2014

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Memphis-Shelby County Airport Authority
MEMPHIS, TENNESSEE

For the Fiscal Years Ended June 30, 2014 and 2013
A COMPONENT UNIT OF THE CITY OF MEMPHIS
Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2014 and 2013
PREPARED BY THE FINANCE DIVISION
# Members and Key Staff Members Position

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<td>Scott A. Brockman, A.A.E</td>
<td>President and Chief Executive Officer</td>
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<tr>
<td>Forrest B. Artz, C.P.A.</td>
<td>Vice President of Finance and Administration</td>
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<td>John E. Greaud, P.E.</td>
<td>Vice President Operations</td>
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<tr>
<td>Brian L. Kuhn, Esquire</td>
<td>General Counsel and Authority Secretary</td>
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<td>George E. Mabon, P.H.R.</td>
<td>Vice President Human Resources, Authority</td>
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<td>Richard V. White, A.A.E</td>
<td>Vice President Properties and Business</td>
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<td>Jeffrey W. Hanley</td>
<td>Director of Finance and Authority Assistant</td>
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<td>Mahi C. Chambers, C.P.A.</td>
<td>Director of Staff Services</td>
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<tr>
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<tr>
<td>Phillip Florey</td>
<td>Director of Maintenance</td>
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<td>J. Jarrett Morgan</td>
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| T. E. Wallace III, A.A.E.     | Director of Operations and Public Safety
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INTRODUCTORY SECTION

This Section Contains the Following:

Letter of Transmittal and Exhibits

Organizational Chart
October 27, 2014

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, 2014, 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, 2013. 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, 2014, 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, 2014, are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the Financial Section of this report.

The Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, require the Authority to arrange for an annual audit in conformity with their provisions. Information related to a single audit, including the Schedule of Expenditures of Federal and State Awards, findings and recommendations, 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, and General DeWitt Spain Airports. Charles W. Baker Airport (“Baker”) is located south of Millington, Tennessee and General DeWitt Spain Airport (“Spain”) is located just north of downtown Memphis. Both Baker and Spain Airports serve general aviation and are considered reliever airports for the Airport.

The Airport occupies about 4,600 acres of land in Shelby County and is 13 miles by road southeast of downtown Memphis. The Airport is 99.9% unaffected by impassable weather and handles all types of aircraft. The Airport has four runways equipped with precision instrument landing systems suitable for use by large aircraft and a surface movement guidance system allowing the Airport to operate down to a 300 foot runway visual range. The terminal building has 79 gates to accommodate passenger aircraft and includes a Federal Inspection Station (“FIS”) for clearing international flights and associated passengers.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Conditions and Outlook

The Memphis area continues to show the effects of the slow recovering economy. The Memphis Metropolitan Statistical Area ("MMSA") unemployment rate for August 2014 was 8.5%, which was above the State of Tennessee and the national rates of 7.4% and 6.1%, respectively.

The fall-off in traffic from fiscal year 2013 to fiscal year 2014 for the Airport was the result of two factors: 1) continued national economic slowdown to recovery and the sluggishness in the U.S. housing and credit markets and 2) U.S. airlines responded to the fall-off in passenger demand by capacity reductions (total scheduled seats) and eliminating marginally performing routes.

Throughout fiscal year 2014, Delta gradually reduced their number of daily flights at Memphis International Airport by 50 flights. These service reductions combined with previous service reductions comprised a reduction of 137 daily flights from its September 2011 schedule of approximately 175 flights per day. Delta and their affiliates comprised approximately 57 percent of the enplanements at the Airport for fiscal year 2014, down from 77 percent in fiscal year 2013.

The Authority has analyzed Delta’s announcements and developed multi-year financial projections based on these reduced activity levels, taking into account estimated impacts on the Airport’s landed weight, non-airline revenues, amount of leased space in the terminal complex and operating expenses. Based on this analysis, the Authority projects a cost per enplaned passenger (“CPE”) to be reasonable when compared to airports of similar size and activity levels.
Cargo air carriers, primarily FedEx Express, continue to have a significant impact at the Airport; accordingly, the Airport handled a total of 4.6 million U.S. tons of cargo in fiscal year 2014. The Airport is ranked #1 in the United States for total air cargo handled, and #2 in the world according to statistics reported by Airports Council International, Geneva, Switzerland. Nearly 94% of the cargo was reported as domestic. FedEx Corporation (“FedEx”), the world’s largest express transportation company, is headquartered in Memphis and operates its primary overnight package sorting facility at the Airport. FedEx continues to dominate the cargo business at the Airport, transporting approximately 99% of all cargo handled at the Airport in fiscal year 2014. This activity keeps the Airport active twenty-four hours a day. Based on information from FedEx, the Authority believes that FedEx has shifted sorting activity from its regional facilities back to the Airport in order to make better use of the SuperHub capacity during the current recessionary period.

**Population and Employment**

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

The MMSA population was 1,239,292 according to the United Stated 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 is the principal air carrier airport serving the MMSA with approximately 80% of the passengers originating their air journeys living in the MMSA.

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

Visitors are also attracted to Memphis for sporting events such as the Grizzlies, a National Basketball Association team, the Redbirds, a AAA team affiliate with Major League Baseball’s 2011 World Champion St. Louis Cardinals, the AutoZone Liberty Bowl Football Classic and the St. Jude Golf Classic, to name a few. Gaming has developed as a major contributor to the economy of the MMSA. Tunica County, Mississippi, just 30 miles from downtown Memphis, is recognized as the tenth largest grossing gaming center in the country. Memphis also attracts worldwide visitors to Graceland, home of Elvis Presley, St. Jude Children’s Research Center, Stax Museum of American Soul Music and the National Civil Rights Museum.
LONG TERM FINANCIAL PLANNING

Master Plan/Strategic Plan

One of the tools the Authority uses for long term planning is the Master Plan, which is updated every 7 to 10 years. The Authority has issued a Master Plan update in January 2010. This document is prepared with the input of staff, the signatory airlines, and other key tenants of the Airport. The Master Plan specifies the physical improvements that are needed to meet projections of future demand. It consists of a technical report that specifies the logic and reasoning for proposed capital improvements as well as large scale drawings that illustrate the physical layout of the improvements. The financial implications of a master plan are very important because it serves as the basis for requesting federal funds for the construction of capital improvements proposed in the plan. The Authority’s most recent update of the Master Plan provides a flexible and cost-effective guide for the future development of the Airport through the year 2020. Capital improvements recommended by the plan are demand-driven. This means that although there are a large number of projects proposed by the plan, only those that are needed as a result of actual increase in demand will be constructed.

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

Multi-Year Financial Plan

The Authority also prepares Multi-Year Financial Plans, which are updated annually. This plan contains the first year of the proposed annual Operating Budget and the Capital Improvements Budget and the remaining two years reflecting fiscal projections developed through a combination of historical trends, contractual and other known commitments, anticipated changes to future revenues and expenditures, and other reasonable assumptions. The Capital Improvements Budget contains not only the current fiscal year, but also the ensuing 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 $1.2 billion of total insurance coverage. For claims arising out of bodily injury or property damage at the Airport, the Authority carries approximately $333 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, 2014, can be found in the Statistical Section of this report.

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

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

**Debt Management**

As part of its strategic and long-term financial planning, the Authority strives to ensure that financial resources are adequate to meet long-term planning objectives. In managing its debt, the Authority strives to achieve the lowest cost of capital, ensure high credit quality, assure access to the capital credit markets, preserve financial flexibility, and manage interest rate risk exposure. See Note 6 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 contributory defined benefit pension plans of the City of Memphis Retirement System. A Board of Administration administers the plans under the direction of the City’s Mayor. Substantially all full-time salaried employees are required to participate in one of the two plans. Hourly employees are eligible for coverage under a supplemental retirement plan based on their wages under the Federal Insurance Contribution Act (“Social Security”). The plans provide retirement benefits as well as death and disability benefits. The Authority is required to contribute at an actuarially determined rate. See Note 9 of the notes to the basic financial statements in the Financial Section for more information.
The Authority also provides a supplemental retirement benefit to all Authority participants in the City of Memphis Retirement System. It is a defined contribution plan under which the Authority makes contributions on a discretionary basis. See Note 10 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 those who retire from the Authority under the provisions of the City’s Retirement System. See Note 12 of the notes to the basic financial statements in the Financial Section for more information.

MAJOR INITIATIVES

**Terminal Apron Replacement.** Starting in March 2012, the apron area around the three passenger terminals is being replaced in three stages, the project will replace the apron concrete and replace the existing fueling piping and control stations with new equipment. This project is expected to take three years to complete at a cost of approximately $110 million. Phase one of the project is complete and work has begun on Phase two. Phase two should be completed by October 2014. Phase three work has begun and should be completed by June 2015.

**Concourse Modernization Design.** Design efforts to modernize and expand the B concourse will begin in December 2014. This project will widen and heighten certain areas throughout the B concourse. The project is expected to take approximately five years to complete at a projected cost of $114 million. Construction should begin in fiscal year 2016 with a projected completion by mid-fiscal year 2020.
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, 2013. The Authority has received a Certificate of Achievement for twenty-five consecutive fiscal years from 1989-2013. 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.  Forrest B. Artz, C.P.A.
President and Chief Executive Officer  Vice President of Finance and Administration, Authority Treasurer
Certificate of Achievement for Excellence in Financial Reporting

Presented to
Memphis-Shelby County Airport Authority, Tennessee

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Jeffrey R. Erwin
Executive Director/CEO
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

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, 2014 and 2013, 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 net position of the Authority, as of June 30, 2014 and 2013, and the respective changes in net 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 on pages 18 through 36 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.

Other Information

Our audit was conducted for the purpose of forming opinions 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 and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

October 27, 2014
JUNE 30, 2014

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, 2014 and 2013. 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, avigation 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.
FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2014

- Operating revenues of $113,452 for fiscal year 2014 increased by $986 (.9 percent) compared to fiscal year 2013 revenues of $112,466.

- Operating expenses, before depreciation and amortization of $55,617 for fiscal year 2014 decreased by 4.2 percent compared to fiscal year 2013 operating expenses of $58,049.

- The Authority’s total net position at June 30, 2014 was $685,759. This is an increase of $2,807 (.4 percent) over total net position at June 30, 2013.

- Capital assets, net of accumulated depreciation decreased by $35,217 mainly due to fiscal year 2014 net capital additions of approximately $30,153; offset by the current year change in accumulated depreciation of $65,370.

- The Authority’s total outstanding long-term bonds and note payable, net at June 30, 2014 decreased by $88,382 (20.4 percent) compared to June 30, 2013 due primarily to scheduled debt service payments of principal made during fiscal year 2014 and the reclassification of certain debt to a current liability as it is due within one year.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2013

- Operating revenues ($112,466) for fiscal year 2013 increased by 1.5 percent when compared to fiscal year 2012 operating revenues ($110,807).

- Operating expenses, before depreciation and amortization of $58,049 for fiscal year 2013 increased by 5.2 percent compared to fiscal year 2012 operating expenses.

- The Authority’s total net position at June 30, 2013 was $682,952. This is an increase of $17,560 (2.6 percent) over total net position at June 30, 2012.

- Capital assets, net of accumulated depreciation increased by $10,449 mainly due to fiscal year 2013 capital additions, net of approximately $70,049 offset by current year change in accumulated depreciation of $59,600.

- The Authority’s total outstanding long-term bonds and note payable, net at June 30, 2013 decreased by $30,607 (6.6 percent) compared to June 30, 2012 due primarily to scheduled debt service payments (principal and interest) made during fiscal year 2013.
FINANCIAL ANALYSIS

At June 30, 2014, the Authority’s net position increased year over year with total assets and deferred outflows of $1,207,074, total liabilities of $521,315 and total net position of $685,759. A comparative combined condensed summary of the Authority’s net position at June 30, 2014, 2013 and 2012 is as follows:

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>$193,481</td>
<td>$162,531</td>
<td>$189,777</td>
</tr>
<tr>
<td>Net capital assets</td>
<td>956,552</td>
<td>991,769</td>
<td>981,320</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>52,550</td>
<td>79,046</td>
<td>79,274</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,202,583</td>
<td>1,233,346</td>
<td>1,250,371</td>
</tr>
<tr>
<td>Deferred outflows of resources</td>
<td>4,491</td>
<td>5,792</td>
<td>7,376</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>107,207</td>
<td>52,051</td>
<td>55,855</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>414,108</td>
<td>504,135</td>
<td>536,500</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>521,315</td>
<td>556,186</td>
<td>592,355</td>
</tr>
<tr>
<td>Net position</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>593,252</td>
<td>588,115</td>
<td>546,075</td>
</tr>
<tr>
<td>Restricted</td>
<td>61,599</td>
<td>69,153</td>
<td>93,457</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>30,908</td>
<td>25,684</td>
<td>25,860</td>
</tr>
<tr>
<td>Total net position</td>
<td>$685,759</td>
<td>$682,952</td>
<td>$665,392</td>
</tr>
</tbody>
</table>

Fiscal Year 2014

Current assets at June 30, 2014 increased by $30,950 (19.0 percent) when compared to current assets at June 30, 2013. This increase was primarily due to an increase of $46,012 in Special Facilities rent receivable, offset by a decrease of $12,243 in cash and investments, a $2,637 decrease in capital contributions receivable, and a decrease of $163 in accrued interest receivable. The increase in Special Facilities rent receivable was due to a reclassification to current assets for the receivable from FedEx on the payment of the Special Facilities Revenue Bonds, Refunding Series 2003. The decrease in cash and investments was mainly due to ongoing construction costs for the Terminal Apron Project and various other ongoing construction projects, the reclassification of certain current cash and investments to non-current investments offset by revenues collected in excess of actual expenses. As a result, accrued interest receivable was lower due to smaller cash balances available to invest. The decrease in capital contributions receivable results from the timing of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the grantor agency.

Capital assets, net of depreciation decreased by $35,217 in fiscal year 2014 compared to fiscal year 2013 primarily due to the Authority's ongoing capital improvement program. Fiscal year 2014 net capital additions were $30,153, offset by the current year change in accumulated depreciation of $65,370.
Non-current assets, other than capital assets, decreased by $26,496 due to a decrease of $43,762 in Special Facilities rent receivable, offset by increased unrestricted and restricted investments of $10,589 and an increase in new notes receivable related to the fuel farm improvements of $6,677. The decrease in Special Facilities rent receivable was due to a receivable from FedEx on the payment of the Special Facilities Revenue Bonds, Refunding Series 2003 moving to a current asset. The increase in investments was mainly due to the decision to move certain restricted assets from demand deposits to investments; as a result, these funds were reclassified from current assets at June 30, 2013 to other non-current assets at June 30, 2014.

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). The decrease of $1,301 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 $52,051 in 2013 to $107,207 in 2014. This increase of $55,156 (106 percent) is primarily due to decreases in construction contracts payable ($1,545), accounts payable ($906) and accrued interest payable ($518) offset by increased current maturities of long-term debt of $57,979. The decrease in construction contracts payable is due to the near completion of the Access Control and CCTV project and other smaller capital projects. The decrease in accounts payable is mainly due to the year over year reduction in operation and maintenance expenses, resulting in a lower trade account payable balance for fiscal year 2014. 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.

Long-term liabilities at June 30, 2014 were $414,108, a decrease of $90,027 compared to June 30, 2013 ($504,135). The decrease in long-term liabilities was mainly due to the reduction in bonds and notes payable by the payment of approximately $28,700 on outstanding Airport Revenue Bonds, the decrease of $57,979 for certain debt reclassified from long-term debt to a current liability; as it is due within one year, the amortization of $1,617 for bond premium costs, the amortization of $1,540 to recognize rental revenue from FedEx Corporation related to the prior TnANG facility, and decreased compensated absences of $105, due to certain amounts reclassified to a current liability from a long-term liability.

The largest portion of the Authority’s net position is the net investment in capital assets of $593,252 (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.

The Authority’s restricted net position of $61,599 represents resources that are subject to restrictions from contributors, bond resolutions and State and Federal regulations on how they may be used. The remaining balance, unrestricted net position of $30,908 in fiscal year 2014 compared to $25,684 for fiscal year 2013, may be used for any lawful purpose of the Authority.
Fiscal Year 2013
Current assets at June 30, 2013 decreased by $27,246 (14.4 percent) when compared to current assets at June 30, 2012. This decrease was primarily due to a decrease of $18,332 in cash and investments, a $5,610 decrease in capital contributions receivable, and a decrease of $2,918 in accounts receivable. The decrease in restricted cash and investments was mainly due to ongoing construction of the Ground Transportation Center, the Terminal Apron Project, and other ongoing construction projects; as a result, accrued interest receivable was lower due to smaller cash balances available to invest. The decrease in capital contributions receivable results from the timing of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the grantor agency. The decrease in accounts receivable was due to the collection of outstanding invoices from several terminal tenants.

Capital assets, net of depreciation increased by $10,449 in fiscal year 2013 from fiscal year 2012 due principally to ongoing capital activities of the Authority’s capital improvement program. Fiscal year 2013 capital additions, net were approximately $70,049 offset by the current year change in accumulated depreciation of $59,600.

Non-current assets, other than capital assets, decreased by $228 due to decreases in unrestricted and restricted investments of $2,478 offset by an increase in special facilities rent receivable of $2,250. The decrease in investments was mainly due to the decision to invest certain restricted assets in demand deposits that yielded greater returns than investments; as a result, these funds were classified as current assets at June 30, 2013. The increase in special facilities rent receivable was due to the annual rent accrual of $2,250 for fiscal year 2013.

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). The decrease of $1,584 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 decreased from $55,855 in fiscal year 2012 to $52,051 in fiscal year 2013. This decrease of $3,804 (6.8 percent) is primarily due to decreases in construction contracts payable ($4,945), accounts payable ($721), accrued interest payable ($429) offset by increased current maturities of long-term debt of $2,335. The decrease in construction contracts payable is due to the wind down of the Ground Transportation Center (GTC) project and certain other projects. The decrease in accounts payable is mainly due to the payment of a fiscal year 2012 accrual for approximately $700 related to certain fuel farm improvements that we paid in fiscal year 2013. 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.

Long-term liabilities at June 30, 2013 were $504,135, a decrease of $32,365 compared to June 30, 2012 ($536,500). The decrease in long-term liabilities was mainly due to the reduction in bonds and notes payable by the payment of approximately $26,500 on outstanding Airport Revenue Bonds, the increase of $2,335 for certain debt reclassified as a current liability; as it is due within one year, the amortization of $1,757 for bond
premium costs, the amortization of $1,540 to recognize rental revenue from FedEx Corporation related to the prior TnANG facility, and decreased compensated absences of $218, due to certain amounts reclassified to a current liability from a long-term liability.

The largest portion of the Authority’s net position (86.1 percent of total net position for fiscal year 2013) represents the investment in capital assets (e.g., land, buildings, machinery, and equipment), less related outstanding debt used to acquire those assets. The Authority uses these assets to provide services to passengers, visitors and tenants of the airport; accordingly, these assets are not available for future spending nor 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.

The Authority’s restricted net position of $69,153 (10.1 percent of total net position for fiscal year 2013) represent resources that are subject to restrictions from contributors, bond resolutions and State and Federal regulations on how they may be used. The remaining balance, unrestricted net position of $25,684 in fiscal year 2013 compared to $25,860 for fiscal year 2012, may be used for any lawful purpose of the Authority.

