METROPOLITAN
KNOXVILLE
AIRPORT
AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

2011

A component unit of the City of Knoxville, Tennessee for the fiscal year ended June 30, 2011

The “Arts in the Airport” program is a collaboration between the Authority and the Arts & Cultural Alliance of Greater Knoxville. The juried artwork showcases regional artists.

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2011 Comprehensive Annual Financial Report

A component unit of the City of Knoxville, Tennessee
For the fiscal year ended June 30, 2011

PREPARED BY:
Accounting and Finance Department of
Metropolitan Knoxville Airport Authority

www.flyknoxville.com

INTRODUCTORY SECTION

This section contains the following subsections:

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OFFICIALS

As of June 30, 2011

Board of Commissioners	Position	Term Expires
Howard H. Vogel	*Chairman*	June 30, 2013
J. Randal Greaves	*Vice Chairman*	June 30, 2014
Henrietta A. Grant	*Secretary*	June 30, 2012
Joseph M. Dawson	*Assistant Secretary*	June 30, 2016
Kathleen U. Finch		June 30, 2017
Kirk A. Huddleston		June 30, 2015
Brian M. Simmons		June 30, 2018
Jeff W. Smith		June 30, 2016
Earl R. Taylor		June 30, 2016

Officers and Key Staff Members

William F. Marrison, A.A.E.	*President*
Michael R. Bachman, A.A.E., CPA	*Vice President of Finance & Administration*
James H. Evans, Jr.	*Vice President of Marketing & Air Service Development*
Trevis D. Gardner, A.A.E.	*Vice President of Airport Operations*
Bryan White, PE	*Vice President of Engineering and Planning*
Willie T. Aiken	*Director of Public Safety*
Becky Huckaby, APR	*Vice President of Public Relations*
Michael G. Long, CPA	*Controller*
Treva H. Best, CAP-OM	*Senior Executive Assistant*
E. Bruce Foster, Jr.	*Legal Counsel, Bass, Berry & Sims PLC*

METROPOLITAN
KNOXVILLE
AIRPORT
AUTHORITY

December 21, 2011

To the Board of Commissioners of the
Metropolitan Knoxville Airport Authority:

The Comprehensive Annual Financial Report of the Metropolitan Knoxville Airport Authority (the Authority) for the fiscal year ended June 30, 2011, is hereby submitted. The purpose of the report is to present fairly and disclose fully the Authority's financial position and the results of its operations. The report consists of four sections: Introductory, Financial, Statistical and Compliance.

The financial statements were audited by Coulter & Justus, P.C. Certified Public Accountants, and the supplementary information was prepared by the Accounting and Finance Department. This report is published in accordance with the laws and/or regulations of the State of Tennessee. The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and requirements prescribed by the Comptroller of the Treasury, State of Tennessee.

This report consists of management's representations concerning the financial position of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that has been designed to both protect the Authority's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this report is complete and reliable in all material respects.

The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the years ending June 30, 2011 and 2010, 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 any significant estimates made by management and evaluating the overall financial statements presentation. The independent auditor concluded based upon their audit, that there was a reasonable basis for rendering an unqualified opinion and that the Authority's financial statements for the years ended June 30, 2011 and 2010, are in conformity with GAAP. The independent auditor's report is the first component of the financial section of this report.

The independent audit of the financial statements is part of the broader mandated provisions of the Compliance Act of 1996 and the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, relative to federal financial awards received from the U.S. Government. It is also in conformity with the provisions of the September 2000 Audit Compliance and Reporting Guide for Public Agencies relative to the collection and use of Passenger Facility Charges. The standards governing these provisions require the independent auditor not only to report on the fair presentation of the financial statements, but also on the Authority's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state grant awards. See reports of independent auditors presented in the Compliance Section.

McGhee Tyson Airport • P.O. Box 15600 • Knoxville, TN 37901 • 865/342-3000 • FAX 865/342-3050 • email: mcghee@tys.org

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A is in the financial section immediately following the report of independent auditors.

REPORTING ENTITY

The Metropolitan Knoxville Airport Authority was established in 1978 under Chapter No. 174, Public Acts of the State of Tennessee, 1969, and pursuant to Resolution No. R-63-78 of the Council of the City of Knoxville, Knoxville, Tennessee. It was organized for and has as its sole purpose the ownership, management, operation and maintenance of McGhee Tyson Airport and other airports, auxiliary fields and other properties, either acquired by or placed under the control of the Authority as outlined in Chapter 174. The Authority currently controls two airports: McGhee Tyson Airport and Knoxville Downtown Island Airport.

The Authority is a component unit of the City of Knoxville, governed by a nine-member Board of Commissioners appointed by the Mayor of the City of Knoxville. Each Commissioner is appointed for a seven-year term and must be confirmed by the Knoxville City Council. Since the Authority was established, it has been financially self-sufficient, with no local tax support.

The Board employs a President, who is the chief administrative and executive officer of the Authority. The President manages the airports under the Authority's control with a staff of 156 full-time equivalent employees. The staff is responsible for the day-to-day financial, administration, operational and personnel matters pertaining to the airports and the contractual arrangements with various aviation businesses.

An annual operating budget is prepared and approved by the Airport Authority's Board of Commissioners. All appropriations for operating expenditures lapse at the end of the fiscal year and must be reappropriated for the following year. Separate accounts are maintained for major capital projects, which are closed at the completion of the project. Since there is no legal requirement to report on the budgetary basis, no budget information is presented in the accompanying financial statements.

McGhee Tyson Airport

Located just 15 miles from downtown Knoxville, McGhee Tyson Airport lies in Blount County on 2,700 acres in the rolling foothills of the Great Smoky Mountains and provides employment for more than 2,800 people. McGhee Tyson has two parallel 9,000-foot runways and is served by most major U.S. airlines and/or their regional partner. These airlines provide numerous non-stop flights to destinations throughout the United States for approximately 1.7 million passengers each year. The airport is also home to the Tennessee Air National Guard's 134th Air Refueling Wing. McGhee Tyson is classified by the FAA as a small air traffic hub airport.

Knoxville Downtown Island Airport

Knoxville Downtown Island Airport is a general aviation airport located less than three miles from downtown Knoxville and is base for more than one hundred private and corporate aircraft. The airport has a 3,500-foot runway with a published localizer-only approach.

ECONOMIC CONDITIONS AND OUTLOOK

The primary service area for McGhee Tyson Airport is the City of Knoxville and its Metropolitan Statistical Area (MSA), which comprises the heart of "Tennessee's Resource Valley," a 16 county area that makes up Middle East Tennessee. For the year 2010, the population of Knox County was 432,226, and the population for the Knoxville MSA was 787,919 according to the Bureau of the Census. The population for the city of Knoxville was 178,874.

In addition, a broader regional market is defined as the Tennessee, Kentucky, Virginia, North Carolina, South Carolina and Georgia counties lying within 100 miles of McGhee Tyson Airport, which is the largest airport in the region. Approximately three million people reside in these 76 counties.

The Knoxville MSA witnessed a decrease from 8.7 to 7.9 percent in unemployment in 2010 as compared to 2009 while the State of Tennessee saw a decrease from 10.9 to 9.6 percent. On a national level, the unemployment rate decreased from 10.0 to 9.1 percent.

According to an economic report prepared by the Center for Business and Economic Research, College of Business Administration, University of Tennessee, the Tennessee economy is continuing to show signs of improvement. Unfortunately this improvement is slower rates of economic decline. During 2010 employment decreased by 0.5 percent as compared to a decrease of 4.0 percent in 2009. Nominal personal income is rebounding and grew 2.3 percent last year. The short-term economic outlook calls for the state economy to continue showing improvement through 2011 and into 2012. Current predictions call for a full recovery not to take place until 2013/2014.

Knox County is the principal Gateway to the Great Smoky Mountains National Park which is the country's most visited national park. Between 8 and 10 million adventurers and sightseers visit the park each year. More than one-half of the nation's population lives within 500 miles of the park, which is located half in Tennessee and half in North Carolina. Part of the Appalachian Range, Great Smoky Mountains National Park contains 16 peaks higher than 6,000 feet, the highest being Clingmans Dome.

AIRLINE INFORMATION

As of June 30, 2011 McGhee Tyson Airport's nine passenger airlines and / or their regional affiliates offered over 7,000 daily seats in 23 nonstop markets. In addition, two cargo airlines linked the airport with three major air cargo hubs. A complete listing of air carriers and destinations is as follows:

Passenger Airlines

AirTran Airways
Allegiant Air
American Airlines*
Continental Airlines*
Delta Air Lines*
Frontier Airlines
United Airlines*
US Airways*
Vision Airlines
**service offered through regional airline affiliates shown below*

Regional Airline Affiliates

American Eagle Airlines, Inc.
Atlantic Southeast Airlines, Inc. / Delta Connection
Chautauqua Airlines Inc. / Delta Connection
Comair Inc. / Delta Connection
ExpressJet Airlines, Inc. / Continental Express & United Express
Mesaba Airlines, Inc. / Delta Connection
Piedmont Airlines, Inc. / US Airways Express
Pinnacle Airlines Inc. / Delta Connection
PSA Airlines Inc. / US Airways Express
SkyWest Airlines, Inc. / United Express
Trans States Airlines, Inc. / United Express

Cargo Airlines

FedEx, Inc.
UPS Airlines, Inc.

Passenger Airline Destinations

Atlanta, Charlotte, Chicago, Cleveland, Dallas/ Ft. Worth, Denver, Destin/ Fort Walton Beach, Detroit, Fort Lauderdale, Houston, Memphis, Miami, Minneapolis/ St. Paul, Myrtle Beach, Newark, New York-LaGuardia, Orlando, Orlando-Sanford, Philadelphia, Punta Gorda/ SW Florida, St. Petersburg/ Tampa Bay, Washington-Dulles, and Washington-National.

Cargo Airline Destinations

Indianapolis, Louisville, and Memphis

Airline Activity

McGhee Tyson Airport's nine passenger airlines and / or their regional affiliates operated over 130 daily flights and served 1,714,949 passengers in FY2011, a 1.75% increase when compared to FY2010. 93,439,577 pounds of freight and mail moved through the airport during FY2011, an increase of 0.45% compared to the previous year.

Two new airlines began service at McGhee Tyson Airport during Fiscal Year 2011. In March, Vision Airlines introduced three weekly flights linking McGhee Tyson Airport with the resort destination of Destin/ Fort Walton Beach, Florida using Boeing 737-400 aircraft. The service proved to be very popular during the spring and summer vacation season. Frontier Airlines entered the Knoxville market with four weekly Airbus A319 low-fare flights to their Denver hub in June. The immediate impact of Frontier's presence has been dramatic, as fares to Denver and most major cities in the West decreased by as much as 70%. Incumbent carriers matched Frontier's low-fares.

The merger of United Airlines and Continental Airlines continued to progress during FY2011. Regional affiliates of both airlines serve McGhee Tyson Airport with daily service to hubs in Chicago, Cleveland, Houston, Newark, and Washington-Dulles. The brands continue to operate separately, but at some point the Continental brand will disappear as the merged carrier becomes United Airlines.

The Knoxville region continued to suffer from excessively-high airfares during the fiscal year. According to the US Department of Transportation Bureau of Transportation Statistics (BTS), Knoxville's average airfares ranked among the highest in America. While the high fares are a problem, they have allowed McGhee Tyson Airport's nine airlines to continue to offer service to 23 nonstop markets, which is considerably more nonstop destinations than available from peer airports.

As previously noted, the arrival of Frontier Airlines has had a dramatic impact on fares to the West from McGhee Tyson Airport. As a result, it is anticipated that average fares from Knoxville will trend downward in future BTS quarterly reports.

FINANCIAL INFORMATION

Long-term Financial Planning

The current Airport Master Plan for McGhee Tyson Airport was adopted by the Board of Commissioners on November 15, 2006. A Facility Planning Study for the Downtown Island Airport was prepared for the Authority on November 19, 2008 as a guide for future development of that airport.

The Airport Master Plan for McGhee Tyson defines a concept for development of the airport over the course of a 20-year planning period and is prepared in collaboration with Federal and State agencies, local municipalities and interested airport users. The primary objective of the Airport Master Plan is to produce a comprehensive planning guide for the continued development of a safe, efficient and environmentally compatible aviation facility that meets the goals of the Authority. The plan incorporates a financial model that evaluates the financial impact of the capital projects identified for the 20-year planning horizon, from 2005 through 2024.

The Authority prepares an annual operating and capital budget. The capital improvement program included in the budget identifies funding sources for capital projects for planning horizons of 0-5 years, 6-10 years and 11-20 years.

The Authority has a five year Airport Lease and Use Agreement with the airlines that serve McGhee Tyson Airport. The current agreement became effective on July 1, 2008 and expires on June 30, 2013. The Airport Lease and Use Agreement with the signatory airlines is a hybrid agreement. Airfield costs are recovered using the residual method. The Authority recovers the airfield cost by charging commercial aircraft a landing fee and general aviation aircraft a fuel flowage fee. The military pays a joint use fee for their share of the airfield costs. Airline terminal rents are calculated using a compensatory method. The terminal costs are calculated by adding the operating and maintenance cost and the capital expense associated with the terminal complex and allocating the cost to the tenants. Passenger facility charge revenue is applied to the terminal debt service to fund the eligible portions of the terminal capital expense. The applicable terminal rent is then calculated by dividing the total remaining cost by the total usable terminal square footage. The Agreement provides for a mid-year adjustment if projections vary by more than ten percent and a year-end settlement. If airline rentals, fees and charges paid during the fiscal year are more than required, the excess will be issued as a credit to the airlines. If they are less, the airlines will be invoiced the deficiency.

Relevant Financial Policies

Financial policies for the operation of the two airports are detailed in the Authority's By-laws. The Authority also adopted a comprehensive set of financial policies in an effort to standardize the issuance and management of debt and provide additional guidance on cash reserves and capital improvements on April 18, 2001.

Debt is to be used only to finance capital projects and equipment, except in case of emergency. The Authority has no plans to issue any additional debt within the next fiscal year.

Cash reserves are intended to protect the Authority from unforeseen increases in expenditures or reductions in revenues, or both. Reserves are also to be used to minimize borrowings, provide funding to match grants from other entities, provide liquidity to fund operating expenses and used to generate interest income for the Authority. The Authority will maintain cash reserves at a minimum amount equal to normal cash requirements for operations and capital projects plus $10,000,000 or the outstanding minimum annual debt service on all existing debt, whichever is greater. The Authority currently holds approximately $41,800,000 in cash and investments. The Authority is building up the cash balance above the minimum required to advance fund future capital projects rather than using debt and/or provide additional security in the case of an economic downturn or financial emergency.

The Authority actively seeks grants or other contributions to offset capital costs and minimize borrowing for projects that are consistent with the Authority's Capital Improvement Plan.

The Authority believes its prospects for the future are excellent.

MAJOR INITIATIVES

Current Year Projects

The Airport Authority completed the acquisition of five parcels of real property on Alcoa Highway formerly known as the Delmar Haynes Pontiac/GMC/Jeep Car and Truck Dealership. The property is located in the runway protection zone and the FAA control tower requested the Airport Authority acquire the property because lighting on the property interferes with visibility for the Air Traffic Controllers at night. The demolition of the buildings is complete. The removal of the pavement, grading and seeding to return the land to a green site will be accomplished in FYE June 30, 2012. The total cost of the property acquisition and building demolition was $5,700,000 and was funded 95% with federal grant funds and 5% with Airport Authority funds.

Future Year Projects

Several projects are in the planning stages for McGhee Tyson and Knoxville Downtown Island Airports:

Denark Construction, Inc. was awarded a contract for $15,456,900 to construct an airport maintenance center at McGhee Tyson Airport. The facility will provide combined use space for vehicle maintenance, electrical repair, equipment maintenance, administrative offices and snow removal equipment storage. Construction is scheduled to begin in January 2012 and be completed in September 2014. The total cost is approximately $18,500,000 and is being funded 65% with federal grant funds, 30% state grant funds and 5% Airport Authority revenues.

The LPA Group has been hired to prepare design documents and specifications to bid a project for the full reconstruction of Runway 5L/23R. The project will consist of a full runway reconstruction to include replacement of touchdown zone and centerline lighting systems, runway shoulders and edge lighting systems and replace electrical vault equipment, under drains, signage and runway markings. This is a multi-year project scheduled for final completion in 2015. The initial project cost estimate is $35,000,000 and is to be funded 95% with federal grant funds, 2.5% state grant funds and 2.5% Airport Authority revenues.

The Airport Authority is planning to reconstruct the service area on the West side of the terminal building in FYE June 30, 2012. The project will provide a covered canopy sidewalk system to the economy and employee parking lots; provide delivery and maintenance parking and reconstruct the terminal loading dock. The project will be funded 90% with state grant funds and 10% with Airport Authority revenues.

The Airport Authority has joined with the Community Reuse Organization of East Tennessee, the Heritage Center and the Horizon Center to form a partnership for the purpose of performing a feasibility study that could lead to the eventual construction of a new general aviation airport in Oak Ridge. The Airport Authority has entered into an agreement with The LPA Group for preliminary planning and coordination that will set the course for the future of this project.

At the Knoxville Downtown Island Airport the LPA Group has been hired to design a taxilane and apron for a future T-hangar expansion project. The project cost will be approximately $1,200,000 and will be funded 90% with state grant funds and 10% with Airport Authority revenues.

