

2017

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Memphis-Shelby County Airport Authority MEMPHIS, TENNESSEE

For the Fiscal Years Ended June 30, 2017 and 2016
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, 2017 and 2016
PREPARED BY THE FINANCE DIVISION

Memphis-Shelby County Airport Authority

JUNE 30, 2017

BOARD OF COMMISSIONERS

Pace Cooper, Chairman
James J. Keras, Jr., Vice-Chairman
Pamela Z. Clary
Michael E. Keeney
Jack Sammons
Darrell K. Thomas
Keri Wright

OFFICERS AND KEY STAFF MEMBERS POSITION

MEMBERS POSITION

Scott A. Brockman, A.A.E. President and Chief Executive Officer

Forrest B. Artz, C.P.A. Vice President of Finance and Administration and Chief Financial Officer,
Authority Treasurer

Terry S. Blue, A.A.E. Vice President Operations

Christy L. Kinard, Esquire General Counsel and Authority Secretary

Jeffrey W. Hanley Director of Finance and Authority Assistant Treasurer

Janice Avery-Walthall Director of Human Resources

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

Phillip Florey Director of Maintenance

James A. Hay II Director of Development

J. Jarrett Morgan Director of Information Technology

Glen A. Thomas Director of Strategic Marketing and Communications

T. E. Wallace III, A.A.E. Director of Operations and Public Safety

Angela Washington Director of Properties

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INTRODUCTORY SECTION

This Section Contains the Following:

Letter of Transmittal and Exhibits

Organizational Chart



October 19, 2017

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, 2017, 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 control. 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 authorized and 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, 2016. 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. The Compliance Section includes Schedule of Expenditures of Federal and State Awards, the related independent auditors’ reports and the Schedule of Findings and Questioned Costs.

Management is required by GAAP to provide a narrative introductory overview and analysis as an accompaniment to the financial statements in the form of MD&A. This letter of transmittal should be read in conjunction with 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, 2017, 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 unmodified opinion that the Authority’s financial statements for the fiscal year ended June 30, 2017, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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, is reported in the Compliance Section of this report. 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 (the “Board”) 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.

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 (the "Airport"), Charles W. Baker ("Baker"), and General DeWitt Spain ("Spain") Airports. Baker Airport is located south of Millington, Tennessee and Spain Airport 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 68 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 recover from the late 2000's United States recession and the ensuing global recession. The Memphis Metropolitan Statistical Area ("MMSA") unemployment rate for August 2017 was 4.2%, which was above the State of Tennessee rate of 3.3% but below the national rate of 4.4%.

During FY 2017, over 99 percent of enplanement activity was origination and destination (O&D) activity. Of the total FY 2017 enplanement activity at the Airport, Delta Air Lines comprised 32 percent, American Airlines approximately 31 percent, Southwest Airlines about 17 percent, United Airlines about 13 percent with all other airlines (Allegiant, Frontier and Air Canada) making up the balance. The outlook for FY 2018 is for existing airline partner enplanement shares to be similar to the prior FY 2017 with slight enplanement and capacity growth across all airlines. The Airport continues to seek additional routes for non-served and under-served markets at the Airport.

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

Cargo air carriers, primarily FedEx Express, continue to have a significant positive impact at the Airport; accordingly, the Airport handled a total of 4.7 million U.S. tons of cargo in fiscal year 2017. The Airport is ranked #1 in the United States for total air cargo handled, and #2 in the world for total air cargo handled according to statistics reported by Airports Council International, Geneva, Switzerland. Over 85% of the cargo handled at Memphis International Airport 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 fiscal year 2017. FY 2018 cargo activity levels are expected to grow slightly over FY 2017 activity levels keeping the Airport active twenty-four hours a day.

Population and Employment

The MMSA encompasses a 3,000-square-mile area comprised of Shelby, Fayette and Tipton Counties in Tennessee, Benton, Desoto, Marshall, Tate and Tunica Counties 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 1,402,486 by 2025. Shelby County’s 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 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 one of the top 20 largest grossing gaming centers 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 Airport Master Plan, which is updated every 7 to 10 years. The Authority 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 will begin the process in FY 2018 to issue an updated Master Plan that will serve as a flexible and cost-effective guide for the future development of the Airport for the next decade. Capital improvements recommended by the plan are demand-driven, only those that are needed as a result of actual increase in demand will be constructed.

The Authority has also developed a comprehensive Strategic Plan, which identifies and inventories strengths and weaknesses and guides the Authority's operating, capital and financial planning for the next 5-7 years. This Strategic Plan allows the Authority to set goals and to measure the progress in meeting these goals.

Multi-Year Financial Plan

The Authority prepares Multi-Year Financial Plans, which are updated annually. This plan contains the first year of the proposed annual Operating 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 five year Capital Improvements Budget is updated annually and contains the current fiscal year and the ensuing four 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 \$500 million of liability insurance. The Authority also has approximately \$800 million of property insurance on airport properties, which includes flood and 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, 2017, 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 7 of the notes to the basic financial statements in the Financial Section for Long-Term Debt information.

Pension and other Post-employment Benefits

The Authority participates in the 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. The plans provide retirement benefits as well as death and disability benefits. The Authority is required to contribute at a statutorily determined rate set by the City of Memphis Retirement System funding policy. This policy states "that beginning in the plan year commencing on July 1, 2015, the City will fund the actuarially determined contribution ("ADC") each year over a graduated progress percentage so that in a maximum of five (5) years the City will be funding 100% of the ADC each year. The graduated progress percentage each year is at a minimum the percentage determined by dividing five (5) the difference between the percentage of the ADC paid in the plan year commencing July 1, 2014,

subtracted from 100%. The ADC shall be recalculated each year and the percentage of funding shall be based on the most recent recalculation of the ADC". See Note 10 of the notes to the basic financial statements in the Financial Section for more information.

The Authority also provides a supplemental retirement benefit to eligible 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 11 of the notes to the basic financial statements 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 certain eligible employees who retire from the Authority under the provisions of the City's Retirement System. See Note 13 of the notes to the basic financial statements in the Financial Section for more information.

MAJOR INITIATIVES

Concourse B Modernization Project. The Authority's Concourse B Modernization Project concepts and related design efforts began in December 2015. Design is now complete - the project will create higher ceilings and wider corridors filled with natural light throughout the concourse, add moving walkways, create special purpose public use areas and enhance concession concept opportunities. The Concourse B Modernization Project and related enabling projects are expected to be finished in early to mid-year 2021 at a total cost of approximately \$220 million.

Airfield Maintenance Facility. The Authority is beginning the construction phase of a new airfield maintenance facility which will replace the existing airfield maintenance building and warehouse facilities located contiguous to the current FedEx leased space. Site preparation for the new facility began in May of 2017 with construction anticipated to begin in the spring of 2018 and to be completed in the summer of 2019. The new facility is anticipated to include both secure and non-secure operations. The airfield maintenance portion of the facility will include approximately ten mechanics bays, some sized for large snow removal equipment, an airfield electrical shop, a paint shop, a sign shop, supervision offices, equipment storage and covered parking for rolling stock, including snow removal equipment and ground maintenance and support equipment. As well, the airport police department, communications center, emergency operations center, operations duty department and snow command center will relocate from terminal facilities to the new airfield maintenance facility.

Glycol De-Ice Pads. The Authority's current National Pollutant Discharge Elimination System (NPDES) storm water permit expires December 2018; as a result, the Airport is in the design phase of 12 de-ice pads which will be designed to separate the deicer and anti-icer impacted water from the storm drainage system. This project includes asphalt in-field areas for vehicle and equipment staging, lighting system, glycol impacted collections system, non-glycol impacted collections system, relocation of an existing public street, vehicle service road bridge, as well as the construction of two crossfield taxiways. Construction began in the fall of 2017 and is estimated to be completed in the spring of 2021.

Consolidated Rental Car Maintenance Facility. The Authority began construction of a new Consolidated Rental Car Maintenance Facility in October of 2017. This maintenance facility will be used by the rental car companies for vehicle fueling, maintenance and storage. The project is funded with Customer Facility Charge (CFC) revenue collected by the rental car companies for the Authority. The project is scheduled to be complete in December of 2018.

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, 2016. The Authority has received a Certificate of Achievement for twenty-eight consecutive fiscal years from 1989-2016. 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.

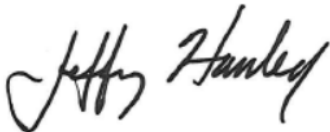
Respectfully submitted,



Scott A. Brockman, A.A.E.
President and Chief Executive Officer



Forrest B. Artz, C.P.A.
Vice President of Finance and Administration,
Authority Treasurer



Jeffrey W. Hanley
Director of Finance
Authority Assistant Treasurer



Government Finance Officers Association

**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

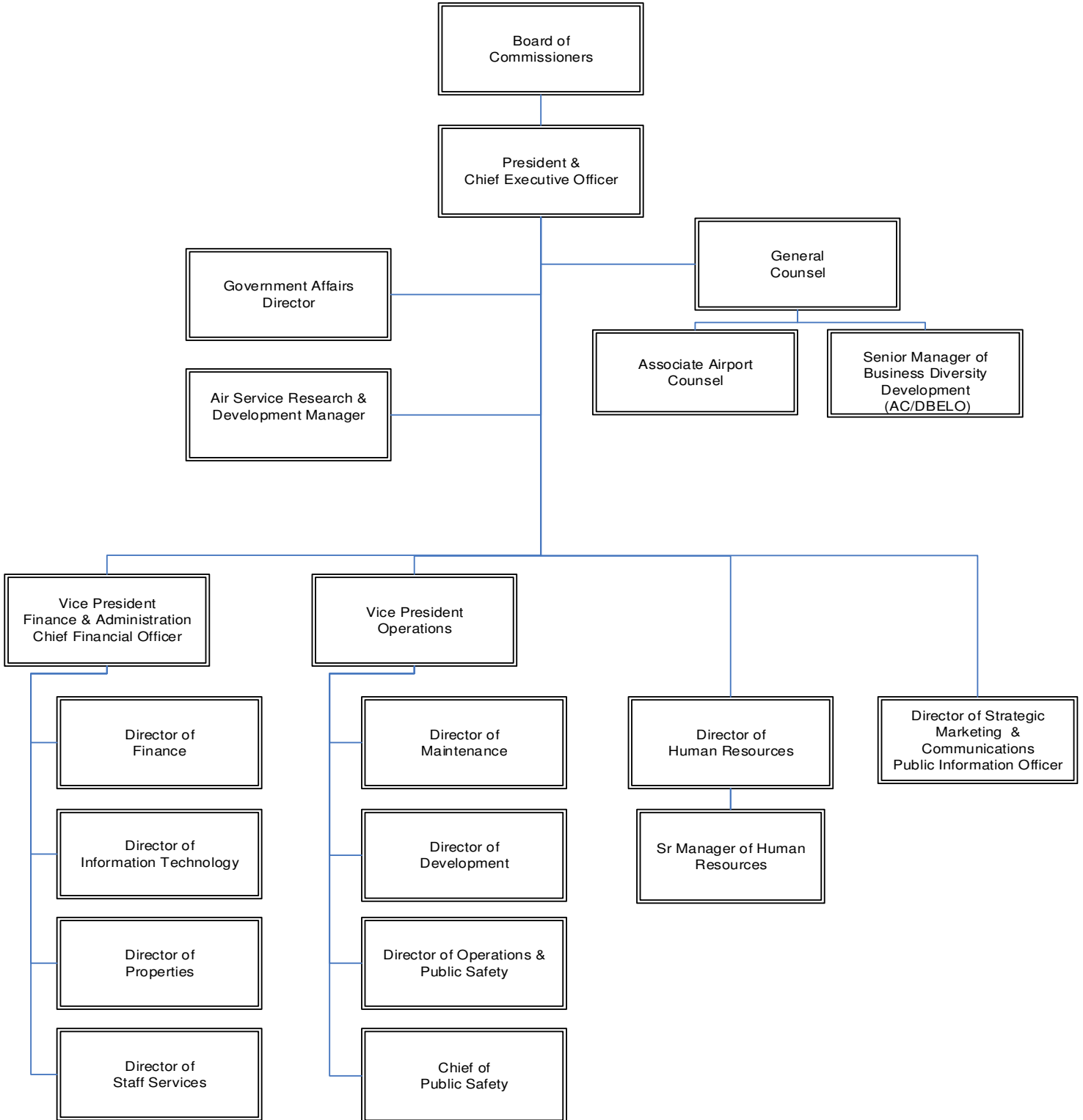
June 30, 2016

Executive Director/CEO



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
Memphis, Tennessee

Report of the Financial Statements

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 years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Changes in Accounting Principle

As described in Note 1 to the financial statements, during fiscal year 2016, the Authority changed its revenue recognition method for incremental amounts due to and from airlines under the Airport Use and Lease Agreement. The cumulative effect of the adoption of this new policy resulted in a restatement in net position as of June 30, 2015 of \$12,215,000. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 36, the schedule of proportionate share of the net pension liability and related ratios and the schedule of contributions on page 71 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 audits 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.

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Memphis, Tennessee

October 19, 2017

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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, 2017 and 2016. 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 Position* present all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. Over time, increases or decreases in net position 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 the overall financial position and health of the Authority.

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

The *Statements of Cash Flows* report how cash was 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 for the year, and the cash and 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 2017

- Operating revenues of \$104,176 for fiscal year 2017 decreased by \$644 (0.6 percent) compared to fiscal year 2016 revenues of \$104,820.
- Operating expenses, before depreciation and amortization, of \$56,407 for fiscal year 2017 increased by 0.2 percent compared to fiscal year 2016 operating expenses of \$56,310.
- The Authority's total net position at June 30, 2017 was \$651,446. This is an increase of \$563 (0.09 percent) over total net position of \$650,883 at June 30, 2016.
- Capital assets, net of accumulated depreciation decreased by \$36,246 mainly due to fiscal year 2017 net capital additions of approximately \$27,789; offset by the current year change in accumulated depreciation of \$64,035.
- The Authority's total outstanding long-term bonds and notes payable, net at June 30, 2017 increased by \$1,803 (0.3 percent) compared to June 30, 2016 due to the issuance of the 2016A Revenue Bonds of \$27,500, offset primarily by the scheduled principal payments made during fiscal year 2017 and the additional amounts paid towards notes payable.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2016

- Operating revenues of \$104,820 for fiscal year 2016 increased by \$4,278 (4 percent) compared to fiscal year 2015 revenues of \$100,542.
- Operating expenses, before depreciation and amortization, of \$56,310 for fiscal year 2016 increased by 4 percent compared to fiscal year 2015 operating expenses of \$53,923.
- The Authority's total net position at June 30, 2016 was \$650,883. This is a decrease of \$17,807 (3 percent) over total net position of \$668,690 at June 30, 2015.
- Capital assets, net of accumulated depreciation decreased by \$34,887 mainly due to fiscal year 2016 net capital additions of approximately \$26,930; offset by the current year change in accumulated depreciation of \$61,817.
- The Authority's total outstanding long-term bonds and notes payable, net at June 30, 2016 decreased by \$42,501 (11.8 percent) compared to June 30, 2015 due primarily to scheduled principal payments made during fiscal year 2016 and the additional amounts paid towards notes payable.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

SUMMARY OF CHANGES IN NET POSITION

FINANCIAL ANALYSIS

At June 30, 2017, the Authority's net position increased year over year with total assets and deferred outflows of \$1,086,104 total liabilities and deferred inflows of \$434,658 and total net position of \$651,446. A comparative combined condensed summary of the Authority's net position at June 30, 2017, 2016 and 2015 is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Current assets	\$184,197	\$151,882	\$169,037
Net capital assets	864,536	900,782	935,669
Other non-current assets	31,852	28,210	25,182
Total assets	<u>1,080,585</u>	<u>1,080,874</u>	<u>1,129,888</u>
Deferred outflows of resources	<u>5,519</u>	<u>10,400</u>	<u>7,268</u>
Liabilities			
Current liabilities	51,976	55,761	52,081
Long-term liabilities	377,067	377,988	411,796
Total liabilities	<u>429,043</u>	<u>433,749</u>	<u>463,877</u>
Deferred inflows of resources	<u>5,615</u>	<u>6,642</u>	<u>4,589</u>
Net position			
Net investment in capital assets	541,400	579,291	587,325
Restricted	83,524	56,960	66,037
Unrestricted	26,522	14,632	15,328
Total net position	<u>\$651,446</u>	<u>\$650,883</u>	<u>\$668,690</u>

Fiscal Year 2017

Current assets at June 30, 2017 increased by \$32,315 (21.3 percent) when compared to current assets at June 30, 2016. This increase was primarily due to an increase of \$39,310 in cash and investments and \$729 in prepaid expenses, partially offset by a decrease of \$6,815 in capital contributions receivable, a decrease of \$747 in accounts receivable and a decrease of \$146 in materials and supplies inventory. The increase in cash and investments was mainly due to the issuance of the 2016A Revenue Bonds and the reduction of capital contributions receivable. The decrease in capital contributions receivable results from the timing of when capital expenditures were incurred (revenue recognized) and when the related reimbursements were received from the grantor agency.

Capital assets, net of depreciation decreased by \$36,246 in fiscal year 2017 compared to fiscal year 2016 primarily due to the annual asset depreciation, offset partially by the Authority's ongoing capital improvement program. Fiscal year 2017 net capital additions were \$27,789, offset by the current year change in accumulated depreciation of \$64,035.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

SUMMARY OF CHANGES IN NET POSITION (CONTINUED)

Non-current assets, other than capital assets, increased by \$3,642 due to an increase in investments occurring from the purchase of additional non-current investments.

The deferred outflows of resources at June 30, 2017 were \$5,519, a decrease of \$4,881 compared to June 30, 2016 of \$10,400. The deferred outflows of resources relates to the loss on bond refundings (the difference between the reacquisition price and the net carrying amount of the old debt) and deferred actuarial loss under GASB 68. The total decrease in deferred outflows is due to a decrease of \$495 in deferred losses on bond refundings which is the systematic recognition of interest expense over the remaining life of the old debt or of the new debt, whichever is shorter and a decrease in deferred losses under GASB 68 of \$4,386 due mainly to an increase in investment gains as compared to the expected return on assets.

Current liabilities decreased from \$55,761 in 2016 to \$51,976 in 2017. This decrease of \$3,785 (7 percent) is primarily due to the reduction of unearned revenue (\$4,138), decrease in current maturities of long-term debt (\$1,911), accrued interest payable (\$291) and accrued expenses (\$212), offset partially by increase in construction contracts payable (\$2,148), accounts payable (\$557) and current portion-compensated absences (\$62). The reduction of unearned revenue is mainly due to reimbursements made to air carriers for the surplus earned in previous years. The decrease in current maturities of long-term debt is mainly due to the reduction of notes payable. The decrease in accrued interest payable is due to the reduced principal balance of outstanding bonds as a result of the payment of principal, based on amortization schedules, during the fiscal year. The increase in construction contracts payable is due to the increased construction related activity at the airport. The increase in accounts payable is due to the timing of the receipt of normal operating invoices subsequent to the fiscal year end.

Long-term liabilities at June 30, 2017 were \$377,067, a decrease of \$921 compared to June 30, 2016 (\$377,988). The decrease in long-term liabilities was primarily due to the net decrease (\$22,607) for certain debt reclassified from long-term debt to a current liability; as it is due within one year, the amortization for bond premium costs (\$1,183), the amortization to recognize rental revenue from FedEx Corporation related to the prior TnANG facility (\$1,540) and a decrease in the GASB 68 net pension liability (\$3,099), offset partially by the issuance of the 2016A Airport Revenue Bonds (\$27,500) and increased compensated absences (\$4), due to certain amounts reclassified to a current liability from a long-term liability.

The deferred inflows of resources at June 30, 2017 were \$5,615, an decrease of \$1,027 compared to June 30, 2016 of \$6,642. The deferred inflows of resources relates to the deferred actuarial gains as a result of implementing GASB 68. This decrease was due to the reduction in the Authority's pro rata share of the overall pension liability.

