   | 81,589        | 0.3%   | 71,230        | 0.3%   | 73,661        | 0.3%   |
| 19,535,576    | 72.9%  | 19,353,266    | 72.9%  | 18,609,645    | 71.7%  | 17,933,978    | 70.1%  | 17,443,159    | 69.7%  | 17,352,453    | 68.1%  |
| 26,792,837    | 100.0% | 26,565,331    | 100.0% | 25,960,030    | 100.0% | 25,594,661    | 100.0% | 25,040,547    | 100.0% | 25,491,744    | 100.0% |

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**AIRCRAFT OPERATIONS (1)**  
**LAST TEN YEARS**

| <b>FISCAL<br/>YEAR</b> | <b>MAJOR/<br/>NATIONALS</b> | <b>REGIONAL</b> | <b>CARGO</b> | <b>GENERAL<br/>AVIATION</b> | <b>MILITARY</b> | <b>TOTAL</b> |
|------------------------|-----------------------------|-----------------|--------------|-----------------------------|-----------------|--------------|
| 2012                   | 32,190                      | 106,014         | 125,526      | 27,491                      | 1,562           | 292,783      |
| 2011                   | 37,942                      | 139,370         | 125,438      | 25,968                      | 1,542           | 330,260      |
| 2010                   | 40,842                      | 144,704         | 122,222      | 25,193                      | 1,284           | 334,245      |
| 2009                   | 48,580                      | 146,026         | 124,564      | 27,897                      | 1,413           | 348,480      |
| 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      |

Source: Memphis-Shelby County Airport Authority, Activity Reports  
(1) Takeoffs and Landings

# MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

## DEBT SERVICE COVERAGE

### LAST TEN YEARS (IN THOUSANDS)

|   | FY 2012         | FY 2011         | FY 2010         | FY 2009         | FY 2008         | FY 2007         | FY 2006         | FY 2005         | FY 2004         | FY 2003         |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>REVENUES: (as defined in bond indenture)</b>       |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Airfield  | \$44,728        | \$45,130        | \$44,329        | \$44,712        | \$46,875        | \$46,867        | \$48,013        | \$48,769        | \$45,763        | \$46,995        |
| Terminal building                                     | 31,336          | 30,911          | 29,935          | 29,123          | 29,929          | 28,728          | 29,287          | 29,659          | 26,354          | 27,901          |
| Ground transportation                                 | 19,593          | 20,877          | 20,726          | 20,970          | 23,740          | 23,317          | 21,850          | 18,972          | 17,799          | 17,213          |
| Other aviation areas                                  | 4,911           | 5,419           | 5,485           | 5,409           | 4,473           | 4,986           | 4,824           | 4,562           | 4,191           | 4,062           |
| Non-aviation areas                                    | 10,239          | 9,423           | 8,807           | 7,738           | 6,530           | 8,736           | 7,041           | 6,431           | 6,302           | 7,280           |
| Less Rental Credits<br>for Signatory Airlines         |                 |                 |                 |                 |                 |                 |                 |                 | (7,209)         |                 |
| Application of prior<br>year surplus                  | 4,793           | 3,065           | 5,209           | 4,849           | 6,107           | 6,171           | 5,148           | 3,653           | 7,266           |                 |
| Coverage  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Carryforward  | 9,651           | 12,000          | 11,000          | 11,000          | 9,780           | 9,780           | 9,780           | 9,280           | 9,841           | 9,841           |
| <b>TOTAL</b>  | <b>125,251</b>  | <b>126,825</b>  | <b>125,491</b>  | <b>123,801</b>  | <b>127,434</b>  | <b>128,585</b>  | <b>125,943</b>  | <b>121,326</b>  | <b>110,307</b>  | <b>113,292</b>  |
| <b>OPERATING EXPENSES:</b>                            |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Airfield  | 9,936           | 10,417          | 10,033          | 9,977           | 10,421          | 10,396          | 8,265           | 7,149           | 6,905           | 6,963           |
| Terminal building                                     | 14,713          | 14,337          | 13,898          | 14,059          | 14,122          | 12,533          | 12,538          | 12,158          | 11,760          | 11,381          |
| Ground transportation                                 | 4,523           | 4,287           | 4,230           | 4,257           | 4,322           | 4,492           | 4,045           | 4,516           | 4,126           | 4,188           |
| General administration                                | 16,119          | 15,943          | 15,372          | 13,697          | 14,668          | 13,852          | 15,551          | 11,967          | 11,563          | 11,287          |
| Police  | 7,172           | 7,304           | 6,934           | 5,625           | 5,690           | 4,373           | 4,432           | 4,497           | 4,280           | 4,698           |
| Field shop  | 1,592           | 1,679           | 1,607           | 1,618           | 1,819           | 1,161           | 1,478           | 1,436           | 1,168           | 1,259           |
| Other aviation areas                                  | 183             | 317             | 231             | 204             | 143             | 174             | 76              | 62              | 50              | 97              |
| Non-aviation areas                                    | 939             | 654             | 765             | 745             | 724             | 4,505           | 410             | 217             | 537             | 859             |
| <b>TOTAL</b>  | <b>55,177</b>   | <b>54,938</b>   | <b>53,070</b>   | <b>50,182</b>   | <b>51,909</b>   | <b>51,486</b>   | <b>46,795</b>   | <b>42,002</b>   | <b>40,389</b>   | <b>40,732</b>   |
| Net Revenues  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Before Adjustment                                     | 70,074          | 71,887          | 72,421          | 73,619          | 75,525          | 77,099          | 79,148          | 79,324          | 69,918          | 72,560          |
| Restricted Interest Earnings<br>and Other (a)         | 1,961           | 2,173           | 2,356           | 3,190           | 5,074           | 5,464           | 4,499           | 3,674           | 4,819           | 3,752           |
| Other Revenue   | 1,504           | 123             | 229             | 3,029           | 936             | 531             | 530             | 569             | 525             | 522             |
| Capital Outlay  | (2,302)         | (1,907)         | (1,038)         | (2,570)         | (2,525)         | (2,333)         | (1,924)         | (2,273)         | (2,760)         | (1,624)         |
| Debt Service On 1993 Special<br>Facilities Bonds      | (5,815)         | (5,811)         | (5,811)         | (5,775)         | (4,525)         | (4,525)         | (4,525)         | (4,525)         | (4,396)         | (5,290)         |
| Notes Payable Principal<br>and Interest               | (198)           | (89)            | (203)           | (263)           | (40)            | (352)           | (658)           | (525)           | (331)           | (416)           |
| <b>Net Revenues (b)</b>                               | <b>\$65,224</b> | <b>\$66,376</b> | <b>\$67,954</b> | <b>\$71,230</b> | <b>\$74,445</b> | <b>\$75,884</b> | <b>\$77,070</b> | <b>\$76,244</b> | <b>\$67,775</b> | <b>\$69,504</b> |
| <b>DEBT SERVICE REQUIREMENT:</b>                      |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Airport Revenue Bonds (c)                             | 48,525          | 49,925          | 52,567          | 55,236          | 55,322          | 55,361          | 56,747          | 57,067          | 50,178          | 48,192          |
| General Obligation Bonds                              |                 | 2,130           | 2,124           | 2,124           | 2,315           | 3,989           | 3,927           | 3,843           | 3,661           | 3,623           |
| <b>TOTAL DEBT SERVICE (d)</b>                         | <b>\$48,525</b> | <b>\$52,055</b> | <b>\$54,691</b> | <b>\$57,360</b> | <b>\$57,637</b> | <b>\$59,350</b> | <b>\$60,674</b> | <b>\$60,910</b> | <b>\$53,839</b> | <b>\$51,815</b> |
| Coverage ratio - general<br>and airport revenue bonds | 134%            | 133%            | 129%            | 129%            | 135%            | 137%            | 136%            | 134%            | 135%            | 144%            |
| Coverage ratio - all bonds (e)                        | N/A             | 128%            | 124%            | 124%            | 129%            | 128%            | 127%            | 125%            | 126%            | 134%            |

Source: 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.

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**RATIO OF ANNUAL BOND DEBT SERVICE TO TOTAL EXPENSES**  
**EXCLUDING DEPRECIATION AND AMORTIZATION**  
**LAST TEN YEARS (IN THOUSANDS)**