### SUMMARY OF CHANGES IN NET POSITION

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$113,452</td>
<td>$112,466</td>
<td>$110,807</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(55,617)</td>
<td>(58,049)</td>
<td>(55,177)</td>
</tr>
<tr>
<td>Operating income before depreciation</td>
<td>57,835</td>
<td>54,417</td>
<td>55,630</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(65,370)</td>
<td>(59,600)</td>
<td>(57,707)</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(7,535)</td>
<td>(5,183)</td>
<td>(2,077)</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>7,873</td>
<td>7,469</td>
<td>9,040</td>
</tr>
<tr>
<td>Non-operating expense</td>
<td>(22,450)</td>
<td>(22,705)</td>
<td>(23,536)</td>
</tr>
<tr>
<td>Loss before capital contributions and extraordinary item</td>
<td>(22,112)</td>
<td>(20,419)</td>
<td>(16,573)</td>
</tr>
<tr>
<td>Capital contributions</td>
<td>24,919</td>
<td>37,979</td>
<td>49,831</td>
</tr>
<tr>
<td>Extraordinary item</td>
<td></td>
<td>(873)</td>
<td></td>
</tr>
<tr>
<td>Increase in net position</td>
<td>$2,807</td>
<td>$17,560</td>
<td>$32,385</td>
</tr>
</tbody>
</table>

The following table presents revenue by major source for the years ended June 30, 2014, 2013 and 2012 and the pie charts show the percentage of revenues by source for the years ended June 30, 2014 and 2013. Due to the strong presence of cargo operations at Memphis International Airport (FedEx super-hub and the world’s second largest in total tonnage), airline revenues have been separated to reflect separate passenger and cargo categories.
# MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
## REVENUES BY MAJOR SOURCE

### Operating Revenues

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Passenger Airlines</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger landing fee</td>
<td>$3,589</td>
<td>$5,060</td>
<td>$6,822</td>
</tr>
<tr>
<td>Airline terminal rentals</td>
<td>27,297</td>
<td>26,789</td>
<td>22,950</td>
</tr>
<tr>
<td>Airline fee payments-FIS</td>
<td>12</td>
<td>47</td>
<td>1,700</td>
</tr>
<tr>
<td>Other rentals</td>
<td>504</td>
<td>524</td>
<td>392</td>
</tr>
<tr>
<td><strong>Total Passenger Airlines</strong></td>
<td>31,402</td>
<td>32,420</td>
<td>31,864</td>
</tr>
<tr>
<td><strong>Cargo Airlines</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cargo landing fees</td>
<td>32,726</td>
<td>31,087</td>
<td>29,339</td>
</tr>
<tr>
<td>Ground rents</td>
<td>8,764</td>
<td>7,224</td>
<td>7,240</td>
</tr>
<tr>
<td>Other rentals</td>
<td>2,482</td>
<td>3,379</td>
<td>3,455</td>
</tr>
<tr>
<td><strong>Total Cargo Airlines</strong></td>
<td>43,972</td>
<td>41,690</td>
<td>40,034</td>
</tr>
<tr>
<td><strong>Non-Airline Rentals</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concessions-terminal</td>
<td>2,679</td>
<td>4,047</td>
<td>4,901</td>
</tr>
<tr>
<td>Concessions-rental car</td>
<td>6,457</td>
<td>6,185</td>
<td>6,308</td>
</tr>
<tr>
<td>Public parking</td>
<td>12,939</td>
<td>10,994</td>
<td>10,196</td>
</tr>
<tr>
<td>Employee parking</td>
<td>951</td>
<td>1,453</td>
<td>1,643</td>
</tr>
<tr>
<td>GTC rentals</td>
<td>1,012</td>
<td>463</td>
<td></td>
</tr>
<tr>
<td>Other rentals</td>
<td>9,409</td>
<td>9,836</td>
<td>10,338</td>
</tr>
<tr>
<td><strong>Total Non-Airline Rentals</strong></td>
<td>33,447</td>
<td>32,978</td>
<td>33,386</td>
</tr>
<tr>
<td><strong>Other Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted rental income</td>
<td>356</td>
<td>1,103</td>
<td>1,248</td>
</tr>
<tr>
<td>Special facilities lease income</td>
<td>4,275</td>
<td>4,275</td>
<td>4,275</td>
</tr>
<tr>
<td><strong>Total other revenues</strong></td>
<td>4,631</td>
<td>5,378</td>
<td>5,523</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>113,452</td>
<td>112,466</td>
<td>110,807</td>
</tr>
</tbody>
</table>

### Non-operating Revenues

<table>
<thead>
<tr>
<th>Type of Revenue</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and investment income</td>
<td>2,495</td>
<td>2,012</td>
<td>2,261</td>
</tr>
<tr>
<td>Customer facility charges</td>
<td>5,330</td>
<td>5,119</td>
<td>5,151</td>
</tr>
<tr>
<td>Other</td>
<td>48</td>
<td>338</td>
<td>1,628</td>
</tr>
<tr>
<td><strong>Total Non-Operating Revenues</strong></td>
<td>7,873</td>
<td>7,469</td>
<td>9,040</td>
</tr>
</tbody>
</table>

### Capital Contributions

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>24,919</td>
</tr>
<tr>
<td>2013</td>
<td>37,979</td>
</tr>
<tr>
<td>2012</td>
<td>49,831</td>
</tr>
</tbody>
</table>

### Total Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$146,244</td>
</tr>
<tr>
<td>2013</td>
<td>$157,914</td>
</tr>
<tr>
<td>2012</td>
<td>$169,678</td>
</tr>
</tbody>
</table>
**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY REVENUES**

**Fiscal Year 2014**

Operating revenues of $113,452 for fiscal year 2014 increased by $986 (.9 percent) compared to fiscal year 2013 revenues of $112,466. This increase in operating revenues is primarily due to increased cargo landing fees ($1,639), cargo ground rents ($1,540), airline terminal rentals ($508), parking revenues ($1,945) and GTC rentals ($549) offset by decreases in passenger landing fees ($1,471), terminal concession fees ($1,368) and other rentals and restricted rental income ($2,091). 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 2014 are comprised of interest income ($2,495), customer facility charges (CFC) ($5,330), and operating grants ($48). Total non-operating revenues increased by $404 in fiscal year 2014 compared to fiscal year 2013 non-operating revenues. This increase was mainly due to greater investment earnings of $483 as a result of slightly higher yields, additional CFC revenues of $211 due to increased rental car activity offset by gains on sale of assets recognized in the prior year that were not in the current year.

Capital contributions, comprised primarily of Federal capital grants, decreased from $37,979 in fiscal year 2013 to $24,919 in fiscal year 2014, as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

**Fiscal Year 2013**

Operating revenues of $112,466 for fiscal year 2013 increased by $1,659 (1.5 percent) compared to fiscal year 2012 revenues of $110,807. This increase in operating revenues is primarily due to increased cargo landing fees ($1,748), airline terminal rentals ($3,839), parking revenues ($608) and GTC rentals ($463) offset by decreases in passenger landing fees ($1,762) FIS fees ($1,653), terminal concession fees ($854) and other rentals and restricted rental income ($647). 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 2013 are comprised of interest income ($2,012), customer facility charges (CFC) ($5,119), insurance proceeds ($269) operating grants ($48) and gains on capital assets ($21). Total non-operating revenues decreased by $1,571 in fiscal year 2013 compared to fiscal year 2012 non-operating revenues. This decrease was mainly due to the collection of $1,388 of insurance proceeds related to the General DeWitt Spain general aviation airport flood in fiscal year 2012 that were not received in fiscal year 2013 and lower interest rates on investment earnings ($249).

Capital contributions, comprised primarily of Federal capital grants, decreased from $49,831 in fiscal year 2012 to $37,979 in fiscal year 2013, as a result of when capital expenditures were incurred (revenue recognized) and thus became eligible for the related reimbursement from the Federal government.

The following table presents expenses by cost center for the years ended June 30, 2014, 2013 and 2012 and the pie charts show the percentage of expenses by cost center for the years ended June 30, 2014 and 2013.

### EXPENSES BY COST CENTER

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Restated 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airfield area</td>
<td>$10,278</td>
<td>$10,338</td>
<td>$9,936</td>
</tr>
<tr>
<td>Terminal area</td>
<td>12,991</td>
<td>14,622</td>
<td>14,713</td>
</tr>
<tr>
<td>Ground transportation area</td>
<td>3,904</td>
<td>4,411</td>
<td>4,523</td>
</tr>
<tr>
<td>Administration area</td>
<td>17,376</td>
<td>18,549</td>
<td>16,119</td>
</tr>
<tr>
<td>Police and operations area</td>
<td>8,146</td>
<td>7,337</td>
<td>7,172</td>
</tr>
<tr>
<td>Other areas</td>
<td>2,922</td>
<td>2,792</td>
<td>2,714</td>
</tr>
<tr>
<td><strong>Total operating expense</strong></td>
<td>55,617</td>
<td>58,049</td>
<td>55,177</td>
</tr>
<tr>
<td><strong>Non-operating Expense</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>21,425</td>
<td>22,705</td>
<td>23,536</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>1,025</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total expenses before depreciation and extraordinary item</strong></td>
<td>78,067</td>
<td>80,754</td>
<td>78,713</td>
</tr>
<tr>
<td>Extraordinary item</td>
<td></td>
<td></td>
<td>873</td>
</tr>
<tr>
<td>Depreciation</td>
<td>65,370</td>
<td>59,600</td>
<td>57,707</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td>$143,437</td>
<td>$140,354</td>
<td>$137,293</td>
</tr>
</tbody>
</table>
Fiscal Year 2014
In fiscal year 2014, the Authority’s operating expenses of $55,617 decreased compared to fiscal year 2013 operating expenses of $58,049 by $2,432 (4.2 percent). The net decrease was mainly due to decreased terminal, administration and ground transportation expenses of $1,631, $1,173 and $507, respectively, offset by increased police and operations costs and other costs of $809 and $130, respectively. The decrease in terminal costs was mainly due to decreased janitorial costs, utility costs, and repair and maintenance costs. The decrease in administration costs was primarily due to decreased salaries and wages and related benefits as a result of a reclassification of these costs for certain positions to police and operations and across the board savings due to cost control measures offset by increased costs related to the airline incentive program. The decrease in ground transportation expenses was mainly due to the elimination of passenger and employee shuttle bus costs as off-site parking was replaced by terminal area surface lots; thus, eliminating the need for the shuttle buses offset by increased utility fees based on an updated cost allocation methodology. The increase in the police and operations expenses was mainly due to higher salaries and wages and related benefit costs related to the reclassification of these costs from administration to police and operations and airport security guard services related primarily to airfield construction projects. The increase in other costs was mainly due to additional field shop equipment parts for ongoing maintenance and higher environmental costs due to additional environmental monitoring requirements.

Depreciation expense increased from $59,600 in fiscal year 2013 to $65,370 for fiscal year 2014. This increase of $5,770 is mainly due to greater depreciation expense related to the increase of depreciable Authority assets year over year.
Non-operating expenses are comprised of interest expenses on outstanding debt and loss on disposal of fixed assets. Fiscal year 2014 interest expense of $21,425 decreased $1,280 compared to fiscal year 2013 interest expense of $22,705. 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. The loss on disposal of fixed assets increased in fiscal year 2014 as there was no such activity in fiscal year 2013. The loss on disposal of fixed assets ($1,025) relates to facilities and runway infrastructure that was replaced before the end of their useful lives.

**Fiscal Year 2013**

In fiscal year 2013, the Authority’s operating expenses of $58,049 increased over fiscal year 2012 operating expenses of $55,177 by $2,872 (5.2 percent). The net increase was mainly due to increased airfield, administration costs and polices expenses of $402, $2,430 and $165, respectively, offset by decreased terminal and ground transportation costs of $91 and $112, respectively. The increase in airfield costs was mainly due to increased salaries and wages costs as a result of a 3 percent cost of living increase effective July 1, 2012 and increased amounts of aviation fuel purchased at the general aviation airports for resale. The increase in administration costs was primarily due to increased salaries and wages as a result of a 3 percent cost of living increase effective July 1, 2012, the recognition of impaired assets related to the in-line baggage project and the GSE building project, additional marketing costs related to the promotion of the new GTC, and increased contract costs for the maintenance of the Authority's computer network system. The increase in police expenses was mainly due to increased salaries and wages costs as a result of a 3 percent cost of living increase effective July 1, 2012. The decrease in terminal costs was due to reduced janitorial costs for a portion of the fiscal year due to a new janitorial contract effective May 1, 2013 offset by increased salaries and wages costs as a result of a 3 percent cost of living increase effective July 1, 2012. The decrease in ground transportation costs was due to the elimination of the passenger parking bus shuttle costs for a portion of the fiscal year due to the opening of the GTC, the reduction in employee parking bus shuttle costs due to employee parking capacity created on-airport due to the opening of the GTC, offset by additional operating costs for the GTC and increased salaries and wages costs as a result of a 3 percent cost of living increase effective July 1, 2012.

Depreciation expense increased from $57,707 in fiscal year 2012 to $59,600 for fiscal year 2013. This increase of $1,893 is mainly due to greater depreciation expense related to the increase of depreciable Authority assets year over year.

Non-operating expenses are comprised of interest expenses on outstanding debt. Fiscal year 2013 interest expense of $22,705 decreased $831 compared to fiscal year 2012 interest expense of $23,536. 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.
The Authority’s capital assets at June 30, 2014, 2013 and 2012 are summarized as follows:

<table>
<thead>
<tr>
<th>NET CAPITAL ASSETS</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avigation easements</td>
<td>$43,703</td>
<td>$43,703</td>
<td>$43,703</td>
</tr>
<tr>
<td>Land and improvements</td>
<td>162,494</td>
<td>160,780</td>
<td>160,780</td>
</tr>
<tr>
<td>Buildings</td>
<td>542,652</td>
<td>521,857</td>
<td>374,856</td>
</tr>
<tr>
<td>Runways, taxiways, and airfield lighting</td>
<td>715,340</td>
<td>720,518</td>
<td>711,829</td>
</tr>
<tr>
<td>Facilities constructed for tenants</td>
<td>104,077</td>
<td>104,077</td>
<td>104,077</td>
</tr>
<tr>
<td>Roads, bridges, and fences</td>
<td>67,109</td>
<td>65,071</td>
<td>64,672</td>
</tr>
<tr>
<td>Equipment and utility systems</td>
<td>105,741</td>
<td>107,754</td>
<td>97,273</td>
</tr>
<tr>
<td>Construction in process</td>
<td>28,861</td>
<td>33,343</td>
<td>130,386</td>
</tr>
<tr>
<td>Total capital assets</td>
<td>1,769,977</td>
<td>1,757,103</td>
<td>1,687,576</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>813,425</td>
<td>765,334</td>
<td>706,256</td>
</tr>
<tr>
<td>Net capital assets</td>
<td>$956,552</td>
<td>$991,769</td>
<td>$981,320</td>
</tr>
</tbody>
</table>

**Fiscal Year 2014**
At the end of fiscal years 2014 and 2013, the Authority had $956,552 and $991,769, respectively, invested in net capital assets. During fiscal year 2014 the Authority had net additions of $30,153 related to capital activities for runway and taxiway projects, building improvements, equipment and roads, bridges and fencing projects, offset by current year depreciation of $65,370.

During fiscal year 2014, completed projects totaling $33,957 were transferred from construction in progress to applicable buildings and other facilities capital asset accounts. These major completed projects were related to runways, taxiways, aprons and airfield lighting ($3,321), buildings ($22,021), roads, bridges and fences ($2,240) and equipment and utility systems ($6,375).

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

**Fiscal Year 2013**
At the end of fiscal years 2013 and 2012, the Authority had $991,769 and $981,320, respectively, invested in net capital assets. During fiscal year 2013 the Authority had net additions of $70,049 related to capital activities for runway and taxiway projects, building improvements, equipment and roads, bridges and fencing projects, offset by current year depreciation of $59,600.

During fiscal year 2013, completed projects totaling $167,094 were transferred from construction in progress to applicable buildings and other facilities capital asset accounts. These major completed projects were related to runways, taxiways, aprons and airfield lighting ($8,687), buildings ($147,003), roads, bridges and fences ($399) and equipment and utility systems ($11,005).
The Authority’s capital activities are funded through revenue bonds, Federal and State grants and airport revenues.

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**

**DEBT ACTIVITY**

The Authority’s outstanding bonds and notes payable, net of any premiums or discounts, at June 30, 2014, 2013 and 2012 are summarized as follows:

**BONDS AND NOTES PAYABLE**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport Revenue</td>
<td>$366,040</td>
<td>$394,825</td>
<td>$421,275</td>
</tr>
<tr>
<td>Special Facilities Revenue</td>
<td>45,000</td>
<td>45,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Unamortized bond premiums</td>
<td>8,660</td>
<td>10,278</td>
<td>12,034</td>
</tr>
<tr>
<td>Note payable</td>
<td>11,434</td>
<td>11,434</td>
<td>11,500</td>
</tr>
<tr>
<td>Current portion of bonds and notes</td>
<td>(86,764)</td>
<td>(28,785)</td>
<td>(26,450)</td>
</tr>
<tr>
<td>Total long-term bonds and note payable</td>
<td>$344,370</td>
<td>$432,752</td>
<td>$463,359</td>
</tr>
</tbody>
</table>

**Fiscal Year 2014**

The Authority’s June 30, 2014 total long-term bonds and note payable, net, of $344,370 decreased $88,382 (20.4 percent) compared to the June 30, 2013 total of $432,752. The decrease in the total long-term bonds and note payable, net outstanding was mainly due to scheduled debt service principal payments made during fiscal year 2014 of approximately $28,800, the increase of approximately $58,100 for certain debt reclassified as a current liability as it is due within one year and the amortization of $1,618 for bond premium costs.

In April 2013, the Authority consolidated all lines of credit and obtained a $45,000 revolving line of credit with a bank. The purpose for this line of credit is to provide temporary funding for the purchase of leaseholds and property for airfield expansion and capital cash flow requirements. The amount available on this line of credit is reduced by the $11,434 outstanding notes payable leaving $33,566 available for draw down at June 30, 2014.

More detailed information related to long-term debt can be found in Note 6 of the notes to the basic financial statements.
Fiscal Year 2013

The Authority’s June 30, 2013 total long-term bonds and note payable, net, of $432,752 decreased $30,607 (6.6 percent) compared to June 30, 2012 total of $463,359. The decrease in the total long-term bonds and notes payable, net outstanding was mainly due to scheduled debt service principal payments made during the fiscal year 2013 of approximately $26,500, the increase of $2,335 for certain debt reclassified as a current liability as it is due within one year and the amortization of $1,756 for bond premium costs.

In April 2013, the Authority consolidated all lines of credit and obtained a $45,000 revolving line of credit with a bank. The purpose for this line of credit is to provide temporary funding for the purchase of leaseholds and property for airfield expansion. The amount available on this line of credit is reduced by the $11,434 outstanding notes payable leaving $33,566 available for draw down at June 30, 2013.

On July 12, 2011, the Authority drew on the $45,000 line of credit and entered into a note payable with an original amount of $11,500 to purchase lease holds on currently owned property for airfield expansion. The note is renewable on December 31, 2014 and bears interest at a rate of 30 day LIBOR plus 1.83 percent. The Authority paid $66 towards principal during fiscal year 2013 leaving a balance of $11,434 at June 30, 2013.

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 2014, 2013 and 2012 are as follows:

<table>
<thead>
<tr>
<th>COVERAGE RATIO</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport Revenue Bonds</td>
<td>152%</td>
<td>132%</td>
<td>134%</td>
</tr>
</tbody>
</table>
AIRLINE ACTIVITY

During fiscal year 2014, 3,915,174 passengers traveled through the Airport, a decrease of 29.7 percent under the 5,568,794 passengers in fiscal year 2013. Additionally, aircraft landed weight increased from 24,802,612 per thousand pound units in fiscal year 2013 to 24,854,200 per thousand pound units in fiscal year 2014. These changes in activity were realized with the decrease in fiscal year 2014 carrier aircraft operations of 192,374 compared to fiscal year 2013 carrier aircraft operations of 221,100.

Air Cargo activity grew in fiscal year 2014 in spite of significant challenges within the national and world economies. Memphis remained the United States' largest cargo airport, and the world’s second largest cargo airport with approximately 4.6 million and 4.5 million U.S. tons of total cargo in fiscal years 2014 and 2013, respectively. Cargo activity at the Airport is dominated by FedEx Express, which has its corporate headquarters and operates its worldwide super-hub from Memphis.
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
AIRPORT ACTIVITIES AND HIGHLIGHTS (CONTINUED)

The Authority’s Airport Use and Lease Agreement, in effect with six airlines known collectively as the signatory airlines, establishes the rates and charges methodology for the signatory airlines and their affiliates each year. A new 5 year agreement became effective July 1, 2012. Landing fees and rates for non-signatory and non-scheduled airlines are assessed at 115 percent and 125 percent, respectively, of the signatory rates.

RATES AND CHARGES

<table>
<thead>
<tr>
<th>Rate Description</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terminal Average Square Foot Rate</td>
<td>$135.26</td>
<td>$86.71</td>
<td>$73.58</td>
<td>$51.00</td>
</tr>
<tr>
<td>Cargo Building Square Foot Rate</td>
<td>$12.00</td>
<td>$12.00</td>
<td>$12.00</td>
<td>$12.00</td>
</tr>
<tr>
<td>Aircraft Loading Position Rate per Linear Foot</td>
<td>$252.96</td>
<td>$91.62</td>
<td>$76.77</td>
<td>$46.47</td>
</tr>
<tr>
<td>Signatory Landing Fee-per 1,000 lbs. unit</td>
<td>$1.25</td>
<td>$1.45</td>
<td>$1.45</td>
<td>$1.41</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Average Cost Per Enplaned Passenger</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$11.76</td>
<td>$10.48</td>
<td>$6.75</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Passengers</th>
<th>Total Cargo Handled (U.S. Tons)</th>
<th>Aircraft Landed Weight (1000 Pound Units)</th>
<th>Air Carrier Movements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>3,915,174</td>
<td>4,647,220</td>
<td>24,854,200</td>
<td>192,374</td>
</tr>
<tr>
<td>2013</td>
<td>5,568,794</td>
<td>4,482,700</td>
<td>24,802,612</td>
<td>221,100</td>
</tr>
<tr>
<td>2012</td>
<td>7,874,888</td>
<td>4,385,342</td>
<td>25,524,562</td>
<td>263,730</td>
</tr>
</tbody>
</table>
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
FUTURE OUTLOOK

The Airport continues to work with its existing passenger airline partners and other carriers not currently serving Memphis to identify new markets and air service enhancements. In fiscal year 2014 Southwest Airlines added new daily service to Houston and additional service to Chicago Midway and additional seasonal service to Orlando. Also, Frontier Airlines added daily service to Denver and plans to add new service to Dallas in November 2014. The Airport also added seasonal flights operated by Aeromexico and Bahamasair.

