



2019

Comprehensive Annual Financial Report

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

MEMPHIS, TENNESSEE

For the fiscal years ended June 30, 2019 and 2018

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, 2019 and 2018
PREPARED BY THE FINANCE DIVISION

Memphis-Shelby County Airport Authority

JUNE 30, 2019

BOARD OF COMMISSIONERS

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



November 27, 2019

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, 2019, 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, 2018. 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, 2019, 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, 2019, are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the Financial Section of this report.

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires 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 28 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 United States (US) National economy is transitioning from periods of high economic expansion to moderate economic expansion and various levels of uncertainty. US Gross Domestic Product (GDP) is expected to slow to 2.1 percent in CY 2019 from the 3 percent in CY 2018. Expected GDP for CY 2020 is estimated at 2.0 percent. The Memphis Metropolitan Statistical Area ("MMSA") unemployment rate for August 2019 was 4.2%, which was above the State of Tennessee rate of 3.5% and above the national rate of 3.8%. Expected national unemployment for CY 2020 is approximately 3.8 percent.

During FY 2019, over 99 percent of Airport enplanement activity was origination and destination (O&D) activity. Of the total FY 2019 enplanement activity at the Airport, American Airlines and Delta Air Lines each comprised approximately 30 percent of total enplanements, 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 2020 is for existing airline partner enplanement shares to be similar to the FY 2019 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 4.9 million U.S. tons of cargo in fiscal year 2019. 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, accounting for 99% of all cargo handled at the Airport in fiscal year 2019. FY 2020 cargo activity levels are expected to grow slightly over FY 2019 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, 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 St. Louis Cardinals, the AutoZone Liberty Bowl Football Classic and the World Golf Championship - FedEx St. Jude Invitational, to name a few. Gaming is also a contributor to the economy of the MMSA, with Southland Casino in West Memphis Arkansas only 7 miles from downtown Memphis and multiple casinos in Tunica County, Mississippi, just 30 miles from downtown Memphis. 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 community, 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. During FY 2018, the Authority began the process in 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 that is updated annually, 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 prepare a Multi-Year Financial Plan, which is 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, debt service and other reasonable assumptions. The five-year Capital Improvements Plan 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, 2019, 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 City of Memphis Retirement System. A Board of Administration administers the plans within this retirement system 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 ADC shall be recalculated each year and the percentage of funding shall be based on the most recent recalculation of the ADC”. The Authority contributes 100% of its ADC annually. See Note 11 of the notes to the basic financial statements and the required supplementary information in the Financial Section for more information.

The Authority also provides a supplemental retirement benefit to eligible Authority participants. It is a defined contribution plan under which the Authority makes contributions on a discretionary basis. See Note 12 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 provides post-retirement healthcare benefits to eligible employees who retire from the Authority under the provisions of the City’s retirement plan. See Note 14 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 construction began in October 2018. 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 began construction of the new facility in the spring of 2018 with an anticipated completion date of March 2020 with a total anticipated cost of \$55 million. 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.

Consolidated De-Ice Facility (CDF). The Consolidated De-Ice Facility will allow the Authority to address the need for a consolidated de-ice pad to meet regulatory requirements for the collection and management of glycol and related airfield improvements. The CDF Project is comprised of two Phases - Phase I (relocates an existing public street and the construction of a vehicle service road bridge) and Phase II (the construction of 12 De-Ice pads and the related collection system.)

Construction bids for Phase I were received in July 2017 with an anticipated substantial completion date of January 2020. Design for Phase II will be complete in November 2019 and bids are expected to be received in February 2020 with an anticipated construction completion date of August 2022. The total combined cost for Phase I and II is estimated at \$302 million.

Consolidated Rental Car Maintenance Facility. The Authority completed construction of a new Consolidated Rental Car Maintenance Facility in the spring of 2019. 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.

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, 2018. The Authority has received a Certificate of Achievement for thirty consecutive fiscal years from 1989-2018. 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.

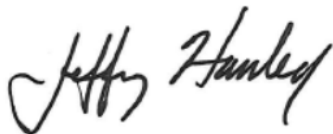
Respectfully submitted,



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, 2018

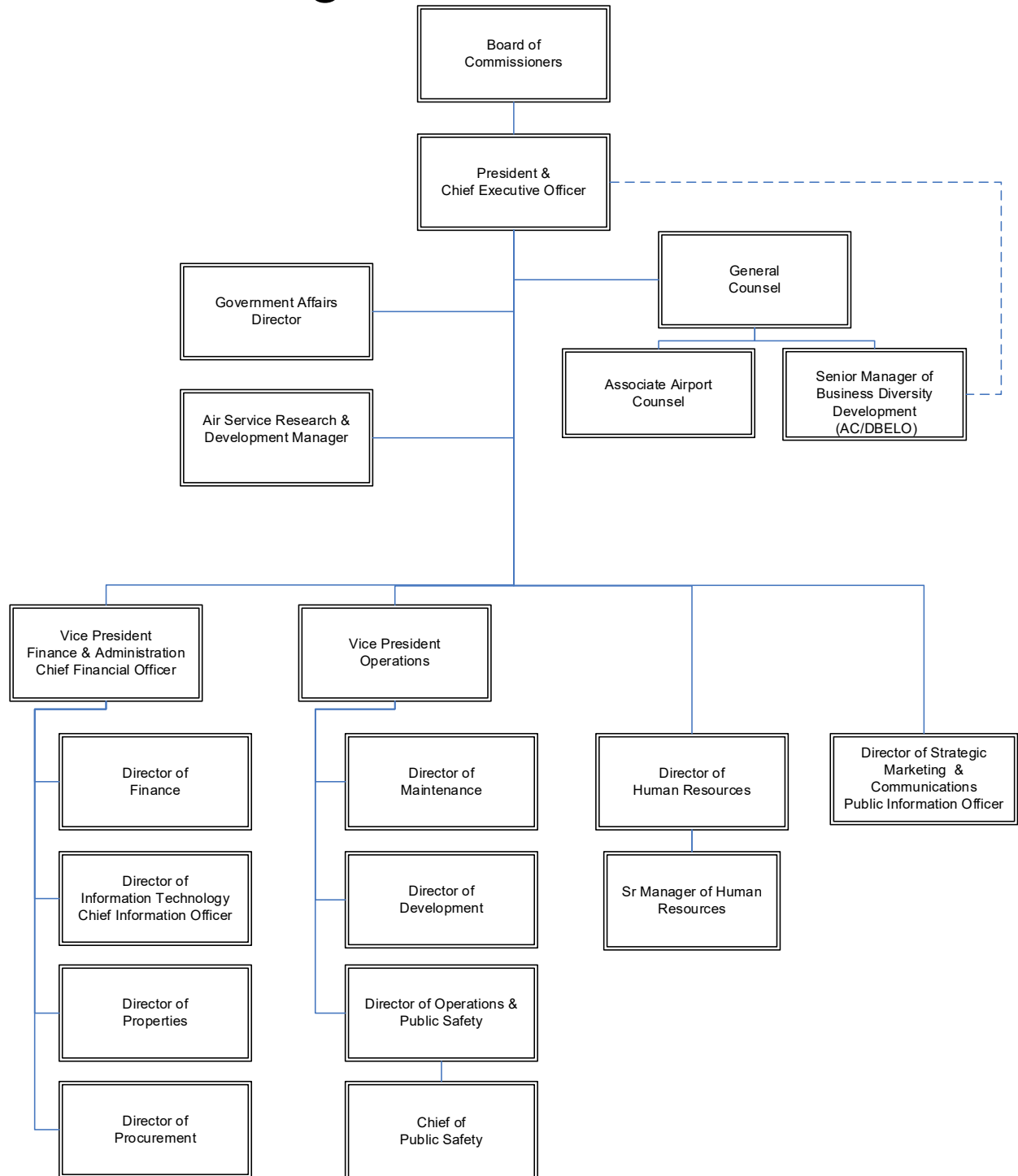
Christopher P. Morrell

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, 2019 and 2018, 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, 2019 and 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension and OPEB liabilities and related ratios and the schedule of contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers 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 November 27, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Memphis, Tennessee

November 27, 2019

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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, 2019 and restated 2018. 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 2019

- Operating revenues of \$102,203 for fiscal year 2019 decreased by \$4,963 (4.6 percent) compared to restated fiscal year 2018 revenues of \$107,166.
- Operating expenses, before depreciation and amortization, of \$59,713 for fiscal year 2019 increased by 2,142 (3.7 percent) compared to restated fiscal year 2018 operating expenses of \$57,571.
- The Authority's total net position at June 30, 2019 was \$684,343. This is an increase of \$32,614 (5.0 percent) over total net position of \$651,729 restated at June 30, 2018.
- Capital assets, net of accumulated depreciation increased by \$25,889 mainly due to fiscal year 2019 net capital additions of approximately \$79,893; offset by the current year change in accumulated depreciation of \$54,004.
- The Authority's total outstanding long-term bonds and notes payable, net at June 30, 2019 increased by \$151,736 (46.5 percent) compared to restated June 30, 2018 due to the issuance of the 2018 Revenue Bonds of \$119,275 which also had \$15,088 in bond premiums and the remaining 2016A Revenue Bonds issuance of \$45,500, offset primarily by the scheduled principal payments made during fiscal year 2019 and the additional amounts paid towards notes payable.

FINANCIAL HIGHLIGHTS FOR RESTATED FISCAL YEAR 2018

- Operating revenues of \$107,166 for restated fiscal year 2018 increased by \$2,990 (2.9 percent) compared to restated fiscal year 2017 revenues of \$104,176.
- Operating expenses, before depreciation and amortization, of \$57,571 for restated fiscal year 2018 increased by 8,387 (17.0 percent) compared to restated fiscal year 2017 operating expenses of \$49,184.
- The Authority's total net position at restated June 30, 2018 was \$651,729. This is an increase of \$10,054 (1.6 percent) over total net position of \$641,675 restated at June 30, 2017.
- Capital assets, net of accumulated depreciation decreased by \$17,955 mainly due to restated fiscal year 2018 net capital additions of approximately \$44,503; offset by the current year change in accumulated depreciation of \$62,458.
- The Authority's total outstanding long-term bonds and notes payable, net at restated June 30, 2018 increased by \$28,703 (9.6 percent) compared to restated June 30, 2017 due to the issuance of the 2016A Revenue Bonds of \$37,000 offset primarily by the scheduled principal payments made during fiscal year 2018 and the additional amounts paid towards notes payable.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

SUMMARY OF CHANGES IN NET POSITION

FINANCIAL ANALYSIS

At June 30, 2019, the Authority's net position increased year over year with total assets and deferred outflows of \$1,313,150, total liabilities and deferred inflows of \$628,807 and total net position of \$684,343. A comparative combined condensed summary of the Authority's net position at June 30, 2019, restated 2018 and restated 2017 is as follows:

	<u>2019</u>	<u>Restated 2018</u>	<u>Restated 2017</u>
Assets			
Current assets	\$397,334	\$241,804	\$184,197
Net capital assets	872,470	846,581	864,536
Other non-current assets	<u>35,977</u>	<u>26,918</u>	<u>31,852</u>
Total assets	<u>1,305,781</u>	<u>1,115,303</u>	<u>1,080,585</u>
Deferred outflows of resources	<u>7,369</u>	<u>5,210</u>	<u>6,356</u>
Liabilities			
Current liabilities	59,523	51,100	51,976
Long-term liabilities	<u>563,346</u>	<u>409,530</u>	<u>386,812</u>
Total liabilities	<u>622,869</u>	<u>460,630</u>	<u>438,788</u>
Deferred inflows of resources	<u>5,938</u>	<u>8,154</u>	<u>6,478</u>
Net position			
Net investment in capital assets	382,793	496,445	541,400
Restricted	268,311	132,220	83,524
Unrestricted	<u>33,239</u>	<u>23,064</u>	<u>16,751</u>
Total net position	<u>\$684,343</u>	<u>\$651,729</u>	<u>\$641,675</u>

Fiscal Year 2019

Current assets at June 30, 2019 increased by \$155,530 (64.3 percent) when compared to current assets at restated June 30, 2018. This increase was primarily due to an increase of \$152,894 in cash and cash equivalents and investments, \$1,669 in accrued interest receivable, \$1,628 accounts receivable, \$186 in materials and supplies inventory, and \$8 in prepaid expenses, partially offset by a decrease of \$854 in capital contributions receivable. The increase in cash and cash equivalents and investments was mainly due to the issuance of the 2018 Revenue Bonds and the remaining portion of the 2016A Revenue Bonds. The increase in accrued interest receivable is due to the increased investments of bond proceeds. The increase in accounts receivable is due to the timing on receipt of certain year-end invoices, in materials and supplies inventory due to increased glycol and fuel costs and in prepaid expenses due to certain prepaid insurance coverages. These increases were partially offset by a decrease in capital contribution receivable resulting from the timing of when capital expenditures were incurred (revenue recognized) and when related reimbursement were received from the grantor agency.

Capital assets, net of depreciation increased by \$25,889 in fiscal year 2019 compared to restated fiscal year 2018 primarily due to the Authority's ongoing capital improvement program, offset partially by annual asset depreciation. Fiscal year 2019 net capital additions were \$79,893, offset by the current year change in accumulated depreciation of \$54,004.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

SUMMARY OF CHANGES IN NET POSITION (CONTINUED)

Non-current assets, other than capital assets, increased by \$9,059 due to a increase in investments occurring from the reclassification of certain non-current investments to current investments.

The deferred outflows of resources at June 30, 2019 were \$7,369, an increase of \$2,159 compared to restated June 30, 2018 of \$5,210. 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 and 75. The increase in deferred losses under GASB 68 of \$2,804 was due mainly to an increase in investment losses as compared to the expected return on assets. This was offset partially by a decrease in GASB 75 of \$213 due mainly to an experience gain and a change in assumptions and a decrease of \$432 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.

Current liabilities increased from \$51,100 in restated 2018 to \$59,523 in 2019. This increase of \$8,423 (16.5 percent) is primarily due to the increase of unearned revenue (\$3,295), increases in accrued interest payable (\$3,094), accounts payable (\$767), current maturities of long-term debt (\$726), construction contracts payable (\$367), current portion-compensated absences (\$95) and accrued expenses (\$79). The increase accrued interest payables due to the final receipt of the 2016A Bonds and the issuance of the 2018 Bonds offset by the final payment of the 2011A-2 bonds. The increase in accounts payable is due to the timing of the receipt of normal operating invoice subsequent to the fiscal year end. The increase in current maturities of long-term debt is mainly due to the reclassification of long-term debt to current maturities based on the debt amortization. The increase in construction contracts payable is due to the increased construction activity at the airport due to the modernization of concourse "B", glycol bridges and site work and the airfield maintenance building. The increase in current portion-compensated absences is due to the increase in accrued leave. The increase in accrued expenses is mainly due to when invoices are received and when they are paid.

Long-term liabilities at June 30, 2019 were \$563,346 an increase of \$153,816 compared to restated June 30, 2018 of 409,530. The increase in long-term liabilities was primarily due to the net increase in bonds and notes payable of (\$151,736) for the additional issuance of the 2016A revenue bonds, the issuance of the 2018 revenue bonds, increase in the GASB 68 net pension liability (\$4,500), compensated absences of (\$299) and for certain debt reclassified from long-term debt to a current liability; as it is due within one year, offset partially by the reduction in the GASB 75 OPEB liability of (\$1,179), the amortization to recognize rental revenue from FedEx Corporation related to the prior TnANG facility (\$1,540).

The deferred inflows of resources at June 30, 2019 were \$5,938, a decrease of \$2,216 compared to restated June 30, 2018 of \$8,154. The deferred inflows of resources relate to the deferred actuarial gains in pension and OPEB, which are reported in accordance with GASB 68 and 75, respectively. This decrease was due to the change in the Authority's share of the overall pension liability and OPEB liability.

The largest portion of the Authority's net position is the net investment in capital assets of \$382,793 (e.g. land,

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

SUMMARY OF CHANGES IN NET POSITION (CONTINUED)

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.

Restated Fiscal Year 2018

Current assets at restated June 30, 2018 increased by \$57,607 (31.3 percent) when compared to current assets at restated June 30, 2017. This increase was primarily due to an increase of \$56,019 in cash and investments, \$2,401 in capital contributions receivable, \$349 materials and supplies inventory, \$208 prepaid expenses and \$106 in accrued interest receivable, partially offset by a decrease of \$1,437 in accounts receivable and a decrease \$39 in grants receivable. The increase in cash and investments was mainly due to the additional issuance of the 2016A Revenue Bonds, the issuance of a Customer Facilities Charge Revenue Note ("CFC note") and an increase in capital contribution receivable resulting from the timing of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the grantor agency. The increase in prepaid expenses was due to certain prepaid insurance coverages and permit renewals. The decrease in accounts receivable was due to the collection of outstanding invoices from terminal tenants.

Capital assets, net of depreciation decreased by \$17,955 in restated fiscal year 2018 compared to restated fiscal year 2017 primarily due to the annual asset depreciation, offset partially by the Authority's ongoing capital improvement program. Fiscal year 2018 net capital additions were \$44,503, offset by the current year change in accumulated depreciation of \$62,458.

Non-current assets, other than capital assets, decreased by \$4,934 due to a decrease in investments occurring from the reclassification of certain non-current investments to current investments.

The deferred outflows of resources at restated June 30, 2018 were \$5,210, a decrease of \$1,146 compared to restated June 30, 2017 of \$6,356. 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 and 75. The total decrease in deferred outflows is due to a decrease of \$468 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, a decrease in deferred losses under GASB 68 of \$601 due mainly to an increase in investment gains as compared to the expected return on assets and a decrease in deferred losses under GASB 75 of (\$77) due mainly to an experience gain and a change in assumptions.

Current liabilities decreased from \$51,976 in restated 2017 to \$51,100 in restated 2018. This decrease of \$876 (1.7 percent) is primarily due to the reduction of unearned revenue (\$3,633), decreases in accounts payable (\$2,648), accrued expenses (\$574), interest payable (\$112) and current portion-compensated absences (\$63), offset partially by increase in current maturities of long-term debt (\$3,305) and construction contracts payable (\$2,849). The reduction of unearned revenue is mainly due to an increase in expenses compared to revenues in 2018. The decrease in accounts payable is mainly due to the timing of the receipt of normal operating invoices

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

SUMMARY OF CHANGES IN NET POSITION (CONTINUED)

subsequent to the fiscal year end. The decrease in accrued expenses is mainly due to the removal of certain expenses due to an equal and offsetting asset removal. 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 current maturities of long-term debt is due to the reclassification of long-term debt to current based on debt amortization. The increase in construction contracts payable is due to the increased construction related activity at the airport.

Long-term liabilities at restated June 30, 2018 were \$409,530 an increase of \$22,718 compared to restated June 30, 2017 (\$386,812 restated). The increase in long-term liabilities was primarily due to the net increase in bonds and notes payable of (\$28,703) for the additional issuance of the 2016A revenue bonds, the issuance of the CFC note and for certain debt reclassified from long-term debt to a current liability; as it is due within one year, offset partially by the reduction in the GASB 68 net pension liability (\$2,561), net GASB 75 OPEB liability of (\$1,774), the amortization to recognize rental revenue from FedEx Corporation related to the prior TnANG facility (\$1,540) and compensated absences of (\$110).

The deferred inflows of resources at restated June 30, 2018 were \$8,154, an increase of \$1,676 compared to restated June 30, 2017 of \$6,478 restated. The deferred inflows of resources relate to the deferred actuarial gains in pension and OPEB, which are reported in accordance with GASB 68 and 75, respectively. This increase was due to the change in the Authority's share of the overall pension liability and OPEB liability.