The largest portion of the Authority's net position is the net investment in capital assets of \$541,400 (e.g. land, buildings, machinery and equipment). The Authority uses these assets to provide services to passengers, visitors and tenants of the airport; accordingly, these assets are not available for future spending or to service the related debt. Therefore, the resources needed to repay this debt must be provided from operations, since the capital assets themselves are not used to liquidate these liabilities.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

SUMMARY OF CHANGES IN NET POSITION (CONTINUED)

Fiscal Year 2016

Current assets at June 30, 2016 decreased by \$17,155 (10.1 percent) when compared to current assets at June 30, 2015. This decrease was primarily due to a decrease of \$14,784 in cash and investments and \$3,030 in capital contributions receivable, partially offset by an increase of \$394 in accounts receivable and an increase of \$245 in prepaid expenses. The decrease in cash and investments was mainly due to the ongoing construction costs for the Terminal Apron Project and various other ongoing design and construction projects, as well as, a decrease in investments due to the purchase of additional non-current investments and the reduction in capital contributions receivable. The decrease in capital contributions receivable results from the timing of when capital expenditures were incurred (revenue recognized) and when the related reimbursements were received from the grantor agency. These decreases were partially offset by the increase in accounts receivable due to the timing on receipt of certain year-end invoices and an increase in prepaid expenses due to certain prepaid insurance coverages.

Capital assets, net of depreciation decreased by \$34,887 in fiscal year 2016 compared to fiscal year 2015 primarily due to the annual asset depreciation, offset partially by the Authority's ongoing capital improvement program. Fiscal year 2016 net capital additions were \$26,930, offset by the current year change in accumulated depreciation of \$61,817.

Non-current assets, other than capital assets, increased by \$3,028 due to an increase in investments occurring from the purchase of additional non-current investments.

The deferred outflows of resources at June 30, 2016 were \$10,400, an increase of \$3,132 compared to June 30, 2015 of \$7,268. The deferred outflows of resources relates to the loss on bond refundings (the difference between the reacquisition price and the net carrying amount of the old debt) and deferred actuarial loss under GASB 68. The decrease of \$705 in deferred losses on bond refundings is the systematic recognition of interest expense over the remaining life of the old debt or of the new debt, whichever is shorter. This was offset by an increase in deferred losses under GASB 68 of \$3,837 due mainly to an increase in investment losses as compared to the expected return on assets.

Current liabilities increased from \$52,081 in 2015 to \$55,761 in 2016. This increase of \$3,680 (7 percent) is primarily due to the addition of unearned revenue (\$14,001) and accounts payable (\$708), offset partially by decreases in current maturities of long-term debt (\$7,832), construction contracts payable (\$2,283) and accrued interest payable (\$650). The addition of unearned revenue is due to a change in the Authority's method of revenue recognition. The increase in accounts payable is due to the timing of the receipt of normal operating invoices subsequent to the fiscal year end. The decrease in current maturities of long-term debt is mainly due to the retiring of 2008A and 2003 revenue bonds. The decrease in accrued interest payable is due to the reduced principal balance of outstanding bonds as a result of the payment of principal, based on amortization schedules, during the fiscal year. The decrease in construction contracts payable is due to the completion of the Terminal Apron Project.

Long-term liabilities at June 30, 2016 were \$377,988, a decrease of \$33,808 compared to June 30, 2015 (\$411,796). The decrease in long-term liabilities was primarily due to the net decrease (\$24,518) for certain debt

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SUMMARY OF CHANGES IN NET POSITION (CONTINUED)

reclassified from long-term debt to a current liability; as it is due within one year, the payments made toward notes payable (\$8,834), the amortization for bond premium costs (\$1,317), the amortization to recognize rental revenue from FedEx Corporation related to the prior TnANG facility (\$1,540), offset by the GASB 68 required recording of the additional net pension liability (\$2,258) and increased compensated absences (\$143), due to certain amounts reclassified to a current liability from a long-term liability.

The deferred inflows of resources at June 30, 2016 were \$6,642, an increase of \$2,053 compared to June 30, 2015 of \$4,589. The deferred inflows of resources relates to the deferred actuarial gains as a result of implementing GASB 68. This increase was due to the reduction in the Authority's pro rata share of the overall pension liability.

The largest portion of the Authority's net position is the net investment in capital assets of \$579,291 (e.g. land, buildings, machinery and equipment). The Authority uses these assets to provide services to passengers, visitors and tenants of the airport; accordingly, these assets are not available for future spending or to service the related debt. Therefore, the resources needed to repay this debt must be provided from operations, since the capital assets themselves are not used to liquidate these liabilities.

SUMMARY OF CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$104,176	\$104,820	\$100,542
Operating expenses	<u>(56,407)</u>	<u>(56,310)</u>	<u>(53,923)</u>
Operating income before depreciation	47,769	48,510	46,619
Depreciation	<u>(64,357)</u>	<u>(62,176)</u>	<u>(65,587)</u>
Operating loss	(16,588)	(13,666)	(18,968)
Non-operating income	8,574	8,679	7,974
Non-operating expense	<u>(14,914)</u>	<u>(16,386)</u>	<u>(17,972)</u>
Loss before capital contributions	(22,928)	(21,373)	(28,966)
Capital contributions	<u>23,491</u>	<u>15,781</u>	<u>27,389</u>
Increase (decrease) in net position	<u>\$563</u>	<u>(\$5,592)</u>	<u>(\$1,577)</u>

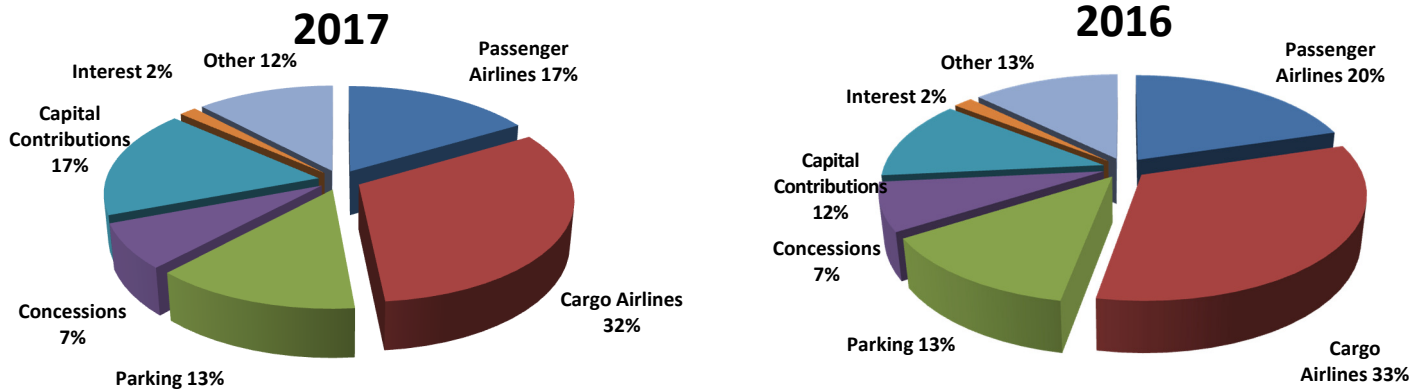
The following table presents revenue by major source for the years ended June 30, 2017, 2016 and 2015 and the pie charts show the percentage of revenues by source for the years ended June 30, 2017 and 2016. Due to the strong presence of cargo operations at Memphis International Airport (FedEx super-hub and the world's second 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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues			
Passenger Airlines			
Passenger landing fee	\$3,208	\$3,009	\$2,747
Airline terminal rentals	18,713	22,666	23,041
Airline fee payments-FIS	4	10	95
Other rentals	581	558	555
Total Passenger Airlines	<u>22,506</u>	<u>26,243</u>	<u>26,438</u>
Cargo Airlines			
Cargo landing fees	30,211	28,843	28,361
Ground rents	10,969	10,860	10,809
Other rentals	2,465	2,406	2,360
Total Cargo Airlines	<u>43,645</u>	<u>42,109</u>	<u>41,530</u>
Non-Airline Rentals			
Concessions-terminal	2,221	2,077	2,112
Concessions-rental car	7,630	7,667	6,719
Public parking	17,677	16,237	13,914
Employee parking	673	607	673
GTC rentals	1,273	1,145	1,321
Other rentals	8,439	8,622	7,567
Total Non-Airline Rentals	<u>37,913</u>	<u>36,355</u>	<u>32,306</u>
Other Revenues			
Restricted rental income	112	113	268
Total other revenues	<u>112</u>	<u>113</u>	<u>268</u>
Total Operating Revenues	<u>104,176</u>	<u>104,820</u>	<u>100,542</u>
Non-operating Revenues			
Interest and investment income	2,064	2,158	2,115
Customer facility charges	6,371	6,392	5,703
Other	139	129	156
Total Non-Operating Revenues	<u>8,574</u>	<u>8,679</u>	<u>7,974</u>
Capital Contributions	23,491	15,781	27,389
Total Revenues	<u>\$136,241</u>	<u>\$129,280</u>	<u>\$135,905</u>

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

REVENUES



Fiscal Year 2017

Operating revenues of \$104,176 for fiscal year 2017 decreased by \$644 (0.6 percent) compared to fiscal year 2016 revenues of \$104,820. This decrease in operating revenues is primarily due to decrease airline terminal rentals (\$3,953), other non-airline rentals (\$183), concessions rental car (\$37) and FIS fees (\$6), offset by an increase in cargo landing fees (\$1,368), public parking revenues (\$1,440), passenger landing fees (\$199), concessions - terminal (\$144), ground transportation rentals (\$128), ground rents (\$109), employee parking (\$66), other cargo airline rentals (\$59) and other passenger rentals (\$23). 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 fiscal year 2017 are comprised of interest income (\$2,064), customer facility charges (CFC) (\$6,371), operating grants (\$67) and gain on disposal of fixed assets (\$72). Total non-operating revenues decreased by \$105 in fiscal year 2017 compared to fiscal year 2016 non-operating revenues. This decrease was due to loss on investment earnings (\$94) and reduction in CFC revenues (\$21), offset by a gain on the disposal of assets (\$10).

Capital contributions, comprised primarily of Federal capital grants, increased from \$15,781 in fiscal year 2016 to \$23,491 in fiscal year 2017, 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 2016

Operating revenues of \$104,820 for fiscal year 2016 increased by \$4,278 (4.3 percent) compared to fiscal year 2015 revenues of \$100,542. This increase in operating revenues is primarily due to increased public parking revenues (\$2,323), rental car concessions (\$948), cargo landing fees (\$482), passenger landing fees (\$262) and other non-airline rentals (\$1,055), offset by decreases in other restricted rental income (\$155), GTC rentals (\$176), airline terminal rentals (\$375) and FIS fees (\$85). 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.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
REVENUES (CONTINUED)

Non-operating revenues for fiscal year 2016 are comprised of interest income (\$2,158), customer facility charges (CFC) (\$6,392), operating grants (\$67) and gain on disposal of fixed assets (\$62). Total non-operating revenues increased by \$705 in fiscal year 2016 compared to fiscal year 2015 non-operating revenues. This increase was mainly due to additional CFC revenues (\$689) due to increased rental car activity, gain on investment earnings (\$43) and gain on operating grants (\$48), offset partially by a reduced gain on the disposal of assets (\$75).

Capital contributions, comprised primarily of Federal capital grants, decreased from \$27,389 in fiscal year 2015 to \$15,781 in fiscal year 2016, as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

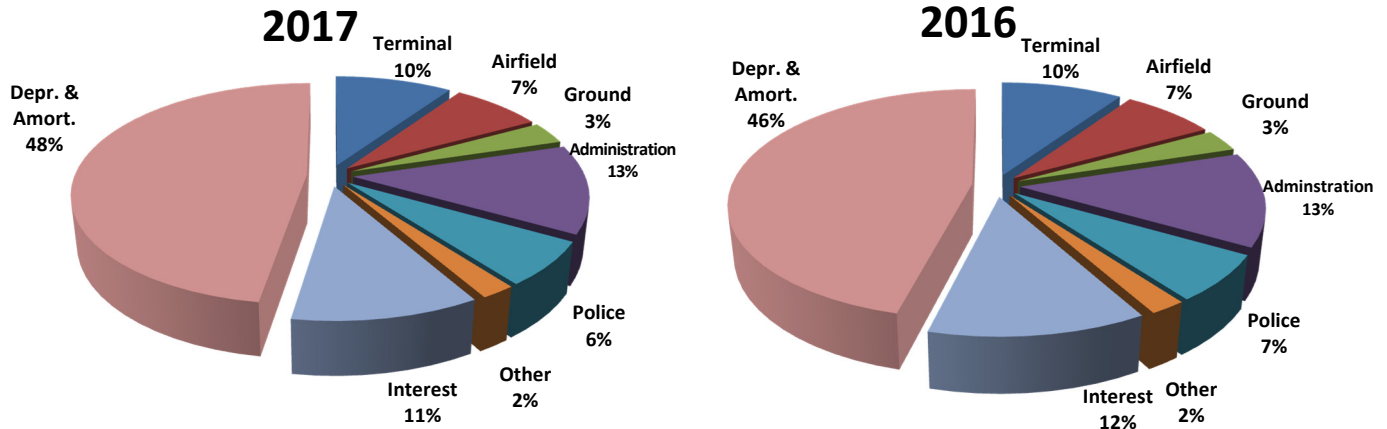
MEMPHIS-SHELBY COUNTY AIRPORTY AUTHORITY
EXPENSES

The following table presents expenses by cost center for the years ended June 30, 2017, 2016 and 2015 and the pie charts show the percentage of expenses by cost center for the years ended June 30, 2017 and 2016.

EXPENSES BY COST CENTER

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Expenses			
Airfield area	\$10,131	\$10,006	\$9,945
Terminal area	12,895	12,804	12,435
Ground transportation area	4,364	4,167	3,850
Administration area	17,533	17,808	16,902
Police and operations area	8,727	8,770	8,004
Other areas	<u>2,757</u>	<u>2,755</u>	<u>2,787</u>
Total operating expenses	<u>56,407</u>	<u>56,310</u>	<u>53,923</u>
Non-operating Expenses			
Interest expense	<u>14,914</u>	<u>16,386</u>	<u>17,972</u>
Total expenses before depreciation and change in accounting principle	71,321	72,696	71,895
Depreciation	<u>64,357</u>	<u>62,176</u>	<u>65,587</u>
Total Expenses	<u><u>\$135,678</u></u>	<u><u>\$134,872</u></u>	<u><u>\$137,482</u></u>

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY EXPENSES (CONTINUED)



Fiscal Year 2017

In fiscal year 2017, the Authority's operating expenses of \$56,407 increased compared to fiscal year 2016 operating expenses of \$56,310 by \$97 (0.2 percent). The net increase was mainly due to increased airfield, terminal, ground transportation of \$125, \$91 and \$197, respectively; offset partially by a decrease in general administration (\$275), police (\$43). The increase in airfield costs was mainly due to the increase in joint sealant maintenance costs; offset partially by lower salaries and benefits costs. The increase in terminal costs was mainly due to utilities and an increase in repairs and maintenance; offset partially by lower salaries and benefits costs. The increase in ground transportation was mainly due to an increase parking management and bank fees related to increase public parking traffic. The decrease in administration costs was primarily due to decreased salaries and wages and related benefits and lower overall expenses, offset partially by increased legal fees and information technologies contracts. The decrease in the police and operations expenses was mainly due to lower salaries and wages and related benefit costs; offset partially by additional security guard services.

Depreciation expense increased from \$62,176 in fiscal year 2016 to \$64,357 for fiscal year 2017. This increase of \$2,181 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 2017 interest expense of \$14,914 decreased \$1,472 compared to fiscal year 2016 interest expense of \$16,386. This decrease in interest expense was due to the scheduled payments of principal on outstanding bonds and notes; as a result, interest expense was reduced year over year.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY EXPENSES (CONTINUED)

Fiscal Year 2016

In fiscal year 2016, the Authority's operating expenses of \$56,310 increased compared to fiscal year 2015 operating expenses of \$53,923 by \$2,387 (4 percent). The net increase was mainly due to increased airfield, terminal, ground transportation, administration and police and operations of \$61, \$369, \$317, \$906 and \$766, respectively. The increase in airfield costs was mainly due to the increase in costs related to a fire protection and ambulance services contract, the increase in joint sealant maintenance and an increase in slab repairs on the airfield; offset partially by lower deicing chemicals costs due to a decreased number of snow events. The increase in terminal costs was mainly due to salaries and benefits costs and an increase in repairs and maintenance. The increase in ground transportation was mainly due to an increase in repairs and maintenance from equipment coming off of warranty and increased parking management and bank fees related to increase public parking traffic. The increase in administration costs was primarily due to increased salaries and wages and related benefits, offset partially by lower overall expenses. The increase in the police and operations expenses was mainly due to higher salaries and wages and related benefit costs and additional security guard services.

Depreciation expense decreased from \$65,587 in fiscal year 2015 to \$62,176 for fiscal year 2016. This decrease of \$3,411 is mainly due to a large number of depreciable assets reaching the end of their depreciable life in fiscal year 2015.

Non-operating expenses are comprised of interest expenses on outstanding debt. Fiscal year 2016 interest expense of \$16,386 decreased \$1,586 compared to fiscal year 2015 interest expense of \$17,972. This decrease in interest expense was due to the scheduled payments of principal on outstanding bonds and notes; as a result, interest expense was reduced year over year.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

CAPITAL ASSETS

The Authority's capital assets at June 30, 2017, 2016 and 2015 are summarized as follows:

NET CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Avigation easements	\$46,679	\$46,679	\$46,679
Land and improvements	159,875	159,581	159,476
Buildings	563,506	555,359	552,072
Runways, taxiways, and airfield lighting	776,080	776,015	719,646
Facilities constructed for tenants	104,078	104,077	104,077
Roads, bridges, and fences	74,073	68,529	67,253
Equipment and utility systems	118,419	116,406	109,454
Construction in process	25,439	13,714	54,773
Total capital assets	<u>1,868,149</u>	<u>1,840,360</u>	<u>1,813,430</u>
Less accumulated depreciation	<u>1,003,613</u>	<u>939,578</u>	<u>877,761</u>
Net capital assets	<u><u>\$864,536</u></u>	<u><u>\$900,782</u></u>	<u><u>\$935,669</u></u>

Fiscal Year 2017

At the end of fiscal years 2017 and 2016, the Authority had \$864,536 and \$900,782 respectively, invested in net capital assets. During fiscal year 2017 the Authority had net additions of \$27,789 related to capital activities for runway and taxiway projects, building improvements, equipment and roads, bridges and fencing projects, offset by current year depreciation of \$64,357, less deletions of \$322.

During fiscal year 2017, completed projects totaling \$16,098 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 (\$65), buildings (\$8,147), facilities constructed for tenants (\$1), roads, bridges and fences (\$5,544) and equipment and utility systems (\$2,341).

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 5 of the notes to the basic financial statements.

Fiscal Year 2016

At the end of fiscal years 2016 and 2015, the Authority had \$900,782 and \$935,669, respectively, invested in net capital assets. During fiscal year 2016 the Authority had net additions of \$26,930 related to capital activities for runway and taxiway projects, building improvements, equipment and roads, bridges and fencing projects, offset by current year depreciation of \$62,176, less deletions of \$359.

During fiscal year 2016, completed projects totaling \$68,250 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 (\$56,369), buildings (\$3,287), roads, bridges and fences (\$1,276) and equipment and utility systems (\$7,318).

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 5 of the notes to the basic financial statements.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

DEBT ACTIVITY

The Authority's outstanding bonds and notes payable, net of any premiums or discounts, at June 30, 2017, 2016 and 2015 are summarized as follows:

BONDS AND NOTES PAYABLE

	2017	2016	2015
Bonds:			
Airport Revenue	\$309,650	\$303,360	\$335,710
Unamortized bond premiums	4,691	5,874	7,191
Note payable	6,079	9,383	18,217
Current portion of bonds and notes payable	(22,607)	(24,518)	(32,350)
Total long-term bonds and notes payable	<u>\$297,813</u>	<u>\$294,099</u>	<u>\$328,768</u>

Fiscal Year 2017

The Authority's June 30, 2017 total long-term bonds and note payable, net, of \$297,813 increased \$3,714 (1.3 percent) compared to the June 30, 2016 total of \$294,099. The increase in the total long-term bonds and note payable, net outstanding was mainly due to the issuance of the Airport Revenue Bonds, Series 2016A with the first of four separate outstanding amounts of \$27,500; offset partially by certain debt reclassified as a current liability as it is due within one year of \$22,607 and the amortization of \$1,183 for bond premium costs.

In December 2015, the Authority reduced its revolving line of credit with a bank to \$30,000. The purpose for this line of credit is to provide temporary funding for the purchase of leaseholds and property for airfield expansion and capital cash flow requirements. The remaining balance of \$2,948 as of June 30, 2016 was paid off during fiscal year 2017 leaving \$30,000 available for draw down at June 30, 2017.