|   | FY 2012          | FY 2011          | FY 2010          | FY 2009          | FY 2008          | FY 2007          | FY 2006          | FY 2005          | FY 2004         | FY 2003         |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|
| Principal   | \$27,782         | \$29,020         | \$29,166         | \$29,355         | \$27,628         | \$28,213         | \$28,059         | \$26,937         | \$21,384        | \$18,392        |
| Interest (1)  | 20,743           | 23,035           | 25,525           | 28,005           | 30,009           | 31,137           | 32,615           | 33,973           | 32,454          | 33,423          |
| <b>TOTAL DEBT SERVICE</b>                                       | <b>48,525</b>    | <b>52,055</b>    | <b>54,691</b>    | <b>57,360</b>    | <b>57,637</b>    | <b>59,350</b>    | <b>60,674</b>    | <b>60,910</b>    | <b>53,838</b>   | <b>51,815</b>   |
| Total Expenses  | 137,111          | 137,777          | 137,689          | 141,568          | 133,210          | 135,205          | 125,906          | 120,583          | 115,698         | 114,941         |
| Less Depreciation and Amortization and Gain or Loss on Property |                  |                  |                  |                  |                  |                  |                  |                  |                 |                 |
| Disposals   | (58,274)         | (59,659)         | (55,765)         | (60,073)         | (49,161)         | (54,167)         | (44,202)         | (44,463)         | (43,469)        | (41,104)        |
| Add Principal   | 20,743           | 29,020           | 29,166           | 29,335           | 27,628           | 28,213           | 28,059           | 26,937           | 21,384          | 18,392          |
| Add Net Capitalized Interest                                    | 710              | 1,435            | 617              |                  |                  |                  |                  | 1,627            | 5,117           | 4,002           |
| <b>TOTAL GENERAL EXPENDITURES</b>                               | <b>\$100,290</b> | <b>\$108,573</b> | <b>\$111,707</b> | <b>\$110,830</b> | <b>\$111,677</b> | <b>\$109,251</b> | <b>\$109,763</b> | <b>\$104,684</b> | <b>\$98,730</b> | <b>\$96,231</b> |
| <b>RATIO OF DEBT SERVICE TO EXPENDITURES</b>                    | <b>48.4%</b>     | <b>47.9%</b>     | <b>49.0%</b>     | <b>51.7%</b>     | <b>51.6%</b>     | <b>54.3%</b>     | <b>55.3%</b>     | <b>58.2%</b>     | <b>54.5%</b>    | <b>53.8%</b>    |

Source: Authority bond amortization scheduled and audited financial statements.

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

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

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**AIRPORT REVENUE BOND DEBT PER ENPLANED PASSENGER**  
**LAST TEN YEARS (IN THOUSANDS)**

|  | FY 2012   | FY 2011   | FY 2010   | FY 2009   | FY 2008   | FY 2007   | FY 2006   | FY 2005   | FY 2004   | FY 2003   |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Airport Revenue                                  |           |           |           |           |           |           |           |           |           |           |
| Bond Debt  | \$421,275 | \$443,305 | \$479,200 | \$478,345 | \$504,585 | \$526,765 | \$552,165 | \$576,615 | \$600,150 | \$616,500 |
| Enplaned Passengers (1)                          | 3,925     | 4,776     | 4,971     | 5,158     | 5,561     | 5,443     | 5,504     | 5,562     | 5,342     | 5,586     |
| Airport Revenue Bond Debt per Enplaned Passenger | \$107     | \$93      | \$96      | \$93      | \$91      | \$97      | \$100     | \$104     | \$112     | \$110     |

(1) Enplanements for FY 2003 - 2009 were restated to correct a reporting error that excluded certain Northwest Airlines' enplaned passengers from the total enplaned passenger count. The restatements for the period FY 2003 - 2009 resulted in annual enplanement increases that ranged from 86,139 to 190,819 enplanements or 1.5 percent to 3.6 percent of total annual enplanements.

## **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

### **USE OF BOND PROCEEDS**

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

#### **AIRPORT REVENUE BONDS**

**Series 2011A-1 and A-2** - The bonds were issued to provide funds for the purpose of refunding portions of the 1999E and 2001A (\$60,085 and \$38,700 respectively). See Series 1999E and 2001A below.

**Series 2011A, B, and C** – The bonds were issued to provide funds for the purpose of refunding portions of the 1999D, 2001A and 2001B (\$17,080, \$21,490 and \$42,380 respectively). See Series 1999D, 2001A and 2001B below.

**Series 2010A** – The bonds were issued to fund a portion of the costs of construction, acquisition and equipping of Checkpoint B Renovations and the GTC.

**Series 2010B** – The bonds were issued to provide funds for the purpose of refunding portions of the 1999D and 1999E bonds outstanding (\$160,525 and \$1,455 respectively). See Series 1999D and 1999E below.

**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 hold rooms 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.



## **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

### **USE OF BOND PROCEEDS (CONTINUED)**

**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 hold room space and install some jet bridges in Concourse C.

**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 hold rooms; general improvements to passenger hold rooms; 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.

## **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.

## **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 1993B Bonds; which were issued to construct an aircraft maintenance facilities, a corporate aviation hanger, 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 and 1982C Bonds, which were issued to finance facilities and equipment for the handling and sorting of packages at FedEx's central sorting facility.

