2019
Comprehensive Annual Financial Report

Metropolitan Knoxville Airport Authority

A component unit of the City of Knoxville, Tennessee
For the fiscal years ended June 30, 2019 and 2018

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

www.flyknoxville.com

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For the Fiscal Years ended June 30, 2019 and 2018

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INTRODUCTORY SECTION

This section contains the following subsections:

Table of Contents

Metropolitan Knoxville Airport Authority Officials

Letter of Transmittal and Exhibits

Organizational Chart

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TABLE OF CONTENTS

Introductory section

Metropolitan Knoxville Airport Authority Officials 5
Letter of transmittal and exhibits 7
Organizational chart 16

Financial section

Independent auditor's report 19
Management's discussion and analysis 22
Financial statements:
- Statements of net position 31
- Statements of revenues, expenses and changes in net position 33
- Statements of cash flows 34
- Notes to financial statements 36

Statistical section (unaudited)

- Schedule 1: Operating revenues and expenses—last ten fiscal years 52
- Schedule 2: Debt service coverage—last ten fiscal years 53
- Schedule 3: Ratios of debt service and outstanding debt—last ten fiscal years 54
- Schedule 4: McGhee Tyson Airport annual terminal rents and landing fees—last ten fiscal years 55
- Schedule 5: Airline arrivals and departures—last ten fiscal years 56
- Schedule 6: Historical airline passenger activity—last ten fiscal years 57
- Schedule 7: Distribution of airline passengers—fiscal year ended June 30, 2019 57
- Schedule 8: Cargo—last ten fiscal years 58
- Schedule 9: Distribution of cargo—fiscal year ended June 30, 2019 58
- Schedule 10: Aircraft landed weights—last ten fiscal years 59
- Schedule 11: Aircraft landed weights—ten fiscal year trend history 60
- Schedule 12: Total passengers—ten fiscal year trend history 61
- Schedule 13: Distribution of total cargo—ten fiscal year trend history 62
- Schedule 14: Authority employees and demographic data—population 63
- Schedule 15: Demographic data—unemployment information last ten calendar years 64
- Schedule 16: Demographic data—per capita personal income last ten calendar years 64
- Schedule 17: Demographic data—total personal income last ten calendar years 64
- Schedule 18: Demographic data—top employers in Knoxville area for last ten calendar years 65
- Schedule 19: Airlines serving McGhee Tyson Airport 66
- Schedule 20: Flight information 67
- Schedule 21: Companies conducting business on airport property 68
- Schedule 22: Use of debt proceeds 69
- Schedule 23: Insurance in force 70
- Schedule 24: Major airport capital improvements completed 71
- Schedule 25: Capital asset information 72

Compliance section

- Schedule of expenditures of federal awards, state financial assistance and passenger facility charges collected and expended 74
- Schedule of long-term debt principal and interest requirements 78
- Schedule of changes in long-term debt by individual issue 80
- Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Governmental Auditing Standards* 81
- Independent auditor's report on compliance for each major federal program and the passenger facility charge program and on internal control over compliance in accordance with the Uniform Guidance 83
- Schedule of findings and questioned costs 85

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OFFICIALS

As of June 30, 2019

Board of Commissioners	Position	Term Expires
Eddie Mannis	*Chairman*	June 30, 2023
Brian M. Simmons	*Vice Chairman*	June 30, 2025
Charles R. Harr	*Secretary*	June 30, 2022
Joseph M. Dawson	*Assistant Secretary*	June 30, 2023
Ursula Bailey		June 30, 2026
Julia A. Bentley		June 30, 2024
Maribel Koella		June 30, 2021
Jeff W. Smith		June 30, 2023
Howard Vogel		June 30, 2020

OFFICERS AND KEY STAFF MEMBERS

Patrick W. Wilson, A.A.E.	*President*
Nancy White, CPA, C.M.	*Vice President of Finance*
James H. Evans, Jr., C.M.	*Vice President of Marketing & Air Service Development*
Trevis D. Gardner, A.A.E.	*Vice President of Airport Operations*
Bryan White, PE, C.M.	*Vice President of Engineering & Planning*
Willie T. Aiken	*Director of Public Safety*
Becky Huckaby, APR, A.A.E.	*Vice President of Public Relations*
Jennifer Whitaker	*Controller*
Treva H. Best, CAP, OM	*Senior Executive Assistant*
Mark Mamantov	*Legal Counsel, Bass, Berry & Sims PLC*

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METROPOLITAN
KNOXVILLE
AIRPORT
AUTHORITY

November 20, 2019

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, 2019, 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 ended June 30, 2019 and 2018, 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 unmodified opinion and that the Authority's financial statements for the years ended June 30, 2019 and 2018, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 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 independent auditor's reports presented in the Compliance Section.

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 independent auditor's report.

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, 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 operates 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 158 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 and non-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 when the asset is placed in service. 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 2,731 acres in the rolling foothills of the Great Smoky Mountains and provides employment for more than 3,000 people. McGhee Tyson has two parallel 9,000-foot runways, one is currently under construction, 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 2 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 Federal Aviation Administration (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 and fifty private and corporate aircrafts. The airport has a 3,500-foot runway and is served by three published instrument approaches: a localizer approach to Runway 26, a GPS-based approach to Runway 26, and a VOR circling approach procedure.

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". According to the Bureau of the Census in 2018, the population of Knox County was 465,289 and the population for the City of Knoxville was 187,500. The estimated 2018 population for the Knoxville MSA was 883,309.

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.

The Knoxville MSA witnessed a slight decrease from 2.9 to 2.8 percent in unemployment in 2018 as compared to 2017, while the State of Tennessee remained constant at 3.3 percent. On a national level, the unemployment rate decreased from 4.1 to 3.9 percent.

According to an economic report prepared by the Boyd Center for Business and Economic Research, Haslam College of Business, University of Tennessee, the Tennessee economy is continuing to show healthy signs of growth, however it is expected to show weaker growth in 2020. Tennessee data indicates further improvement in most measures of economic activity. Nominal personal income in Tennessee is expected to be up 4.3 percent in 2019 and 4.5 percent in 2020. Nonfarm job growth is expected to be up 1.4 percent in 2019 and 0.9 percent in 2020, which is slightly below the projections for national employment growth. Manufacturing job growth is still expected to slow and despite showing impressive manufacturing job growth gains since the end of the recession, growth has not covered all the losses incurred during the recession. Tennessee's outlook is consistent with low unemployment rates as the state unemployment rate is expected to average 3.5-3.6 percent for the next few years.

Knox County is the principal Gateway to the Great Smoky Mountains National Park, which is the country's most visited national park. The Great Smoky Mountains National Park had a record breaking number of visitors in 2018, reaching over 11.4 million. 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, the Great Smoky Mountains National Park contains 16 peaks higher than 6,000 feet, the highest being Clingmans Dome.

The continuing economic growth experienced in the overall economy is reflected in the aviation industry. According to the most recent FAA's Aerospace Forecast FY2019, the U.S. airline industry hit ten consecutive years of profitability in 2018. The FAA believes that U.S. airlines finally transformed from a cyclical industry to one with solid returns on capital and sustained profits. Fundamentally, over the medium and long term, demand for aviation is driven by economic activity, and a growing U.S. and world economy provides the basis for aviation to grow over the long run. The FAA forecast calls for U.S. carrier passenger growth over the next 20 years to average 1.8 percent per year. However, aviation is particularly susceptible and sensitive to many variables that could impact this forecast.

AIRLINE INFORMATION

As of June 30, 2019, McGhee Tyson Airport's five passenger airlines and/or their regional affiliates offered over 5,000 daily departing 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
Allegiant Air
American Airlines*
Delta Air Lines*
Frontier Airlines
United Airlines*

**some or all service offered through regional airline affiliates shown below*

Regional Airline Affiliates
Air Wisconsin Airlines, Inc./American Airlines
Endeavor Air/Delta Air Lines
Envoy Airlines/American Airlines
ExpressJet/United Airlines
GoJet Airlines/United Airlines
Mesa Airlines/American Airlines
Piedmont Airlines/American Airlines
PSA Airlines Inc./American Airlines
Republic Airlines/United Airlines
Skywest Airlines/American Airlines
Skywest Airlines/Delta Air lines
Skywest Airlines/United Airlines
TransStates Airlines/United Airlines

Cargo Airlines
FedEx, Inc.
UPS Airlines, Inc.

Passenger Airline Destinations (as of June 30, 2019)
Atlanta, Baltimore/Washington, Charlotte, Chicago-O'Hare, Dallas/Fort Worth, Denver, Destin/Fort Walton Beach, Detroit, Fort Lauderdale, Houston, Las Vegas, Miami, Minneapolis/St. Paul, Newark, New York-LaGuardia, Orlando-International, Orlando-Sanford, Philadelphia, Pittsburgh, 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 five passenger airlines and/or their regional affiliates operated over 140 daily (arrivals and departures) flights and had a record breaking year of passenger traffic serving 2,375,059 passengers in FY2019, an increase of 12.64 percent when compared to FY2018. Available airlines seats increased 11.56 percent during the year. The FY2019 airport load factor (percentage of airline seats filled) was 80 percent, which was consistent with FY2018.

There were 83,282,205 pounds of freight and mail that moved through the airport during FY2019, an increase of 1.10 percent compared to the previous year.

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 Knoxville Downtown Island Airport was prepared for the Authority on November 19, 2008, as a guide for future development of that airport. The Authority is in the process of updating the McGhee Tyson Airport Master Plan and preparing an Airport Master Plan for the Knoxville Downtown Island 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, 2018, and expires on June 30, 2023. 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 commitments 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 $58,627,000 in unrestricted 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 to 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.