Air Cargo operations continue to remain strong and all information indicates that FedEx will continue its history of stability within the industry and at the Airport. The Authority has purchased areas adjacent to the airport for future Airport expansion of apron cargo area. Additionally, the Authority is evaluating the purchase of certain property contiguous to the Airport that could be used for future taxiway and ramp expansion opportunities.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority’s finances for all those with an interest in its finances. Questions concerning any of the information should be addressed to the Chief Financial Officer, Memphis-Shelby County Airport Authority, 2491 Winchester Road, Suite 113, Memphis, Tennessee 38116-3856.
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013 ($ IN THOUSANDS)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>UNRESTRICTED ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$43,460</td>
<td>$34,584</td>
</tr>
<tr>
<td>Investments</td>
<td>750</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>6,419</td>
<td>6,353</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Materials and supplies inventory</td>
<td>1,704</td>
<td>1,755</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,511</td>
<td>2,573</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>48</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total current unrestricted assets</strong></td>
<td>54,142</td>
<td>46,035</td>
</tr>
<tr>
<td><strong>RESTRICTED ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>82,095</td>
<td>84,926</td>
</tr>
<tr>
<td>Investments</td>
<td>3,608</td>
<td>21,146</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>572</td>
<td>735</td>
</tr>
<tr>
<td>Capital contributions receivable</td>
<td>7,052</td>
<td>9,689</td>
</tr>
<tr>
<td>Special facilities rent receivable</td>
<td>46,012</td>
<td></td>
</tr>
<tr>
<td><strong>Total current restricted assets</strong></td>
<td>139,339</td>
<td>116,496</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>193,481</td>
<td>162,531</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>UNRESTRICTED ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note receivable</td>
<td>6,677</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current unrestricted assets</strong></td>
<td>6,677</td>
<td></td>
</tr>
<tr>
<td><strong>RESTRICTED ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>45,873</td>
<td>35,284</td>
</tr>
<tr>
<td>Special facilities rent receivable</td>
<td>43,762</td>
<td>79,046</td>
</tr>
<tr>
<td><strong>Total non-current restricted assets</strong></td>
<td>45,873</td>
<td>79,046</td>
</tr>
<tr>
<td><strong>CAPITAL ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and improvements</td>
<td>162,494</td>
<td>160,780</td>
</tr>
<tr>
<td>Avigation easements</td>
<td>43,703</td>
<td>43,703</td>
</tr>
<tr>
<td>Depreciable capital assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(less accumulated depreciation of $813,425 and $765,334)</td>
<td>721,494</td>
<td>753,943</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>28,861</td>
<td>33,343</td>
</tr>
<tr>
<td><strong>Total capital assets, net</strong></td>
<td>956,552</td>
<td>991,769</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong></td>
<td>1,009,102</td>
<td>1,070,815</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$1,202,583</td>
<td>$1,233,346</td>
</tr>
</tbody>
</table>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges on refundings | $4,491 | $5,792 |

**TOTAL DEFERRED OUTFLOWS OF RESOURCES** | $4,491 | $5,792 |

See notes to basic financial statements.
<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payable from unrestricted assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$3,685</td>
<td>$4,503</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>2,783</td>
<td>2,871</td>
</tr>
<tr>
<td>Current portion - compensated absences</td>
<td>529</td>
<td>383</td>
</tr>
<tr>
<td>Total payable from unrestricted assets</td>
<td>6,997</td>
<td>7,757</td>
</tr>
<tr>
<td>Payable from restricted assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction contracts payable</td>
<td>3,137</td>
<td>4,682</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>10,309</td>
<td>10,827</td>
</tr>
<tr>
<td>Current maturities of long-term debt</td>
<td>86,764</td>
<td>28,785</td>
</tr>
<tr>
<td>Total payable from restricted assets</td>
<td>100,210</td>
<td>44,294</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>107,207</td>
<td>52,051</td>
</tr>
<tr>
<td><strong>NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease revenue received in advance</td>
<td>68,667</td>
<td>70,207</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>1,071</td>
<td>1,176</td>
</tr>
<tr>
<td>Bonds and note payable</td>
<td>344,370</td>
<td>432,752</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT LIABILITIES</strong></td>
<td>414,108</td>
<td>504,135</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>521,315</td>
<td>$556,186</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>$593,252</td>
<td>$588,115</td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital acquisition</td>
<td>61,599</td>
<td>69,153</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>30,908</td>
<td>25,684</td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td>$685,759</td>
<td>$682,952</td>
</tr>
</tbody>
</table>

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MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2014 AND 2013 ($ IN THOUSANDS)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airfield</td>
<td>$46,511</td>
<td>$44,828</td>
</tr>
<tr>
<td>Terminal building</td>
<td>30,976</td>
<td>32,795</td>
</tr>
<tr>
<td>Ground transportation</td>
<td>22,431</td>
<td>20,421</td>
</tr>
<tr>
<td>Other aviation areas</td>
<td>4,225</td>
<td>4,840</td>
</tr>
<tr>
<td>Non-aviation areas</td>
<td>9,309</td>
<td>9,582</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>$113,452</td>
<td>$112,466</td>
</tr>
</tbody>
</table>

| **OPERATING EXPENSES**   |            |            |
| Airfield                 | 10,278     | 10,338     |
| Terminal building        | 12,991     | 14,622     |
| Ground transportation    | 3,904      | 4,411      |
| General administration   | 17,376     | 18,549     |
| Police                   | 8,146      | 7,337      |
| Field shop               | 1,701      | 1,638      |
| Other aviation areas     | 249        | 171        |
| Non-aviation areas       | 972        | 983        |
| **Total operating expenses before depreciation** | $55,617  | $58,049  |

**DEPRECIATION**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>65,370</td>
<td>59,600</td>
</tr>
</tbody>
</table>

**OPERATING LOSS**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(7,535)</td>
<td>(5,183)</td>
</tr>
</tbody>
</table>

**NON-OPERATING REVENUES (EXPENSES)**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and investment income</td>
<td>2,495</td>
<td>2,012</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(21,425)</td>
<td>(22,705)</td>
</tr>
<tr>
<td>Customer facility charges</td>
<td>5,330</td>
<td>5,119</td>
</tr>
<tr>
<td>Insurance proceeds</td>
<td>269</td>
<td></td>
</tr>
<tr>
<td>Operating grants</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>Gain (loss) on disposal/sale of capital assets</td>
<td>(1,025)</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total non-operating expenses, net</strong></td>
<td>(14,577)</td>
<td>(15,236)</td>
</tr>
</tbody>
</table>

**LOSS BEFORE CAPITAL CONTRIBUTIONS**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(22,112)</td>
<td>(20,419)</td>
</tr>
</tbody>
</table>

**CAPITAL CONTRIBUTIONS**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24,919</td>
<td>37,979</td>
</tr>
</tbody>
</table>

**CHANGE IN NET POSITION**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,807</td>
<td>17,560</td>
</tr>
</tbody>
</table>

**TOTAL NET POSITION, BEGINNING OF YEAR**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>682,952</td>
<td>665,392</td>
</tr>
</tbody>
</table>

**TOTAL NET POSITION, END OF YEAR**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$685,759</td>
<td>$682,952</td>
</tr>
</tbody>
</table>

See notes to basic financial statements.
**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
YEARS ENDED JUNE 30, 2014 AND 2013 ($ IN THOUSANDS)

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from customers</td>
<td>$109,596</td>
<td>$111,594</td>
</tr>
<tr>
<td>Cash paid to suppliers for goods and services</td>
<td>(29,837)</td>
<td>(32,067)</td>
</tr>
<tr>
<td>Cash paid to employees for services</td>
<td>(26,532)</td>
<td>(26,715)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>53,227</strong></td>
<td><strong>52,812</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM NON-CAPITAL FINANCING</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating grants received</td>
<td>19</td>
<td>145</td>
</tr>
<tr>
<td><strong>Net cash provided by non-capital financing</strong></td>
<td><strong>19</strong></td>
<td><strong>145</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sale of capital assets</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>Acquisition and construction of capital assets</td>
<td>(32,626)</td>
<td>(74,926)</td>
</tr>
<tr>
<td>Principal paid on long-term debt and notes payable</td>
<td>(28,785)</td>
<td>(26,515)</td>
</tr>
<tr>
<td>Interest paid on long-term debt</td>
<td>(22,366)</td>
<td>(23,377)</td>
</tr>
<tr>
<td>Capital contributions received</td>
<td>27,556</td>
<td>43,589</td>
</tr>
<tr>
<td>Customer facility charges</td>
<td>5,330</td>
<td>5,119</td>
</tr>
<tr>
<td>Proceeds from insurance</td>
<td>269</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash used in capital and related financing activities</strong></td>
<td><strong>(50,882)</strong></td>
<td><strong>(75,820)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in notes receivable</td>
<td>(6,677)</td>
<td>(21,684)</td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>(24,573)</td>
<td>(21,684)</td>
</tr>
<tr>
<td>Proceeds from sales and maturities of investment securities</td>
<td>31,841</td>
<td>57,790</td>
</tr>
<tr>
<td>Interest and dividends on investments</td>
<td>3,090</td>
<td>2,840</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td><strong>3,681</strong></td>
<td><strong>38,946</strong></td>
</tr>
</tbody>
</table>

**NET CHANGE IN CASH**  
6,045  16,083

**CASH**  
Beginning of year  119,510  103,427  
End of year  $125,555  $119,510

**CASH, END OF YEAR CONSISTS OF**  
<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$43,460</td>
<td>$34,584</td>
</tr>
<tr>
<td>Restricted</td>
<td>82,095</td>
<td>84,926</td>
</tr>
<tr>
<td><strong>TOTAL CASH, END OF YEAR</strong></td>
<td><strong>$125,555</strong></td>
<td><strong>$119,510</strong></td>
</tr>
</tbody>
</table>

See notes to basic financial statements.
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2014 AND 2013 ($ IN THOUSANDS)  

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating loss</td>
<td>($7,535)</td>
<td>($5,183)</td>
</tr>
<tr>
<td>Adjustments to reconcile operating loss to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>65,370</td>
<td>59,600</td>
</tr>
<tr>
<td>Provision for uncollectible accounts receivable</td>
<td>466</td>
<td>26</td>
</tr>
<tr>
<td>(Increase) decrease in assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(2,782)</td>
<td>642</td>
</tr>
<tr>
<td>Materials and supplies inventory</td>
<td>51</td>
<td>108</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>62</td>
<td>142</td>
</tr>
<tr>
<td>Decrease in liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(818)</td>
<td>(721)</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>(1,587)</td>
<td>(1,802)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td><strong>$53,227</strong></td>
<td><strong>$52,812</strong></td>
</tr>
</tbody>
</table>

NON-CASH INVESTING ACTIVITIES
Investments decreased by $27 in fiscal year 2014 and $195 in fiscal year 2013, respectively, due to the change in fair market value.
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.
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

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.

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. 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.

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

F. Restricted Assets – The bond indentures and bond resolutions authorizing the issuance of bonds require
segregation of cash and investments into restricted accounts. Additionally, certain assets are restricted by
the Board or by regulatory agencies (Note 3).

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

H. Capital Assets – Assets with a cost of five thousand dollars or more are capitalized. Capital assets are stated at cost when purchased or fair value when donated, less accumulated depreciation. During construction of assets, interest incurred on related construction debt, less interest earned from investments whose use is restricted to related capital improvements, is capitalized from the time of borrowing until completion of the project. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The estimated lives by general classification are as follows:

<table>
<thead>
<tr>
<th>Asset Classification</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Runways, taxiways, aprons, and airfield lighting</td>
<td>15-30</td>
</tr>
<tr>
<td>Buildings</td>
<td>10-40</td>
</tr>
<tr>
<td>Facilities constructed for tenants</td>
<td>18</td>
</tr>
<tr>
<td>Roads, bridges, and fences</td>
<td>20</td>
</tr>
<tr>
<td>Equipment and utility systems</td>
<td>3-40</td>
</tr>
</tbody>
</table>

Avigation easements have an indefinite life and are not subject to amortization.

I. 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.

J. 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.

K. 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.

L. Retirement Systems – The Authority currently funds pension costs, which are composed of normal cost and amortization of unfunded prior service costs (Note 9).

M. Taxes – The Authority is exempt from payment of federal and state income, property, and certain other taxes.
1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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.

O. 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.

P. 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 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.

Q. 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.

R. **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.

S. **Conduit Debt** – The conduit debt obligations are special limited obligations of the Authority, payable solely from and secured by pledges of rentals to be received from lease agreements the Authority has secured with Pinnacle Airlines. The bonds do not constitute a debt or pledge of the faith and credit or net revenues of the Authority, the City, the County, or the State. As such, the debt is considered “conduit debt” to the Authority, and the related assets and liabilities are not included in the accompanying statements of net position. Conduit debt transactions are more fully described in Note 7 of the notes to the basic financial statements.

T. **GASB Accounting Pronouncements** - The Authority implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63) for fiscal year 2013. GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, which are distinct from assets and liabilities, and net position in a statement of financial position and related disclosures. The accounting changes required by GASB 63 were applied retroactively by reclassifying the statement of net position and balance sheet information for all prior periods presented.

The Authority elected to early implement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) for fiscal year 2013. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflow of resources, certain items that were previously reported as assets and liabilities. The Authority historically had recognized bond issuance costs as other assets and amortized these costs over the life of the associated debt; however, due to the implementation of GASB 65, the Authority restated prior periods presented to show the write-off of the total unamortized bond issuance costs and the reversal of amortized costs.
2. DEPOSITS AND INVESTMENTS

A. Deposits – Cash deposits as of June 30, 2014 and 2013, were $125,552 and $119,507 respectively. These deposits consisted of interest bearing and non-interest bearing demand accounts. Petty cash as of June 30, 2014 and 2013 was $3. The Authority had no cash equivalents at June 30, 2014 or 2013.

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, 2014, all amounts were properly collateralized.

B. Investments – Investments consist of the following at June 30, 2014 and 2013:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>WEIGHTED AVERAGE MATURITY (YEARS) AT June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>At fair value:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U. S. Government agencies</td>
<td>$24,178</td>
<td>$32,125</td>
<td>1.51</td>
</tr>
<tr>
<td>Deferred compensation- mutual funds</td>
<td>1,463</td>
<td>1,215</td>
<td></td>
</tr>
<tr>
<td>At cost:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward purchase agreement</td>
<td>23,840</td>
<td>23,840</td>
<td>10.68</td>
</tr>
<tr>
<td>Total Investments</td>
<td>$49,481</td>
<td>$57,180</td>
<td></td>
</tr>
</tbody>
</table>

The investments made during fiscal years 2014 and 2013 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, 2014.

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 48 percent of the Authority’s portfolio at June 30, 2014. The issuer of this investment contract had a credit rating of Aa3 by Moody’s at June 30, 2014.
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:

<table>
<thead>
<tr>
<th>INVESTMENT TYPE</th>
<th>MAXIMUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury Obligations</td>
<td>100%</td>
</tr>
<tr>
<td>Each Federal Agency</td>
<td>50%</td>
</tr>
<tr>
<td>Each Repurchase Agreement Counterparty</td>
<td>25%</td>
</tr>
<tr>
<td>Bank Deposits or Savings Accounts</td>
<td>80%</td>
</tr>
<tr>
<td>Investment Agreements</td>
<td>50%</td>
</tr>
</tbody>
</table>

*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.
2. DEPOSITS AND INVESTMENTS (CONTINUED)

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:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$43,460</td>
<td>$34,584</td>
</tr>
<tr>
<td>Short term investments</td>
<td></td>
<td>750</td>
</tr>
<tr>
<td>Restricted current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>82,095</td>
<td>84,926</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>3,608</td>
<td>21,146</td>
</tr>
<tr>
<td>Restricted non-current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>45,873</td>
<td>35,284</td>
</tr>
<tr>
<td>Total</td>
<td>$175,036</td>
<td>$176,690</td>
</tr>
<tr>
<td>Total deposits and petty cash</td>
<td>$125,555</td>
<td>$119,510</td>
</tr>
<tr>
<td>Total investments</td>
<td>49,481</td>
<td>57,180</td>
</tr>
<tr>
<td>Total</td>
<td>$175,036</td>
<td>$176,690</td>
</tr>
</tbody>
</table>
3. **RESTRICTED ASSETS**

Restricted assets consist of the following at June 30, 2014 and 2013:

<table>
<thead>
<tr>
<th>Restricted by Bond</th>
<th>Cash</th>
<th>Investments</th>
<th>Interest Receivable</th>
<th>Other Receivables</th>
<th>2014 Total</th>
<th>2013 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indentures:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special facilities bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airport revenue bonds</td>
<td>$28,340</td>
<td></td>
<td></td>
<td></td>
<td>$28,340</td>
<td>27,217</td>
</tr>
<tr>
<td>General obligation bonds</td>
<td>307</td>
<td></td>
<td></td>
<td></td>
<td>307</td>
<td>307</td>
</tr>
<tr>
<td>Total</td>
<td>28,647</td>
<td></td>
<td></td>
<td></td>
<td>46,012</td>
<td>71,286</td>
</tr>
<tr>
<td>Bond reserves:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airport revenue bonds</td>
<td>11</td>
<td>$45,873</td>
<td>$571</td>
<td></td>
<td>46,455</td>
<td>49,065</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
<td>45,873</td>
<td>571</td>
<td></td>
<td>46,455</td>
<td>49,065</td>
</tr>
<tr>
<td>Construction and land acquisition and associated costs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airport expansion</td>
<td>42,471</td>
<td>2,145</td>
<td>1</td>
<td></td>
<td>7,052</td>
<td>64,306</td>
</tr>
<tr>
<td>Contractor retainage</td>
<td>347</td>
<td></td>
<td></td>
<td></td>
<td>347</td>
<td>347</td>
</tr>
<tr>
<td>Total</td>
<td>42,818</td>
<td>2,145</td>
<td>1</td>
<td></td>
<td>7,052</td>
<td>64,653</td>
</tr>
<tr>
<td>Restricted by Contributors:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer facility charges</td>
<td>10,619</td>
<td></td>
<td></td>
<td></td>
<td>10,619</td>
<td>9,323</td>
</tr>
<tr>
<td>Deferred compensation</td>
<td>1,463</td>
<td>1,463</td>
<td></td>
<td></td>
<td>1,463</td>
<td>1,215</td>
</tr>
<tr>
<td>Total</td>
<td>10,619</td>
<td>1,463</td>
<td></td>
<td></td>
<td>12,082</td>
<td>10,538</td>
</tr>
<tr>
<td>Total Restricted Assets</td>
<td>$82,095</td>
<td>$49,481</td>
<td>$572</td>
<td>$53,064</td>
<td>$185,212</td>
<td>$195,542</td>
</tr>
</tbody>
</table>

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
3. **RESTRICTED ASSETS (CONTINUED)**

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

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

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

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

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

The Authority covenants in bond resolutions that it will impose, prescribe, and collect rates, rentals, fees, and charges for the use of the airports, and revise the same when necessary, to assure that the Authority will be financially self-sufficient and that revenues so produced shall be sufficient to pay debt service when due; to pay all costs of operations and maintenance; and to pay any other claims payable when due. The Authority was in compliance with its debt covenant requirements at June 30, 2014.