The largest portion of the Authority's net position is the net investment in capital assets of \$496,445 (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

	2019	Restated 2018	Restated 2017
Operating revenues	\$102,203	\$107,166	\$104,176
Operating expenses	(59,713)	(57,571)	(49,184)
Operating income before depreciation	42,490	49,595	54,992
Depreciation	(60,698)	(62,644)	(64,357)
Operating loss	(18,208)	(13,049)	(9,365)
Non-operating income	24,294	9,697	8,574
Non-operating expense	(21,206)	(14,822)	(14,914)
Loss before capital contributions	(15,120)	(18,174)	(15,705)
Capital contributions	47,734	28,228	23,491
Increase (decrease) in net position	32,614	10,054	7,786
Net position, beginning of year	651,729	641,675	633,889
Net position, end of year	<u>\$684,343</u>	<u>\$651,729</u>	<u>\$641,675</u>

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

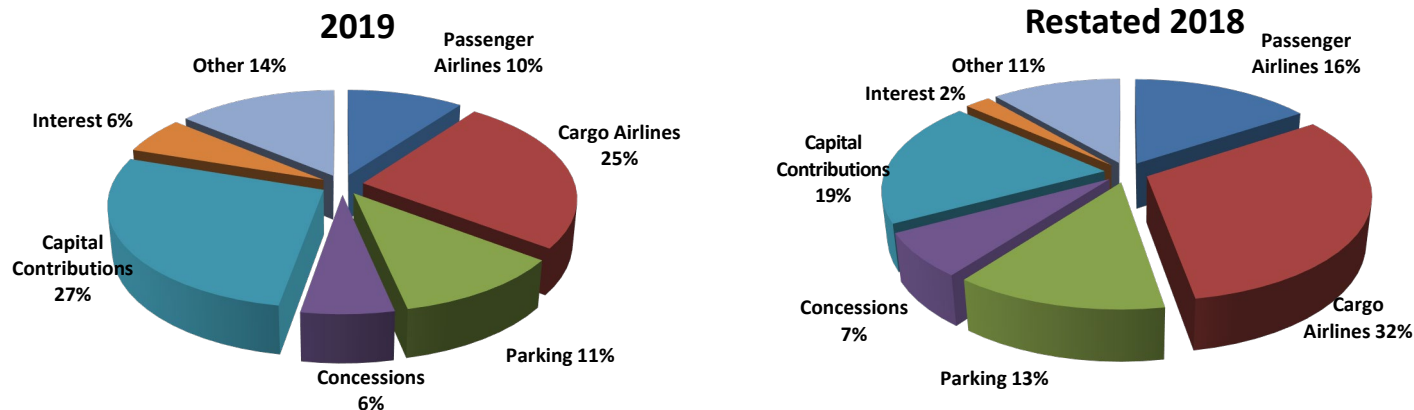
REVENUES BY MAJOR SOURCE

The following table presents revenue by major source for the years ended June 30, 2019, restated 2018 and restated 2017 and the pie charts show the percentage of revenues by source for the years ended June 30, 2019 and restated 2018. 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.

	2019	Restated 2018	Restated 2017
Operating Revenues			
Passenger Airlines			
Passenger landing fee	\$3,484	\$3,212	\$3,208
Airline terminal rentals	13,574	18,873	18,713
Airline fee payments-FIS	15		4
Other rentals	625	556	581
Total Passenger Airlines	<u>17,698</u>	<u>22,641</u>	<u>22,506</u>
Cargo Airlines			
Cargo landing fees	28,890	31,984	30,211
Ground rents	12,650	11,273	10,969
Other rentals	2,345	2,709	2,465
Total Cargo Airlines	<u>43,885</u>	<u>45,966</u>	<u>43,645</u>
Non-Airline Rentals			
Concessions-terminal	2,369	2,282	2,221
Concessions-rental car	8,203	7,705	7,630
Public parking	19,145	18,151	17,677
Employee parking	619	623	673
GTC rentals	1,179	1,266	1,273
Other rentals	9,131	8,500	8,439
Total Non-Airline Rentals	<u>40,646</u>	<u>38,527</u>	<u>37,913</u>
Other Revenues			
Restricted rental income	(26)	32	112
Total other revenues	<u>(26)</u>	<u>32</u>	<u>112</u>
Total Operating Revenues	<u>102,203</u>	<u>107,166</u>	<u>104,176</u>
Non-operating Revenues			
Interest and investment income	10,222	3,221	2,064
Customer facility charges	6,578	6,400	6,371
Passenger facility charges	7,267		
Other	227	76	139
Total Non-Operating Revenues	<u>24,294</u>	<u>9,697</u>	<u>8,574</u>
Capital Contributions	<u>47,734</u>	<u>28,228</u>	<u>23,491</u>
Total Revenues	<u>\$174,231</u>	<u>\$145,091</u>	<u>\$136,241</u>

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REVENUES



Fiscal Year 2019

Operating revenues of \$102,203 for fiscal year 2019 decreased by \$4,963 (4.6 percent) compared to restated fiscal year 2018 revenues of \$107,166. This decrease in operating revenues is primarily due to a decrease in airline terminal rentals (\$5,299), cargo landing fees (\$3,094), cargo other rentals (\$364), ground transportation rentals (\$87), restricted rental income (\$58) and employee parking (\$4), offset by an increase in cargo ground rents (\$1,377), public parking revenues (\$994), other non-airline rentals (\$631), rental car concessions (\$498), passenger landing fees (\$272), terminal concessions (\$87), other passenger rentals (\$69) and FIS fees (\$15). 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 2019 are comprised of interest income (\$10,222), customer facility charges (CFC) (\$6,578), passenger facility charges (PFC) (\$7,267), gain on disposal of fixed assets (\$159) and operating grants (\$68). Total non-operating revenues increased by \$14,597 in fiscal year 2019 compared to restated fiscal year 2018 non-operating revenues. This increase was due to an increase in investment earnings on additional bond proceeds (\$7,001), the start of collecting PFC revenues (\$7,267), increase in CFC revenues (\$178), increase of gain on the disposal of assets (\$111) and increase in operating grants (\$40).

Capital contributions, comprised primarily of Federal capital grants, increased from \$28,228 in restated fiscal year 2018 to \$47,734 in fiscal year 2019, due to an increase in expenditures related to federally funded projects as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

Restated Fiscal Year 2018

Operating revenues of \$107,166 for restated fiscal year 2018 increased by \$2,990 (2.9 percent) compared to restated fiscal year 2017 revenues of \$104,176. This increase in operating revenues is primarily due to an increase in cargo landing fees (\$1,773), public parking revenues (\$474), ground rents (\$304), other rentals (\$244), airline terminal rentals (\$160), rental car concessions (\$75), terminal concessions (\$61) and other non-airline rentals (\$61), offset by a decrease in other rental income (\$80), employee parking (\$50), other passenger rentals (\$25),

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REVENUES (CONTINUED)

and ground transportation rentals (\$7). 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 restated fiscal year 2018 are comprised of interest income (\$3,221), customer facility charges (CFC) (\$6,400), gain on disposal of fixed assets (\$48) and operating grants (\$28). Total non-operating revenues increased by \$1,123 in restated fiscal year 2018 compared to restated fiscal year 2017 non-operating revenues. This increase was due to increased investment earnings (\$1,157), and increase in CFC revenues (\$29), offset by a reduction in operating grants (\$39) and a reduction of gain on the disposal of assets (\$24).

Capital contributions, comprised primarily of Federal capital grants, increased from \$23,491 in restated fiscal year 2017 to \$28,228 in restated fiscal year 2018, as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

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EXPENSES

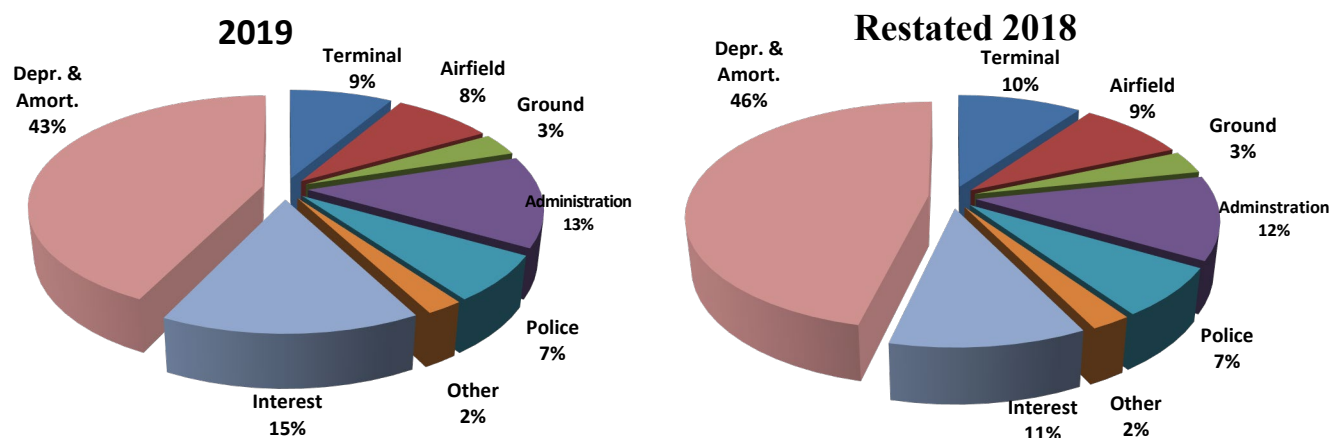
The following table presents expenses by cost center for the years ended June 30, 2019, restated 2018 and restated 2017 and the pie charts show the percentage of expenses by cost center for the years ended June 30, 2019 and restated 2018.

EXPENSES BY COST CENTER

	2019	Restated 2018	Restated 2017
Operating Expenses			
Airfield area	\$11,664	\$11,569	\$10,131
Terminal area	11,901	13,217	12,895
Ground transportation area	4,629	4,374	4,364
Administration area	18,872	15,952	10,310
Police and operations area	9,585	9,397	8,727
Other areas	3,062	3,062	2,757
Total operating expenses	<u>59,713</u>	<u>57,571</u>	<u>49,184</u>
Non-operating Expenses			
Interest expense	<u>21,206</u>	<u>14,822</u>	<u>14,914</u>
Total expenses before depreciation and change in accounting principle	80,919	72,393	64,098
Depreciation	<u>60,698</u>	<u>62,644</u>	<u>64,357</u>
Total Expenses	<u><u>\$141,617</u></u>	<u><u>\$135,037</u></u>	<u><u>\$128,455</u></u>

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

EXPENSES (CONTINUED)



Fiscal Year 2019

In fiscal year 2019, the Authority's operating expenses of \$59,713 increased compared to restated fiscal year 2018 operating expenses of \$57,571 by \$2,142 (3.7 percent). The increase was mainly due to increased general administration, ground transportation, police and operations and airfield of \$2,920, \$255, \$188 and \$95, respectively; offset by the decrease in terminal building of (\$1,316). The increase in general administration costs was mainly due to the increase in salaries and benefits, increased insurance fees, marketing and public relations costs, legal fees and increased information technology fees for repair and maintenance, offset partially by the decrease in uncollectable account receivable, janitorial, pest control, garbage collection fees, utilities and professional fees. The increase in ground transportation cost was due to increase in parking management fees, credit card fees, equipment repairs and maintenance and fuel, offset partially by decreased janitorial costs. The increase in police and operations was mainly due to the increase in salaries and benefits, security guard services and dues and memberships, offset by a reduction in employee training, ID badge supplies and repair and maintenance. The increase in airfield costs was mainly due to the increase runway repair and rubber and paint removal, aircraft rescue and firefighting costs, lime and cement supplies and utilities, offset partially by a reduction in deicing and snow event costs, salaries and benefits. The decrease in terminal costs was mainly due to lower janitorial costs, reduction in utilities, salaries and benefits and repairs and maintenance costs; offset partially by an increase in telephone equipment local and long-distance costs, equipment parts and rental, uniform cleaning and elevator/escalator maintenance costs.

Depreciation expense decreased from \$62,644 in restated fiscal year 2018 to \$60,698 for fiscal year 2019. This decrease of \$1,946 is mainly due to a number of depreciable assets reaching the end of their depreciable life in fiscal year 2018 and therefore reducing the amount of depreciation expense in 2019.

Non-operating expenses are comprised of interest expenses on outstanding debt. Fiscal year 2019 interest expense of \$21,206 increased \$6,384 compared to restated fiscal year 2018 interest expense of \$14,822. This increase in interest expense was due to the issuance of additional 2016A bonds and the issuance of the 2018 bonds which increased the scheduled payments of principal on outstanding bonds and notes; as a result, interest expense was increased year over year.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

EXPENSES (CONTINUED)

Restated Fiscal Year 2018

In restated fiscal year 2018, the Authority's operating expenses of \$57,571 increased compared to restated fiscal year 2017 operating expenses of \$49,184 by \$8,387 (17.0 percent). The increase was mainly due to increased airfield, terminal, administration and police and operations of \$1,438, \$314, \$5,328 and \$670, respectively. The increase in airfield costs was mainly due to the increase in deicing and snow event costs, salaries and benefits, aircraft rescue and firefighting costs, equipment parts and rental and fuel for resale; offset partially by lower joint sealant maintenance costs. The increase in terminal costs was mainly due to salaries and benefits, repairs and maintenance costs; offset partially by lower janitorial costs, utilities and elevator/escalator maintenance costs. The increase in administration costs was mainly due to the implementation of GASB 75 which increased the salaries and benefits costs, increased insurance fees, marketing and public relations costs, offset by lower legal fees. The increase in police and operations costs was primarily due to increased salaries and wages and related benefits, employee training, security guard services and increased overall expenses.

Depreciation expense decreased from \$64,357 in restated fiscal year 2017 to \$62,644 for restated fiscal year 2018. This decrease of \$1,713 is mainly due to a number of depreciable assets reaching the end of their depreciable life in fiscal year 2017 and therefore reducing the amount of depreciation expense in 2018.

Non-operating expenses are comprised of interest expenses on outstanding debt. Restated Fiscal year 2018 interest expense of \$14,822 decreased \$92 compared to restated fiscal year 2017 interest expense of \$14,914. 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, 2019, restated 2018 and restated 2017 are summarized as follows:

NET CAPITAL ASSETS

	2019	Restated 2018	Restated 2017
Avigation easements	\$46,679	\$46,679	\$46,679
Land and improvements	159,913	159,875	159,875
Buildings	609,952	573,934	563,506
Runways, taxiways, and airfield lighting	774,532	776,077	776,080
Facilities constructed for tenants	104,078	104,078	104,078
Roads, bridges, and fences	74,850	74,379	74,073
Equipment and utility systems	127,626	126,250	118,419
Construction in process	94,915	51,380	25,439
Total capital assets	1,992,545	1,912,652	1,868,149
Less accumulated depreciation	1,120,075	1,066,071	1,003,613
Net capital assets	<u>\$872,470</u>	<u>\$846,581</u>	<u>\$864,536</u>

Fiscal Year 2019

At the end of fiscal years 2019 and restated 2018, the Authority had \$872,470 and \$846,581 respectively, invested in net capital assets. During fiscal year 2019 the Authority had net additions of \$79,893 related to capital activities for runway and taxiway projects, building improvements, equipment and roads, bridges and fencing projects, offset by current year depreciation of \$60,698 less deletions of \$6,694.

During fiscal year 2019, completed projects totaling \$43,016 were transferred from construction in progress to applicable buildings and other facilities capital asset accounts. These major completed projects were related to buildings (\$36,077), equipment and utility systems (\$6,436), roads, bridges and fences (\$471) and runways, taxiways and airfield lighting (\$32).

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.

Restated Fiscal Year 2018

At the end of restated fiscal years 2018 and 2017, the Authority had \$846,581 and \$864,536 respectively, invested in net capital assets. During restated fiscal year 2018 the Authority had net additions of \$44,503 related to capital activities for runway and taxiway projects, building improvements, equipment and roads, bridges and fencing projects, offset by current year depreciation of \$62,644 less deletions of \$186.

During restated fiscal year 2018, completed projects totaling \$18,751 were transferred from construction in progress to applicable buildings and other facilities capital asset accounts. These major completed projects were related to buildings (\$10,428), roads, bridges and fences (\$306) and equipment and utility systems (\$8,017).

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, 2019, restated 2018 and restated 2017 are summarized as follows:

BONDS AND NOTES PAYABLE

	<u>2019</u>	<u>Restated 2018</u>	<u>Restated 2017</u>
Bonds:			
Airport Revenue	\$465,455	\$324,420	\$309,650
Unamortized bond premiums	17,198	3,631	4,691
Notes payable	22,237	24,377	6,079
Current portion of bonds and notes payable	<u>(26,638)</u>	<u>(25,912)</u>	<u>(22,607)</u>
Total long-term bonds and notes payable	<u>\$478,252</u>	<u>\$326,516</u>	<u>\$297,813</u>

Fiscal Year 2019

The Authority's June 30, 2019 total long-term bonds and note payable, net, of \$478,252 increased \$151,736 (46.5 percent) compared to the restated June 30, 2018 total of \$326,516. The increase in the total long-term bonds and note payable, net outstanding was mainly due to the additional receipt of the Airport Revenue Bonds, Series 2016A and the issuance of the Airport Revenue Bonds, Series 2018 which includes increased unamortized bond premiums; offset partially by certain debt reclassified as a current liability as it is due within one year of \$26,638.

In February 2019, the Authority extended its revolving line of credit of \$20,000 with a bank. The purpose for this line of credit is to provide temporary funding for capital improvements and capital cash flow requirements. At June 30, 2019, the Authority had not drawn on this line of credit.

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

Restated Fiscal Year 2018

The Authority's restated June 30, 2018 total long-term bonds and note payable, net, of \$326,516 increased \$28,703 (9.6 percent) compared to the restated June 30, 2017 total of \$297,813. 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 an additional outstanding amount of \$64,500; offset partially by certain debt reclassified as a current liability as it is due within one year of \$25,912 and the amortization of \$1,060 for bond premium costs.

In August 2017, the Authority reduced its revolving line of credit with a bank to \$20,000. The purpose for this line of credit is to provide temporary funding for capital improvements and capital cash flow requirements. At June 30, 2018, the Authority had not drawn on this line of credit.

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 (CONCLUDED)

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 2019, restated 2018 and restated 2017 are as follows:

COVERAGE RATIO

	2019	Restated 2018	Restated 2017
Airport Revenue Bonds	141%	173%	175%

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

AIRPORT ACTIVITIES AND HIGHLIGHTS

AIRLINE ACTIVITY

During fiscal year 2019, 4,522,794 passengers traveled through the Airport, an increase of 5.13 percent over the 4,302,104 passengers in fiscal year 2018. Additionally, aircraft landed weight increased from 26,712,528 per thousand pound units in fiscal year 2018 to 27,371,936 per thousand pound units in fiscal year 2019. These changes in activity were realized due to an increase in the frequency of routes served by the airlines and an upgauging (increase size and weight) in the type of aircraft servicing the airport.

Air Cargo activity grew in fiscal year 2019 by 1.2% which helped Memphis remain the United States' largest cargo airport, and the world's second largest cargo airport with approximately 4.9 million and 4.8 million U.S. tons of total cargo in fiscal years 2019 and 2018, respectively. Cargo activity at the Airport is dominated by FedEx Express, which has its corporate headquarters and operates its worldwide super-hub from Memphis.