MAJOR AIRPORT CAPITAL IMPROVEMENTS COMPLETED

Year Completed	Description	Cost
1989	Parking Garage Phase I (775 spaces)	$5.7 million
1991	Air Cargo Complex (FedEx, UPS & DHL)	$12 million
1993	Runway 5R/23L 3,000 foot extension	$14 million
1995	Parking Garage Phase II (619 spaces)	$3.2 million
1998	Parking Garage Phase III (1,417 spaces)	$8.2 million
2000	Passenger Terminal Building Renovation and Expansion	$72 million
2000	Continental Express Maintenance Facility	$13.7 million
2002	Northwest Airlines Maintenance Facility	$8.5 million
2008	Airport Rescue and Fire Fighting Facility	$11.6 million
2009	West Aviation Area	$53 million
2010	Taxiway B Reconstruction	$5.4 million

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 Metropolitan Knoxville Airport Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the eighteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

AWARDS AND RECOGNITIONS

In April 2011, McGhee Tyson Airport completed its annual Airport Certification and Safety Inspection by the Federal Aviation Administration Southern Region Airport Division. The Certification Inspection is a thorough audit of all airfield operations, aircraft rescue and fire fighting and fueling operations regulations and safety compliance programs. This inspection is the Airport's report card for airport safety and regulatory compliance, and it determines the status of our airport operating certificate. For nine consecutive years, the McGhee Tyson Airport received a grade of "no deficiencies noted" or 100% score on an audit or regulatory inspection.

The National Air Transportation Association (NATA) has recognized and awarded the entire Line Service staff at the Knoxville Downtown Island Airport as certified Professional Line Service Technicians after successful completion of the PLST training. The NATA has also recognized the management staff as certified Professional Line Service Supervisors after successful completion of the LSST training.

ACKNOWLEDGEMENTS

The success being realized and the potential for future continuous growth is the result of the leadership and support exercised by the Authority's Board of Commissioners and the dedication and enormous work performance by all the employees of the Authority in cooperation with all the employees of the airlines and other tenants located at the airport all serving the traveling public and visitors.

This report was prepared as a combined effort between the Authority's independent accountants, Coulter & Justus, P.C., and the Accounting and Finance Department. Special thanks goes to the Accounting Department personnel under the leadership of Michael G. Long, CPA, whose efforts made possible the preparation of this report on a timely basis.

Respectfully submitted,

Bill Marrison, A.A.E.
President

Michael R. Bachman, A.A.E., CPA
Vice President, Finance & Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Knoxville Airport Authority, Tennessee

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010

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

President

Executive Director

DESTINATIONS

AirTran Airways
- Orlando-International

Allegiant Air
- Fort Lauderdale
- Myrtle Beach
- Orlando-Sanford
- St. Petersburg-Clearwater (Tampa)
- Punta Gorda

American Eagle Airlines
- Chicago-O'Hare
- Dallas-Fort Worth
- Miami

Continental Express
- Cleveland
- Houston
- Newark

Delta/Delta Connection
- Atlanta
- LaGuardia
- Detroit
- Memphis
- Minneapolis-St. Paul

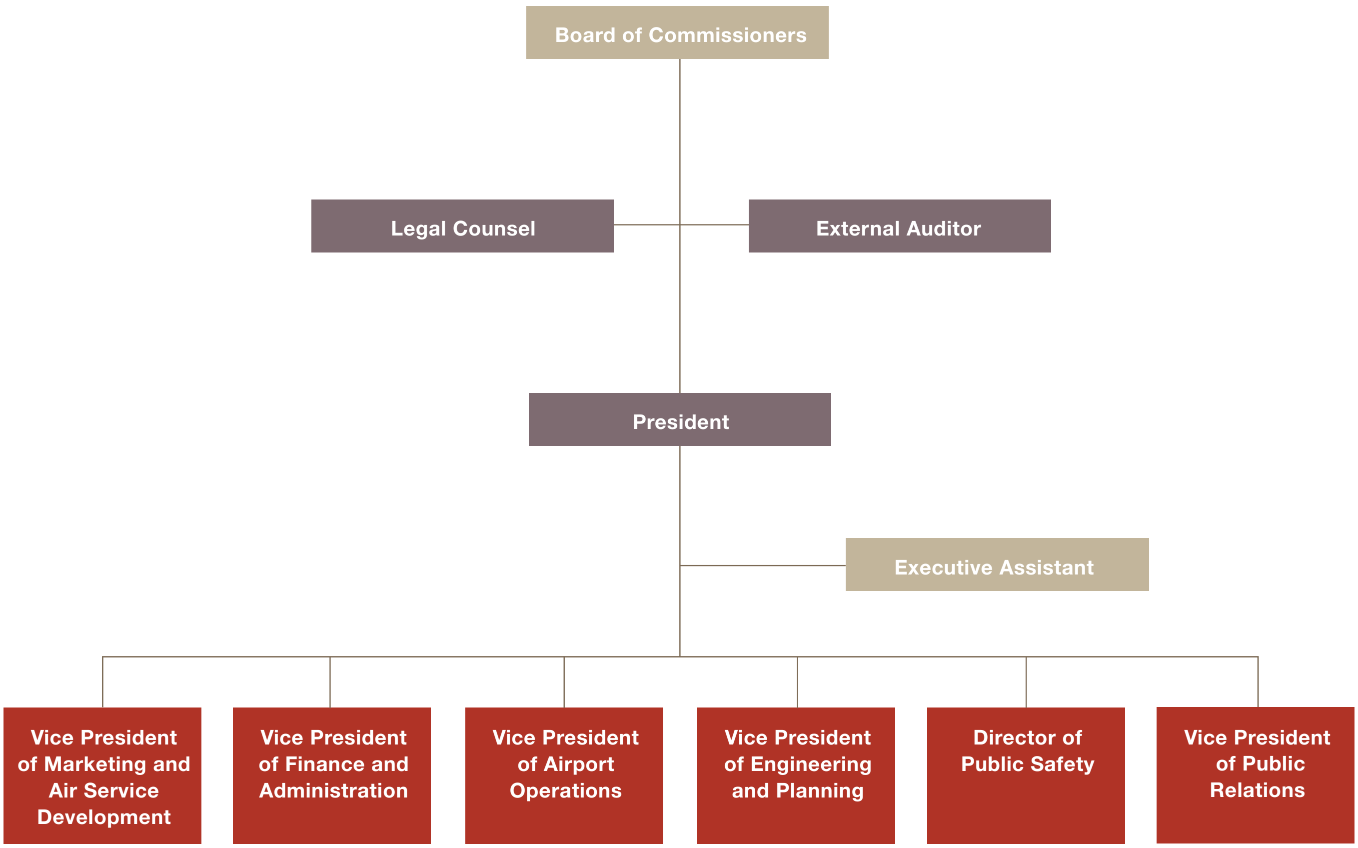
Frontier
- Denver

United Express
- Chicago
- Denver
- Washington-Dulles

US Airways Express
- Charlotte
- Philadelphia
- Washington-National

Vision
- Fort Walton-Destin

ORGANIZATIONAL CHART



FINANCIAL SECTION

This section contains the following subsections:

Report of independent auditors

Management's discussion and analysis

Financial statements

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COULTER & JUSTUS, P.C.

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Report of Independent Auditors

Board of Commissioners
Metropolitan Knoxville Airport Authority

We have audited the accompanying statements of net position of Metropolitan Knoxville Airport Authority (a component unit of the City of Knoxville, Tennessee) (the "Authority") as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Knoxville Airport Authority as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 25 through 32 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary

Board of Commissioners
Metropolitan Knoxville Airport Authority

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 financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards and Passenger Facility Charges Collected and Expanded is presented for purposes of additional analysis as required by U.S. Office and Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is also not a required part of the financial statements. The accompanying Schedules of State Grant Activity and Long-Term Debt Principal and Interest Requirements are also presented for purposes of additional analysis and are not a required part of the financial statements. The Schedules of Expenditures of Federal Awards and Passenger Facility Charges Collected and Expended, State Grant Activity and Long-Term Debt Principal and Interest Requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in our audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Coulter & Justus, P.C.

December 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Metropolitan Knoxville Airport Authority's financial performance provides an overview of the financial activities of the McGhee Tyson Airport and the Knoxville Downtown Island Airport for the fiscal year ended June 30, 2011. Following this MD&A are the basic financial statements of the Authority together with the notes thereto.

Airport activities highlights

In spite of the continuing financial stress experienced by the airline industry in the current economic environment, the major activity indicators at McGhee Tyson Airport increased during calendar year 2010, but remain at levels below those for 2008.

The details of major airport indicators for the calendar years 2008-2010 are as follow:

	2010	2009	2008
Enplanements	851,275	842,347	869,460
% increase (decrease)	1.06%	(3.12)%	(4.80)%
Aircraft operations	110,156	104,273	121,660
% increase (decrease)	5.64%	(14.29)%	(9.02)%
Landed weight (thousand pound units)	1,425,801	1,396,052	1,473,197
% increase (decrease)	2.13%	(5.24)%	(0.89)%
Cargo (pounds)	93,789,846	85,241,656	99,121,946
% increase (decrease)	10.03%	(14.00)%	(1.18)%

By mid 2011, McGhee Tyson Airport offered East Tennessee travelers 23 nonstop airline destinations flown by nine airlines and their affiliates. Few other communities of this size provide such a broad range of nonstop cities.

Financial highlights

The Airport Authority is treated as an enterprise fund of the City of Knoxville, Tennessee. The Authority issues a Comprehensive Annual Financial Report, which is incorporated in the City of Knoxville's Comprehensive Annual Financial Report. The financial statements following this MD&A are comprised of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows and the accompanying Notes to the Financial Statements. The financial information herein is presented at a summarized level for analysis purposes only. See Note 1 to the Financial Statements for significant accounting policies related to the Authority.

2010-2011:

The Airport Authority's revenues increased by 7.29% from FY2010 to FY2011 due to the following:
Aviation area revenues increased due to an increase in landing fees paid by the airlines. Revenues in the terminal area also increased by 6.22% as concession revenues from car rental tenants, food concessions and parking revenues were all higher. Air cargo and other properties revenues improved 5.94%.

FY2011 operating expenses were 7.10% above FY2010 due primarily to increased costs related to the weather conditions and to airline incentives paid out to attract additional airlines and secure additional destinations. Snow removal expenses and utility costs were both significantly higher in the winter of 2011 as the region experienced much more snow than in previous years.

Lower yields on investments due to a lower interest rate environment resulted in a decrease in net non-operating income.

There was an increase in net position from $120,241,621 at the beginning of FY2010 to $120,998,831 at the end of the year. The change in net assets is an indication of whether the overall fiscal condition of the Authority has improved or worsened during the year. We feel that the overall fiscal condition of the Authority remains strong.

2009-2010:
The Airport Authority's revenues decreased by 4.07% from FY2009 to FY2010 due to the following:
Aviation area revenues decreased due to a reduction in landing fees paid by the airlines. Revenues in the terminal area also decreased by 3.66% as concession revenues from car rental tenants were down 9.76%. Air cargo and other properties revenues held steady with only a modest decline.

FY2010 operating expenses were 2.56% below FY2009 due to reductions in the terminal area utility expense and administrative cost.

Operating income before depreciation decreased from $6,665,020 in the fiscal year ended June 30, 2009, to $6,138,455 in the fiscal year ended June 30, 2010. Depreciation increased from $12,006,890 to $12,056,454. The operating loss before other income increased from $5,341,870 in FY2009 to $5,917,999 in FY2010.

Net non-operating income increased from $77,185 in the fiscal year ended June 30, 2009, to $924,371 in the fiscal year ended June 30, 2010 due primarily to a decrease in interest expense. The decreased interest expense was the result of refinancing the Series III-A bond issue. Interest expense during the first six months of FY2009 had increased significantly due to rising interest rates resulting from the international crises in financial markets.

Summary of revenues, expenses and changes in net assets

	Year ended June 30		
	2011	**2010**	**2009**
Operating revenues	$ 24,290,195	$ 22,638,855	$ 23,598,720
Operating expenses	(17,672,452)	(16,500,400)	(16,933,700)
Excess before depreciation and other income, net	6,617,743	6,138,455	6,665,020
Depreciation and amortization	(13,257,502)	(12,056,454)	(12,006,890)
Operating loss	(6,639,759)	(5,917,999)	(5,341,870)
Net nonoperating income	467,852	924,371	77,185
Loss before capital contributions	(6,171,907)	(4,993,628)	(5,264,685)
Capital contributions	6,929,117	9,771,088	10,814,592
Increase in net position	757,210	4,777,460	5,549,907
Net position at beginning of year	120,241,621	115,464,161	109,914,254
Net position at end of year	$120,998,831	$120,241,621	$115,464,161

Financial summary

	Year ended June 30		
	2011	2010	2009
Current assets	$ 44,791,371	$ 41,105,876	$ 39,685,100
Restricted assets	1,050,744	1,158,068	1,113,328
Capital assets (net)	164,829,415	169,814,035	170,387,087
Bond issue cost (net)	893,607	956,159	1,019,973
Master plan and other plans (net)	242,864	764,101	1,274,317
Other	885,109	923,673	974,240
Deferred outflows – interest rate swaps	6,690,376	7,985,359	6,122,262
Total assets	$ 219,383,486	$ 222,707,271	$ 220,576,307
Current liabilities	$ 6,117,653	$ 5,465,339	$ 6,719,465
Long-term debt, less current portion	85,576,626	89,014,952	92,270,419
Interest rate swap liabilities	6,690,376	7,985,359	6,122,262
Total liabilities	98,384,655	102,465,650	105,112,146
Net position invested in capital assets, net of related debt	75,862,832	77,855,580	74,649,890
Restricted net position	1,050,744	1,158,068	1,113,328
Unrestricted net position	44,085,255	41,227,973	39,700,943
Total net position	120,998,831	120,241,621	115,464,161
Total liabilities and net position	$ 219,383,486	$ 222,707,271	$ 220,576,307

The largest portion of the Authority's net assets each year represents its investment in capital assets less the related indebtedness outstanding used to acquire those capital assets. The Authority uses these capital assets to provide services to its passengers and visitors; consequently these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities. Another portion of net assets is restricted and represents bond reserve funds and PFCs that are restricted by Federal regulations. The remaining portion of net assets is unrestricted and may be used to meet any of the Authority's ongoing obligations.

Airline signatory rates and charges

The Authority and certain airlines negotiated an agreement effective July 1, 2008, for five years, which establishes how the airlines that sign the agreement will be assessed annual rates and charges for their use of the airport.

Terminal rates and landing fees are estimated at the beginning of the year with an annual year-end settlement calculation. The rates and charges for the signatory airlines were as follows:

	Year ended June 30		
	2011	**2010**	**2009**
Landing fees (per 1,000 lbs. MCLW)	$ 2.7900	$ 2.5600	$ 2.4600
Terminal rates (per square foot)	$ 39.4545	$ 36.119	$ 39.6946
Loading bridge rate per bridge	$ 38,114	$ 36,518	$ 49,607
Apron charge per gate	$ 69,484	$ 63,160	$ 60,331

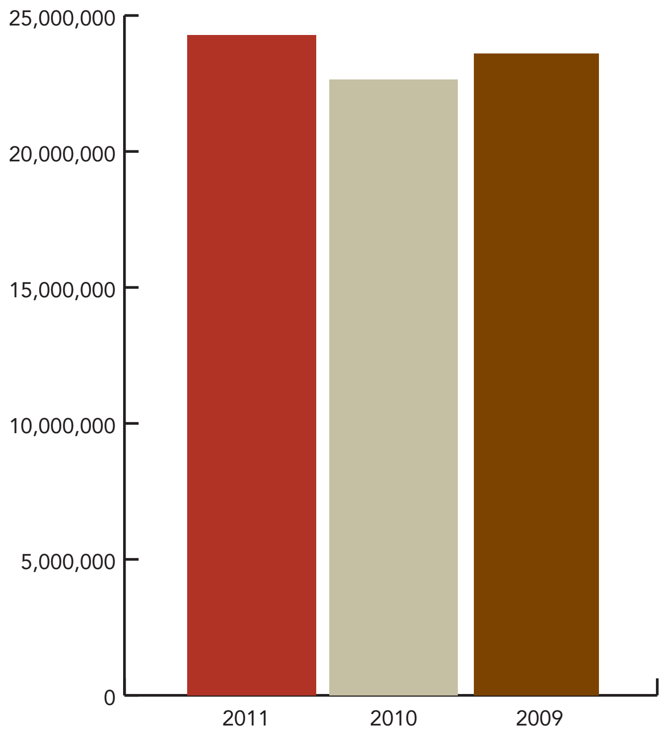
Financial details

Revenues

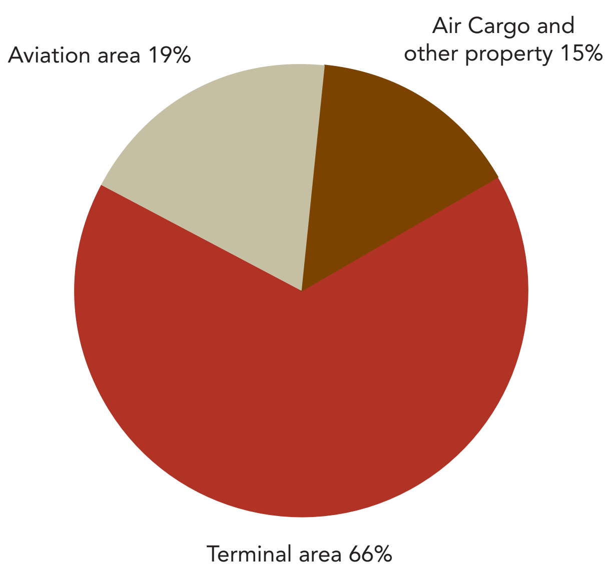
The following schedule presents a summary of operating revenues for the fiscal years ended June 30, 2011, June 30, 2010, and June 30, 2009:

	Year ended June 30		
Operating revenues:	**2011**	**2010**	**2009**
Aviation area	$ 4,600,042	$ 4,092,297	$ 4,420,850
Terminal area	15,942,418	15,008,917	15,578,397
Air cargo and other properties	3,747,735	3,537,641	3,599,473
Total operating revenues	24,290,195	22,638,855	23,598,720
Other income (deductions) and Capital Contributions:			
Passenger facility charges	3,259,795	3,226,750	3,195,260
Interest income	594,744	985,111	1,200,046
Net realized and unrealized (depreciation) appreciation in fair value of investments	–	(19,810)	35,510
Gain on disposals of capital assets	19,825	4,007	16,297
Other income	192,437	54,327	323,220
Capital contributions – grant receipts from Governmental agencies	6,929,117	9,771,088	10,814,592
Net other income and capital contributions	10,995,918	14,021,473	15,584,925
Total revenues and other income	$ 35,286,113	$ 36,660,328	$ 39,183,645

The following chart shows the operating revenues for the past three fiscal years.