More detailed information related to long-term debt can be found in Note 7 of the notes to the basic financial statements.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
DEBT ACTIVITY (CONTINUED)

Fiscal Year 2016

The Authority's June 30, 2016 total long-term bonds and note payable, net, of \$294,099 decreased \$34,669 (10.5 percent) compared to the June 30, 2015 total of \$328,768. The decrease in the total long-term bonds and note payable, net outstanding was mainly due to certain debt reclassified as a current liability as it is due within one year of \$24,518, the amortization of \$1,317 for bond premium costs and the payments toward non-current notes payable of \$8,487.

In December 2015, the Authority reduced its revolving line of credit with a bank to \$30,000. The purpose for this line of credit is to provide temporary funding for the purchase of leaseholds and property for airfield expansion and capital cash flow requirements. The amount available on this line of credit is reduced by the \$2,948 outstanding notes payable leaving \$27,052 available for draw down at June 30, 2016.

More detailed information related to long-term debt can be found in Note 7 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. Coverage ratios for fiscal years 2017, 2016 and 2015 are as follows:

COVERAGE RATIO

	2017	2016	2015
Airport Revenue Bonds	155%	160%	147%

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

AIRPORT ACTIVITIES AND HIGHLIGHTS

AIRLINE ACTIVITY

During fiscal year 2017, 4,071,591 passengers traveled through the Airport, an increase of 3.10 percent over the 3,949,336 passengers in fiscal year 2016. Additionally, aircraft landed weight increased from 25,777,800 per thousand pound units in fiscal year 2016 to 26,308,810 per thousand pound units in fiscal year 2017. These changes in activity were realized due to an increase in the number of routes served by the airlines and an upgauging (increase size and weight) in the type of aircraft servicing the airport.

Air Cargo activity declined slightly in fiscal year 2017 mainly due to a change in software and reporting methodology used by FedEx Express, the largest driver of this activity. Memphis remained the United States' largest cargo airport, and the world's second largest cargo airport with approximately 4.7 million and 4.8 million U.S. tons of total cargo in fiscal years 2017 and 2016, respectively. Cargo activity at the Airport is dominated by FedEx Express, which has its corporate headquarters and operates its worldwide super-hub from Memphis.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
AIRPORT ACTIVITIES AND HIGHLIGHTS (CONTINUED)

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.

RATES AND CHARGES

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Terminal Average Square Foot Rate	\$92.98	\$116.07	\$135.26	\$86.71
Cargo Building Square Foot Rate	\$12.00	\$12.00	\$12.00	\$12.00
Aircraft Loading Position				
Rate per Linear Foot	\$291.84	\$256.22	\$252.96	\$91.62
Signatory Landing Fee-per 1,000 lbs. unit	\$1.27	\$1.27	\$1.25	\$1.45

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.

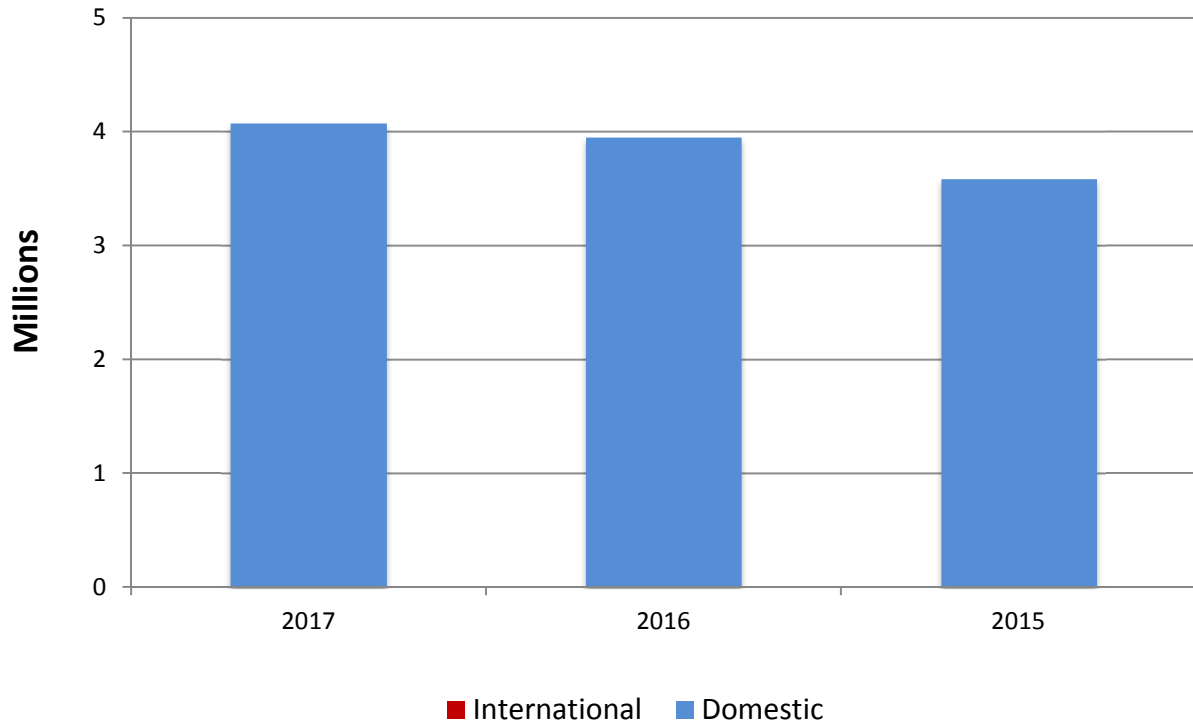
COST PER ENPLANED PASSENGER

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Average Cost Per Enplaned Passenger	\$9.27	\$11.37	\$13.34

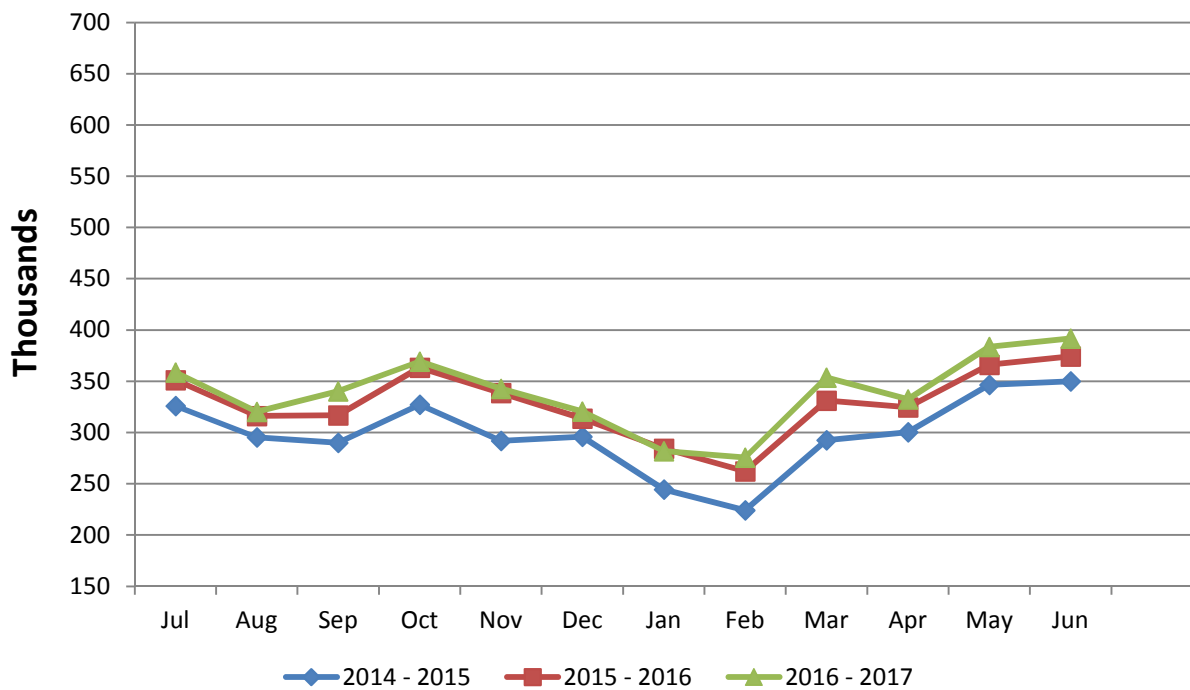
Selected statistical information about total passengers, total cargo, aircraft landed weight, and air carrier movements for the past three years is presented in the table and graphs below.

<u>FISCAL YEAR</u>	<u>TOTAL PASSENGERS</u>	<u>TOTAL CARGO HANDLED (U.S. TONS)</u>	<u>AIRCRAFT LANDED WEIGHT (1000 POUND UNITS)</u>	<u>AIR CARRIER MOVEMENTS</u>
2017	4,071,591	4,734,034	26,308,810	189,272
2016	3,949,336	4,779,592	25,777,800	190,392
2015	3,584,163	4,710,197	24,780,791	185,874

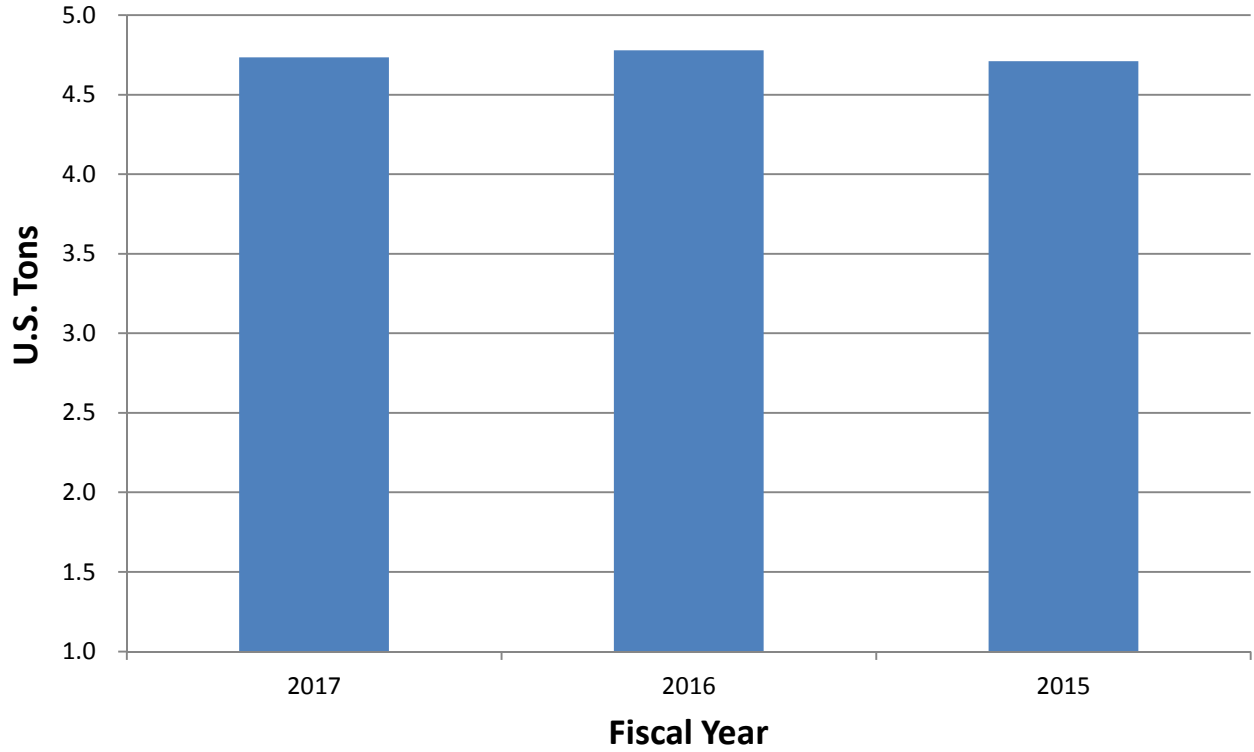
Total Passengers



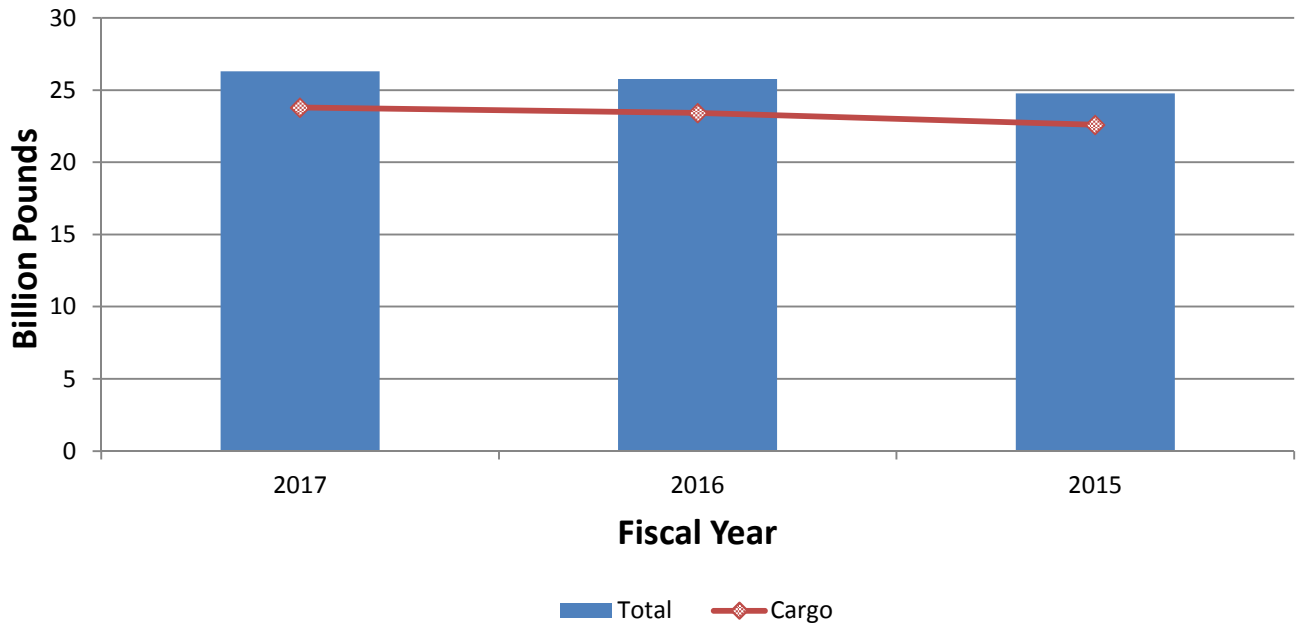
Monthly Passengers



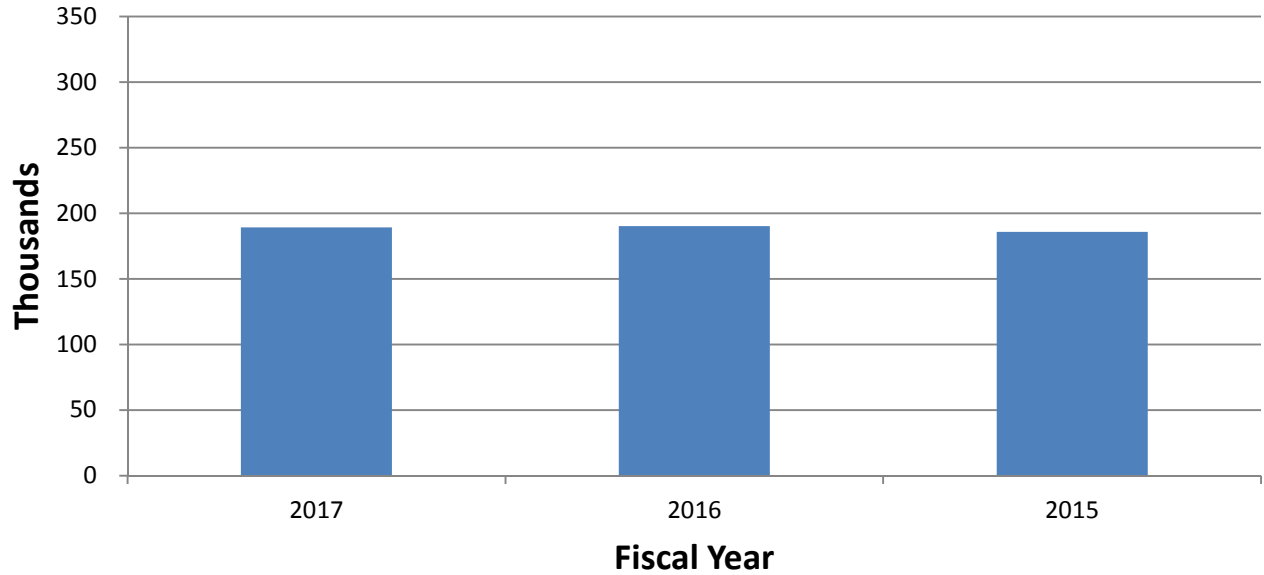
Cargo Handled



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 existing air service enhancement opportunities. In fiscal year 2017, Air Canada added a daily route to Toronto - an international gate way to the world - expanding the opportunities and options for international travel. The enplanement outlook for FY 2018 is for the existing air carriers (Delta Air Lines, American Airlines, Southwest Airlines, United Airlines, Allegiant and Air Canada) to maintain similar concentration levels of airline enplanement activity share as in FY 2017 while expecting a slight increase in total overall airport enplanement growth year over year. Additional competition in the market is generating additional flights, increased non-stop destinations and upgauging of aircraft which leads to lower average airfares for the Memphis market.

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 POSITION**

JUNE 30, 2017 AND 2016 (\$ IN THOUSANDS)

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
UNRESTRICTED ASSETS		
Cash	\$20,107	\$27,522
Investments	29,911	17,962
Accounts receivable	6,328	7,075
Accrued interest receivable	4	
Materials and supplies inventory	1,505	1,651
Prepaid expenses	2,503	1,774
Grants receivable	40	60
Total current unrestricted assets	<u>60,398</u>	<u>56,044</u>
RESTRICTED ASSETS		
Cash	70,159	45,025
Investments	46,859	37,217
Accrued interest receivable	535	535
Capital contributions receivable	6,246	13,061
Total current restricted assets	<u>123,799</u>	<u>95,838</u>
TOTAL CURRENT ASSETS	<u>184,197</u>	<u>151,882</u>
NON-CURRENT ASSETS		
RESTRICTED ASSETS		
Investments	<u>31,852</u>	<u>28,210</u>
Total non-current restricted assets	<u>31,852</u>	<u>28,210</u>
CAPITAL ASSETS		
Land and improvements	159,875	159,581
Avigation easements	46,679	46,679
Depreciable capital assets		
(less accumulated depreciation of \$1,003,613 and \$939,578)	632,543	680,808
Construction in progress	25,439	13,714
Total capital assets, net	<u>864,536</u>	<u>900,782</u>
TOTAL NON-CURRENT ASSETS	<u>896,388</u>	<u>928,992</u>
TOTAL ASSETS	<u>\$1,080,585</u>	<u>\$1,080,874</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refundings	\$2,284	\$2,779
Deferred actuarial losses - pension	3,235	7,621
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$5,519</u>	<u>\$10,400</u>

See notes to basic financial statements.