The Authority's Airport Use and Lease Agreement, in effect with six airlines known collectively as the signatory airlines, establishes the rates and charges methodology for the signatory airlines and their affiliates each year. An amended 3 year agreement became effective July 1, 2017. Landing fees and rates for non-signatory and non-scheduled airlines are assessed at 115 percent and 125 percent, respectively, of the signatory rates.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

AIRPORT ACTIVITIES AND HIGHLIGHTS (CONTINUED)

RATES AND CHARGES

	2019	2018	2017	2016
Terminal Average Square Foot Rate	\$69.81	\$80.51	\$92.98	\$116.07
Cargo Building Square Foot Rate	\$12.00	\$12.00	\$12.00	\$12.00
Aircraft Loading Position				
Rate per Linear Foot	\$336.70	\$283.02	\$291.84	\$256.22
Signatory Landing Fee-per 1,000 lbs. unit	\$1.24	\$1.25	\$1.27	\$1.27

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

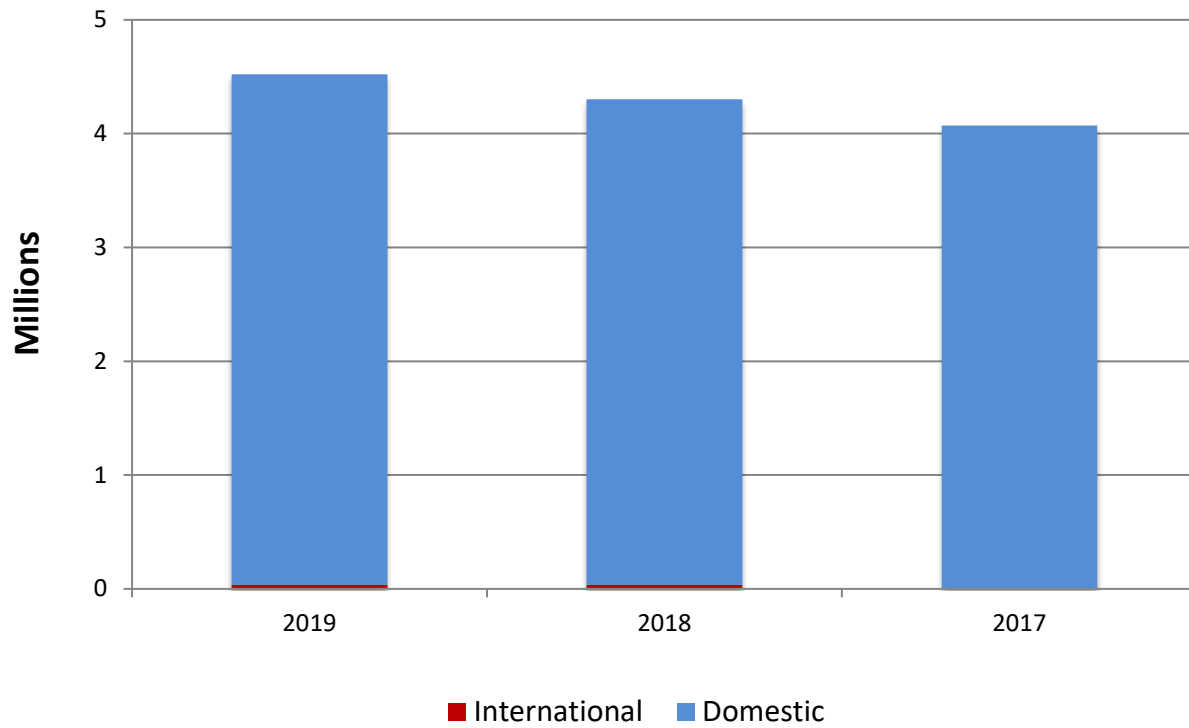
	2019	2018	2017 ⁽¹⁾
Average Cost Per Enplaned Passenger	\$5.52	\$8.68	\$9.18

(1) Fiscal year 2017 has been restated to correct an error in calculation from \$9.27 to \$9.18.

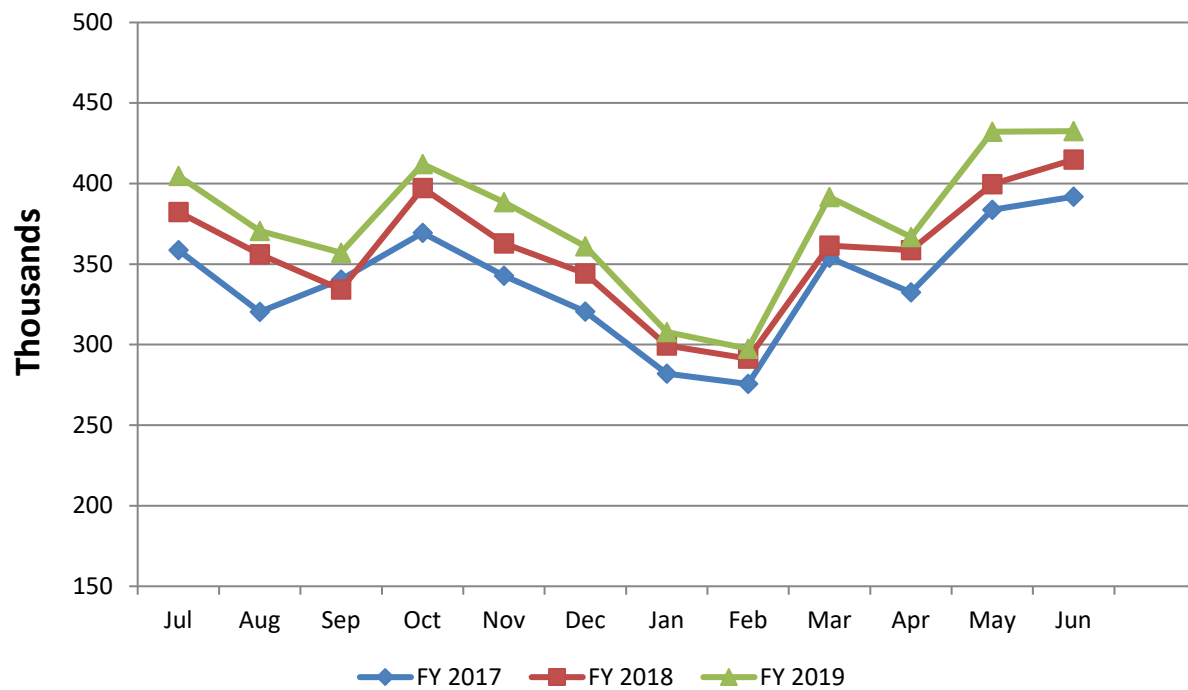
Selected statistical information about total passengers, total cargo, aircraft landed weight, and air carrier movements for the past three years is presented in the table and graphs below.

FISCAL YEAR	TOTAL PASSENGERS	TOTAL CARGO HANDLED (U.S. TONS)	AIRCRAFT LANDED WEIGHT (1000 POUND UNITS)	AIR CARRIER MOVEMENTS
2019	4,522,794	4,912,722	27,371,936	199,044
2018	4,302,104	4,855,966	26,712,528	192,502
2017	4,071,591	4,734,034	26,308,810	189,272

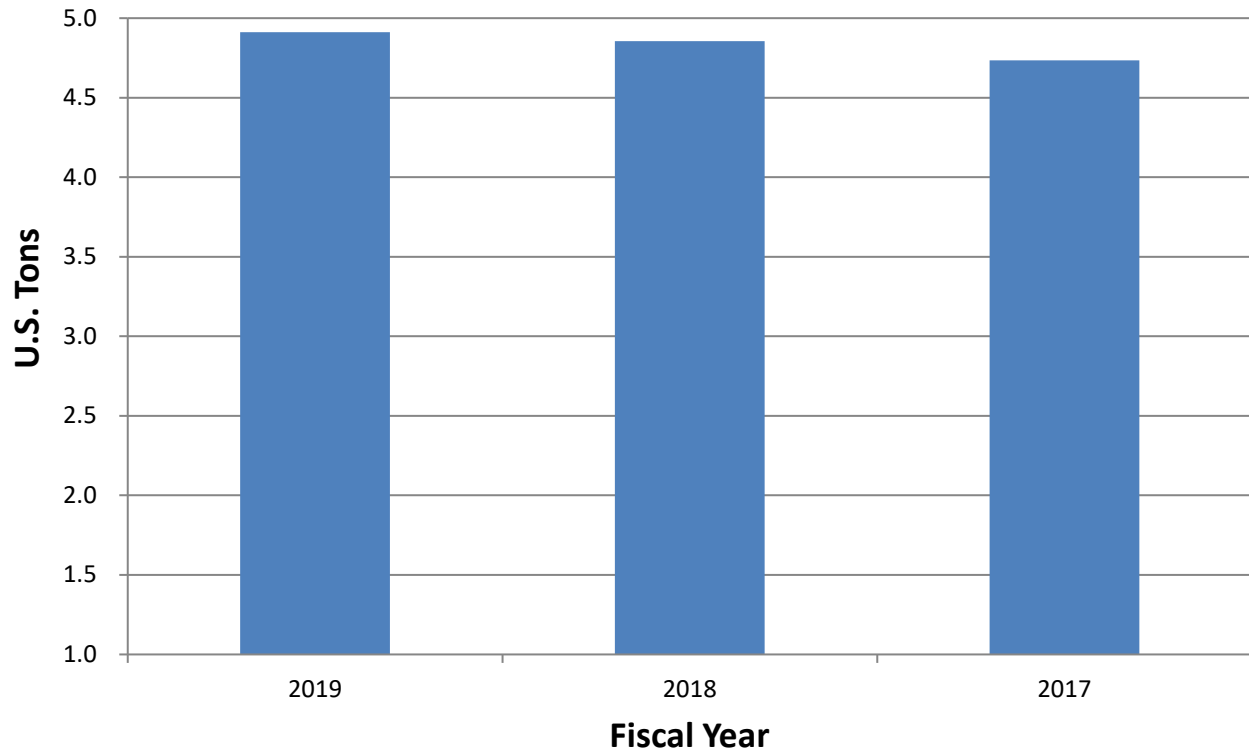
Total Passengers



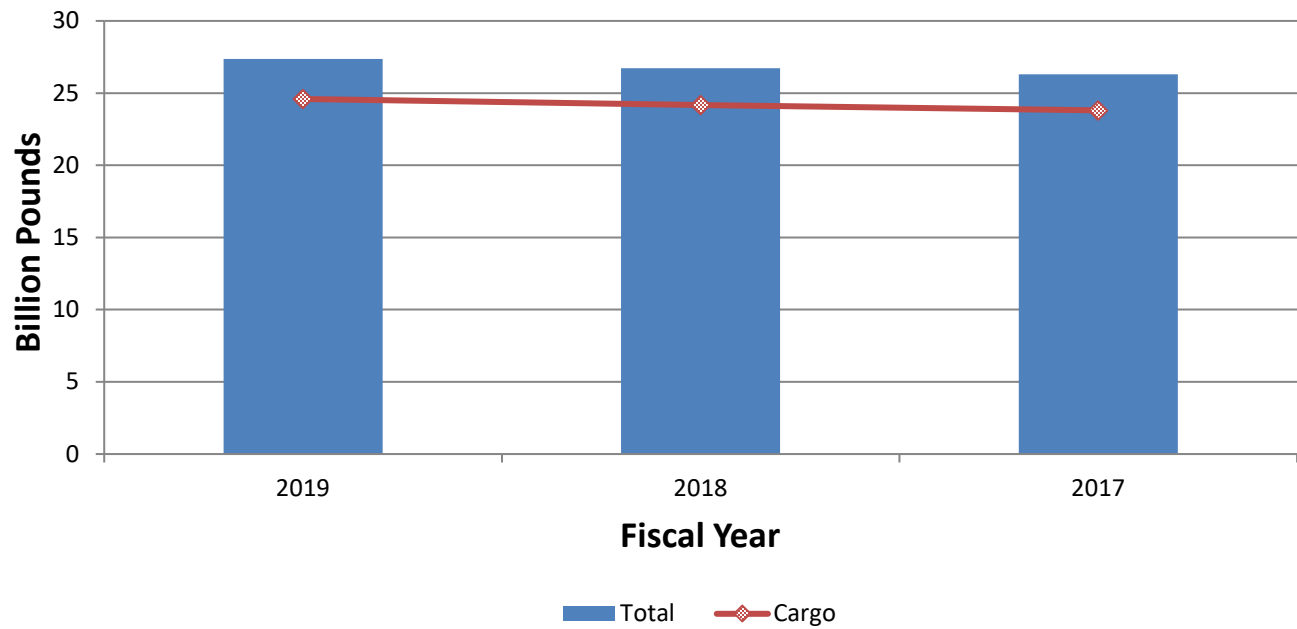
Monthly Passengers



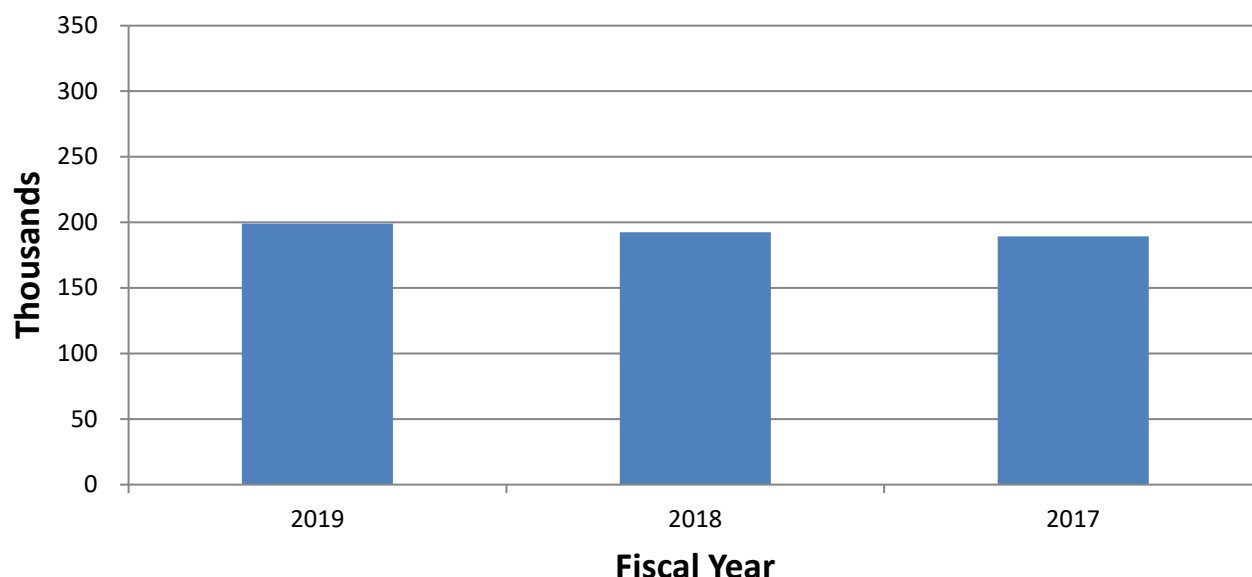
Cargo Handled



Landed Weights



Air Carrier 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 and existing air service enhancements opportunities. In fiscal year 2019, Southwest Airlines added nonstop service to Denver becoming Memphis' third carrier to serve Denver creating a more competitive connection point as western destinations become more of an emerging market. American Airlines' launch of-the-day flights to Philadelphia and Phoenix saw an up gauge in aircraft from a dual-class regional jet to an Airbus with all three Washington, DC flights going to dual-class regional jets. The Dallas-Ft. Worth frequency was increased from seven to nine flights a day with seven flights using mainline aircraft. American Airlines increased its flights by 10% for FY2019 resulting in a 13% seat increase. Delta Air Lines introduced larger 737-900's on three of eleven flights to Atlanta. The enplanement outlook for FY 2020 is for the existing carriers (Delta Air Lines, American Airlines, Southwest Airlines, United Airlines, Allegiant, Frontier and Air Canada) to maintain similar concentration levels of airline enplanements activity share compared to FY 2019 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 should lead 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, 2019 AND 2018 (\$ IN THOUSANDS)

	<u>2019</u>	<u>Restated 2018</u>
ASSETS		
CURRENT ASSETS		
UNRESTRICTED ASSETS		
Cash and cash equivalent	\$33,386	\$37,719
Investments	15,068	9,860
Accounts receivable	5,434	4,891
Accrued interest receivable	191	4
Materials and supplies inventory	2,040	1,854
Prepaid expenses	2,719	2,711
Grants receivable		1
Total current unrestricted assets	<u>58,838</u>	<u>57,040</u>
RESTRICTED ASSETS		
Cash and cash equivalent	97,470	91,892
Investments	230,025	83,584
Accounts receivable - passenger facility charges	1,085	
Accrued interest receivable	2,123	641
Capital contributions receivable	7,793	8,647
Total current restricted assets	<u>338,496</u>	<u>184,764</u>
TOTAL CURRENT ASSETS	<u>397,334</u>	<u>241,804</u>
NON-CURRENT ASSETS		
RESTRICTED ASSETS		
Investments	<u>35,977</u>	<u>26,918</u>
Total non-current restricted assets	<u>35,977</u>	<u>26,918</u>
CAPITAL ASSETS		
Land and improvements	159,913	159,875
Avigation easements	46,679	46,679
Depreciable capital assets		
(less accumulated depreciation of \$1,120,075 and \$1,066,071)	570,963	588,647
Construction in progress	94,915	51,380
Total capital assets, net	<u>872,470</u>	<u>846,581</u>
TOTAL NON-CURRENT ASSETS	<u>908,447</u>	<u>873,499</u>
TOTAL ASSETS	<u>\$1,305,781</u>	<u>\$1,115,303</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refundings	\$1,384	\$1,816
Deferred actuarial losses - pension	5,438	2,634
Deferred actuarial losses - OPEB	547	760
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$7,369</u>	<u>\$5,210</u>

See notes to basic financial statements.

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

JUNE 30, 2019 AND 2018 (\$ IN THOUSANDS)

	2019	Restated 2018
LIABILITIES		
CURRENT LIABILITIES		
Payable from unrestricted assets		
Accounts payable	\$4,169	\$3,402
Accrued expenses	1,513	1,434
Current portion - compensated absences	384	289
Unearned revenue	9,525	6,230
Total payable from unrestricted assets	<u>15,591</u>	<u>11,355</u>
Payable from restricted assets		
Construction contracts payable	6,576	6,209
Accrued interest payable	10,718	7,624
Current maturities of long-term debt	26,638	25,912
Total payable from restricted assets	<u>43,932</u>	<u>39,745</u>
TOTAL CURRENT LIABILITIES	<u>59,523</u>	<u>51,100</u>
NON-CURRENT LIABILITIES		
Lease revenue received in advance	60,967	62,507
Compensated absences	1,518	1,219
Net pension liability	15,817	11,317
Net OPEB liability	6,792	7,971
Bonds and notes payable, net of current maturities	478,252	326,516
TOTAL NON-CURRENT LIABILITIES	<u>563,346</u>	<u>409,530</u>
TOTAL LIABILITIES	<u>\$622,869</u>	<u>\$460,630</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred actuarial gains - pension	\$3,354	\$5,830
Deferred actuarial gains - OPEB	2,584	2,324
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$5,938</u>	<u>\$8,154</u>
NET POSITION		
Net investment in capital assets	\$382,793	\$496,445
Restricted		
Capital acquisition	268,311	132,220
Unrestricted	33,239	23,064
TOTAL NET POSITION	<u>\$684,343</u>	<u>\$651,729</u>

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018 (\$ IN THOUSANDS)

	2019	Restated 2018
OPERATING REVENUES		
Airfield	\$46,591	\$47,995
Terminal building	18,052	23,170
Ground transportation	31,085	29,316
Other aviation areas	4,745	4,631
Non-aviation areas	1,730	2,054
Total operating revenues	<u>102,203</u>	<u>107,166</u>
OPERATING EXPENSES		
Airfield	11,664	11,569
Terminal building	11,901	13,217
Ground transportation	4,629	4,374
General administration	18,872	15,952
Police	9,585	9,397
Field shop	1,630	1,642
Other aviation areas	336	325
Non-aviation areas	1,096	1,095
Total operating expenses before depreciation	<u>59,713</u>	<u>57,571</u>
DEPRECIATION	<u>60,698</u>	<u>62,644</u>
OPERATING LOSS	<u>(18,208)</u>	<u>(13,049)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment income	10,222	3,221
Interest expense	(21,206)	(14,822)
Customer facility charges	6,578	6,400
Passenger facility charges	7,267	
Operating grants	68	28
Gain on disposal/sale of capital assets	159	48
Total non-operating expenses, net	<u>3,088</u>	<u>(5,125)</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(15,120)	(18,174)
CAPITAL CONTRIBUTIONS	47,734	28,228
CHANGE IN NET POSITION	<u>32,614</u>	<u>10,054</u>
TOTAL NET POSITION: BEGINNING OF YEAR	<u>651,729</u>	<u>641,675</u>
TOTAL NET POSITION, END OF YEAR	<u>\$684,343</u>	<u>\$651,729</u>

See notes to basic financial statements.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018 (\$ IN THOUSANDS)

	2019	Restated 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$101,929	\$101,449
Cash paid to suppliers for goods and services	(30,536)	(35,056)
Cash paid to employees for services	(28,131)	(26,467)
Net cash provided by operating activities	<u>43,262</u>	<u>39,926</u>
CASH FLOWS FROM NON-CAPITAL FINANCING		
Operating grants received	<u>69</u>	<u>67</u>
Net cash provided by non-capital financing	<u>69</u>	<u>67</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	159	48
Acquisition and construction of capital assets	(86,220)	(41,840)
Principal paid on long-term debt and notes payable	(27,401)	(24,992)
Proceeds from long-term debt	179,863	57,000
Interest paid on long-term debt and notes payable	(17,680)	(14,466)
Capital contributions received	48,588	25,827
Customer facility charges	6,578	6,400
Passenger facility charges	6,182	
Net cash provided by capital and related financing activities	<u>110,069</u>	<u>7,977</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(376,280)	(149,050)
Proceeds from sales and maturities of investment securities	218,812	137,745
Interest and dividends on investments	5,313	2,680
Net cash used in investing activities	<u>(152,155)</u>	<u>(8,625)</u>
NET CHANGE IN CASH	1,245	39,345
Beginning of year	<u>129,611</u>	<u>90,266</u>
End of year	<u>\$130,856</u>	<u>\$129,611</u>
CASH, END OF YEAR CONSISTS OF		
Unrestricted	\$33,386	\$37,719
Restricted	<u>97,470</u>	<u>91,892</u>
TOTAL CASH, END OF YEAR	<u>\$130,856</u>	<u>\$129,611</u>

See notes to basic financial statements.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018 (\$ IN THOUSANDS)

	<u>2019</u>	<u>Restated 2018</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	(\$18,208)	(\$13,049)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	60,698	62,644
Provision for uncollectible accounts receivable	216	216
Decrease (increase) in assets:		
Receivables	(759)	1,221
Materials and supplies inventory	(186)	(349)
Prepaid expenses	(8)	(208)
Increase (decrease) in liabilities:		
Accounts payable	765	(2,658)
Accrued expenses	(1,065)	(2,277)
Net pension liability	(780)	(1,745)
Net OPEB liability	(706)	(236)
Unearned revenue	3,295	(3,633)
Net cash provided by operating activities	<u>\$43,262</u>	<u>\$39,926</u>

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES AND INVESTING ACTIVITIES

Investments increased by \$879 in fiscal year 2019 and decreased by \$54 in restated fiscal year 2018 due to the change in fair value.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018 (\$ 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. New Accounting Standards Adopted

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement improves consistency in the information disclosed in notes to government financial statements related to debt including direct borrowings and direct placements. It defines debt for disclosure purposes and clarifies which liabilities governments should include when disclosing information related to debt.