The sources and the percentage of operating revenue for fiscal year ended June 30, 2011 are shown below.

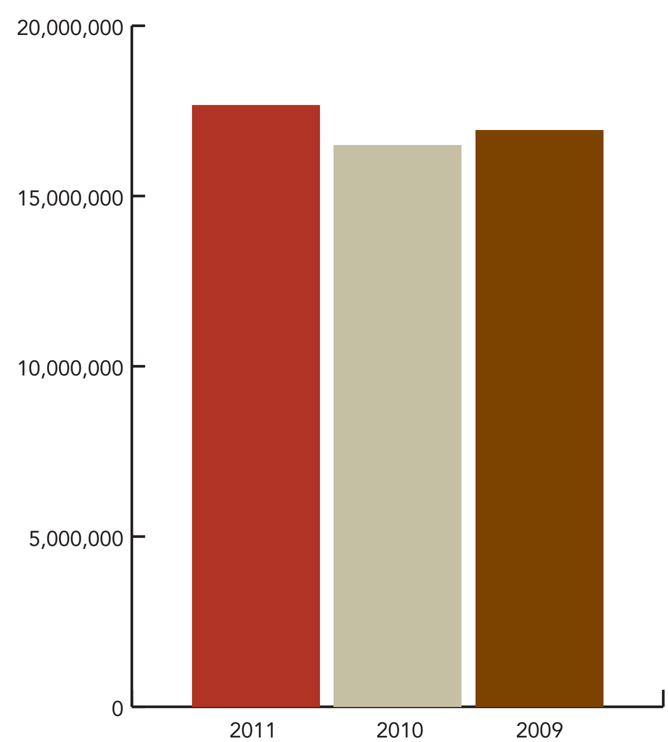


Expenses

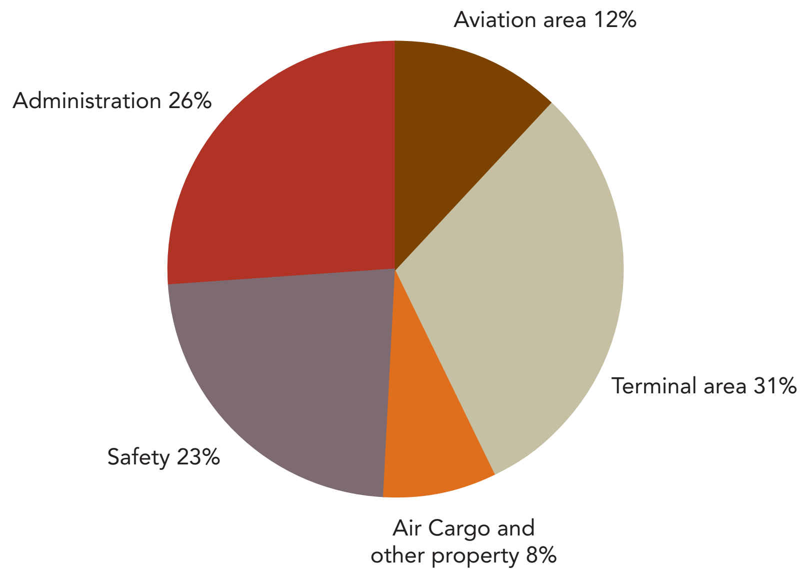
The following schedule presents a summary of operating expenses for the fiscal years ended June 30, 2011, June 30, 2010, and June 30, 2009:

Operating expenses:	**2011**	**2010**	**2009**
Aviation area	$ 2,052,420	$ 1,846,296	$ 1,606,297
Terminal area	5,488,460	5,211,340	5,525,804
Air cargo and other properties	1,430,679	1,215,671	1,386,129
Safety	4,021,409	3,908,435	3,827,547
Administration	4,679,484	4,318,658	4,587,923
Total operating expenses	17,672,452	16,500,400	16,933,700
Depreciation and amortization	13,257,502	12,056,454	12,006,890
Interest expense	3,598,949	3,326,014	4,693,148
Total expenses	$ 34,528,903	$ 31,882,868	$ 33,633,738

The following chart shows the operating expenses for the past three fiscal years.



The sources and the percentage of operating expense for fiscal year ended June 30, 2011, are shown below.



Summary of cash flow activities

	Year ended June 30		
	2011	**2010**	**2009**
Operating activities	$ 6,118,347	$ 6,138,656	$ 7,147,883
Investing activities	3,900,400	(2,162,810)	2,258,770
Capital and related financing activities	(4,374,918)	(3,483,991)	(5,393,808)
Net increase (decrease) in cash and cash equivalents	5,643,829	491,855	4,012,845
Cash and cash equivalents at beginning of year	7,151,595	6,659,740	2,646,895
Cash and cash equivalents at end of year	$ 12,795,424	**$ 7,151,595**	**$ 6,659,740**

Financial statements

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The Authority is structured as a single enterprise fund with revenue recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except land and construction in progress) are depreciated over their useful lives. Amounts are restricted for debt service and, where applicable, for construction purposes. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

Capital acquisitions and construction activities

During fiscal year ended June 30, 2011, the Authority expended $7,974,079 on capital activities. This included land acquisitions and major construction projects.

During fiscal year ended June 30, 2011, completed projects totaling $27,680,904 were closed from construction-in-progress to their respective capital accounts.

Property and equipment acquisitions are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants, state grants, debt issuances, and airport revenues. Please see Note 3 in the notes to the financial statements for more detailed information on capital asset activity.

Long-term debt

The outstanding long-term debt of the Authority was $90,435,000 including current maturities of $3,575,000 at June 30, 2011. This debt consists of Local Government Public Improvement Revenue Bonds. A portion of the Series II-D-1 and V-A-1 Bonds totaling $13,855,000 and $37,010,000, respectively, is subject to interest rate swap agreements. Based on the swap agreements, the Authority owes interest at an effective fixed rate of 5.29% and 3.331% on the Series II-D-1 and V-A-1 Bonds, respectively. The variable rate was 0.19% on the remaining portion of $39,570,000 on the V-A-1 Bonds at June 30, 2011. Maturities range from 2012 to 2028. The principal and interest payable on the debt is paid from airport revenues.

The latest series of Local Government Public Improvement Revenue Bonds issued by the Authority was the Series V-A-1 issued in December, 2008. The bonds are secured by and payable solely from the net revenues derived from the operations of the airport by the Authority as defined in the Master Plan Resolution. On July 23, 2008 Moody's Rating Committee assigned a rating of A3 to bonds issued by the Authority and S&P issued rating of A- on March 17, 2011. Detailed information on long-term debt activity can be found in Note 5 of the notes to the financial statements.

Passenger facility charges

On October 6, 1993, the Metropolitan Knoxville Airport Authority received approval from the FAA to collect a $3.00 passenger facility charge (PFC) on each passenger enplaning at McGhee Tyson Airport. On September 16, 2003, the FAA approved an increase in the Authority's PFC rate to $4.50 per enplaning passenger. The FAA determined that the earliest effective date for the new rate was October 1, 2003. The collection authority has been extended to September 1, 2023. As of June 30, 2011, the Authority had collected $45,279,435 of PFC revenue and expended $45,092,950 on approved projects. The FAA has authorized $103,981,548 for PFC collection by the Airport Authority as of June 30, 2011.

Request for information

The financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Vice President of Finance and Administration or the Controller, Metropolitan Knoxville Airport Authority, P. O Box 15600, Knoxville, TN 37901 or by email to bachman@tys.org or to mike.long@tys.org.

Respectfully submitted,

Michael R. Bachman, A.A.E., CPA
Vice President, Finance & Administration

Michael G. Long, CPA
Controller

STATEMENTS OF NET POSITION

	June 30	
	2011	**2010**
Assets		
Unrestricted current assets:		
Cash and cash equivalents	$ 12,219,680	$ 6,468,527
Investments	29,701,396	32,809,095
Receivables:		
Trade	645,803	112,866
Government agencies	1,070,079	1,156,806
Interest	264,708	462,665
Other	737,718	–
Prepaid expenses and other current assets	151,987	95,917
Total unrestricted current assets	44,791,371	41,105,876
Restricted current assets:		
Cash and cash equivalents	575,744	683,068
Receivables for passenger facility charges	475,000	475,000
Total restricted current assets	1,050,744	1,158,068
Total current assets	45,842,115	42,263,944
Noncurrent assets:		
Capital assets, net of accumulated depreciation	164,829,415	169,814,035
Bond issue costs, net of accumulated amortization	893,607	956,159
Master plans and other plans, net of accumulated amortization	242,864	764,101
Other	885,109	923,673
Total noncurrent assets	166,850,995	172,457,968
Total assets	212,693,110	214,721,912
Deferred outflows of resources		
Accumulated decrease in fair value of interest rate swaps	6,690,376	7,985,359
Total assets and deferred outflows of resources	$ 219,383,486	$ 222,707,271

(continued on page 34)

STATEMENTS OF NET POSITION *(continued)*

	June 30	
	2011	**2010**
Liabilities and net position		
Current liabilities:		
Accounts payable	$ 528,843	$ 820,378
Accrued payroll and other expenses	1,914,235	1,083,718
Accrued interest	99,575	161,243
Current portion of long-term debt	3,575,000	3,400,000
Total current liabilities	6,117,653	5,465,339
Long-term liabilities:		
Long-term debt, less current portion	85,576,626	89,014,952
Interest rate swap liabilities	6,690,376	7,985,359
Total long-term liabilities	92,267,002	97,000,311
Total liabilities	98,384,655	102,465,650
Net position:		
Invested in capital assets, net of related debt	75,862,832	77,855,580
Restricted – expendable:		
Passenger facility charges	661,744	607,983
Law Enforcement	389,000	550,085
Unrestricted	44,085,255	41,227,973
Total net position	120,998,831	120,241,621
Total liabilities and net position	$ 219,383,486	$222,707,271

See accompanying Notes to Financial Statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year ended June 30	
	2011	**2010**
Operating revenues:		
Aviation area	$ 4,600,042	$ 4,092,297
Terminal area	15,942,418	15,008,917
Air cargo and other properties	3,747,735	3,537,641
Total operating revenues	24,290,195	22,638,855
Operating expenses:		
Aviation area	2,052,420	1,846,296
Terminal area	5,488,460	5,211,340
Air cargo and other properties	1,430,679	1,215,671
General area:		
Safety	4,021,409	3,908,435
Administration	4,679,484	4,318,658
Total operating expenses	17,672,452	16,500,400
	6,617,743	6,138,455
Depreciation and amortization	(13,257,502)	(12,056,454)
Operating loss	(6,639,759)	(5,917,999)
Nonoperating income (deductions):		
Passenger facility charges	3,259,795	3,226,750
Interest income	594,744	985,111
Net realized and unrealized depreciation in fair value of investments	–	(19,810)
Gain on disposals of capital assets	19,825	4,007
Other income	192,437	54,327
Interest expense	(3,598,949)	(3,326,014)
Net nonoperating income	467,852	924,371
Loss before capital contributions	(6,171,907)	(4,993,628)
Capital contributions – grant receipts from governmental agencies	6,929,117	9,771,088
Increase in net position	757,210	4,777,460
Net position at beginning of year	120,241,621	115,464,161
Net position at end of year	$ 120,998,831	$120,241,621

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	Year ended June 30	
	2011	**2010**
Operating activities:		
Operating cash received from customers	$ 23,757,258	$ 22,834,300
Cash payments to suppliers of goods and services	(7,241,103)	(6,748,272)
Cash payments to employees for services	(10,397,808)	(9,947,372)
Net cash provided by operating activities	6,118,347	6,138,656
Investing activities:		
Interest received	792,701	1,061,181
Purchases of investments	(13,331,622)	(18,809,094)
Proceeds from maturities of investments	16,439,321	15,585,103
Net cash provided by (used in) investing activities	3,900,400	(2,162,810)
Capital and related financing activities:		
Interest paid	(3,523,943)	(3,159,342)
Repayments on bonds	(3,400,000)	(3,235,000)
Proceeds from sales of capital assets	55,029	42,572
Purchases of capital assets	(7,974,079)	(12,131,243)
Receipts of passenger facility charges	3,259,795	3,251,750
Grant receipts from governmental agencies	7,208,280	11,762,408
Additions to master plans	–	(15,136)
Net cash used in capital and related financing activities	(4,374,918)	(3,483,991)
Net increase in cash and cash equivalents	5,643,829	491,855
Cash and cash equivalents at beginning of year	7,151,595	6,659,740
Cash and cash equivalents at end of year	$ 12,795,424	$ 7,151,595
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (6,639,759)	$ (5,917,999)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	13,257,502	12,056,454
Changes in operating assets and liabilities:		
Receivables – trade	(532,937)	195,445
Prepaid expenses and other current assets	(17,506)	19,166
Other assets	–	28,412
Accounts payable	(41,752)	(304,937)
Accrued payroll and other expenses	92,799	62,115
Net cash provided by operating activities	$ 6,118,347	$ 6,138,656
Noncash and related financing transactions:		
Unrealized depreciation in fair value of investments	$ –	$ (19,810)

Payables related to the purchase of capital assets totaled $57,821 and $307,604 as of June 30, 2011 and 2010, respectively.

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2011

1. Significant Accounting Policies

Organization and Reporting Entity

The Metropolitan Knoxville Airport Authority (the "Authority") is a component unit of the City of Knoxville, Tennessee (the "City"), governed by a nine-member Board of Commissioners appointed by the Mayor of the City and confirmed by members of City Council. A Master Resolution was adopted in 2000 whereby the Authority issues its own revenue obligations.

The reporting entity, as a component unit of the City of Knoxville, Tennessee, includes the accounts of McGhee Tyson Airport and Knoxville Downtown Island Airport. As a component unit, there are no agencies, departments or funds subordinate to the Authority, which might be considered for inclusion in the reporting entity.

The Authority operates under, and pursuant to, the authority granted by the Metropolitan Airport Authority Act of 1969 (Tennessee Code Annotated Section 42-4-101, et seq.).

Basis of Accounting

The Authority has implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which was issued to significantly reduce the need to rely on sources outside the GASB's literature to locate the necessary accounting guidance for the governmental environment.

The Authority reports as a Business Type Activity. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle or one year. Current liabilities include those obligations to be liquidated with current assets.

Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Capital, grants, financing or investing related transactions are reported as nonoperating revenues. All expenses related to operating the Authority are reported as operating expenses. Interest expense and financing costs are reported as nonoperating deductions.

Fiscal Year-End

The Authority operates on a fiscal year ending June 30. All references in these notes refer to the fiscal year-end unless otherwise specified.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS *(continued)*

1. Significant Accounting Policies *(continued)*

Budgets

Under the by-laws of the Authority, management must submit an annual operating budget to the Board of Commissioners for approval. In addition, management must submit to the Board of Commissioners annually a capital-improvements budget covering a period of six years.

The Authority is not required to demonstrate statutory compliance with its annual operating or capital-improvements budget. Accordingly, budgetary data is not included in the financial statements. All budgets are prepared in accordance with bond covenants. Unexpended appropriations lapse at year-end.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The Authority's investments are reported at fair value using quoted market price or the best available estimate thereof. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction with willing parties, other than in a forced or liquidation sale. All investment income, including changes in the fair value of investments, is reported as revenue in the accompanying statements of revenue, expenses and changes in net position.

Amounts Due from Governmental Agencies

Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program ("AIP") of the Federal Aviation Administration ("FAA"), with certain matching funds provided by the State of Tennessee ("State") and the Authority, or from various state allocations or grant programs. Capital funding provided under government grants is considered earned when the related allowable expenditures are incurred and the funds are available.

Restricted Assets

Restricted assets are held to satisfy bond principal and interest sinking fund requirements or are otherwise held for certain capital improvement and other expenditures. For expenditures for which both restricted and unrestricted net positions are available, the Authority first applies restricted assets when such expenditures are incurred.