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

JUNE 30, 2017 AND 2016 (\$ IN THOUSANDS)

	<u>2017</u>	<u>2016</u>
LIABILITIES		
CURRENT LIABILITIES		
Payable from unrestricted assets		
Accounts payable	\$6,050	\$5,493
Accrued expenses	2,008	2,220
Current portion - compensated absences	352	290
Unearned revenue	9,863	14,001
Total payable from unrestricted assets	<u>18,273</u>	<u>22,004</u>
Payable from restricted assets		
Construction contracts payable	3,360	1,212
Accrued interest payable	7,736	8,027
Current maturities of long-term debt	22,607	24,518
Total payable from restricted assets	<u>33,703</u>	<u>33,757</u>
TOTAL CURRENT LIABILITIES	<u>51,976</u>	<u>55,761</u>
NON-CURRENT LIABILITIES		
Lease revenue received in advance	64,047	65,587
Compensated absences	1,329	1,325
Net pension liability	13,878	16,977
Bonds and notes payable, net of current maturities	297,813	294,099
TOTAL NON-CURRENT LIABILITIES	<u>377,067</u>	<u>377,988</u>
TOTAL LIABILITIES	<u>\$429,043</u>	<u>\$433,749</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred actuarial gains - pension	\$5,615	\$6,642
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$5,615</u>	<u>\$6,642</u>
NET POSITION		
Net investment in capital assets	\$541,400	\$579,291
Restricted		
Capital acquisition	83,524	56,960
Unrestricted	26,522	14,632
TOTAL NET POSITION	<u>\$651,446</u>	<u>\$650,883</u>

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016 (\$ IN THOUSANDS)

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Airfield	\$45,757	\$44,107
Terminal building	23,020	24,958
Ground transportation	28,830	27,183
Other aviation areas	4,671	4,713
Non-aviation areas	1,898	3,859
Total operating revenues	<u>104,176</u>	<u>104,820</u>
OPERATING EXPENSES		
Airfield	10,131	10,006
Terminal building	12,895	12,804
Ground transportation	4,364	4,167
General administration	17,533	17,808
Police	8,727	8,770
Field shop	1,504	1,509
Other aviation areas	263	238
Non-aviation areas	990	1,008
Total operating expenses before depreciation	<u>56,407</u>	<u>56,310</u>
DEPRECIATION	<u>64,357</u>	<u>62,176</u>
OPERATING LOSS	<u>(16,588)</u>	<u>(13,666)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment income	2,064	2,158
Interest expense	(14,914)	(16,386)
Customer facility charges	6,371	6,392
Operating grants	67	67
Gain on disposal/sale of capital assets	72	62
Total non-operating expenses, net	<u>(6,340)</u>	<u>(7,707)</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(22,928)	(21,373)
CAPITAL CONTRIBUTIONS	23,491	15,781
CHANGE IN NET POSITION	<u>563</u>	<u>(5,592)</u>
TOTAL NET POSITION: BEGINNING OF YEAR, BEFORE RESTATEMENT	650,883	668,690
CUMULATIVE EFFECT OF CHANGE IN		
ACCOUNTING PRINCIPLE		(12,215)
TOTAL NET POSITION: BEGINNING OF YEAR, AFTER RESTATEMENT	<u>650,883</u>	<u>656,475</u>
TOTAL NET POSITION, END OF YEAR	<u>\$651,446</u>	<u>\$650,883</u>

See notes to basic financial statements.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016 (\$ IN THOUSANDS)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$99,505	\$100,789
Cash paid to suppliers for goods and services	(29,514)	(27,148)
Cash paid to employees for services	(27,065)	(25,071)
Net cash provided by operating activities	<u>42,926</u>	<u>48,570</u>
CASH FLOWS FROM NON-CAPITAL FINANCING		
Operating grants received	<u>87</u>	<u>44</u>
Net cash provided by non-capital financing	<u>87</u>	<u>44</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	72	62
Reimbursements from other governments and entities		573
Acquisition and construction of capital assets	(25,963)	(29,572)
Principal paid on long-term debt and notes payable	(24,514)	(41,184)
Proceeds from long-term debt	27,500	
Interest paid on long-term debt and notes payable	(15,893)	(17,648)
Capital contributions received	30,306	18,812
Customer facility charges	<u>6,371</u>	<u>6,392</u>
Net cash used in capital and related financing activities	<u>(2,121)</u>	<u>(62,565)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(109,801)	(167,030)
Proceeds from sales and maturities of investment securities	84,398	132,263
Interest and dividends on investments	<u>2,230</u>	<u>2,122</u>
Net cash provided by (used in) investing activities	<u>(23,173)</u>	<u>(32,645)</u>
NET CHANGE IN CASH	17,719	(46,596)
CASH		
Beginning of year	<u>72,547</u>	<u>119,143</u>
End of year	<u>\$90,266</u>	<u>\$72,547</u>
CASH, END OF YEAR CONSISTS OF		
Unrestricted	\$20,107	\$27,522
Restricted	<u>70,159</u>	<u>45,025</u>
TOTAL CASH, END OF YEAR	<u>\$90,266</u>	<u>\$72,547</u>

See notes to basic financial statements.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016 (\$ IN THOUSANDS)

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	(\$16,588)	(\$13,666)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	64,357	62,176
Provision for uncollectible accounts receivable	23	83
Decrease (increase) in assets:		
Receivables	724	(1,050)
Materials and supplies inventory	146	(35)
Prepaid expenses	(729)	(245)
Increase (decrease) in liabilities:		
Accounts payable	562	708
Accrued expenses	(1,691)	(1,661)
Net pension liability	260	474
Unearned revenue	(4,138)	1,786
Net cash provided by operating activities	<u>\$42,926</u>	<u>\$48,570</u>

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES AND INVESTING ACTIVITIES

Investments decreased by \$166 in fiscal year 2017 and increased by \$96 fiscal year 2016 due to the change in fair value.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016 (\$ 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. The Authority is reported as a component unit of the City.
- B. **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. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, 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, which were codified into a single source for governmental standards.

- C. **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 for such modifications, 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.

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

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

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 Use and Lease Agreement and in conformance with requirements contained in bond resolutions. Unexpended appropriations lapse at year-end.

D. Change in Accounting Principles –

Revenue Recognition: During 2016, the Authority changed its revenue recognition method for incremental amounts due to and from airlines under the Airport Use and Lease Agreement. Landing fees, terminal area use charges, and fueling system charges are assessed to the various airlines throughout each fiscal year based on estimated rates. Such rates are designed to yield collections from airlines adequate to cover certain expenses and required debt service and fund deposits as determined under provisions of the Airport Use and Lease Agreement. Incremental amounts due from the airlines (a deficit) arise when amounts assessed, based on the estimated rates used during the year, are less than actual expenses and required deposits for the year. Such incremental amounts due from airlines are included in amounts to be billed. Incremental amounts due to the airlines (a surplus) arise when amounts assessed, based on the estimated rates used during the year, exceed actual expenses and required deposits for the year. Such incremental amounts due to airlines are included in unearned revenue.

In prior years, the excess revenues or surplus from billings in excess of actual expenses incurred were included in the revenues for the period. The cumulative effective of this change in accounting principle was to decrease net position by \$12,215 at July 1, 2015, as reflected, in the Statement of Revenues, Expenses, and Changes in Net Position. The Authority believes the new revenue recognition method is preferable as it is a more fair representation of current results and is comparable to methods used by their peer airports.

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

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

E. **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.

Investments with a maturity date within three months of the date acquired, if any, are considered to be cash equivalents.

F. **Materials and Supplies Inventory** – Inventory is valued at the lower of cost, determined on an average cost method, or market.

G. **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 4).

H. **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.

I. **Capital Assets** – Assets with a cost of five thousand dollars or more are capitalized. Capital assets are stated at cost when purchased or acquisition 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 are not subject to amortization.

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

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

- J. **Original Issue Discount/Premium** – Original issue discounts and premiums are netted against the bond payable account and amortized over the lives of their respective bond issues using the interest method.
- K. **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.
- L. **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.
- M. **Retirement Systems** – The Authority currently funds pension costs, which are composed of normal cost and amortization of unfunded prior service costs (Note 10).
- N. **Taxes** – The Authority is exempt from payment of federal and state income, property, and certain other taxes.
- O. **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 deferred outflows of resources and liabilities and deferred inflows of 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.
- P. **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 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.
- Q. **Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflow of resources (expense) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of

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

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

resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

R. **Net Position** – The Authority recognizes the difference between its assets plus deferred outflows of resources less liabilities and deferred inflows of resources as net position. Net position categories include:

- i. Net investment in capital assets – comprised of the Authority’s capital assets, net of depreciation, reduced by the outstanding balances of bonds and notes that are attributable to the acquisition, construction or improvement of those assets. Applicable deferred outflows of resources and deferred inflows of resources are also included in this component of net position, if any.
- 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 reduced by liabilities and deferred inflows of resources, if any, related to these assets.
- iv. Unrestricted – the remaining balance of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital or the restricted components of net position.

S. **Net Position Flow Assumption** - Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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 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. 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 position. Conduit debt transactions are more fully described in Note 8 of the notes to the basic financial statements.

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

- U. **Fair Value Measurement** - In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 15, 2015 and was implemented during 2016.

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

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

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

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

Fair value disclosures are provided in Note 3 of the notes to the basic financial statements.

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

2. DEPOSITS AND INVESTMENTS

A. **Deposits** – Cash deposits as of June 30, 2017 and 2016, had a carrying value of \$90,263 and \$72,544, respectively. These deposits consisted of interest bearing and non-interest bearing demand accounts. Petty cash as of June 30, 2017 and 2016 was \$3. The Authority had no cash equivalents at June 30, 2017 or 2016.

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, 2017, all amounts were properly collateralized.

B. **Investments** – Investments consist of the following at June 30, 2017 and 2016:

	2017	2016	WEIGHTED AVERAGE MATURITY (YEARS) AT June 30, 2017
At fair value:			
U. S. Government agencies	\$84,118	\$58,497	0.69
Deferred compensation- mutual funds	664	1,052	
At cost:			
Forward purchase agreement	23,840	23,840	7.68
Total Investments	\$108,622	\$83,389	

The investments made during fiscal years 2017 and 2016 were limited to the classifications above. Investments in U.S. Government agencies included the U.S Treasury, Federal National Mortgage Association, Federal Home Loan Mortgage Company and Federal Home Loan Bank. 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, 2017.

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 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 22 percent of the Authority’s portfolio at June 30, 2017. The issuer of this investment contract had a credit rating of Aa2 by Moody’s at June 30, 2017.

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

2. DEPOSITS AND INVESTMENTS (CONTINUED)

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

Credit risk - Bond resolutions generally authorize the Authority to invest in direct obligations of or obligations guaranteed by the U.S. Government, obligations issued or guaranteed by specific agencies of the U.S. Government, secured certificates of deposit, secured repurchase agreements, and money market funds. The Authority may also invest in municipal bonds and investment agreements as long as the issuer is rated in one of the two highest rating categories by at least two nationally recognized rating agencies.

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

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

C. **Reconciliation of Deposits and Investments to the Statements of Net Position** – A reconciliation of cash and investments as shown in the accompanying statements of net position is as follows:

	2017	2016
Unrestricted current assets:		
Cash	\$20,107	\$27,522
Short-term investments	29,911	17,962
Restricted current assets:		
Cash	70,159	45,025
Short-term investments	46,859	37,217
Restricted non-current assets:		
Investments	31,852	28,210
Total	<u>\$198,888</u>	<u>\$155,936</u>
Total deposits and petty cash	\$90,266	\$72,547
Total investments	108,622	83,389
Total	<u>\$198,888</u>	<u>\$155,936</u>

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

3. FINANCIAL INSTRUMENTS REPORTED AT FAIR VALUE

Disclosures concerning financial instruments that are reported at fair value are presented below. Fair value has been determined based on the Authority's assessment of available market information and appropriate valuation methodologies. The following table summarizes fair value disclosures and measurements at June 30, 2017 and 2016:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2017</u>				
Investments:				
U.S. Agencies	\$84,118		\$84,118	
Mutual Funds	\$664	\$664		
<u>June 30, 2016</u>				
Investments:				
U.S. Agencies	\$58,497		\$58,497	
Mutual Funds	\$1,052	\$1,052		

The following methods were used to estimate fair value of each class of significant financial instruments measured at fair value on a recurring basis:

Mutual Funds - Prices for investment securities such as mutual funds are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

U.S. Agencies - Prices for U.S. government and agency fixed income securities, collateralized debt obligations and mortgage-backed securities are determined on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2.

The fair value presented herein is based on pertinent information available to management as of June 30, 2017 and 2016. Although management is not aware of any factors that would significantly affect fair value amounts, future events or other valuation techniques for determining fair value may differ significantly from the amounts presented herein.

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

4. RESTRICTED ASSETS

Restricted assets consist of the following at June 30, 2017 and 2016:

	Cash	Investments	Accrued Interest Receivable	Other Receivables	2017 Total	2016 Total
Restricted by Bond Indentures:						
Debt service:						
Airport revenue bonds	\$31,493				\$31,493	\$29,265
General obligation bonds	307				307	307
Total	31,800				31,800	29,572
Bond reserves:						
Airport revenue bonds	3,022	\$36,431	\$527		39,980	37,169
Total	3,022	36,431	527		39,980	37,169
Construction and land acquisition and associated costs:						
Airport expansion	31,061	24,721	3	\$6,246	62,031	39,339
Contractor retainage	347				347	347
Total	31,408	24,721	3	6,246	62,378	39,686
Restricted by Contributors:						
Customer facility charges	3,929	16,895	5		20,829	16,569
Deferred compensation		664			664	1,052
Total	3,929	17,559	5		21,493	17,621
Total Restricted Assets	\$70,159	\$78,711	\$535	\$6,246	\$155,651	\$124,048

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

4. RESTRICTED ASSETS (CONCLUDED)

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; and to pay any other claims payable when due. The Authority was in compliance with its debt covenant requirements at June 30, 2017.

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.

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

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions & Reclassifications	Less Deletions & Reclassifications	Balance June 30, 2017
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land and improvements	\$159,581	\$294		\$159,875
Avigation easements	46,679			46,679
Construction in progress	13,714	28,825	\$17,100	25,439
Total capital assets not being depreciated	219,974	29,119	17,100	231,993
CAPITAL ASSETS BEING DEPRECIATED				
Runways, taxiways, aprons and airfield lighting	776,015	65		776,080
Buildings	555,359	8,147		563,506
Facilities constructed for tenants	104,077	1		104,078
Roads, bridges and fences	68,529	5,544		74,073
Equipment and utility systems	116,406	2,341	328	118,419
Total capital assets being depreciated	1,620,386	16,098	328	1,636,156
ACCUMULATED DEPRECIATION				
Runways, taxiways, aprons and airfield lighting	451,317	34,426		485,743
Buildings	307,485	19,977		327,462
Facilities constructed for tenants	47,443	3,196		50,639
Roads, bridges and fences	41,532	2,889		44,421
Equipment and utility systems	91,801	3,869	322	95,348
Total accumulated depreciation	939,578	64,357	322	1,003,613
Total capital assets being depreciated, net	680,808	(48,259)	6	632,543
CAPITAL ASSETS, NET	\$900,782	(\$19,140)	\$17,106	\$864,536

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

5. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions & Reclassifications	Less Deletions & Reclassifications	Balance June 30, 2016
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land and improvements	\$159,476	\$105		\$159,581
Avigation easements	46,679			46,679
Construction in progress	54,773	27,836	\$68,895	13,714
Total capital assets not being depreciated	260,928	27,941	68,895	219,974
CAPITAL ASSETS BEING DEPRECIATED				
Runways, taxiways, aprons and airfield lighting	719,646	56,369		776,015
Buildings	552,072	3,287		555,359
Facilities constructed for tenants	104,077			104,077
Roads, bridges and fences	67,253	1,276		68,529
Equipment and utility systems	109,454	7,318	366	116,406
Total capital assets being depreciated	1,552,502	68,250	366	1,620,386
ACCUMULATED DEPRECIATION				
Runways, taxiways, aprons and airfield lighting	419,892	31,425		451,317
Buildings	289,579	17,906		307,485
Facilities constructed for tenants	44,642	2,801		47,443
Roads, bridges and fences	38,242	3,290		41,532
Equipment and utility systems	85,406	6,754	359	91,801
Total accumulated depreciation	877,761	62,176	359	939,578
Total capital assets being depreciated, net	674,741	6,074	7	680,808
CAPITAL ASSETS, NET	\$935,669	\$34,015	\$68,902	\$900,782

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

5. CAPITAL ASSETS (CONCLUDED)

The Authority had capitalized interest in fiscal year 2017 of \$96 and no capitalized interest expense for fiscal year 2016.

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

6. 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 \$43,833 and \$43,031 for fiscal years 2017 and 2016, 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 commercial 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 7). 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.

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

6. LEASE AND USE OF AIRPORT FACILITIES (CONCLUDED)

Minimum future rentals for leases are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2018	37,426
2019	22,121
2020	19,754
2021	19,634
2022	19,552
2023-2027	89,541
2028-2032	76,148
2033-2037	78,654
2038-2042	22,136
2042-2046	7,682
2043-2052	7,682
2053-2057	7,682
2058-2059	3,072
<u>Total</u>	<u>\$411,084</u>

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

7. LONG-TERM DEBT

Long-term debt information and activity for fiscal year 2017 is as follows:

	ORIGINAL ISSUE AMOUNT	INTEREST RATES	BALANCE JULY 1, 2016	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2017	AMOUNTS DUE WITHIN ONE YEAR
Airport Revenue Bonds:							
Series 2010A	\$30,290	4.46 - 5.02%	\$30,290			\$30,290	
Series 2010B	159,340	3.00 - 5.75%	145,815		\$5,730	140,085	\$13,110
Series 2011A-1	57,825	3.00 - 6.00%	33,340		10,610	22,730	4,010
Series 2011A-2	32,030	3.00 - 5.50%	13,105		4,870	8,235	5,110
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	
Series 2016A	27,500	2.61%		\$27,500		27,500	
Total	387,795		303,360	27,500	21,210	309,650	22,230
Notes Payable	11,500	Variable	2,948		2,948		
Notes Payable	7,000	4.48%	6,435		356	6,079	377
Unamortized bond premiums			5,874		1,183	4,691	
Total bonds and notes payable	406,295		318,617	27,500	25,697	320,420	22,607
Other liabilities:							
Compensated absences			1,615	236	170	1,681	352
Total other liabilities			1,615	236	170	1,681	352
Total long-term debt	\$406,295		\$320,232	\$27,736	\$25,867	\$322,101	\$22,959

Interest expense includes amortization of deferred charges on refunding for fiscal years 2017 and 2016 of \$495 and \$705, respectively, and amortization of the net premium of \$1,183 and \$1,317, respectively.

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

7. LONG-TERM DEBT (CONTINUED)

Long-term debt information and activity for fiscal year 2016 is as follows:

	ORIGINAL ISSUE AMOUNT	INTEREST RATES	BALANCE JULY 1, 2015	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2016	AMOUNTS DUE WITHIN ONE YEAR
Airport Revenue Bonds:							
Series 2003A	\$21,030	4.00 - 5.25%	\$2,205		\$2,205		
Series 2008A	90,375	3.75 - 5.00%	14,505		14,505		
Series 2010A	30,290	4.46 - 5.02%	30,290			30,290	
Series 2010B	159,340	3.00 - 5.75%	147,905		2,090	145,815	5,730
Series 2011A-1	57,825	3.00 - 6.00%	42,255		8,915	33,340	10,610
Series 2011A-2	32,030	3.00 - 5.50%	17,740		4,635	13,105	4,870
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	471,700		335,710		32,350	303,360	21,210
Note Payable	11,500	Variable	11,434		8,486	2,948	2,948
Note Payable	7,000	4.48%	6,783		348	6,435	360
Unamortized bond premiums			7,191		1,317	5,874	
Total bonds and notes payable	490,200		361,118	0	42,501	318,617	24,518
Other liabilities:							
Compensated absences			1,436	596	417	1,615	290
Total other liabilities			1,436	596	417	1,615	290
Total long-term debt	\$490,200		\$362,554	\$596	\$42,918	\$320,232	\$24,808

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

7. LONG-TERM DEBT (CONTINUED)

Airport Revenue Bonds – These bonds were issued for airfield and terminal building improvements and expansion of 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.

On March 1, 2017, the Authority issued \$110,000 Airport Revenue Bonds, Series 2016A Bonds. The 2016A Bonds matures July 1, 2029 and bears interest at 2.61 percent. The 2016A Bonds are draw down bonds with an initial drawing of \$27,500 with subsequent drawings of \$15,000 on October 1, 2017, \$22,000 on April 1, 2018, and \$45,500 on July 1, 2018. The initial drawing of \$27,500 was at par, proceeds of \$22,845 after capitalized interest deposit of \$1,539, debt service reserve fund deposit of \$2,750, and cost of issuance of \$366, are being used to finance the design and construction of the glycol collection management program and an airfield maintenance and airport operations facility.

Line of Credit – In December 2015, the Authority renewed its revolving line of credit with a bank in the amount of \$30,000. The purpose for this line of credit is to provide temporary funding for the purchase of leaseholds and property for airfield expansion and cash flow for other certain capital projects. There was no outstanding balance on this line of credit at June 30, 2017. The line of credit is renewable on December 31, 2017 and bears interest at a rate of 30 day LIBOR plus 1.83 percent.

Notes Payable - On July 12, 2011, the Authority drew on the revolving line of credit and entered into a note payable with an original amount of \$11,500 to purchase lease holds on currently owned property for airfield expansion. The note is renewable on December 31, 2017 and bears interest at a rate of 30 day LIBOR plus 1.83 percent. The Authority had no outstanding balance at June 30, 2017 and a balance of \$2,948 at June 30, 2016.

On October 24, 2014, the Authority issued a \$7,000 Memphis-Shelby County Airport Authority Revenue Note, Subordinate Series ("Note"). The Note matures October 27, 2029 and bears interest at 4.48 percent. The Note was issued to reimburse costs related to the improvements to certain existing airport fueling facilities. The Note is secured by general airport revenues collected from airport operations.