The statement requires that additional essential information related to debt be disclosed in the notes to the financial statements including:

- Unused lines of credit.
- Assets pledged as collateral for debt.
- Terms specified in debt agreements related to significant events of default with finance related consequences, termination events with finance related consequences and subjective acceleration clause.

There is no impact on the Authority's financial statements as a result of the implementation of Statement No. 88.

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

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

a result, there was no interest capitalization in fiscal year 2019. Under the previous accounting policy, the Authority capitalized interest of \$264 in fiscal year 2018.

- 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. 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 9).
- 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. **Fair Value Measurement** - 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. 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.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

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.

- U. **Prior Period Adjustment** - Subsequent to the issuance of the June 30, 2018 financial statements, the City of Memphis determined there was an error in the reporting of the City of Memphis Retirement System's net pension obligation. As discussed in Note 11, to these financial statements, the Authority records their proportionate share of the net pension liability, deferred inflows and outflows, and pension expense. The fiscal year 2018 financial statements have been restated for the effects of this error. The effect of the error on the Authority's financial statements is presented below:

	As Previously Reported June 30, 2018	Adjustments	As Restated June 30, 2018
Total liabilities	\$459,065	\$1,565	\$460,630
Total deferred inflows of resources	9,405	(1,251)	8,154
Total net position	652,043	(314)	651,729
Total operating expenses before depreciation	57,257	(314)	57,571
Net position			
Change in net position	10,368	(314)	10,054
Total net position, beginning of year	641,675		641,675
Total net position, end of year	\$652,043	(\$314)	\$651,729

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

2. DEPOSITS AND INVESTMENTS

- A. **Deposits** – Cash deposits as of June 30, 2019 and 2018, had a carrying value of \$57,553 and \$129,608, respectively. These deposits consisted of interest bearing and non-interest bearing demand accounts. Petty cash as of June 30, 2019 and 2018 was \$5 and \$3, respectively. The Authority had cash equivalents of \$73,298, consisting primarily of liquid asset funds, at June 30, 2019 and \$0 cash equivalents at June 30, 2018.

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, 2019 and 2018, all amounts were properly collateralized.

- B. **Investments** – Investments consist of the following at June 30, 2019 and 2018:

	2019	2018	WEIGHTED AVERAGE MATURITY (YEARS) AT June 30, 2019
At fair value:			
U. S. Government agencies	\$257,230	\$96,522	0.59
At cost:			
Forward purchase agreement	23,840	23,840	5.68
Total Investments	\$281,070	\$120,362	

The investments made during fiscal years 2019 and 2018 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, 2019 and 2018.

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 9 percent of the Authority's portfolio at June 30, 2019. The issuer of this investment contract had a credit rating of Aa2 by Moody's at June 30, 2019 and 2018.

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:

<u>INVESTMENT TYPE</u>	<u>MAXIMUM</u>
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:

	2019	2018
Unrestricted current assets:		
Cash and cash equivalents	\$33,386	\$37,719
Short-term investments	15,068	9,860
Restricted current assets:		
Cash and cash equivalents	97,470	91,892
Short-term investments	230,025	83,584
Restricted non-current assets:		
Investments	35,977	26,918
Total	\$411,926	\$249,973
Total deposits, cash equivalents and petty cash	\$130,856	\$129,611
Total investments	281,070	120,362
Total	\$411,926	\$249,973

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, 2019 and 2018:

		Fair Value Measurements at Reporting Date Using		
		Prices in Active	Significant Other	Significant
		Markets for	Observable Inputs	Unobservable Inputs
		Identical Assets	(Level 2)	(Level 3)
		(Level 1)		
Fair Value				
<u>June 30, 2019</u>				
Investments:				
U.S. Agencies	\$257,230		\$257,230	
<u>June 30, 2018</u>				
Investments:				
U.S. Agencies	\$96,522		\$96,522	

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

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, 2019 and 2018. 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, 2019 and 2018:

	Cash and Cash Equivalents	Investments	Accrued Interest Receivable	Other Receivables	2019 Total	2018 Total
Restricted by Bond Indentures:						
Debt service:						
Airport revenue bonds	\$36,127	\$14,078	\$126		\$50,331	\$32,753
General obligation bonds	307				307	307
Total	36,434	14,078	126		50,638	33,060
Bond reserves:						
Airport revenue bonds	257	54,463	790		55,510	43,795
Total	257	54,463	790		55,510	43,795
Construction and land acquisition and associated costs:						
Airport expansion	57,066	184,612	1,088	\$7,793	250,559	102,843
Contractor retainage	14				14	14
Total	57,080	184,612	1,088	7,793	250,573	102,857
Restricted by Regulatory Agency:						
Passenger facility charges	101			1,085	1,186	
Total	101			1,085	1,186	
Restricted by Contributors:						
Customer facility charges	3,598	12,849	119		16,566	31,970
Total	3,598	12,849	119		16,566	31,970
Total Restricted Assets	\$97,470	\$266,002	\$2,123	\$8,878	\$374,473	\$211,682

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, 2019 and 2018.

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, 2019, was as follows:

	Balance July 1, 2018	Additions & Reclassifications	Less Deletions & Reclassifications	Balance June 30, 2019
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land and improvements	\$159,875	\$38		\$159,913
Avigation easements	46,679			46,679
Construction in progress	51,380	85,643	\$42,108	94,915
Total capital assets not being depreciated	257,934	85,681	42,108	301,507
CAPITAL ASSETS BEING DEPRECIATED				
Runways, taxiways, aprons and airfield lighting	776,077	32	1,577	774,532
Buildings	573,934	36,077	59	609,952
Facilities constructed for tenants	104,078			104,078
Roads, bridges and fences	74,379	471		74,850
Equipment and utility systems	126,250	6,436	5,060	127,626
Total capital assets being depreciated	1,654,718	43,016	6,696	1,691,038
ACCUMULATED DEPRECIATION				
Runways, taxiways, aprons and airfield lighting	516,804	28,580	1,576	543,808
Buildings	345,759	19,058	59	364,758
Facilities constructed for tenants	53,440	2,801		56,241
Roads, bridges and fences	48,330	3,952		52,282
Equipment and utility systems	101,738	6,307	5,059	102,986
Total accumulated depreciation	1,066,071	60,698	6,694	1,120,075
Total capital assets being depreciated, net	588,647	(17,682)	2	570,963
CAPITAL ASSETS, NET	\$846,581	\$67,999	\$42,110	\$872,470

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

5. CAPITAL ASSETS (CONCLUDED)

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions & Reclassifications	Less Deletions & Reclassifications	Balance June 30, 2018
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land and improvements	\$159,875			\$159,875
Avigation easements	46,679			46,679
Construction in progress	25,439	\$44,689	\$18,748	51,380
Total capital assets not being depreciated	231,993	44,689	18,748	257,934
CAPITAL ASSETS BEING DEPRECIATED				
Runways, taxiways, aprons and airfield lighting	776,080		3	776,077
Buildings	563,506	10,428		573,934
Facilities constructed for tenants	104,078			104,078
Roads, bridges and fences	74,073	306		74,379
Equipment and utility systems	118,419	8,017	186	126,250
Total capital assets being depreciated	1,636,156	18,751	189	1,654,718
ACCUMULATED DEPRECIATION				
Runways, taxiways, aprons and airfield lighting	485,743	31,061		516,804
Buildings	327,462	18,297		345,759
Facilities constructed for tenants	50,639	2,801		53,440
Roads, bridges and fences	44,421	3,909		48,330
Equipment and utility systems	95,348	6,576	186	101,738
Total accumulated depreciation	1,003,613	62,644	186	1,066,071
Total capital assets being depreciated, net	632,543	(43,893)	3	588,647
CAPITAL ASSETS, NET	\$864,536	\$796	\$18,751	\$846,581

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

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

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 \$45,329 and \$44,053 for fiscal years 2019 and 2018, respectively.

Substantially all 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.

Minimum future rentals for leases are as follows:

YEAR	AMOUNT
2020	\$38,816
2021	20,324
2022	20,238
2023	19,776
2024	20,908
2025-2029	85,407
2030-2034	78,041
2035-2039	68,320
2040-2044	7,682
2045-2049	7,682
2050-2054	7,682
2055-2059	7,682
Total	\$382,558

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. LONG-TERM DEBT

Long-term debt information and activity for fiscal year 2019 is as follows:

	ORIGINAL ISSUE AMOUNT	INTEREST RATES	BALANCE JULY 1, 2018	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2019	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%	126,975		\$13,765	113,210	\$14,505
Series 2011A-1	57,825	3.00 - 6.00%	18,720		4,150	14,570	3,720
Series 2011A-2	32,030	3.00 - 5.50%	3,125		3,125		
Series 2011B	17,600	4.50 - 5.00%	17,600			17,600	
Series 2011C	22,040	5.00%	22,040		2,700	19,340	6,135
Series 2011D	41,170	4.00 - 5.25%	41,170			41,170	
Series 2016A	64,500	2.61%	64,500	\$45,500		110,000	
Series 2018	119,275	5.00%		\$119,275		119,275	
Total	544,070		324,420	164,775	23,740	465,455	24,360
Notes Payable	7,000	4.48%	5,695		363	5,332	446
Notes Payable	20,000	3.03%	18,682		1,777	16,905	1,832
Unamortized bond premiums			3,631	15,088	1,521	17,198	
Total bonds and notes payable	571,070		352,428	179,863	27,401	504,890	26,638
Other liabilities:							
Compensated absences			1,508	556	162	1,902	384
Total other liabilities			1,508	556	162	1,902	384
Total long-term debt	\$571,070		\$353,936	\$180,419	\$27,563	\$506,792	\$27,022

Interest expense includes amortization of deferred charges on refunding for fiscal years 2019 and 2018 of \$432 and \$468, respectively, and amortization of the net premium of \$1,521 and \$1,060, 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 2018 is as follows:

	ORIGINAL ISSUE AMOUNT	INTEREST RATES	BALANCE JULY 1, 2017	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2018	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%	140,085		\$13,110	126,975	\$13,765
Series 2011A-1	57,825	3.00 - 6.00%	22,730		4,010	18,720	4,150
Series 2011A-2	32,030	3.00 - 5.50%	8,235		5,110	3,125	3,125
Series 2011B	17,600	4.50 - 5.00%	17,600			17,600	
Series 2011C	22,040	5.00%	22,040			22,040	2,700
Series 2011D	41,170	4.00 - 5.25%	41,170			41,170	
Series 2016A	27,500	2.61%	27,500	\$37,000		64,500	
Total	387,795		309,650	37,000	22,230	324,420	23,740
Notes Payable	7,000	4.48%	6,079		384	5,695	395
Notes Payable	20,000	3.03%		\$20,000	1,318	18,682	1,777
Unamortized bond premiums			4,691		1,060	3,631	
Total bonds and notes payable	414,795		320,420	57,000	24,992	352,428	25,912
Other liabilities:							
Compensated absences			1,681	244	417	1,508	289
Total other liabilities			1,681	244	417	1,508	289
Total long-term debt	\$414,795		\$322,101	\$57,244	\$25,409	\$353,936	\$26,201

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 on March 1, 2017 with subsequent drawings of \$15,000 on October 6, 2017, \$22,000 on April 2, 2018, and \$45,500 on July 2, 2018. This issue is being used to finance the design and construction of the glycol collection management program and an airfield maintenance and airport operations facility.

On August 30, 2018, the Authority issued \$119,275 Airport Revenue Bonds, Series 2018 (AMT) at a \$15,000 premium. The bonds have a fixed interest rate of 5.00 percent. Maturity dates range from July 1, 2025 through July 1, 2047. This issue is being used to finance the design and construction of the modernization of the spine and southeast leg of Concourse B.

If an Event of Default, as defined in the revenue bond agreements, has occurred and is continuing, the Trustee may, upon written request of the holders of not less than 25% in principal amount of the Airport Revenue Bonds Outstanding, by written notice to the Authority declare the principal and interest on all Airport Revenue bonds immediately due and payable. The Trustee may exercise any or all of the following remedies to the extent that they are legally available:

- (a) The trustee may proceed to protect and enforce its rights and the rights of the holders of the Airport Revenue Bonds by suit or suits in equity for the performance of any covenant or agreement contained in the resolution.
- (b) The trustee may proceed to obtain the appointment of a receiver for the Authority, for which the receiver may enter upon and take possession of the Authority and fix rates and charges and collect all revenues arising therefrom in as full a manner and to the same extent as the Authority itself might do.

Line of Credit – In February 2019, the Authority renewed its revolving line of credit with a bank in the amount of \$20,000. There was no outstanding balance on this line of credit at June 30, 2019 or June 30, 2018. The line of credit is renewable on December 31, 2020 and bears interest at a rate of 30 day LIBOR plus 1.83 percent. In the event of default, as defined in the agreement, all obligations become immediately due, including interest.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

7. LONG-TERM DEBT (CONTINUED)

Notes Payable - 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. In the event of a default, all amounts outstanding, including interest are immediately due.

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. In the event of a default, all amounts outstanding, including interest are immediately due.

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

YEAR	AIRPORT REVENUE BONDS	INTEREST PAYMENTS
2020	24,360	20,777
2021	25,675	19,413
2022	29,545	17,889
2023	29,445	16,260
2024	31,065	14,644
2025-2029	163,315	50,767
2030-2034	50,625	31,392
2035-2039	31,415	24,082
2040-2044	40,095	15,186
2045-2048	39,915	4,114
Total	\$465,455	\$214,524

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
2020	2,277	735
2021	2,320	641
2022	2,397	563
2023	2,477	483
2024	2,561	399
2025-2029	9,994	750
2030	211	2
Total	\$22,237	\$3,573

8. CAPITAL CONTRIBUTIONS

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

	2019	2018
Federal grants	\$45,288	\$20,326
State grants	2,394	7,469
Other	52	433
Total capital contributions	\$47,734	\$28,228

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

8. CAPITAL CONTRIBUTIONS (CONCLUDED)

FEDERAL AIP GRANT FUNDS AWARDED FOR FEDERAL FISCAL YEARS 2014-2018

For federal fiscal years 2014 - 2018, the Authority was awarded the following entitlement and discretionary funds:

AIP Funds Awarded by Federal Fiscal Year

	2014	2015	2016	2017	2018
Entitlement Funds:					
Passenger	\$1,662	0 ⁽¹⁾	\$4,728	\$5,331	\$14,780
Cargo	17,675	0 ⁽¹⁾	7,667	32,805	28,587
Total Entitlement	19,337	0 ⁽¹⁾	12,395	38,136	43,367
Discretionary Funds	6,127	1,383	2,447	0	2,400
Total AIP Funds	\$25,464	\$1,383	\$14,842	\$38,136	\$45,767

⁽¹⁾ Eligible entitlement amounts can be carried forward for a three year period.
The \$0 figure denotes no project awarded in 2015.

STATE GRANT FUNDS ALLOCATED FOR FISCAL YEARS 2015-2019

The Authority has been allocated the following state grant funds for fiscal years 2015 - 2019:

State Funds Allocated by Fiscal Year

	2015	2016	2017	2018	2019
State Grants ⁽¹⁾	\$7,928	\$4,154	\$3,383	\$3,078	\$3,638

⁽¹⁾ The decline in the funding of the State Transportation Equity Fund is attributable to legislation enacted in 2014 that placed a cap on the maximum amount one purchaser would be required to deposit into the fund.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

9. PASSENGER FACILITY CHARGES

On July 16, 2018, the Federal Aviation Administration (“FAA”) approved through Final Agency Decision the Authority’s application to impose PFC’s at Memphis International Airport (“MEM”) at the maximum rate of \$4.50 per qualifying passenger. PFC’s are fees imposed on qualifying passengers by airports to finance eligible airport-related projects that are approved by the FAA. On September 1, 2018, the airlines began collecting a PFC on those qualifying passengers at MEM. The Airport collected \$6,195 in PFC’s for fiscal year 2019. PFC revenue is reported as non-operating revenue and can only be collected and used with prior approval from the FAA for specific projects, collection limits and time periods.

10. CUSTOMER FACILITY CHARGES

All on-airport rental car companies who lease space at the Airport collect a daily customer facility charge (“CFC”) of \$4.00 per transaction day per vehicle. These rental car companies remit CFC’s that were collected or should have been collected from their customers to the Authority on a monthly basis. CFC revenue is reported as non-operating revenue and is restricted for use on expenses and capital associated with ground transportation operations.

The Authority recorded \$6,578 and \$6,400 in customer facility charges for the years ended June 30, 2019 and 2018, respectively.

11. 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 a single employer, public employee retirement system and 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 non-grandfathered employee in the 1978 Plan will participate in the 2016 Plan as of July 1, 2016. For this purpose, a non-grandfathered employee is any employee with less than 7½ years of service as of July 1, 2016.

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

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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT RETIREMENT PLANS (CONTINUED)

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 City 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.

Changes to the City 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 an actuarially 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 calculating the difference between the percentage of the ADC paid in the plan year commencing July 1, 2014, subtracted from 100% and dividing by five (5). 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 City Plan from the Authority were \$2,669 and \$2,717 for the years ended June 30, 2019 and 2018, respectively.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT RETIREMENT PLANS (CONTINUED)

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

At June 30, 2019 and 2018, the Authority reported a liability of \$15,817 and \$11,317 respectively for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, 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, 2019 and 2018, the Authority's proportion was 3.63 percent and 3.53 percent, respectively.

For the year ending June 30, 2019 and 2018, the Authority recognized pension expense of \$1,890 and \$970 (as restated), respectively and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	2019	2018	Restated 2018
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience gains or losses	\$556	\$1,994	\$880	\$2,380
Change in assumptions	2,028	863		1,332
Net difference between projected and actual earnings on investments	897			226
Changes in proportion	951	390	902	1,510
Changes in contributions	1,006	107	852	382
Total	<u>\$5,438</u>	<u>\$3,354</u>	<u>\$2,634</u>	<u>\$5,830</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2019 will be recognized in pension expense as follows:

Year ended June 30:

2020	\$552
2021	(\$100)
2022	\$755
2023	\$877

Actuarial Assumptions. The total pension liability in the July 1, 2019 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%

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT RETIREMENT PLANS (CONTINUED)

Mortality rates were based on the Fully Generational PubG-2010 Public Sector Mortality Table for general employees with MP-2018 projection scale from 2010 adjusted by a one year set forward. For healthy police and fire, mortality rates were based on the Fully Generational PubG-2010 Public Sector Mortality Table for safety employees with MP-2018 projection scale from 2010 adjusted by a one year set forward. For disabled general participants, mortality rates were based on the Fully Generational PubNS-2010 Public Sector Disabled Mortality Table for non-safety employees with MP-2018 projection scale from 2010 and adjusted by a three year set back. For disabled police and fire, mortality rates were based on the Fully Generational PubS-2010 Public Sector Disabled Mortality Table for safety employees with MP-2018 projection scale from 2010 and adjusted by a three year set back. For survivors general participants, mortality rates were based on the Fully Generational PubS-2010 Public Sector Contingent Survivor table for general employees with MP-2018 projection scale from 2010 and adjusted by a one year set forward. For survivors police and fire, mortality rates were based on the Fully Generational PubS-2010 Public Sector Contingent Survivor table for safety employees with MP-2018 projection scale from 2010 and adjusted by a one year set forward.