Capital Assets

Capital assets are stated at cost and defined by the Authority as assets with an initial cost greater than $5,000. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. The cost and accumulated depreciation on retired assets are removed from the books and the gain or loss, if any, is reflected in nonoperating activities. Interest is capitalized on construction projects until such projects are substantially completed.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	5 – 20 years
Buildings and building improvements	5 – 30 years
Equipment, furniture and fixtures	3 – 10 years

NOTES TO FINANCIAL STATEMENTS *(continued)*

1. Significant Accounting Policies *(continued)*

Bond Issue Costs

Bond issue costs are amortized using primarily the straight-line method over the term of the corresponding bond issue.

Master Plans

Master plans are stated at cost. Amortization is computed using the straight-line method over the plans' estimated useful lives of five years.

Compensated Absences

Compensated absences are accrued as payable when earned and are cumulative from one fiscal year to the next. The liability is included with accrued payroll in the financial statements. The Authority does not have any long-term liabilities for compensated absences.

Net Position

Net position is classified in the following categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted:

Nonexpendable – Net position subject to externally imposed stipulations that the Authority maintains them permanently. As of June 30, 2011 and 2010, the Authority does not have nonexpendable net position.

Expendable – Net position on which use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time.

Unrestricted: Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

Operating Revenues and Expenses

Aviation area revenues are those revenues received from the use of the airfield such as landing fees, fuel flowage fees, airfield site leases and military joint use agreement.

Terminal area revenues are those revenues received from space rentals paid by airlines conducting operations in the terminal and revenues received from public parking, rental car concessions and other businesses operating in the terminal.

Air cargo revenues are those revenues received from space leases in the cargo building and the air cargo complex. Revenues from other properties are those revenues received from the hotel lease and nonaviation property leases.

All expenses related to operating the Airport are reported as operating expenses.

NOTES TO FINANCIAL STATEMENTS *(continued)*

1. Significant Accounting Policies *(continued)*

Passenger Facility Charges

The collection of Passenger Facility Charges ("PFCs") has been approved to be used for qualifying capital improvement projects. PFCs, along with related interest earnings, are recorded as deferred revenue until used or authorized for use under FAA approved application to use. Once authorized to use, the PFC receipts are recognized and recorded as nonoperating income in the year collected by the air carriers. In 2011 and 2010, all PFCs were authorized for use and no deferred revenues were recorded.

Risk Management

The Authority is subject to risks that include personal injury, property damage, employee bodily injury, employee theft, employee medical, public officials and employee conduct and workers' compensation. The Authority has purchased insurance policies that transfer these risks, subject to policy limits. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

Reclassifications

Certain amounts in the prior year have been reclassified to conform with 2011 classifications.

2. Deposits and Investments

Deposits

Deposits are included in the Authority's financial statements as "cash and cash equivalents" and "restricted cash and cash equivalents." As of June 30, 2011 and 2010, all bank balances in excess of federal insurance limits were covered by the bank collateral pool administered by the Treasurer of the State of Tennessee. Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. Public fund accounts covered by the pool are considered entirely insured or collateralized. Deposits totaled $13,072,919 and $7,420,077 as of June 30, 2011 and 2010, respectively.

Investments

Statutes authorize the Authority to invest idle funds in obligations of the United States Treasury, its agencies and instrumentalities; Certificates of Deposits; the Local Government Investment Pool ("LGIP"); bonds of the state of Tennessee or Knox County; and nonconvertible debt securities of the following issuers: Federal Home Loan Bank ("FHLB"), Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), Federal Farm Credit Bank ("FFCB") and Student Loan Marketing Association ("SLMA"). The debt securities must be rated in the highest category by two nationally recognized rating services. As of June 30, 2011, the Authority had no investments in debt securities.

In addition to the above deposits covered by the bank collateral pool administered by the Treasurer of the State of Tennessee, Certificates of Deposits totaling $29,701,396 and $32,809,095 as of June 30, 2011 and 2010, respectively, are also covered by the pool and considered entirely insured or collaterized.

The Authority places no limit on the amount that may be invested in any one issuer. As of June 30, 2011, 76% of the Authority's investments are with Branch Banking and Trust and the remaining 24% with First Tennessee Bank.

NOTES TO FINANCIAL STATEMENTS *(continued)*

2. Deposits and Investments *(continued)*

To limit the Authority's exposure to fair value losses arising from changing interest rates, the Authority's investment policy prohibits more than 20% of investments (as defined) to be invested with maturities of greater than two years from the acquisition date. Also, investment maturities may not exceed five years from the acquisition date. Investments with maturities of greater than two years require approval of the finance committee.

NOTES TO FINANCIAL STATEMENTS *(continued)*

3. Capital Assets

Capital asset activity, including Master plan, for the year ended June 30, 2011, is as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Nondepreciable capital assets:				
Land	$ 22,626,003	$ 8,279,408	$ –	$ 30,905,411
Land easements	129,144	–	–	129,144
Construction in progress	29,460,082	7,467,151	(27,680,904)	9,246,329
Total nondepreciable capital assets	52,215,229	15,746,559	(27,680,904)	40,280,884
Depreciable capital assets:				
Land improvements	127,240,326	14,514,096	–	141,754,422
Buildings and building improvements	141,028,284	4,428,111	–	145,456,395
Equipment, furniture and fixtures	9,767,332	716,434	(433,093)	10,050,673
Total depreciable capital assets	278,035,942	19,658,641	(433,093)	297,261,490
Less accumulated depreciation:				
Land improvements	(93,075,642)	(5,926,637)	–	(99,002,279)
Buildings and building improvements	(60,102,332)	(5,910,138)	–	(66,012,470)
Equipment, furniture and fixtures	(7,259,162)	(836,937)	397,889	(7,698,210)
Total accumulated depreciation	(160,437,136)	(12,673,712)	397,889	(172,712,959)
Net depreciable capital assets	117,598,806	6,984,929	(35,204)	124,548,531
Total capital assets, net of accumulated depreciation	$169,814,035	$ 22,731,488	$ (27,716,108)	$ 164,829,415
Other capital assets:				
Master plan and other plans	$ 9,813,600	$ –	–	$ 9,813,600
Accumulated amortization	(9,049,499)	(521,237)	–	(9,570,736)
Net other capital assets:	$ 764,101	$ (521,237)	$ –	$ 242,864

The Authority is contractually obligated to expend an additional $1,667,400 for the Airfield Maintenance Building project and the Roadway Graphics System project. Estimated costs to complete construction in progress for these projects totals approximately $19,767,000 as of June 30, 2011. The work will be funded through proceeds from AIP and State grants and other Authority funds.

NOTES TO FINANCIAL STATEMENTS *(continued)*

4. Leases

The Authority, as lessor, leases certain capital assets under operating leases expiring in various years through 2036.

As of June 30, 2011, minimum future base rentals to be received on noncancelable leases are as follows:

2012	$ 8,364,841
2013	8,218,119
2014	4,956,061
2015	2,091,626
2016	1,916,010
Thereafter	10,176,014
Total minimum future base rentals	$35,722,671

Under the terms of one of these leases, payments in future years increase significantly. The Authority is recognizing income for this lease on a straight-line basis, considering total payments over the lease term. Accordingly, advance rents of approximately $857,000 and $896,000 are included in other noncurrent assets in the accompanying statements of net position as of June 30, 2011 and 2010, respectively.

Contingent rentals, which consist primarily of rental car concessions and other similar revenues, amounted to $2,027,269 in 2011 and $3,432,480 in 2010.

5. Long-Term Debt

Long-term debt as of June 30, 2011 and 2010, includes the following Airport Revenue Obligations issued by the Public Building Authority of Sevier County, payable from general airport revenues:

	Balance July 1, 2010	Payments	Balance June 30, 2011
Series II-D-1	$ 14,435,000	$ 580,000	$ 13,855,000
Series V-A-1	79,400,000	2,820,000	76,580,000
Total long-term debt	93,835,000	$ 3,400,000	90,435,000
Less current portion	(3,400,000)		(3,575,000)
	90,435,000		86,860,000
Less deferred loss on bond refunding	(1,420,048)		(1,283,374)
Long-term portion	$ 89,014,952		$ 85,576,626

During 2000, the Authority's Board of Commissioners adopted a Master Resolution allowing the Authority to issue Airport Revenue Obligations. Under this resolution, the Authority is required to establish certain funds, accounts and subaccounts to deposit funds to be held in trust by the Authority in order to meet the requirements of the resolution. These funds include:

Revenue Fund, including accounts for General Revenue and PFC Revenue into which the Authority is to deposit all such revenues.

Sinking Fund, including a payments account and a debt service reserve account, into which the Authority will deposit funds from the Revenue Fund as needed to pay revenue obligations as they come due.

NOTES TO FINANCIAL STATEMENTS *(continued)*

5. Long-Term Debt *(continued)*

Revenue and Extension Fund, into which the Authority may deposit any monies or securities held in the Revenue Fund (excluding PFC funds) in excess of 45 days' estimated expenses.

Project Fund, into which proceeds from issuance of revenue obligations will be deposited to fund project costs.

Outstanding debt at June 30, 2011, consists of the following:

Series II-D-1 – Issued $18,350,000 on July 1, 2000, with remaining annual installments ranging from $620,000 to $1,355,000 through June 2026. The remaining bonds outstanding of $13,855,000 bear interest at a synthetic fixed rate of 5.29%. Interest is paid quarterly.

Series V-A-1 – Issued $84,645,000 on December 1, 2008, with remaining annual installments ranging from $2,955,000 to $6,490,000 through May 2028. Of the bonds outstanding at June 30, 2011, $37,010,000 bears interest at a synthetic fixed rate of 3.331%. The remaining $39,570,000 bears interest at a variable rate (0.19% as of June 30, 2011). Interest is paid monthly.

As noted above, during 2008 the Authority issued Series V-A-1 bonds. Proceeds totaling $83,880,000 were used to refund the remaining balance of the Series III-A bonds, resulting in a loss of $1,214,365 on the refunding, which has been deferred and is being amortized over the remaining lives of the respective refunded bonds. The remaining proceeds were used to pay bond issue costs of $765,000, which are being amortized over the life of the bonds.

In connection with the Series V-A-1 bonds, the Authority has entered into a Reimbursement Agreement with Branch Banking and Trust Company who has issued an irrevocable letter of credit in an amount not to exceed $85,758,140. This letter of credit expires in March 2013. Costs of maintaining this letter of credit and other administrative fees are included in interest expense.

Subsequent to June 30, 2011, the Authority's Board of Commissioners approved the prepayment of $9,310,000 of Series V-A-1 bonds.

Interest Rate Exchange Agreements ("SWAPs") and Associated Bonds

The Authority has adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which establishes recognition, measurement and disclosure requirements for derivative instruments. As required by this statement the Authority has evaluated its interest rate swaps and using the regression analysis method has determined they are effective. Accordingly they have been categorized as hedging derivative instruments.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred inflows of Resources, and Net Position*, which clarifies the disclosure requirements for derivative instruments and changes certain terminology including changing from net assets to net position. The Authority has adopted the provisions of this statement, which consist of reporting the accumulated decrease in the fair value of its interest rate swaps as a deferred outflow of resources in a separate section of the Statements of Net Position as of June 30, 2011 and 2010.

Objective: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the Authority entered into two separate interest rate swaps. The intention of the swaps was to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate.

NOTES TO FINANCIAL STATEMENTS *(continued)*

5. Long-Term Debt *(continued)*

Interest Rate Exchange Agreements ("SWAPs") and Associated Bonds *(continued)*

The terms and fair values of the outstanding swaps as of June 30, 2011, are as follows:

Associated Bond Issues	Outstanding Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Estimated Fair Value	Swap Termination Date
Series II-D-1	$13,855,000	9/8/2000	5.29%	SIFMA Municipal Swap Index	$ (2,864,555)	6/1/2026
Series V-A-1	37,010,000	6/28/2001	4.36%	62.5% of 5 Year LIBOR	(3,825,821)	6/1/2021
	$50,865,000				$ (6,690,376)	

The notional amounts of the swaps match principal amounts of the associated debt. Except as discussed under rollover risk, the Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled reductions of the associated bond principal.

The fair value of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk: As of June 30, 2011, the Authority is not exposed to credit risk because the swaps have a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value. For the swap associated with Series II-D-1 bonds, the swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated "AAA" by Standard and Poor's and Fitch and "Aaa" by Moody's Investor Service at the time the interest rate swap agreement was entered. As of June 30, 2011, Ambac's credit rating has been severely downgraded and has been withdrawn by the rating agencies. For the swap associated with Series V-A-1 bonds, the swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2011, with its Credit Support Provider, Deutsche Bank, rated Aa3/A+/AA- by Moody's, Standard & Poor's and Fitch, respectively. Both counterparties have posted all collateral requirements with third-party custodians.

Basis risk: The swap associated with Series II-D-1 bonds does not expose the Authority to basis risk. The swap associated with the Series V-A-1 bond exposes the Authority to basis risk should the rate on the Series V-A-1 bonds increase to above 62.5% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the Bonds to be below 62.5% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate either of the swaps if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

NOTES TO FINANCIAL STATEMENTS *(continued)*

5. Long-Term Debt *(continued)*

Interest Rate Exchange Agreements ("SWAPs") and Associated Bonds *(continued)*

Swap payments and associated debt: As of June 30, 2011, scheduled debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps, net	Total
2012	$ 3,575,000	$ 1,076,033	$ 951,940	$ 5,602,973
2013	3,755,000	1,028,308	867,776	5,651,084
2014	3,950,000	977,911	779,546	5,707,457
2015	4,155,000	924,484	687,022	5,766,506
2016	4,365,000	867,715	590,114	5,822,829
2017-2021	25,435,000	3,359,078	1,329,174	30,123,252
2022-2026	32,520,000	1,321,476	(226,661)	33,614,815
2027-2028	12,680,000	34,047	-	12,714,047
Total	$ 90,435,00	$ 9,589,052	$ 4,978,911	$ 105,022,963

Rollover risk: The Authority is exposed to rollover risk on the swap associated with the Series V-A-1 bonds, as the termination date (June 1, 2021) does not extend to the maturity date (May 25, 2028) of associated bonds. Once the swap is terminated, the Authority will not realize the synthetic rate offered by the swaps on the underlying bond issues.

6. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and is administered by International City Management Association Retirement Corporation. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Employee contributions to the Plan were $109,572 in 2011 and $107,483 in 2010.

7. Retirement Plan

The Authority provides retirement benefits for all of its full-time employees through a defined contribution plan (Metropolitan Knoxville Airport Authority Plan) which was established and amended under the authority of the Board of Commissioners and is administered by International City Management Association Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment.

The Authority's contributions for each employee (and investment income allocated to the employees' account) are vested after one year of employment. Under the terms of the plan, employer contributions are determined annually by the Board of Commissioners. There are no minimum required employer contributions under the terms of the plan. Employer contributions totaled $752,741 in 2011 and $734,060 in 2010.

NOTES TO FINANCIAL STATEMENTS *(continued)*

8. Grant Income and Passenger Facility Charges

Grant income recognized from current grant programs are summarized as follows:

		2011		2010	
	Grant Number	Total Grant	Grant Contribution Recognition	Total Grant	Grant Contribution Recognition
McGhee Tyson:					
Federal Aviation Administration	3-47-0037-50	–	–	$12,091,222	$ 287,746
	3-47-0037-52	$6,599,010	$ 312,860	–	–
	3-47-0037-54	2,478,609	3,585	2,478,609	1,974
	3-47-0037-55	–	–	1,191,651	43,501
	3-47-0037-56	1,191,139	38,400	1,191,139	1,103,378
	3-47-0037-57 (ARRA)	5,555,054	44,032	5,555,054	4,837,934
	3-47-0037-58	–	–	301,389	23,996
	3-47-0037-59	–	–	1,963,710	1,732,539
	3-47-0037-60	–	–	446,049	244,189
	3-47-0037-61	105,000	229	–	–
	3-47-0037-62	4,077,154	601,324	–	–
	3-47-0037-63	5,783,191	5,426,829	–	–
Transportation Security Administration	HSTS0208H5LR35	–	–	459,243	229,269
Tennessee Department of Transportation	47-555-1008-04	203,351	17,996	203,351	27,158
	47-555-1029-04	1,073,546	742	1,073,546	21,641
	47-555-1031-04	7,785	1,225	–	–
	47-555-1050-04	82,243	2,205	82,243	5,947
	47-555-1052-04	65,226	94	65,226	52
	47-555-1057-04	–	–	170,775	114,408
	47-555-1059-04	–	–	83,925	35,373
	47-555-1060-04	–	–	322,859	289,044
	47-555-1061-04	2,092,494	42,449	–	–
	47-555-1063-04	–	–	341,938	2,940
	47-555-1064-04	–	–	206,487	13,196
	47-555-1069-04	2,020,177	736	–	–
	47-555-1072-04	31,346	698	31,346	29,372
	47-555-1073-04	54,002	32,505	–	–
	47-555-1078-04	7,500	440	–	–
	47-555-1079-04	36,751	13,911	36,751	13,651
	47-555-1080-04	124,451	21,194	–	–
	47-555-1088-04	–	–	89,589	1,408
	47-555-1089-04	49,230	4,164	49,230	45,066
	47-555-1092-04	289,344	273	289,344	289,071
	47-555-1094-04	131,382	53,650	131,382	42,241
	47-555-1095-04	522,254	139,762	522,254	382,492
	47-555-1097-04	–	–	9,398	9,398
	47-555-1099-04	675,000	11,860	–	–

(continued on page 48)

NOTES TO FINANCIAL STATEMENTS *(continued)*

8. Grant Income and Passenger Facility Charges *(continued)*

	Grant Number	2011 Total Grant	2011 Grant Contribution Recognition	2010 Total Grant	2010 Grant Contribution Recognition
	47-555-1102-04	$ –	$ –	$ 44,936	$ 44,936
	47-555-1701-04	62,971	2,093	120,531	59,708
	47-555-1704-04	33,654	32,863	–	–
	47-555-1707-04	–	–	27,366	23,497
	47-555-1708-04	34,456	3,600	34,456	30,856
	47-555-1709-04	38,825	38,825	–	–
	47-555-1711-04	142,722	57,987	–	–
	47-555-1715-04	13,500	9,390	–	–
Downtown Island:					
Tennessee	47-555-1091-04	–	–	13,622	13,622
Department of	47-555-1093-04	–	–	40,767	40,767
Transportation	99-555-1186-04	–	–	18,000	6,587
	99-555-1199-04	–	–	18,000	13,175
	99-555-1716-04	40,500	10,468	–	–
	99-555-1206-04	18,000	2,728	–	–
		33,639,867	6,929,117	29,382,529	9,771,088
Passenger facility charges		n/a	3,259,795	n/a	3,226,750
Total		$33,639,867	$10,188,912	$29,382,529	$12,997,838

The Authority received approval from the FAA to collect PFCs at a rate of $4.50 per enplaned passenger. A summary of PFCs available and authorized for use is as follows:

Balance at July 1, 2009	$ 586,910
Charges imposed	3,230,492
Interest earned, net of service charges	(3,742)
Total available	3,813,660
Disbursements	(3,205,677)
Balance at June 30, 2010	607,983
Charges imposed	3,264,291
Interest earned, net of service charges	(4,496)
Total available	3,867,778
Disbursements	(3,206,034)
Balance at June 30, 2011	$ 661,744

The balance is included in restricted net position on the balance sheet (*see Note 10*).