MAJOR INITIATIVES

Current Year Projects

The Airport Authority has primarily been focused on the Airfield Modernization Program this year. The Airfield Modernization program is a multi-year program to improve the McGhee Tyson Airport runway and taxiway systems at an estimated cost of $130,200,000 funded primarily with Federal and State grant funds. The Harper Company was awarded a construction contract for $18,648,787 for Project IV of the Runway 5L/23R reconstruction in FYE June 30, 2019. CHA Consulting was awarded a contract for $1,763,017 for construction administration on the runway Project IV in FYE June 30, 2019. Project IV will be funded 90 percent with Federal grant funds, 5 percent with State grant funds and 5 percent Airport Authority funds. The Harper Company was awarded a $7,190,994 construction contract for the repair taxiway lighting system project on the Runway 5L/23R reconstruction in FYE June 30, 2019. This construction contract was subsequently modified during the year to include an additional award for $5,843,789. CHA Consulting was awarded a contract for $1,178,907 for construction administration on the runway project in FYE June 30, 2019. The Repair Taxiway Lighting Project will be funded 100 percent by the Tennessee Air National Guard. CHA Consulting was awarded a contract for $587,548 for Project V design documents on the runway project in FYE June 30, 2019. Project V will be funded 90 percent with federal funds, 5 percent with state funds and 5 percent with Airport Authority funds.

The Airport Authority finished the installation of 12 new passenger boarding bridges at McGhee Tyson Airport. Phase I was significantly completed during FYE June 30, 2018, while Phase II was significantly completed during FYE June 30, 2019. The project is funded 100 percent with Airport Authority funds.

The Knoxville Downtown Island Airport has started on the Preliminary Design of the Runway Rehabilitation. The project is funded with a combination of Federal grant funds, State grant funds and 5 percent Airport Authority funds.

The Airport Authority is continuing the planning on the Oak Ridge general aviation airport. The Airport Layout Plan (ALP) was sent to the FAA during FYE June 30, 2019. The FAA responded with a conditional approval and determined the ALP to be acceptable from a planning perspective.

Future Year Projects

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

At McGhee Tyson Airport, the airport is planning to expand the Transportation Security Administration (TSA) checkpoint lanes. The airport currently has three TSA checkpoint lanes. Expansion will include construction of one additional lane, bringing the total TSA checkpoint lanes to four. The cost to expand is approximately $750,000 and will be funded 100 percent with Airport Authority funds.

At McGhee Tyson Airport, the replacement of the flight information display systems (FIDs) at the 12 gates in the terminal is planned. This project includes new paging stations, boarding pass readers, baggage information display units and digital signing throughout the airport. The cost is approximately $1,300,000 and will be funded 100 percent with Airport Authority funds.

At the Knoxville Downtown Island Airport, the runway is in need of repair or replacement. To facilitate this evaluation, CHA Consulting, Inc. has been hired to evaluate the need associated with this project and to prepare design and specifications to bid a final project. This project is being funded by a combination of Federal grant funds, State grant funds and 5 percent Airport Authority funds.

The master plans for both airports are in the process of being updated. McGhee Tyson Airport's Master Plan will be funded 100 percent with Airport Authority funds. Knoxville Downtown Island Airport is being funded 95 percent State grant funds and 5 percent Airport Authority funds.

The Airport Authority is continuing the programming and planning process on the proposed Oak Ridge General Aviation Airport. As stated above, the FAA has reviewed and approved the Airport Layout Plan. Presently, the Authority is working on a required Benefit Cost Analysis review and will also perform a Pro Forma on the proposed airport. The Authority recently advertised to hire a professional consultant to perform a required FAA Environmental Assessment on the proposed site. In the near future, the Authority will hire a professional consultant to execute the design. CHA, Inc. will continue to provide Program Management on behalf of the Authority.

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, 2018. This was the twenty-sixth 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 generally accepted accounting principles 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.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the professional assistance of the entire Finance and Accounting staff and the cooperation of each department within the Metropolitan Knoxville Airport Authority. We also extend our appreciation to the staff of Coulter & Justus, P.C. for their technical assistance and guidance in the preparation of this report.

We would also like to thank the individual members of the Board of Commissioners of Metropolitan Knoxville Airport Authority for their interest, support, and leadership in planning and conducting the financial operations of the Authority in a responsible and progressive manner.

Respectfully submitted,

Patrick W. Wilson, A.A.E.
President

Nancy White, CPA, C.M.
Vice President, Finance

Government Finance Officers Association

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, 2018

Christopher P. Morrill

Executive Director/CEO

DESTINATIONS

Allegiant Air
- Fort Lauderdale
- Orlando-Sanford
- St. Petersburg/Tampa Bay
- Punta Gorda/SW Florida
- Baltimore/Washington*
- Destin/Fort Walton*
- Las Vegas
- Newark
- Pittsburgh*
- Denver*

American/American Eagle Airlines
- Chicago-O'Hare
- Dallas/Fort Worth
- Charlotte
- Philadelphia
- Washington-National
- Miami
- New York-LaGuardia

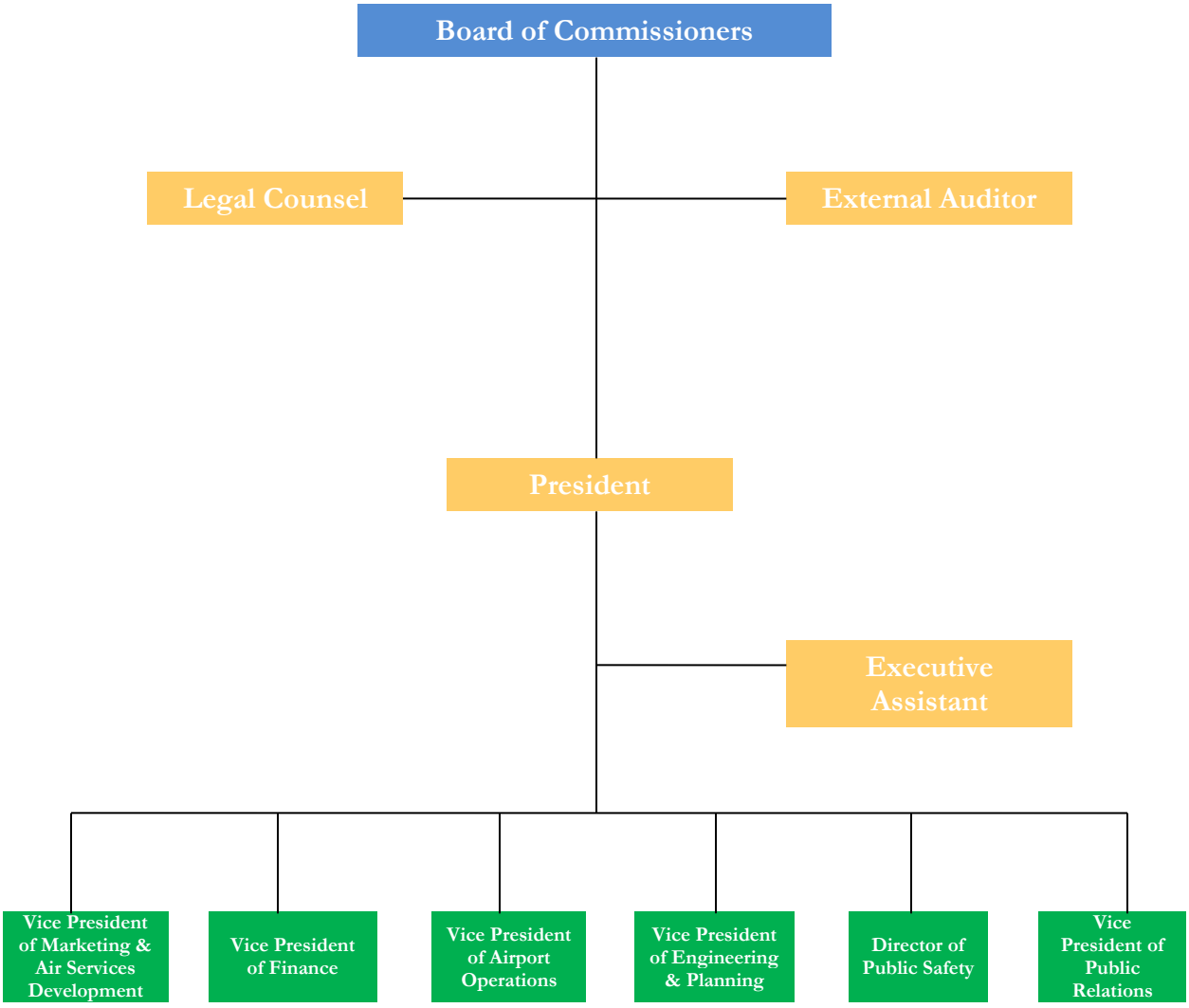
*Denotes seasonal service

Delta/Delta Connection
- Atlanta
- Detroit
- Minneapolis/St. Paul
- New York-LaGuardia

Frontier
- Denver
- Orlando*

United/United Express
- Chicago-O'Hare
- Denver
- Washington-Dulles
- Houston
- Newark

ORGANIZATIONAL CHART



FINANCIAL SECTION

This section contains the following subsections:

Independent Auditor's Report

Management's Discussion and Analysis

Financial Statements

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fax: (865) 524-2952
web: cj-pc.com

Independent Auditor's Report

Board of Commissioners
Metropolitan Knoxville Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Metropolitan Knoxville Airport Authority (the Authority), a component unit of the City of Knoxville, Tennessee as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively compromise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Commissioners
Metropolitan Knoxville Airport Authority

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 22 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, Schedule of Long-Term Debt Principal and Interest Requirements, Schedule of Changes in Long-Term Debt by Individual Issue and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, State Financial Assistance and Passenger Facility Charges Collected and Expended is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* 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 basic financial statements.