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 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% as of June 30, 2019 and is equal to the long-term expected return on plan investments. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at 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 the 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$26,697	\$15,817	\$6,657

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT RETIREMENT PLANS (CONCLUDED)

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. This report may be found in the City of Memphis annual CAFR under Fiduciary Funds section at <https://memphistn.gov/government/finance>.

12. 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. There were forfeitures of \$4 in fiscal year 2019 and no forfeitures for fiscal year 2018. The amount of contributions expensed for fiscal years 2019 and 2018 was \$774 and \$776, respectively. Since the plan assets are held in trust for the benefit of the plan members, the related assets of the plan are not included in the accompanying statements of net position. At June 30, 2019 and 2018, the fair value of the plan assets was \$21,013 and \$19,436, respectively. There is no separate, audited postemployment benefit plan report available for the defined contribution postemployment plan.

13. 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, 2019 and 2018, the fair value of the plan assets was \$10,842 and \$10,062, respectively.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

14. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description.

The Authority employees are provided with other post-employment benefits (OPEB) through the City of Memphis' OPEB plan. The City's OPEB Plan was established as part of the City's retirement plan under Chapter 25, Code of Ordinances of the City of Memphis, Tennessee. The plan is administered by a Board of Administration under the direction of the Mayor. Per GASB accounting rules, the Authority is considered a cost-sharing employer that is participating in a defined benefit OPEB plan administered by the City of Memphis. The Authority provides post-retirement health care benefits to eligible employees who retire from the Authority under the provisions of the City's retirement plan. In fiscal year 2009, the City of Memphis adopted and established an OPEB Trust for the exclusive purpose of pre-funding and providing for payment of OPEB benefits under the plan. The City of Memphis does not issue a separate report for the OPEB trust plan. However, information about the City's OPEB plan is included in the City of Memphis' basic financial statements as an OPEB trust fund. The financial report on the OPEB plan can be found in the Comprehensive Annual Financial Report of the City of Memphis at <https://memphistn.gov/government/finance>.

Plan Year All benefits have plan year January 1 – December 31.

Employee Eligibility Eligibility for OPEB benefits are based on the meeting the requirements for the two retirement pension options - normal retirement or disability retirement. Based on which pension plan one participates in, the applicable pension plan retirement provisions are as follows:

	Normal	Disability
<i>General Employees</i> 1948 Plan Participants	Age 60 & 10 years of service, or 25 years of service	Non-Line of Duty: 5 years of service
<i>General Employees</i> 1978 Plan Participants	Age 60 & 10 years of service, or Age 65 & 5 years of service, or 25 years of service	
<i>General Employees</i> 2012 and 2016 Plan Participants	Age 65 & 5 years of service, or 25 years of service	
<i>Police & Fire</i> 1948 Plan Participants	Age 55 & 10 years of service, or 25 years of service	Line-of-Duty: No service requirement
<i>Police & Fire</i> 1978, 2012 and 2016 Plan Participants	Age 55 & 10 years of service 25 years of service	

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

14. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Spouse Eligibility for Benefits:

- Spouses of eligible retirees may receive postretirement medical benefits.
- Surviving widowed spouses are eligible if receiving a pension payment from the City of Memphis and coverage was in force prior to the retiree's death.
- Working spouses with available coverage elsewhere do not receive postretirement medical benefits.

Benefits provided (plan provisions).

Medical Plan Benefits Available

Pre-65 Line of Duty Disabled and Grandfathered Post-65 Retirees without Medicare

Postretirement medical and drug coverage through the City's self-insured Select or Choice Plans. The City pays for costs that exceed required retiree premiums.

All other Participants

Pre-65 and Post-65 retirees are provided with a set amount of money each year that goes into a Health Retirement Account (HRA). The amount depends on the type of retiree - Line of Duty (LOD) or other - and age of retirement, according to the table below:

Annual HRA Amount		
	Retiree	Spouse
LOD	Pre-65	\$10,000
	Post-65	\$2,000
Other	Pre-65	\$5,000
	Post-65	\$1,000

Life Benefits Available to Retirees

The City provides a life insurance benefit of \$5,000 to all participants.

The payment of the \$5,000 by the City depends on if the participant had supplemental insurance as an active participant prior to retirement. If the participant elected supplemental life insurance as an active employee, the supplemental insurance drops to \$3,000 and is fully insured by the City. In addition, the City pays an additional \$2,000, which is self-insured. If the participant did not elect supplemental life insurance as an active employee, the City pays \$5,000 upon death, which is self-insured.

Contributions.

Funding Policy – Per Chapter 25, Code of Ordinances of the City of Memphis, Tennessee, contribution requirements of the participating component units of the City (of which the Authority is one), are established and may be amended by the City Board of Administration. The City pays for medical costs that exceed required

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

14. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

retiree premiums and may elect through adoption of the City's annual budget ordinance to contribute an amount in excess of the total annual benefit payments to a qualified trust for the purpose of funding future OPEB benefits. As stated previously, in fiscal year 2009, the City of Memphis adopted and established an OPEB Trust for the exclusive purpose of pre-funding and providing for payment of OPEB benefits under the plan. Neither employees nor retirees are required to contribute to the OPEB trust fund.

The Authority's contractually required contribution rate for the year ended June 30, 2019 and 2018 was 1.9 and 1.7 percent, respectively, of covered payroll actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the Authority were \$356 and \$303 for the year ended June 30, 2019 and 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019 and 2018, the Authority reported a liability of \$6,792 and \$7,971, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on a proportion of Authority's average contributions to the OPEB 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, 2019 and 2018, the Authority's proportion was 2.26 percent and 2.39 percent, respectively.

Change in benefit terms (plan provisions).

There has been no change in benefit plan provisions that affected the measurement of the total OPEB liability since the prior measurement date.

For the year ending June 30, 2019 and 2018, the Authority recognized OPEB income of \$350 and expense of \$66, respectively and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019 Deferred Outflows of Resources	2019 Deferred Inflows of Resources	2018 Deferred Outflows of Resources	2018 Deferred Inflows of Resources
Difference between expected and actual experience	\$172	\$381	\$272	\$217
Change in assumptions	234	1,355	369	1,420
Net difference between projected and actual earnings on investments		10		9
Changes in proportion	86	742	119	537
Changes in contributions	55	96		141
Total	<u>\$547</u>	<u>\$2,584</u>	<u>\$760</u>	<u>\$2,324</u>

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

14. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2019 will be recognized in OPEB expense as follows:

Year ended June 30:

2020	(\$690)
2021	(\$690)
2022	(\$496)
2023	(\$161)
Thereafter	\$0

Changes in Accounting Assumptions and Methods from Prior Year.

The last actuarial valuation of the City of Memphis Retiree Health and Life Insurance Benefits was performed as of July 1, 2018. As requested by the City, the following changes were made since the prior valuation:

- The per capita claims costs and premiums for the self-funded preferred and premier plans were updated based on recent claims experience and to reflect expected prescription drug rebates.
- The mortality assumption was updated to reflect the Public Sector Mortality tables and MP-2018 projection scale which were released by the Society of Actuaries.
- The initial annual health care trend rate was changed from using 6.28% in FYE 2019, grading down to 4.50% by FYE 2027, to 6.50% in FYE 2020, grading down to 4.50% by FYE 2029.
- The participation assumptions changed based on recent plan experience under the current plan designs and the City's best estimate of long-term enrollment rates:

10% of future retirees are assumed to elect pre-65 coverage (down from 30%)

0% of current pre-65 retirees that have opted out of Retiree Exchange coverage as of July 1, 2019 will elect coverage for next year (down from 20%)

- The discount rate assumption changed from 2.98% as of June 30, 2018 to 2.79% as of June 30, 2019 based on the change in the S&P Municipal Bond Rate Index at the measurement date.

There were no other changes in assumptions or methods since the prior year.

Actuarial Assumptions.

Significant actuarial assumptions and other inputs used to measure the July 1, 2019 valuation were:

a. Measurement Date	July 1, 2019
b. Valuation Date	July 1, 2019
c. Investment Yield	N/A

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

14. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

d. Mortality Assumption Healthy General: Fully Generational PubG-2010 Public Sector Mortality Table for general employees with MP-2018 projection scale from 2010 forward and adjusted by a one year set forward.

Healthy Police and Fire: Fully Generational PubS-2010 Public Sector Mortality Table for safety employees with MP-2018 projection scale from 2010 forward and adjusted by a one year set forward.

Disabled General: Fully Generational PubNS-2010 Public Sector Disabled Mortality Table for non-safety employees with MP-2018 projection scale from 2010 and adjusted by a three-year set back.

Disabled Police and Fire: Fully Generational PubS-2010 Public Sector Disabled Mortality table for safety employees with MP-2018 projection scale from 2010 and adjusted by a three year set back.

Survivors General: Fully Generational PubS-2010 Public Sector Contingent Survivor table for general employees with MP-2018 projection scale from 2010 and adjusted by a one year set forward.

Survivors Police and Fire: Fully Generational PubS-2010 Public Sector Contingent Survivor table for safety employees with MP-2018 projection scale from 2010 and adjusted by a one year set forward.

e. Future Trend Assumption	Fiscal Year	Trend
	2020	6.50%
	2021	6.28%
	2022	6.06%
	2023	5.83%
	2024	5.61%
	2025	5.39%
	2026	5.17%
	2027	4.94%
	2028	4.72%
	2029+	4.50%

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

14. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

f. Experience Study May 1, 2014 experience study based on 10 years of census data
(between 2003-2012)

h. Discount Rate The discount rate used to measure the total OPEB liability was 2.79% as of June 30, 2019, which is equal to the single rate of return developed pursuant to GASB 75. GASB 75 requires that projected benefit payments expected to be satisfied by the plan's fiduciary net position (i.e. assets) be discounted using the long-term rate of return on OPEB plan investments and that projected benefit payments not expected to be satisfied by the plan's fiduciary net position be discounted using a yield or index rate of a 20-year tax-exempt general obligation municipal bond rated AA/Aa or higher.

Based on the City's current funding policy effective June 30, 2019, the Plan's fiduciary net position is not projected to be available to make all projected future benefit payments of current plan members. Additionally, paragraph 4.99 of Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting) states that the total of the benefit payments that are projected to occur in a period during which the OPEB plan's Fiduciary net position is projected to not be sufficient to make those benefit payments may be classified as unfunded. As determined by the City, the discount rate assumption for determining the total OPEB liability was based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2019.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

14. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

i. Discount and Healthcare Trend Sensitivity Rates

The following represent the Authority's proportionate share of the net OPEB liability, as well as what the Authority's proportionate share would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage point higher (3.79%):

Discount Rate Sensitivity (000's)			
	<u>1% Decrease (1.79%)</u>	<u>Current Rate (2.79%)</u>	<u>Current Rate (3.79%)</u>
Net OPEB Liability	\$8,029	\$6,792	\$5,839

The following represent the Authority's proportionate share of the net OPEB liability, as well as what the Authority's proportionate share would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower 1-percentage point higher:

Healthcare Trend Sensitivity (000's)			
	<u>1% Decrease</u>	<u>Current Rate Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability	\$6,134	\$6,792	\$7,636

15. RELATED PARTIES AND MAJOR CUSTOMERS

The City provided fire protection and other services to the Authority at a cost of \$3,966 and \$3,661 for fiscal years 2019 and 2018, respectively.

The Authority receives a large portion of its operating revenues from three airlines, FedEx Express, Delta Air Lines and American Airlines. Rentals, landing fees, and other revenues from these two airlines were approximately 58 percent and 51 percent of operating revenues for fiscal years 2019 and 2018, respectively.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONCLUDED)

16. COMMITMENTS AND CONTINGENCIES

The Authority's plan, design and construction projects are estimated at \$359,358, of which \$122,468 has been expended through June 30, 2019. Of the remaining \$236,890 expected to be spent, the outstanding commitments were \$183,108 and related primarily to the design and construction of the Concourse B modernization, glycol management system, airfield maintenance and operations support facility and the development of an airport master plan. 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 currently aware of any disallowed expenditures.

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

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	Proportionate Share of Net	Actual Covered	Net Pension Liability as a Percentage of	Fiduciary Net Position as % of Total
June 30	Liability (Asset) ⁽²⁾	Pension Liability	Employee Payroll ⁽³⁾	Covered Payroll	Pension Liability
				(3) ÷ (4)	
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%
2018	3.53%	\$11,317	\$19,439	58.2%	88.0%
2019	3.63%	\$15,817	\$18,698	84.6%	84.3%

(1) The information presented above is for those years for which it is available. It was prepared prospectively from the Plans's 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 68 ⁽¹⁾

(1)	(2)	(3)	(4)	(5)	(6)
Year Ending	Actuarially Determined	Actual Employer	Contribution	Actual Covered Employee	Contributions as a
June 30	Contribution	Contributions ⁽²⁾	Excess/(Deficiency)	Payroll ⁽³⁾	Percentage of Covered Payroll
			(3) - (2)		(3) ÷ (5)
2015	\$996	\$996		\$19,297	5.2%
2016	\$2,848	\$1,067	(\$1,781)	\$18,420	5.8%
2017	\$2,271	\$2,271		\$18,709	12.1%
2018	\$2,717	\$2,717		\$19,439	14.0%
2019	\$2,669	\$2,669		\$18,698	14.3%

(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. Note: For fiscal year 2017 the ADC ws updated from the fiscal year 2017 accounting report to be \$2,271. This change is a disclosure item only and does not impact other areas of the financial statements.

(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.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION (\$ IN THOUSANDS) (CONCLUDED)

Schedule of Proportionate Share of the Net OPEB Liability and Related Ratios under GASB 75

Net OPEB Liability

(1)	(2)	(3)	(4)	(5)	(6)
Year Ended	Proportion of the Net	Proportionate Share	Actual Covered	Net OPEB Liability as	Fiduciary Net
June 30	Liability (Asset) (2)	of Net OPEB	Employee Payroll (3)	a Percentage of	Position as a % of
		Liability		Covered Payroll	Total OPEB Liability
				(3) ÷ (4)	
2017	2.35%	\$9,745	\$18,709	52.1%	0.8%
2018	2.39%	\$7,971	\$18,111	44.0%	1.2%
2019	2.26%	\$6,792	\$18,645	36.4%	1.3%

(1) The information presented above is for those years for which it is available. It was prepared prospectively from the Plan's fiscal year ending June 30, 2017 for GASB 75 purposes.

(2) Based on the cost sharing allocation percentage as of the measurement date.

(3) The actual covered payroll represents the total covered payroll for the prior calendar year, increased by the salary scale. Where a salary amount was not provided, an average of the other participants for that year was assumed. For the calendar year 2019, the average salary was \$55,911.

Schedule of Employer OPEB Contributions under GASB 75

(1)	(2)	(3)	(4)	(5)	(6)
Year Ended	Statutorily Required	Actual Employer	Contribution	Actual Covered	Fiduciary Net
June 30	Contribution (2)	Contributions	Excess/(Deficiency)	Employee Payroll (3)	Position as a % of
			(3) - (2)		Total OPEB Liability
					(3) ÷ (5)
2017	\$211	\$211	\$0	\$18,709	1.1%
2018	\$303	\$303	\$0	\$18,111	1.7%
2019	\$356	\$356	\$0	\$18,645	1.9%

(1) This schedule is prepared to illustrate the requirement to show information regarding the Net OPEB 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 Plan's fiscal year ending June 30, 2017 for GASB 75 purposes.

(2) The City is contractually required to pay benefits as they come due and make HRA contributions to participants enrolled in OneExchange or an allowable plan. Any difference between benefits paid and employer contributions is due to a timing difference plus retiree contributions.

(3) The actual covered payroll represents the total covered payroll for the prior calendar year, increased by the salary scale. Where a salary amount was not provided, an average of the other participants for that year was assumed. For the calendar year 2019, the average salary was \$55,911.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of OPEB benefit terms. In the July 1, 2019 actuarial valuation there were no changes to benefit terms.

Changes of OPEB assumptions (accounting and methods).

In the July 1, 2019 actuarial valuation:

- 1) The per capita claims costs and premiums for the self-funded preferred and premier plans were updated based on recent claims experience and to reflect expected prescription drug rebates.
- 2) The mortality assumption was updated to reflect the Public Sector Mortality tables and MP-2018 projection scale which were released by the Society of Actuaries. See Section V for further details on the change in the mortality assumption.
- 3) The initial annual health care trend rate was changed from using 6.28% in FYE 2019, grading down to 4.50% by FYE 2027, to 6.50% in FYE 2020, grading down to 4.50% by FYE 2029.
- 4) The participation assumptions changed based on plan experience under the current plan designs and the City's best estimate of long-term enrollment rates:
 - 10% of future retirees are assumed to elect pre-65 coverage (down from 30%)
 - 0% of current pre-65 retirees that have opted out of Retiree Exchange coverage as of July 1, 2019 will elect coverage for next year (down from 20%).
- 5) The discount rate assumption changed from 2.98% as of June 30, 2018 to 2.79% as of June 30, 2019 based on the change in the S&P Municipal Bond Rate Index at the measurement date.

In the July 1, 2018 actuarial valuation:

- 1) The per capita claims costs and premiums for the self-funded preferred and premier plans were updated based on recent claims experience.
- 2) The healthy mortality assumption was changed from the Fully Generational RP-2014 Mortality Table with MP-2016 projection scale adjusted by a 1 year set forward to the Fully Generational RP-2014 Mortality Table adjusted to 2006 with MP-2017 projection scale adjusted by a 1 year set forward.
- 3) The disabled mortality assumption was changed from the Fully Generational RP-2014 Disabled Mortality Table with MP-2016 projection scale by a 3-year set back to the Fully Generational RP-2014 Disabled Mortality Table adjusted to 2006 with MP-2017 projection scale adjusted by a 3-year set back.
- 4) The participation assumptions changed based on recent plan experience under the new plan designs and the City's best estimate of long-term enrollment rates:
 - 30% of future retirees are assumed to elect pre-65 coverage (down from 80%)
 - 20% of current pre-65 retirees and 0% of current post-65 retirees that have opted out of Retiree Exchange coverage as of July 1, 2018 will elect coverage for next year (down from 67% and 10%)
- 5) The discount rate assumption changed from 3.13% as of June 30, 2017 to 2.98% as of June 30, 2018 based on the change in the S&P Municipal Bond Rate Index at the measurement date.

In the July 1, 2017 actuarial evaluation:

- 1) The per capita claims costs and premiums for the self-funded preferred and premier plans were updated based on recent claims experience.
- 2) The initial health care trend rate was updated from 6.35% for Pre-65 and 6.33% for Post-65 to 6.50% for all ages based on plan experience and industry trend projections.
- 3) The healthy mortality assumption was changed from the Fully Generational RP-2014 Mortality Table with MP-2014 projection scale adjusted by a 1 year set forward to the Fully Generational RP-2014 Mortality Table adjusted to 2006 with MP-2016 projection scale adjusted by a 1 year set forward.
- 4) The disabled mortality assumption was changed from the Fully Generational RP-2014 Disabled Mortality Table with MP-2014 projection scale by a 3-year set back to the Fully Generational RP-2014 Disabled Mortality Table adjusted to 2006 with MP-2016 projection scale adjusted by a 3-year set back.
- 5) The participation assumptions changed based on recent plan experience under the new plan designs and the City's best estimate of long-term enrollment rates:
 - 80% of future retirees are assumed to elect pre-65 coverage (down from 100%)
 - 55% of future retirees are assumed to elect post-65 coverage (down from 100%)
 - 67% of current pre-65 retirees and 10% of current post-65 retirees that have opted out of HRA coverage as of July 1, 2017 will elect coverage for next year.
- 6) The assumption for the percentage of future retirees that will cover a spouse after retirement was updated from 49%/10%/46% to 56%/15%/46% for General Males, General Females, and Police and Fire, respectively, based on recent plan experience.
- 7) The persistency assumption was changed from assuming all inactive participants continue their medical election coverage for their lifetime to assuming that 55% of all pre-65 retirees eligible for HRA coverage will elect coverage upon reaching age 65 based on recent plan experience of participants over age 65 who elected post-65 HRA coverage.
- 8) The percentage of current pre-65 retirees assumed to be Medicare eligible at age 65 changed from 84% to 92% based on recent plan experience.
- 9) The discount rate assumption changed from 2.71% as of June 30, 2016 to 3.13% as of June 30, 2017 based on the change in the S&P Municipal Bond Rate Index at the measurement date.