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

7. LONG-TERM DEBT (CONTINUED)

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

YEAR	AIRPORT REVENUE BONDS	INTEREST PAYMENTS
2018	22,230	15,022
2019	23,740	13,946
2020	24,360	12,660
2021	25,675	11,296
2022	29,545	9,772
2023-2027	133,780	24,957
2028-2032	29,475	7,217
2033-2037	12,070	3,762
2038-2040	8,775	675
Total	\$309,650	\$99,307

The 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 airport revenue bonds are not an obligation of any other governmental unit.

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

7. LONG-TERM DEBT (CONCLUDED)

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

YEAR	NOTES	INTEREST PAYMENTS
2018	377	264
2019	395	247
2020	413	229
2021	432	210
2022	451	190
2023-2027	2,587	622
2028-2032	1,424	79
Total	\$6,079	\$1,841

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

8. CONDUIT DEBT

The conduit debt obligation is a special limited obligation of the Authority, payable solely from and secured by pledges of rentals to be received from lease agreements the Authority has secured with 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. Accordingly, this debt has not been reported in the accompanying financial statements. The Authority has facilitated the issuance of the series of the Special Facilities Revenue Bonds - Refunding Series 1997 in the amount of \$3,160 bearing interest at 6.125 percent, due in full on December 1, 2016. The balance outstanding at June 30, 2016 was \$1,480 which was reduced to \$0 due to the default by Pinnacle Airlines on the December 1, 2012 required debt payment and their filing for Chapter 11 bankruptcy on April 1, 2013. The bonds were written off on their original maturity date of December 1, 2016.

9. CAPITAL CONTRIBUTIONS

The Authority has received capital contributions by means of Federal and State grants and other Federal agreements as follows:

	2017	2016
Federal grants	\$18,333	\$12,079
State grants	5,158	3,702
Total capital contributions	\$23,491	\$15,781

10. DEFINED BENEFIT RETIREMENT PLANS

General Information about the Pension Plan

Plan Description. The Authority participates in the City of Memphis Retirement System (“City Plan”). The City Plan was 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 of Memphis’ basic financial statements as a pension trust fund. Substantially all permanent full-time employees of the Authority are required to participate in one of the following plans:

1948 Plan – for salaried employees hired prior to July 1, 1978

1978 Plan – for salaried employees hired on or after July 1, 1978, but prior to July 1, 2016

2016 Plan – All regular salaried employees on their date of hire and hired on or after July 1, 2016. In addition, any nongrandfathered employee in the 1978 Plan will participate in the 2016 Plan as of July 1, 2016. For this purpose, a nongrandfathered employee is any employee with less than 7½ years of service as of July 1, 2016.

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

10. DEFINED BENEFIT RETIREMENT PLANS (CONTINUED)

The plan was amended effective July 1, 2016, to encompass a new hybrid plan design. Participants with seven and one-half (7½) years of service or more were grandfathered into their current plan, and all other employees participate in the new hybrid plan design. Non-grandfathered participants were moved from a traditional defined benefit formula to a hybrid defined benefit formula that includes both a market based cash balance component and a defined contribution component.

Normal Retirement. Under the 1948 Plan, General Employees may retire after completion of 25 years of service or, if earlier, after age 60 and the completion of 10 years of service. Safety and security employees may retire after completion of 25 years of service, or at age 55 and completion of 10 years of service.

Under the 1978 Plan, General Employees hired before July 1, 2012, may retire after the completion of 25 years of service, age 60 and the completion of 10 years of service, or age 65 and the completion of 5 years of service. Employees hired on or after June 30, 2012 may retire after the completion of 25 years of service or at age 65 and the completion of 5 years of service. Safety and security employees hired before July 1, 2012, may retire after the completion of 25 years of service, or age 55 and completion of 10 years of service. Fire and Police Employees hired on or after June 30, 2012, may retire after the completion of 25 years of service, or age 55 and completion of 10 years of service.

Under the 2016 Plan, General Employees may retire after the completion of 25 years of service or at age 65 and the completion of 5 years of service. Safety and security employees may retire after the completion of 25 years of service, or age 55 and completion of 10 years of service.

Benefits provided. Under the 1948 and 1978 Plans, employees who retire at or after normal retirement age, as defined, are entitled to a retirement benefit, payable monthly for life determined by a formula using average earnings multiplied by years of credited service up to a maximum benefit of 72.50%. Average monthly compensation is calculated as the highest average monthly compensation received for any five consecutive years of service or the most recent year's earnings, if greater. Credited service is the total number of years and completed one-half months of service from the date of hire to date of termination, adjusted for some certain periods of unpaid absence.

An employee in the 2016 Plan will be required to receive the normal form of annuity derived by both a market-rate cash balance account and a defined contribution account. The normal form of annuity is determined based on actuarial equivalence of 5.0% per annum and the applicable mortality table pursuant to IRC Section 417(e)(3) for the plan year. Annual allocations to the cash balance account are equal to a percentage of compensation that varies by years of service. Annual allocations to the defined contribution account are equal to 7.5% of compensation which consists of a 6.0% of compensation as an employee contribution and 1.5% of compensation as an employer contribution. Assets are participant directed and the investment earnings are included in the defined contribution account balance.

Disability retirement under the Plan is retirement from service prior to the participant's normal retirement date for medical reasons. Participants taking disability retirement receive reduced benefits. There are also certain benefit provisions upon death.

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

10. DEFINED BENEFIT RETIREMENT PLANS (CONTINUED)

Changes to the Plan, including benefits provided thereunder can be made only by formal resolutions of the City of Memphis' City Council (the "City Council") based on recommendations from the Board of Administration. Benefit provisions are established and may be amended by the City Council.

Contributions. Authority employees are required to contribute a percentage of their Compensation, as defined, in accordance with the plan they belong to. Under the 1948 Plan, employees must contribute 5.00%. Under the 1978 Plan, employees are required to contribute 8.00%. Employees in the 2016 Plan must contribute 2% of compensation to the cash balance account and 6% of compensation to the IRC section 401(a) defined contribution account. The Authority is required to contribute at a statutorily determined rate set by the City of Memphis Retirement System funding policy. This policy states "that beginning in the plan year commencing on July 1, 2015, the City will fund the actuarially determined contribution ("ADC") each year over a graduated progress percentage so that in a maximum of five (5) years the City will be funding 100% of the ADC each year. The graduated progress percentage each year is at a minimum the percentage determined by dividing five (5) the difference between the percentage of the ADC paid in the plan year commencing July 1, 2014, subtracted from 100%. The ADC shall be recalculated each year and the percentage of funding shall be based on the most recent recalculation of the ADC". Contributions to the Plan from the Authority were \$2,271 and \$1,067 for the years ended June 30, 2017 and 2016, respectively.

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

At June 30, 2017 and 2016, the Authority reported a liability of \$13,878 and \$16,977, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a proportion of the Authority's average contributions to the pension plan over the previous 5 years relative to the average of the total contributions of all participants in the City Plan over the same period. At July 1, 2017 and 2016, the Authority's proportion was 3.31 percent and 3.22 percent, respectively.

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

10. DEFINED BENEFIT RETIREMENT PLANS (CONTINUED)

For the year ending June 30, 2017 and 2016, the Authority recognized pension expense of \$1,374 and \$1,676, respectively and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	2017	2016	2016
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience gains or losses	\$1,144	\$1,029		\$1,698
Change in assumptions		1,270		\$253
Net difference between projected and actual earnings on investments	1,479		\$6,675	
Changes in proportion	271	2,652		4,691
Changes in contributions	341	664	946	
Total	\$3,235	\$5,615	\$7,621	\$6,642

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2017 will be recognized in pension expense as follows:

Year ended June 30:

2018	(\$800)
2019	(\$759)
2020	(\$131)
2021	(\$690)

Actuarial Assumptions. The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	Scale that varies by age and service with a weighted average of 4.25% per year
Investment rate of return	7.5%

Mortality rates were based on the Fully Generational RP-2014 Total Dataset Mortality Table (with MP-2014 improvement removed) with MP-2016 projection scale from 2006 forward and adjusted by a 1 year set forward for general employees. For Fire and Police, mortality rates were based on the Fully Generational RP-2014 Blue Collar Mortality Table (with MP-2014 improvement removed) with MP-2016 projection scale from 2006 forward and adjusted by a 1 year set forward. For disabled participants, mortality rates were based on the Fully Generational RP-2014 Disability Mortality Table (with MP-2014 improvement removed) with MP-2016 projection scale from 2006 forward and adjusted by a 3 year set back.

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

10. DEFINED BENEFIT RETIREMENT PLANS (CONCLUDED)

Account balances under the 2016 Plan (effective July 1, 2016) are converted at 5.0% interest and the applicable mortality table under IRC 417(e) in effect on the current valuation date.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study conducted in May 2014 using 10 years of census data (2003 – 2012).

The long term expected rate of return on pension plan investments was determined based on the Tennessee Consolidated Retirement System’s (“TCRS”) long-term rate of return, which is used to set the statutorily allowed range of available discount rates. TCRS uses a blended capital market method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Discount rate. The discount rate used to measure total pension liability is 7.5%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates at least equal to the actuarially calculated amount computed in accordance with the current funding policy adopted by the City of Memphis, and is applicable to the Authority, which requires payment of normal cost and amortization of the unfunded actuarially accrued liability in level dollar installments over 30 years utilizing a closed period approach. Pursuant to The Public Employee Defined Benefit Security Act of 2014, the City, and Authority, will phase into funding 100% of the actuarially calculated amount over a 5 year period beginning with the fiscal year beginning July 1, 2015. Based on this assumption, the City Plan’s fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following represents the net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net Pension Liability	\$23,585	\$13,878	\$5,705

Pension plan fiduciary net position. The City Plan issues a publicly available financial report that includes financial statements and required supplementary information. Detailed information on the pension plan’s fiduciary net position is available in this separately issued financial report. That report may be obtained by writing to City of Memphis, 125 North Main Street, Memphis, Tennessee 38013.

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

11. DEFINED CONTRIBUTION PLAN

On July 1, 1999, the Authority established and is administrator of the Memphis-Shelby County Airport Authority Supplemental Defined Contribution Plan that was designed to meet the requirements of Code Section 401(a). The Metropolitan Airport Authority Act assigns the ability to establish and amend the provisions of the Supplemental Defined Contribution Plan. All participants in the Supplemental Defined Contribution Plan are also participants in the City Plan. 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 participants vest in the Authority's contributions after three years of employment and any forfeitures are added to the Authority's contributions. The amount of forfeitures for fiscal years 2017 and 2016 were \$13 and \$19, respectively. The amount of contributions expensed for fiscal years 2017 and 2016 was \$749 and \$737, 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 position. At June 30, 2017 and 2016, the fair value of the plan assets was \$17,901 and \$15,957, respectively. There is no separate, audited postemployment benefit plan report available for the defined contribution postemployment plan.

12. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, administered by the Authority and 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 position. At June 30, 2017 and 2016, the fair value of the plan assets was \$8,893 and \$7,772, respectively.

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

13. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Notes 10 and 11, the Authority provides post-retirement health care benefits to eligible employees who retire from the Authority under the provisions of the City Plan. The Board, in conjunction with the City, has established benefit provisions and contribution obligations. Currently, 163 employees are eligible for post-employment benefits, of which 9 of these are currently enrolled in the various medical plans. The plan provides 80% of the cost of certain health care and life insurance coverage to eligible retirees. The Authority accounts for the 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”). 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 2017, 2016, and 2015 were \$213, \$464 and \$1,002, respectively which were equal to the required contributions. The Authority has no liability for premiums due at June 30, 2017 and 2016.

The other post-employment benefits 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.

14. RELATED PARTIES AND MAJOR CUSTOMERS

The City provided fire protection and other services to the Authority at a cost of \$3,409 and \$3,502 for fiscal years 2017 and 2016, respectively.

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 52 percent and 50 percent of operating revenues for fiscal years 2017 and 2016, respectively.

15. COMMITMENTS AND CONTINGENCIES

The Authority’s construction projects are estimated at \$54,904, of which \$28,888 has been expended through June 30, 2017. Of the remaining \$26,016 expected to be spent, the outstanding commitments were \$19,423 and related primarily to design of concourse modernization, design of a glycol management system, boarding bridge and hold room modifications and baggage carousel replacements. The remaining commitments relate to projects to be funded from Airport Expansion funds included in restricted assets (Note 4) and Federal grants.

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.

It is the opinion of management that, based on the information presently available, no matters will have a material adverse effect upon the financial position or results of operations of the Authority.

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

16. SUBSEQUENT EVENTS

On September 13, 2017, the Authority issued a \$20,000 Memphis-Shelby County Airport Authority Customer Facility Charge ("CFC") Revenue Note ("Note"). The Note matures September 1, 2027 and bears interest an annual interest of 3.03 percent. This Note is payable solely from CFC revenues and is secured by a lien and charge on and a pledge and assignment of CFC revenues. The Note was issued to fund the construction of a rental car maintenance facility.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (\$ IN THOUSANDS)

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios under GASB 67 and 68 ⁽¹⁾

Net Pension Liability

(1)	(2)	(3)	(4)	(5)	(6)
Year Ending	Proportion of the Net Liability (Asset) ⁽²⁾	Proportionate Share of Net Pension Liability	Actual Covered Employee Payroll ⁽³⁾	Net Pension Liability as a Percentage of Covered Payroll (3) ÷ (4)	Fiduciary Net Position as % of Total Pension Liability
<u>June 30</u>	<u>Liability (Asset) ⁽²⁾</u>	<u>Pension Liability</u>	<u>Employee Payroll ⁽³⁾</u>	<u>Covered Payroll</u>	<u>Pension Liability</u>
2015	3.85%	\$14,719	\$19,297	76.3%	85.2%
2016	3.22%	\$16,977	\$18,420	92.2%	79.9%
2017	3.31%	\$13,878	\$18,709	74.2%	84.4%

- (1) The information presented above is for those years for which it is available. It was prepared prospectively from the Plans' fiscal year ending June 30, 2015 for GASB 67 purposes and prospectively from fiscal year ending June 30, 2016 for GASB 68 purposes.
- (2) Based on the cost sharing allocation percentage as of the measurement date.
- (3) The actual covered employee payroll is defined under GASB 82 to be the payroll on which contributions to a pension plan are based. As pensionable pay is used for determining contributions under the plan, pensionable pay is shown above starting on June 30, 2016. Prior to June 30, 2016 the gross payroll is shown, consistent with the requirements prior to the release of GASB 82. Note, actual covered employee payroll is for the year immediately preceding the valuation date.

Schedule of Employer Contributions under GASB 67 and 68 ⁽¹⁾

(1)	(2)	(3)	(4)	(5)	(6)
Year Ending	Statutorily Required Contribution	Actual Employer Contributions ⁽²⁾	Contribution Excess/(Deficiency) (3) - (2)	Actual Covered Employee Payroll ⁽³⁾	Contributions as a Percentage of Covered Payroll (3) ÷ (5)
<u>June 30</u>	<u>Contribution</u>	<u>Contributions ⁽²⁾</u>	<u>Excess/(Deficiency)</u>	<u>Payroll ⁽³⁾</u>	<u>Covered Payroll</u>
2015	\$996	\$996		\$19,297	5.2%
2016	\$2,848	\$1,067	(\$1,781)	\$18,420	5.8%
2017	\$2,717	\$2,271	(\$446)	\$18,709	12.1%

- (1) This schedule is prepared to illustrate the requirement to show information regarding the Net Pension Liability and Related Ratios for 10 years. The information presented above is for those years for which it is available. It was prepared prospectively from the fiscal year ending June 30, 2015 for GASB 67 purposes and prospectively from fiscal year ending June 30, 2016 for GASB 68 purposes.
- (2) Refer to the City of Memphis funding valuation report for the corresponding fiscal year. The Airport Authority's share is proportionate based on the share of actuarially accrued liability.
- (3) The actual covered employee payroll is defined under GASB 82 to be the payroll on which contributions to a pension plan are based. As pensionable pay is used for determining contributions under the plan, pensionable pay is shown above starting on June 30, 2016. Prior to June 30, 2016 the gross payroll is shown, consistent with the requirements prior to the release of GASB 82. Note, actual covered employee payroll is for the year immediately preceding the valuation date.

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 NET POSITION
INFORMATION BY AIRPORT

JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR 2016

(\$ IN THOUSANDS)

				2017	2016
	Memphis International Airport	Charles W. Baker Airport	General De Witt Spain Airport	Total	Total
ASSETS					
CURRENT ASSETS					
UNRESTRICTED ASSETS					
Cash	\$20,093	\$1	\$13	\$20,107	\$27,522
Investments	29,911			29,911	\$17,962
Accounts receivable	6,319	3	6	6,328	7,075
Accrued interest receivable	4			4	
Materials and supplies inventory	1,460	20	25	1,505	1,651
Prepaid expenses	2,476	16	11	2,503	1,774
Grants receivable		21	19	40	60
Total current unrestricted assets	60,263	61	74	60,398	56,044
RESTRICTED ASSETS					
Cash	70,159			70,159	45,025
Investments	46,859			46,859	37,217
Accrued interest receivable	535			535	535
Capital contribution receivable	5,671	92	483	6,246	13,061
Total current restricted assets	123,224	92	483	123,799	95,838
TOTAL CURRENT ASSETS	183,487	153	557	184,197	151,882
NON-CURRENT ASSETS					
RESTRICTED ASSETS					
Investments	31,852			31,852	28,210
Total non-current restricted assets	31,852			31,852	28,210
CAPITAL ASSETS					
Land and improvements	158,134	479	1,262	159,875	159,581
Avigation easements	46,679			46,679	46,679
Depreciable capital assets (less accumulated depreciation of \$1,003,613 and \$939,578)	625,119	3,656	3,768	632,543	680,808
Construction in progress	25,439			25,439	13,714
Total capital assets, net	855,371	4,135	5,030	864,536	900,782
TOTAL NON-CURRENT ASSETS	887,223	4,135	5,030	896,388	928,992
TOTAL ASSETS	\$1,070,710	\$4,288	\$5,587	\$1,080,585	\$1,080,874
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refundings	\$2,284			\$2,284	\$2,779
Deferred actuarial losses - pension	3,235			3,235	7,621
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$5,519			\$5,519	\$10,400

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF NET POSITION
INFORMATION BY AIRPORT

JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR 2016

(\$ IN THOUSANDS)

				2017	2016
	Memphis International Airport	Charles W. Baker Airport	General De Witt Spain Airport	Total	Total
LIABILITIES					
CURRENT LIABILITIES					
Payable from unrestricted assets					
Accounts payable	\$6,050			\$6,050	\$5,493
Accrued expenses	2,008			2,008	2,220
Due to (from) other airports	(6,475)	2,788	3,687		
Current portion - compensated absences	347	2	3	352	290
Unearned revenue	9,863			9,863	14,001
Total payable from unrestricted assets	11,793	2,790	3,690	18,273	22,004
Payable from restricted assets					
Construction contracts payable	3,360			3,360	1,212
Accrued interest payable	7,736			7,736	8,027
Current maturities of long-term debt	22,607			22,607	24,518
Total payable from restricted assets	33,703			33,703	33,757
TOTAL CURRENT LIABILITIES	45,496	2,790	3,690	51,976	55,761
NON-CURRENT LIABILITIES					
Lease revenue received in advance	64,047			64,047	65,587
Compensated absences	1,265	32	32	1,329	1,325
Net pension liability	13,878			13,878	16,977
Bonds and note payable	297,813			297,813	294,099
TOTAL NON-CURRENT LIABILITIES	377,003	32	32	377,067	377,988
TOTAL LIABILITIES	\$422,499	\$2,822	\$3,722	\$429,043	\$433,749
DEFERRED INFLOWS OF RESOURCES					
Deferred actuarial gains - pension	\$5,615			\$5,615	\$6,642
TOTAL DEFERRED INFLOWS OF RESOURCES	\$5,615			\$5,615	\$6,642
NET POSITION					
Net investment in capital assets	532,235	4,135	5,030	541,400	579,291
Restricted					
Capital acquisition	82,949	92	483	83,524	56,960
Unrestricted	32,931	(2,761)	(3,648)	26,522	14,632
TOTAL NET POSITION	\$648,115	\$1,466	\$1,865	\$651,446	\$650,883

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION INFORMATION BY AIRPORT
YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR 2016
(\$ IN THOUSANDS)