NOTES TO FINANCIAL STATEMENTS *(continued)*

9. Conduit Debt

The Authority issued $8,500,000 Metropolitan Knoxville Airport Authority Special Purpose Revenue Bonds on June 18, 2002. The bonds bear interest at 8% and are due in an aggregate principal amount of $8,500,000 on April 1, 2032. Interest is payable semiannually on each April 1 and October 1.

The bonds were issued pursuant to a lease agreement between the Authority and Northwest Airlines, Inc. ("Northwest") dated July 12, 2001, and subsequently amended. Northwest has subsequently been acquired by Delta Air Lines. The proceeds of the bonds were used for the construction by Northwest of an aircraft maintenance hangar and related facilities to be leased by Northwest from the Authority under the lease agreement. Under the terms of the lease agreement, Northwest is obligated to pay base rental to a trustee assigned by the Authority in the amount necessary to meet debt service requirements on the bonds as they are due.

The Authority has no liability for repayment of these bonds and, accordingly, the bonds are not reported in the Authority's financial statements. Revenues and receipts derived from the lease agreement and a guaranty by Northwest's parent company, Northwest Airlines Corporation, are the only security for the bondholders. The entire amount of the bonds was outstanding at June 30, 2011.

NOTES TO FINANCIAL STATEMENTS *(continued)*

10. Net Position

Net position consists of the following as of June 30:

Invested in capital assets, net of related debt consists of the following:	2011	2010
Noncurrent assets:		
Capital assets, net	$ 164,829,415	$ 169,814,035
Master plans and other plans, net	242,864	764,101
Total noncurrent assets	165,072,279	170,578,136
Less related liabilities:		
Accounts payable (for construction)	57,821	307,604
Current portion of long-term debt	3,575,000	3,400,000
Long-term debt, less current portion	85,576,626	89,014,952
Total related liabilities	89,209,447	92,722,556
Invested in capital assets, net of related debt	$ 75,862,832	$ 77,855,580
Restricted net position consists of the following:		
Cash and cash equivalents – passenger facility charges	$ 186,744	132,983
Cash and cash equivalents – other	389,000	550.085
Passenger facility charges receivable	475,000	475,000
Restricted net position	$ 1,050,744	$ 1,158,068
Unrestricted net position consists of the following:		
(all other items on statements of net assets not reflected above):		
Assets:		
Cash and cash equivalents	$ 12,219,680	$ 6,468,527
Investments	29,701,396	32,809,095
Receivables	2,718,308	1,732,337
Prepaid expenses and other current assets	151.987	95,917
Bond issue costs, net	893,607	956,159
Other long-term assets	885,109	923,673
Total unrestricted assets	46,570,087	42,985,708
Less liabilities:		
Accounts payable (non-construction)	471,022	512,774
Accrued interest	99,575	161,243
Accrued payroll and other expenses	1,914,235	1,083,718
Total liabilities	2,484,832	1,757,735
Unrestricted net position	$ 44,085,255	$ 41,227,973

11. Business Concentrations

The Authority is dependent to a large extent on five major airlines and their subsidiaries in that a significant portion of aviation area revenue is generated by these airlines. These airlines accounted for $3,414,440 in aviation area revenue during 2011 and $2,627,149 in 2010. In addition, a significant portion of terminal area revenue is directly and indirectly generated from four of these airlines' passengers, which accounted for approximately 84% of total passengers in 2011 and 64% of total passengers in 2010. As of June 30, 2011 and 2010, 27% and 66%, respectively, of trade accounts receivable are due from these major airlines.

NOTES TO FINANCIAL STATEMENTS *(continued)*

12. Division Information

The Metropolitan Knoxville Airport Authority provides services through two divisions—McGhee Tyson Airport and Knoxville Downtown Island Airport. Key financial data for the years ended June 30, 2010 and 2009 for the two divisions is as follows:

	McGhee Tyson		Downtown Island	
	2011	**2010**	**2011**	**2010**
Unrestricted current assets	$ 44,659,762	$ 40,985,286	$ 131,609	$ 68,651
Restricted current assets	1,050,744	1,183,095	–	–
Capital assets, net	163,546,052	168,212,877	1,283,363	1,601,158
Other assets, net	1,986,716	2,575,412	34,864	95,433
Intercompany receivable	2,518,850	2,444,546	–	–
Deferred outflows – interest rate swaps	6,668,951	7,959,635	21,425	25,724
Total assets and deferred outflows of receivables	$ 220,431,075	$ 223,360,851	$ 1,471,261	$ 1,790,966
Current liabilities	$ 6,037,425	$ 5,452,042	$ 80,228	$ 13,297
Intercompany payable	–	–	2,518,850	2,444,546
Long-term debt	85,146,417	88,584,743	430,209	430,209
Swap liabilities	6,668,951	7,959,635	21,425	25,724
Total liabilities	$ 97,852,793	$ 101,996,420	$ 3,050,712	$ 2,913,776
Net position:				
Invested in capital assets, net	$ 74,979,571	$ 76,643,995	$ 883,261	$ 1,211,585
Restricted	1,050,744	1,158,068	–	–
Unrestricted	46,547,967	43,562,368	(2,462,712)	(2,334,395)
Total net position (deficit)	$ 122,578,282	$ 121,364,431	$(1,579,451)	$(1,122,810)
Operating revenues	$ 23,117,793	$ 21,650,715	$ 1,172,402	$ 988,140
Operating expenses	(16,350,589)	(15,406,049)	(1,321,863)	(1,094,351)
Depreciation and amortization	(12,956,753)	(11,674,175)	(300,749)	(382,279)
Net non-operating income (deductions)	331,950	934,046	(19,625)	(9,675)
Capital contributions	7,071,450	9,696,937	13,194	74,151
Increase (decrease) in net position	$ 1,213,851	$ 5,201,474	$ (456,641)	$ (424,014)
Cash flows:				
Operating activities	$ 6,106,715	$ 6,043,557	$ 11,631	$ 95,099
Investing activities	3,900,400	(2,162,810)	–	–
Capital and related financing activities	(4,363,286)	(3,388,892)	(11,631)	(95,099)
Net increase in cash and cash equivalents	5,643,829	491,855	–	–
Cash and cash equivalents at beginning of year	7,151,195	6,659,340	400	400
Cash and cash equivalents at end of year	$ 12,795,024	$ 7,151,195	$ 400	$ 400

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STATISTICAL SECTION

This part of the Metropolitan Knoxville Airport 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 airport's overall financial health.

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SCHEDULE 1:

Operating revenues and expenses—last ten years (unaudited)

	2011	2010	2009
Operating revenues:			
Aviation area	$ 4,600,042	$ 4,092,297	$ 4,420,850
Terminal area	15,942,418	15,008,917	15,578,397
Air cargo and other properties	3,747,735	3,537,641	3,599,473
Total operating revenues	24,290,195	22,638,855	23,598,720
Operating expenses:			
Aviation area	2,052,420	1,846,296	1,606,297
Terminal area	5,488,460	5,211,340	5,525,804
Air cargo and other properties	1,430,679	1,215,671	1,386,129
General area:			
Safety	4,021,409	3,908,435	3,827,547
Administration	4,679,484	4,318,658	4,587,923
Total operating expenses	17,672,452	16,500,400	16,933,700
Operating income before adjustments	6,617,743	6,138,455	6,665,020
Depreciation and amortization	(13,257,502)	(12,056,454)	(12,006,890)
Operating loss	(6,639,759)	(5,917,999)	(5,341,870)
Net nonoperating income (deductions)	467,852	924,371	77,185
Loss before capital contributions	(6,171,907)	(4,993,628)	(5,264,685)
Capital contributions – grant receipts from governmental agencies	6,929,117	9,771,088	10,814,592
Increase (decrease) in net position	757,210	4,777,460	5,549,907
Net position at beginning of year	120,241,621	115,464,161	109,914,254
Net position at end of year	$120,998,831	$120,241,621	$115,464,161
Net position at year-end:			
Invested in capital assets, net of related debt	$ 75,862,832	$ 77,855,580	$ 74,649,890
Restricted–expendable	1,050,744	1,187,852	1,113,328
Unrestricted	44,085,255	41,198,189	39,700,943
Net position at end of year	$120,998,831	$120,241,621	$115,464,161

Source: Audited Financial Statements, 2002-2011

SCHEDULE 1:

Operating revenues and expenses—last ten years (unaudited) (continued)

2008	2007	2006	2005	2004	2003	2002
$ 4,622,734	$ 4,366,880	$ 4,381,859	$ 3,320,808	$ 3,189,354	$ 2,840,342	$ 2,548,491
15,612,877	14,505,557	13,762,394	12,608,131	10,709,323	10,351,236	9,600,408
3,812,602	3,768,884	3,305,919	2,659,116	3,218,418	3,160,350	3,807,081
24,048,213	22,641,321	21,450,172	18,588,055	17,117,095	16,351,928	15,955,980
1,762,287	1,567,699	1,308,025	1,487,240	1,324,773	1,319,813	1,237,908
4,769,384	4,617,915	4,439,240	4,066,453	3,879,157	3,667,282	3,344,142
1,286,001	1,123,379	641,378	262,521	427,916	1,083,526	1,701,014
3,787,698	3,640,733	3,057,949	2,862,100	2,595,408	2,298,521	2,378,147
4,494,436	4,323,784	4,168,574	3,964,467	3,616,141	3,261,142	2,824,269
16,099,806	15,273,510	13,615,166	12,642,781	11,843,395	11,630,284	11,485,480
7,948,407	7,367,811	7,835,006	5,945,274	5,273,700	4,721,644	4,470,500
(11,755,556)	(11,735,061)	(11,108,401)	(11,157,790)	(11,499,553)	(11,471,438)	(9,932,989)
(3,807,149)	(4,367,250)	(3,273,395)	(5,212,516)	(6,225,853)	(6,749,794)	(5,462,489)
(619,703)	190,870	(398,512)	(217,290)	(1,758,665)	(1,930,592)	(1,683,338)
(4,426,852)	(4,176,380)	(3,671,907)	(5,429,806)	(7,984,518)	(8,680,386)	(7,145,827)
13,462,701	8,507,430	7,805,242	3,547,691	2,890,358	12,601,905	6,867,058
9,035,849	4,331,050	4,133,335	(1,882,115)	(5,094,160)	3,921,519	(278,769)
100,878,405	96,547,355	92,414,020	94,296,135	99,390,295	95,468,776	95,747,545
$109,914,254	$100,878,405	$96,547,355	$92,414,020	$94,296,135	$99,390,295	$95,468,776
$ 73,317,006	$ 67,842,292	$66,031,833	$65,942,540	$66,221,855	$72,990,513	$77,484,255
868,759	889,423	1,171,633	999,915	947,524	646,651	874,978
35,728,489	32,146,690	29,343,889	25,471,565	27,126,756	25,753,131	17,109,543
$109,914,254	$100,878,405	$96,547,355	$92,414,020	$94,296,135	$99,390,295	$95,468,776

SCHEDULE 2:

Debt service coverage—last ten years (unaudited)

	2011	2010	2009
Operating revenues:			
Aviation area	$ 4,600,042	$ 4,092,297	$ 4,420,850
Terminal area	15,942,418	15,008,917	15,578,397
Air cargo and other properties	3,747,735	3,537,641	3,599,473
Total operating revenues	24,290,195	22,638,855	23,598,720
Operating expenses:			
Aviation area	2,052,420	1,846,296	1,606,297
Terminal area	5,488,460	5,211,340	5,525,804
Air cargo and other properties	1,430,679	1,215,671	1,386,129
General area:			
Safety	4,021,409	3,908,435	3,827,547
Administration	4,679,484	4,318,658	4,587,923
Total operating expenses	17,672,452	16,500,400	16,933,700
Operating income before other income and other expenses	6,617,743	6,138,455	6,665,020
Other income	10,976,093	14,017,466	15,568,628
Net revenues	17,593,836	20,155,921	22,233,648
Less capital contributions – grant receipts from government agencies included in other income	(6,929,117)	(9,771,088)	(10,814,592)
Net revenues less grant receipts from government agencies in other income	$10,664,719	$10,384,833	$11,419,056
Debt service on airport revenue general obligation bonds (a)	$ 6,998,949	$ 6,561,014	$ 7,768,148
Coverage ratio – airport revenue general obligation bonds	152.4%	158.3%	147.0%

Source: Audited Financial Statements, 2002-2011.
(a) Excludes capitalized interest.

SCHEDULE 2:

Debt service coverage—last ten years (unaudited) (continued)

2008	2007	2006	2005	2004	2003	2002
$ 4,622,734	$ 4,366,880	$ 4,381,859	$ 3,320,808	$ 3,189,354	$ 2,840,342	$ 2,548,491
15,612,877	14,505,557	13,762,394	12,608,131	10,709,323	10,351,236	9,600,408
3,812,602	3,768,884	3,305,919	2,659,116	3,218,418	3,160,350	3,807,081
24,048,213	22,641,321	21,450,172	18,588,055	17,117,095	16,351,928	15,955,980
1,762,287	1,567,699	1,308,025	1,487,240	1,324,773	1,319,813	1,237,908
4,769,384	4,617,915	4,439,240	4,066,453	3,879,157	3,667,282	3,344,142
1,286,001	1,123,379	641,378	262,521	427,916	1,083,526	1,701,014
3,787,698	3,640,733	3,057,949	2,862,100	2,595,408	2,298,521	2,378,147
4,494,436	4,323,784	4,168,574	3,964,467	3,616,141	3,261,142	2,824,269
16,099,806	15,273,510	13,615,166	12,642,781	11,843,395	11,630,284	11,485,480
7,948,407	7,367,811	7,835,006	5,945,274	5,273,700	4,721,644	4,470,500
18,647,493	13,633,802	12,097,768	7,706,041	5,387,474	14,942,832	9,680,520
26,595,900	21,001,613	19,932,774	13,651,315	10,661,174	19,664,476	14,151,020
(13,462,701)	(8,507,430)	(7,805,242)	(3,547,691)	(2,890,358)	(12,601,905)	(6,867,058)
$13,133,199	$12,494,183	$12,127,532	$10,103,624	$ 7,770,816	$ 7,062,571	$ 7,283,962
$ 8,778,101	$ 7,770,389	$ 7,344,918	$ 4,806,284	$ 4,648,532	$ 4,675,586	$ 4,581,530
149.6%	160.8%	165.1%	210.2%	167.2%	151.1%	159.0%

SCHEDULE 3:

Ratios of debt service and outstanding debt—last ten years (unaudited)

	2011	2010	2009
Principal	$ 3,400,000	$ 3,235,000	$ 3,075,000
Interest (a)	3,598,949	3,326,014	4,693,148
Total debt service	6,998,949	6,561,014	7,768,148
Total expenses	34,528,903	31,882,868	33,633,738
Less depreciation and amortization	(13,257,502)	(12,056,454)	(12,006,890)
Add principal	3,400,000	3,235,000	3,075,000
Add net capitalized interest	–	–	–
Total general expenditures	$ 24,671,401	$ 23,061,414	$ 24,701,848
Ratio of debt service to expenditures	28.4%	28.5%	31.4%
Outstanding debt (b)	$ 89,151,626	$ 92,414,952	$ 95,505,419
Total number of passengers (c)	1,687,763	1,680,428	1,742,090
Outstanding debt per passenger	$ 52.82	$ 54.99	$ 54.82
Debt service per passenger	$ 4.15	$ 3.90	$ 4.46

Source: Audited Financial Statements, 2002-2011.
(a) Includes net capitalized interest.
(b) Outstanding debt is for Airport Revenue Obligations, payable from general airport revenue.
(c) Passenger numbers for the calendar year ended during the fiscal year.