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.
4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Additions &amp; Reclassifications</th>
<th>Less Depletions &amp; Reclassifications</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July 1, 2013</td>
<td></td>
<td></td>
<td>June 30, 2014</td>
</tr>
</tbody>
</table>

**CAPITAL ASSETS NOT BEING DEPRECIATED**

<table>
<thead>
<tr>
<th>Asset Description</th>
<th>July 1, 2013</th>
<th>Additions &amp; Reclassifications</th>
<th>Less Depletions &amp; Reclassifications</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and improvements</td>
<td>$160,780</td>
<td>$1,714</td>
<td></td>
<td>$162,494</td>
</tr>
<tr>
<td>Avigation easements</td>
<td>43,703</td>
<td></td>
<td></td>
<td>43,703</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>33,343</td>
<td>34,636</td>
<td>$39,118</td>
<td>28,861</td>
</tr>
<tr>
<td>Total capital assets not being depreciated</td>
<td>237,826</td>
<td>36,350</td>
<td>39,118</td>
<td>235,058</td>
</tr>
</tbody>
</table>

**CAPITAL ASSETS BEING DEPRECIATED**

<table>
<thead>
<tr>
<th>Asset Description</th>
<th>Balance</th>
<th>Additions &amp; Reclassifications</th>
<th>Less Depletions &amp; Reclassifications</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Runways, taxiways, aprons and airfield lighting</td>
<td>720,516</td>
<td>3,321</td>
<td>8,497</td>
<td>715,340</td>
</tr>
<tr>
<td>Buildings</td>
<td>521,859</td>
<td>22,021</td>
<td>1,228</td>
<td>542,652</td>
</tr>
<tr>
<td>Facilities constructed for tenants</td>
<td>104,077</td>
<td></td>
<td></td>
<td>104,077</td>
</tr>
<tr>
<td>Roads, bridges and fences</td>
<td>65,071</td>
<td>2,240</td>
<td>202</td>
<td>67,109</td>
</tr>
<tr>
<td>Equipment and utility systems</td>
<td>107,754</td>
<td>6,375</td>
<td>8,388</td>
<td>105,741</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>1,519,277</td>
<td>33,957</td>
<td>18,315</td>
<td>1,534,919</td>
</tr>
</tbody>
</table>

**ACCUMULATED DEPRECIATION**

<table>
<thead>
<tr>
<th>Asset Description</th>
<th>Accumulated Depreciation</th>
<th>Total Capital Assets Being Depreciated, Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Runways, taxiways, aprons and airfield lighting</td>
<td>362,641</td>
<td>753,943</td>
</tr>
<tr>
<td>Buildings</td>
<td>252,742</td>
<td></td>
</tr>
<tr>
<td>Facilities constructed for tenants</td>
<td>39,461</td>
<td></td>
</tr>
<tr>
<td>Roads, bridges and fences</td>
<td>31,402</td>
<td></td>
</tr>
<tr>
<td>Equipment and utility systems</td>
<td>79,088</td>
<td></td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>765,334</td>
<td>813,425</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>753,943</td>
<td>721,494</td>
</tr>
<tr>
<td>CAPITAL ASSETS, NET</td>
<td>$991,769</td>
<td>$956,552</td>
</tr>
</tbody>
</table>
4.  CAPITAL ASSETS (CONTINUED)

The Authority capitalized $106 and $242 of interest expense less $0 and $2 of interest income for a net capitalization of $106 and $240 for fiscal years 2014 and 2013, respectively.

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

5.  LEASE AND USE OF AIRPORT FACILITIES

The Authority leases terminal space, buildings, and airfield space on both a fixed-fee and contingent rental (percent of revenue) basis. Contingent rentals generally have fixed specified minimum rent provisions. Contingent rentals were $45,884 and $47,009 for fiscal years 2014 and 2013, respectively.

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

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

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

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$85,091</td>
</tr>
<tr>
<td>2016</td>
<td>38,942</td>
</tr>
<tr>
<td>2017</td>
<td>38,258</td>
</tr>
<tr>
<td>2018</td>
<td>17,289</td>
</tr>
<tr>
<td>2019</td>
<td>18,276</td>
</tr>
<tr>
<td>2020-2024</td>
<td>91,979</td>
</tr>
<tr>
<td>2025-2029</td>
<td>74,692</td>
</tr>
<tr>
<td>2030-2034</td>
<td>74,654</td>
</tr>
<tr>
<td>2035-2039</td>
<td>65,462</td>
</tr>
<tr>
<td>2040-2044</td>
<td>7,682</td>
</tr>
<tr>
<td>2045-2049</td>
<td>7,682</td>
</tr>
<tr>
<td>2050-2054</td>
<td>7,682</td>
</tr>
<tr>
<td>2055-2059</td>
<td>7,682</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$535,371</strong></td>
</tr>
</tbody>
</table>
### 6. LONG-TERM DEBT

Long-term debt information and activity for fiscal year 2014 is as follows:

<table>
<thead>
<tr>
<th>ORIGINAL AMOUNT</th>
<th>INTEREST RATES</th>
<th>BALANCE JULY 1, 2013</th>
<th>ADDITIONS</th>
<th>DEDUCTIONS</th>
<th>BALANCE JUNE 30, 2014</th>
<th>DUE WITHIN ONE YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Airport Revenue Bonds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2002</td>
<td>$23,150</td>
<td>3.25% - 5.50%</td>
<td>$440</td>
<td></td>
<td></td>
<td>$440</td>
</tr>
<tr>
<td>Series 2003A</td>
<td>21,030</td>
<td>4.00% - 5.25%</td>
<td>6,320</td>
<td>2,010</td>
<td>$4,310</td>
<td></td>
</tr>
<tr>
<td>Series 2008A</td>
<td>90,375</td>
<td>3.75% - 5.00%</td>
<td>41,370</td>
<td>13,180</td>
<td>28,190</td>
<td>13,685</td>
</tr>
<tr>
<td>Series 2010A</td>
<td>30,290</td>
<td>4.46% - 5.02%</td>
<td>30,290</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2010B</td>
<td>159,340</td>
<td>3.00% - 5.75%</td>
<td>152,950</td>
<td>3,250</td>
<td>149,700</td>
<td>1,795</td>
</tr>
<tr>
<td>Series 2011A-1</td>
<td>57,825</td>
<td>3.00% - 6.00%</td>
<td>56,240</td>
<td>5,655</td>
<td>50,585</td>
<td>8,330</td>
</tr>
<tr>
<td>Series 2011A-2</td>
<td>32,030</td>
<td>3.00% - 5.50%</td>
<td>26,405</td>
<td>4,250</td>
<td>22,155</td>
<td>4,415</td>
</tr>
<tr>
<td>Series 2011B</td>
<td>17,600</td>
<td>4.50% - 5.00%</td>
<td>17,600</td>
<td></td>
<td></td>
<td>17,600</td>
</tr>
<tr>
<td>Series 2011C</td>
<td>22,040</td>
<td>5.00%</td>
<td>22,040</td>
<td></td>
<td></td>
<td>22,040</td>
</tr>
<tr>
<td>Series 2011D</td>
<td>41,170</td>
<td>4.00% - 5.25%</td>
<td>41,170</td>
<td></td>
<td></td>
<td>41,170</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>494,850</td>
<td></td>
<td>394,825</td>
<td>28,785</td>
<td>366,040</td>
<td>30,330</td>
</tr>
<tr>
<td><strong>Special Facilities Revenue Bonds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2003</td>
<td>45,000</td>
<td>4.5%</td>
<td>45,000</td>
<td></td>
<td></td>
<td>45,000</td>
</tr>
<tr>
<td><strong>Note Payable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unamortized bond premiums</td>
<td>11,500</td>
<td>Variable</td>
<td>11,434</td>
<td></td>
<td>11,434</td>
<td>11,434</td>
</tr>
<tr>
<td><strong>Total bonds and note payable</strong></td>
<td>551,350</td>
<td></td>
<td>461,537</td>
<td>30,403</td>
<td>431,134</td>
<td>86,764</td>
</tr>
<tr>
<td><strong>Other liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated absences</td>
<td>1,559</td>
<td>$365</td>
<td>324</td>
<td>1,600</td>
<td>529</td>
<td></td>
</tr>
<tr>
<td><strong>Total other liabilities</strong></td>
<td>1,559</td>
<td>$365</td>
<td>324</td>
<td>1,600</td>
<td>529</td>
<td></td>
</tr>
<tr>
<td><strong>Total long-term debt</strong></td>
<td>$551,350</td>
<td>$463,096</td>
<td>$365</td>
<td>$30,727</td>
<td>$432,734</td>
<td>$87,293</td>
</tr>
</tbody>
</table>

Interest expense includes amortization of deferred charges on refunding for fiscal years 2014 and 2013 of $1,301 and $1,584, respectively, and amortization of the net premium of $1,618 and $1,756, respectively.
6. 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.

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

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

**Line of Credit** – In April 2013, the Authority consolidated all lines of credit and obtained a $45,000 revolving line of credit with a bank. The purpose for this line of credit is to provide temporary funding for the purchase of leaseholds and property for airfield expansion and cash flow for other certain capital projects. The amount available on this line of credit is reduced by the $11,434 outstanding note payable, leaving $33,566 available for draw down at June 30, 2014.

**Note Payable** - On July 12, 2011, the Authority drew on the $45,000 line of credit and entered into a note payable with an original amount of $11,500 to purchase lease holds on currently owned property for airfield expansion. The note is renewable on December 31, 2014 and bears interest at a rate of 30 day LIBOR plus 1.83 percent. The Authority has paid $66 towards principal through fiscal year 2014 leaving a balance of $11,434 at June 30, 2014.
6. LONG-TERM DEBT (CONTINUED)

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

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SPECIAL FACILITIES REVENUE BONDS</th>
<th>AIRPORT REVENUE BONDS</th>
<th>INTEREST PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$45,000</td>
<td>$30,330</td>
<td>$19,729</td>
</tr>
<tr>
<td>2016</td>
<td>32,350</td>
<td>17,184</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>21,210</td>
<td>15,523</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>22,230</td>
<td>14,424</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>23,740</td>
<td>13,229</td>
<td></td>
</tr>
<tr>
<td>2020-2024</td>
<td>140,090</td>
<td>44,809</td>
<td></td>
</tr>
<tr>
<td>2025-2029</td>
<td>69,305</td>
<td>11,134</td>
<td></td>
</tr>
<tr>
<td>2030-2034</td>
<td>10,415</td>
<td>5,445</td>
<td></td>
</tr>
<tr>
<td>2035-2039</td>
<td>13,300</td>
<td>2,494</td>
<td></td>
</tr>
<tr>
<td>2040</td>
<td>3,070</td>
<td>77</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$45,000</td>
<td>$366,040</td>
<td>$144,048</td>
</tr>
</tbody>
</table>

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

The conduit debt obligation is a special limited obligation of the Authority, payable solely from and secured by pledges of rentals to be received from lease agreements the Authority has secured with Pinnacle Airlines. The bonds do not constitute a debt or pledge of the faith and credit or net revenues of the Authority, the City, the County or the State. Accordingly, this debt has not been reported in the accompanying financial statements. The Authority has facilitated the issuance of the following series of conduit debt:

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>AMOUNT OUTSTANDING AS OF JUNE 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Facilities Revenue Bonds - Refunding Series 1997</td>
<td></td>
</tr>
<tr>
<td>Issued in the amount of $3,160 bearing interest at 6.125 percent, due in full on December 1, 2016. Proceeds used to refund bonds previously issued to finance the cost of the acquisition and construction of certain aircraft maintenance and repair facilities for Pinnacle Airlines and are payable solely from and are secured by a pledge of rental payments to be received from lease agreements and an Unconditional Guaranty. Pinnacle Airlines defaulted on the December 1, 2012 principle and interest payment and filed for Chapter 11 bankruptcy on April 1, 2013.</td>
<td>$1,480</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,480</td>
</tr>
</tbody>
</table>

8. CAPITAL CONTRIBUTIONS

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal grants</td>
<td>$20,525</td>
<td>$36,794</td>
</tr>
<tr>
<td>State grants</td>
<td>4,366</td>
<td>817</td>
</tr>
<tr>
<td>Total Federal and State grants</td>
<td>24,891</td>
<td>37,611</td>
</tr>
<tr>
<td>Federal agreements</td>
<td>28</td>
<td>368</td>
</tr>
<tr>
<td>Total Capital Contributions</td>
<td>$24,919</td>
<td>$37,979</td>
</tr>
</tbody>
</table>
9. DEFINED BENEFIT RETIREMENT PLANS

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

Plan Description – Substantially all full-time salaried employees are required to participate in one of two contributory defined benefit pension plans (the “Plans”). Plan A is for salaried employees hired before July 1, 1978 and Plan B is for salaried employees hired thereafter. Hourly employees are eligible for coverage under a supplemental retirement plan based on their wages under the Federal Insurance Contribution Act (“Social Security”). The Authority’s payroll for employees covered by the plans was $16,681 and $17,009 for fiscal years 2014 and 2013, respectively. Total payroll was $20,603 and $20,524 for the same two periods.

The Plans provide retirement benefits as well as death and disability benefits. Retirement benefits vest after ten years of service. General employees under Plan A may retire after completion of twenty-five years of service or, if earlier, after age sixty and completion of ten years of service. Under Plan B, general employees may retire after meeting any of the following schedules:

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

Funding Policy - Plan members are required to contribute 5 percent under Plan A and 8 percent under Plan B of their annual covered salary and the Authority is required to contribute at an actuarially determined rate, which was 6 percent for fiscal year 2014. The contribution requirements of Plan members and the Authority are established and may be amended by the Board of Administration. The Authority’s contributions to the Plan for fiscal years 2014, 2013, and 2012 were $1,001, $1,014, and $972, respectively, equal to the required contributions for each year.
10. 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 amount of contributions expensed for fiscal years 2014 and 2013 was $720 and $737, respectively. Since the plan assets are held in trust for the benefit of the plan members, the related assets of the plan are not included in the accompanying statements of net position. At June 30, 2014 and 2013, the fair value of the plan assets was $15,220 and $13,196, respectively. There is no separate, audited postemployment benefit plan report available for the defined contribution postemployment plan.

11. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, 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, 2014 and 2013, the fair value of the plan assets was $7,230 and $6,943, respectively.
12. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Notes 9 and 10, the Authority provides post-retirement health care benefits to all employees who retire from the Authority under the provisions of the City Plan. The Board, in conjunction with the City, has established benefit provisions and contribution obligations. Currently, 149 employees are eligible for post-employment benefits. The plan provides 80% of the cost of certain health care and life insurance coverage to retirees. The Authority accounts for the cost of these benefits as a cost-sharing employer under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* (“GASB No 45”). Expenses for post-employment health care benefits are recognized when premiums are incurred. Premiums are determined on a contract basis with the City. Expenses for fiscal years 2014, 2013, and 2012 were $1,153, $995 and $892, respectively which were equal to the required contributions. The Authority has no liability for premiums due at June 30, 2014 and 2013.

The other post-employment benefits plan is included in the City’s basic financial statements as a pension trust fund. That report may be obtained by writing to the City of Memphis, Comptroller’s Office, 125 N. Main Street, Memphis, TN 38103.

13. RELATED PARTIES AND MAJOR CUSTOMERS

The City provided fire protection and other services to the Authority at a cost of $3,630 for fiscal years 2014 and 2013.

The Authority receives a large portion of its operating revenues from two airlines, FedEx Express and Delta Air Lines. Rentals, landing fees, and other revenues from these two airlines were approximately 59 percent of operating revenues for fiscal years 2014 and 2013.

14. COMMITMENTS AND CONTINGENCIES

The Authority’s construction projects are estimated at $282,674, of which $214,518 has been expended through June 30, 2014. Of the remaining $68,156 expected to be spent, the outstanding commitments were $50,461 at June 30, 2014, related primarily to terminal apron reconstruction, parking garage improvements, CCTV and access control system and airfield improvements. The remaining commitments relate to projects to be funded from Airport Expansion funds included in restricted assets (Note 3) and Federal grants.

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

In December 2009, the Authority was served with a class action alleging violations of the Fair Credit Reporting Act ("FCRA") and the Fair and Accurate Credit Transaction Act ("FACTA") in the Authority’s public parking operations. The complaint alleged statutory violations but no actual harm to any plaintiff or plaintiffs. In July 2011, the Court approved a settlement between the parties that requires the Authority to provide five dollar vouchers (with a maximum of six vouchers to be given to any one applicant) to qualified applicants and will provide a two dollar discount on the economy parking charge from the Authority’s GTC until $725 has been paid out through a combination of vouchers and discounts. The Authority accrued a $1,000 settlement amount in fiscal year 2010 and paid $275 in plaintiff attorney fees and $5 to the named plaintiff in fiscal year 2011. As of June 30, 2014, the total amount of this settlement obligation has been met.

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.

15. SUBSEQUENT EVENT

In October 2014, the Authority issued a $7,000 Memphis-Shelby County Airport Authority Revenue Note, Subordinate Series ("Note"). The Note matures October 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 and the proceeds were used to offset the existing note receivable of $6,677 outstanding at June 30, 2014. The Note is secured by general airport revenues collected from airport operations.
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, 2014, WITH COMPARATIVE TOTALS FOR 2013
($ IN THOUSANDS)

<table>
<thead>
<tr>
<th></th>
<th>Memphis International Airport</th>
<th>Charles W. Baker Airport</th>
<th>General DeWitt Spain Airport</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNRESTRICTED ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$43,453</td>
<td>$2</td>
<td>$5</td>
<td>$43,460</td>
<td>$34,584</td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td>$750</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>6,414</td>
<td>5</td>
<td>6,419</td>
<td>$6,353</td>
<td></td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Materials and supplies inventory</td>
<td>1,573</td>
<td>70</td>
<td>61</td>
<td>1,704</td>
<td>1,755</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,474</td>
<td>21</td>
<td>16</td>
<td>2,511</td>
<td>2,573</td>
</tr>
<tr>
<td>Grants receivable</td>
<td></td>
<td></td>
<td></td>
<td>48</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total current unrestricted assets</strong></td>
<td>53,914</td>
<td>117</td>
<td>111</td>
<td>54,142</td>
<td>46,035</td>
</tr>
<tr>
<td><strong>RESTRICTED ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>82,095</td>
<td></td>
<td></td>
<td>82,095</td>
<td>84,926</td>
</tr>
<tr>
<td>Investments</td>
<td>3,608</td>
<td></td>
<td></td>
<td>3,608</td>
<td>21,146</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>572</td>
<td></td>
<td></td>
<td>572</td>
<td>735</td>
</tr>
<tr>
<td>Capital contribution receivable</td>
<td>5,035</td>
<td>1,080</td>
<td>937</td>
<td>7,052</td>
<td>9,689</td>
</tr>
<tr>
<td>Special facilities rent receivable</td>
<td>46,012</td>
<td></td>
<td></td>
<td>46,012</td>
<td></td>
</tr>
<tr>
<td><strong>Total current restricted assets</strong></td>
<td>137,322</td>
<td>1,080</td>
<td>937</td>
<td>139,339</td>
<td>116,496</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>191,236</td>
<td>1,197</td>
<td>1,048</td>
<td>193,481</td>
<td>162,531</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNRESTRICTED ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note receivable</td>
<td>6,677</td>
<td></td>
<td></td>
<td>6,677</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current unrestricted assets</strong></td>
<td>6,677</td>
<td></td>
<td></td>
<td>6,677</td>
<td></td>
</tr>
<tr>
<td>RESTRICTED ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>45,873</td>
<td></td>
<td></td>
<td>45,873</td>
<td>35,284</td>
</tr>
<tr>
<td>Special facilities rent receivable</td>
<td>43,762</td>
<td></td>
<td></td>
<td></td>
<td>43,762</td>
</tr>
<tr>
<td><strong>Total non-current restricted assets</strong></td>
<td>45,873</td>
<td></td>
<td></td>
<td>45,873</td>
<td>79,046</td>
</tr>
<tr>
<td><strong>CAPITAL ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and improvements</td>
<td>160,754</td>
<td>479</td>
<td>1,261</td>
<td>162,494</td>
<td>160,780</td>
</tr>
<tr>
<td>Avigation easements</td>
<td>43,703</td>
<td></td>
<td></td>
<td>43,703</td>
<td>43,703</td>
</tr>
<tr>
<td>Depreciable capital assets (less accumulated depreciation of $813,425 and $765,334)</td>
<td>717,662</td>
<td>603</td>
<td>3,229</td>
<td>721,494</td>
<td>753,943</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>28,861</td>
<td></td>
<td></td>
<td>28,861</td>
<td>33,343</td>
</tr>
<tr>
<td><strong>Total capital assets, net</strong></td>
<td>950,980</td>
<td>1,082</td>
<td>4,490</td>
<td>956,552</td>
<td>991,769</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong></td>
<td>1,003,530</td>
<td>1,082</td>
<td>4,490</td>
<td>1,009,102</td>
<td>1,070,815</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$1,194,766</td>
<td>$2,279</td>
<td>$5,538</td>
<td>$1,202,583</td>
<td>$1,233,346</td>
</tr>
<tr>
<td><strong>DEFERRED OUTFLOWS OF RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred charges on refundings</td>
<td>$4,491</td>
<td></td>
<td></td>
<td>$4,491</td>
<td>$5,792</td>
</tr>
<tr>
<td><strong>TOTAL DEFERRED OUTFLOWS OF RESOURCES</strong></td>
<td>$4,491</td>
<td></td>
<td></td>
<td>$4,491</td>
<td>$5,792</td>
</tr>
</tbody>
</table>
## LIABILITIES