				2017	2016
	Memphis International Airport	Charles W. Baker Airport	General DeWitt Spain Airport	Total	Total
OPERATING REVENUES					
Airfield	\$44,876	\$201	\$680	\$45,757	\$44,107
Terminal building	23,020			23,020	24,958
Ground transportation	28,830			28,830	27,183
Other aviation areas	4,398	111	162	4,671	4,713
Non-aviation areas	1,893	4	1	1,898	3,859
Total operating revenues	103,017	316	843	104,176	104,820
OPERATING EXPENSES					
Airfield	9,345	203	583	10,131	10,006
Terminal building	12,895			12,895	12,804
Ground transportation	4,364			4,364	4,167
General administration	17,016	246	271	17,533	17,808
Police	8,727			8,727	8,770
Field shop	1,504			1,504	1,509
Other aviation areas	257	1	5	263	238
Non-aviation areas	990			990	1,008
Total operating expenses before depreciation	55,098	450	859	56,407	56,310
DEPRECIATION	63,664	349	344	64,357	62,176
OPERATING LOSS	(15,745)	(483)	(360)	(16,588)	(13,666)
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment income	2,064			2,064	2,158
Interest expense	(14,914)			(14,914)	(16,386)
Customer facility charges	6,371			6,371	6,392
Operating grants		34	33	67	67
Gain (loss) on sale of capital assets	72			72	62
Total non-operating revenues (expenses), net	(6,407)	34	33	(6,340)	(7,707)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(22,152)	(449)	(327)	(22,928)	(21,373)
CAPITAL CONTRIBUTIONS	23,165	124	202	23,491	15,781
CHANGE IN NET POSITION	1,013	(325)	(125)	563	(5,592)
TOTAL NET POSITION:					
BEGINNING OF YEAR, BEFORE RESTATEMENT	647,102	1,791	1,990	650,883	668,690
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE					(12,215)
TOTAL NET POSITION:					
BEGINNING OF YEAR, AFTER RESTATEMENT	647,102	1,791	1,990	650,883	656,475
TOTAL NET POSITION, END OF YEAR	\$648,115	\$1,466	\$1,865	\$651,446	\$650,883

SUPPLEMENTAL SCHEDULE OF CASH FLOWS INFORMATION BY AIRPORT

YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR 2016

(\$ IN THOUSANDS)

				2017	2016
	Memphis International Airport	Charles W. Baker Airport	General DeWitt Spain Airport	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$98,339	\$318	\$848	\$99,505	\$100,789
Cash paid to suppliers for goods and services	(27,267)	(984)	(1,263)	(29,514)	(27,148)
Cash paid to employees for services	(26,656)	(205)	(204)	(27,065)	(25,071)
Net cash provided by (used in) operating activities	44,416	(871)	(619)	42,926	48,570
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating grants received		35	52	87	44
Net cash provided by non-capital financing activities		35	52	87	44
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from the sale of capital assets	72			72	62
Reimbursements from other governments and entities				0	573
Acquisition and construction of capital assets	(25,840)	(81)	(42)	(25,963)	(29,572)
Principal paid on long-term debt and notes payable	(24,514)			(24,514)	(41,184)
Proceeds from long-term debt	27,500			27,500	
Interest paid on long-term debt and notes receivable	(15,893)			(15,893)	(17,648)
Capital contributions received	28,771	917	618	30,306	18,812
Customer facility charges	6,371			6,371	6,392
Net cash provided by (used in) capital and related financing activities	(3,533)	836	576	(2,121)	(62,565)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	(109,801)			(109,801)	(167,030)
Proceeds from sales and maturities of investment securities	84,398			84,398	132,263
Interest and dividends on investments	2,230			2,230	2,122
Net cash used in investing activities	(23,173)			(23,173)	(32,645)
NET CHANGE IN CASH	17,710		9	17,719	(46,596)
CASH, BEGINNING OF YEAR	72,542	1	4	72,547	119,143
CASH, END OF YEAR	\$90,252	\$1	\$13	\$90,266	\$72,547
CASH, END OF YEAR CONSISTS OF					
Unrestricted	\$20,093	\$1	\$13	\$20,107	\$27,522
Restricted	70,159			70,159	45,025
CASH, END OF YEAR	\$90,252	\$1	\$13	\$90,266	\$72,547

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

YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR 2016
(\$ IN THOUSANDS)

				2017	2016
	Memphis International Airport	Charles W. Baker Airport	General DeWitt Spain Airport	Total	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating loss	(\$15,745)	(\$483)	(\$360)	(\$16,588)	(\$13,666)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	63,664	349	344	64,357	62,176
Provision for uncollectible accounts receivable	23			23	83
(Increase) decrease in assets:					
Receivables	717	2	5	724	(1,050)
Materials and supplies inventory	111	21	14	146	(35)
Prepaid expenses	(731)	1	1	(729)	(245)
Increase (decrease) in liabilities:					
Accounts payable	562			562	708
Accrued expenses	(1,685)	(4)	(2)	(1,691)	(1,661)
Net pension liability	260			260	474
Unearned revenue	(4,138)			(4,138)	1,786
Transfer between airports for operating activities	1,378	(757)	(621)		
Net cash provided by (used in) operating activities	\$44,416	(\$871)	(\$619)	\$42,926	\$48,570

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

YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR 2016

(\$ IN THOUSANDS)

				2017	2016
	Memphis International Airport	Charles W. Baker Airport	General DeWitt Spain Airport	Total	Total
AIRFIELD					
Landing fees - cargo	\$30,211			\$30,211	\$28,843
Landing fees - passenger	3,208			3,208	3,009
Apron fees		1	3	4	4
Fuel flow fees - fixed base operations	232	200	677	1,109	1,099
Ground rentals - fixed base operations	1,283			1,283	1,178
Ground rentals - airlines	9,942			9,942	9,974
Total	44,876	201	680	45,757	44,107
TERMINAL BUILDING					
Space rental - airlines	16,098			16,098	18,431
Concessionaires - food and beverages	1,115			1,115	1,027
Concessionaires - other	1,162			1,162	1,116
Shared tenant - telephone system	115			115	130
Other commissions, fees, etc.	1,241			1,241	965
Debt service rental	3,289			3,289	3,289
Total	23,020	0	0	23,020	24,958
GROUND TRANSPORTATION					
Public parking	17,677			17,677	16,237
Employee parking	673			673	607
Rental car agencies and other	10,480			10,480	10,339
Total	28,830	0	0	28,830	27,183
OTHER AVIATION AREAS					
Building rentals - fixed base operations		3		3	3
Building rentals - airlines	3			3	10
Building rentals - others		87	141	228	191
Cargo building rentals - airlines	540			540	586
Cargo building rentals - other	456			456	331
Fuel farm - airlines	680			680	673
Fuel farm - others	4			4	8
Ground rentals - airlines	966			966	861
Ground rentals - others	1,749	21	21	1,791	2,050
Total	4,398	111	162	4,671	4,713
NON-AVIATION AREAS					
Rental - commercial sites	797			797	673
Other	1,096	4	1	1,101	3,186
Total	1,893	4	1	1,898	3,859
TOTAL OPERATING REVENUES	\$103,017	\$316	\$843	\$104,176	\$104,820

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

YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR 2016

(\$ IN THOUSANDS)

				2017	2016
	Memphis International Airport	Charles W. Baker Airport	General DeWitt Spain Airport	Total	Total
AIRFIELD					
Airfield maintenance and operations	\$6,289	\$203	\$583	\$7,075	\$6,684
Salaries and employee benefits	3,056			3,056	3,322
Total	9,345	203	583	10,131	10,006
TERMINAL BUILDING					
Terminal shop maintenance and operations	6,856			6,856	6,669
Steam and refrigeration	184			184	177
Salaries and employee benefits	5,599			5,599	5,728
Shared tenant - telephone systems	238			238	211
Customer service operations	18			18	19
Total	12,895			12,895	12,804
GROUND TRANSPORTATION					
Public parking - operations	3,717			3,717	3,528
Employee parking - operations	174			174	163
Taxicab operations	388			388	374
Salaries and employee benefits	85			85	102
Total	4,364			4,364	4,167
GENERAL ADMINISTRATION					
General - non-departmental	4,771	37	64	4,872	4,405
General - departmental	1,823			1,823	1,458
Telephone	135	5	3	143	117
Salaries and employee benefits	10,287	204	204	10,695	11,828
Total	17,016	246	271	17,533	17,808
POLICE					
Airport police operations	1,599			1,599	1,372
Salaries and employee benefits	6,755			6,755	7,012
Operation coordinators	373			373	386
Total	8,727			8,727	8,770
FIELD SHOP					
Field and paint shop maintenance and operations	775			775	767
Salaries and employee benefits	729			729	742
Total	1,504			1,504	1,509
OTHER AVIATION AREAS					
Cargo building complexes	74			74	76
Other aviation areas	183	1	5	189	162
Total	257	1	5	263	238
NON-AVIATION AREAS					
	990			990	1,008
Total Operating Expenses Before					
Depreciation	55,098	450	859	56,407	56,310
DEPRECIATION	63,664	349	344	64,357	62,176
TOTAL OPERATING EXPENSES	\$118,762	\$799	\$1,203	\$120,764	\$118,486



MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF DEBT SERVICE
REQUIREMENTS – CASH BASIS

YEAR ENDED JUNE 30, 2017 (\$ IN THOUSANDS)

AIRPORT REVENUE BONDS

Fiscal Year	Series 2010A	Series 2010B	Series 2011A-1	Series 2011A-2	Series 2011B
2018	1,515	20,632	5,173	5,422	852
2019	1,514	20,589	5,109	3,211	852
2020	1,515	20,561	4,468		852
2021	1,514	20,531	4,458		852
2022	1,515	20,496	4,484		852
2023	1,514	20,465	2,807		2,792
2024	1,515	20,439			5,606
2025	1,514	20,409			5,596
2026	1,515	13,327			5,586
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	56,306	177,449	26,499	8,633	23,840
Less interest	26,016	37,364	3,769	398	6,240
Principal payments	\$30,290	\$140,085	\$22,730	\$8,235	\$17,600

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

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF DEBT SERVICE
REQUIREMENTS – CASH BASIS

YEAR ENDED JUNE 30, 2017 (\$ IN THOUSANDS)

Series 2011C	Series 2011D	Series 2016A	Total
1,102	1,959	598	37,253
3,734	1,959	718	37,686
6,949	1,959	718	37,022
6,939	1,959	718	36,971
6,934	4,319	718	39,318
	9,292	718	37,588
	9,315	718	37,593
	9,275	718	37,512
	9,267	2,474	32,169
	6,074	6,287	13,875
		7,110	10,291
		7,109	10,288
		6,590	9,767
			3,175
			3,169
			3,173
			3,166
			3,168
			3,165
			3,160
			3,154
			3,147
			3,147
25,658	55,378	35,194	408,957
3,618	14,208	7,694	99,307
<u>\$22,040</u>	<u>\$41,170</u>	<u>\$27,500</u>	<u>\$309,650</u>





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.

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

	2017	2016	2015	2014
OPERATING REVENUES				
Airfield	\$45,757	\$ 44,107	\$43,411	\$46,511
Terminal	23,020	24,958	25,760	30,976
Ground transportation	28,830	27,183	23,632	22,431
Other aviation areas	4,671	4,713	4,331	4,225
Non-aviation areas	1,898	3,859	3,408	9,309
TOTAL	104,176	104,820	100,542	113,452
OPERATING EXPENSES				
Airfield	10,131	10,006	9,945	10,278
Terminal building	12,895	12,804	12,435	12,991
Ground transportation	4,364	4,167	3,850	3,904
General administration	17,533	17,808	16,902	17,376
Police	8,727	8,770	8,004	8,146
Field shop	1,504	1,509	1,594	1,701
Other aviation areas	263	238	235	249
Non-aviation areas	990	1,008	958	972
TOTAL	56,407	56,310	53,923	55,617
DEPRECIATION AND AMORTIZATION⁽¹⁾	64,357	62,176	65,587	65,370
OPERATING INCOME (LOSS)	(16,588)	(13,666)	(18,968)	(7,535)
NON-OPERATING REVENUE (EXPENSE)				
Interest and investment income	2,064	2,158	2,115	2,495
Customer facility charge	6,371	6,392	5,703	5,330
Insurance proceeds				
Operating grants	67	67	19	48
Gain (loss) on disposal/sale of capital assets	72	62	137	(1,025)
Total Non-Operating Revenue	8,574	8,679	7,974	6,848
Interest expense	(14,914)	(16,386)	(17,972)	(21,425)
TOTAL	(6,340)	(7,707)	(9,998)	(14,577)
LOSS BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEM	(22,928)	(21,373)	(28,966)	(22,112)
CAPITAL CONTRIBUTIONS	23,491	15,781	27,389	24,919
EXTRAORDINARY ITEM				
CHANGE IN NET POSITION	\$563	(\$5,592)	(\$1,577)	\$2,807

(1) Amounts prior to 2012 include amortization of bond issue costs. Bond issue costs were fully expensed in 2012 upon of GASB Statement No. 65.

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

2013	2012	2011	2010	2009	2008
\$44,828	\$44,728	\$45,130	\$44,329	\$44,712	\$46,875
32,795	31,336	30,911	29,935	29,123	29,929
20,421	19,593	20,877	20,726	20,970	23,740
4,840	4,911	5,419	5,485	5,409	4,473
9,582	10,239	9,423	8,807	7,738	6,530
112,466	110,807	111,760	109,282	107,952	111,547
10,338	9,936	10,417	10,033	9,977	10,421
14,622	14,713	14,337	13,898	14,059	14,122
4,411	4,523	4,287	4,230	4,257	4,322
18,549	16,119	15,943	15,372	13,697	14,668
7,337	7,172	7,304	6,934	5,625	5,690
1,638	1,592	1,679	1,607	1,618	1,819
171	183	317	231	204	143
983	939	654	765	745	724
58,049	55,177	54,938	53,070	50,182	51,909
59,600	57,707	57,067	55,940	52,908	49,230
(5,183)	(2,077)	(245)	272	4,862	10,408
2,012	2,261	2,697	2,900	8,251	11,977
5,119	5,151	4,911	4,559	4,758	5,938
269	1,388		203	1,902	
48	116	123	26	1,127	867
21	124	(2,592)	175	(7,165)	69
7,469	9,040	5,139	7,863	8,873	18,851
(22,705)	(23,536)	(25,772)	(28,679)	(31,313)	(32,074)
(15,236)	(14,496)	(20,633)	(20,816)	(22,440)	(13,223)
(20,419)	(16,573)	(20,878)	(20,544)	(17,578)	(2,815)
37,979	49,831	42,578	53,353	44,444	27,547
	(873)	(139)			
\$17,560	\$32,385	\$21,561	\$32,809	\$26,866	\$24,732



MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**NET POSITION**

LAST TEN YEARS (\$ IN THOUSANDS)

	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>	<u>FY2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Net investment in capital assets	\$ 541,400	\$ 579,291	\$587,325	\$593,252	\$588,115	\$546,075	\$494,311	\$457,560	\$438,852	\$407,677
Restricted for:										
Capital Acquisitions	83,524	56,960	66,037	61,599	69,153	93,457	118,699	135,975	123,059	128,607
Total Restricted	83,524	56,960	66,037	61,599	69,153	93,457	118,699	135,975	123,059	128,607
Unrestricted	26,522	14,632	15,328	30,908	25,684	25,860	24,645	22,559	21,374	20,135
Total Net Position	<u>\$ 651,446</u>	<u>\$ 650,883</u>	<u>\$668,690</u>	<u>\$685,759</u>	<u>\$682,952</u>	<u>\$665,392</u>	<u>\$637,655</u>	<u>\$616,094</u>	<u>\$583,285</u>	<u>\$556,419</u>

Fiscal year 2012 was restated due to the implementation of GASB Statements No. 63 and 65.

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

AIRLINE	FY 2017		FY 2016		FY 2015		FY 2014	
	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share
DOMESTIC								
Delta Air Lines ⁽¹⁾	537,944	26.4%	540,063	27.3%	499,084	27.9%	684,134	35.0%
Southwest Airlines	347,818	17.1%	335,902	17.1%	280,727	15.7%	238,715	12.2%
American Eagle ⁽²⁾	327,054	16.1%	394,878	20.1%	106,934	6.0%	56,192	2.9%
American Airlines	295,060	14.5%	170,508	8.7%	153,950	8.6%	142,470	7.3%
United Express ⁽⁴⁾	194,073	9.5%	218,437	11.1%	220,364	12.3%	173,925	8.9%
Delta Connection ⁽³⁾	109,171	5.4%	121,664	6.2%	192,677	10.8%	440,400	22.5%
Allegiant Air	87,428	4.3%	79,584	4.0%	5,437	0.3%		0.0%
United Airlines	67,021	3.3%						
Frontier Airlines	56,116	2.8%	55,451	2.8%	62,557	3.5%	10,214	0.5%
Compass Airlines	4,777	0.2%	1,911	0.1%	410	0.0%	264	0.0%
Other ⁽⁵⁾	4,761	0.2%	48,882	2.5%	7,291	0.4%	6,372	0.3%
US Airways Express		0.0%		0.0%	185,308	10.4%	158,856	8.1%
US Airways		0.0%		0.0%	69,913	3.9%	42,191	2.2%
Continental Express		0.0%		0.0%		0.0%		0.0%
Mesaba Airlines		0.0%		0.0%		0.0%		0.0%
Northwest Airlines ^{(1) (7)}		0.0%		0.0%		0.0%		0.0%
Northwest AirlinK		0.0%		0.0%		0.0%		0.0%
TOTAL DOMESTIC	2,031,223	99.8%	1,967,280	99.9%	1,784,652	99.8%	1,953,733	99.9%
INTERNATIONAL								
Other ⁽⁵⁾	4,147	0.2%	1,332	0.1%	2,291	0.1%	1	0.0%
Delta Airlines	43	0.0%	249	0.0%	1,862	0.1%	1,131	0.1%
Jazz Air		0.0%		0.0%		0.0%		0.0%
Northwest Airlines ⁽¹⁾		0.0%		0.0%		0.0%		0.0%
TOTAL INTERNATIONAL	4,190	0.2%	1,581	0.1%	4,153	0.2%	1,132	0.1%
TOTAL ENPLANEMENTS	2,035,413	100.0%	1,968,861	100.0%	1,788,805	100.0%	1,954,865	100.0%
Percent of Total								
U. S. Enplanements ⁽⁶⁾	N.A.		0.24%		0.22%		0.26%	

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 2017 Air Wisconsin, Envoy Air, Express Jet, Mesa Airlines, Piedmont Airlines, PSA Airlines, and Republic Airlines operated for American Eagle. Previous years totals include America West and Virgin Atlantic.
- (3) For FY 2017 Endeavor Air, ExpressJet, GoJet, Republic Airlines, Shuttle America and Skywest Airlines operated for Delta Connection.
- (4) For FY 2017 ExpressJet, GoJet, Mesa Airlines, Republic Airlines, Skywest Airlines and Trans States 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 2008 - 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 2008 - 2009 resulted in annual enplanement increases that ranged from 186,393 to 190,819 enplanements or 3.4% percent to 3.6% percent of total annual enplanements.

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

FY 2013		FY 2012		FY 2011		FY 2010		FY 2009		FY 2008	
Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share
1,052,442	37.9%	1,362,642	34.8%	1,618,758	33.9%	1,694,988	34.1%	156,574	3.0%	114,941	2.1%
152,667	5.5%	141,192	3.6%	125,611	2.6%	118,513	2.4%	141,882	2.8%	171,915	3.1%
49,417	1.8%	51,216	1.3%	56,690	1.2%	51,536	1.0%	62,396	1.2%	76,459	1.4%
100,687	3.6%	91,992	2.3%	101,970	2.1%	107,778	2.2%	103,182	2.0%	119,890	2.2%
160,714	5.8%	102,186	2.6%	83,593	1.8%	91,720	1.8%	89,635	1.7%	90,968	1.6%
1,072,225	38.6%	1,728,524	44.0%	2,174,440	45.5%	1,811,359	36.4%	134,903	2.6%	148,248	2.7%
	0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
	0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
309	0.0%	2,291	0.1%	3,312	0.1%	219,873	4.4%	244,394	4.7%	52,854	1.0%
6,519	0.2%	7,048	0.2%	7,841	0.2%	3,356	0.1%	1,720	0.0%	71,976	1.3%
154,448	5.6%	111,627	2.8%	157,924	3.3%	184,710	3.7%	185,549	3.6%	182,051	3.3%
18,335	0.7%	42,705	1.1%	25,706	0.5%		0.0%		0.0%		0.0%
	0.0%	59,929	1.5%	88,720	1.9%	89,891	1.8%	93,126	1.8%	100,285	1.8%
	0.0%	176,824	4.5%	254,790	5.3%	460,854	9.3%	464,190	9.0%	230,836	4.2%
	0.0%		0.0%		0.0%		0.0%	1,767,932	34.3%	2,467,336	44.3%
	0.0%		0.0%		0.0%		0.0%	1,526,245	29.7%	1,542,122	27.6%
2,767,763	99.7%	3,878,176	98.8%	4,699,355	98.4%	4,834,578	97.2%	4,971,728	96.4%	5,369,881	96.6%
	0.0%		0.0%		0.0%	854	0.0%		0.0%	4	0.0%
7,105	0.2%	37,952	1.0%	69,536	1.5%	136,030	2.8%		0.0%		0.0%
2,090	0.1%	8,453	0.2%	7,094	0.1%		0.0%		0.0%		0.0%
	0.0%		0.0%		0.0%		0.0%	186,393	3.6%	190,819	3.4%
9,195	0.3%	46,405	1.2%	76,630	1.6%	136,884	2.8%	186,393	3.6%	190,823	3.4%
2,776,958	100.0%	3,924,581	100.0%	4,775,985	100.0%	4,971,462	100.0%	5,158,121	100.0%	5,560,704	100.0%
	0.38%		0.54%		0.66%		0.70%		0.68%		0.70%

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

FISCAL YEAR	O&D PASSENGERS	TOTAL ENPLANED PASSENGERS ⁽¹⁾	O&D PERCENTAGE
2017	2,032	2,035	99.85%
2016	1,964	1,969	99.75%
2015	1,769	1,789	98.88%
2014	1,754	1,955	89.72%
2013	1,681	2,777	60.53%
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%

Source: Memphis-Shelby County Airport Authority Finance Division

(1) Enplanements for FY 2008-2009 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 2008-2009 resulted in annual enplanement increases that ranged from 186,393 to 190,819 enplanements or 3.4% to 3.6% of total annual enplanements.