**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.

**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 hanger, 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.

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**TEN LARGEST EMPLOYERS - METROPOLITAN STATISTICAL AREA(1)**  
**CURRENT YEAR AND TEN YEARS AGO**

| Name of Employer <sup>(2)</sup>  | Number of                | Percentage of     | Number of                | Percentage of     |
|----------------------------------|--------------------------|-------------------|--------------------------|-------------------|
|                                  | Employees <sup>(2)</sup> | Largest Employees | Employees <sup>(2)</sup> | Largest Employees |
|                                  | 2012                     |                   | 2003                     |                   |
| FedEx Corporation                | 30,000                   | 27.95%            | 30,000                   | 28.50%            |
| Memphis City Schools             | 16,119                   | 15.02%            | 14,402                   | 13.68%            |
| U. S. Government                 | 15,375                   | 14.33%            | 14,860                   | 14.12%            |
| Methodist Healthcare             | 8,700                    | 8.11%             | 11,000                   | 10.45%            |
| Tennessee State Government       | 8,600                    | 8.01%             | 5,247                    | 4.98%             |
| Memphis City Government          | 7,274                    | 6.78%             | 6,680                    | 6.35%             |
| Wal-Mart Stores, Inc             | 6,000                    | 5.59%             | 6,500                    | 6.17%             |
| Shelby County Government         | 5,971                    | 5.56%             | 6,700                    | 6.36%             |
| Shelby County Schools            | 5,200                    | 4.85%             | 5,014                    | 4.76%             |
| Naval Support Activity Mid-South | 4,076                    | 3.80%             | 4,874                    | 4.63%             |
| Total                            | 107,315                  | 100.00%           | 105,277                  | 100.00%           |

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**POPULATION - METROPOLITAN STATISTICAL AREA (1)**

| Year <sup>(3)</sup> | 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   |
| 2010 Census         | 927,644       | 1,239,292   | 6,346,105 | 309,050,816   |
| Forecast 2015       | 920,766       | 1,346,067   | 6,502,017 | 322,365,787   |

(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 the Census, Current Population Reports, 2000, 2010 Census, 2015 Estimates and Projections.

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**AIRLINES SERVING MEMPHIS INTERNATIONAL AIRPORT**  
JUNE 30, 2012

**CARGO AIRLINES**

---

ABX Air  
Air Transport International  
Atlas Air  
Baron Aviation Services  
Capital Cargo International Airlines  
DHL Worldwide Express  
FedEx  
Kalitta Air  
Mountain Air Cargo  
United Parcel Service, Inc.  
U. S. Check

**PASSENGER AIRLINES**

---

**MAJOR**

AirTran Airways  
American Airlines, Inc.  
Delta Airlines  
US Airways

**CHARTER**

Miami Air International  
Mid-South Jets

**REGIONAL/COMMUTER**

Air Canada Jazz  
Air Wisconsin dba US Airways Express  
American Eagle  
Chautauqua Airlines dba Delta Connection  
Comair dba Delta Connection  
Compass Airlines dba Delta Connection  
ExpressJet dba Continental Express  
ExpressJet dba Delta Connection  
ExpressJet dba United Express  
Mesa Airlines dba United Express  
Mesa Airlines dba US Airways Express  
Mesaba Airlines dba Delta Airlines  
Pinnacle Airlines, Inc. dba Delta Connection  
PSA Airlines dba US Airways Express  
Republic Airlines dba US Airways Express  
Seaport Airlines  
Shuttle America dba Delta Connection  
Skywest Airlines dba Continental Connection  
Skywest Airlines dba Delta Connection  
Skywest Airlines dba United Express

# **MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

## **EMPLOYERS LOCATED ON AIRPORT PROPERTY**

**JUNE 30, 2012**

### **CONCESSIONAIRES AND TENANTS**

---

Aircraft Services International, Inc.  
Airport Barber and Style Shop  
Airport Fast Park  
Alamo Rent-A-Car  
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  
Enterprise Rent-A-Car  
Flight Support Solutions  
Gate Gourmet  
Hudson News  
Huntleigh USA Corporation  
Integrated Airline Services  
International Business Services  
Interstate Barbeque  
Lenny's  
National Car Rental  
NWA Federal Credit Union  
Parking Company of America  
Republic Parking System  
Service Master Management  
Shoeshine Shop  
Starbucks  
Swissport Fueling, Inc.  
The Hertz Corporation  
The Paradies Shops  
The Pay Phone Company  
Tug Technologies  
U S Security Associates, Inc.  
Zoom Systems

### **CARGO AIRLINES**

---

Baron Aviation  
BAX Global dba Air Transport International  
Captial Cargo  
DHL Worldwide Express  
FedEx Express  
United Parcel Service, Inc.