There were no other changes in assumptions or methods since the prior year. However, the City of Memphis elected to early adopt GASB 75 (adopted in June 2017). Therefore, the accounting and disclosure changed from the requirements of GASB 43/45 to GASB 74/75 in the City's report.

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, 2019, WITH COMPARATIVE TOTALS FOR 2018
(\$ IN THOUSANDS)

				2019	Restated 2018
	Memphis International Airport	Charles W. Baker Airport	General DeWitt Spain Airport	Total	Total
ASSETS					
CURRENT ASSETS					
UNRESTRICTED ASSETS					
Cash and cash equivalents	\$33,374	\$1	\$11	\$33,386	\$37,719
Investments	15,068			15,068	9,860
Accounts receivable	5,417	6	11	5,434	4,891
Accrued interest receivable	191			191	4
Materials and supplies inventory	1,986	27	27	2,040	1,854
Prepaid expenses	2,679	22	18	2,719	2,711
Grants receivable					1
Total current unrestricted assets	58,715	56	67	58,838	57,040
RESTRICTED ASSETS					
Cash and cash equivalents	97,470			97,470	91,892
Investments	230,025			230,025	83,584
Accounts receivable - passenger facility charges	1,085			1,085	
Accrued interest receivable	2,123			2,123	641
Capital contribution receivable	7,648	137	8	7,793	8,647
Total current restricted assets	338,351	137	8	338,496	184,764
TOTAL CURRENT ASSETS	397,066	193	75	397,334	241,804
NON-CURRENT ASSETS					
RESTRICTED ASSETS					
Investments	35,977			35,977	26,918
Total non-current restricted assets	35,977			35,977	26,918
CAPITAL ASSETS					
Land and improvements	158,172	479	1,262	159,913	159,875
Avigation easements	46,679			46,679	46,679
Depreciable capital assets (less accumulated depreciation of \$1,120,075 and \$1,066,071)	563,949	3,794	3,220	570,963	588,647
Construction in progress	94,915			94,915	51,380
Total capital assets, net	863,715	4,273	4,482	872,470	846,581
TOTAL NON-CURRENT ASSETS	899,692	4,273	4,482	908,447	873,499
TOTAL ASSETS	\$1,296,758	\$4,466	\$4,557	\$1,305,781	\$1,115,303
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refundings	\$1,384			\$1,384	\$1,816
Deferred actuarial losses - pension	5,438			5,438	2,634
Deferred actuarial losses - OPEB	547			547	760
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$7,369			\$7,369	\$5,210

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

JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR 2018
(\$ IN THOUSANDS)

				2019	Restated 2018
	Memphis International Airport	Charles W. Baker Airport	General DeWitt Spain Airport	Total	Total
LIABILITIES					
CURRENT LIABILITIES					
Payable from unrestricted assets					
Accounts payable	\$4,157	\$3	\$9	\$4,169	\$3,402
Accrued expenses	1,513			1,513	1,434
Due to (from) other airports	(6,201)	3,173	3,028		
Current portion - compensated absences	362	11	11	384	289
Unearned revenue	9,525			9,525	6,230
Total payable from unrestricted assets	9,356	3,187	3,048	15,591	11,355
Payable from restricted assets					
Construction contracts payable	6,576			6,576	6,209
Accrued interest payable	10,718			10,718	7,624
Current maturities of long-term debt	26,638			26,638	25,912
Total payable from restricted assets	43,932			43,932	39,745
TOTAL CURRENT LIABILITIES	53,288	3,187	3,048	59,523	51,100
NON-CURRENT LIABILITIES					
Lease revenue received in advance	60,967			60,967	62,507
Compensated absences	1,474	22	22	1,518	1,219
Net pension liability	15,817			15,817	11,317
Net OPEB liability	6,792			6,792	7,971
Bonds and notes payable, net of current maturities	478,252			478,252	326,516
TOTAL NON-CURRENT LIABILITIES	563,302	22	22	563,346	409,530
TOTAL LIABILITIES	\$616,590	\$3,209	\$3,070	\$622,869	\$460,630
DEFERRED INFLOWS OF RESOURCES					
Deferred actuarial gains - pension	\$3,354			\$3,354	\$5,830
Deferred actuarial gains - OPEB	2,584			2,584	\$2,324
TOTAL DEFERRED INFLOWS OF RESOURCES	\$5,938			\$5,938	\$8,154
NET POSITION					
Net investment in capital assets	\$374,038	\$4,273	\$4,482	\$382,793	\$496,445
Restricted					
Capital acquisition	268,166	137	8	268,311	134,813
Unrestricted	39,395	(3,153)	(3,003)	33,239	20,471
TOTAL NET POSITION	\$681,599	\$1,257	\$1,487	\$684,343	\$651,729

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION INFORMATION BY AIRPORT
YEAR ENDED JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR 2018
(\$ IN THOUSANDS)

				2019	Res tated 2018
	Memphis International Airport	Charles W. Baker Airport	General DeWitt Spain Airport	Total	Total
OPERATING REVENUES					
Airfield	\$45,451	\$181	\$959	\$46,591	\$47,995
Terminal building	18,052			18,052	23,170
Ground transportation	31,085			31,085	29,316
Other aviation areas	4,440	121	184	4,745	4,631
Non-aviation areas	1,728	1	1	1,730	2,054
Total operating revenues	100,756	303	1,144	102,203	107,166
OPERATING EXPENSES					
Airfield	10,569	228	867	11,664	11,569
Terminal building	11,901			11,901	13,217
Ground transportation	4,629			4,629	4,374
General administration	18,287	272	313	18,872	15,952
Police	9,585			9,585	9,397
Field shop	1,630			1,630	1,642
Other aviation areas	333	1	2	336	325
Non-aviation areas	1,096			1,096	1,095
Total operating expenses before depreciation	58,030	501	1,182	59,713	57,571
DEPRECIATION	60,022	346	330	60,698	62,644
OPERATING LOSS	(17,296)	(544)	(368)	(18,208)	(13,049)
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment income	10,222			10,222	3,221
Interest expense	(21,206)			(21,206)	(14,822)
Customer facility charges	6,578			6,578	6,400
Passenger facility charges	7,267			7,267	
Operating grants		34	34	68	28
Gain on sale of capital assets	159			159	48
Total non-operating revenues (expenses), net	3,020	34	34	3,088	(5,125)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(14,276)	(510)	(334)	(15,120)	(18,174)
CAPITAL CONTRIBUTIONS	46,960	757	17	47,734	28,228
CHANGE IN NET POSITION	32,684	247	(317)	32,614	10,054
TOTAL NET POSITION: BEGINNING OF YEAR	648,915	1,010	1,804	651,729	641,675
TOTAL NET POSITION, END OF YEAR	\$681,599	\$1,257	\$1,487	\$684,343	\$651,729

SUPPLEMENTAL SCHEDULE OF CASH FLOWS INFORMATION BY AIRPORT

YEAR ENDED JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR 2018

(\$ IN THOUSANDS)

				2019	Restated 2018
	Memphis International Airport	Charles W. Baker Airport	General DeWitt Spain Airport	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	100,483	305	1,141	\$101,929	\$101,449
Cash paid to suppliers for goods and services	(29,388)	2	(1,150)	(30,536)	(35,056)
Cash paid to employees for services	(27,686)	(222)	(223)	(28,131)	(26,467)
Net cash provided by (used in) operating activities	43,409	85	(232)	43,262	39,926
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating grants received		34	35	69	67
Net cash provided by non-capital financing activities		34	35	69	67
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from the sale of capital assets	159			159	48
Acquisition and construction of capital assets	(85,411)	(810)	1	(86,220)	(41,840)
Principal paid on long-term debt and notes payable	(27,401)			(27,401)	(24,992)
Proceeds from long-term debt	179,863			179,863	57,000
Interest paid on long-term debt and notes receivable	(17,680)			(17,680)	(14,466)
Capital contributions received	47,705	689	194	48,588	25,827
Customer facility charges	6,578			6,578	6,400
Passenger facility charges	6,182			6,182	
Net cash provided by (used in) capital and related financing activities	109,995	(121)	195	110,069	7,977
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	(376,280)			(376,280)	(149,050)
Proceeds from sales and maturities of investment securities	218,812			218,812	137,745
Interest and dividends on investments	5,313			5,313	2,680
Net cash used in investing activities	(152,155)			(152,155)	(8,625)
NET CHANGE IN CASH	1,249	(2)	(2)	1,245	39,345
CASH, BEGINNING OF YEAR	129,595	3	13	129,611	90,266
CASH, END OF YEAR	\$130,844	\$1	\$11	\$130,856	\$129,611
CASH, END OF YEAR CONSISTS OF					
Unrestricted	\$33,374	\$1	\$11	\$33,386	\$37,719
Restricted	97,470			97,470	91,892
CASH, END OF YEAR	\$130,844	\$1	\$11	\$130,856	\$129,611

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

YEAR ENDED JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR 2018
(\$ IN THOUSANDS)

				2019	Restated 2018
	Memphis International Airport	Charles W. Baker Airport	General De Witt Spain Airport	Total	Total
RECONCILIATION OF OPERATING LOSS TO NET					
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating loss	(\$17,296)	(\$544)	(\$368)	(\$18,208)	(\$13,049)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	60,022	346	330	60,698	62,644
Provision for uncollectible accounts receivable	216			216	216
(Increase) decrease in assets:					
Receivables	(758)	2	(3)	(759)	1,221
Materials and supplies inventory	(211)	1	24	(186)	(349)
Prepaid expenses		(4)	(4)	(8)	(208)
Increase (decrease) in liabilities:					
Accounts payable	765			765	(2,658)
Accrued expenses	(1,074)	5	4	(1,065)	(2,277)
Net pension liability	(780)			(780)	(1,745)
Net OPEB liability	(706)			(706)	(236)
Unearned revenue	3,295			3,295	(3,633)
Transfer between airports for operating activities	(64)	279	(215)		
Net cash provided by (used in) operating activities	\$43,409	\$85	(\$232)	\$43,262	\$39,926

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

YEAR ENDED JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR 2018
(\$ IN THOUSANDS)

				2019	2018
	Memphis International Airport	Charles W. Baker Airport	General DeWitt Spain Airport	Total	Total
AIRFIELD					
Landing fees - cargo	\$29,713			\$29,713	\$31,984
Landing fees - passenger	2,661			2,661	3,212
Apron fees		1	6	7	6
Fuel flow fees - fixed base operations	285	180	953	1,418	1,293
Ground rentals - fixed base operations	1,264			1,264	1,263
Ground rentals - airlines	11,528			11,528	10,237
Total	45,451	181	959	46,591	47,995
TERMINAL BUILDING					
Space rental - airlines	11,019			11,019	16,233
Concessionaires - food and beverages	1,243			1,243	1,144
Concessionaires - other	1,190			1,190	1,198
Shared tenant - telephone system	84			84	98
Other commissions, fees, etc.	1,366			1,366	1,290
Debt service rental	3,150			3,150	3,207
Total	18,052			18,052	23,170
GROUND TRANSPORTATION					
Public parking	19,145			19,145	18,151
Employee parking	619			619	532
Rental car agencies and other	11,321			11,321	10,633
Total	31,085			31,085	29,316
OTHER AVIATION AREAS					
Building rentals - fixed base operations		3		3	3
Building rentals - others		95	147	242	257
Cargo building rentals - airlines	550			550	552
Cargo building rentals - other	570			570	531
Fuel farm - airlines	677			677	677
Fuel farm - others	8			8	8
Ground rentals - airlines	1,060			1,060	975
Ground rentals - others	1,575	23	37	1,635	1,628
Total	4,440	121	184	4,745	4,631
NON-AVIATION AREAS					
Rental - commercial sites	388			388	678
Other	1,340	1	1	1,342	1,376
Total	1,728	1	1	1,730	2,054
TOTAL OPERATING REVENUES	\$100,756	\$303	\$1,144	\$102,203	\$107,166

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

YEAR ENDED JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR 2018
(\$ IN THOUSANDS)

				2019	Restated 2018
	Memphis International Airport	Charles W. Baker Airport	General DeWitt Spain Airport	Total	Total
AIRFIELD					
Airfield maintenance and operations	\$7,356	\$228	\$867	\$8,451	\$8,200
Salaries and employee benefits	3,213			3,213	3,369
Total	10,569	228	867	11,664	11,569
TERMINAL BUILDING					
Terminal shop maintenance and operations	5,546			5,546	6,739
Steam and refrigeration	267			267	216
Salaries and employee benefits	5,779			5,779	5,978
Shared tenant - telephone systems	294			294	269
Customer service operations	15			15	15
Total	11,901			11,901	13,217
GROUND TRANSPORTATION					
Public parking - operations	3,995			3,995	3,717
Employee parking - operations	149			149	165
Taxicab operations	384			384	391
Salaries and employee benefits	101			101	101
Total	4,629			4,629	4,374
GENERAL ADMINISTRATION					
General - non-departmental	5,270	42	83	5,395	5,150
General - departmental	1,975			1,975	2,037
Telephone	153	4	4	161	131
Salaries and employee benefits	10,889	226	226	11,341	8,634
Total	18,287	272	313	18,872	15,952
POLICE					
Airport police operations	1,823			1,823	1,818
Salaries and employee benefits	7,394			7,394	7,186
Operation coordinators	368			368	393
Total	9,585			9,585	9,397
FIELD SHOP					
Field and paint shop maintenance and operations	854			854	876
Salaries and employee benefits	776			776	766
Total	1,630			1,630	1,642
OTHER AVIATION AREAS					
Cargo building complexes	84			84	86
Other aviation areas	249	1	2	252	239
Total	333	1	2	336	325
NON-AVIATION AREAS					
	1,096			1,096	1,095
Total Operating Expenses Before					
Depreciation	58,030	501	1,182	59,713	57,571
DEPRECIATION	60,022	346	330	60,698	62,644
TOTAL OPERATING EXPENSES	\$118,052	\$847	\$1,512	\$120,411	\$120,215



MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF DEBT SERVICE
REQUIREMENTS – CASH BASIS
YEAR ENDED JUNE 30, 2019 (\$ IN THOUSANDS)

AIRPORT REVENUE BONDS

Fiscal Year	Series 2010A	Series 2010B	Series 2011A-1	Series 2011B	Series 2011C	Series 2011D
2020	1,515	20,561	4,468	852	6,949	1,959
2021	1,514	20,531	4,458	852	6,939	1,959
2022	1,515	20,496	4,484	852	6,934	4,319
2023	1,514	20,465	2,807	2,792		9,292
2024	1,515	20,439		5,606		9,315
2025	1,514	20,409		5,596		9,275
2026	1,515	13,327		5,586		9,267
2027	1,514					6,074
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					
2041						
2042						
2043						
2044						
2045						
2046						
2047						
2048						
Total	53,277	136,228	16,217	22,136	20,822	51,460
Less interest	22,987	23,018	1,647	4,536	1,482	10,290
Principal payments	\$30,290	\$113,210	\$14,570	\$17,600	\$19,340	\$41,170

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, 2019 (\$ IN THOUSANDS)

			NOTES	
Series 2016A	Series 2018	Total Airport Revenue Bonds	Notes	Total Long-Term Debt
2,871	5,964	45,139	2,956	48,095
2,871	5,964	45,088	2,902	47,990
2,871	5,964	47,435	2,900	50,335
2,871	5,964	45,705	2,898	48,603
2,871	5,964	45,710	2,897	48,607
2,871	5,964	45,629	2,895	48,524
9,888	8,133	47,716	2,893	50,609
25,153	8,802	41,543	2,908	44,451
28,448	7,973	39,602	1,218	40,820
28,442	7,967	39,588	642	40,230
26,354	7,968	37,499	214	37,713
	7,962	11,137		11,137
	7,964	11,133		11,133
	7,953	11,126		11,126
	7,956	11,122		11,122
	7,946	11,114		11,114
	7,943	11,108		11,108
	7,942	11,102		11,102
	7,936	11,090		11,090
	7,937	11,084		11,084
	7,927	11,074		11,074
	11,067	11,067		11,067
	11,057	11,057		11,057
	11,047	11,047		11,047
	11,036	11,036		11,036
	11,024	11,024		11,024
	11,015	11,015		11,015
	11,001	11,001		11,001
	10,988	10,988		10,988
135,511	244,328	679,979	25,323	705,302
25,511	125,053	214,524	3,086	217,610
<u>\$110,000</u>	<u>\$119,275</u>	<u>\$465,455</u>	<u>\$22,237</u>	<u>\$487,692</u>

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF CHANGES IN
LONG-TERM DEBT
YEAR ENDED JUNE 30, 2019 (\$ IN THOUSANDS)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2018	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2019
Airport Revenue Bonds:									
Series 2010A	30,290	4.46 - 5.02%	2/4/2010	7/1/2039	\$30,290				\$30,290
Series 2010B	159,340	3.00 - 5.75%	3/1/2010	7/1/2025	126,975		13,765		113,210
Series 2011A-1	57,825	3.00 - 6.00%	3/3/2011	7/1/2022	18,720		4,150		14,570
Series 2011A-2	32,030	3.00 - 5.50%	3/3/2011	7/1/2018	3,125		3,125		
Series 2011B	17,600	4.50 - 5.00%	6/22/2011	7/1/2025	17,600				17,600
Series 2011C	22,040	5.00%	6/22/2011	7/1/2021	22,040		2,700		19,340
Series 2011D	41,170	4.00 - 5.25%	6/22/2011	7/1/2026	41,170				41,170
Series 2016A	64,500	2.61%	3/1/2017	7/1/2029	64,500	45,500			110,000
Series 2018	119,275	5.00%	8/30/2018	7/1/2047		119,275			119,275
Total	544,070				324,420	164,775	23,740		465,455
Note Payable	7,000	4.48%	10/27/2014	10/27/2029	5,695		363		5,332
Note Payable	20,000	3.03%	9/13/2017	9/1/2027	18,682		1,777		16,905
Total bonds and notes payable	571,070				\$348,797	\$164,775	\$25,880		\$487,692



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)

	2019	Restated 2018	Restated 2017	2016
OPERATING REVENUES				
Airfield	\$46,591	\$47,995	\$45,757	\$44,107
Terminal	18,052	23,170	23,020	24,958
Ground transportation	31,085	29,316	28,830	27,183
Other aviation areas	4,745	4,631	4,671	4,713
Non-aviation areas	1,730	2,054	1,898	3,859
TOTAL	102,203	107,166	104,176	104,820
OPERATING EXPENSES				
Airfield	11,664	11,569	10,131	10,006
Terminal building	11,901	13,217	12,895	12,804
Ground transportation	4,629	4,374	4,364	4,167
General administration	18,872	15,952	10,310	17,808
Police	9,585	9,397	8,727	8,770
Field shop	1,630	1,642	1,504	1,509
Other aviation areas	336	325	263	238
Non-aviation areas	1,096	1,095	990	1,008
TOTAL	59,713	57,571	49,184	56,310
DEPRECIATION AND AMORTIZATION⁽¹⁾	60,698	62,644	64,357	62,176
OPERATING INCOME (LOSS)	(18,208)	(13,049)	(9,365)	(13,666)
NON-OPERATING REVENUE (EXPENSE)				
Interest and investment income	10,222	3,221	2,064	2,158
Customer facility charge	6,578	6,400	6,371	6,392
Passenger facility charge	7,267			
Insurance proceeds				
Operating grants	68	28	67	67
Gain (loss) on disposal/sale of capital assets	159	48	72	62
Total Non-Operating Revenue	24,294	9,697	8,574	8,679
Interest expense	(21,206)	(14,822)	(14,914)	(16,386)
TOTAL	3,088	(5,125)	(6,340)	(7,707)
LOSS BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEM	(15,120)	(18,174)	(15,705)	(21,373)
CAPITAL CONTRIBUTIONS	47,734	28,228	23,491	15,781
EXTRAORDINARY ITEM				
CHANGE IN NET POSITION	\$32,614	\$10,054	\$7,786	(\$5,592)

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

2015	2014	2013	2012	2011	2010
\$43,411	\$46,511	\$44,828	\$44,728	\$45,130	\$44,329
25,760	30,976	32,795	31,336	30,911	29,935
23,632	22,431	20,421	19,593	20,877	20,726
4,331	4,225	4,840	4,911	5,419	5,485
3,408	9,309	9,582	10,239	9,423	8,807
100,542	113,452	112,466	110,807	111,760	109,282
9,945	10,278	10,338	9,936	10,417	10,033
12,435	12,991	14,622	14,713	14,337	13,898
3,850	3,904	4,411	4,523	4,287	4,230
16,902	17,376	18,549	16,119	15,943	15,372
8,004	8,146	7,337	7,172	7,304	6,934
1,594	1,701	1,638	1,592	1,679	1,607
235	249	171	183	317	231
958	972	983	939	654	765
53,923	55,617	58,049	55,177	54,938	53,070
65,587	65,370	59,600	57,707	57,067	55,940
(18,968)	(7,535)	(5,183)	(2,077)	(245)	272
2,115	2,495	2,012	2,261	2,697	2,900
5,703	5,330	5,119	5,151	4,911	4,559
		269	1,388		203
19	48	48	116	123	26
137	(1,025)	21	124	(2,592)	175
7,974	6,848	7,469	9,040	5,139	7,863
(17,972)	(21,425)	(22,705)	(23,536)	(25,772)	(28,679)
(9,998)	(14,577)	(15,236)	(14,496)	(20,633)	(20,816)
(28,966)	(22,112)	(20,419)	(16,573)	(20,878)	(20,544)
27,389	24,919	37,979	49,831	42,578	53,353
			(873)	(139)	
(\$1,577)	\$2,807	\$17,560	\$32,385	\$21,561	\$32,809



MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
NET POSITION
LAST TEN YEARS (\$ IN THOUSANDS)

		Restated	Restated							
	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014	FY2013	FY 2012	FY 2011	FY 2010
Net investment in capital assets	\$382,793	\$496,445	\$541,400	\$579,291	\$587,325	\$593,252	\$588,115	\$546,075	\$494,311	\$457,560
Restricted for:										
Capital Acquisitions	268,311	132,220	83,524	56,960	66,037	61,599	69,153	93,457	118,699	135,975
Total Restricted	268,311	132,220	83,524	56,960	66,037	61,599	69,153	93,457	118,699	135,975
Unrestricted	33,239	23,064	16,751	14,632	15,328	30,908	25,684	25,860	24,645	22,559
Total Net Position	\$684,343	\$651,729	\$641,675	\$650,883	\$668,690	\$685,759	\$682,952	\$665,392	\$637,655	\$616,094

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

Fiscal year 2017 was restated due to the implementation of GASB Statement No. 75.