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

	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Average										
Cost per Enplaned										
Passenger	\$ 9.27	\$11.37	\$13.34	\$11.76	\$10.48	\$6.75	\$5.23	\$4.81	\$4.81	\$4.76

Fiscal years 2008 - 2009 have been restated to reflect changes in cost allocation and enplanement data to the airlines.

Enplanements for FY 2008 - 2009 were restated to correct a reporting error that excluded certain Northeast Airlines' enplaned passengers from the total enplaned passenger count. The restatements for the period FY 2008 - 2009 resulted in annual enplanement increases that ranged from 186,393 to 190,819 enplanement or 3.4% to 3.6% of total annual enplanements.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

CARGO MARKET SHARE ENPLANED

LAST TEN YEARS (IN THOUSANDS OF POUNDS)

AIRLINE	FY2017		FY2016		FY2015		FY2014	
	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share
DOMESTIC FREIGHT								
FedEx Express	4,229,256	86.5%	4,536,524	92.6%	4,564,810	94.2%	4,508,238	93.6%
United Parcel Service	35,389	0.7%	35,269	0.7%	37,195	0.8%	32,929	0.7%
Air Transport Int'l	8,514	0.2%	8,372	0.2%	7,341	0.2%	769	0.0%
Mountain Air	5,449	0.1%	5,742	0.1%	3,544	0.1%	3,244	0.1%
Other ⁽²⁾	1,447	0.0%	1,320	0.0%	659	0.0%	338	0.0%
Delta Airlines ⁽¹⁾	702	0.0%	896	0.0%	1,026	0.0%	1,228	0.0%
Baron Aviation	643	0.0%	547	0.0%	525	0.0%	577	0.0%
ABX	236	0.0%		0.0%	1,157	0.0%	5,920	0.1%
Atlas Air		0.0%		0.0%	1,168	0.0%		0.0%
Capital Cargo International Airlines		0.0%		0.0%		0.0%		0.0%
DHL		0.0%		0.0%		0.0%		0.0%
Northwest ⁽¹⁾		0.0%		0.0%		0.0%		0.0%
Northwest Airlink		0.0%		0.0%		0.0%		0.0%
Total Domestic Freight	4,281,636	87.5%	4,588,670	93.6%	4,617,425	95.3%	4,553,243	94.5%
INTERNATIONAL FREIGHT								
FedEx Express	603,261	12.3%	311,023	6.4%	219,327	4.5%	258,257	5.4%
Other ⁽²⁾	124	0.0%	170	0.0%	301	0.0%	47	0.0%
Atlas Air		0.0%		0.0%	2,654	0.1%	1,740	0.0%
Northwest ⁽¹⁾		0.0%		0.0%		0.0%		0.0%
Total International Freight	603,385	12.3%	311,193	6.4%	222,282	4.6%	260,044	5.4%
AIR MAIL								
Kalitta Air	9,119	0.2%		0.0%	6,629	0.1%	3,965	0.1%
Delta Airlines ⁽¹⁾	386	0.0%		0.0%	537	0.0%	157	0.0%
FedEx Express		0.0%	1,515	0.0%		0.0%		0.0%
Other ⁽²⁾		0.0%	342	0.0%	26	0.0%	8	0.0%
American		0.0%		0.0%		0.0%		0.0%
Northwest ⁽¹⁾		0.0%		0.0%		0.0%		0.0%
Northwest Airlink		0.0%		0.0%		0.0%		0.0%
Total Air Mail	9,505	0.2%	1,857	0.0%	7,192	0.1%	4,130	0.1%
TOTAL CARGO ENPLANED	4,894,526	100.0%	4,901,720	100.0%	4,846,899	100.0%	4,817,417	100.0%

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.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

CARGO MARKET SHARE ENPLANED

LAST TEN YEARS (IN THOUSANDS OF POUNDS)

FY2013		FY2012		FY2011		FY2010		FY2009		FY2008	
Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share
4,334,362	93.8%	4,146,509	92.6%	4,098,243	93.1%	4,064,769	93.8%	3,836,943	93.8%	4,062,354	93.9%
32,548	0.7%	35,022	0.8%	34,867	0.8%	31,504	0.7%	31,126	0.9%	33,282	0.8%
	0.0%	325	0.0%	1,703	0.0%	4,959	0.1%	7,715	0.3%	11,902	0.3%
2,814	0.1%	6,064	0.1%	8,439	0.2%	8,390	0.2%	9,766	0.2%	10,890	0.3%
190	0.0%	227	0.0%	1,042	0.0%	1,155	0.0%	859	0.0%	1,207	0.0%
1,345	0.0%	1,440	0.0%	1,752	0.0%	1,761	0.0%	422	0.0%	897	0.0%
616	0.0%	825	0.0%	1,123	0.0%	1,007	0.0%	782	0.0%	663	0.0%
3,278	0.1%	5	0.0%		0.0%		0.0%	1,815	0.0%	3,891	0.1%
1,581	0.0%	1,784	0.0%		0.0%		0.0%		0.0%		0.0%
3,171	0.1%	5,412	0.1%	4,106	0.1%		0.0%		0.0%		0.0%
	0.0%	174	0.0%	98	0.0%	45	0.0%	1,763	0.0%	4,896	0.1%
	0.0%		0.0%		0.0%		0.0%	1,993	0.0%	2,878	0.1%
	0.0%		0.0%		0.0%		0.0%	1,028	0.0%	1,047	0.0%
4,379,905	94.8%	4,197,787	93.6%	4,151,373	94.2%	4,113,590	94.8%	3,894,212	95.2%	4,133,907	95.6%
240,092	5.2%	286,484	6.4%	249,999	5.7%	216,668	5.0%	189,322	4.6%	180,675	4.2%
264	0.0%	1,375	0.0%	2,540	0.1%	3,141	0.1%		0.0%	491	0.0%
900	0.0%	1,006	0.0%		0.0%		0.0%		0.0%		0.0%
	0.0%		0.0%		0.0%		0.0%	3,184	0.1%	4,166	0.1%
241,256	5.2%	288,865	6.4%	252,539	5.8%	219,809	5.1%	192,506	4.7%	185,332	4.3%
	0.0%		0.0%	558	0.0%	2,513	0.1%	3,364	0.1%	5,146	0.1%
536	0.0%	522	0.0%	24	0.0%	10	0.0%		0.0%		0.0%
	0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
3	0.0%	18	0.0%	8	0.0%	4	0.0%	4	0.0%		0.0%
	0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
	0.0%		0.0%		0.0%		0.0%	14	0.0%	1	0.0%
	0.0%		0.0%		0.0%		0.0%		0.0%	2	0.0%
539	0.0%	540	0.0%	590	0.0%	2,527	0.1%	3,382	0.1%	5,149	0.1%
4,621,700	100.0%	4,487,192	100.0%	4,404,502	100.0%	4,335,926	100.0%	4,090,100	100.0%	4,324,388	100.0%

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

LANDED WEIGHTS

LAST TEN YEARS (IN THOUSANDS OF POUNDS)

AIRLINE	FY 2017		FY 2016		FY 2015		FY 2014	
	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share
MAJOR/NATIONAL								
Delta Air Lines ⁽¹⁾	646,712	2.5%	619,490	2.4%	606,744	2.4%	860,822	3.5%
Southwest Airlines	424,892	1.6%	411,192	1.6%	320,804	1.3%	266,256	1.1%
American Airlines	383,156	1.5%	209,198	0.8%	191,089	0.8%	205,238	0.8%
Other ⁽²⁾	146,693	0.6%	120,757	0.5%	65,849	0.3%	11,276	0.0%
Allegiant Air	84,697	0.3%	81,267	0.3%	4,937	0.0%		0.0%
US Airways		0.0%		0.0%	96,516	0.4%	54,453	0.2%
Continental		0.0%		0.0%		0.0%		0.0%
Northwest Airlines ⁽¹⁾		0.0%		0.0%		0.0%		0.0%
TOTAL MAJOR/NATIONAL	1,686,150	6.5%	1,441,904	5.6%	1,285,939	5.2%	1,398,045	5.6%
REGIONAL								
American Eagle	426,986	1.6%	484,805	1.9%	134,969	0.5%	68,326	0.3%
United Express	222,923	0.8%	239,863	0.9%	240,988	1.0%	191,264	0.8%
Delta Connection	142,200	0.5%	155,877	0.6%	265,310	1.1%	595,916	2.4%
Other ⁽²⁾	16,927	0.1%	13,028	0.1%	7,156	0.0%	4,215	0.0%
Compass	5,946	0.0%	2,553	0.0%	601	0.0%	601	0.0%
SeaPort Airlines	2,310	0.0%	12,539	0.0%	21,053	0.1%	16,681	0.1%
US Airways Express		0.0%		0.0%	222,895	0.9%	178,709	0.7%
Pinnacle Airlines		0.0%		0.0%		0.0%		0.0%
Mesaba		0.0%		0.0%		0.0%		0.0%
Continental Express		0.0%		0.0%		0.0%		0.0%
TOTAL REGIONAL	817,292	3.0%	908,665	3.5%	892,972	3.6%	1,055,712	4.3%
CARGO								
FedEx Express	23,477,449	89.3%	23,141,889	89.9%	22,268,910	89.9%	22,082,525	88.8%
United Parcel Service	180,131	0.7%	159,731	0.6%	193,940	0.8%	194,184	0.8%
Kalitta Air	75,928	0.3%	64,380	0.2%	40,262	0.2%	20,790	0.1%
Air Transport Int'l	52,470	0.2%	51,534	0.2%	52,540	0.2%	5,488	0.0%
Mountain Air Cargo	10,160	0.0%	2,132	0.0%	4,979	0.0%	14,706	0.1%
Other ⁽²⁾	7,293	0.0%	7,293	0.0%	7,378	0.0%	8,422	0.0%
ABX	1,937	0.0%	272	0.0%	9,895	0.0%	63,672	0.3%
Atlas Air		0.0%		0.0%	23,976	0.1%	10,656	0.0%
DHL		0.0%		0.0%		0.0%		0.0%
Capital Cargo International Airlines		0.0%		0.0%		0.0%		0.0%
TOTAL CARGO	23,805,368	90.5%	23,427,231	90.9%	22,601,880	91.2%	22,400,443	90.1%
TOTAL LANDED WEIGHTS	26,308,810	100.0%	25,777,800	100.0%	24,780,791	100.0%	24,854,200	100.0%

(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

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

LANDED WEIGHTS

LAST TEN YEARS (IN THOUSANDS OF POUNDS)

FY 2013		FY 2012		FY 2011		FY 2010		FY 2009		FY 2008	
Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share
1,311,874	5.3%	1,728,281	6.8%	2,149,196	8.3%	2,286,928	9.0%	221,502	0.9%	156,997	0.6%
169,552	0.7%	149,272	0.6%	144,040	0.5%	155,168	0.6%	180,752	0.7%	216,006	0.8%
171,615	0.7%	164,922	0.6%	170,958	0.7%	201,177	0.8%	201,814	0.8%	202,135	0.7%
	0.0%		0.0%		0.0%		0.0%		0.0%	131,606	0.5%
	0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
26,498	0.1%	65,867	0.3%	38,041	0.1%		0.0%	340	0.0%		0.0%
	0.0%		0.0%	314	0.0%		0.0%	402	0.0%	1,178	0.0%
	0.0%		0.0%		0.0%		0.0%	2,520,905	9.7%	3,471,984	13.0%
1,679,539	6.8%	2,108,342	8.3%	2,502,549	9.6%	2,643,273	10.4%	3,125,715	12.1%	4,179,906	15.6%
65,346	0.3%	67,914	0.3%	72,938	0.3%	73,288	0.3%	94,952	0.4%	108,876	0.4%
191,758	0.8%	123,459	0.5%	105,827	0.4%	57,020	0.2%	123,576	0.5%	127,824	0.5%
711,160	2.9%	1,159,341	4.3%	1,529,387	5.9%	36,097	0.1%	111,405	0.4%	192,716	0.7%
6,077	0.0%	20,723	0.1%	22,665	0.1%	356,036	1.4%	3,924	0.0%	41,200	0.2%
16,896	0.1%	19,650	0.1%	29,783	0.1%		0.0%		0.0%		0.0%
671	0.0%	3,143	0.0%	4,419	0.0%	268,217	1.1%	310,386	1.2%	66,811	0.2%
185,167	0.7%	125,387	0.5%	173,839	0.7%	188,601	0.6%	204,376	0.8%	205,199	0.8%
604,896	2.4%	887,230	3.5%	1,094,151	4.2%	1,900,981	7.5%	1,971,362	7.6%	1,861,435	6.9%
	0.0%	219,909	0.9%	343,398	1.3%	602,973	2.4%	677,205	2.6%	338,724	1.3%
	0.0%	72,070	0.3%	107,315	0.4%	119,785	0.5%	128,614	0.5%	134,570	0.5%
1,781,971	7.2%	2,698,826	10.5%	3,483,722	13.4%	3,602,998	14.1%	3,625,800	14.0%	3,077,355	11.5%
21,043,094	84.8%	20,417,765	80.0%	19,693,988	75.8%	18,904,542	74.2%	18,739,254	72.4%	19,111,270	71.3%
201,225	0.8%	196,229	0.8%	213,317	0.8%	199,060	0.8%	209,284	0.8%	190,606	0.7%
	0.0%	630	0.0%	18,292	0.1%	12,780	0.1%	22,905	0.1%	36,360	0.1%
	0.0%	6,119	0.0%	17,752	0.1%	42,540	0.2%	59,990	0.2%	76,557	0.3%
6,973	0.0%	7,759	0.0%	12,808	0.0%	32,577	0.1%	15,450	0.1%	19,381	0.1%
14,763	0.1%	22,934	0.1%	31,859	0.1%	32,844	0.1%	32,165	0.1%	32,618	0.1%
37,456	0.1%	283	0.0%	272	0.0%		0.0%	28,538	0.1%	25,908	0.1%
15,984	0.1%	15,750	0.1%		0.0%		0.0%		0.0%		0.0%
	0.0%	3,025	0.0%	1,925	0.0%	2,636	0.0%	24,219	0.1%	42,876	0.2%
21,607	0.1%	46,900	0.2%	36,392	0.1%		0.0%		0.0%		0.0%
21,341,102	86.0%	20,717,394	81.2%	20,026,605	77.0%	19,226,979	75.5%	19,131,805	73.9%	19,535,576	72.9%
24,802,612	100.0%	25,524,562	100.0%	26,012,876	100.0%	25,473,250	100.0%	25,883,320	100.0%	26,792,837	100.0%

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

FISCAL YEAR	MAJOR/ NATIONALS	REGIONAL	CARGO	GENERAL AVIATION	MILITARY	TOTAL
2017	25,302	25,800	138,170	31,486	1,978	222,736
2016	21,864	32,500	136,028	30,904	2,102	223,398
2015	19,466	35,306	131,102	30,172	2,413	218,459
2014	20,994	42,634	128,746	28,683	1,925	222,982
2013	25,340	70,396	125,364	26,236	1,292	248,628
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

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)

	FY2017	FY2016	FY2015	FY2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
REVENUES (as defined in bond indenture)										
Airfield	\$ 45,757	\$ 44,107	\$43,411	\$46,511	\$44,828	\$44,728	\$45,130	\$44,329	\$44,712	\$46,875
Terminal building (a)	23,020	24,958	27,760	30,976	32,795	31,336	30,911	29,935	29,123	29,929
Ground transportation	28,830	27,183	23,632	22,431	20,421	19,593	20,877	20,726	20,970	23,740
Other aviation areas	4,671	4,713	4,331	4,225	4,840	4,911	5,419	5,485	5,409	4,473
Non-aviation areas	1,898	3,859	3,408	9,309	9,534	10,239	9,423	8,807	7,738	6,530
Application of prior year surplus	10,001	12,215	14,090	6,192	4,832	4,793	3,065	5,209	4,849	6,107
Coverage carryforward	9,631	12,471	12,390	12,207	11,201	9,651	12,000	11,000	11,000	9,780
TOTAL	123,808	129,506	129,022	131,851	128,451	125,251	126,825	125,491	123,801	127,434
OPERATING EXPENSES										
Airfield	10,131	10,006	9,945	10,278	10,338	9,936	10,417	10,033	9,977	10,421
Terminal building	12,895	12,804	12,435	12,991	14,622	14,713	14,337	13,898	14,059	14,122
Ground transportation	4,364	4,167	3,850	3,904	4,411	4,523	4,287	4,230	4,257	4,322
General administration	17,533	17,808	16,902	17,376	18,549	16,119	15,943	15,372	13,697	14,668
Police	8,727	8,770	8,004	8,146	7,337	7,172	7,304	6,934	5,625	5,690
Field shop	1,504	1,509	1,594	1,701	1,638	1,592	1,679	1,607	1,618	1,819
Other aviation areas	263	238	235	249	171	183	317	231	204	143
Non-aviation areas	990	1,008	958	972	983	939	654	765	745	724
TOTAL	56,407	56,310	53,923	55,617	58,049	55,177	54,938	53,070	50,182	51,909
Net Revenues										
Before Adjustment	67,401	73,196	75,099	76,234	70,402	70,074	71,887	72,421	73,619	75,525
Restricted interest earnings and other (b)	1,864	1,912	1,935	2,282	1,789	1,961	2,173	2,356	3,190	5,074
Other revenue	67	67	19	48	317	1,504	123	229	3,029	936
Capital outlay	(6,433)	(2,684)	(1,508)	(822)	(1,326)	(2,302)	(1,907)	(1,038)	(2,570)	(2,525)
Debt service on 1993 special facilities bonds & FedEx/ANG rent	(1,540)	(1,540)	(1,540)	(5,815)	(5,815)	(5,815)	(5,811)	(5,811)	(5,775)	(4,525)
Notes payable principal and interest	(3,604)	(9,297)	(659)	(232)	(297)	(198)	(89)	(203)	(263)	(40)
Net Revenues (c)	57,755	61,654	\$73,346	\$71,695	\$65,070	\$65,224	\$66,376	\$67,954	\$71,230	\$74,445
DEBT SERVICE REQUIREMENT										
Airport Revenue Bonds (d)	37,223	38,524	\$49,884	\$47,256	\$49,121	\$48,525	\$49,925	\$52,567	\$55,236	\$55,322
General Obligation Bonds							2,130	2,124	2,124	2,315
TOTAL DEBT SERVICE (e)	37,223	38,524	\$49,884	\$47,256	\$49,121	\$48,525	\$52,055	\$54,691	\$57,360	\$57,637
Coverage ratio - general and airport revenue bonds										
	155%	160%	147%	152%	132%	134%	133%	129%	129%	135%
Coverage ratio - all bonds (f)										
	N/A	N/A	N/A	N/A	N/A	N/A	128%	124%	124%	129%

Source: Financial statements of the Authority and revenue bond official statements

- (a) FY 2015 originally reported \$27,760 on this schedule, restated to correct amount of \$25,760.
- (b) Restricted interest earnings represents earnings on current debt service fund and operating funds. Other includes operating grant income.
- (c) Net revenues have been calculated in accordance with definitions in the basic revenue bond resolutions.
- (d) Debt service portion payable from net revenues.
- (e) Excludes amounts paid with capitalized interest.
- (f) 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 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Principal	\$ 22,230	\$ 31,247	\$31,787	\$30,142	\$28,733	\$27,782	\$29,020	\$29,166	\$29,355	\$27,628
Interest (1)	14,993	7,277	18,097	17,114	20,388	20,743	23,035	25,525	28,005	30,009
TOTAL DEBT SERVICE (2)	\$ 37,223	\$ 38,524	\$49,884	\$47,256	\$49,121	\$48,525	\$52,055	\$54,691	\$57,360	\$57,637
Total Expenses	\$ 135,678	\$ 134,872	\$137,482	\$143,437	\$140,333	\$137,169	\$137,777	\$137,689	\$141,568	\$133,210
Less Depreciation and Amortization and Gain or Loss on Property										
Disposals	(64,451)	(62,114)	(65,450)	(66,395)	(59,579)	(57,583)	(59,659)	(55,765)	(60,073)	(49,161)
Add Principal	22,230	31,247	31,787	30,142	28,733	27,782	29,020	29,166	29,335	27,628
Add Net Capitalized Interest	96		106	106	242	710	1,435	617		
TOTAL GENERAL EXPENDITURES	\$ 93,553	\$ 104,005	\$103,925	\$107,290	\$109,729	\$108,078	\$108,573	\$111,707	\$110,830	\$111,677
RATIO OF DEBT SERVICE TO EXPENDITURES	39.8%	37.0%	48.0%	44.0%	44.8%	44.9%	47.9%	49.0%	51.7%	51.6%

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 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Airport Debt (1)	\$320,420	\$318,617	\$361,118	\$386,134	\$416,537	\$444,809	\$459,292	\$492,481	\$488,025	\$517,073
Enplaned Passengers (2)	2,035	1,969	1,789	1,955	2,777	3,925	4,776	4,971	5,158	5,561
Airport Revenue Bond Debt per Enplaned Passenger	\$157	\$162	\$202	\$198	\$150	\$113	\$96	\$99	\$95	\$93

(1) Debt reported for FY 2008 - FY 2013 was restated to include all debt net of related premiums, excluding Special Facilities Bonds.