### **PASSENGER AIRLINES**

---

AirTran Airways  
Air Canada Jazz  
Air Wisconsin dba US Airways Express  
American Airlines, Inc.  
American Eagle  
Chautauqua Airlines dba Delta Connection  
Comair dba Delta Connection  
Compass Airlines dba Delta Connection  
Delta Air Lines  
ExpressJet dba Continental Express  
ExpressJet dba Delta Connection  
ExpressJet dba United Express  
Mesa Airlines dba United Express  
Mesa Airlines dba US Airways Express  
Mesaba Airlines dba Delta Air Lines  
Pinnacle Airlines dba Delta Connection  
PSA Airlines dba US Airways Express  
Republic Airlines dba US Airways Express  
Seaport Airlines  
Shuttle America dba Delta Connection  
Skywest Airlines dba Continental Connection  
Skywest Airlines dba Delta Connection  
Skywest Airlines dba United Express  
US Airways

### **OTHER EMPLOYERS**

---

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

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**FULL-TIME EQUIVALENT EMPLOYEES BY COST CENTER**  
**LAST TEN YEARS**

| <b>Cost Center <sup>(1)</sup></b> | <b>FY 2012</b> | <b>FY 2011</b> | <b>FY 2010</b> | <b>FY 2009</b> | <b>FY 2008</b> | <b>FY 2007</b> | <b>FY 2006</b> | <b>FY 2005</b> | <b>FY 2004</b> | <b>FY 2003</b> |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Terminal areas                    |                |                |                |                |                |                |                |                |                |                |
| Maintenance                       | 72             | 60             | 81             | 81             | 81             | 85             | 56             | 56             | 57             | 57             |
| Airfield areas                    |                |                |                |                |                |                |                |                |                |                |
| Maintenance                       | 63             | 74             | 48             | 48             | 48             | 43             | 78             | 84             | 77             | 80             |
| Administration                    |                |                |                |                |                |                |                |                |                |                |
| area                              | 66             | 67             | 78             | 78             | 78             | 76             | 83             | 83             | 81             | 75             |
| Police & Operations               |                |                |                |                |                |                |                |                |                |                |
| Officers                          | 94             | 95             | 86             | 86             | 79             | 83             | 57             | 44             | 44             | 44             |
| Support Staff                     | 8              | 7              | 12             | 12             | 12             | 10             | 16             | 29             | 28             | 28             |
| General Aviation                  |                |                |                |                |                |                |                |                |                |                |
| Airports Maintenance              | 5              | 5              | 3              | 3              | 3              | 3              | 3              | 3              | 2              | 2              |
| <b>Total</b>                      | <b>308</b>     | <b>308</b>     | <b>308</b>     | <b>308</b>     | <b>301</b>     | <b>300</b>     | <b>293</b>     | <b>299</b>     | <b>289</b>     | <b>286</b>     |

(1) 2011 employee allocation was updated to reflect change in cost centers.

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**INSURANCE IN FORCE**  
**JUNE 30, 2012**