Fiscal year 2018 was restated due to City of Memphis' Retirement System's restatement. See footnote 1.u.

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

	FY 2019		FY 2018		FY 2017		FY 2016	
AIRLINE	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share
DOMESTIC								
Delta Air Lines ⁽¹⁾	555,355	24.6%	548,396	25.5%	537,944	26.4%	540,063	27.3%
Southwest Airlines	387,577	17.1%	352,394	16.4%	347,818	17.1%	335,902	17.1%
American Airlines	360,666	16.0%	305,109	14.2%	295,060	14.5%	170,508	8.7%
American Eagle ⁽²⁾	330,224	14.5%	339,161	15.8%	327,054	16.1%	394,878	20.1%
United Express ⁽³⁾	215,203	9.5%	222,562	10.3%	194,073	9.5%	218,437	11.1%
Delta Connection ⁽⁴⁾	117,193	5.2%	106,739	5.0%	109,171	5.4%	121,664	6.2%
Allegiant Air	117,113	5.2%	108,131	5.0%	87,428	4.3%	79,584	4.0%
United Airlines	87,461	3.9%	57,064	2.7%	67,021	3.3%		
Frontier Airlines	70,108	3.1%	89,588	4.2%	56,116	2.8%	55,451	2.8%
Other ⁽⁵⁾	1,872	0.1%	743	0.0%	4,761	0.2%	48,882	2.5%
Compass Airlines		0.0%	1,969	0.1%	4,777	0.2%	1,911	0.1%
US Airways Express		0.0%		0.0%		0.0%		0.0%
US Airways		0.0%		0.0%		0.0%		0.0%
Continental Express		0.0%		0.0%		0.0%		0.0%
Mesaba Airlines		0.0%		0.0%		0.0%		0.0%
TOTAL DOMESTIC	2,242,772	99.2%	2,131,856	99.1%	2,031,223	99.8%	1,967,280	99.9%
INTERNATIONAL								
Other ⁽⁵⁾	17,870	0.8%	18,679	0.9%	4,147	0.2%	1,332	0.1%
Delta Airlines		0.0%		0.0%	43	0.0%	249	0.0%
Jazz Air		0.0%		0.0%		0.0%		0.0%
TOTAL INTERNATIONAL	17,870	0.8%	18,679	0.9%	4,190	0.2%	1,581	0.1%
TOTAL ENPLANEMENTS	2,260,642	100.0%	2,150,535	100.0%	2,035,413	100.0%	1,968,861	100.0%

Percent of Total

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 2019 Envoy Air, Mesa Airlines, Piedmont Airlines, PSA Airlines, Republic Airlines and SkyWest Airlines operated for American Eagle. Previous years totals include America West and Virgin Atlantic.
- (3) For FY 2019 Air Wisconsin, CommutAir, ExpressJet, GoJet, Mesa Airlines, Republic Airlines, Skywest Airlines and Trans States Airlines operated for United Express.
- (4) For FY 2019 Endeavor Air, GoJet, Republic Airlines and Skywest Airlines operated for Delta Connection.
- (5) May include activity by airlines no longer serving Memphis.
- (6) Source: FAA, based upon calendar year.

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

FY 2015		FY 2014		FY 2013		FY 2012		FY 2011		FY 2010	
Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share
499,084	27.9%	684,134	35.0%	1,052,442	37.9%	1,362,642	34.8%	1,618,758	33.9%	1,694,988	34.1%
280,727	15.7%	238,715	12.2%	152,667	5.5%	141,192	3.6%	125,611	2.6%	118,513	2.4%
153,950	8.6%	142,470	7.3%	100,687	3.6%	91,992	2.3%	101,970	2.1%	107,778	2.2%
106,934	6.0%	56,192	2.9%	49,417	1.8%	51,216	1.3%	56,690	1.2%	51,536	1.0%
220,364	12.3%	173,925	8.9%	160,714	5.8%	102,186	2.6%	83,593	1.8%	91,720	1.8%
192,677	10.8%	440,400	22.5%	1,072,225	38.6%	1,728,524	44.0%	2,174,440	45.5%	1,811,359	36.4%
5,437	0.3%		0.0%		0.0%		0.0%		0.0%		0.0%
62,557	3.5%	10,214	0.5%		0.0%		0.0%		0.0%		0.0%
7,291	0.4%	6,372	0.3%	6,519	0.2%	7,048	0.2%	7,841	0.2%	3,356	0.1%
410	0.0%	264	0.0%	309	0.0%	2,291	0.1%	3,312	0.1%	219,873	4.4%
185,308	10.4%	158,856	8.1%	154,448	5.6%	111,627	2.8%	157,924	3.3%	184,710	3.7%
69,913	3.9%	42,191	2.2%	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%
	0.0%		0.0%		0.0%	176,824	4.5%	254,790	5.3%	460,854	9.3%
1,784,652	99.8%	1,953,733	99.9%	2,767,763	99.7%	3,878,176	98.8%	4,699,355	98.4%	4,834,578	97.2%
2,291	0.1%	1	0.0%		0.0%		0.0%		0.0%	854	0.0%
1,862	0.1%	1,131	0.1%	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%
4,153	0.2%	1,132	0.1%	9,195	0.3%	46,405	1.2%	76,630	1.6%	136,884	2.8%
1,788,805	100.0%	1,954,865	100.0%	2,776,958	100.0%	3,924,581	100.0%	4,775,985	100.0%	4,971,462	100.0%
	0.22%		0.26%		0.38%		0.54%		0.66%		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
2019	2,242	2,261	99.16%
2018	2,132	2,150	99.16%
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%

Source: Memphis-Shelby County Airport Authority Finance Division

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

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Average										
Cost per Enplaned										
Passenger	\$5.52	\$8.68	\$9.18	\$11.37	\$13.34	\$11.76	\$10.48	\$6.75	\$5.23	\$4.81

Fiscal year 2017 has been restated to correct an error in calculation from \$9.27 to \$9.18.

Fiscal year 2009 has been restated to reflect changes in cost allocation and enplanement data to the airlines.

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

	FY2019		FY2018		FY2017		FY2016	
AIRLINE	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share
DOMESTIC FREIGHT								
FedEx Express	4,303,730	85.2%	4,256,749	85.2%	4,229,256	86.5%	4,536,524	92.6%
United Parcel Service	36,826	0.7%	34,923	0.7%	35,389	0.7%	35,269	0.7%
Air Transport Int'l	8,605	0.2%	7,300	0.2%	8,514	0.2%	8,372	0.2%
Baron Aviation	892	0.0%	968	0.0%	643	0.0%	547	0.0%
Other ⁽²⁾	800	0.0%	3,587	0.1%	1,447	0.0%	1,320	0.0%
Atlas Air	660	0.0%	149	0.0%		0.0%		0.0%
Delta Airlines ⁽¹⁾	555	0.0%	631	0.0%	702	0.0%	896	0.0%
Mountain Air	155	0.0%	451	0.0%	5,449	0.1%	5,742	0.1%
ABX	128	0.0%	53	0.0%	236	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%
Total Domestic Freight	4,352,351	86.1%	4,304,811	86.2%	4,281,636	87.5%	4,588,670	93.6%
INTERNATIONAL FREIGHT								
FedEx Express	690,023	13.7%	679,899	13.6%	603,261	12.3%	311,023	6.4%
Other ⁽²⁾	645	0.0%	365	0.0%	124	0.0%	170	0.0%
Atlas Air		0.0%		0.0%		0.0%		0.0%
Total International Freight	690,668	13.7%	680,264	13.6%	603,385	12.3%	311,193	6.4%
AIR MAIL								
Kalitta Air	10,760	0.2%	10,074	0.2%	9,119	0.2%		0.0%
Delta Airlines ⁽¹⁾	199	0.0%	386	0.0%	386	0.0%		0.0%
Other ⁽²⁾	7	0.0%		0.0%		0.0%	342	0.0%
FedEx Express		0.0%		0.0%		0.0%	1,515	0.0%
Total Air Mail	10,966	0.2%	10,460	0.2%	9,505	0.2%	1,857	0.0%
TOTAL CARGO ENPLANED	5,053,985	100.0%	4,995,535	100.0%	4,894,526	99.9%	4,901,720	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)

FY2015		FY2014		FY2013		FY2012		FY2011		FY2010	
Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share
4,564,810	94.2%	4,508,238	93.6%	4,334,362	93.8%	4,146,509	92.6%	4,098,243	93.1%	4,064,769	93.8%
37,195	0.8%	32,929	0.7%	32,548	0.7%	35,022	0.8%	34,867	0.8%	31,504	0.7%
7,341	0.2%	769	0.0%		0.0%	325	0.0%	1,703	0.0%	4,959	0.1%
525	0.0%	577	0.0%	616	0.0%	825	0.0%	1,123	0.0%	1,007	0.0%
659	0.0%	338	0.0%	190	0.0%	227	0.0%	1,042	0.0%	1,155	0.0%
1,168	0.0%		0.0%	1,581	0.0%	1,784	0.0%		0.0%		0.0%
1,026	0.0%	1,228	0.0%	1,345	0.0%	1,440	0.0%	1,752	0.0%	1,761	0.0%
3,544	0.1%	3,244	0.1%	2,814	0.1%	6,064	0.1%	8,439	0.2%	8,390	0.2%
1,157	0.0%	5,920	0.1%	3,278	0.1%	5	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%
4,617,425	95.3%	4,553,243	94.5%	4,379,905	94.8%	4,197,787	93.6%	4,151,373	94.2%	4,113,590	94.8%
219,327	4.5%	258,257	5.4%	240,092	5.2%	286,484	6.4%	249,999	5.7%	216,668	5.0%
301	0.0%	47	0.0%	264	0.0%	1,375	0.0%	2,540	0.1%	3,141	0.1%
2,654	0.1%	1,740	0.0%	900	0.0%	1,006	0.0%		0.0%		0.0%
222,282	4.6%	260,044	5.4%	241,256	5.2%	288,865	6.4%	252,539	5.8%	219,809	5.1%
6,629	0.1%	3,965	0.1%		0.0%		0.0%	558	0.0%	2,513	0.1%
537	0.0%	157	0.0%	536	0.0%	522	0.0%	24	0.0%	10	0.0%
26	0.0%	8	0.0%	3	0.0%	18	0.0%	8	0.0%	4	0.0%
	0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
7,192	0.1%	4,130	0.1%	539	0.0%	540	0.0%	590	0.0%	2,527	0.1%
4,846,899	100.0%	4,817,417	100.0%	4,621,700	100.0%	4,487,192	100.0%	4,404,502	100.0%	4,335,926	100.0%

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

LANDED WEIGHTS

LAST TEN YEARS (IN THOUSANDS OF POUNDS)

AIRLINE	FY 2019		FY 2018		FY 2017		FY 2016	
	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share
MAJOR/NATIONAL								
Delta Air Lines ⁽¹⁾	659,494	2.5%	630,755	2.4%	646,712	2.5%	619,490	2.4%
Southwest Airlines	475,914	1.7%	423,464	1.6%	424,892	1.6%	411,192	1.6%
American Airlines	470,894	1.7%	371,502	1.4%	383,156	1.5%	209,198	0.8%
Other ⁽²⁾	193,753	0.7%	166,565	0.6%	146,693	0.6%	120,757	0.5%
Allegiant Air	113,135	0.4%	104,253	0.4%	84,697	0.3%	81,267	0.3%
US Airways		0.0%		0.0%		0.0%		0.0%
Continental		0.0%		0.0%		0.0%		0.0%
TOTAL MAJOR/NATIONAL	1,913,190	7.0%	1,696,539	6.4%	1,686,150	6.5%	1,441,904	5.6%
REGIONAL								
American Eagle	443,602	1.6%	431,527	1.6%	426,986	1.6%	484,805	1.9%
United Express	242,845	0.9%	250,489	0.9%	222,923	0.8%	239,863	0.9%
Delta Connection	151,136	0.6%	138,280	0.5%	142,200	0.5%	155,877	0.6%
Other ⁽²⁾	27,888	0.1%	24,340	0.1%	16,927	0.1%	13,028	0.1%
Compass		0.0%	2,255	0.0%	5,946	0.0%	2,553	0.0%
SeaPort Airlines		0.0%		0.0%	2,310	0.0%	12,539	0.0%
US Airways Express		0.0%		0.0%		0.0%		0.0%
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	865,471	3.2%	846,891	3.1%	817,292	3.0%	908,665	3.5%
CARGO								
FedEx Express	24,250,375	88.6%	23,858,455	89.3%	23,477,449	89.3%	23,141,889	89.9%
United Parcel Service	137,167	0.5%	123,931	0.5%	180,131	0.7%	159,731	0.6%
Kalitta Air	82,494	0.3%	90,302	0.4%	75,928	0.3%	64,380	0.2%
Air Transport Int'l	79,880	0.3%	53,347	0.2%	52,470	0.2%	51,534	0.2%
Mountain Air Cargo	24,238	0.1%	26,090	0.1%	10,160	0.0%	2,132	0.0%
Other ⁽²⁾	9,018	0.0%	8,704	0.0%	7,293	0.0%	7,293	0.0%
Atlas Air	7,802	0.0%	7,714	0.0%		0.0%		0.0%
ABX	2,301	0.0%	555	0.0%	1,937	0.0%	272	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	24,593,275	89.8%	24,169,098	90.5%	23,805,368	90.5%	23,427,231	90.9%
TOTAL LANDED WEIGHTS	27,371,936	100.0%	26,712,528	100.0%	26,308,810	100.0%	25,777,800	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 2015		FY 2014		FY 2013		FY 2012		FY 2011		FY 2010	
Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share
606,744	2.4%	860,822	3.5%	1,311,874	5.3%	1,728,281	6.8%	2,149,196	8.3%	2,286,928	9.0%
320,804	1.3%	266,256	1.1%	169,552	0.7%	149,272	0.6%	144,040	0.5%	155,168	0.6%
191,089	0.8%	205,238	0.8%	171,615	0.7%	164,922	0.6%	170,958	0.7%	201,177	0.8%
65,849	0.3%	11,276	0.0%		0.0%		0.0%		0.0%		0.0%
4,937	0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
96,516	0.4%	54,453	0.2%	26,498	0.1%	65,867	0.3%	38,041	0.1%		0.0%
	0.0%		0.0%		0.0%		0.0%	314	0.0%		0.0%
1,285,939	5.2%	1,398,045	5.6%	1,679,539	6.8%	2,108,342	8.3%	2,502,549	9.6%	2,643,273	10.4%
134,969	0.5%	68,326	0.3%	65,346	0.3%	67,914	0.3%	72,938	0.3%	73,288	0.3%
240,988	1.0%	191,264	0.8%	191,758	0.8%	123,459	0.5%	105,827	0.4%	57,020	0.2%
265,310	1.1%	595,916	2.4%	711,160	2.9%	1,159,341	4.3%	1,529,387	5.9%	36,097	0.1%
7,156	0.0%	4,215	0.0%	6,077	0.0%	20,723	0.1%	22,665	0.1%	356,036	1.4%
601	0.0%	601	0.0%	671	0.0%	3,143	0.0%	4,419	0.0%	268,217	1.1%
21,053	0.1%	16,681	0.1%	16,896	0.1%	19,650	0.1%	29,783	0.1%		0.0%
222,895	0.9%	178,709	0.7%	185,167	0.7%	125,387	0.5%	173,839	0.7%	188,601	0.6%
	0.0%		0.0%	604,896	2.4%	887,230	3.5%	1,094,151	4.2%	1,900,981	7.5%
	0.0%		0.0%		0.0%	219,909	0.9%	343,398	1.3%	602,973	2.4%
	0.0%		0.0%		0.0%	72,070	0.3%	107,315	0.4%	119,785	0.5%
892,972	3.6%	1,055,712	4.3%	1,781,971	7.2%	2,698,826	10.5%	3,483,722	13.4%	3,602,998	14.1%
22,268,910	89.9%	22,082,525	88.8%	21,043,094	84.8%	20,417,765	80.0%	19,693,988	75.8%	18,904,542	74.2%
193,940	0.8%	194,184	0.8%	201,225	0.8%	196,229	0.8%	213,317	0.8%	199,060	0.8%
40,262	0.2%	20,790	0.1%		0.0%	630	0.0%	18,292	0.1%	12,780	0.1%
52,540	0.2%	5,488	0.0%		0.0%	6,119	0.0%	17,752	0.1%	42,540	0.2%
4,979	0.0%	14,706	0.1%	14,763	0.1%	22,934	0.1%	31,859	0.1%	32,844	0.1%
7,378	0.0%	8,422	0.0%	6,973	0.0%	7,759	0.0%	12,808	0.0%	32,577	0.1%
23,976	0.1%	10,656	0.0%	15,984	0.1%	15,750	0.1%		0.0%		0.0%
9,895	0.0%	63,672	0.3%	37,456	0.1%	283	0.0%	272	0.0%		0.0%
	0.0%		0.0%		0.0%	3,025	0.0%	1,925	0.0%	2,636	0.0%
	0.0%		0.0%	21,607	0.1%	46,900	0.2%	36,392	0.1%		0.0%
22,601,880	91.2%	22,400,443	90.1%	21,341,102	86.0%	20,717,394	81.2%	20,026,605	77.0%	19,226,979	75.5%
24,780,791	100.0%	24,854,200	100.0%	24,802,612	100.0%	25,524,562	100.0%	26,012,876	100.0%	25,473,250	100.0%

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

FISCAL YEAR	MAJOR/ NATIONALS	REGIONAL	CARGO	GENERAL AVIATION	MILITARY	TOTAL
2019	28,818	25,856	144,370	30,544	1,664	231,252
2018	25,822	24,664	142,016	29,403	1,923	223,828
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

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)