SCHEDULE 3:

Ratios of debt service and outstanding debt—last ten years (unaudited) (continued)

2008	2007	2006	2005	2004	2003	2002
$ 2,925,000	$ 2,785,000	$ 2,650,000	$ 405,000	$ 380,000	$ 360,000	$ 335,000
5,853,101	4,985,389	4,694,918	4,514,779	4,286,038	4,453,366	4,604,616
8,778,101	7,770,389	7,344,918	4,919,779	4,666,038	4,813,366	4,939,616
33,708,463	31,993,960	29,418,485	28,201,855	27,611,479	27,417,308	25,916,269
(11,755,556)	(11,735,061)	(11,108,401)	(11,157,790)	(11,499,553)	(11,471,438)	(9,932,989)
2,925,000	2,785,000	2,650,000	405,000	380,000	360,000	335,000
–	–	–	113,495	17,506	137,780	358,086
$ 24,877,907	$ 23,043,899	$ 20,960,084	$ 17,562,560	$ 16,509,432	$ 16,443,650	$ 16,676,366
35.3%	33.7%	35.0%	28.0%	28.3%	29.3%	29.6%
$ 98,878,982	$101,743,567	$104,464,634	$107,047,670	$107,381,913	$107,687,329	$112,098,990
1,821,469	1,676,432	1,846,794	1,607,077	1,428,061	1,431,979	1,433,711
$ 54.29	$ 60.69	$ 56.57	$ 66.61	$ 75.19	$ 75.20	$ 78.19
$ 4.82	$ 4.64	$ 3.98	$ 3.06	$ 3.27	$ 3.36	$ 3.45

SCHEDULE 4:

McGhee Tyson Airport annual terminal rents and landing fees—
last ten years (unaudited)

	FYE 6/30/2011	FYE 6/30/2010	FYE 6/30/2009
Terminal rent:			
Ticket counter (per linear foot)	$39.4545	$36.1119	$39.6946
Ticket queuing (per square foot) (a)	$39.4545	$36.1119	$39.6946
Office space (per square foot)	$39.4545	$36.1119	$39.6946
Outbound baggage space (per square foot)	$39.4545	$36.1119	$39.6946
Operations space (per square foot)	$39.4545	$36.1119	$39.6946
Baggage service office (per square foot)	$39.4545	$36.1119	$39.6946
Holdroom area (per square foot)	$39.4545	$36.1119	$39.6946
Baggage claim (per square foot)	$39.4545	$36.1119	$39.6946
Apron charge (per gate) (a)	$69,484.00	$63,160.00	$60,331.00
Loading bridge rent (per bridge) (a)	$38,114.00	$36,518.00	$49,607.00
Landing fee (per 1,000 pounds)	$2.79	$2.56	$2.46

Notes:
The revenue bases to which these rates are applied and their principal payers can be found in Schedules 7, 9, and 11.
(a) Fees and rental charges became effective with beginning of fiscal year for which amounts are shown.
n/a = not applicable

SCHEDULE 4:

McGhee Tyson Airport annual terminal rents and landing fees—
last ten years (unaudited) (continued)

FYE 6/30/2008	FYE 6/30/2007	FYE 6/30/2006	FYE 6/30/2005	FYE 6/30/2004	FYE 6/30/2003	FYE 6/30/2002
$37.3748	$36.3666	$33.4356	$30.1019	$28.1326	$26.2021	$24.5721
$37.3748	$36.3666	$33.4356	$30.1019	$28.1326	$26.2021	$24.5721
$37.3748	$36.3666	$33.4356	$26.3469	$24.6233	$23.0124	$21.5068
$37.3748	$36.3666	$33.4356	$26.3469	$24.6233	$23.0124	$21.5068
$37.3748	$36.3666	$33.4356	$26.3469	$24.6233	$23.0124	$21.5068
$37.3748	$36.3666	$33.4356	$26.3469	$24.6233	$23.0124	$21.5068
$37.3748	$36.3666	$33.4356	$22.2835	$20.8257	$19.4633	$18.1900
$37.3748	$36.3666	$33.4356	$19.0351	$17.7898	$16.6260	$15.5383
$68,652.00	$67,867.00	$58,640.00	n/a	n/a	n/a	n/a
$19,928.00	$3,411.00	$15,594.30	$22,527.12	$13,589.40	$14,847.85	$14,447.85
$2.64	$2.71	$2.54	$1.78	$2.02	$1.91	$1.50

SCHEDULE 5:

Airline arrivals and departures—last ten calendar years (unaudited)

Calendar year	Air carrier	Air taxi	General aviation	Military	Total
2001	18,030	38,507	76,482	16,323	149,342
2002	10,390	48,197	73,529	17,207	149,323
2003	9,735	49,573	65,485	14,846	139,639
2004	9,211	52,038	63,139	15,083	139,471
2005	8,904	55,536	56,868	16,568	137,876
2006	7,180	51,140	54,786	19,070	132,176
2007	8,791	50,039	58,610	16,293	133,733
2008	10,265	46,210	47,631	17,554	121,660
2009	10,007	41,567	37,993	14,706	104,273
2010	9,705	42,526	41,651	16,274	110,156

Source: McGhee Tyson Airport F.A.A. Control Tower.
Note: Air carriers are passenger, charter, and cargo aircraft certified by the F.A.A. to carry 60 or more passengers. Air taxis include regional, charter, and cargo aircraft that are certified to carry less than 60 passengers.

SCHEDULE 6:

Historical airline passenger activity—last ten calendar years (unaudited)

Calendar year	Passengers enplaned	Passengers deplaned	Total passengers
2001	721,935	711,776	1,433,711
2002	718,879	713,100	1,431,979
2003	716,603	711,458	1,428,061
2004	806,240	800,837	1,607,077
2005	924,876	921,918	1,846,794
2006	841,385	835,047	1,676,432
2007	913,342	908,127	1,821,469
2008	869,460	872,630	1,742,090
2009	842,347	838,081	1,680,428
2010	851,275	836,488	1,687,763

Source: Metropolitan Knoxville Airport Authority Aviations Activities Statistics Report

SCHEDULE 7:

Distribution of airline passengers—calendar year ended December 31, 2010 (unaudited)

Airline	Enplaned passengers	Deplaned passengers	Total passengers	Percentage of passengers
PSA	152,381	153,040	305,421	18.10%
ASA	124,012	115,663	239,675	14.20%
Allegiant Air	105,797	103,975	209,772	12.43%
Pinnacle - Delta	101,423	105,655	207,078	12.27%
American Eagle	102,427	99,627	202,054	11.97%
Continental Express	64,423	64,648	129,071	7.65%
Express Airlines	53,779	57,735	111,514	6.61%
Skywest	36,714	30,506	67,220	3.98%
AirTran	25,823	24,551	50,374	2.98%
Delta	20,841	21,161	42,002	2.49%
Freedom Airlines	14,529	11,518	26,047	1.54%
Trans States	13,139	11,883	25,022	1.48%
Comair	10,640	11,228	21,868	1.30%
Chautauqua	6,337	6,780	13,117	0.78%
Pinnacle - NW Airlink	6,387	6,723	13,110	0.78%
Mesa	1,971	1,888	3,859	0.23%
Shuttle America	1,324	745	2,069	0.12%
Piedmont	525	556	1,081	0.06%
Other	8,803	8,606	17,409	1.03%
Total	**851,275**	**836,488**	**1,687,763**	**100.00%**

Source: Metropolitan Knoxville Airport Authority, Annual Activity Report
Note: The Authority has elected not to report a ten-year history of passengers by airline because history has shown when a particular airline withdraws from the market, another airline enters the market or an existing airline expands their flights.

SCHEDULE 8:

Cargo—last ten calendar years (in pounds) (unaudited)

Calendar year	Enplaned	Deplaned	Total cargo
2001	41,793,669	44,435,621	86,229,290
2002	36,715,153	42,951,993	79,667,146
2003	34,699,474	42,714,138	77,413,612
2004	36,037,842	42,663,425	78,701,267
2005	39,959,911	45,596,944	85,556,855
2006	44,512,472	48,504,794	93,017,266
2007	46,843,699	53,461,619	100,305,318
2008	48,079,845	51,042,101	99,121,946
2009	45,843,610	39,398,046	85,241,656
2010	49,734,211	44,055,635	93,789,846

Source: Metropolitan Knoxville Airport Authority Aviations Activities Statistics Report.

SCHEDULE 9:

Distribution of cargo—calendar year ended December 31, 2010 (in pounds) (unaudited)

	Freight			
Airline	**Enplaned**	**Deplaned**	**Total**	**Percentage**
Major:				
Delta	67,847	91,388	159,235	0.17%
Regional:				
PSA	53,801	45,159	98,960	0.11%
Comair	13,365	36,224	49,589	0.05%
ASA	45,799	1,226	47,025	0.05%
Pinnacle	2,508	6,798	9,306	0.01%
Cargo:				
FedEx	42,226,902	34,958,597	77,185,499	82.30%
UPS	6,980,095	8,742,832	15,722,927	16.76%
Air Net	303,845	75,456	379,301	0.40%
AmeriFlight	40,049	97,955	138,004	0.15%
Total	**49,734,211**	**44,055,635**	**93,789,846**	**100.00%**

Source: Metropolitan Knoxville Airport Authority, Annual Activity Report.
Note: The Authority has elected not to report a ten-year history of cargo by airline because history has shown when a particular airline withdraws from the market, another airline enters the market or an existing airline expands their flights.

SCHEDULE 10:

Aircraft landed weights—last ten calendar years (in thousand pound units) (unaudited)

Calendar year	Major passenger airlines	Regional airlines	Cargo airlines	Total
2001	697,289	492,851	315,707	1,505,847
2002	316,949	764,610	267,831	1,349,390
2003	254,000	809,211	262,360	1,325,571
2004	237,393	884,030	263,780	1,385,203
2005	206,860	1,053,024	288,263	1,548,147
2006	131,386	924,557	299,278	1,355,221
2007	136,898	1,030,626	318,883	1,486,408
2008	64,228	1,065,072	343,897	1,473,197
2009	13,333	1,075,228	307,491	1,396,052
2010	30,030	1,083,329	312,442	1,425,801

Source: Metropolitan Knoxville Airport Authority Aviations Activities Statistics Report

SCHEDULE 11:

Aircraft landed weights—eight year trend history (in thousand pound units) (unaudited)

	2010		2009		2008		2007		2006		2005		2004		2003	
Airline	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
FedEx	252,764	18%	240,053	17%	215,264	15%	187,799	13%	149,468	11%	150,752	10%	133,814	10%	130,030	10%
PSA	222,195	16%	180,509	13%	184,484	12%	171,875	12%	157,072	12%	149,721	10%	114,097	8%	71,838	6%
Pinnacle	153,709	11%	190,705	14%	175,401	12%	150,729	10%	151,575	11%	161,915	10%	144,290	10%	136,582	10%
American Eagle	145,312	10%	130,633	8%	120,159	8%	125,742	8%	122,701	9%	121,487	8%	102,953	7%	114,266	9%
ASA	136,356	10%	132,687	9%	98,002	7%	82,101	5%	46,262	3%	128,233	8%	91,665	7%	56,347	4%
Allegiant Air	105,754	7%	108,339	8%	89,689	6%	70,781	5%	1,536	0%	–	0%	–	0%	–	0%
Continental Express	87,362	6%	93,466	7%	109,789	7%	105,441	7%	100,835	7%	87,650	6%	76,537	6%	80,755	6%
Express Jet	77,703	5%	25,732	2%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%
UPS	55,862	4%	66,235	5%	76,258	5%	79,310	5%	86,286	6%	76,053	5%	77,256	6%	77,681	6%
Skywest	53,019	4%	53,659	4%	66,564	5%	54,317	4%	61,363	4%	24,863	2%	30,026	2%	29,046	2%
Delta	30,030	2%	1,013	0%	64,228	4%	136,898	9%	130,603	10%	198,612	13%	195,520	14%	184,331	14%
Airtran Airways	28,256	2%	12,320	1%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%
Trans States	18,722	1%	36,805	3%	62,930	4%	102,288	7%	74,759	6%	39,398	3%	2,926	0%	–	0%
Freedom	17,469	1%	10,880	1%	21,358	1%	31,281	2%	33,702	3%	–	0%	–	0%	–	0%
Comair	16,168	1%	34,557	2%	69,294	5%	87,548	6%	83,372	6%	101,168	6%	108,006	8%	113,404	9%
Chatauqua	8,893	1%	851	0%	8,040	1%	16,644	1%	40,681	3%	35,247	2%	25,557	2%	14,025	1%
Mesaba	5,700	1%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%
Mesa	3,600	0%	24,038	2%	12,574	1%	74	0%	425	0%	20,595	1%	11,329	1%	30,923	2%
Air Net	3,096	0%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%
Shuttle America	1,839	0%	26,202	2%	19,714	1%	217	0%	6,587	1%	5,467	0%	8,568	1%	–	0%
Piedmont	797	0%	25,544	2%	23,947	2%	17,441	1%	18,851	1%	27,651	2%	33,383	2%	53,435	4%
AmeriFlight	720	0%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%
Air Wisconsin	47	0%	–	0%	2,444	0%	14,006	1%	24,158	2%	51,888	3%	22,654	2%	–	0%
DHL	–	0%	1,122	0%	52.280	4%	51,729	4%	51,592	4%	48,921	3%	45,473	3%	–	0%
Mountain Air	–	0%	81	0%	94	0%	45	0%	9,571	1%	2,727	0%	–	0%	–	0%
Ross Aviation	–	0%	–	0%	–	0%	–	0%	2,361	0%	8,858	1%	4,831	0%	4,537	0%
Northwest	–	0%	–	0%	–	0%	–	0%	783	0%	8,248	1%	41,873	3%	69,669	5%
Independence Air	–	0%	–	0%	–	0%	–	0%	611	0%	97,713	6%	111,804	8%	–	0%
Martinaire	–	0%	–	0%	–	0%	–	0%	–	0%	952	0%	2,287	0%	3,902	0%
Other	428	0%	621	0%	684	0%	142	0%	67	0%	28	0%	354	0%	154,802	12%
Total	1,425,801	100%	1,396,052	100%	1,473,197	100%	1,486,408	100%	1,355,221	100%	1,548,147	100%	1,385,203	100%	1,325,573	100%

Source: Metropolitan Knoxville Airport Authority, Annual Activity Report

Note: The Authority has elected to present data for eight years and to implement the remainder of the ten-year trend prospectively.

SCHEDULE 12:

Total Passengers—eight year trend history (unaudited)

	2010		2009		2008		2007		2006		2005		2004		2003	
Airline	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
PSA	305,421	18%	264,914	16%	263,692	15%	262,471	14%	249,175	15%	185,242	10%	158,403	10%	92,504	7%
ASA	239,675	14%	217,978	13%	161,352	9%	139,077	8%	81,458	5%	205,091	11%	148,422	9%	100,926	7%
Pinnacle	220,188	13%	82,009	17%	256,577	15%	220,263	12%	219,932	13%	235,474	13%	201,727	13%	180,556	13%
Allegiant Air	209,772	12%	207,695	13%	171,092	9%	132,802	7%	2,929	0%	–	0%	–	0%	–	0%
American Eagle	202,054	12%	205,582	12%	198,903	11%	217,554	12%	208,676	12%	198,454	11%	152,904	10%	152,651	11%
Continental Express	129,071	7%	141,162	8%	169,315	10%	164,525	9%	163,657	10%	140,539	8%	118,289	8%	102,139	7%
Express Jet	111,514	7%	39,344	2%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%
Skywest	67,220	4%	72,037	4%	99,809	6%	83,693	5%	99,787	6%	40,403	2%	59,505	4%	30,216	2%
Airtran Airways	50,374	3%	23,682	1%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%
Delta	42,002	3%	1,906	0%	88,882	5%	195,735	11%	197,348	12%	267,349	15%	267,841	17%	261,992	18%
Freedom Airlines	26,047	2%	18,328	1%	35,487	2%	48,695	3%	57,279	3%	–	0%	–	0%	–	0%
Trans States	25,022	2%	50,272	3%	91,730	5%	152,836	8%	112,693	7%	57,444	3%	–	0%	–	0%
Comair	21,868	1%	44,147	3%	98,636	6%	129,141	7%	134,065	8%	146,177	8%	149,743	9%	144,146	10%
Chautauqua	13,117	1%	1,294	0%	12,745	1%	25,353	1%	67,725	4%	62,722	3%	38,591	2%	13,720	1%
Mesa	3,859	0%	30,669	2%	18,943	1%	–	0%	429	0%	29,827	2%	20,085	1%	37,891	3%
Shuttle America	2,069	0%	31,150	2%	28,467	2%	–	0%	10,832	1%	8,100	0%	12,568	1%	–	0%
Piedmont	1,081	0%	37,330	2%	33,461	2%	26,911	2%	32,411	2%	42,738	2%	54,073	3%	77,750	5%
Air Wisconsin	30	0%	–	0%	2,716	0%	17,043	1%	30,433	2%	75,215	4%	34,414	2%	–	0%
Northwest	–	0%	–	0%	894	0%	296	0%	1,601	0%	6,581	0%	35,806	2%	57,371	4%
Independence Air	–	0%	–	0%	–	0%	–	0%	799	0%	138,107	8%	67,851	4%	–	0%
Other	17,379	1%	10,929	1%	9,389	1%	5,074	0%	5,203	0%	7,331	0%	86,855	5%	176,199	12%
Total	1,687,763	100%	1,680,428	100%	1,742,090	100%	1,821,469	100%	1,676,432	100%	1,846,794	100%	1,607,077	100%	1,428,061	100%

Source: Schedule 7 of Comprehensive Annual Financial Report.
Note: The Authority has elected to present data for eight years and to implement the remainder of the ten-year trend prospectively.