### CURRENT LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>Memphis International Airport</th>
<th>Charles W. Baker Airport</th>
<th>General DeWitt Spain Airport</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable from unrestricted assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$3,681</td>
<td>$4</td>
<td>$3,685</td>
<td>$4,503</td>
<td></td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>2,783</td>
<td></td>
<td>2,783</td>
<td>2,871</td>
<td></td>
</tr>
<tr>
<td>Due to (from) other airports</td>
<td>(6,607)</td>
<td>2,266</td>
<td>$4,341</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion - compensated absences</td>
<td>527</td>
<td>1</td>
<td>1</td>
<td>529</td>
<td>383</td>
</tr>
<tr>
<td>Total payable from unrestricted assets</td>
<td>384</td>
<td>2,271</td>
<td>4,342</td>
<td>6,997</td>
<td>7,757</td>
</tr>
<tr>
<td>Payable from restricted assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction contracts payable</td>
<td>3,137</td>
<td></td>
<td>3,137</td>
<td>4,682</td>
<td></td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>10,309</td>
<td></td>
<td>10,309</td>
<td>10,827</td>
<td></td>
</tr>
<tr>
<td>Current maturities of long-term debt</td>
<td>86,764</td>
<td></td>
<td>86,764</td>
<td>28,785</td>
<td></td>
</tr>
<tr>
<td>Total payable from restricted assets</td>
<td>100,210</td>
<td></td>
<td>100,210</td>
<td>44,294</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>100,594</td>
<td>2,271</td>
<td>4,342</td>
<td>107,207</td>
<td>52,051</td>
</tr>
</tbody>
</table>

### NON-CURRENT LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>Memphis International Airport</th>
<th>Charles W. Baker Airport</th>
<th>General DeWitt Spain Airport</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease revenue received in advance</td>
<td>68,667</td>
<td></td>
<td>68,667</td>
<td>70,207</td>
<td></td>
</tr>
<tr>
<td>Compensated absences</td>
<td>1,013</td>
<td>29</td>
<td>29</td>
<td>1,071</td>
<td>1,176</td>
</tr>
<tr>
<td>Bonds and note payable</td>
<td>344,370</td>
<td></td>
<td>344,370</td>
<td>432,752</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT LIABILITIES</strong></td>
<td>414,050</td>
<td>29</td>
<td>29</td>
<td>414,108</td>
<td>504,135</td>
</tr>
</tbody>
</table>

### TOTAL LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>Memphis International Airport</th>
<th>Charles W. Baker Airport</th>
<th>General DeWitt Spain Airport</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$514,644</td>
<td>$2,300</td>
<td>$4,371</td>
<td>$521,315</td>
<td>$556,186</td>
</tr>
</tbody>
</table>

### NET POSITION

<table>
<thead>
<tr>
<th></th>
<th>Memphis International Airport</th>
<th>Charles W. Baker Airport</th>
<th>General DeWitt Spain Airport</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>587,680</td>
<td>1,082</td>
<td>4,490</td>
<td>593,252</td>
<td>588,115</td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital acquisition</td>
<td>59,582</td>
<td>1,080</td>
<td>937</td>
<td>61,599</td>
<td>69,153</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>37,351</td>
<td>(2,183)</td>
<td>(4,260)</td>
<td>30,908</td>
<td>25,684</td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td>$684,613</td>
<td>($21)</td>
<td>$1,167</td>
<td>$685,759</td>
<td>$682,952</td>
</tr>
</tbody>
</table>
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY  
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION INFORMATION BY AIRPORT  
YEAR ENDED JUNE 30, 2014, WITH COMPARATIVE TOTALS FOR 2013  
($ IN THOUSANDS)

<table>
<thead>
<tr>
<th></th>
<th>Memphis International Airport</th>
<th>Charles W. Baker Airport</th>
<th>General DeWitt Spain Airport</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airfield</td>
<td>$45,362</td>
<td>$289</td>
<td>$860</td>
<td>$46,511</td>
<td>$44,828</td>
</tr>
<tr>
<td>Terminal building</td>
<td>30,976</td>
<td></td>
<td>30,976</td>
<td></td>
<td>32,795</td>
</tr>
<tr>
<td>Ground transportation</td>
<td>22,431</td>
<td></td>
<td>22,431</td>
<td></td>
<td>20,421</td>
</tr>
<tr>
<td>Other aviation areas</td>
<td>3,986</td>
<td>113</td>
<td>126</td>
<td>4,225</td>
<td>4,840</td>
</tr>
<tr>
<td>Non-aviation areas</td>
<td>9,308</td>
<td>1</td>
<td>9,309</td>
<td></td>
<td>9,582</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>$112,063</td>
<td>403</td>
<td>986</td>
<td>113,452</td>
<td>112,466</td>
</tr>
</tbody>
</table>

| **OPERATING EXPENSES** |                               |                          |                               |       |       |
| Airfield              | 9,195                         | 329                      | 754                           | 10,278 | 10,338 |
| Terminal building     | 12,991                        |                          | 12,991                        |        | 14,622 |
| Ground transportation | 3,904                         |                          | 3,904                         |        | 4,411  |
| General administration| 16,862                        | 240                      | 274                           | 17,376 | 18,549 |
| Police                | 8,146                         |                          | 8,146                         |        | 7,337  |
| Field shop            | 1,701                         |                          | 1,701                         |        | 1,638  |
| Other aviation areas  | 244                           | 1                        | 4                             | 249    | 171    |
| Non-aviation areas    | 972                           |                          | 972                           |        | 983    |
| **Total operating expenses before depreciation** | $54,015                     | 570                      | 1,032                         | 55,617 | 58,049 |

| **DEPRECIATION** |                               |                          |                               |       |       |
|                  | 64,846                        | 226                      | 298                           | 65,370 | 59,600 |

| **OPERATING LOSS** |                               |                          |                               |       |       |
|                   | (6,798)                       | (393)                    | (344)                         | (7,535) | (5,183) |

| **NON-OPERATING REVENUES (EXPENSES)** |                               |                          |                               |       |       |
| Interest and investment income | 2,495                         |                          | 2,495                         |        | 2,012  |
| Interest expense             | (21,425)                      |                          | (21,425)                      |        | (22,705) |
| Customer facility charges    | 5,330                         |                          | 5,330                         |        | 5,119  |
| Insurance proceeds           | 269                           |                          |                               |        |        |
| Operating grants             | 24                            | 24                       | 48                            |        | 48     |
| Gain (loss) on sale of capital assets | (1,025)                  |                          | (1,025)                      |        | 21     |
| **Total non-operating expenses, net** | (14,625)                     | 24                       | 24                            | (14,577) | (15,236) |

| **LOSS BEFORE CAPITAL CONTRIBUTIONS** |                               |                          |                               |       |       |
|                                     | (21,423)                      | (369)                    | (320)                         | (22,112) | (20,419) |

| **CAPITAL CONTRIBUTIONS** |                               |                          |                               |       |       |
|                         | 23,269                        | 1,077                    | 573                           | 24,919 | 37,979 |

| **CHANGE IN NET POSITION** |                               |                          |                               |       |       |
|                          | 1,846                         | 708                      | 253                           | 2,807  | 17,560 |

| **TOTAL NET POSITION, BEGINNING OF YEAR** |                               |                          |                               |       |       |
|                                         | 682,767                       | (729)                    | 914                           | 682,952 | 665,392 |

| **TOTAL NET POSITION, END OF YEAR** |                               |                          |                               |       |       |
|                                     | $684,613                     | ($21)                    | $1,167                        | $685,759 | $682,952 |
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY  
SUPPLEMENTAL SCHEDULE OF  
CASH FLOWS INFORMATION BY AIRPORT  
YEAR ENDED JUNE 30, 2014, WITH COMPARATIVE TOTALS FOR 2013  
($ IN THOUSANDS)

<table>
<thead>
<tr>
<th></th>
<th>Memphis International Airport</th>
<th>Charles W. Baker Airport</th>
<th>General DeWitt Spain Airport</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from customers</td>
<td>$108,201</td>
<td>$405</td>
<td>$990</td>
<td>$109,596</td>
<td>$111,594</td>
</tr>
<tr>
<td>Cash paid to suppliers for goods and services</td>
<td>(29,026)</td>
<td>(231)</td>
<td>(580)</td>
<td>(29,837)</td>
<td>(32,067)</td>
</tr>
<tr>
<td>Cash paid to employees for services</td>
<td>(26,163)</td>
<td>(184)</td>
<td>(185)</td>
<td>(26,532)</td>
<td>(26,715)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>53,012</td>
<td>(10)</td>
<td>225</td>
<td>53,227</td>
<td>52,812</td>
</tr>
<tr>
<td>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating grants received</td>
<td>9</td>
<td>10</td>
<td>19</td>
<td>145</td>
<td></td>
</tr>
<tr>
<td>Net cash provided by non-capital financing activities</td>
<td>9</td>
<td>10</td>
<td>19</td>
<td>145</td>
<td></td>
</tr>
<tr>
<td>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from the sale of capital assets</td>
<td>9</td>
<td>9</td>
<td>21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition and construction of capital assets</td>
<td>(32,036)</td>
<td>1</td>
<td>(591)</td>
<td>(32,626)</td>
<td>(74,926)</td>
</tr>
<tr>
<td>Principal paid on long-term debt and notes payable</td>
<td>(28,785)</td>
<td></td>
<td>(28,785)</td>
<td>(26,515)</td>
<td></td>
</tr>
<tr>
<td>Interest paid on long-term debt</td>
<td>(22,366)</td>
<td></td>
<td>(22,366)</td>
<td>(23,377)</td>
<td></td>
</tr>
<tr>
<td>Capital contributions received</td>
<td>27,221</td>
<td>(1)</td>
<td>336</td>
<td>27,556</td>
<td>43,589</td>
</tr>
<tr>
<td>Customer facility charges</td>
<td>5,330</td>
<td></td>
<td></td>
<td>5,330</td>
<td>5,119</td>
</tr>
<tr>
<td>Proceeds from insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>269</td>
</tr>
<tr>
<td>Net cash used in capital and related financing activities</td>
<td>(50,627)</td>
<td>(255)</td>
<td>(50,882)</td>
<td>(75,820)</td>
<td></td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in notes receivable</td>
<td>(6,677)</td>
<td></td>
<td>(6,677)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>(24,573)</td>
<td></td>
<td>(24,573)</td>
<td>(21,684)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales and maturities of investment securities</td>
<td>31,841</td>
<td></td>
<td>31,841</td>
<td>57,790</td>
<td></td>
</tr>
<tr>
<td>Interest and dividends on investments</td>
<td>3,090</td>
<td></td>
<td>3,090</td>
<td>2,840</td>
<td></td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>3,681</td>
<td></td>
<td></td>
<td>3,681</td>
<td>38,946</td>
</tr>
<tr>
<td>NET CHANGE IN CASH</td>
<td>6,066</td>
<td>(1)</td>
<td>(20)</td>
<td>6,045</td>
<td>16,083</td>
</tr>
<tr>
<td>CASH, BEGINNING OF YEAR</td>
<td>119,482</td>
<td>3</td>
<td>25</td>
<td>119,510</td>
<td>103,427</td>
</tr>
<tr>
<td>CASH, END OF YEAR</td>
<td>$125,548</td>
<td>$2</td>
<td>$5</td>
<td>$125,555</td>
<td>$119,510</td>
</tr>
<tr>
<td>CASH, END OF YEAR CONSISTS OF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$43,453</td>
<td>$2</td>
<td>$5</td>
<td>$43,460</td>
<td>$34,584</td>
</tr>
<tr>
<td>Restricted</td>
<td>82,095</td>
<td></td>
<td>82,095</td>
<td>84,926</td>
<td></td>
</tr>
<tr>
<td>CASH, END OF YEAR</td>
<td>$125,548</td>
<td>$2</td>
<td>$5</td>
<td>$125,555</td>
<td>$119,510</td>
</tr>
</tbody>
</table>
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF
CASH FLOWS INFORMATION BY AIRPORT (CONTINUED)
YEAR ENDED JUNE 30, 2014, WITH COMPARATIVE TOTALS FOR 2013
($ IN THOUSANDS)

<table>
<thead>
<tr>
<th></th>
<th>Memphis International Airport</th>
<th>Charles W. Baker Airport</th>
<th>General DeWitt Spain Airport</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating loss</td>
<td>($6,798)</td>
<td>($393)</td>
<td>($344)</td>
<td>($7,535)</td>
<td>($5,183)</td>
</tr>
<tr>
<td>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>64,846</td>
<td>226</td>
<td>298</td>
<td>65,370</td>
<td>59,600</td>
</tr>
<tr>
<td>Provision for uncollectible accounts receivable</td>
<td>463</td>
<td>2</td>
<td>1</td>
<td>466</td>
<td>26</td>
</tr>
<tr>
<td>(Increase) decrease in assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(2,785)</td>
<td></td>
<td>3</td>
<td>(2,782)</td>
<td>642</td>
</tr>
<tr>
<td>Materials and supplies inventory</td>
<td>88</td>
<td>(13)</td>
<td>(24)</td>
<td>51</td>
<td>108</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>64</td>
<td>(1)</td>
<td>(1)</td>
<td>62</td>
<td>142</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(818)</td>
<td></td>
<td>(818)</td>
<td>(721)</td>
<td></td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>(1,587)</td>
<td></td>
<td>(1,587)</td>
<td>(1,802)</td>
<td></td>
</tr>
<tr>
<td>Transfer between airports for operating activities</td>
<td>(461)</td>
<td>169</td>
<td>292</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td><strong>$53,012</strong></td>
<td><strong>($10)</strong></td>
<td>$225</td>
<td><strong>$53,227</strong></td>
<td><strong>$52,812</strong></td>
</tr>
</tbody>
</table>
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF OPERATING REVENUES
BY SOURCE BY AIRPORT
YEAR ENDED JUNE 30, 2014, WITH COMPARATIVE TOTALS FOR 2013
($ IN THOUSANDS)

<table>
<thead>
<tr>
<th>Source</th>
<th>Memphis International Airport</th>
<th>Charles W. Baker Airport</th>
<th>General DeWitt Spain Airport</th>
<th>Total</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIRFIELD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landing fees - signatory</td>
<td>$32,726</td>
<td>$32,726</td>
<td>$31,102</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landing fees - non-signatory</td>
<td>3,589</td>
<td>3,589</td>
<td>5,044</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apron fees</td>
<td>2</td>
<td>$2</td>
<td>$6</td>
<td>10</td>
<td>759</td>
</tr>
<tr>
<td>Fuel flow fees - fixed base operations</td>
<td>192</td>
<td>287</td>
<td>854</td>
<td>1,333</td>
<td>194</td>
</tr>
<tr>
<td>Ground rentals - fixed base operations</td>
<td>1,092</td>
<td></td>
<td>1,092</td>
<td>602</td>
<td></td>
</tr>
<tr>
<td>Ground rentals - airlines</td>
<td>7,761</td>
<td></td>
<td>7,761</td>
<td>6,173</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>954</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>45,362</td>
<td>289</td>
<td>860</td>
<td>46,511</td>
<td>44,828</td>
</tr>
<tr>
<td>TERMINAL BUILDING</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Space rental - airlines</td>
<td>23,017</td>
<td></td>
<td>23,017</td>
<td>22,729</td>
<td></td>
</tr>
<tr>
<td>Concessionaires - food and beverages</td>
<td>1,330</td>
<td></td>
<td>1,330</td>
<td>1,997</td>
<td></td>
</tr>
<tr>
<td>Concessionaires - other</td>
<td>1,601</td>
<td></td>
<td>1,601</td>
<td>2,379</td>
<td></td>
</tr>
<tr>
<td>Shared tenant - telephone system</td>
<td>314</td>
<td></td>
<td>314</td>
<td>328</td>
<td></td>
</tr>
<tr>
<td>Other commissions, fees, etc.</td>
<td>1,147</td>
<td></td>
<td>1,147</td>
<td>990</td>
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</tr>
<tr>
<td>Debt service rental</td>
<td>3,567</td>
<td></td>
<td>3,567</td>
<td>4,372</td>
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</tr>
<tr>
<td>Total</td>
<td>30,976</td>
<td></td>
<td>30,976</td>
<td>32,795</td>
<td></td>
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<tr>
<td>GROUND TRANSPORTATION</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Public parking</td>
<td>12,940</td>
<td></td>
<td>12,940</td>
<td>10,994</td>
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</tr>
<tr>
<td>Employee parking</td>
<td>951</td>
<td></td>
<td>951</td>
<td>1,453</td>
<td></td>
</tr>
<tr>
<td>Rental car agencies and other</td>
<td>8,540</td>
<td></td>
<td>8,540</td>
<td>7,974</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>22,431</td>
<td></td>
<td>22,431</td>
<td>20,421</td>
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<tr>
<td>OTHER AVIATION AREAS</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Building rentals - fixed base operations</td>
<td>3</td>
<td></td>
<td>3</td>
<td>412</td>
<td></td>
</tr>
<tr>
<td>Building rentals - airlines</td>
<td>10</td>
<td></td>
<td>10</td>
<td>370</td>
<td></td>
</tr>
<tr>
<td>Building rentals - others</td>
<td>86</td>
<td>108</td>
<td>194</td>
<td>194</td>
<td></td>
</tr>
<tr>
<td>Cargo building rentals - airlines</td>
<td>773</td>
<td></td>
<td>773</td>
<td>602</td>
<td></td>
</tr>
<tr>
<td>Cargo building rentals - other</td>
<td>265</td>
<td></td>
<td>265</td>
<td>267</td>
<td></td>
</tr>
<tr>
<td>Fuel farm - airlines</td>
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<td></td>
<td>10</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Fuel farm - others</td>
<td>8</td>
<td></td>
<td>8</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Ground rentals - airlines</td>
<td>941</td>
<td></td>
<td>941</td>
<td>975</td>
<td></td>
</tr>
<tr>
<td>Ground rentals - others</td>
<td>1,979</td>
<td>24</td>
<td>18</td>
<td>2,021</td>
<td>2,002</td>
</tr>
<tr>
<td>Total</td>
<td>3,986</td>
<td></td>
<td>113</td>
<td>126</td>
<td>4,225</td>
</tr>
<tr>
<td>NON-AVIATION AREAS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental - commercial sites</td>
<td>2,437</td>
<td></td>
<td>2,437</td>
<td>767</td>
<td></td>
</tr>
<tr>
<td>Special facilities and other restricted lease income</td>
<td>4,275</td>
<td></td>
<td>4,275</td>
<td>5,775</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2,596</td>
<td>1</td>
<td>2,597</td>
<td>3,040</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9,308</td>
<td></td>
<td>1</td>
<td>9,309</td>
<td>9,582</td>
</tr>
<tr>
<td>TOTAL OPERATING REVENUES</td>
<td>$112,063</td>
<td>$403</td>
<td>$986</td>
<td>$113,452</td>
<td>$112,466</td>
</tr>
</tbody>
</table>
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES
BY SOURCE BY AIRPORT
YEAR ENDED JUNE 30, 2014, WITH COMPARATIVE TOTALS FOR 2013
($ IN THOUSANDS)

<table>
<thead>
<tr>
<th>Source</th>
<th>2014</th>
<th>2013</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIRFIELD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airfield maintenance and operations</td>
<td>$5,876</td>
<td>$329</td>
<td>$754</td>
<td>$6,959</td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>3,319</td>
<td>3,319</td>
<td>3,389</td>
<td>3,389</td>
</tr>
<tr>
<td>Total</td>
<td>9,195</td>
<td>329</td>
<td>754</td>
<td>10,278</td>
</tr>
<tr>
<td>TERMINAL BUILDING</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Terminal shop maintenance and operations</td>
<td>6,911</td>
<td>6,911</td>
<td>8,444</td>
<td>8,444</td>
</tr>
<tr>
<td>Steam and refrigeration</td>
<td>208</td>
<td>208</td>
<td>226</td>
<td>226</td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>5,610</td>
<td>5,610</td>
<td>5,667</td>
<td>5,667</td>
</tr>
<tr>
<td>Shared tenant - telephone systems</td>
<td>219</td>
<td>219</td>
<td>162</td>
<td>162</td>
</tr>
<tr>
<td>Customer service operations</td>
<td>43</td>
<td>43</td>
<td>123</td>
<td>123</td>
</tr>
<tr>
<td>Total</td>
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72
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF DEBT SERVICE
REQUIREMENTS – CASH BASIS
YEAR ENDED JUNE 30, 2014 ($ IN THOUSANDS)

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The schedule of debt service requirements presents principal and interest when due.
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<th>Total of All Bonds</th>
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This part of the Authority’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government’s overall financial health.