The Schedule of Expenditures of Federal Awards, State Financial Assistance and Passenger Facility Charges Collected and Expended, the Schedule of Long-Term Debt Principal and Interest Requirements and the Schedule of Changes in Long-Term Debt by Individual Issue are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Board of Commissioners
Metropolitan Knoxville Airport Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

November 20, 2019
Knoxville, Tennessee

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, 2019. Following this MD&A are the basic financial statements of the Authority together with the notes thereto.

Airport activities highlights

In conjunction with the continuing economic growth experienced in the overall economy, the major activity indicators at McGhee Tyson Airport increased during fiscal year 2019.

The details of major airport indicators for the fiscal years 2017-2019 are as follows:

	2019	2018	2017
Enplanements	1,191,198	1,057,578	958,429
% (decrease) increase	12.63%	10.34%	6.65%
Aircraft operations	119,802	111,989	99,859
% (decrease) increase	6.98%	12.15%	5.81%
Landed weight (thousand pound units)	1,648,257	1,511,615	1,407,277
% (decrease) increase	9.04%	7.41%	9.80%
Cargo (pounds)	83,282,205	82,377,022	85,287,015
% (decrease) increase	1.10%	(3.41)%	5.98%

During fiscal year 2019, McGhee Tyson Airport offered East Tennessee travelers 23 nonstop airline destinations flown by five 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 a component unit 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.

2018 – 2019:

The Airport Authority's operating revenues increased by $3,398,974 or 11.18% from FY2018 to FY2019 and operating expenses increased by $1,906,016 or 8.78% from FY2018 to FY2019. The increase in revenues and expenses is primarily due to overall increased passenger traffic and air service growth. Detail summary of activity for fiscal year 2019 and 2018 are as follows:

Aviation revenues increased 13.82% and terminal area revenues increased 11.49% primarily due to a 12.63% increase in enplanements and a 12.64% increase in passengers served. Air cargo and other property revenues increased 6.02% primarily due to additional leased areas at McGhee Tyson Airport and additional rental income for the new T-Hangars at the Downtown Island that went into service in FY2018.

Aviation expenses increased 13.14% and terminal area expenses increased 14.95% primarily due to the overall increase in passenger traffic and an increase in repairs and maintenance in the terminal area.

The Authority's net nonoperating income increased by $6,228,189 primarily due to a $5,523,680 gain resulting from a land condemnation action by the Tennessee Department of Transportation. The proceeds will be used to partially offset Airport Authority expenses directly related to the land condemnation. Interest expense included in the net nonoperating income was relatively flat with a 1.58% decrease from the prior year.

There was an increase of 18.35% in net position from $206,273,988 at the beginning of FY2019 to $244,125,080 at the end of the fiscal year. The change in net position is an indication of whether the overall fiscal condition of the Authority has improved or worsened during the year. We feel the overall fiscal condition of the Authority remains strong.

2017 – 2018:
The Airport Authority's operating revenues increased by 4.51% from FY2017 to FY2018 due to the following:

Aviation and terminal area revenues increased 4.04% and 4.65%, respectively, due to a 10.34% increase of enplanements, a 3.06% increase in rental car revenue and a 4.17% increase in parking revenue received from passengers leading to improved revenues in the terminal area. Air cargo and other property revenues increased 4.42% primarily due to additional leased areas.

Operating expenses increased 1.78%. The relatively flat increase was a result of effective cost management.

The Authority realized a 19.33% decrease in interest expense. The decrease was primarily due to the refinance of the Authority's Series II-D-1 bond to a lower interest rate note and a reduction in the principal balance.

There was an increase in net position from $184,085,854 at the beginning of FY2018 to $206,273,988 at the end of the fiscal year.

2016 – 2017:
The Airport Authority's operating revenues increased by 5.05% from FY2016 to FY2017 due to the following:

Aviation and terminal area revenues increased .46% and 6.51%, respectively, due to increases in landing fees charged to airlines, a 13.54% increase in rental car revenue and a 3.5% increase in parking revenue received from passengers leading to improved revenues in the terminal area. Air cargo and other property revenues increased 3.98% primarily due to additional leased areas.

Operating expenses increased 5.63% due to an 11.7% increase in administrative area expenses, a 6.68% increase in terminal area expenses and a 4.90% increase in safety area expenses offset by a 5.28% decrease in aviation expenses and a 4.97% decrease in air cargo and other properties expense. The administrative area expense increases were primarily due to an increase in expenses associated with project costs associated with potential future projects and loan refunding. The terminal area expenses were due to an increase in repair and maintenance expenses and the safety area expenses increased due to increased passenger traffic. The decrease in aviation expenses was primarily due to a decrease in repairs and maintenance and the air cargo and other properties expense was primarily due to a decrease in fuel costs.

The Authority realized a 4.6% increase in interest expense due to an increase in current interest rates. Changes in the projected interest rate environment resulted in $923,279 of income from the change in fair value of the derivative instrument associated with the Series V-A-1 bonds.

There was an increase in net position from $151,556,882 at the beginning of FY2017 to $184,085,854 at the end of the fiscal year.

Summary of revenues, expenses and changes in net position

	Year ended June 30		
	2019	**2018**	**2017**
Operating revenues	$ 33,801,758	$ 30,402,784	$ 29,091,286
Operating expenses	(23,614,627)	(21,708,611)	(21,328,731)
Operating revenues in excess of operating expenses before depreciation and amortization	10,187,131	8,694,173	7,762,555
Depreciation and amortization	(9,912,669)	(9,499,946)	(9,539,399)
Operating income (loss)	274,462	(805,773)	(1,776,844)
Net nonoperating income	10,040,497	3,812,308	2,620,125
Income before capital contributions	10,314,959	3,006,535	843,281
Capital contributions	27,536,133	19,181,599	31,685,691
Increase in net position	37,851,092	22,188,134	32,528,972
Net position at beginning of year	206,273,988	184,085,854	151,556,882
Net position at end of year	$244,125,080	$206,273,988	$184,085,854

Financial summary

	Year ended June 30		
	2019	**2018**	**2017**
Unrestricted current assets	$ 70,643,754	$ 60,925,770	$ 61,853,194
Restricted current assets	2,400,645	1,937,806	1,924,721
Capital assets, net	233,324,539	209,828,418	192,092,127
Master plans and other plans, net	465,993	393,642	61,548
Other	465,227	512,713	579,343
Total assets	307,300,158	273,598,349	256,510,933
Deferred outflows of resources – deferred charge on debt refunding	1,069,444	1,222,222	1,375,000
Total assets and deferred outflows of resources	$308,369,602	$274,820,571	$257,885,933
Current liabilities	$ 12,374,043	$ 10,894,574	$ 10,213,823
Long-term debt, less current portion	51,465,000	57,045,000	62,395,000
Investment interest rate swap liability	405,479	607,009	1,191,256
Total liabilities	64,244,522	68,546,583	73,800,079
Net investment in capital assets	173,637,819	146,198,639	123,577,195
Restricted net position	2,400,645	1,937,806	1,924,721
Unrestricted net position	68,086,616	58,137,543	58,583,938
Total net position	244,125,080	206,273,988	184,085,854
Total liabilities and net position	$308,369,602	$274,820,571	$257,885,933

The largest portion of the Authority's net position 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 position is restricted and primarily represents Passenger Facility Charges (PFC) that are restricted by Federal regulations. The remaining portion of net position is externally 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, 2018, for five years, which established how those airlines would be assessed annual rates and charged 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		
	2019	**2018**	**2017**
Landing fees (per 1,000 lbs. MCLW)	$3.14	$3.13	$3.23
Terminal rates (per square foot)	$48.84	$43.22	$42.01
Loading bridge rate per bridge	$40,574	$43,802	$45,176
Apron charge per gate	$92,101	$86,085	$82,788

Cost per enplaned passenger

Cost per enplaned passenger or airline cost per passenger is generally considered to be part of an airline's cost of doing business at an airport. Cost per enplaned passenger is defined as all landing fees, airside usage charges, terminal rents and other airline payments to airports divided by enplaned passengers. The cost per enplaned passenger for McGhee Tyson Airport were as follows:

	2019	**2018**	**2017**
Cost per enplaned passenger	$7.26	$7.20	$7.56

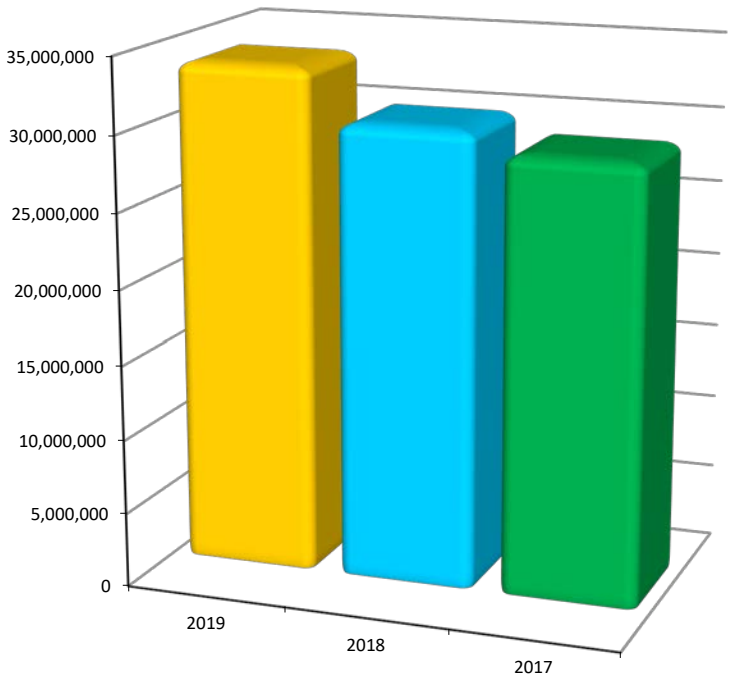
Financial details

Revenues

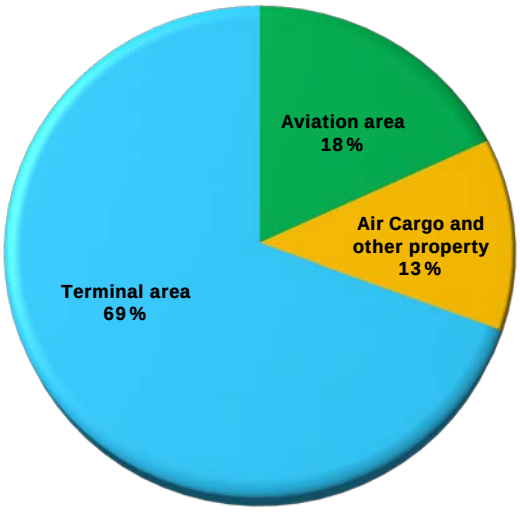
The following schedule presents a summary of operating revenues and nonoperating income:

	Year ended June 30		
	2019	**2018**	**2017**
Operating revenues:			
Aviation area	$ 6,107,314	$ 5,365,728	$ 5,157,606
Terminal area	23,423,378	21,008,481	20,075,555
Air cargo and other properties	4,271,066	4,028,575	3,858,125
Total operating revenues	33,801,758	30,402,784	29,091,286
Nonoperating income (expense) and capital contributions:			
Passenger facility charges, net	4,842,501	4,291,948	3,767,376
Interest income	984,796	449,928	373,275
Change in fair value of investment interest rate swap	201,530	584,247	923,279
Other nonoperating, net	5,765,705	268,308	(234,762)
Capital contributions – grant receipts from governmental agencies	27,536,133	19,181,599	31,685,691
Net nonoperating income and capital contributions	39,330,665	24,776,030	36,514,859
Total revenues and nonoperating income	$73,132,423	$55,178,814	$65,606,145

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, 2019, are shown below.

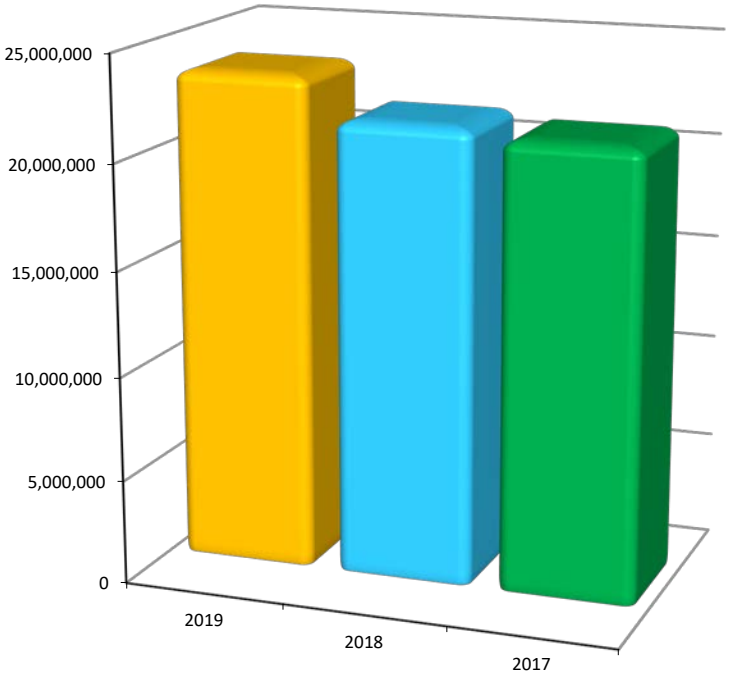


Expenses

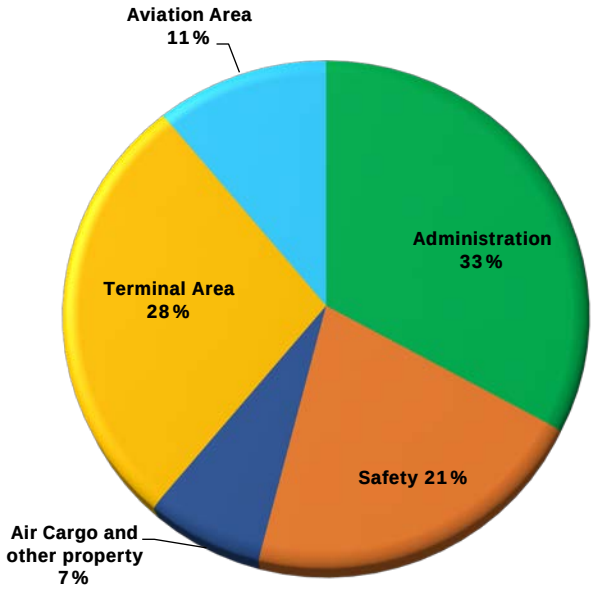
The following schedule presents a summary of operating expenses for the fiscal years ended June 30, 2019, June 30, 2018, and June 30, 2017:

	Year ended June 30		
	2019	**2018**	**2017**
Operating expenses:			
Aviation area	$ 2,639,540	$ 2,332,940	$ 2,203,523
Terminal area	6,722,177	5,847,724	5,874,317
Air cargo and other properties	1,595,465	1,530,434	1,453,788
Safety	4,908,770	4,628,650	4,609,726
Administration	7,748,675	7,368,863	7,187,377
Total operating expenses	23,614,627	21,708,611	21,328,731
Depreciation and amortization	9,912,669	9,499,946	9,539,399
Interest expense	1,754,035	1,782,123	2,209,043
Total expenses	$35,281,331	$32,990,680	$33,077,173

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, 2019, are shown below.



Summary of cash flow activities

	Year ended June 30		
	2019	**2018**	**2017**
Operating activities	$ 8,209,523	$ 8,894,883	$ 7,620,830
Investing activities	(4,050,439)	6,183,959	1,464,105
Noncapital financing activities	169,040	268,308	183,970
Capital and related financing activities	(801,772)	(13,394,004)	(7,535,150)
Net increase in cash and equivalents	3,526,352	1,953,146	1,733,755
Cash and cash equivalents at beginning of year	18,183,435	16,230,289	14,496,534
Cash and cash equivalents at end of year	$21,709,787	$18,183,435	$16,230,289

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 (except land and construction in progress) and 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, 2019, the Authority expended $33,428,508 on capital activities. This included land acquisitions and major construction projects.

During fiscal year ended June 30, 2019, completed projects totaling $11,100,630 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 4 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 is $57,045,000 including current maturities of $5,580,000 at June 30, 2019. This debt consists of Notes Payable and Local Government Public Improvement Revenue Bonds.

The Authority's most recent issuance of debt was the Airport Revenue Refunding Note, Series 2019A, in the amount of $39,570,000 in June 2019. The note is 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. The Series 2019A Note was issued to refund a portion of the Authority's Series V-A-1 Bonds and to terminate the variable interest rate. The refunding did not extend the maturity date of the bonds but fixed the interest rate for the remaining term due. Maturities range from 2020 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 is the Series V-A-1 Bonds issued in December 2008. As stated above, a portion of the bonds was refunded in June 2019. The remaining V-A-1 bonds totaling $8,880,000 are subject to an interest rate swap agreement. The Authority owes interest at a synthetic fixed rate of 5.22% on the Series V-A-1 Bonds. Maturities range from 2020 to 2021. The principal and interest payable on the debt is paid from airport revenues. On January 29, 2019 Moody's Rating Committee affirmed a rating of Baa1 for bonds issued by the Authority.

The Authority also has an Airport Revenue Refunding Note Series 2017A issued May 2017 with a remaining balance of $8,595,000. Maturities range from 2020 to 2026. The principal and interest payable on the debt is paid from airport revenues.

The bonds and notes payable 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. Detailed information on long-term debt activity can be found in Note 5 of the notes to the financial statements.

Passenger facility charges

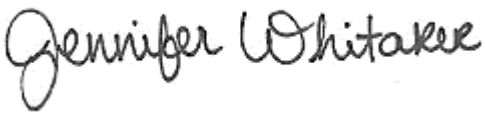
On October 6, 1993, the Metropolitan Knoxville Airport Authority received approval from the Federal Aviation Administration (FAA) to collect a $3.00 PFC on each passenger enplaning at McGhee Tyson Airport. On September 16, 2003, the FAA approved an increase in the Authority's PFC rate to $4.50 per enplaning passenger. The FAA determined that the earliest effective date for the new rate was October 1, 2003. The collection authority has been extended to July 1, 2022. As of June 30, 2019, the Authority had collected $74,744,939 of PFC revenue and expended $73,728,395 on approved projects. The FAA has authorized $103,771,921 PFC collection by the Airport Authority as of June 30, 2019.

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 or the Controller, Metropolitan Knoxville Airport Authority, P. O. Box 15600, Knoxville, TN 37901 or by email to nancy.white@tys.org or to jennifer.whitaker@tys.org.