(2) Enplanements for FY 2008 - FY 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 2008 - 2009 resulted in annual enplanement increases that ranged from 186,393 to 190,819 enplanements or 3.4% 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 2016A - The bonds were issued to provide funds for the design and construction of the glycol collection management program and an airfield maintenance and airport operations facility.

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 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 Concourses B and C, additional gates to accommodate regional jets, 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 and C, upgrade the flight information display system and 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 and general improvements to certain 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 then Northwest Airlines.

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
USE OF BOND PROCEEDS (CONTINUED)**

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 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.

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

Name of Employer ⁽²⁾	Number of	Percentage of	Number of	Percentage of
	Employees ⁽²⁾	Largest Employees	Employees ⁽²⁾	Largest Employees
	2017		2008	
FedEx Corporation	30,000	26.00%	30,000	31.61%
Tennessee State Government	14,800	12.82%	5,247	5.53%
U. S. Government	13,500	11.70%	14,800	15.59%
Shelby County Schools	12,700	11.00%	7,183	7.57%
Methodist Le Bonheur Healthcare	10,967	9.50%	10,000	10.54%
Naval Support Activity Mid-South	7,500	6.50%	6,500	6.85%
Baptist Memorial Healthcare	7,081	6.14%	8,000	8.43%
The Kroger Co.	6,781	5.88%		
City of Memphis	6,475	5.61%	6,680	7.03%
Wal-Mart Stores Inc.	5,600	4.85%	6,500	6.85%
Total	115,404	100.00%	94,910	100.00%

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

Year ⁽³⁾	Shelby County	Memphis MSA	Tennessee	United States
1970	722,100	856,800	3,926,000	203,302,000
1980	777,100	938,500	4,591,100	226,546,000
1990	826,300	1,007,300	4,877,200	249,402,000
2000	897,500	1,135,600	5,689,300	281,422,000
2010 Census	927,644	1,239,292	6,346,105	309,050,816
Forecast 2025	892,254	1,402,486	7,130,776	346,407,000

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

(2) Source: Memphis Chamber of Commerce

(3) Source: Tennessee Department of Economic and Community Development, U.S. Department of Commerce, Bureau of the Census, Current Population Reports, 2000, 2010 Census, 2025 Estimates and Projections

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
AIRLINES SERVING MEMPHIS INTERNATIONAL AIRPORT
JUNE 30, 2017

CARGO AIRLINES

ABX Air
Air Transport International
Baron Aviation Services
FedEx Express
Kalitta Air
Mountain Air Cargo
United Parcel Service

PASSENGER AIRLINES

MAJOR

Allegiant Air
American Airlines, Inc.
Delta Air Lines
Frontier Airlines
Southwest Airlines
United Airlines

CHARTER

AeroMexico
Miami Air International
Mid-South Jets

REGIONAL/COMMUTER

Air Georgian dba Air Canada
Air Wisconsin dba American Eagle
Compass Airlines dba Delta Connection
Endeavor Air dba Delta Connection
Envoy Air dba American Eagle
ExpressJet dba American Eagle
ExpressJet dba Delta Connection
ExpressJet dba United Express
Glo
GoJet dba Delta Airlines
GoJet dba United Express
Mesa Airlines dba American Eagle
Mesa Airlines dba United Express
Piedmont Airlines dba American Eagle
PSA Airlines dba American Eagle
Republic Airlines dba American Eagle
Republic Airlines dba Delta Connection
Republic Airlines dba United Express
Seaport Airlines
Shuttle America dba Delta Connection
Skywest Airlines dba Delta Connection
Skywest Airlines dba United Express
Swift Airlines/Vacation Express
Trans States Airlines dba United Express

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

EMPLOYERS LOCATED ON AIRPORT PROPERTY

JUNE 30, 2017

CONCESSIONAIRES AND TENANTS

Airport Fast Park
Alamo Rent-A-Car
Anton Airfood
ARC Inc
Avis Rent-A-Car
Budget Rent-A-Car
CTN
Dollar Thrifty Automotive Group
Enterprise Rent-A-Car
Flight Support Solutions/Global AMS
Gate Gourmet
Hertz Corporation
Interstate Barbeque
ISS
Jetstream
KC Eatery, LLC
Lenny's
Lyft, Inc.
MEM Fuel
MobileQubes
Morphotrust
National Car Rental
Paradies-Memphis, LLC
Primeflight Aviation
Regions Bank
Republic Parking System
Starbucks
Surewx, Inc.
Swissport Fueling
Travelex
Trego/Dugan Aviation
Tricopian, LLC
Tug Technologies
Uber
Zoom Systems

CARGO AIRLINES

Baron Aviation Services
FedEx Express
United Parcel Service

PASSENGER AIRLINES

Air Georgian dba Air Canada
Air Wisconsin dba American Eagle
Allegiant Air
American Airlines
Compass Airlines dba Delta Connection
Delta Air Lines
Endeavor Air dba Delta Connection
Envoy Air dba American Eagle
ExpressJet dba American Eagle
ExpressJet dba Delta Connection
ExpressJet dba United Express
Frontier Airlines
Glo
GoJet dba Delta Connection
GoJet dba United Express
Mesa Airlines dba American Eagle
Mesa Airlines dba United Express
Piedmont Airlines dba American Eagle
PSA Airlines dba American Eagle
Republic Airlines dba American Eagle
Republic Airlines dba Delta Connection
Republic Airlines dba United Express
Seaport Airlines
Shuttle America dba Delta Connection
Skywest Airlines dba Delta Connection
Skywest Airlines dba United Express
Southwest Airlines (prev AirTran Airways)
Trans States Airlines dba United Express
United Airlines

OTHER EMPLOYERS

Air General
City Enterprises
City of Memphis Fire Department
David Moore, Inc.
Edwards Steel Solution, LLC
Exelis
Federal Aviation Administration
GAT Airline Ground Support
Global Signal
Menzies Aviation
Richards Aviation
Signature Flight Support
Tennessee Air National Guard

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

Cost Center ⁽¹⁾	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Terminal Maintenance	67	67	67	75	75	72	60	81	81	81
Airfield Maintenance	59	59	59	65	64	63	74	48	48	48
Administration	66	63	62	69	65	66	67	78	78	78
Police & Operations										
Officers	95	94	94	96	95	94	95	86	86	79
Support Staff	9	9	9	9	9	8	7	12	12	12
General Aviation Airports										
Maintenance	6	5	5	5	5	5	5	3	3	3
Total	302	297	296	319	313	308	308	308	308	301

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

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

INSURANCE IN FORCE

JUNE 30, 2017

Type of Policy	Amount of Policy	Policy Expiration Date	Name of Insurer	Risks Covered
Airport Liability (Comprehensive general liability, contractual liability, personal injury liability, and hangar keeper's liability)	\$250,000,000 Each Occurrence Limit \$1,000,000 Damage to Premises Rented to You \$0 Medical Expense Limit \$50,000,000 Personal & Advertising Injury \$250,000,000 Products/Completed Ops Aggregate \$250,000,000 Hangarkeepers Each Aircraft Limit \$250,000,000 Hangarkeepers Each Loss Limit \$150,000 Garagekeepers Per Vehicle Limit \$250,000 Garagekeepers Per Occurrence Limit \$50,000,000 Excess Liability over Auto & EL \$5,000 Each Occurrence Deductible \$100,000 Annual Aggregate Deductible Additional sublimits apply. Please refer to policy.	April 1, 2018	Commerce and Industry Insurance Company (AIG)	Personal injury and property damage
Excess Airport Liability	\$250,000,000 Each Occurrence	April 1, 2018	Global Aerospace, Inc.	Personal injury and property damage
Aircraft non-ownership liability	\$250,000,000 Each Occurrence \$5,000 Deductible	April 1, 2018	Commerce and Industry Insurance Company (AIG)	Personal injury and property damage
Employee Benefits Liability	\$1,000,000 Each Employee/Aggregate \$2,500 Deductible	April 1, 2018	Commerce and Industry Insurance Company (AIG)	Negligent act, error or omission damages
Automobile Liability	\$1,000,000 Each Occurrence CSL Bodily Injury /Property Damage \$1,000 Comp /Coll Deductible All Vehicles	April 1, 2018	Selective Insurance Company	Bodily injury and property damage
Property	\$800,000,000 Policy Limit \$50,000,000 Earth Movement Limit \$50,000,000 Flood Limit \$5,000,000 Terrorism Limit \$25,000 Per Occurrence Deductible, All Other Perils \$250,000 + 5% of Values Earth Movement Deductible \$500,000 Flood Deductible Additional sublimits & deductibles apply. Please refer to policy.	April 1, 2018	FM Global	Building - All risks property damage including business interruption
Crime	\$5,000,000 Limit \$50,000 Deductible	April 1, 2018	National Union Fire Insurance Company (AIG)	Employee theft, forgery, robbery, and computer fraud
Fiduciary Liability	\$5,000,000 Limit \$0 Retention	April 1, 2018	National Union Fire Insurance Company (AIG)	Violation of any of the responsibilities, duties or obligations of Fiduciaries
Employment Practices Liability	\$10,000,000 Limit Shared w/Public Officials \$75,000 Retention	April 1, 2018	National Union Fire Insurance Company (AIG)	Wrongful termination, discrimination, sexual harassment and workplace torts
Public Officials Liability	\$10,000,000 Limit. Shared with EPL \$100,000 Retention	April 1, 2018	National Union Fire Insurance Company (AIG)	Board of Commissioners, management and professional liability
Cyber Liability	\$10,000,000 Aggregate Limit \$50,000 Deductible	April 1, 2018	Lloyd's of London Syndicate (Hiscox)	Cyber protection, hacking business interruption, extortion & breach
Workers Compensation	Statutory State of TN	April 1, 2018	Starr Indemnity & Liability Company	Workers' compensation for on-the-job bodily injuries
Employers Liability	\$1,000,000 Bodily Injury by Accident Each Employee \$1,000,000 Bodily Injury by Disease Each Employee \$1,000,000 Bodily Injury by Disease Policy Limit			
OWNER CONTROLLED INSURANCE PROGRAM - (CONSTRUCTION INSURANCE):				
General Liability	\$2,000,000 Per Occurrence \$4,000,000 General Aggregate \$250,000 Each Occurrence Deductible	October 25, 2018	Zurich Insurance	Personal injury and property damage
Workers Compensation	Statutory State of TN	October 25, 2018	Zurich Insurance	Workers' compensation
Employers Liability	\$1,000,000 Bodily Injury by Accident Each Employee \$1,000,000 Bodily Injury by Disease Each Employee \$1,000,000 Bodily Injury by Disease Policy Limit \$250,000 Each Occurrence Deductible			
Excess Liability	\$50,000,000 Per Occurrence \$50,000,000 General Aggregate	October 25, 2018	Combination of Westchester 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, 2017 (\$ IN THOUSANDS)

Grantor/Program Grantor \ Pass-Through	Federal CFDA Number	Grant and Contract Number	State Grant and Contract Number	Project Description
FEDERAL AWARDS				
U.S. Department of Transportation Federal Aviation Administration (FAA): Airport Improvement Programs	20.106	3-47-0049-85-2012		Reconstruct Terminal Apron, Assess Control System & CCTV Replacement, EMAS Construction
		3-47-0049-86-2013		Reconstruct Terminal Apron
		3-47-0049-88-2014		Purchase Zero Emissions Vehicles and Airfield Vehicle Proximity Transmitters
		3-47-0049-89-2014		Reconstruct Terminal Apron, Airfield Lighting Vaults Seismic Upgrades, Glycol Collection Area Design, Perimeter Fence Intrusion Detection System Design, Terminal "B" Lobby Escalator Replacement, MUFIDS
		3-47-0049-92-2016		Inbound Roadway Drainage Improvements, Perimeter Fence and Intrusion Detection System Improvements, AGIS Survey and Papping Program
		3-47-0049-93-2016		Jet Bridge Electrification (VALE)
Total Direct Federal Awards				
FAA through TN Dept of Transportation Airport Improvement Programs	20.106	3-47-SBGP-29 3-47-SBGP-22 3-47-SBGP-45 3-47-SBGP-50	AERO-12-153-00 AERO-13-208-00 AERO-14-199-00 AERO-17-250-00	Charles Baker - New Terminal Design & Engineering DeWitt Spain - New Hangar (2) Charles Baker - Hangar Restorations (2) Charles Baker - Sanitary Lift Station Replacement (2)
Total Subrecipient (of Federal Funds) Awards				
Total Federal Awards				
STATE AWARDS				
Tennessee Department of Transportation		79-555-1715-04 79-555-1716-04 79-555-1717-04 99-555-1721-04 79-555-1722-04 79-555-1723-04 79-555-1724-04 79-555-0730-04 79-555-0732-04 79-555-0739-04 79-555-0742-04 79-555-0747-04 79-555-0751-04 79-555-0750-04 79-555-0752-04 79-555-1654-04 79-555-1653-04 79-555-0759-17 79-555-0360-17 17-555-0361-17 79-555-0456-17 79-555-0457-17 79-555-0762-17 79-555-0764-17	AERO-12-150-00 AERO-12-151-00 AERO-12-152-00 AERO-12-207-00 AERO-12-208-00 AERO-12-209-00 AERO-12-210-00 AERO-13-165-00 AERO-13-207-00 AERO-14-173-00 AERO-14-198-00 AERO-14-256-00 GG15-44490-00 AERO-15-157-00 AERO-15-217-00 AERM-16-141-00 AERM-16-140-00 AERO-17-191-00 AERO-17-199-00 AERO-17-204-00 AERM-17-141-00 AERM-17-140-00 AERO-17-249-00 AERO-17-251-00	MEM Terminal Switchgear Replacement Charles Baker - Pavement Crack Sealing (3) DeWitt Spain - Pavement Crack Sealing (3) MEM - Access Control & CCTV Charles Baker - Airfield Lighting Replacement (3) DeWitt Spain - Airfield Lighting Replacement (3) DeWitt Spain - Flood Control Pumping System (3) Charles Baker - Taxiway Relocation (3) DeWitt Spain - Taxiway Relocation and Runway Extension, Design; Land Acquisition MEM - Demolition of South Legs of Passenger Concourses MEM - Hotel Demolition and Site Improvements MEM - Tenant Relocation Buildout MEM - Terminal Concourse "B" Modernization Design MEM - Multi User Flight Information Display System (MUFIDS) DeWitt Spain - 2015 Apron improvements Charles Baker - 2016 Maintenance DeWitt Spain - 2016 Maintenance MEM - "B" Modernization/Tenant Relocation Phase II Charles Baker - 2017 Grounds Maintenance Equipment DeWitt Spain - 2017 Grounds Maintenance Equipment Charles Baker - 2017 Maintenance DeWitt Spain - 2017 Maintenance Charles Baker - 2017 Pavement Crack Sealing DeWitt Spain - 2017 Pavement Crack Sealing
State Participation on Pass-Through Federally Funded Projects,		79-555-0133-04 79-555-0144-04 79-555-0163-17	AERO-13-208-00 AERO-14-199-00 AERO-17-250-00	DeWitt Spain - New Hangar (2) Charles Baker - Hangar Restorations (2) Charles Baker - Sanitary Lift Station Replacement (2)

Total State Awards
TOTAL FEDERAL AND STATE AWARDS

- (1) Grant Expenditures include \$15,855 from prior years; \$13,930 Federal and \$1,925 State.
- (2) Projects with both State and Federal Funding.
- (3) Initial grant was issued at 90% State funding; amendments were issued at 95% State funding.
- (2) Projects with both State and Federal Funding.
- (3) Initial grant was issued at 90% State funding; amendments were issued at 95% State funding.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2017 (\$ IN THOUSANDS)

Participation Percentage	Grants as Amended 6/30/2016	Awarded (Reduced)	Total 6/30/2017	Grants Receivable 6/30/2016	Expenditures (1)	Cash Receipts	Grants Receivable 6/30/2017
75%	\$31,762		\$31,762	\$838		\$838	
75%	34,255		34,255	857		857	
75%	127		127	98		98	
75%	25,336		25,336	6,167	\$6,695	11,697	\$1,165
90%		\$12,396	12,396		11,416	10,437	979
90%		2,447	2,447		221		221
	91,480	14,843	106,323	7,960	18,332	23,927	2,365
90%	150		150	1	37		38
90%	596		596	481	15	460	36
90%	162		162	13		13	
90%		67	67	0			
	908	67	975	495	52	473	74
	92,388	14,910	107,298	8,455	18,384	24,400	2,439
90%	750	1,262	2,012		1,262	1,262	
90%/95%	74	19	93	19		19	
90%/95%	73	19	92	29		29	
90%	1,350		1,350	715	(10)	705	
90%/95%	992		992	210		210	
90%/95%	450		450	18	1	4	15
90%/95%	510	14	524	46		46	
90%/95%	2,822		2,822	660	52	693	19
95%	475	237	712	186	165	83	268
95%	95	1,093	1,188	95	728	409	414
95%	1,425	(603)	822	15		15	
95%	2,375	855	3,230	347	645	917	75
95%	9,500		9,500	831	940	737	1,034
95%	1,330		1,330	1,314	16	609	721
95%	156		156	142	(15)		127
50%	14		14	3		3	
50%	14		14	9		9	
95%		6,175	6,175		1,252	190	1,062
75%		60	60		35		35
75%		60	60		35		35
50%		14	14		15	13	2
50%		14	14		14	14	
95%		19	19		19		19
95%		19	19		19		19
5%	33		33	26	1	25	2
5%	9		9	1		1	
5%		4	4				
	22,447	9,261	31,708	4,666	5,174	5,993	3,847
	\$114,835	\$24,171	\$139,006	\$13,121	\$23,558	\$30,393	\$6,286

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
YEAR ENDED JUNE 30, 2017

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 (the "Authority") and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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
Memphis, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Memphis-Shelby County Airport Authority (the "Authority") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

There were no prior findings reported.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Memphis, Tennessee

October 19, 2017

Independent Auditors' Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for the Major Federal Program

We have audited Memphis-Shelby County Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2017. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Memphis, Tennessee

October 19, 2017

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the schedule of expenditures of federal awards audited were prepared in accordance with accounting principles generally accepted in the United States of America: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified not considered to be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified not considered to be material weaknesses? yes x none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance yes x no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

A. Significant Deficiencies in Internal Control

None reported

B. Compliance Findings

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV - PRIOR YEAR AUDIT FINDINGS

None reported