SCHEDULE 13:

Distribution of total cargo—eight year trend history (in pounds) (unaudited)

Airline	2010 Number	2010 %	2009 Number	2009 %	2008 Number	2008 %	2007 Number	2007 %	2006 Number	2006 %	2005 Number	2005 %	2004 Number	2004 %	2003 Number	2003 %
Passenger:																
Delta	159,235	0%	–	0%	404,524	1%	704,041	1%	681,385	1%	1,307,682	2%	2,520,708	3%	2,868,694	4%
PSA	98,960	0%	–	0%	–	0%	–	0%	31,239	0%	31,258	0%	212,221	0%	136,947	0%
Comair	47,025	0%	9,911	0%	14,856	0%	14,741	0%	41,155	0%	56,408	0%	257,516	1%	540,666	1%
ASA	49,589	0%	24,950	0%	38,990	0%	46,187	0%	31,410	0%	78,304	0%	1,979	0%	2,075	0%
Pinnacle	9,306	0%	66,197	0%	136,690	0%	131,648	0%	152,193	0%	124,847	0%	112,565	0%	283,219	0%
Continental Express	–	0%	63,924	0%	135,820	0%	129,771	0%	152,392	0%	197,378	0%	196,801	0%	64,528	0%
American Eagle	–	0%	29,864	0%	23,232	0%	22,149	0%	24,940	0%	26,356	0%	23,199	0%	43,529	0%
Shuttle America	–	0%	–	0%	1,794	0%	–	0%	–	0%	–	0%	–	0%	–	0%
Chautauqua	–	0%	–	0%	310	0%	4,199	0%	16,800	0%	2,475	0%	29,841	0%	–	0%
Skywest	–	0%	–	0%	217	0%	–	0%	–	0%	51,107	0%	28,008	0%	–	0%
Piedmont	–	0%	–	0%	–	0%	–	0%	959	0%	2,555	0%	64,301	0%	61,983	0%
Northwest			–	0%	–	0%	–	0%	495	0%	1,085	0%	13,380	0%	43,668	0%
Trans States	–	0%	–	0%	–	0%	–	0%	–	0%	15,536	0%	2,961	0%	–	0%
Mesa	–	0%	–	0%	–	0%	–	0%	–	0%	9,500	0%	36,131	0%	51,234	0%
Air Wisconsin	–	0%	–	0%	–	0%	–	0%	–	0%	6,695	0%	–	0%	–	0%
Independence Air	–	0%	–	0%	–	0%	–	0%	–	0%	–	–	72,540	0%	–	0%
Other	–	0%	–	0%	1,507	0%	1,413	0%	13,563	0%	–	–	822	0%	100,445	0%
Cargo:																
FedEx	77,185,499	82%	71,579,915	84%	68,529,873	69%	60,063,794	60%	58,048,691	62%	59,826,621	70%	52,866,325	67%	51,601,551	67%
UPS	15,722,927	17%	13,262,819	16%	14,750,798	15%	21,633,065	22%	18,049,466	20%	17,040,473	20%	18,518,658	24%	17,399,235	23%
Aor Met	379,301	1%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%
AmeriFlight	138,004	0%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%	–	0%
DHL	–	0%	189,084	0%	15,072,953	15%	17,547,677	17%	13,118,102	14%	5,669,335	7%	3,172,179	4%	–	0%
Mountain Air	–	0%	14,992	0%	10,382	0%	6,633	0%	2,654,476	3%	957,369	1%	19,805	0%	26,546	0%
Martinaire	–	0%	–	0%	–	0%	–	0%	–	0%	151,871	0%	545,388	1%	1,032,114	1%
Airborne	–	0%	–	0%	–	0%	–	0%	–	0%	–	–	–	–	3,137,619	4%
Other	–	0%	–	0%	–	0%	–	0%	–	0%	–	–	5,939	0%	19,559	0%
Total	93,789,846	100%	85,241,656	100%	99,121,946	100%	100,305,318	100%	93,017,266	100%	85,556,855	100%	78,701,267	100%	77,413,612	100%

Source: Schedule 9 of Comprehensive Annual Financial Report
Note: The Authority has elected to present data for eight years and to implement the remainder of the ten-year trend prospectively.

SCHEDULE 14:

Authority employees and demographic data – population (unaudited)

	Full-time equivalent employees as of fiscal year-end							
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Administration	12.5	12.5	12.5	12.5	13.0	12.5	11.5	11.0
Marketing/Public Relations	10.0	8.0	8.0	9.0	7.5	7.5	7.5	8.0
Engineering & Planning	5.5	5.5	5.5	5.5	5.5	5.5	4.0	4.0
Safety (Police & Fire)	46.0	46.0	46.0	44.0	43.0	42.0	47.0	47.0
Operations Administration	9.5	9.5	9.0	8.0	7.5	8.5	6.0	6.0
Building Maintenance	7.0	6.0	7.0	5.0	5.0	5.0	4.0	4.0
Electrical Maintenance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Airfield Maintenance	24.0	21.0	19.5	18.5	18.0	18.0	20.5	20.5
Building Services (Janitorial)	30.0	29.5	28.0	32.0	27.0	27.0	28.0	28.0
Knoxville Downtown Island Airport	7.5	7.5	7.5	7.0	7.0	6.5	n/a	n/a
Total Employees	156.0	149.5	147.0	145.5	137.5	136.5	132.5	132.5

Notes:
A full-time employee is schedule to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.
The Authority has elected to present data for eight years and to implement the remainder of the ten year trend prospectively.

Demographic data—population (unaudited)

Actual	**City**	**County**	**Metropolitan area (b)**
1960	111,827	250,563	424,586
1970	174,587 (a)	276,293	461,876
1980	175,045	319,694	546,488
1990	165,121	335,749	585,926
2000	173,890	382,032	687,249
2010	178,874	432,226	787,919

Source: Bureau of the Census
Notes:
(a) Large increase in population due to annexation.
(b) Knoxville's Metropolitan Statistical Area (MSA) includes Anderson, Blount, Knox, Loudon, Sevier, and Union counties. Prior to 1983, statistics were gathered only for Anderson, Blount, Knox, and Union counties.

SCHEDULE 15:

Demographic data—top employers in Knoxville area for the last seven years (unaudited)

	2010		2009		2008		2007		2006		2005		2004	
	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%
Major Employers														
U. S. Department of Energy														
Oak Ridge Operations	13,925	4%	13,182	4%	12,927	4%	12,620	4%	11,943	4%	11,802	3%	11,287	3%
The University of Tennessee, Knoxville	9,326	3%	11,901	4%	8,754	3%	8,429	2%	8,447	3%	7,997	2%	7,934	2%
Covenant Health	9,000	2%	8,982	3%	9,016	3%	8,834	2%	8,664	3%	6,997	2%	8,000	2%
Knox County Schools	6,945	2%	8,382	3%	7,553	2%	8,150	2%	7,860	2%	7,900	2%	7,848	2%
Mercy Health Partners	5,700	2%	4,368	1%	5,711	2%	5,904	2%	3,529	1%	3,411	1%	3,461	1%
Wal-Mart Stores, Inc.	4,336	1%	5,330	2%	4,869	1%	5,300	1%	4,472	1%	4,565	1%	4,600	1%
University of Tennessee Medical Center	3,802	1%	3,724	1%	3,727	1%	3,579	1%	3,367	1%	3,195	1%	2,764	1%
State of Tennessee	3,750	1%	3,709	1%	3,834	1%	3,772	1%	3,733	1%	2,681	1%	n/a	–
Knox County Government	3,037	1%	3,055	1%	3,021	1%	2,623	1%	2,974	1%	2,999	1%	2,500	1%
Dollywood	2,467	1%	2,550	1%	2,573	1%	2,500	1%	2,350	1%	n/a	–	n/a	–
Major Manufacturing														
Clayton Homes	2,542	1%	2,511	1%	2,695	1%	1,427	0%	2,216	1%	2,267	1%	2,023	1%
Denso Manufacturing Tennessee	2,700	1%	2,500	1%	3,000	1%	2,940	1%	2,900	1%	2,400	1%	2,300	1%
Aluminum Company of America (ALCOA)	1,218	0%	1,368	0%	1,758	1%	1,248	0%	1,680	1%	1,723	0%	2,000	1%
Brunswick Boat Group	760	0%	760	0%	1,264	0%	1,464	0%	1,476	0%	1,476	0%	1,686	0%
Monterey Mushrooms	550	0%	550	0%	558	0%	550	0%	527	0%	550	0%	550	0%
Siemens Medical Solutions	527	0%	521	0%	527	0%	527	0%	825	0%	825	0%	n/a	–
Carlisle Tire & Wheel	380	0%	500	0%	448	0%	490	0%	585	0%	600	0%	n/a	–
Knoxville News Sentinel	463	0%	498	0%	644	0%	621	0%	625	0%	600	0%	584	0%
Newell Rubbermaid	350	0%	300	0%	400	0%	750	0%	900	0%	n/a	–	n/a	–
ARC Automotive	n/a	–	250	0%	300	0%	579	0%	750	0%	650	0%	650	0%
Major Customer Service Centers														
CVS Caremark Rx	1,200	0%	1,775	1%	1,259	0%	1,082	0%	475	0%	400	0%	n/a	–
Elavon NOVA Information Systems	1,200	0%	1,200	0%	1,174	0%	1,177	0%	873	0%	933	0%	1,200	0%
Marriott Business Services	1,108	0%	546	0%	551	0%	425	0%	350	0%	n/a	–	n/a	–
Jewelry Television by ANC	1,100	0%	1,100	0%	1,644	0%	2,218	1%	764	0%	700	0%	550	0%
U.S. Cellular	860	0%	860	0%	860	0%	604	0%	635	0%	450	0%	402	0%
First Tennessee Bank	835	0%	821	0%	846	0%	939	0%	1,170	0%	275	0%	n/a	–
21st Mortgage Corp	564	0%	525	0%	552	0%	520	0%	534	0%	563	0%	n/a	–
EdFinancial Services	375	0%	375	0%	426	0%	485	0%	385	0%	389	0%	n/a	–
Whirlpool Corporation	370	0%	393	0%	393	0%	426	0%	501	0%	567	0%	464	0%
Travelers	347	0%	347	0%	347	0%	347	0%	356	0%	302	0%	260	0%

Source: Knoxville Area Chamber Partnership
Notes: The Authority has elected to present data for seven years and to implement the remainder of the ten-year trend prospectively.
Percentages reported above are based upon total employment in the Knoxville Metropolitan Statistical Area (MSA).
n/a= not available

SCHEDULE 16:

Demographic data—unemployment information last ten years (unaudited)

	Unemployment as percent of labor force									
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
National	4.8%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	10.0%	9.1%
Tennessee	4.5	5.1	5.5	5.4	5.6	5.2	4.8	6.4	10.9	9.6%
Major Tennessee metropolitan areas:										
Chattanooga	3.2	3.9	3.9	4.4	4.8	4.4	4.1	5.7	9.1	8.8
Knoxville (a)	3.3	3.5	3.8	4.1	4.4	4.1	3.7	5.1	8.7	7.9
Memphis	4.2	5.2	6.2	5.9	6.2	5.7	5.2	6.6	10.3	10.3
Nashville	3.3	4.0	4.4	4.3	4.4	4.2	4.0	5.5	9.4	7.5

Source: Tennessee Department of Labor and Workforce Development.
(a) Knoxville's Metropolitan Statistical Area (MSA) includes Anderson, Blount, Knox, Loudon, Sevier, and Union Counties.

SCHEDULE 17:

Demographic data—per capita personal income last ten years (unaudited)

Calendar Year	Knox County	Tennessee	United States
2001	29,179	26,808	30,413
2002	29,583	27,378	30,832
2003	30,059	28,641	31,472
2004	31,417	30,005	32,937
2005	32,815	30,969	34,513
2006	33,963	32,430	36,307
2007	35,491	33,711	38,617
2008	Not available	34,789	39,654
2009	Not available	35,287	39,205
2010	Not available	35,541	40,353

Source: Center for Business and Economic Research, University of Tennessee.

SCHEDULE 18:

Demographic data—total personal income last ten years (thousands of dollars) (unaudited)

Calendar Year	Knox County	Tennessee	United States
2001	11,297,562	154,655,832	8,718,165,000
2002	11,580,797	159,864,914	8,868,261,000
2003	11,920,331	167,414,793	9,151,694,000
2004	12,572,396	177,057,000	9,672,205,000
2005	13,301,853	184,442,901	10,239,000,000
2006	14,140,692	195,656,000	10,898,000,000
2007	Not available	204,896,000	11,660,000,000
2008	Not available	213,358,511	12,086,533,000
2009	Not available	217,884,000	12,070,000,000
2010	Not available	224,358,000	12,543,000,000

Source: Center for Business and Economic Research, University of Tennessee.

SCHEDULE 19:

Airlines serving McGhee Tyson Airport (unaudited)

June 30, 2011

Major/domestic passenger airlines

AirTran Airways, Inc.
Delta Airlines, Inc.
Frontier Airlines, Inc.

Regional passenger airlines

Allegiant Air, Inc.
American Eagle Airlines, Inc.
Atlantic Southeast Airlines, Inc./Delta Connection
Chautauqua Airlines/Delta Connection
Comair, Inc./Delta Connection
ExpressJet/Continental Express & United Express
Mesaba Airlines, Inc./Delta Connection
Piedmont Airlines, Inc./US Airways Express
Pinnacle Airlines, Inc./Delta Connection
PSA Airlines, Inc./US Airways Express
SkyWest Airlines/United Express
Trans States Airlines/United Express
Vision Airlines, Inc.

Cargo airlines

FedEx, Inc.
UPS Airlines, Inc.

Source: Metropolitan Knoxville Airport Authority flight information report.

SCHEDULE 20:

Flight information (unaudited)

June 30, 2011

Carrier	Destination	Daily flights	Daily seats	Aircraft
AirTran Airways*	Orlando-International	1	117	B717
Allegiant Air*	St. Petersburg-Clearwater	1	150	MD80
	Fort Lauderdale	1	150	MD80
	Orlando-Sanford	1	150	MD80
	Myrtle Beach	1	150	MD80
	Punta Gorda	1	150	MD80
American Eagle	Dallas-Ft. Worth	5	250	ERJ
	Chicago	4	200	ERJ
	Miami	2	100	ERJ
Continental Express	Houston	4	200	ERJ
	Cleveland	2	100	ERJ
	Newark	2	100	ERJ
Delta/Delta Connection	Atlanta	12	680	ERJ/CRJ/MD80
	Memphis	3	150	CRJ
	LaGuardia	1	50	CRJ
	Detroit	4	600	CRJ
	Minneapolis	1	50	CRJ
Frontier Airlines*	Denver	1	138	A319
United Express	Chicago	5	250	CRJ/ERJ
	Denver	2	100	ERJ
	Washington Dulles	4	200	CRJ/ERJ
US Airways Express	Philadelphia	2	100	CRJ
	Charlotte	8	400	CRJ
	Washington National	3	150	CRJ
Vision Airlines*	Fort Walton Beach-Destin	1	150	B737-400
Totals		72	4,835	

**Less than daily service in some markets.*

SCHEDULE 21:

Companies conducting business on airport property (unaudited)
June 30, 2011

Aviation service operators
Aero Advertising, Inc.
Aircraft Technicians, Inc
Heads Up Aerial Advertising
Horizon Avionics, Inc.
Knoxville Flight Training Center, Inc.
MaxAir Charters dba Flight Choice
Preston Aircraft, Inc.
Regional Elite Airline Services, LLC
Smoky Mountain Flight Center, Inc.
Standard Aero Alliance
TAC Air

U.S. government agencies
Federal Aviation Administration
Knox County Sheriff's Dept.
Tennessee Air National Guard
Tennessee Army National Guard
Transportation Security Administration

Airline maintenance
Express Jet dba Continental Express
Delta Air Lines dba Delta Connection

Bank ATMs
Regions Bank
First Tennessee Bank
Suntrust Bank
TN State Bank

Concessionaires
Clear Channel Airports
Coca Cola
Five Star Food Service
HMS Host Corporation
Knoxville Airport Hotel Company dba Knoxville Airport Hilton
Ruby Tuesday, Inc.
Republic Parking System
Smarte Carte, Inc.
Paradies-Knoxville, LLC
Security Point Media, LLC

Rental car companies
Avis Rent A Car System, Inc.
Budget Rent A Car System, Inc.
Enterprise Rent A Car
GSP Transportation, Inc. dba Thrifty and Dollar Car Rental
The Hertz Corporation
Vanguard Car Rental USA, Inc. dba Alamo and National Rent A Car

Other
National Safe Skies Alliance
Remote Area Medical
Augusta Sod & Turf, LLC.
GAT Security Services, Inc.
Airport Office Partners, LLC.
R Squared Construction

SCHEDULE 22:

Use of bond proceeds (unaudited)

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

Local government public improvement revenues bonds

Series 2008 V-A-1—$84,645,000

Proceeds from this bond issue were used to refund the Series III-A outstanding bonds in advance of their maturity.