Respectfully submitted,

Nancy White, CPA, C.M.
Vice President, Finance



Jennifer Whitaker
Controller

STATEMENTS OF NET POSITION

	June 30 2019	June 30 2018
Assets		
Unrestricted current assets:		
Cash and cash equivalents	$ 20,232,142	$ 17,065,629
Investments	38,394,976	33,160,279
Receivables:		
Trade	940,626	812,378
Government agencies	8,354,367	8,975,806
Other receivables	1,212,519	44,449
Interest	58,994	66,716
Prepaid expenses and other current assets	1,450,130	800,513
Total unrestricted current assets	70,643,754	60,925,770
Restricted current assets:		
Cash and cash equivalents	1,477,645	1,117,806
Receivables for passenger facility charges	923,000	820,000
Total restricted current assets	2,400,645	1,937,806
Total current assets	73,044,399	62,863,576
Noncurrent assets:		
Capital assets, net of accumulated depreciation	233,324,539	209,828,418
Master plans and other plans, net of accumulated amortization	465,993	393,642
Other	465,227	512,713
Total noncurrent assets	234,255,759	210,734,773
Total assets	307,300,158	273,598,349
Deferred outflows of resources		
Deferred charge on debt refunding	1,069,444	1,222,222
Total assets and deferred outflows of resources	$ 308,369,602	$ 274,820,571

STATEMENTS OF NET POSITION *(continued)*

	June 30 2019	June 30 2018
Liabilities and net position		
Current liabilities:		
Accounts payable - non-construction	$ 988,628	$ 1,321,927
Accounts payable - construction	4,177,157	2,850,643
Accrued payroll and other expenses	1,617,474	1,363,334
Accrued interest	10,784	8,670
Current portion of long-term debt	5,580,000	5,350,000
Total current liabilities	12,374,043	10,894,574
Long-term liabilities:		
Long-term debt, less current portion	51,465,000	57,045,000
Investment interest rate swap liability	405,479	607,009
Total long-term liabilities	51,870,479	57,652,009
Total liabilities	64,244,522	68,546,583
Net position:		
Net investment in capital assets	173,637,819	146,198,639
Restricted - expendable:		
Passenger facility charges	1,939,544	1,471,915
Law enforcement	461,101	465,891
Unrestricted	68,086,616	58,137,543
Total net position	244,125,080	206,273,988
Total liabilities and net position	$ 308,369,602	$ 274,820,571

See accompanying Notes to Financial Statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year ended June 30	
	2019	2018
Operating revenues:		
Aviation area	$ 6,107,314	$ 5,365,728
Terminal area	23,423,378	21,008,481
Air cargo and other properties	4,271,066	4,028,575
Total operating revenues	33,801,758	30,402,784
Operating expenses:		
Aviation area	2,639,540	2,332,940
Terminal area	6,722,177	5,847,724
Air cargo and other properties	1,595,465	1,530,434
General area:		
Safety	4,908,770	4,628,650
Administration	7,748,675	7,368,863
Total operating expenses	23,614,627	21,708,611
Operating revenues in excess of operating expenses before depreciation and amortization	10,187,131	8,694,173
Depreciation and amortization	(9,912,669)	(9,499,946)
Operating income (loss)	274,462	(805,773)
Nonoperating income (expense):		
Passenger facility charges, net	4,842,501	4,291,948
Interest income	984,796	449,928
Change in fair value of investment interest rate swap	201,530	584,247
Interest expense	(1,754,035)	(1,782,123)
Other nonoperating, net	5,765,705	268,308
Net nonoperating income	10,040,497	3,812,308
Income before capital contributions	10,314,959	3,006,535
Capital contributions	27,536,133	19,181,599
Increase in net position	37,851,092	22,188,134
Net position at beginning of year	206,273,988	184,085,854
Net position at end of year	$ 244,125,080	$ 206,273,988

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	Year ended June 30	
	2019	2018
Operating activities		
Operating cash received from customers	$ 32,357,436	$ 30,604,213
Cash payments to suppliers of goods and services	(10,778,892)	(9,278,792)
Cash payments to employees for services	(13,369,021)	(12,430,538)
Net cash provided by operating activities	8,209,523	8,894,883
Investing activities		
Interest received	992,518	442,072
Purchases of investments	(23,080,545)	(19,269,455)
Proceeds from maturities of investments	18,037,588	25,011,342
Net cash (used in) provided by investing activities	(4,050,439)	6,183,959
Noncapital financing activities		
Receipts from governmental agencies and other financing activities	169,040	268,308
Net cash provided by noncapital financing activities	169,040	268,308
Capital and related financing activities		
Interest paid	(1,751,921)	(1,816,130)
Note proceeds	39,570,000	-
Payment for redemption of refunded bonds	(39,570,000)	-
Repayments on debt	(5,350,000)	(5,125,000)
Debt issuance costs	(120,000)	-
Purchases of capital assets	(33,428,508)	(26,996,390)
Proceeds from sale of capital assets	6,951,584	-
Receipts of passenger facility charges	4,739,501	4,151,948
Grant receipts from governmental agencies	28,157,572	16,391,568
Net cash used in capital and related financing activities	(801,772)	(13,394,004)
Net increase in cash and cash equivalents	3,526,352	1,953,146
Cash and cash equivalents at beginning of year	18,183,435	16,230,289
Cash and cash equivalents at end of year	$ 21,709,787	$ 18,183,435
Cash and cash equivalents are classfied as:		
Unrestricted current assets	$ 20,232,142	$ 17,065,629
Restricted current assets	1,477,645	1,117,806
Total cash and cash equivalents at end of year	$ 21,709,787	$ 18,183,435

Continued on next page

STATEMENTS OF CASH FLOWS *(continued)*

	Year ended June 30 2019	2018
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 274,462	$ (805,773)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	9,912,669	9,499,946
Changes in operating assets and liabilities:		
Receivables—trade	(1,296,318)	201,429
Prepaid expenses and other assets	(602,131)	(71,314)
Accounts payable—non-construction	(333,299)	20,492
Accrued payroll and other expenses	254,140	50,103
Net cash provided by operating activities	$ 8,209,523	$ 8,894,883

Noncash and related financing transactions

Payables related to the purchase of capital assets totaled $1,326,514 and $2,850,643 as of June 30, 2019 and 2018, respectively.

Noncash and related investing transactions

Changes in fair value of investment interest rate swaps totaled $201,530 and $584,247 for the years ended June 30, 2019 and 2018, respectively.

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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, 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 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 expenses.

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.

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

1. Significant Accounting Policies *(continued)*

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 nonoperating income in the accompanying statements of revenues, 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) and the National Guard Bureau, 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 certain other restricted 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. Donated capital assets, if any, are reported at acquisition value. 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.

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

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

1. Significant Accounting Policies *(continued)*

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. The *deferred charge on debt refunding* results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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:

Net investment in capital assets: Capital assets, net of accumulated depreciation, plus capital-related deferred outflows of resources, less outstanding principal 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, 2019 and 2018, 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 agreements.

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)*

Risk Management
The Authority is subject to risks that include personal injury, property damage, employee bodily injury, employee theft, employee medical, cyber security, 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.

Recently Adopted New Accounting Pronouncements
In 2019, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed related to debt, including direct borrowings and direct placements.

Recently Issued Accounting Pronouncements
In June 2017, the GASB, issued Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, with certain exceptions for leases subject to external laws, regulations, or legal rulings, thereby enhancing the relevance and consistency of information about governments' leasing activities. Statement No. 87 is effective for periods beginning after December 15, 2019. The Authority has elected not to adopt this standard early and is in the process of evaluating the impact of this statement on its financial statements.

Reclassifications
Certain amounts in prior year have been reclassified to conform with 2019 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, 2019 and 2018, 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.

Investments
Statutes authorize the Authority to invest idle funds in obligations of the United States Treasury; Certificates of Deposits; the Local Government Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and nonconvertible debt securities of the following government sponsored enterprises: Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank.

Interest Rate Risk: 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)*

2. Deposits and Investments *(continued)*

Investments (continued)

Credit Risk: The Authority's investment policy allows only investments rated in the highest category by two nationally recognized rating services. As of June 30, 2019, all the Authority's investments in debt securities were rated at least Aaa by Moody's Investor Services or AA+ by Standard & Poor's rating services, with the exception of investments in the Federal Agricultural Mortgage Corporation which were rated A1 by Egan-Jones rating service. All of the Authorities investments at June 30, 2019 are debt securities of U.S. Government Sponsored Enterprises which have an implied but not explicit backing of the United States government.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of a failure of the custodian, the Authority will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Authority's investments are typically uninsured and unregistered investments for which the securities are held by the custodian's trust department or agent in the Authority's name.

As of June 30, 2019, the Authority had the following investments:

	Weighted Average Maturity (Months)	Fair Value	Interest Rates	Maturity Dates
Federal Home Loan Mortgage Corporation	10.50	$ 4,340,343	1.70%	05/15/2020
Federal Farm Credit Bank	14.45	19,067,735	2.55%-3.01%	05/15/2020-11/19/2020
Federal Home Loan Bank	4.25	7,985,680	1.62%-1.74%	10/16/2019-11/29/2019
Federal Agricultural Mortgage Corporation	23.80	7,001,218	2.37%	06/24/2021
Total investments		$38,394,976		
Portfolio weighted average maturity	13.58			

3. Leases

The Authority, as lessor, leases certain capital assets under operating leases expiring in various years through 2054. As of June 30, 2019, minimum future base rentals to be received on noncancelable leases are as follows:

2020	$11,848,371
2021	9,900,850
2022	9,419,477
2023	9,407,678
2024	3,870,825
Thereafter	13,429,453
Total minimum future base rentals	$57,876,654

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 $447,000 and $508,000 are included in other noncurrent assets in the accompanying statements of net position as of June 30, 2019 and 2018, respectively. Contingent rentals, which consist primarily of rental car concessions and other similar revenues, amounted to $3,108,117 in 2019 and $2,508,091 in 2018.