| Type of Policy   | Amount of Policy   | Policy<br>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<br>Deductible; \$5,000 per occurrence<br>\$100,000 aggregate   | April 1, 2013             | Commerce and Industry Insurance Company<br>Chartis | Personal injury and property damage  |
| Aircraft non-ownership liability   | \$250,000 total liability<br>Deductible: \$2,500   | April 1, 2013             | Commerce and Industry Insurance Company<br>Chartis | Personal injury and property damage  |
| Employee Benefits Liability  | \$1,000,000 aggregate<br>Deductible: \$2,500   | April 1, 2013             | Commerce and Industry Insurance Company<br>Chartis | Negligent act, error or omission damages                                       |
| Automobile liability - bodily injury and property damage   | \$1,000,000 each occurrence  | April 1, 2013             | Columbia Insurance Group                           | Bodily injury and property damage  |
| Property   | \$800,000,000 aggregate losses<br>\$50,000,000 earthquake<br>\$50,000,000 flood<br>\$5,000,000 Terrorism<br>Deductibles: \$25,000 per occurrence<br>Earthquake - \$250,000 or 5% of value<br>Flood - \$500,000 | April 1, 2013             | FM Global  | Building - All risks property damage including business interruption           |
| Crime  | \$1,000,000<br>Deductible: \$10,000  | April 1, 2013             | National Union Fire Insurance Company<br>Chartis   | Employee theft, forgery, robbery, and computer fraud                           |
| Fiduciary Liability  | \$3,000,000<br>Deductible: \$0   | April 1, 2013             | National Union Fire Insurance Company<br>Chartis   | Violation of any of the responsibilities, duties or obligations of Fiduciaries |
| Employment practices liability   | \$10,000,000<br>Deductible: \$75,000   | April 1, 2013             | National Union Fire Insurance Company<br>Chartis   | Wrongful termination, discrimination, sexual harassment and workplace torts    |
| Public officials liability   | \$10,000,000<br>Deductible: \$100,000  | April 1, 2013             | National Union Fire Insurance Company<br>Chartis   | Board of Commissioners, management and professional liability                  |
| Cyber Liability  | \$1,000,000<br>Deductible: \$50,000  | April 1, 2013             | Lloyd's of London Syndicate 3624 (Hiscox)          | Cyber protection, hacking business interruption, extortion & breach            |
| Workers compensation<br>Employers Liability  | Statutory coverage - State of TN<br>\$1,000,000<br>Accident/Disease  | April 1, 2013             | Chubb Indemnity Company                            | Workers' compensation for on-the-job injuries                                  |
| <b>OWNER CONTROLLED INSURANCE PROGRAM - (CONSTRUCTION INSURANCE):</b>  |  |                           |  |  |
| General Liability  | \$2,000,000 per occurrence<br>\$4,000,000 aggregate<br>Deductible: \$250,000   | April 25, 2016            | Zurich Insurance                                   | Personal injury and property damage  |
| Worker's compensation<br>Employers Liability   | Statutory coverage - State of TN<br>Deductible: \$250,000<br>\$1,000,000<br>Accident/Disease   | April 25, 2016            | Zurich Insurance                                   | Workers' compensation for on-the-job injuries                                  |
| Excess liability insurance   | \$50,000,000 per occurrence<br>\$50,000,000 aggregate  | April 25, 2016            | Combination of Westchester<br>AWAC & RSUI          | Personal injury and property damage  |