Series 2000 II-D-1—$18,500,000

Proceeds from this bond issue were used to finance a regional jet maintenance facility for Continental Express, Inc., and for the West Aviation Area at McGhee Tyson Airport. These were the first bonds issued under the new Master Bond Resolution.

Special purpose revenue bonds

Series 2002—$8,500,000

The Authority issued these bonds on behalf of Northwest Airlines, Inc., now Delta Air Lines, to construct a regional jet maintenance hangar for their affiliate airline, Pinnacle Airlines, Inc., in the West Aviation Area. The Authority is not at risk for these bonds.

Local government public improvement revenue bonds (retired)

Series 2001 III-A—$95,000,000 (retired)

Proceeds from this bond issue were used for repayment of all outstanding General Obligation bonds, including Series E-1, E-2, II-G-2, III-B-1, III-G-2, and IV-A-1. They were also used for completion of the renovation and expansion of the terminal building at McGhee Tyson Airport, for the West Aviation Area, and for land acquisition.

Series 1999 IV-A-1—$20,300,000 (retired)

Proceeds from this bond issue were used to finance the renovation and expansion of the terminal building at McGhee Tyson Airport, construct a 750-space public parking lot, and refinance the outstanding Airport Revenue-General Obligation Series G and H bonds.

Series 1999 III-G-2—$5,500,000 (retired)

Proceeds from this bond issue were used to finance the renovation and expansion of the terminal building at McGhee Tyson Airport.

Series 1998 III-B-1—$36,500,000 (retired)

Proceeds from this bond issue were used to finance the renovation and expansion of the terminal building at McGhee Tyson Airport.

Series 1997 II-G-2—$8,000,000 (retired)

Proceeds from this bond issue were used to finance the renovation and expansion of the terminal building at McGhee Tyson Airport.

Series 1996 E-2—$5,350,000 (retired)

Proceeds from this bond issue were used to finance the construction of improvements to the air cargo facilities at the McGhee Tyson Airport and aircraft T-hangars at the Knoxville Downtown Island Airport. They were also used to refinance the outstanding Airport Revenue-General Obligation Bonds, Series F.

Series 1996 E-1—$7,150,000 (retired)

Proceeds from this bond issue were used to expand the public garage in front of the terminal building from 1,394 to 2,811 spaces.

SCHEDULE 22:

Use of bond proceeds (unaudited) (continued)

Airport revenue—general obligation bonds (retired)

Series 1994 H—$3,400,000 (retired)
Proceeds from this bond issue were used to refund the remaining Series E outstanding bonds in advance of their maturity.

Series 1993 G—$8,850,000 (retired)
Proceeds from this bond issue were used for a 619-space expansion to the public parking garage next to the terminal, roadway improvements, and refunding a portion of Series E outstanding bonds in advance of their maturity.

Series 1990 F—$7,500,000 (retired)
Proceeds of this bond issue were used for certain airport improvements, consisting of an air cargo facility, improvements to the airport terminal, and land for airport development.

The air cargo complex includes three special purpose buildings totaling 54,200 square feet, 430,000 square feet of aircraft apron and more than 300,000 square feet of vehicular parking areas. Improvements to the airport terminal include improvements to the concourses and main terminal building. Land for use by the Authority includes the acquisition of certain tracts within the immediate vicinity of the airport for future airport development.

Series 1988 E—$10,000,000 (retired)
Proceeds from this bond issue were used for certain airport improvements consisting of a parking structure, an air cargo complex and certain general aviation improvements.

The parking facility is the 775-space public parking garage constructed next to the terminal. The air cargo funds were used for design and earth work for the air cargo complex financed by the Series 1990 F Bonds. The general aviation improvements included ramp pavement in the general aviation area of the airport.

Series 1976 D—$2,250,000 (retired)
Proceeds were used for improvements to Runways 5R/23L and 5L/23R.

Series 1974 C—$3,000,000 (retired)
Proceeds were used for improvements to the terminal area.

Series 1972 B—$4,000,000 (retired)
Proceeds were used to construct a new three-level terminal, terminal apron, taxiway construction and access roads.

Series 1972 A—$2,220,000 (retired)
Proceeds were used for improvements to the terminal area.

Special facilities revenue bonds (retired)

Series 1969—$385,000
These bonds were used for the construction of an air cargo building.

Municipal airport bonds (retired)

Series 1963 E, 1961D and 1950-1957—$2,235,000
These bonds were issued to pay for construction, repairs, and improvements to the McGhee Tyson Airport and the Knoxville Downtown Island Airport.

SCHEDULE 23:

Insurance in force (unaudited)
June 30, 2011

Type of policy	Policy insurer	Expiration date	Policy limit	Risk coverage
Airport Liability	ACE USA	July 12, 2012	$200,000,000 aggregate limit	Personal injury and property damage
Commercial Property (Includes Terrorism) Boiler & Machinery	Affiliated FM Insurance	June 30, 2012	$184,855,519	Buildings—Fire and other perils (includes contents, rental income and extra expense)
Flood Insurance—Knoxville Downtown Island Airport	National Flood Insurance Program	Oct. 1, 2011	$4,140,700	Flood
Public Officials and Employer Liability	Chartis	Dec. 18, 2011	$10,000,000	Commissioners and employee professional liability
Public Employee Dishonesty	Cincinnati Insurance Company	July 27, 2012	$500,000	Employee theft
Automobile	Cincinnati Insurance Company	June 30, 2012	$1,000,000	Automobile liability
Physical Damage—Two Fire Trucks	Travelers	Nov. 29, 2011	$1,141,516	Property damage—two fire trucks
Workers' Compensation	USAIG/NATA	July 1, 2012	By law	Employer's liability—employee bodily injury
Employee Health and Dental	CIGNA Health Care	June 1, 2012		Employee medical and dental
Employee Long-Term Disability	The Hartford	August 1, 2013		Employee earnings after 90 days disability
Employee Life	The Hartford	July 1, 2013		Life, accidental death, and dismemberment

SCHEDULE 24:

Capital Asset Information (unaudited)
As of June 30, 2011

Airport Code:	TYS	
Location:	Alcoa, TN	
Coordinates:	N35˚48.66' W83˚59.64'	
Elevation:	981 feet	
Tower:	24/7 121.2	
Total acreage:	2,700 acres	
Runways:	RWY 05L-23R	9,005 x 150 ft.
	RWY 05R-23L	9,000 x 150 ft.
Apron area–sq ft:	Cargo Airlines	314,284
	Fixed Base Operator	1,985,064
Terminal Complex:	Number of passenger gates	12
	Number of loading bridges	10
	Total area–sq ft	257,547
	Useable space–sq ft	225,226
	Leasable space–sq ft	98,222
	Mechanical–sq ft	32,321
Parking spaces, number:	Garage:	
	Short-term	663
	Long-term	1,701
	Rental Cars	401
	Total Garage	2,765
	Surface:	
	Short-term	45
	Long-term	695
	Economy	1,219
	Rental Cars and Taxi	83
	Employees	208
	Total Surface	2,250
	Total Parking	5,015
Fixed Base Operator:	TAC Air	

Source: Metropolitan Knoxville Authority Engineering and Planning department.

COMPLIANCE SECTION

This section contains the following items:

Schedule of Expenditures of Federal Awards
and Passenger Facility Charged

Schedule of State Grant Activity

Reports of Independent Auditors

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Years Audit
Findings and Corrective Action Plan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

Year ended June 30, 2011

Federal grantor program title	CFDA	Total expenditures
U.S. Department of Transportation		
Federal Aviation Administration		
Airport Development Aid Program*	20.106	$ 6,383,227
U.S. Department of Transportation		
Federal Aviation Administration		
ARRA - Airport Development Aid Program*	ARRA - 20.106	$ 44,032
U.S. Department of Transportation		
Total		$ 6,427,259

**Major federal financial assistance program.*

Passenger facility charges	
Available at July 1, 2010	$ 607,983
Charges collected	3,264,291
Interest earned, net of service charges	(4,496)
Total available	3,867,778
Expended	(3,206,034)
Available at June 30, 2011	$ 661,744

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

1. Basis of Presentation

The above Schedule of Federal Assistance and Passenger Facility Charges Collected and Expended (the "Schedule") summarizes the federal expenditures of Metropolitan Knoxville Airport Authority (the "Authority") under programs of the federal government for the year ended June 30, 2011 and Passenger Facility Charges ("PFCs") collected and expended for the year ended June 30, 2011, as compiled from the required quarterly reports. These amounts were obtained from the Authority's general ledger. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, change in net position, and current revenues and expenditures of the Authority.

For purposes of the Schedule, federal assistance includes all grants and contracts entered into directly between the Authority and agencies and departments of the federal government. The awards are classified into major program categories in accordance with the provisions of Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

2. Passenger Facility Charge Program

The objective of the Passenger Facility Charge program is to authorize public agencies controlling commercial service airports to impose a charge of $1 to $4.50 per enplaned passenger. The proceeds from such PFCs are to be used to finance approved, eligible airport-related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise or mitigate noise impacts resulting from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. PFCs are not considered to be Federal financial assistance defined by OMB Circular A-133.

3. Summary of Significant Accounting Policies

For purposes of the Schedule, expenditures for federal assistance programs and PFCs are recognized on the accrual basis of accounting. Expenditures under the federal assistance program are recognized following the cost principles contained in the OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*. Federal expenditures are primarily for administering an Airport Improvement Program for Knoxville, Tennessee. The Authority uses PFCs for various improvement project expansions of the airport facilities and payments for debt service on bonds incurred to carry out such projects.

4. Related Party Transactions

Included in Airport Improvement Program expenditures is approximately $206,000 paid to Knoxville Community Development Corporation (KCDC), which is a public agency which provides consulting services for housing, real estate and tax increment financing to various public agencies and local governments throughout Tennessee. Members of KCDC's Board of Commissioners are appointed by the Major of the City of Knoxville.

Payments to KCDC during the year ended June 30, 2011, related to costs associated with the acquisition of certain real property.

SCHEDULE OF STATE GRANT ACTIVITY

Year ended June 30, 2011

Grantor and project	Grant number	Balance receivable July 1, 2010	Cash receipts	Reimburseable Expenditures	Balance receivable June 30, 2011
State of Tennessee Department of Transportation:					
Airport Improvements					
McGhee Tyson Airport	47-555-1004-04	$ 23,079	$ –	$ –	$ 23,079
McGhee Tyson Airport	47-555-1008-04	–	17,996	17,996	–
McGhee Tyson Airport	47-555-1029-04	1,652	–	742	2,394
McGhee Tyson Airport	47-555-1031-04	–	1,225	1,225	–
McGhee Tyson Airport	47-555-1050-04	5,947	8,152,	2,205	–
McGhee Tyson Airport	47-555-1052-04	4,852	–	94	4,946
McGhee Tyson Airport	47-555-1057-04	60,070	60,070	–	–
McGhee Tyson Airport	47-555-1059-04	9,170	–	–	9,170
McGhee Tyson Airport	47-555-1060-04	9,343	9,343	–	–
McGhee Tyson Airport	47-555-1061-04	12,735	55,184	42,449	–
McGhee Tyson Airport	47-555-1063-04	2,940	–	–	2,940
McGhee Tyson Airport	47-555-1064-04	32,050	32,050	–	–
McGhee Tyson Airport	47-555-1065-04	10,032	10,032	–	–
McGhee Tyson Airport	47-555-1069-04	11,723	–	736	12,459
McGhee Tyson Airport	47-555-1072-04	29,372	–	698	30,070
McGhee Tyson Airport	47-555-1073-04	–	–	32,505	32,505
McGhee Tyson Airport	47-555-1078-04	–	–	440	440
McGhee Tyson Airport	47-555-1079-04	13,651	19,420	13,911	8,142
McGhee Tyson Airport	47-555-1080-04	15,035	–	21,194	36,229
McGhee Tyson Airport	47-555-1089-04	22,666	22,665	4,164	4,165
McGhee Tyson Airport	47-555-1092-04	14,660	–	273	14,933
McGhee Tyson Airport	47-555-1094-04	42,241	–	53,651	95,892
McGhee Tyson Airport	47-555-1095-04	382,492	522,254	139,762	–
McGhee Tyson Airport	47-555-1097-04	9,398	9,398	–	–
McGhee Tyson Airport	47-555-1099-04	–	–	11,860	11,860
McGhee Tyson Airport	47-555-1102-04	1,194	–	–	1,194
McGhee Tyson Airport	47-555-1701-04	59,708	61,209	2,093	592
McGhee Tyson Airport	47-555-1704-04	–	–	32,863	32,863
McGhee Tyson Airport	47-555-1707-04	23,497	23,497	–	–
McGhee Tyson Airport	47-555-1708-04	30,856	–	3,600	34,456
McGhee Tyson Airport	47-555-1709-04	–	–	38,825	38,825
McGhee Tyson Airport	47-555-1711-04	–	–	57,987	57,987
McGhee Tyson Airport	47-555-1715-04	–	–	9,390	9,390
Downtown Island Airport	47-555-1093-04	40,767	40,767	–	–
Downtown Island Airport	47-555-1206-04	–	2,727	2,727	–
Downtown Island Airport	47-555-1716-04	–	–	10,468	10,468
Total state grants		$869,130	$895,989	$501,858	$474,999

Schedule of Long-Term Debt Principal and Interest Requirements

Metropolitan Knoxville Airport Authority

June 30, 2011

Airport revenue obligations, Series II-D-1, synthetic fixed rate of 5.29%.

Year Ended June 30	Principal	Interest	Total
2012	$ 620,000	$ 729,695	$ 1,349,695
2013	655,000	696,714	1,351,714
2014	695,000	661,856	1,356,856
2015	740,000	624,856	1,364,856
2016	785,000	585,475	1,370,475
2017	835,000	543,687	1,378,687
2018	885,000	499,255	1,384,255
2019	945,000	452,125	1,397,125
2020	1,000,000	401,848	1,401,848
2021	1,065,000	348,609	1,413,609
2022	1,135,000	291,905	1,426,905
2023	1,205,000	231,498	1,436,498
2024	1,280,000	167,363	1,447,363
2025	1,355,000	99,259	1,454,259
2026	655,000	31,232	686,232
Total	$ 13,855,000	$ 6,365,377	$ 20,220,377

Schedule of Long-Term Debt Principal and Interest Requirements *(continued)*

Metropolitan Knoxville Airport Authority

June 30, 2011

Airport Revenue Obligations, Series V-A-I ($37,010,000 at synthetic fixed rate of 3.331% and $39,570,000 at a variable rate):

Year Ended June 30	Principal	Interest	Total
2012	$ 2,955,000	$ 1,298,278	$ 4,253,278
2013	3,100,000	1,199,371	4,299,371
2014	3,255,000	1,095,601	4,350,601
2015	3,415,000	986,650	4,401,650
2016	3,580,000	872,355	4,452,355
2017	3,755,000	752,530	4,507,530
2018	3,940,000	626,843	4,566,843
2019	4,130,000	494,977	4,624,977
2020	4,335,000	356,734	4,691,734
2021	4,545,000	211,645	4,756,645
2022	4,880,000	74,269	4,954,269
2023	5,115,000	64,952	5,179,952
2024	5,365,000	55,187	5,420,187
2025	5,625,000	44,945	5,669,945
2026	5,905,000	34,205	5,939,205
2027	6,190,000	22,932	6,212,932
2028	6,490,000	11,115	6,501,115
Total	$ 76,580,000	$ 8,202,589	$ 84,782,589

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Report of Independent Auditors 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*

Board of Commissioners
Metropolitan Knoxville Airport Authority

We have audited the financial statements of Metropolitan Knoxville Airport Authority (the "Authority") (a component unit of the City of Knoxville, Tennessee) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

COULTER & JUSTUS, P.C.

Board of Commissioners
Metropolitan Knoxville Airport Authority

This report is intended solely for the information and use of management, the audit committee, board of commissioners, federal awarding agencies and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Coulter & Justus, P.C.

December 7, 2011

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Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and the Passenger Facility Charge Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Commissioners
Metropolitan Knoxville Airport Authority

Compliance

We have audited the compliance of Metropolitan Knoxville Airport Authority (the "Authority") (a component unit of the City of Knoxville, Tennessee) with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs and the compliance requirements of the Passenger Facility Charge ("PFC") program as described in the *Passenger Facility Charge Audit Compliance and Reporting Guide for Public Agencies* for the year ended June 30, 2011. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program and the PFC program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on to its major federal program and the PFC program for the year ended June 30, 2011.

COULTER & JUSTUS, P.C.

Board of Commissioners
Metropolitan Knoxville Airport Authority

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs and the PFC program. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on each major federal program or the PFC program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the Authority's internal control over compliance.

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

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

*****

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

Coulter & Justus, P.C.

December 7, 2011

Schedule of Findings and Questioned Costs

Metropolitan Knoxville Airport Authority

Year ended June 30, 2011

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	None reported
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements:	None reported

Federal Awards

Type of auditors' report issued on compliance for major programs:	Unqualified
Internal control over major programs: Material weakness(es) identified?	None reported
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs:	CFDA Name of Program 20.106 Airport Improvement Program
Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Audit Findings

None reported.

Section III – Single Audit Findings

None reported.

Summary Schedule of Prior Year Audit Findings and Corrective Action Plan

Metropolitan Knoxville Airport Authority

Year ended June 30, 2011

Summary Schedule of Prior Year Audit Findings

Not applicable as there were no 2010 findings reported.

Corrective Action Plan for 2011 Findings

Not applicable as there were no 2011 findings reported.

METROPOLITAN
KNOXVILLE
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AUTHORITY

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