NOTES TO FINANCIAL STATEMENTS *(continued)*

4. Capital Assets

Capital asset activity, including master plans, for the years ended June 30, 2019 and 2018, is as follows:

Year ended June 30, 2019	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable capital assets:				
Land	$ 39,194,515	$ 803,075	$ (1,368,154)	$ 38,629,436
Land easements	625,903	-	-	625,903
Construction in progress	74,299,232	33,360,044	(11,100,630)	96,558,646
Total nondepreciable capital assets	114,119,650	34,163,119	(12,468,784)	135,813,985
Depreciable capital assets:				
Land improvements	119,124,106	1,997,958	(270,901)	120,851,163
Buildings and building improvements	171,666,530	1,008,404	-	172,674,934
Equipment, furniture and fixtures	15,135,396	8,594,274	(254,779)	23,474,891
Total depreciable capital assets	305,926,032	11,600,636	(525,680)	317,000,988
Less accumulated depreciation:				
Land improvements	(91,898,235)	(3,073,806)	240,922	(94,731,119)
Buildings and building improvements	(107,914,675)	(5,462,321)	-	(113,376,996)
Equipment, furniture and fixtures	(10,404,354)	(1,204,218)	226,253	(11,382,319)
Total accumulated depreciation	(210,217,264)	(9,740,345)	467,175	(219,490,434)
Net depreciable capital assets	95,708,768	1,860,291	(58,505)	97,510,554
Total capital assets, net of accumulated depreciation	$ 209,828,418	$ 36,023,410	$ (12,527,289)	$ 233,324,539
Other capital assets:				
Master plans and other plans	$ 10,294,312	$ 91,897	$ -	$ 10,386,209
Accumulated amortization	(9,900,670)	(19,546)	-	(9,920,216)
Net other capital assets	$ 393,642	$ 72,351	$ -	$ 465,993

NOTES TO FINANCIAL STATEMENTS *(continued)*

4. Capital Assets *(continued)*

Year ended June 30, 2018	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable capital assets:				
Land	$ 38,232,497	$ 962,018	$ -	$ 39,194,515
Land easements	625,903	-	-	625,903
Construction in progress	51,337,130	26,233,321	(3,271,219)	74,299,232
Total nondepreciable capital assets	90,195,530	27,195,339	(3,271,219)	114,119,650
Depreciable capital assets:				
Land improvements	117,571,521	1,552,585	-	119,124,106
Buildings and building improvements	170,365,708	1,350,822	(50,000)	171,666,530
Equipment, furniture and fixtures	14,993,557	261,167	(119,328)	15,135,396
Total depreciable capital assets	302,930,786	3,164,574	(169,328)	305,926,032
Less accumulated depreciation:				
Land improvements	(88,918,286)	(2,979,949)	-	(91,898,235)
Buildings and building improvements	(102,418,096)	(5,546,579)	50,000	(107,914,675)
Equipment, furniture and fixtures	(9,697,807)	(799,317)	92,770	(10,404,354)
Total accumulated depreciation	(201,034,189)	(9,325,845)	142,770	(210,217,264)
Net depreciable capital assets	101,896,597	(6,161,271)	(26,558)	95,708,768
Total capital assets, net of accumulated depreciation	$ 192,092,127	$ 21,034,068	$ (3,297,777)	$ 209,828,418
Other capital assets:				
Master plans and other plans	$ 9,940,894	$ 353,418	$ -	$ 10,294,312
Accumulated amortization	(9,879,346)	(21,324)	-	(9,900,670)
Net other capital assets	$ 61,548	$ 332,094	$ -	$ 393,642

In 2018, approximately $300,000 in prior additions to construction in progress were expensed as they were no longer considered capitalizable.

The Authority is contractually obligated to expend an additional $39,627,000 for various projects. Estimated costs to complete construction in progress for these projects total approximately $43,000,000 as of June 30, 2019. The work will be funded through proceeds from Federal and State grants and other Authority funds.

NOTES TO FINANCIAL STATEMENTS *(continued)*

4. Capital Assets *(continued)*

In October 2018, the State of Tennessee (the State) brought four condemnation actions against the Authority under eminent domain laws to acquire certain parcels of real property owned by the Authority in connection with the Alcoa Highway Relocation Project. The State alleges it owes the Authority $6,530,005 for these parcels. The Authority asserts the amount assessed by the State does not reflect the current fair value of the parcels and seeks a jury trial as to the amount of just compensation to be paid by the State. The lawsuits are currently in the discovery phase of litigation and no trial date has been set at this time.

During the current year, the Authority received approximately $5,340,000 with the remaining $1,190,000 recorded as a receivable at June 30, 2019. A gain of approximately $5,520,000 has been recognized related to this transaction.

5. Long-Term Debt

Long-term debt includes the following Airport Revenue Obligations payable from operating revenues for the years ended June 30, 2019 and 2018:

	Beginning Balance	Additions	Payments	Refundings/ Retirements	Ending Balance
Year ended June 30, 2019					
Bonds payable:					
Series V-A-1	$52,580,000	$ –	$4,130,000	$39,570,000	$ 8,880,000
Notes payable:					
Series 2017A	9,815,000	–	1,220,000	–	8,595,000
Series 2019A	–	39,570,000	–	–	39,570,000
Total notes payable	9,815,000	39,570,000	1,220,000	–	48,165,000
Total long-term debt	62,395,000	$39,570,000	$5,350,000	$39,570,000	57,045,000
Less bonds payable, current portion	4,130,000				4,335,000
Less notes payable, current portion	1,220,000				1,245,000
Long-term portion	$57,045,000				$51,465,000
Year ended June 30, 2018					
Bonds payable:					
Series V-A-1	$56,520,000	$ –	$3,940,000	$ –	$52,580,000
Notes payable:					
Series 2017A	11,000,000	–	1,185,000	–	9,815,000
Total long-term debt	67,520,000	$ –	$5,125,000	$ –	62,395,000
Less bonds payable, current portion	3,940,000				4,130,000
Less notes payable, current portion	1,185,000				1,220,000
Long-term portion	$62,395,000				$57,045,000

NOTES TO FINANCIAL STATEMENTS *(continued)*

5. Long-Term Debt *(continued)*

During 2000, the Authority's Board of Commissioners adopted a Master Resolution allowing the Authority to issue Airport Revenue Obligations. The Authority has pledged revenues, as defined in the Master Resolution, to repay the long-term debt issued under the Master Resolution for the term of the debt. For the year ended June 30, 2019, debt service on all debt issues was approximately 45% of the pledged revenues.

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.

Renewal 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 as of June 30, 2019, consists of the following:

Series V-A-1 – $84,645,000 of Local Government Public Improvement Bonds issued by the Public Building Authority of Sevier County on December 1, 2008. During the current year, the Authority issued Series 2019A to provide funds to retire the 2022 through 2028 maturities. Remaining $8,880,000 is due in annual installments of $4,335,000 in 2020 and $4,545,000 in 2021. The bonds outstanding bear interest at a synthetic fixed rate of 5.22%. Interest is paid monthly.

Series 2017A – $11,000,000 Airport Revenue Refunding Note issued on May 25, 2017, bears interest at a fixed rate of 1.95%. Remaining annual installments ranging from $650,000 to $1,400,000 through June 2026. Interest is paid annually.

Series 2019A – $39,570,000 Airport Revenue Refunding Note issued on June 27, 2019, bears interest at a fixed rate of 2.54%. Remaining annual installments ranging from $5,275,000 to $6,000,000 through June 2028. Interest is paid semiannually.

All outstanding notes payable and bonds payable contain a provision that in an event of default, outstanding amounts may be declared due by the lender if the Authority is unable to make payment.

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 $8,996,778. This letter of credit expires June 30, 2021. Costs of maintaining this letter of credit and other administrative fees are included in interest expense.

NOTES TO FINANCIAL STATEMENTS *(continued)*

5. Long-Term Debt *(continued)*

Derivative Instruments

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 an interest rate swap agreement (the swap). The intention of the swap is to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate.

The fair value of the interest rate swap has been determined by an independent third-party advisory firm from a model that 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. Implied discount rates are then adjusted for non-performance risk using market-observed credit spreads.

The terms of the outstanding swap as of June 30, 2019:

Associated Bond Issues	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date
Series V-A-1	6/28/2001	4.355%	62.5% of 5 Year LIBOR	6/1/2021

The notional amounts of the swap match principal amounts of the associated debt. The Authority's swap agreement contains scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled reductions of the associated bond principal. The notional amounts of the swap were $8,880,000 and $13,010,000 as of June 30, 2019 and 2018, respectively.

Investment Derivative Instrument Risks

The Authority's swap associated with the Series V-A-1 bond is considered an investment derivative. Accordingly, the $201,530 decrease in the fair value in fiscal year 2019 is reported as a change in fair value of investment interest rate swap in the nonoperating income portion of the Statements of Revenues, Expenses and Changes in Net Position. The estimated fair value of $405,479 and $607,009 have been reported as a long-term liability at June 30, 2019 and 2018, respectively.

Credit risk: As of June 30, 2019, the Authority's investment derivative is not exposed to credit risk because the swap has a negative fair value and as such has no collateral requirements. 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.

The swap counterparty, Raymond James Financial Products, Inc. was rated Baa1/BBB+ by Moody's and Standard & Poor's, respectively, as of June 30, 2019, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

Interest rate risk: The Authority is exposed to interest rate risk on this instrument. As the LIBOR decreases, the Authority's net payment on the swap increases.

NOTES TO FINANCIAL STATEMENTS *(continued)*

5. Long-Term Debt (continued)

Scheduled Debt Service Requirements

As of June 30, 2019, scheduled debt service requirements of all outstanding 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 June 30	Principal	Interest	Interest Rate Swap, net	Total
2020	$ 5,580,000	$1,337,265	$274,873	$ 7,192,138
2021	5,825,000	1,227,125	133,226	7,185,351
2022	6,585,000	1,110,768	–	7,695,768
2023	6,750,000	950,919	–	7,700,919
2024	6,915,000	787,056	–	7,702,056
Thereafter	25,390,000	1,498,178	–	26,888,178
Total	$57,045,000	$6,911,311	$408,099	$64,364,410

6. Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Debt securities are valued based on the securities' relationship to benchmark quoted prices. Derivative instruments are valued using a market approach that considers benchmark interest rates.