# **COMPLIANCE SECTION**

*This Section Contains the Single Audit Information,*

*Which Consists of the Following:*

Schedule of Expenditures of Federal and State Awards

Independent Auditors' Report





# MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

### YEAR ENDED JUNE 30, 2012 (\$ IN THOUSANDS)

| Grantor/Program<br>Pass-Through<br>Grantor                                  | Federal<br>CFDA<br>Number | Grant and<br>Contract Number   | State Grant and<br>Contract Number   | Project<br>Description  |
|---|---------------------------|--|--|---|
| FEDERAL AWARDS  |                           |  |  |   |
| U.S. Department of Transportation<br>Federal Aviation Administration (FAA): |                           |  |  |   |
| Airport Improvement Programs  | 20.106                    | 3-47-0049-60   |  | Reconstruct Twy Charlie Design, Rehabilitate Rwy 9/27 Design, Rehabilitate Twy November, Terminal Access Road Improvements, ARFF Building   |
|   |                           | 3-47-0049-61   |  | Acquire Land for Development, ARFF Building   |
|   |                           | 3-47-0049-67   |  | Replace Cargo Ramp, Improve Rwy & Twys , Acquire Snow Broom, ARFF Building, Storm Water Drainage Rehab, GIS Applications  |
|   |                           | 3-47-0049-74-2008  |  | Rehabilitate Twy Sierra, Reconstruct Rwy 9/27, Cargo Ramp Replacement, Airport Design   |
|   |                           | 3-47-0049-75-2008  |  | Rehabilitate Twy Sierra, Reconstruct Rwy 9/27, Cargo Ramp Replacement, Airport Design   |
|   |                           | 3-47-0049-78-2009  |  | Reconstruct Rwy 9/27 & Assoc Twys, Airport Signage, Twy Papa Construction   |
|   |                           | 3-47-0049-80-2010  |  | Reconstruct Rwy 9/27 and Associated Twys, Twy Papa Construction, Airport Signage  |
|   |                           | 3-47-0049-81-2010  |  | Reconstruct Rwy 9/27 and Assoc Twys, Public Access Improvements, Access Control System Design   |
|   |                           | 3-47-0049-82-2011  |  | Apron Replacement Design, Reconstruct Rwy 9/27 & Assoc Twys, Public Access Improvements, Assess Control System & CCTV Replacement   |
|   |                           | 3-47-0049-83-2011  |  | EMAS (Engineered Material Arresting System) Design  |
|   |                           | 3-47-0049-84-2011  |  | Reconstruct Rwy 9/27 & Assoc Twys, Assess Control System & CCTV Replacement, Public Access Improvements   |
|   |                           |  |  |   |
| FAA through TN Dept of Transportation<br>Airport Improvement Programs       | 20.106                    | 3-47-SBGP-27<br>3-47-SBGP-29<br>3-47-SBGP-29<br>3-47-SBGP-29<br>3-47-SBGP-29   | AERO-10-150-00<br>AERO-11-134-00<br>AERO-11-192-00<br>AERO-12-153-00<br>AERO-12-234-00   | DeWitt Spain - Hangar Infill<br>DeWitt Spain - Parking Lot Overlay and Expansion<br>DeWitt Spain - 2011 Flood<br>Charles Baker - New Terminal Design & Engineering<br>DeWitt Spain - Hangar Renovations   |
|   |                           |  |  |   |
| Total Federal Awards  |                           |  |  |   |
| STATE AWARDS  |                           |  |  |   |
| Tennessee Department of Transportation:                                     |                           | 79-555-1009-04<br>79-555-1012-04<br>79-555-1012-04<br>79-555-1025-04<br>79-555-1035-04<br>79-555-1033-04<br>79-555-1309-04<br>79-555-1305-04<br>99-555-1206-04<br>79-555-1708-04<br>79-555-1703-04<br>79-555-1716-04<br>79-555-1717-04<br>99-555-1217-04<br>99-555-1217-04<br>79-555-1715-04<br>99-555-1221-04<br>79-555-1722-04<br>79-555-1723-04<br>79-555-1724-04 | Z-07-03-7702-00<br>Z-07-03-7666-00<br>Z-07-03-7667-00<br>Z-08-20-0781-00<br>Aero-10-112-00<br>GG-09-28133-00<br>Aero-11-139-00<br>Aero-11-138-00<br>Aero-M11-102<br>Aero-11-141-00<br>Aero-11-137-00<br>Aero-12-151-00<br>Aero-12-152-00<br>Aero-M12-202<br>Aero-M12-216<br>Aero-12-150-00<br>Aero-12-207-00<br>Aero-12-208-00<br>Aero-12-209-00<br>Aero-12-210-00 | MEM - Emergency Power Generators<br>Charles Baker - DigiWx AWOS<br>DeWitt Spain - DigiWx AWOS<br>MEM - Phase 2 Replace Cargo Ramp<br>Charles Baker - Obstruction Clearing<br>MEM - Ground Transportation Center<br>Charles Baker - Grounds Maint. Equip.<br>DeWitt Spain - Grounds Maint. Equip.<br>Charles Baker - 2011 Maintenance<br>Charles Baker - Security Systems Upgrade<br>DeWitt Spain - Security Systems Upgrade<br>Charles Baker - Pavement Crack Sealing<br>DeWitt Spain - Pavement Crack Sealing<br>Charles Baker - 2012 Maintenance<br>DeWitt Spain - 2012 Maintenance<br>MEM Terminal Switchgear Replacement<br>MEM Access Control & CCTV<br>Charles Baker - Airfield Lighting Replacement<br>DeWitt Spain - Airfield Lighting Replacement<br>Dewitt Spain - Flood Control Pumping System |
| Total State Awards  |                           |  |  |   |
| TOTAL FEDERAL AND STATE AWARDS  |                           |  |  |   |

(1) Grant Expenditures include \$1,629 from prior years; \$1,629 Federal and \$0 State.