CONTENTS

<table>
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</thead>
<tbody>
<tr>
<td>Financial Trends</td>
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<td>These schedules contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time.</td>
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<td>Revenue Capacity</td>
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MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
OPERATING REVENUES, EXPENSES AND CHANGES IN NET POSITION
LAST TEN YEARS ($ IN THOUSANDS)

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<td>Total Non-Operating Revenue</td>
<td>6,848</td>
<td>7,469</td>
<td>9,040</td>
<td>5,139</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(21,425)</td>
<td>(22,705)</td>
<td>(23,536)</td>
<td>(25,772)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>(14,577)</td>
<td>(15,236)</td>
<td>(14,496)</td>
<td>(20,633)</td>
</tr>
<tr>
<td>LOSS BEFORE CONTRIBUTIONS AND EXTRAORDINARY ITEM</td>
<td>(22,112)</td>
<td>(20,419)</td>
<td>(16,573)</td>
<td>(20,878)</td>
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<td>CAPITAL CONTRIBUTIONS</td>
<td>24,919</td>
<td>37,979</td>
<td>49,831</td>
<td>42,578</td>
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<tr>
<td>EXTRAORDINARY ITEM</td>
<td>(873)</td>
<td>(139)</td>
<td></td>
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<tr>
<td>CHANGE IN NET POSITION</td>
<td>$2,807</td>
<td>$17,560</td>
<td>$32,385</td>
<td>$21,561</td>
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</tbody>
</table>

(1) Amounts prior to 2012 include amortization of bond issue costs. Bond issue costs were fully expensed in 2012 upon implementation of GASB Statement No. 65.
<table>
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<tbody>
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<td>Sales</td>
<td>$44,329</td>
<td>$44,712</td>
<td>$46,875</td>
<td>$46,867</td>
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<td>Costs</td>
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<td>29,123</td>
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<td>5,485</td>
<td>5,409</td>
<td>4,473</td>
<td>4,986</td>
<td>4,824</td>
<td>4,562</td>
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<tr>
<td></td>
<td>8,807</td>
<td>7,738</td>
<td>6,530</td>
<td>8,736</td>
<td>7,041</td>
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<tr>
<td>Total</td>
<td>109,282</td>
<td>107,952</td>
<td>111,547</td>
<td>112,634</td>
<td>111,015</td>
<td>108,393</td>
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</tbody>
</table>

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>10,033</td>
<td>9,977</td>
<td>10,421</td>
<td>10,396</td>
<td>8,265</td>
<td>7,149</td>
</tr>
<tr>
<td></td>
<td>13,898</td>
<td>14,059</td>
<td>14,122</td>
<td>12,533</td>
<td>12,538</td>
<td>12,158</td>
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<tr>
<td></td>
<td>4,230</td>
<td>4,257</td>
<td>4,322</td>
<td>4,492</td>
<td>4,045</td>
<td>4,516</td>
</tr>
<tr>
<td></td>
<td>15,372</td>
<td>13,697</td>
<td>14,668</td>
<td>13,852</td>
<td>15,551</td>
<td>11,967</td>
</tr>
<tr>
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<td>6,934</td>
<td>5,625</td>
<td>5,690</td>
<td>4,373</td>
<td>4,432</td>
<td>4,497</td>
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<td>1,607</td>
<td>1,618</td>
<td>1,819</td>
<td>1,161</td>
<td>1,478</td>
<td>1,436</td>
</tr>
<tr>
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<td>231</td>
<td>204</td>
<td>143</td>
<td>174</td>
<td>76</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>765</td>
<td>745</td>
<td>724</td>
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<td>51,909</td>
<td>51,486</td>
<td>46,795</td>
<td>42,002</td>
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</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
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<td>52,908</td>
<td>49,230</td>
<td>50,464</td>
<td>44,264</td>
<td>44,463</td>
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<td>Costs</td>
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<td>4,862</td>
<td>10,408</td>
<td>10,684</td>
<td>19,956</td>
<td>21,928</td>
</tr>
<tr>
<td></td>
<td>2,900</td>
<td>8,251</td>
<td>11,977</td>
<td>11,138</td>
<td>8,149</td>
<td>5,830</td>
</tr>
<tr>
<td></td>
<td>4,559</td>
<td>4,758</td>
<td>5,938</td>
<td>1,323</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>203</td>
<td>1,902</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>26</td>
<td>1,127</td>
<td>867</td>
<td>171</td>
<td>163</td>
<td>118</td>
</tr>
<tr>
<td></td>
<td>175</td>
<td>(7,165)</td>
<td>69</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,863</td>
<td>8,873</td>
<td>18,851</td>
<td>12,632</td>
<td>8,312</td>
<td>5,948</td>
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<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>(28,679)</td>
<td>(31,313)</td>
<td>(32,074)</td>
<td>(33,255)</td>
<td>(34,847)</td>
<td>(34,118)</td>
</tr>
<tr>
<td></td>
<td>(20,816)</td>
<td>(22,440)</td>
<td>(13,223)</td>
<td>(20,623)</td>
<td>(26,535)</td>
<td>(28,170)</td>
</tr>
<tr>
<td></td>
<td>(20,544)</td>
<td>(17,578)</td>
<td>(2,815)</td>
<td>(9,939)</td>
<td>(6,579)</td>
<td>(6,242)</td>
</tr>
<tr>
<td></td>
<td>53,353</td>
<td>44,444</td>
<td>27,547</td>
<td>49,532</td>
<td>26,042</td>
<td>24,337</td>
</tr>
<tr>
<td>Total</td>
<td>$32,809</td>
<td>$26,866</td>
<td>$24,732</td>
<td>$39,593</td>
<td>$19,463</td>
<td>$18,095</td>
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MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
NET POSITION
LAST TEN YEARS ($ IN THOUSANDS)

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<tr>
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</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>$593,252</td>
<td>$588,115</td>
<td>$546,075</td>
<td>$494,311</td>
<td>$457,560</td>
<td>$438,852</td>
<td>$407,677</td>
<td>$383,985</td>
<td>$351,896</td>
<td>$333,199</td>
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<tr>
<td>Restricted for:</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>102,440</td>
<td>100,086</td>
</tr>
<tr>
<td>Capital Acquisitions</td>
<td>61,599</td>
<td>69,153</td>
<td>93,457</td>
<td>118,699</td>
<td>135,975</td>
<td>123,059</td>
<td>128,607</td>
<td>126,566</td>
<td>115,254</td>
<td>116,201</td>
</tr>
<tr>
<td>Total Restricted</td>
<td>61,599</td>
<td>69,153</td>
<td>93,457</td>
<td>118,699</td>
<td>135,975</td>
<td>123,059</td>
<td>128,607</td>
<td>126,566</td>
<td>115,254</td>
<td>116,201</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>30,908</td>
<td>25,684</td>
<td>25,860</td>
<td>24,645</td>
<td>22,559</td>
<td>21,374</td>
<td>20,135</td>
<td>21,136</td>
<td>24,944</td>
<td>23,231</td>
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<tr>
<td>Total Net Position</td>
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<td>$682,952</td>
<td>$665,392</td>
<td>$637,655</td>
<td>$616,094</td>
<td>$583,285</td>
<td>$556,419</td>
<td>$531,687</td>
<td>$492,094</td>
<td>$472,631</td>
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Fiscal year 2012 was restated due to the implementation of GASB Statements No. 63 and 65.
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
PASSENGER ENPLANEMENTS MARKET SHARE
LAST TEN YEARS

<table>
<thead>
<tr>
<th>AIRLINE</th>
<th>FY 2014 Enplanements</th>
<th>Share (%)</th>
<th>FY 2013 Enplanements</th>
<th>Share (%)</th>
<th>FY 2012 Enplanements</th>
<th>Share (%)</th>
<th>FY 2011 Enplanements</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DOMESTIC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delta Air Lines (1)</td>
<td>684,134</td>
<td>35.0%</td>
<td>1,052,442</td>
<td>37.9%</td>
<td>1,362,642</td>
<td>34.8%</td>
<td>1,618,758</td>
<td>33.9%</td>
</tr>
<tr>
<td>Delta Connection (3)</td>
<td>440,400</td>
<td>22.5%</td>
<td>1,072,225</td>
<td>38.6%</td>
<td>1,728,524</td>
<td>44.0%</td>
<td>2,174,440</td>
<td>45.5%</td>
</tr>
<tr>
<td>Southwest (prev AirTran)</td>
<td>238,715</td>
<td>12.2%</td>
<td>152,667</td>
<td>5.5%</td>
<td>141,192</td>
<td>3.6%</td>
<td>125,611</td>
<td>2.6%</td>
</tr>
<tr>
<td>United Express(4)</td>
<td>173,925</td>
<td>8.9%</td>
<td>160,714</td>
<td>5.8%</td>
<td>102,186</td>
<td>2.6%</td>
<td>83,593</td>
<td>1.8%</td>
</tr>
<tr>
<td>US Airways Express (2)</td>
<td>158,856</td>
<td>8.1%</td>
<td>154,448</td>
<td>5.6%</td>
<td>111,627</td>
<td>2.8%</td>
<td>157,924</td>
<td>3.3%</td>
</tr>
<tr>
<td>American Airlines</td>
<td>142,470</td>
<td>7.3%</td>
<td>100,687</td>
<td>3.6%</td>
<td>91,992</td>
<td>2.3%</td>
<td>101,970</td>
<td>2.1%</td>
</tr>
<tr>
<td>American Eagle</td>
<td>56,192</td>
<td>2.9%</td>
<td>49,417</td>
<td>1.8%</td>
<td>51,216</td>
<td>1.3%</td>
<td>56,690</td>
<td>1.2%</td>
</tr>
<tr>
<td>US Airways</td>
<td>42,191</td>
<td>2.2%</td>
<td>18,335</td>
<td>0.7%</td>
<td>42,705</td>
<td>1.1%</td>
<td>25,706</td>
<td>0.5%</td>
</tr>
<tr>
<td>Frontier Airlines</td>
<td>10,214</td>
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<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other (5)</td>
<td>6,372</td>
<td>0.3%</td>
<td>6,519</td>
<td>0.2%</td>
<td>7,048</td>
<td>0.2%</td>
<td>7,841</td>
<td>0.2%</td>
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<tr>
<td>Compass Airlines</td>
<td>264</td>
<td>0.0%</td>
<td>309</td>
<td>0.0%</td>
<td>2,291</td>
<td>0.1%</td>
<td>3,312</td>
<td>0.1%</td>
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<td>Continental Express</td>
<td>0.0%</td>
<td>0.0%</td>
<td>59,929</td>
<td>1.5%</td>
<td>88,720</td>
<td>1.9%</td>
<td>88,720</td>
<td>1.9%</td>
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<tr>
<td>Mesaba Airlines</td>
<td>0.0%</td>
<td>0.0%</td>
<td>176,824</td>
<td>4.5%</td>
<td>254,790</td>
<td>5.3%</td>
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</tr>
<tr>
<td>Northwest Airlines (1) (7)</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Northwest Airlink</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL DOMESTIC</strong></td>
<td>1,953,733</td>
<td>99.9%</td>
<td>2,767,763</td>
<td>99.7%</td>
<td>3,878,176</td>
<td>98.8%</td>
<td>4,699,355</td>
<td>98.4%</td>
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<tr>
<td><strong>INTERNATIONAL</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Delta Airlines</td>
<td>1,131</td>
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<td>7,105</td>
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<td>37,952</td>
<td>1.0%</td>
<td>69,536</td>
<td>1.5%</td>
</tr>
<tr>
<td>Other (5)</td>
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<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Jazz Air</td>
<td>0.0%</td>
<td>0.0%</td>
<td>2,090</td>
<td>0.1%</td>
<td>8,453</td>
<td>0.2%</td>
<td>7,094</td>
<td>0.1%</td>
</tr>
<tr>
<td>Northwest Airlines (1)</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL INTERNATIONAL</strong></td>
<td>1,132</td>
<td>0.1%</td>
<td>9,195</td>
<td>0.3%</td>
<td>46,405</td>
<td>1.2%</td>
<td>76,630</td>
<td>1.6%</td>
</tr>
<tr>
<td><strong>TOTAL ENPLANEMENTS</strong></td>
<td>1,954,865</td>
<td>100.0%</td>
<td>2,776,958</td>
<td>100.0%</td>
<td>3,924,581</td>
<td>100.0%</td>
<td>4,775,985</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Percent of Total

| U. S. Enplanements (6)         | N.A                   | 0.38%     | 0.54%                 | 0.66%     |

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

(2) For FY 2014 Air Wisconsin, Mesa Airlines, PSA Airlines, Republic Airlines and Virgin Atlantic operated for US Airways Express.
(3) For FY 2014 Chautauqua, Endeavor Air, ExpressJet, Shuttle America and Skywest Airlines operated for Delta Connection.
(4) For FY 2014 ExpressJet, Mesa Airlines, Skywest Airlines and Trans States Airlines operated for United Express.
(5) May include activity by airlines no longer serving Memphis.
(6) Source: FAA, based upon calendar year.
(7) Enplanements for FY 2005 - 2009 were restated to correct a reporting error that excluded certain Northwest Airlines’ enplaned passengers from the total enplaned passenger count. The restatements for the period FY 2005 - 2009 resulted in annual enplanement increases that ranged from 154,406 to 190,819 enplanements or 2.8% percent to 3.6% percent of total annual enplanements.
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Enplanements</td>
<td>Share</td>
<td>Enplanements</td>
<td>Share</td>
<td>Enplanements</td>
<td>Share</td>
</tr>
<tr>
<td>1,694,988</td>
<td>34.1%</td>
<td>156,574</td>
<td>3.0%</td>
<td>114,941</td>
<td>2.1%</td>
</tr>
<tr>
<td>1,811,359</td>
<td>36.4%</td>
<td>134,903</td>
<td>2.6%</td>
<td>148,248</td>
<td>2.7%</td>
</tr>
<tr>
<td>118,513</td>
<td>2.4%</td>
<td>141,882</td>
<td>2.8%</td>
<td>171,915</td>
<td>3.1%</td>
</tr>
<tr>
<td>91,720</td>
<td>1.8%</td>
<td>89,635</td>
<td>1.7%</td>
<td>90,968</td>
<td>1.6%</td>
</tr>
<tr>
<td>184,710</td>
<td>3.7%</td>
<td>185,549</td>
<td>3.6%</td>
<td>182,051</td>
<td>3.3%</td>
</tr>
<tr>
<td>107,778</td>
<td>2.2%</td>
<td>103,182</td>
<td>2.0%</td>
<td>119,890</td>
<td>2.2%</td>
</tr>
<tr>
<td>51,536</td>
<td>1.0%</td>
<td>62,396</td>
<td>1.2%</td>
<td>76,459</td>
<td>1.4%</td>
</tr>
<tr>
<td>3,356</td>
<td>0.1%</td>
<td>1,720</td>
<td>0.0%</td>
<td>71,976</td>
<td>1.3%</td>
</tr>
<tr>
<td>219,873</td>
<td>4.4%</td>
<td>244,394</td>
<td>4.7%</td>
<td>52,854</td>
<td>1.0%</td>
</tr>
<tr>
<td>89,891</td>
<td>1.8%</td>
<td>93,126</td>
<td>1.8%</td>
<td>100,285</td>
<td>1.8%</td>
</tr>
<tr>
<td>460,854</td>
<td>9.3%</td>
<td>464,190</td>
<td>9.0%</td>
<td>230,836</td>
<td>4.2%</td>
</tr>
<tr>
<td>0.0%</td>
<td>1,767,932</td>
<td>34.3%</td>
<td>2,467,336</td>
<td>44.3%</td>
<td>2,561,041</td>
</tr>
<tr>
<td>0.0%</td>
<td>1,526,245</td>
<td>29.7%</td>
<td>1,542,122</td>
<td>27.6%</td>
<td>1,477,975</td>
</tr>
<tr>
<td>4,834,578</td>
<td>97.2%</td>
<td>4,971,728</td>
<td>96.4%</td>
<td>5,369,881</td>
<td>96.6%</td>
</tr>
<tr>
<td>136,030</td>
<td>2.8%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>854</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>4.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>0.0%</td>
<td>186,393</td>
<td>3.6%</td>
<td>190,819</td>
<td>3.4%</td>
<td>179,928</td>
</tr>
<tr>
<td>136,884</td>
<td>2.8%</td>
<td>186,393</td>
<td>3.6%</td>
<td>190,823</td>
<td>3.4%</td>
</tr>
<tr>
<td>4,971,462</td>
<td>100.0%</td>
<td>5,158,121</td>
<td>100.0%</td>
<td>5,560,704</td>
<td>100.0%</td>
</tr>
<tr>
<td>0.70%</td>
<td>0.68%</td>
<td>0.70%</td>
<td>0.69%</td>
<td>0.72%</td>
<td>0.75%</td>
</tr>
</tbody>
</table>
### MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
### ORIGINATING AND DESTINATION (O&D) AIRLINE PASSENGERS
### LAST TEN YEARS (IN THOUSANDS OF PASSENGERS)

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>O&amp;D PASSENGERS</th>
<th>TOTAL ENPLANED PASSENGERS (1)</th>
<th>O&amp;D PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,754</td>
<td>1,955</td>
<td>89.72%</td>
</tr>
<tr>
<td>2013</td>
<td>1,681</td>
<td>2,777</td>
<td>60.53%</td>
</tr>
<tr>
<td>2012</td>
<td>1,860</td>
<td>3,925</td>
<td>47.39%</td>
</tr>
<tr>
<td>2011</td>
<td>1,942</td>
<td>4,776</td>
<td>40.66%</td>
</tr>
<tr>
<td>2010</td>
<td>1,849</td>
<td>4,971</td>
<td>37.20%</td>
</tr>
<tr>
<td>2009</td>
<td>1,834</td>
<td>5,158</td>
<td>35.56%</td>
</tr>
<tr>
<td>2008</td>
<td>2,116</td>
<td>5,561</td>
<td>38.05%</td>
</tr>
<tr>
<td>2007</td>
<td>2,015</td>
<td>5,443</td>
<td>37.02%</td>
</tr>
<tr>
<td>2006</td>
<td>1,998</td>
<td>5,504</td>
<td>36.30%</td>
</tr>
<tr>
<td>2005</td>
<td>1,969</td>
<td>5,562</td>
<td>35.40%</td>
</tr>
</tbody>
</table>

Source: Memphis-Shelby County Airport Authority Finance Division

(1) Enplanements for FY 2005-2009 were restated to correct a reporting error that excluded certain Northwest Airlines’ enplaned passengers from the total enplaned passenger count. The restatements for the period FY 2005-2009 resulted in annual enplanement increases that ranged from 154,406 to 190,819 enplanements or 2.8% to 3.6% of total annual enplanements.
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
COST PER ENPLANED PASSENGER
LAST TEN YEARS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Cost per Enplaned Passenger</td>
<td>$11.76</td>
<td>$10.48</td>
<td>$6.75</td>
<td>$5.23</td>
<td>$4.81</td>
<td>$4.81</td>
<td>$4.76</td>
<td>$4.75</td>
<td>$5.07</td>
<td>$6.38</td>
</tr>
</tbody>
</table>

Fiscal years 2005 - 2009 have been restated to reflect changes in cost allocation and enplanement data to the airlines.