	FY2019	Restated FY2018	Restated FY2017	FY2016	FY2015	FY2014	FY 2013	FY 2012	FY 2011	FY 2010
REVENUES (as defined in bond indenture)										
Airfield	\$46,591	\$47,995	\$45,757	\$44,107	\$43,411	\$46,511	\$44,828	\$44,728	\$45,130	\$44,329
Terminal building (a)	18,052	23,170	23,020	24,958	25,760	30,976	32,795	31,336	30,911	29,935
Ground transportation	31,085	29,316	28,830	27,183	23,632	22,431	20,421	19,593	20,877	20,726
Other aviation areas	4,745	4,631	4,671	4,713	4,331	4,225	4,840	4,911	5,419	5,485
Non-aviation areas	1,730	2,054	1,898	3,859	3,408	9,309	9,534	10,239	9,423	8,807
Application of prior year surplus	6,230	9,863	10,001	12,215	14,090	6,192	4,832	4,793	3,065	5,209
Coverage carryforward	8,688	9,306	9,631	12,471	12,390	12,207	11,201	9,651	12,000	11,000
TOTAL	117,121	126,335	123,808	129,506	127,022	131,851	128,451	125,251	126,825	125,491
OPERATING EXPENSES										
Airfield	11,664	11,569	10,131	10,006	9,945	10,278	10,338	9,936	10,417	10,033
Terminal building	11,901	13,217	12,895	12,804	12,435	12,991	14,622	14,713	14,337	13,898
Ground transportation	4,629	4,374	4,364	4,167	3,850	3,904	4,411	4,523	4,287	4,230
General administration	18,872	15,952	10,310	17,808	16,902	17,376	18,549	16,119	15,943	15,372
Police	9,585	9,397	8,727	8,770	8,004	8,146	7,337	7,172	7,304	6,934
Field shop	1,630	1,642	1,504	1,509	1,594	1,701	1,638	1,592	1,679	1,607
Other aviation areas	336	325	263	238	235	249	171	183	317	231
Non-aviation areas	1,096	1,095	990	1,008	958	972	983	939	654	765
TOTAL	59,713	57,571	49,184	56,310	53,923	55,617	58,049	55,177	54,938	53,070
Net Revenues										
Before Adjustment	57,408	68,764	74,624	73,196	73,099	76,234	70,402	70,074	71,887	72,421
Restricted interest earnings and other (b)	3,711	2,276	1,864	1,912	1,935	2,282	1,789	1,961	2,173	2,356
Other revenue	68	28	67	67	19	48	317	1,504	123	229
Capital outlay	(8,604)	(8,638)	(6,433)	(2,684)	(1,508)	(822)	(1,326)	(2,302)	(1,907)	(1,038)
Debt service on 1993 special facilities bonds & FedEx/ANG rent	(1,540)	(1,540)	(1,540)	(1,540)	(1,540)	(5,815)	(5,815)	(5,815)	(5,811)	(5,811)
Notes payable principal and interest	(588)	(641)	(3,604)	(9,297)	(659)	(232)	(297)	(198)	(89)	(203)
Net Revenues (c)	50,455	60,249	64,978	61,654	\$71,346	\$71,695	\$65,070	\$65,224	\$66,376	\$67,954
DEBT SERVICE REQUIREMENT										
Airport Revenue Bonds (d)	35,710	34,752	37,223	38,524	\$49,884	\$47,256	\$49,121	\$48,525	\$49,925	\$52,567
General Obligation Bonds									2,130	2,124
TOTAL DEBT SERVICE (e)	\$35,710	\$34,752	\$37,223	\$38,524	\$49,884	\$47,256	\$49,121	\$48,525	\$52,055	\$54,691
Coverage ratio - general and airport revenue bonds	141%	173%	175%	160%	143%	152%	132%	134%	133%	129%
Coverage ratio - all bonds (f)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	128%	124%

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 represent earnings on current debt service fund and operating funds. Other includes operating grant income.
- (c) FY 2018 amount of \$2,380 originally included CFC notes principal and interest of \$1,739, restated to correct amount of \$641.
- (d) Net revenues have been calculated in accordance with definitions in the basic revenue bond resolutions.
- (e) Debt service portion payable from net revenues.
- (f) Excludes amounts paid with capitalized interest.
- (g) 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 2019	Restated FY 2018	Restated FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Principal	\$24,360	\$23,740	\$22,230	\$31,247	\$31,787	\$30,142	\$28,733	\$27,782	\$29,020	\$29,166
Interest (1)	13,406	13,856	14,993	7,277	18,097	17,114	20,388	20,743	23,035	25,525
TOTAL DEBT SERVICE (2)	\$37,766	\$37,596	\$37,223	\$38,524	\$49,884	\$47,256	\$49,121	\$48,525	\$52,055	\$54,691
Total Expenses	\$141,617	\$135,037	\$128,455	\$134,872	\$137,482	\$143,437	\$140,333	\$137,169	\$137,777	\$137,689
Less Depreciation and Amortization and Gain or Loss on Property Disposals	(60,539)	(62,596)	(64,285)	(62,114)	(65,450)	(66,395)	(59,579)	(57,583)	(59,659)	(55,765)
Add Principal	24,360	23,740	22,230	31,247	31,787	30,142	28,733	27,782	29,020	29,166
Add Net Capitalized Interest		264	96		106	106	242	710	1,435	617
TOTAL GENERAL EXPENDITURES	\$105,438	\$96,445	\$86,496	\$104,005	\$103,925	\$107,290	\$109,729	\$108,078	\$108,573	\$111,707
RATIO OF DEBT SERVICE TO EXPENDITURES	35.8%	39.0%	43.0%	37.0%	48.0%	44.0%	44.8%	44.9%	47.9%	49.0%

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 DEBT PER ENPLANED PASSENGER
LAST TEN YEARS (IN THOUSANDS)

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Airport Debt (1) Enplaned Passengers (2)	\$504,890	\$352,428	\$320,420	\$318,617	\$361,118	\$386,134	\$416,537	\$444,809	\$459,292	\$492,481
Airport Debt per Enplaned Passenger	\$223	\$164	\$157	\$162	\$202	\$198	\$150	\$113	\$96	\$99

(1) Debt reported for FY 2010 - FY 2013 was restated to include all debt net of related premiums, excluding Special Facilities Bonds.

(2) Enplanements for FY 2010 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 2010 resulted in an annual enplanement increase of 136,030 enplanements or 2.7% 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 - OUTSTANDING

Series 2018 - The bonds were issued to provide funds for the design and construction of the Concourse B modernization program.

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.

Refunding 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.

Refunding 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.

Refunding 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.

AIRPORT REVENUE BONDS - REFUNDED

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

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

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

USE OF BOND PROCEEDS (CONCLUDED)

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.

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
	2019		2010	
FedEx Corporation	30,000	25.86%	32,000	30.78%
Tennessee State Government	14,500	12.49%	9,000	8.65%
U. S. Government	13,400	11.54%	14,600	14.04%
Methodist Le Bonheur Health Care Corp.	12,923	11.13%	8,442	8.12%
Shelby County Schools	11,500	9.91%	11,310	10.87%
Baptist Memorial Healthcare Corp.	7,405	6.38%	6,470	6.22%
City of Memphis	7,000	6.03%	16,184	15.56%
The Kroger Co.	6,560	5.65%		0.00%
Naval Support Activity Mid-South	6,500	5.60%		0.00%
Wal-Mart Stores Inc.	6,280	5.41%	6,000	5.77%
Total	116,068	100.00%	104,006	100.00%

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

Year ⁽³⁾	Shelby County	Memphis MSA ⁽¹⁾	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 2030	905,818	1,563,900	7,397,302	359,402,000

(1) Metropolitan Statistical Area consists of Fayette, Shelby and Tipton Counties, Tennessee; Crittenden County, Arkansas; and 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, 2030 Estimates and Projections

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
AIRLINES SERVING MEMPHIS INTERNATIONAL AIRPORT
JUNE 30, 2019

CARGO AIRLINES

ABX Air
Air Transport International
Atlas Air
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

Miami Air International
Mid-South Jets
Swift Airlines dba Vacation Express
Volaris dba Vacation Express

REGIONAL/COMMUTER

Air Georgian dba Air Canada
Air Wisconsin dba United Express
CommutAir dba United Express
Endeavor Air dba Delta Connection
Envoy Air dba American Eagle
ExpressJet dba United Express
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
Skywest Airlines dba American Eagle
Skywest Airlines dba Delta Connection
Skywest Airlines dba United Express
Trans States Airlines dba United Express

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

EMPLOYERS LOCATED ON AIRPORT PROPERTY

JUNE 30, 2019

CONCESSIONAIRES AND TENANTS

Airport Fast Park
Alamo Rent-A-Car
Anton Airfood
ARC Inc
Avis Rent-A-Car
Budget Rent-A-Car
CTN
Dealer's Auction
Dollar Thrifty Automotive Group
Enterprise Rent-A-Car
Flight Support Solutions/Global AMS
Hertz Corporation
Interstate Barbeque
KC Eatery, LLC
Lenny's
Lyft, Inc.
MEM Fuel
MobileQubes
Idemia Identity & Security USA, LLC
National Car Rental
Paradies-Memphis, LLC
Payless Rent A Car
Primeflight Aviation
Regions Bank
Republic Parking System
SKB Facilities Maintenance
Starbucks
Standard Parking
Surewx, Inc.
Swissport Fueling
Travelex
Trego/Dugan Aviation
Tricopian, LLC
Textron Ground Support Equipment
Uber
Zoom Systems

CARGO AIRLINES

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

PASSENGER AIRLINES

Air Georgian dba Air Canada
Air Wisconsin dba American Eagle
Allegiant Air
American Airlines
CommutAir dba United Express
Compass Airlines dba Delta Connection
Delta Air Lines
Endeavor Air dba Delta Connection
Envoy Air dba American Eagle
ExpressJet dba Delta Connection
ExpressJet dba United Express
Frontier Airlines
GoJet dba Delta Connection
GoJet dba United Express
Mesa Airlines dba American Eagle
Mesa Airlines dba United Express
Miami Air International
Mid South Jets
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
Skywest Airlines dba American Eagle
Skywest Airlines dba Delta Connection
Skywest Airlines dba United Express
Southwest Airlines
Trans States Airlines dba American Eagle
Trans States Airlines dba United Express
United Airlines
Volaris dba Vacation Express

OTHER EMPLOYERS

Air General
City Enterprises
City of Memphis Fire Department
David Moore, Inc.
Exelis
Federal Aviation Administration
GAT Airline Ground Support
Global Signal
Menzies Aviation
Richards Aviation
Signature Flight Support
Tennessee Air National Guard
Tennessee Technology Center
Transportation Security Administration
Wilson Air Center

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

Cost Center ⁽¹⁾	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014	FY2013	FY2012	FY2011	FY2010
Terminal Maintenance	68	67	67	67	67	75	75	72	60	81
Airfield Maintenance	60	59	59	59	59	65	64	63	74	48
Administration	67	68	66	63	62	69	65	66	67	78
Police & Operations										
Officers	98	95	95	94	94	96	95	94	95	86
Support Staff	11	11	9	9	9	9	9	8	7	12
General Aviation Airports										
Maintenance	6	6	6	5	5	5	5	5	5	3
Total	310	306	302	297	296	319	313	308	308	308

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

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

INSURANCE IN FORCE

JUNE 30, 2019

Airport Liability (Comprehensive general liability, contractual liability, personal injury liability, and hangar keeper's liability)	\$250,000,000 Each Occurrence Limit \$5,000,000 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 poli	April 1, 2020	Commerce and Industry Insurance Company (AIG)	Personal injury and property damage
Excess Airport Liability	\$250,000,000 Each Occurrence	April 1, 2020	Global Aerospace, Inc.	Personal injury and property damage
Aircraft non-ownership liability	\$250,000,000 Each Occurrence \$5,000 Deductible	April 1, 2020	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, 2020	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, 2020	Selective Insurance Company of South Carolina	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 All sublimits & deductibles apply. Please refer	April 1, 2020	FM Global	Building - All risks property damage including business interruption
Crime	\$5,000,000 Limit \$50,000 Deductible	April 1, 2020	National Union Fire Insurance Company (AIG)	Employee theft, forgery, robbery, and computer fraud
Fiduciary Liability	\$5,000,000 Limit \$0 Retention	April 1, 2020	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 with Public Off \$75,000 Retention	April 1, 2020	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, 2020	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, 2020	Lloyd's of London Syndicate (Hiscox)	Cyber protection, hacking business interruption, extortion & breach
Workers Compensation	Statutory State of TN	April 1, 2020	Carrier Specialty Insurance 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 \$250,000 Each Occurrence Deductible			
OWNER CONTROLLED INSURANCE PROGRAM - (CONSTRUCTION INSURANCE)				
General Liability	\$4,000,000 General Aggregate Limit \$4,000,000 Products Completed/Ops Aggregate \$2,000,000 Personal & Advertising Injury \$2,000,000 Each Occurrence Limit \$250,000 Fire Legal Liability (Any One Fire) \$10,000 Medical Expense Limit \$250,000 Each Occurrence Deductible	April 1, 2022	Zurich American Insurance	Personal injury and property damage
Workers Compensation	Statutory State of TN	April 1, 2022	Zurich American 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	\$100,000,000 Each Occurrence Limit \$100,000,000 Aggregate Limit	April 1, 2022	Combination of ACE, AWAC, Endurance & Westchester	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, 2019 (\$ IN THOUSANDS)

Grantor/Program	Federal CFDA Number	Grant/Contract Number	State Grant Contract Number	Project Description
FEDERAL AWARDS				
U.S. Department of Transportation				
Federal Aviation Administration (FAA):				
Airport Improvement Programs	20.106			
		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 Mapping Program
		3-47-0049-93-2016		Jet Bridge Electrification (VALE)
		3-47-0049-94-2017		De-Icing/Glycol Collection Facility - Construction Phase I (Bridge Package)
		3-47-0049-95-2017		Improve Terminal A & B Concourses - Design Phase II
		3-47-0049-97-2018		Reconstruct Taxiway Tango Construct Taxiway Yankee
		3-47-0049-98-2018		Improve Terminal B - Passenger Boarding Bridges and Fuel Hydrant System
		3-47-0049-99-2018		VALE Grant - Ground Power and Pre-Conditioned Air for 14 Gates
Total Direct Federal Awards				
FAA through TN Dept of Transportation				
Airport Improvement Programs	20.106			
		3-47-SBGP-29	AERO-12-153-00	Charles Baker - New Terminal Design & Engineering
		3-47-SBGP-22	AERO-13-208-00	DeWitt Spain - New Hangar (2)
		3-47-SBGP-45	AERO-14-199-00	Charles Baker - Hangar Restorations (2)
		3-47-SBGP-50	AERO-17-250-00	Charles Baker - Sanitary Lift Station Replacement (2)
		3-47-SBGP-50	AERO-19-172-00	DeWitt Spain - Runway Overlay (2)
		3-47-SBGP-50	AERO-19-173-00	Charles Baker - Fuel Farm Upgrade (2)
		3-47-SBGP-50	AERO-19-192-00	Charles Baker Hangar Restorations Phase II (2)
Total Subrecipient (of Federal Funds) Awards				
Total Federal Awards				
STATE AWARDS				
Tennessee Department of Transportation				
		79-555-0732-04	AERO-13-207-00	DeWitt Spain - Taxiway Relocation and Runway Extension, Design; Land Acquisition
		79-555-0739-04	AERO-14-173-00	MEM - Demolition of South Legs of Passenger Concourses
		79-555-0747-04	AERO-14-256-00	MEM - Tenant Relocation Buildout
		79-555-0751-04	GG15-44490-00	MEM - Terminal Concourse "B" Modernization Design
		79-555-0750-04	AERO-15-157-00	MEM - Multi User Flight Information Display System (MUFIDS)
		79-555-0752-04	AERO-15-217-00	DeWitt Spain - 2015 Apron improvements
		79-555-0759-17	AERO-17-191-00	MEM - "B" Modernization/Tenant Relocation Phase II
		79-555-0360-17	AERO-17-199-00	Charles Baker - 2017 Grounds Maintenance Equipment
		17-555-0361-17	AERO-17-204-00	DeWitt Spain - 2017 Grounds Maintenance Equipment
		79-555-0762-17	AERO-17-249-00	Charles Baker - 2017 Pavement Crack Sealing
		79-555-0764-17	AERO-17-251-00	DeWitt Spain - 2017 Pavement Crack Sealing
		79-555-0766-18	AERM-18-140-00	DeWitt Spain - 2018 Maintenance
		79-555-0775-19	AERO-19-265-00	Concourse B Improvements
		79-555-0776-19	AERO-19-264-00	B Concourse Passenger Boarding Bridge & Gate Related
		79-555-0467-19	AERM-19-141-00	Charles Baker - 2019 Maintenance
		79-555-0468-19	AERM-19-140-00	DeWitt Spain - 2019 Maintenance
		79-555-0772-19	AERM-19-193-00	DeWitt Spain - Fueling System Improvements
		79-555-0774-19	AERO-19-266-00	Charles Baker Obstruction Clearing
State Participation on Pass-Through Federally Funded Projects				
		79-555-0133-04	AERO-13-208-00	DeWitt Spain - New Hangar (2)
		79-555-0144-04	AERO-14-199-00	Charles Baker - Hangar Restorations (2)
		79-555-0163-17	AERO-17-250-00	Charles Baker - Sanitary Lift Station Replacement (2)
		79-555-0569-19	AERO-19-172-00	DeWitt Spain - Runway Overlay (2)
		79-555-0170-19	AERO-19-173-00	Charles Baker - Fuel Farm Upgrade (2)
		3-47-SBGP-50	AERO-19-192-00	Charles Baker Hangar Restorations Phase II (2)
Total State Awards				
TOTAL FEDERAL AND STATE AWARDS				

(1) Grant Expenditures include \$28,688 from prior years; \$28,688 Federal and \$0 State.

(2) Projects with both State and Federal Funding.

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2019 (\$ IN THOUSANDS)

Participation Percentage	Grants as Amended 6/30/2018	Grants Awarded (Reduced)	Grants Total 6/30/2019	Grants Receivable 06/30/2018	Expenditures (1)	Cash Receipts	Grants Receivable 06/30/2019
75%	25,336	0	25,336	679	1,129	679	1,129
90%	12,396	0	12,396	59	150	59	150
90%	2,447	0	2,447	491	149	491	149
90%	25,024	0	25,024	2,529	12,594	12,180	2,943
90%	2,307	0	2,307	2,276	30	2,044	262
90%	0	28,587	28,587	0	28,587	28,587	0
90%	0	14,780	14,780	0	2,554	2,181	373
90%	0	2,400	2,400	0	95	95	0
	67,510	45,767	113,277	6,034	45,288	46,316	5,006
90%	150	0	150	29	0	29	0
90%	596	0	596	23	0	23	0
90%	162	0	162	0	16	16	0
90%	67	63	130	6	105	8	103
90%	0	1,705	1,705	0	8	0	8
90%	0	24	24	0	0	0	0
90%	0	708	708	0	587	569	18
	975	2,500	3,475	58	716	645	129
	68,485	48,267	116,752	6,092	46,004	46,961	5,135
95%	712	0	712	62	8	70	0
95%	1,188	0	1,188	15	0	15	0
95%	3,230	0	3,230	0	0	0	0
95%	9,500	0	9,500	1,949	32	903	1,078
95%	1,330	29	1,359	1	29	30	0
95%	156	0	156	66	0	66	0
95%	6,175	0	6,175	393	0	390	3
75%	60	0	60	34	0	34	0
75%	60	0	60	34	0	34	0
95%	19	19	38	0	19	19	0
95%	19	19	38	0	19	19	0
50%	14		14	1	0	1	0
95%	0	12,635	12,635	0	1,546	0	1,546
95%	0	4,399	4,399	0	14	0	14
50%	0	14	14	0	14	14	0
50%	0	14	14	0	14	14	0
95%	0	90	90	0	0	0	0
95%	0	18	18	0	11	0	11
5%	33	0	33	1	0	1	0
5%	9	0	9	0	1	1	0
5%	4	4	8	0	6	1	5
5%	0	95	95	0	0	0	0
5%	0	1	1	0	0	0	0
5%	0	39	39	0	32	31	1
	22,509	17,376	39,885	2,556	1,745	1,643	2,658
	\$90,994	\$65,643	\$156,637	\$8,648	\$47,749	\$48,604	\$7,793

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
YEAR ENDED JUNE 30, 2019

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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 27, 2019.

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

November 27, 2019

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, 2019. 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, 2019.

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

November 27, 2019

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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:

CFDA Number

Name of Federal Program or Cluster

20.106

Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$1,380,000

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

C. Prior Year Findings

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV - PRIOR YEAR AUDIT FINDINGS

None reported