| Percentage of Participation | Grants as Amended June 30, 2011 | (Reduced) / Awarded | Total June 30, 2012 | Grants Receivable June 30, 2011 | Expenditures (1) | Cash Receipts | Grants Receivable June 30, 2012 |
|-----------------------------|---------------------------------|---------------------|---------------------|---------------------------------|------------------|---------------|---------------------------------|
| 75%                         | \$5,144                         | (\$6)               | \$5,138             |                                 | (\$6)            | (\$6)         |                                 |
| 75%                         | 2,225                           | (2)                 | 2,223               |                                 | (2)              | (2)           |                                 |
| 75%                         | 22,639                          | (8)                 | 22,631              |                                 | (8)              | (8)           |                                 |
| 75%                         | 12,746                          |                     | 12,746              | \$7                             | 974              | 981           |                                 |
| 75%                         | 5,488                           |                     | 5,488               | 1                               | 171              | 172           |                                 |
| 75%                         | 23,842                          |                     | 23,842              | 38                              | 1,157            | 1,114         | \$81                            |
| 75%                         | 21,672                          |                     | 21,672              | 265                             | 2,004            | 2,269         |                                 |
| 75%                         | 16,742                          |                     | 16,742              | 940                             | 4,080            | 4,537         | 483                             |
| 75%                         | 16,711                          |                     | 16,711              | 717                             | 12,591           | 9,568         | 3,740                           |
| 75%                         |                                 | 638                 | 638                 |                                 | 404              | 332           | 72                              |
| 75%                         |                                 | 17,019              | 17,019              |                                 | 8,399            | 4,863         | 3,536                           |
|                             | 127,209                         | 17,641              | 144,850             | 1,968                           | 29,764           | 23,820        | 7,912                           |
| 90%                         | 354                             |                     | 354                 | 10                              | 336              | 10            | 336                             |
| 90%                         | 225                             |                     | 225                 | 9                               | 5                | 9             | 5                               |
| 90%                         |                                 | 219                 | 219                 |                                 |                  |               |                                 |
| 90%                         |                                 | 150                 | 150                 |                                 |                  |               |                                 |
| 90%                         |                                 | 86                  | 86                  |                                 |                  |               |                                 |
|                             | 579                             | 455                 | 1,034               | 19                              | 341              | 19            | 341                             |
|                             | 127,788                         | 18,096              | 145,884             | 1,987                           | 30,105           | 23,839        | 8,253                           |
| 90%                         | 2,290                           | (497)               | 1,793               | 13                              |                  | 13            |                                 |
| 75%                         | 52                              |                     | 52                  |                                 | 4                | 4             |                                 |
| 75%                         | 53                              |                     | 53                  |                                 | 4                | 4             |                                 |
| 90%                         | 10,000                          | (1,270)             | 8,730               | 8                               |                  | 8             |                                 |
| 90%                         | 135                             | 135                 | 270                 | 14                              | 221              | 14            | 221                             |
| 90%                         | 33,165                          | 16,835              | 50,000              | 5,122                           | 18,698           | 17,086        | 6,734                           |
| 75%                         | 60                              |                     | 60                  | 14                              | 39               |               | 53                              |
| 75%                         | 29                              |                     | 29                  | 3                               | 26               |               | 29                              |
| 50%                         | 13                              |                     | 13                  | 13                              |                  | 13            |                                 |
| 90%                         | 31                              |                     | 31                  |                                 |                  |               |                                 |
| 90%                         | 32                              |                     | 32                  |                                 | 6                |               | 6                               |
| 90%                         |                                 | 45                  | 45                  |                                 | 45               |               | 45                              |
| 90%                         |                                 | 45                  | 45                  |                                 | 45               |               | 45                              |
| 50%                         |                                 | 13                  | 13                  |                                 | 13               |               | 13                              |
| 50%                         |                                 | 13                  | 13                  |                                 | 13               |               | 13                              |
| 90%                         |                                 | 900                 | 900                 |                                 |                  |               |                                 |
| 90%                         |                                 | 1,350               | 1,350               |                                 | 3                |               | 3                               |
| 90%                         |                                 | 450                 | 450                 |                                 |                  |               |                                 |
| 90%                         |                                 | 225                 | 225                 |                                 |                  |               |                                 |
| 90%                         |                                 | 450                 | 450                 |                                 |                  |               |                                 |
|                             | 45,860                          | 18,694              | 64,554              | 5,187                           | 19,117           | 17,142        | 7,162                           |
|                             | \$173,648                       | \$36,790            | \$210,438           | \$7,174                         | \$49,222         | \$40,981      | \$15,415                        |

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AND STATE AWARDS**  
YEAR ENDED JUNE 30, 2012

**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 expensed 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.



## 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 years ended June 30, 2012 and 2011, and have issued our report thereon dated October 11, 2012. 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.

### ***Internal Control Over Financial Reporting***

Management is responsible for establishing and maintaining effective internal controls 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, 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 other matters that we reported to management of the Authority, in a separate letter dated October 11, 2012.

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 Goodman LLP*

October 11, 2012

## Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on 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 could have a direct and material effect on its major federal program for the year ended June 30, 2012. 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; 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

## ***Internal Control Over Compliance***

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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 Goodman LLP*

October 11, 2012



**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Part I - Summary of Audit Results**

1. The Independent Auditors' Report on the financial statements of Memphis-Shelby County Airport Authority (the "Authority"), dated October 11, 2012, expressed an unqualified opinion.
2. 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 October 11, 2012).
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. No significant deficiencies of material weaknesses relating to the audit of the major federal award program are 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 October 11, 2012).
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 October 11, 2012, 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 \$903,000 was used to distinguish between Type A and Type B Programs as those terms are defined on OMB Circular A-133.
9. The Authority qualified as a low-risk auditee as that them is defined in OMB Circular A-133.

**Part II – Findings – Financial Statements Audit**

None

**Part III – Findings and Questioned Costs – Major Federal Awards**

None