Enplanements for FY 2005 - 2009 were restated to correct a reporting error that excluded certain Northeast Airlines’ enplaned passengers from the total enplaned passenger count. The restatements for the period FY 2005 - 2009 resulted in annual enplanement increases that ranged from 154,406 to 190,819 enplanement or 2.8% to 3.6% of total annual enplanements.
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
CARGO MARKET SHARE ENPLAINED
LAST TEN YEARS (IN THOUSANDS OF POUNDS)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DOMESTIC FREIGHT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FedEx Express</td>
<td>4,508,238</td>
<td>93.6%</td>
<td>4,334,362</td>
<td>93.8%</td>
<td>4,146,509</td>
<td>92.6%</td>
<td>4,098,243</td>
<td>93.1%</td>
</tr>
<tr>
<td>United Parcel Service</td>
<td>32,929</td>
<td>0.7%</td>
<td>32,548</td>
<td>0.7%</td>
<td>35,022</td>
<td>0.8%</td>
<td>34,867</td>
<td>0.8%</td>
</tr>
<tr>
<td>ABX (prev Airborne Express)</td>
<td>5,920</td>
<td>0.1%</td>
<td>3,278</td>
<td>0.1%</td>
<td>5</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Mountain Air</td>
<td>3,244</td>
<td>0.1%</td>
<td>2,814</td>
<td>0.1%</td>
<td>6,064</td>
<td>0.1%</td>
<td>8,439</td>
<td>0.2%</td>
</tr>
<tr>
<td>Delta Airlines (1)</td>
<td>1,228</td>
<td>0.0%</td>
<td>1,345</td>
<td>0.0%</td>
<td>1,440</td>
<td>0.0%</td>
<td>1,752</td>
<td>0.0%</td>
</tr>
<tr>
<td>Air Transport Int'l (prev BAX Global)</td>
<td>769</td>
<td>0.0%</td>
<td>0</td>
<td>0%</td>
<td>325</td>
<td>0.0%</td>
<td>1,703</td>
<td>0.0%</td>
</tr>
<tr>
<td>Baron Aviation</td>
<td>577</td>
<td>0.0%</td>
<td>616</td>
<td>0.0%</td>
<td>825</td>
<td>0.0%</td>
<td>1,123</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other (2)</td>
<td>338</td>
<td>0.0%</td>
<td>190</td>
<td>0.0%</td>
<td>227</td>
<td>0.0%</td>
<td>1,042</td>
<td>0.0%</td>
</tr>
<tr>
<td>Capital Cargo International Airlines</td>
<td>0.0%</td>
<td>3,171</td>
<td>0.1%</td>
<td>5,412</td>
<td>0.1%</td>
<td>4,106</td>
<td>0.1%</td>
<td></td>
</tr>
<tr>
<td>Atlas Air</td>
<td>0.0%</td>
<td>1,581</td>
<td>0.0%</td>
<td>1,784</td>
<td>0.0%</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>DHL</td>
<td>0.0%</td>
<td>0.0%</td>
<td>174</td>
<td>0.0%</td>
<td>98</td>
<td>0.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northwest (1)</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northwest Airlink</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Domestic Freight</strong></td>
<td>4,553,243</td>
<td>94.5%</td>
<td>4,379,905</td>
<td>94.8%</td>
<td>4,197,787</td>
<td>93.6%</td>
<td>4,151,373</td>
<td>94.2%</td>
</tr>
<tr>
<td><strong>INTERNATIONAL FREIGHT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FedEx Express</td>
<td>258,257</td>
<td>5.4%</td>
<td>240,992</td>
<td>5.2%</td>
<td>286,484</td>
<td>6.4%</td>
<td>249,999</td>
<td>5.7%</td>
</tr>
<tr>
<td>Atlas Air</td>
<td>1,740</td>
<td>0.0%</td>
<td>900</td>
<td>0.0%</td>
<td>1,006</td>
<td>0.0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Other (2)</td>
<td>47</td>
<td>0.0%</td>
<td>264</td>
<td>0.0%</td>
<td>1,375</td>
<td>0.0%</td>
<td>2,540</td>
<td>0.1%</td>
</tr>
<tr>
<td>Northwest (1)</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total International Freight</strong></td>
<td>260,044</td>
<td>5.4%</td>
<td>241,256</td>
<td>5.2%</td>
<td>288,865</td>
<td>6.4%</td>
<td>252,539</td>
<td>5.8%</td>
</tr>
<tr>
<td><strong>AIR MAIL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kalitta Air</td>
<td>3,965</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0%</td>
<td>558</td>
<td>0.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delta Airlines (1)</td>
<td>157</td>
<td>0.0%</td>
<td>536</td>
<td>0.0%</td>
<td>522</td>
<td>0.0%</td>
<td>24</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other (2)</td>
<td>8</td>
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<td>3</td>
<td>0.0%</td>
<td>18</td>
<td>0.0%</td>
<td>8</td>
<td>0.0%</td>
</tr>
<tr>
<td>American</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northwest (1)</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northwest Airlink</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Air Mail</strong></td>
<td>4,130</td>
<td>0.1%</td>
<td>539</td>
<td>0.0%</td>
<td>540</td>
<td>0.0%</td>
<td>590</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL CARGO ENPLAINED</strong></td>
<td>4,817,417</td>
<td>100.0%</td>
<td>4,621,700</td>
<td>100.0%</td>
<td>4,487,192</td>
<td>100.0%</td>
<td>4,404,502</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Memphis-Shelby County Airport Authority, Activity Reports


(2) May include activity by airlines no longer servicing Memphis.
<table>
<thead>
<tr>
<th>Year</th>
<th>Cargo Weight Share</th>
<th>Cargo Weight Share</th>
<th>Cargo Weight Share</th>
<th>Cargo Weight Share</th>
<th>Cargo Weight Share</th>
<th>Cargo Weight Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010</td>
<td>4,064,769</td>
<td>93.8%</td>
<td>3,836,943</td>
<td>93.8%</td>
<td>4,062,354</td>
<td>93.9%</td>
</tr>
<tr>
<td>FY2009</td>
<td>31,504</td>
<td>0.7%</td>
<td>31,126</td>
<td>0.9%</td>
<td>33,282</td>
<td>0.8%</td>
</tr>
<tr>
<td></td>
<td>0.0%</td>
<td>1,815</td>
<td>0.0%</td>
<td>3,891</td>
<td>0.1%</td>
<td>4,159</td>
</tr>
<tr>
<td>FY2008</td>
<td>8,390</td>
<td>0.2%</td>
<td>9,766</td>
<td>0.2%</td>
<td>10,890</td>
<td>0.3%</td>
</tr>
<tr>
<td></td>
<td>1,761</td>
<td>0.0%</td>
<td>422</td>
<td>0.0%</td>
<td>897</td>
<td>0.0%</td>
</tr>
<tr>
<td>FY2007</td>
<td>4,959</td>
<td>0.1%</td>
<td>7,715</td>
<td>0.3%</td>
<td>11,902</td>
<td>0.3%</td>
</tr>
<tr>
<td></td>
<td>1,007</td>
<td>0.0%</td>
<td>782</td>
<td>0.0%</td>
<td>663</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>1,155</td>
<td>0.0%</td>
<td>859</td>
<td>0.0%</td>
<td>1,207</td>
<td>0.0%</td>
</tr>
<tr>
<td>FY2005</td>
<td>45</td>
<td>0.0%</td>
<td>1,763</td>
<td>0.0%</td>
<td>4,896</td>
<td>0.1%</td>
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<tr>
<td></td>
<td>0.0%</td>
<td>1,993</td>
<td>0.0%</td>
<td>2,878</td>
<td>0.1%</td>
<td>3,100</td>
</tr>
<tr>
<td></td>
<td>0.0%</td>
<td>1,028</td>
<td>0.0%</td>
<td>1,047</td>
<td>0.0%</td>
<td>1,140</td>
</tr>
<tr>
<td>FY2009</td>
<td>4,113,590</td>
<td>94.8%</td>
<td>3,894,212</td>
<td>95.2%</td>
<td>4,133,907</td>
<td>95.6%</td>
</tr>
<tr>
<td>FY2008</td>
<td>216,668</td>
<td>5.0%</td>
<td>189,322</td>
<td>4.6%</td>
<td>180,675</td>
<td>4.2%</td>
</tr>
<tr>
<td></td>
<td>0.0%</td>
<td>3,141</td>
<td>0.1%</td>
<td>491</td>
<td>0.0%</td>
<td>635</td>
</tr>
<tr>
<td></td>
<td>0.0%</td>
<td>3,184</td>
<td>0.1%</td>
<td>4,166</td>
<td>0.1%</td>
<td>4,073</td>
</tr>
<tr>
<td>FY2007</td>
<td>219,809</td>
<td>5.1%</td>
<td>192,506</td>
<td>4.7%</td>
<td>185,332</td>
<td>4.3%</td>
</tr>
<tr>
<td>FY2006</td>
<td>2,513</td>
<td>0.1%</td>
<td>3,364</td>
<td>0.1%</td>
<td>5,146</td>
<td>0.1%</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>0.0%</td>
<td>4</td>
<td>0.0%</td>
<td>16</td>
<td>0.0%</td>
</tr>
<tr>
<td>FY2005</td>
<td>2,527</td>
<td>0.1%</td>
<td>3,382</td>
<td>0.1%</td>
<td>5,149</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

| FY2010 | 4,335,926 | 100.0% | 4,090,100 | 100.0% | 4,324,388 | 100.0% | 4,366,912 | 100.0% | 4,196,896 | 100.0% | 4,093,302 | 100.0% |
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY  
LANDED WEIGHTS  
LAST TEN YEARS (IN THOUSANDS OF POUNDS)

<table>
<thead>
<tr>
<th>AIRLINE</th>
<th>FY 2014 Landed Weight</th>
<th>Share</th>
<th>FY 2013 Landed Weight</th>
<th>Share</th>
<th>FY 2012 Landed Weight</th>
<th>Share</th>
<th>FY 2011 Landed Weight</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MAJOR/NATIONAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delta Air Lines (1)</td>
<td>860,822</td>
<td>3.5%</td>
<td>1,311,874</td>
<td>5.3%</td>
<td>1,728,281</td>
<td>6.8%</td>
<td>2,149,196</td>
<td>8.3%</td>
</tr>
<tr>
<td>Southwest (prev AirTran)</td>
<td>266,256</td>
<td>1.1%</td>
<td>169,552</td>
<td>0.7%</td>
<td>149,272</td>
<td>0.6%</td>
<td>144,040</td>
<td>0.5%</td>
</tr>
<tr>
<td>American Airlines</td>
<td>205,238</td>
<td>0.8%</td>
<td>171,615</td>
<td>0.7%</td>
<td>164,922</td>
<td>0.6%</td>
<td>170,958</td>
<td>0.7%</td>
</tr>
<tr>
<td>US Airways</td>
<td>54,453</td>
<td>0.2%</td>
<td>26,498</td>
<td>0.1%</td>
<td>65,867</td>
<td>0.3%</td>
<td>38,041</td>
<td>0.1%</td>
</tr>
<tr>
<td>Other (2)</td>
<td>11,276</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
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<td>18,292</td>
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<td>Mountain Air Cargo</td>
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<tr>
<td>DHL (formerly Menlo/Emery)</td>
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<td>25,524,562</td>
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<td>26,012,876</td>
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(2) May include activity by airlines no longer serving Memphis.

Source: Finance Division
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<td>Share</td>
<td>Landed Weight</td>
<td>Share</td>
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<td>155,168</td>
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<td>180,752</td>
<td>0.7%</td>
<td>216,006</td>
<td>0.8%</td>
</tr>
<tr>
<td>201,177</td>
<td>0.8%</td>
<td>201,814</td>
<td>0.8%</td>
<td>202,135</td>
<td>0.7%</td>
</tr>
<tr>
<td>0.0%</td>
<td>0.0%</td>
<td>340</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>155,168</td>
<td>0.6%</td>
<td>180,752</td>
<td>0.7%</td>
<td>216,006</td>
<td>0.8%</td>
</tr>
<tr>
<td>201,177</td>
<td>0.8%</td>
<td>201,814</td>
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<td>202,135</td>
<td>0.7%</td>
</tr>
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<td>0.0%</td>
<td>0.0%</td>
<td>340</td>
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<td>123,576</td>
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<tr>
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<td>677,205</td>
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<td>128,614</td>
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**Total:**

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<th>FY 2009</th>
<th>FY 2007</th>
<th>FY 2006</th>
<th>FY 2005</th>
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<td>Landed Weight</td>
<td>Share</td>
<td>Landed Weight</td>
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<td>32,618</td>
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<td>0.0%</td>
<td>0.0%</td>
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<tr>
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<td>59,990</td>
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<td>76,557</td>
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<td>24,219</td>
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<tr>
<td>19,226,979</td>
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<td>73.9%</td>
<td>19,535,576</td>
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<tr>
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<td>25,883,320</td>
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MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
AIRCRAFT OPERATIONS (1)
LAST TEN YEARS

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<tr>
<th>FISCAL YEAR</th>
<th>MAJOR/NATIONALS</th>
<th>REGIONAL</th>
<th>CARGO</th>
<th>GENERAL AVIATION</th>
<th>MILITARY</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td>2014</td>
<td>20,994</td>
<td>42,634</td>
<td>128,746</td>
<td>28,683</td>
<td>1,925</td>
<td>222,982</td>
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<td>2013</td>
<td>25,340</td>
<td>70,396</td>
<td>125,364</td>
<td>26,236</td>
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<td>248,628</td>
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<td>2012</td>
<td>32,190</td>
<td>106,014</td>
<td>125,526</td>
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<td>2011</td>
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<td>139,370</td>
<td>125,438</td>
<td>25,968</td>
<td>1,542</td>
<td>330,260</td>
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<td>2010</td>
<td>40,842</td>
<td>144,704</td>
<td>122,222</td>
<td>25,193</td>
<td>1,284</td>
<td>334,245</td>
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<tr>
<td>2009</td>
<td>48,580</td>
<td>146,026</td>
<td>124,564</td>
<td>27,897</td>
<td>1,413</td>
<td>348,480</td>
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<td>2008</td>
<td>66,978</td>
<td>132,242</td>
<td>131,006</td>
<td>40,583</td>
<td>1,541</td>
<td>372,350</td>
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<td>2007</td>
<td>68,730</td>
<td>129,254</td>
<td>135,882</td>
<td>42,999</td>
<td>1,622</td>
<td>378,487</td>
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<td>2006</td>
<td>70,622</td>
<td>132,662</td>
<td>136,244</td>
<td>48,185</td>
<td>1,692</td>
<td>389,405</td>
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<td>2005</td>
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<td>124,394</td>
<td>134,486</td>
<td>50,523</td>
<td>1,454</td>
<td>392,711</td>
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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)

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<tbody>
<tr>
<td>REVENUES (as defined in bond indenture)</td>
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<tr>
<td>Airfield</td>
<td>$46,511</td>
<td>$44,828</td>
<td>$44,728</td>
<td>$45,130</td>
<td>$44,329</td>
<td>$44,712</td>
<td>$46,875</td>
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<td>31,336</td>
<td>30,911</td>
<td>29,935</td>
<td>29,123</td>
<td>29,929</td>
<td>28,728</td>
<td>29,287</td>
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<td>Ground transportation</td>
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<td>19,593</td>
<td>20,762</td>
<td>20,970</td>
<td>23,740</td>
<td>23,317</td>
<td>21,850</td>
<td>18,972</td>
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<td>5,419</td>
<td>5,485</td>
<td>5,409</td>
<td>4,473</td>
<td>4,986</td>
<td>4,824</td>
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<tr>
<td>Non-aviation areas</td>
<td>9,309</td>
<td>9,534</td>
<td>10,239</td>
<td>9,423</td>
<td>8,807</td>
<td>7,738</td>
<td>8,736</td>
<td>7,041</td>
<td>6,431</td>
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<td>Application of prior year surplus</td>
<td>6,192</td>
<td>4,832</td>
<td>4,793</td>
<td>3,065</td>
<td>5,209</td>
<td>4,894</td>
<td>6,107</td>
<td>6,171</td>
<td>5,148</td>
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<td>Coverage carryforward</td>
<td>12,207</td>
<td>11,201</td>
<td>9,651</td>
<td>12,000</td>
<td>11,000</td>
<td>11,000</td>
<td>9,780</td>
<td>9,780</td>
<td>9,280</td>
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<tr>
<td>TOTAL</td>
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<td>125,251</td>
<td>126,825</td>
<td>125,491</td>
<td>123,801</td>
<td>127,434</td>
<td>128,585</td>
<td>125,943</td>
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OPERATING EXPENSES | | | | | | | | | |
| Airfield | 10,278 | 10,338 | 9,936 | 10,417 | 10,033 | 9,977 | 10,421 | 10,396 | 8,265 |
| Terminal building | 12,991 | 14,622 | 14,713 | 14,337 | 13,898 | 14,059 | 14,122 | 12,533 | 12,158 |
| Ground transportation | 3,904 | 4,411 | 4,523 | 4,287 | 4,230 | 4,257 | 4,322 | 4,492 | 4,045 |
| General administration | 17,376 | 18,549 | 16,119 | 15,943 | 15,372 | 14,668 | 13,852 | 15,551 | 11,967 |
| Police | 8,146 | 7,337 | 7,172 | 7,304 | 6,934 | 5,690 | 4,373 | 4,432 | 4,497 |
| Field shop | 1,701 | 1,638 | 1,592 | 1,679 | 1,607 | 1,618 | 1,819 | 1,161 | 1,436 |
| Other aviation areas | 249 | 171 | 183 | 317 | 231 | 204 | 143 | 174 | 76 |
| Non-aviation areas | 972 | 983 | 939 | 654 | 873 | 724 | 4,505 | 410 | 217 |
| TOTAL | 55,617 | 58,049 | 55,177 | 54,938 | 53,070 | 50,182 | 51,909 | 51,486 | 46,795 |

Net Revenues
Before Adjustment | 76,234 | 70,402 | 70,074 | 71,887 | 72,421 | 73,619 | 75,525 | 77,099 | 79,148 |
Restricted interest earnings and other (a) | 2,282 | 1,789 | 1,961 | 2,173 | 2,356 | 3,190 | 5,074 | 5,464 | 4,499 |
Other revenue | 48 | 317 | 1,504 | 1,23 | 229 | 3,029 | 936 | 531 | 530 |
Capital outlay (822) | (1,326) | (2,302) | (1,907) | (1,038) | (2,570) | (2,525) | (2,333) | (1,924) | (2,273) |
Notes payable principal and interest (232) | (297) | (198) | (89) | (203) | (263) | (40) | (352) | (658) | (525) |
Net Revenues (b) | $71,695 | $65,070 | $65,224 | $66,376 | $67,954 | $71,230 | $74,445 | $75,884 | $77,070 |

DEBT SERVICE REQUIREMENT
Airport Revenue Bonds (c) | $47,256 | $49,121 | $48,525 | $49,925 | $52,567 | $55,236 | $55,322 | $55,361 | $56,747 |
General Obligation Bonds 2,130 | 2,124 | 2,124 | 2,124 | 2,124 | 2,124 | 2,124 | 2,124 | 2,124 |
TOTAL DEBT SERVICE (d) | $47,256 | $49,121 | $48,525 | $52,055 | $54,691 | $57,360 | $57,637 | $59,350 | $60,674 |
Coverage ratio - general and airport revenue bonds 152% | 132% | 134% | 133% | 129% | 129% | 129% | 128% | 128% |
Coverage ratio - all bonds (e) | N/A | N/A | 128% | 124% | 124% | 129% | 135% | 137% | 136% |

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

(a) Restricted interest earnings represents earnings on current debt service fund and operating funds. Other includes operating grant income and in FY 2013 also includes $269 of insurance proceeds from reimbursement on the flooding at General DeWitt Spain Airport.

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

(c) Debt service portion payable from net revenues.

(d) Excludes amounts paid with capitalized interest.

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

#### RATIO OF ANNUAL BOND DEBT SERVICE TO TOTAL EXPENSES EXCLUDING DEPRECIATION AND AMORTIZATION

**LAST TEN YEARS (IN THOUSANDS)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>$30,142</td>
<td>$28,733</td>
<td>$27,782</td>
<td>$29,020</td>
<td>$29,166</td>
<td>$29,355</td>
<td>$27,628</td>
<td>$28,213</td>
<td>$28,059</td>
<td>$26,937</td>
</tr>
<tr>
<td>Interest (1)</td>
<td>17,114</td>
<td>20,388</td>
<td>20,743</td>
<td>23,035</td>
<td>25,525</td>
<td>28,005</td>
<td>30,009</td>
<td>31,137</td>
<td>32,615</td>
<td>33,973</td>
</tr>
<tr>
<td><strong>TOTAL DEBT SERVICE (2)</strong></td>
<td>$47,256</td>
<td>$49,121</td>
<td>$48,525</td>
<td>$52,055</td>
<td>$54,691</td>
<td>$57,360</td>
<td>$57,637</td>
<td>$59,350</td>
<td>$60,674</td>
<td>$60,910</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$143,437</td>
<td>$140,333</td>
<td>$137,169</td>
<td>$137,777</td>
<td>$137,689</td>
<td>$141,568</td>
<td>$133,210</td>
<td>$135,205</td>
<td>$125,906</td>
<td>$120,583</td>
</tr>
<tr>
<td>Less Depreciation and Amortization and Gain or Loss on Property</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add Principal</td>
<td>30,142</td>
<td>28,733</td>
<td>27,782</td>
<td>29,020</td>
<td>29,166</td>
<td>29,335</td>
<td>27,628</td>
<td>28,213</td>
<td>28,059</td>
<td>26,937</td>
</tr>
<tr>
<td>Add Net Capitalized Interest</td>
<td>106</td>
<td>242</td>
<td>710</td>
<td>1,435</td>
<td>617</td>
<td></td>
<td></td>
<td></td>
<td>1,627</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL GENERAL EXPENDITURES</strong></td>
<td>$107,290</td>
<td>$109,729</td>
<td>$108,078</td>
<td>$108,573</td>
<td>$111,707</td>
<td>$110,830</td>
<td>$111,677</td>
<td>$109,251</td>
<td>$109,763</td>
<td>$104,684</td>
</tr>
<tr>
<td><strong>RATIO OF DEBT SERVICE TO EXPENDITURES</strong></td>
<td>44.0%</td>
<td>44.8%</td>
<td>44.9%</td>
<td>47.9%</td>
<td>49.0%</td>
<td>51.7%</td>
<td>51.6%</td>
<td>54.3%</td>
<td>55.3%</td>
<td>58.2%</td>
</tr>
</tbody>
</table>

Source: Authority bond amortization scheduled and audited financial statements

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

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

---

### MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

#### AIRPORT REVENUE BOND DEBT PER ENPLANED PASSENGER

**LAST TEN YEARS (IN THOUSANDS)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport Debt (1)</td>
<td>$386,134</td>
<td>$416,537</td>
<td>$444,809</td>
<td>$459,292</td>
<td>$492,481</td>
<td>$488,025</td>
<td>$517,073</td>
<td>$541,224</td>
<td>$570,560</td>
<td>$598,872</td>
</tr>
<tr>
<td>Enplaned Passengers (2)</td>
<td>1,955</td>
<td>2,777</td>
<td>3,925</td>
<td>4,776</td>
<td>4,971</td>
<td>5,158</td>
<td>5,561</td>
<td>5,443</td>
<td>5,504</td>
<td>5,562</td>
</tr>
<tr>
<td>Airport Revenue Bond Debt per Enplaned Passenger</td>
<td>$198</td>
<td>$150</td>
<td>$113</td>
<td>$96</td>
<td>$99</td>
<td>$95</td>
<td>$93</td>
<td>$99</td>
<td>$104</td>
<td>$108</td>
</tr>
</tbody>
</table>

(1) Debt reported for FY 2005 - FY 2013 was restated to include all debt net of related premiums, excluding Special Facilities Bonds.

(2) Enplanements for FY 2005 - FY 2009 were restated to correct a reporting error that excluded certain Northwest Airlines’ enplaned passengers from the total enplaned passenger count. The restatements for the period FY 2005 - 2009 resulted in annual enplanement increases that ranged from 154,406 to 190,819 enplanements or 2.8% percent to 3.6% percent of total annual enplanements.
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
USE OF BOND PROCEEDS

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

AIRPORT REVENUE BONDS

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


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

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

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

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

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

Series 2001A and B – The proceeds of this bond issue were used to finance the construction, reconstruction and extension of runways and taxiways, acquisition of property for noise mitigation, replacement of airport signage, property acquisition and clearing, expansion of the parking garage and employee parking lot, the acquisition and implementation of an automated vehicle identification system, roadway improvements, construction of terminal improvements, a walkway connector, baggage system improvements and other airline tenant finishes at the Airport, construction of facilities for air cargo and airline ground service equipment and other associated projects at the Airport including the replacement and upgrade of two cooling plants and the relocation of an airport maintenance shop.
Series 1999E - The bonds were issued to provide funds for the purpose of refunding the Series 1991 Bonds. The proceeds of the Series 1991 Bonds were used to finance the completion of certain taxiway construction projects and the installation of an improved access control system to enhance Airport security.

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

Funds were also used for the following airline-related improvements: finish and equip 23 regional jet gates on Concourses A and C, upgrade the flight information display system and gate check-in facilities on Concourse B, finish and equip the new Northwest World Club, renovate and expand the apron control, upgrade passenger check-in computers, expand baggage sort system and install and equip additional ticket counters for Northwest Airlines. For other airline tenants, renovate existing ticket and baggage claim facilities in Terminal C for joint use, expand hold room space and install some jet bridges in Concourse C.

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

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

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

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

SPECIAL FACILITIES REVENUE BONDS

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

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

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

**Series 1997, dated July 15** - The bonds were issued to provide funds for the purpose of refunding the outstanding principal balance of the Series 1982B Bonds, which were issued to finance facilities and equipment for the handling and sorting of packages at FedEx’s central sorting facility. Primary additions were container and package handling equipment, document sorting equipment, an engine maintenance facility, an aircraft hanger, a back-up power system, a fire protection system, concrete ramp reinforcement and waterway stabilization, modification to a flight training facility, and miscellaneous related equipment.
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
TEN LARGEST EMPLOYERS - METROPOLITAN STATISTICAL AREA(1)
CURRENT YEAR AND TEN YEARS AGO

<table>
<thead>
<tr>
<th>Name of Employer (2)</th>
<th>Number of Employees (2)</th>
<th>Percentage of Largest Employees</th>
<th>Number of Employees (2)</th>
<th>Percentage of Largest Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td></td>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>FedEx Corporation</td>
<td>32,000</td>
<td>27.08%</td>
<td>30,000</td>
<td>26.00%</td>
</tr>
<tr>
<td>Shelby County Schools</td>
<td>16,000</td>
<td>13.54%</td>
<td>20,440</td>
<td>17.71%</td>
</tr>
<tr>
<td>Tennessee State Government</td>
<td>14,400</td>
<td>12.19%</td>
<td>5,247</td>
<td>4.55%</td>
</tr>
<tr>
<td>U. S. Government</td>
<td>13,900</td>
<td>11.76%</td>
<td>14,800</td>
<td>12.83%</td>
</tr>
<tr>
<td>Methodist Le Bonheur Healthcare</td>
<td>10,175</td>
<td>8.61%</td>
<td>10,000</td>
<td>8.67%</td>
</tr>
<tr>
<td>Baptist Memorial Healthcare</td>
<td>8,587</td>
<td>7.27%</td>
<td>8,000</td>
<td>6.94%</td>
</tr>
<tr>
<td>City of Memphis</td>
<td>6,848</td>
<td>5.79%</td>
<td>6,680</td>
<td>5.79%</td>
</tr>
<tr>
<td>Wal-Mart Stores Inc.</td>
<td>6,000</td>
<td>5.08%</td>
<td>6,500</td>
<td>5.64%</td>
</tr>
<tr>
<td>Shelby County Government</td>
<td>5,662</td>
<td>4.79%</td>
<td>7,183</td>
<td>6.23%</td>
</tr>
<tr>
<td>Naval Support Activity Mid-South</td>
<td>4,600</td>
<td>3.89%</td>
<td>6,500</td>
<td>5.64%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118,172</strong></td>
<td>100.00%</td>
<td><strong>115,350</strong></td>
<td>100.00%</td>
</tr>
</tbody>
</table>

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

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

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

(2) Source: Memphis Chamber of Commerce

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
AIRCINES SERVING MEMPHIS INTERNATIONAL AIRPORT
JUNE 30, 2014

CARGO AIRLINES

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

PASSENGER AIRLINES

MAJOR

American Airlines, Inc.
Delta Airlines
Frontier Airlines
Southwest Airlines (prev AirTran Airways)
US Airways

REGIONAL/COMMUTER

Air Wisconsin dba US Airways Express
Chautaqua Airlines dba Delta Connection
Compass Airlines dba Delta Connection
Endeavor Air, Inc. dba Delta Connection
Envoy Air
ExpressJet dba Delta Connection
ExpressJet dba United Express
Mesa Airlines dba United Express
Mesa Airlines dba US Airways Express
PSA Airlines dba US Airways Express
Republic Airlines dba US Airways Express
Seaport Airlines
Shuttle America dba Delta Connection
Skywest Airlines dba Delta Connection
Skywest Airlines dba United Express
Trans States Airlines dba United Express
Virgin Atlantic dba US Airways Express

CHARTER

Miami Air International
Mid-South Jets
MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
EMPLOYERS LOCATED ON AIRPORT PROPERTY
JUNE 30, 2014

<table>
<thead>
<tr>
<th>CONCESSIONAIRES AND TENANTS</th>
<th>PASSENGER AIRLINES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft Services International</td>
<td>Air Wisconsin dba US Airways Express</td>
</tr>
<tr>
<td>Airport Fast Park</td>
<td>American Airlines</td>
</tr>
<tr>
<td>Alamo Rent-A-Car</td>
<td>Chautauqua Airlines dba Delta Connection</td>
</tr>
<tr>
<td>Anton Food</td>
<td>Compass Airlines dba Delta Connection</td>
</tr>
<tr>
<td>Avis Rent-A-Car</td>
<td>Delta Air Lines</td>
</tr>
<tr>
<td>Budget Rent-A-Car</td>
<td>Endeavor Air dba Delta Connection</td>
</tr>
<tr>
<td>Cockrum Clark Delivery</td>
<td>Envoy Air</td>
</tr>
<tr>
<td>Delaware North Companies</td>
<td>ExpressJet dba Delta Connection</td>
</tr>
<tr>
<td>Dollar Rent-A-Car</td>
<td>ExpressJet dba United Express</td>
</tr>
<tr>
<td>Enterprise Rent-A-Car</td>
<td>Frontier Airlines</td>
</tr>
<tr>
<td>Flight Support Solutions</td>
<td>Mesa Airlines dba United Express</td>
</tr>
<tr>
<td>Gate Gourmet</td>
<td>Mesa Airlines dba US Airways Express</td>
</tr>
<tr>
<td>Hudson News</td>
<td>PSA Airlines dba US Airways Express</td>
</tr>
<tr>
<td>Huntleigh USA Corporation</td>
<td>Republic Airlines dba US Airways Express</td>
</tr>
<tr>
<td>Integrated Airline Services</td>
<td>Seaport Airlines</td>
</tr>
<tr>
<td>International Business Services</td>
<td>Shuttle America dba Delta Connection</td>
</tr>
<tr>
<td>Interstate Barbeque</td>
<td>Skywest Airlines dba Delta Connection</td>
</tr>
<tr>
<td>Lenny’s</td>
<td>Skywest Airlines dba United Express</td>
</tr>
<tr>
<td>National Car Rental</td>
<td>Southwest Airlines (prev AirTran Airways)</td>
</tr>
<tr>
<td>NWA Federal Credit Union</td>
<td>Trans States Airlines dba United Express</td>
</tr>
<tr>
<td>Parking Company of America</td>
<td>US Airways</td>
</tr>
<tr>
<td>Regions</td>
<td>Virgin Atlantic dba US Airways Express</td>
</tr>
<tr>
<td>Republic Parking System</td>
<td></td>
</tr>
<tr>
<td>Service Master Management</td>
<td></td>
</tr>
<tr>
<td>Starbucks</td>
<td></td>
</tr>
<tr>
<td>Swissport Fueling</td>
<td></td>
</tr>
<tr>
<td>The Hertz Corporation</td>
<td></td>
</tr>
<tr>
<td>The Paradies Shops</td>
<td></td>
</tr>
<tr>
<td>The Pay Phone Company</td>
<td></td>
</tr>
<tr>
<td>Tug Technologies</td>
<td></td>
</tr>
<tr>
<td>U S Security Associates</td>
<td></td>
</tr>
<tr>
<td>Zoom Systems</td>
<td></td>
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<tr>
<td>CARGO AIRLINES</td>
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<tr>
<td>Baron Aviation</td>
<td></td>
</tr>
<tr>
<td>FedEx Express</td>
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<td>United Parcel Service</td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER EMPLOYERS</td>
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<tr>
<td>Airserv</td>
<td></td>
</tr>
<tr>
<td>AMFA</td>
<td></td>
</tr>
<tr>
<td>City of Memphis Fire Department</td>
<td></td>
</tr>
<tr>
<td>Federal Aviation Administration</td>
<td></td>
</tr>
<tr>
<td>GAT Airline Ground Support</td>
<td></td>
</tr>
<tr>
<td>Kanawha Scales</td>
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<tr>
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<tr>
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<tr>
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<td>United States Postal Service</td>
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<tr>
<td>Wilson Air Center</td>
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# MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
## FULL-TIME EQUIVALENT EMPLOYEES BY COST CENTER
### LAST TEN YEARS

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<td><strong>Total</strong></td>
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<td><strong>308</strong></td>
<td><strong>308</strong></td>
<td><strong>308</strong></td>
<td><strong>308</strong></td>
<td><strong>301</strong></td>
<td><strong>300</strong></td>
<td><strong>293</strong></td>
<td><strong>299</strong></td>
</tr>
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</table>

(1) 2011 employee allocation was updated to reflect change in cost centers.
### MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
#### INSURANCE IN FORCE
#### JUNE 30, 2014

<table>
<thead>
<tr>
<th>Type of Policy</th>
<th>Amount of Policy</th>
<th>Expiration Date</th>
<th>Name of Insurer</th>
<th>Risks Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport liability (Comprehensive general liability, contractual liability, personal injury liability, and hangar keeper's liability)</td>
<td>$250,000,000 Each Occurrence Limit, $5,000 Each Occurrence Deductible, $100,000 Annual Aggregate Deductible</td>
<td>April 1, 2015</td>
<td>Commerce and Industry Insurance Company (AIG)</td>
<td>Personal injury and property damage</td>
</tr>
<tr>
<td>Aircraft non-ownership liability</td>
<td>$250,000,000 Each Occurrence, $5,000 Deductible</td>
<td>April 1, 2015</td>
<td>Commerce and Industry Insurance Company (AIG)</td>
<td>Personal injury and property damage</td>
</tr>
<tr>
<td>Employee Benefits Liability</td>
<td>$1,000,000 Each Employee/Aggregate, $2,500 Deductible</td>
<td>April 1, 2015</td>
<td>Commerce and Industry Insurance Company (AIG)</td>
<td>Negligent act, error or omission damages</td>
</tr>
<tr>
<td>Automobile Liability</td>
<td>$1,000,000 Each Occurrence, CSL Bodily Injury/Property Damage</td>
<td>April 1, 2015</td>
<td>Columbia Insurance Group</td>
<td>Bodily injury and property damage</td>
</tr>
<tr>
<td>Property</td>
<td>$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</td>
<td>April 1, 2015</td>
<td>FM Global</td>
<td>Building - All risks property damage including business interruption</td>
</tr>
<tr>
<td>Crime</td>
<td>$1,000,000 Limit, $10,000 Deductible</td>
<td>April 1, 2015</td>
<td>National Union Fire Insurance Company (AIG)</td>
<td>Employee theft, forgery, robbery, and computer fraud</td>
</tr>
<tr>
<td>Fiduciary Liability</td>
<td>$3,000,000 Limit, $0 Deductible</td>
<td>April 1, 2015</td>
<td>National Union Fire Insurance Company (AIG)</td>
<td>Violation of any of the responsibilities, duties or obligations of Fiduciaries</td>
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<tr>
<td>Employment Practices Liability</td>
<td>$10,000,000 Limit, Shared with POL, $75,000 Deductible</td>
<td>April 1, 2015</td>
<td>National Union Fire Insurance Company (AIG)</td>
<td>Wrongful termination, discrimination, sexual harassment and workplace torts</td>
</tr>
<tr>
<td>Public Officials Liability</td>
<td>$10,000,000 Limit, Shared with EPL, $100,000 Deductible</td>
<td>April 1, 2015</td>
<td>National Union Fire Insurance Company (AIG)</td>
<td>Board of Commissioners, management and professional liability</td>
</tr>
<tr>
<td>Cyber Liability</td>
<td>$1,000,000 Aggregate Limit, $50,000 Deductible</td>
<td>April 1, 2015</td>
<td>Lloyd's of London Syndicate 3624 (Hiscox)</td>
<td>Cyber protection, hacking business interruption, extortion &amp; breach</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>Statutory State of TN</td>
<td>April 1, 2015</td>
<td>Companion Commercial Insurance Company via Beacon Aviation</td>
<td>Workers' compensation for on-the-job bodily injuries</td>
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<tr>
<td>Employers Liability</td>
<td>$1,000,000 Bodily Injury by Accident/Disease</td>
<td>April 1, 2015</td>
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### OWNER CONTROLLED INSURANCE PROGRAM - (CONSTRUCTION INSURANCE):

<table>
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<tr>
<th>Type of Policy</th>
<th>Amount of Policy</th>
<th>Expiration Date</th>
<th>Name of Insurer</th>
<th>Risks Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Liability</td>
<td>$2,000,000 Per Occurrence, $4,000,000 General Aggregate, $250,000 Each Occurrence Deductible</td>
<td>April 25, 2016</td>
<td>Zurich Insurance</td>
<td>Personal injury and property damage</td>
</tr>
<tr>
<td>Workers compensation</td>
<td>Statutory State of TN, $250,000 Deductible</td>
<td>April 25, 2016</td>
<td>Zurich Insurance</td>
<td>Workers' compensation for on-the-job injuries</td>
</tr>
<tr>
<td>Employers Liability</td>
<td>$1,000,000 Bodily Injury by Accident/Disease</td>
<td>April 25, 2016</td>
<td>Combination of Westchester AWAC &amp; RSUI</td>
<td></td>
</tr>
<tr>
<td>Excess liability insurance</td>
<td>$50,000,000 Per Occurrence, $50,000,000 General Aggregate</td>
<td>April 25, 2016</td>
<td></td>
<td>Personal injury and property damage</td>
</tr>
</tbody>
</table>
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, 2014 ($ IN THOUSANDS)

<table>
<thead>
<tr>
<th>Grantor/Program</th>
<th>Federal Pass-Through</th>
<th>Federal CFDA Number</th>
<th>Grant and Contract Number</th>
<th>State Grant and Contract Number</th>
<th>Project Description</th>
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<tbody>
<tr>
<td><strong>FEDERAL AWARDS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>U.S. Department of Transportation</td>
<td></td>
<td></td>
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<tr>
<td>Federal Aviation Administration (FAA): Airport Improvement Programs</td>
<td>20.106</td>
<td>3-47-0049-81-2010</td>
<td></td>
<td></td>
<td>Reconstruct Rwy 9/27 and Assoc Twys, Public Access Improvements, Access Control System Design</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3-47-0049-83-2011</td>
<td></td>
<td></td>
<td>EMAS (Engineered Material Arresting System) Design</td>
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<tr>
<td></td>
<td></td>
<td>3-47-0049-85-2012</td>
<td></td>
<td></td>
<td>Reconstruct Terminal Apron, Assess Control System &amp; CCTV Replacement, EMAS Construction</td>
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<tr>
<td></td>
<td></td>
<td>3-47-0049-86-2013</td>
<td></td>
<td></td>
<td>Reconstruct Terminal Apron</td>
</tr>
<tr>
<td><strong>Total Direct Federal Awards</strong></td>
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<tr>
<td>FAA through TN Dept of Transportation</td>
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<td>3-47-SBGP-27</td>
<td>AERO-10-150-00</td>
<td>DeWitt Spain - Hangar Infill (2)</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>3-47-SBGP-29</td>
<td>AERO-11-134-00</td>
<td>DeWitt Spain - Parking Lot Overlay and Expansion (2)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3-47-SBGP-29</td>
<td>AERO-11-192-00</td>
<td>DeWitt Spain - 2011 Flood Related Costs</td>
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</tr>
<tr>
<td></td>
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<td>3-47-SBGP-29</td>
<td>AERO-12-153-00</td>
<td>Charles Baker - New Terminal Design &amp; Engineering</td>
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<tr>
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<td>3-47-SBGP-29</td>
<td>AERO-12-234-00</td>
<td>DeWitt Spain - Hangar 3 Renovations</td>
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<td>3-47-SBGP-31</td>
<td>AERO-13-123-00</td>
<td>DeWitt Spain - Hangar 2 Renovations</td>
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<tr>
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<td>3-47-SBGP-22</td>
<td>AERO-13-197-00</td>
<td>DeWitt Spain - Common Hangar Heaters (2)</td>
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<td>3-47-SBGP-22</td>
<td>AERO-13-208-00</td>
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<td>3-47-SBGP-38</td>
<td>AERO-13-257-00</td>
<td>DeWitt Spain - Terminal Roof Replacement (2)</td>
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<tr>
<td><strong>Total Subrecipient (of Federal Funds) Awards</strong></td>
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<tr>
<td><strong>TOTAL FEDERAL AND STATE AWARDS</strong></td>
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</tr>
</tbody>
</table>

(1) Grant Expenditures include $231 from prior years; ($86) Federal and $317 State.
(2) Projects with both State and Federal Funding.
(3) Initial grant was issued at 90% State funding; amendments were issued at 95% State funding.

102
<table>
<thead>
<tr>
<th>Participation as Amended</th>
<th>Awards</th>
<th>Total</th>
<th>Receivable</th>
<th>Expenditures (1)</th>
<th>Receipts</th>
<th>Receivable</th>
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<td>Percentage</td>
<td>June 30, 2013</td>
<td>(Reduced)</td>
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<td>June 30, 2013</td>
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<td>$16,742</td>
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<td>(76)</td>
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<td>82,872</td>
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<td></td>
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<td>95</td>
<td>95</td>
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<tr>
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<td>50%</td>
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<tr>
<td>5%</td>
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<tr>
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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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements.

2. CONTINGENCY
The grant revenue amounts received and expensed are subject to audit and adjustment. If any expenditures are disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor would become a liability of the Authority. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the 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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 27, 2014.

**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.

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

October 27, 2014
Independent Auditors’ Report on Compliance for the Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

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 Circular A-133 Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2014. 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 programs.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the 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, 2014.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

October 27, 2014
Part I - Summary of Audit Results

1. The Independent Auditors’ Report on the financial statements of Memphis-Shelby County Airport Authority (the “Authority”), dated October 27, 2014, expressed an unmodified opinion.

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (report dated October 27, 2014).

3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.

4. No significant deficiencies of material weaknesses relating to the audit of the major federal award program are reported in the Independent Auditors’ Report on Compliance for the Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 (report dated October 27, 2014).


6. There were no audit findings relative to the major federal awards program that are required to be reported under Section 510(a) of OMB Circular A-133.

7. The Authority’s major program was the Airport Improvement Program (CFDA 20.106).

8. A threshold of $630,000 was used to distinguish between Type A and Type B Programs as those terms are defined in OMB Circular A-133.

9. The Authority qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II – Findings – Financial Statements Audit

None

Part III – Findings and Questioned Costs – Major Federal Awards

None