The following table sets forth by level, within the fair value hierarchy, the fair value of the Authority's investments and interest rate swap liabilities as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
Government debt securities	$ –	$38,394,976	$ –	$38,394,976
Interest rate swap liability	$ –	$ 405,479	$ –	$ 405,479

The following table sets forth by level, within the fair value hierarchy, the fair value of the Authority's investments and derivative investments as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments:				
Government debt securities	$ –	$33,160,279	$ –	$33,160,279
Interest rate swap liability	$ –	$ 607,009	$ –	$ 607,009

NOTES TO FINANCIAL STATEMENTS (*continued*)

7. 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 $107,144 in 2019 and $123,670 in 2018. Separate audited financial reports are not available for this plan.

8. 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 can be 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. All full-time 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 and there is no outstanding employer liability as of June 30, 2019 and 2018. Employee contributions are optional. Employer contribution expense totaled $966,892 in 2019 and $929,495 in 2018. There were minimal forfeitures during 2019 and 2018. Separate audited financial reports are not available for this plan.

9. Passenger Facility Charges

Passenger Facility Charges (PFC) are fees imposed on enplaning passengers by airports to finance eligible airport-related projects that preserve or enhance the safety, security or capacity; reduce noise; or increase air carrier competition. Since September 2003, the air carriers have been collecting a $4.50 PFC on qualifying passengers at McGhee Tyson Airport on behalf of the Authority. Both the fee and its intended projects must be reviewed and approved by the FAA. PFCs, along with related interest earnings, are recorded as deferred revenues until authorized to use for construction and related debt services payments 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. PFC revenues totaled $4,842,501 in 2019 and $4,291,948 in 2018. All PFCs were authorized for use, and no deferred revenues were recorded.

The Authority has received approval to collect $95,800,334 on currently approved projects through July 2022, unless extended. Cumulative expenditures to date on these approved PFC projects total $65,756,808.

As of June 30, 2019 and 2018, the Authority has $1,939,544 and $1,471,915, respectively, of PFCs available and authorized for use. This amount is included in restricted net position on the balance sheet (see Note 12).

NOTES TO FINANCIAL STATEMENTS (*continued*)

10. 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 (Delta). 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, Delta, formerly 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 Delta, are the only security for the bondholders. The entire amount of the bonds is outstanding at June 30, 2019.

11. Business Concentrations

The Authority is dependent to a large extent on five major airlines and their regional affiliates in that a significant portion of aviation area revenues are generated by these airlines. These airlines accounted for aviation area revenues totaling $5,352,462 in 2019 and $4,865,199 in 2018 and maintenance facility rent from a regional affiliate accounted for $1,099,780 of air cargo revenue in both 2019 and 2018. In addition, a significant portion of terminal area revenue is directly and indirectly generated from four of these airlines' passengers, which accounted for approximately 97% of total passengers in 2019 and 2018. As of June 30, 2019 and 2018, 94% and 91%, respectively, of trade accounts receivable are due from these major airlines.

NOTES TO FINANCIAL STATEMENTS *(continued)*

12. Net Position

Net position consists of the following as of June 30:

	2019	2018
Net investment in capital assets		
Noncurrent assets:		
Capital assets, net	$ 233,324,539	$ 209,828,418
Master plans and other plans, net	465,993	393,642
Total noncurrent assets	233,790,532	210,222,060
Deferred outflows - deferred charge on debt refundings	1,069,444	1,222,222
Less related liabilities:		
Accounts payable - construction	4,177,157	2,850,643
Long-term debt	57,045,000	62,395,000
Total related liabilities	61,222,157	65,245,643
Net investment in capital assets	$ 173,637,819	$ 146,198,639
Restricted net position:		
Cash and cash equivalents - passenger facility charges	$ 1,016,544	$ 651,915
Cash and cash equivalents - law enforcement	461,101	465,891
Receivables for passenger facility charges	923,000	820,000
Restricted net position	$ 2,400,645	$ 1,937,806
Unrestricted net position (all other items on statements of net position not reflected above):		
Assets:		
Cash and cash equivalents	$ 20,232,142	$ 17,065,629
Investments	38,394,976	33,160,279
Receivables	10,566,506	9,899,349
Prepaid expenses and other current assets	1,450,130	800,513
Other noncurrent assets	465,227	512,713
Total unrestricted assets	71,108,981	61,438,483
Less liabilities:		
Accounts payable - non-construction	988,628	1,321,927
Accrued payroll and other expenses	1,617,474	1,363,334
Accrued interest	10,784	8,670
Investment interest rate swap liability	405,479	607,009
Total liabilities	3,022,365	3,300,940
Unrestricted net position	$ 68,086,616	$ 58,137,543

NOTES TO FINANCIAL STATEMENTS *(continued)*

13. Division Information

The Metropolitan Knoxville Airport Authority provides services through two divisions - McGhee Tyson Airport and Knoxville Downtown Island Airport. Key financial data as of and for the years ended June 30, 2019 and 2018 for the two divisions is as follows:

	McGhee Tyson		Downtown Island	
	2019	2018	2019	2018
Unrestricted current assets	$ 70,426,046	$ 59,968,568	$ 217,708	$ 1,036,084
Restricted current assets	2,400,645	1,858,924	-	-
Capital assets, net	228,933,512	206,023,937	4,857,020	4,198,123
Other assets, net	447,206	508,450	18,021	4,263
Intercompany receivable	4,313,479	4,680,734	-	-
Deferred outflows of resources	1,069,444	1,222,222	-	-
Total assets and deferred outflows of resources	$ 307,590,332	$ 274,262,835	$ 5,092,749	$ 5,238,470
Current liabilities	$ 12,354,971	$ 10,820,281	$ 19,072	$ 74,293
Intercompany payable	-	-	4,313,479	4,680,734
Long-term debt, less current portion	51,165,956	56,614,791	299,044	430,209
Investment interest rate swap liability	401,599	602,222	3,880	4,787
Total liabilities	$ 63,922,526	$ 68,037,294	$ 4,635,475	$ 5,190,023
Net position:				
Net investment in capital assets	$ 169,079,843	$ 142,430,725	$ 4,557,976	$ 3,767,914
Restricted	2,400,645	1,937,806	-	-
Unrestricted	72,187,318	61,857,010	(4,100,702)	(3,719,467)
Total net position	$ 243,667,806	$ 206,225,541	$ 457,274	$ 48,447
Operating revenues	$ 32,382,757	$ 29,202,310	$ 1,419,001	$ 1,200,474
Operating expenses	(22,180,365)	(20,360,572)	(1,434,262)	(1,348,039)
Depreciation and amortization	(9,623,906)	(9,362,735)	(288,763)	(137,211)
Operating income (loss)	578,486	(520,997)	(304,024)	(284,776)
Net nonoperating income (expense)	10,044,677	3,826,690	(4,180)	(14,382)
Capital contributions	26,819,102	18,195,518	717,031	986,081
Increase in net position	$ 37,442,265	$ 21,501,211	$ 408,827	$ 686,923
Cash flows:				
Operating activities	$ 8,270,011	$ 9,038,509	$ (60,488)	$ (143,626)
Investing activities	(4,050,439)	6,183,959	-	-
Noncapital financing activities	536,295	1,162,120	(367,255)	(893,812)
Capital and related financing activities	(1,229,515)	(14,431,443)	427,743	1,037,439
Net change in cash and cash equivalents	3,526,352	1,953,145	-	1
Cash and cash equivalents at beginning of the year	18,183,035	16,229,890	400	399
Cash and cash equivalents at end of the year	$ 21,709,387	$ 18,183,035	$ 400	$ 400

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.

Contents

Financial Trends
These schedules contain trend information to help the reader understand how the airport's financial performance and well-being have changed over time.

Debt Capacity
These schedules present information to help the reader assess the affordability of the airport's current levels of outstanding debt and the airport's ability to issue additional debt in the future.

Revenue Capacity
These schedules contain information to help the reader assess the airport's most significant local revenue sources.

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the airport's financial activities take place.

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the airport's financial report relates of the services the airport provides and activities it performs.

SCHEDULE 1:

Operating revenues and expenses - last ten fiscal years (unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating revenues:										
Aviation area	$ 6,107,314	$ 5,365,728	$ 5,157,606	$ 5,133,877	$ 5,038,282	$ 4,693,762	$ 4,453,779	$ 4,559,117	$ 4,600,042	$ 4,092,297
Terminal area	23,423,378	21,008,481	20,075,555	18,848,009	18,625,307	17,922,026	16,327,587	16,909,768	15,942,418	15,008,917
Air cargo and other properties	4,271,066	4,028,575	3,858,125	3,710,606	3,810,517	3,693,140	3,759,280	3,650,100	3,747,735	3,537,641
Total operating revenues	**33,801,758**	**30,402,784**	**29,091,286**	**27,692,492**	**27,474,106**	**26,308,928**	**24,540,646**	**25,118,985**	**24,290,195**	**22,638,855**
Operating expenses:										
Aviation area	2,639,540	2,332,940	2,203,523	2,326,391	2,241,790	2,190,390	2,031,595	2,060,220	2,052,420	1,846,296
Terminal area	6,722,177	5,847,724	5,874,317	5,506,569	5,579,811	5,273,861	5,328,985	5,479,501	5,488,460	5,211,340
Air cargo and other properties	1,595,465	1,530,434	1,453,788	1,529,873	1,621,939	1,673,103	1,644,636	1,536,805	1,430,679	1,215,671
General area:										
Safety	4,908,770	4,628,650	4,609,726	4,394,476	4,536,099	4,599,895	4,282,979	4,087,663	4,021,409	3,908,435
Administration	7,748,675	7,368,863	7,187,377	6,434,369	5,631,927	5,047,911	5,114,112	5,423,518	4,679,484	4,318,658
Total operating expenses	**23,614,627**	**21,708,611**	**21,328,731**	**20,191,678**	**19,611,566**	**18,785,160**	**18,402,307**	**18,587,707**	**17,672,452**	**16,500,400**
Operating income before adjustments	10,187,131	8,694,173	7,762,555	7,500,814	7,862,540	7,523,768	6,138,339	6,531,278	6,617,743	6,138,455
Depreciation and amortization (a)	(9,912,669)	(9,499,946)	(9,539,399)	(9,912,070)	(10,717,072)	(11,004,758)	(11,387,084)	(12,269,546)	(13,194,950)	(12,056,454)
Operating income (loss)	**274,462**	**(805,773)**	**(1,776,844)**	**(2,411,256)**	**(2,854,532)**	**(3,480,990)**	**(5,248,745)**	**(5,738,268)**	**(6,577,207)**	**(5,917,999)**
Net nonoperating income (deductions) (a)	10,040,497	3,812,308	2,620,125	2,599,725	1,933,972	1,345,107	(2,650,537)	358,676	604,526	924,371
Income (loss) before capital contributions	**10,314,959**	**3,006,535**	**843,281**	**188,469**	**(920,560)**	**(2,135,883)**	**(7,899,282)**	**(5,379,592)**	**(5,972,681)**	**(4,993,628)**
Capital contributions - grant receipts from governmental agencies	27,536,133	19,181,599	31,685,691	14,834,999	9,437,726	4,547,269	14,463,193	5,598,693	6,929,117	9,771,088
Increase in net position	**37,851,092**	**22,188,134**	**32,528,972**	**15,023,468**	**8,517,166**	**2,411,386**	**6,563,911**	**219,101**	**956,436**	**4,777,460**
Net position at beginning of year, as previously reported	206,273,988	184,085,854	151,556,882	136,533,414	128,016,248	125,604,862	119,040,951	118,821,850	120,241,621	115,464,161
Restatement of beginning net position for adoption of new accounting guidance (a)	-	-	-	-	-	-	-	-	(2,376,207)	-
Net position at end of year	**$ 244,125,080**	**$ 206,273,988**	**$ 184,085,854**	**$ 151,556,882**	**$ 136,533,414**	**$ 128,016,248**	**$ 125,604,862**	**$ 119,040,951**	**$ 118,821,850**	**$ 120,241,621**
Net position at end of year:										
Net investment in capital assets	$ 173,637,819	$ 146,198,639	$ 123,577,195	$ 91,628,740	$ 81,407,805	$ 75,967,891	$ 82,343,430	$ 75,944,810	$ 74,579,458	$ 77,855,580
Restricted-expendable	2,400,645	1,937,806	1,924,721	2,029,096	1,704,693	1,532,747	1,411,832	1,358,687	1,050,744	1,187,852
Unrestricted	68,086,616	58,137,543	58,583,938	57,899,046	53,420,916	50,515,610	41,849,600	41,737,454	43,191,648	41,198,189
Net position at end of year	$ 244,125,080	$ 206,273,988	$ 184,085,854	$ 151,556,882	$ 136,533,414	$ 128,016,248	$ 125,604,862	$ 119,040,951	$ 118,821,850	$ 120,241,621

Source: Audited Financial Statements, 2010-2019

(a) The Authority adopted GASB Statement No. 65 in 2013, which requires bond issuance costs be expensed in the period incurred. Accordingly, fiscal years 2012 and 2011 have been restated to reflect the elimination of both unamoritized bond issuance costs and deferred loss on bond refunding. The Authority does not consider it practicable to restate 2010.

SCHEDULE 2:

Debt service coverage - last ten fiscal years (unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating revenues:										
Aviation area	$ 6,107,314	$ 5,365,728	$ 5,157,606	$ 5,133,877	$ 5,038,282	$ 4,693,762	$ 4,453,779	$ 4,559,117	$ 4,600,042	$ 4,092,297
Terminal area	23,423,378	21,008,481	20,075,555	18,848,009	18,625,307	17,922,026	16,327,587	16,909,768	15,942,418	15,008,917
Air cargo and other properties	4,271,066	4,028,575	3,858,125	3,710,606	3,810,517	3,693,140	3,759,280	3,650,100	3,747,735	3,537,641
Total operating revenues	33,801,758	30,402,784	29,091,286	27,692,492	27,474,106	26,308,928	24,540,646	25,118,985	24,290,195	22,638,855
Operating expenses:										
Aviation area	2,639,540	2,332,940	2,203,523	2,326,391	2,241,790	2,190,390	2,031,595	2,060,220	2,052,420	1,846,296
Terminal area	6,722,177	5,847,724	5,874,317	5,506,569	5,579,811	5,273,861	5,328,985	5,479,501	5,488,460	5,211,340
Air cargo and other properties	1,595,465	1,530,434	1,453,788	1,529,873	1,621,939	1,673,103	1,644,636	1,536,805	1,430,679	1,215,671
General area:										
Safety	4,908,770	4,628,650	4,609,726	4,394,476	4,536,099	4,599,895	4,282,979	4,087,663	4,021,409	3,908,435
Administration	7,748,675	7,368,863	7,187,377	6,434,369	5,631,927	5,047,911	5,114,112	5,423,518	4,679,484	4,318,658
Total operating expenses	23,614,627	21,708,611	21,328,731	20,191,678	19,611,566	18,785,160	18,402,307	18,587,707	17,672,452	16,500,400
Operating income before other income and other expenses	10,187,131	8,694,173	7,762,555	7,500,814	7,862,540	7,523,768	6,138,339	6,531,278	6,617,743	6,138,455
Other income	33,678,402	24,194,735	35,833,765	19,289,065	13,082,418	8,318,110	18,127,924	9,742,814	10,976,093	14,017,466
Net revenues	43,865,533	32,888,908	43,596,320	26,789,879	20,944,958	15,841,878	24,266,263	16,274,092	17,593,836	20,155,921
Less capital contributions - grant receipts from government agencies included in other income	(27,536,133)	(19,181,599)	(31,685,691)	(14,834,999)	(9,437,726)	(4,547,269)	(14,463,193)	(5,598,693)	(6,929,117)	(9,771,088)
Net revenues less grant receipts from government agencies in other income	$ 16,329,400	$ 13,707,309	$ 11,910,629	$ 11,954,880	$ 11,507,232	$ 11,294,609	$ 9,803,070	$ 10,675,399	$ 10,664,719	$ 10,384,833
Debt service on airport revenue general obligation debt (a)	$ 7,104,035	$ 6,907,123	$ 6,799,043	$ 6,476,919	$ 6,366,528	$ 6,377,790	$ 6,645,106	$ 6,862,478	$ 6,998,949	$ 6,561,014
Coverage ratio - airport revenue general obligation debt	229.9%	198.5%	175.2%	184.6%	180.7%	177.1%	147.5%	155.6%	152.4%	158.3%

Source: Audited Financial Statements, 2010-2019
(a) Amounts based on scheduled principal payments.
Note: Revenues, as defined in the Master Resolutions, are pledged for payments.

SCHEDULE 3:

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Principal (a)	$ 5,350,000	$ 5,125,000	$ 4,590,000	$ 4,365,000	$ 4,155,000	$ 3,950,000	$ 3,755,000	$ 3,575,000	$ 3,400,000	$ 3,235,000
Interest	1,754,035	1,782,123	2,209,043	2,111,919	2,211,528	2,427,790	2,890,106	3,287,478	3,598,949	3,326,014
Total debt service	$ 7,104,035	$ 6,907,123	$ 6,799,043	$ 6,476,919	$ 6,366,528	$ 6,377,790	$ 6,645,106	$ 6,862,478	$ 6,998,949	$ 6,561,014
Total expenses	$ 35,281,331	$ 32,990,680	$ 33,077,173	$ 32,215,667	$ 32,540,166	$ 32,217,708	$ 32,679,497	$ 34,144,731	$ 34,528,903	$ 31,882,868
Less depreciation and amortization (b)	(9,912,669)	(9,449,946)	(9,539,399)	(9,912,070)	(10,717,072)	(11,004,758)	(11,387,084)	(12,269,546)	(13,257,502)	(12,056,454)
Add principal (a)	5,350,000	5,125,000	4,590,000	4,365,000	4,155,000	3,950,000	3,755,000	3,575,000	3,400,000	3,235,000
Total general expenditures	$ 30,718,662	$ 28,665,734	$ 28,127,774	$ 26,668,597	$ 25,978,094	$ 25,162,950	$ 25,047,413	$ 25,450,185	$ 24,671,401	$ 23,061,414
Ratio of debt service to expenditures	23.1%	24.1%	24.2%	24.3%	24.5%	25.3%	26.5%	27.0%	28.4%	28.5%
Outstanding debt (c)	$ 57,045,000	$ 62,395,000	$ 67,520,000	$ 70,635,000	$ 75,000,000	$ 79,155,000	$ 79,850,000	$ 80,505,000	$ 89,151,626	$ 92,414,952
Total number of passengers	2,375,059	2,108,507	1,906,795	1,790,247	1,739,183	1,717,690	1,694,217	1,812,404	1,716,477	1,676,824
Outstanding debt per passenger	$ 24.02	$ 29.59	$ 35.41	$ 39.46	$ 43.12	$ 46.08	$ 47.13	$ 44.42	$ 51.94	$ 55.11
Debt service per passenger	$ 2.99	$ 3.28	$ 3.57	$ 3.62	$ 3.66	$ 3.71	$ 3.92	$ 3.79	$ 4.08	$ 3.91

Source: Audited Financial Statements, 2010-2019

(a) Amounts based on scheduled principal payments.

(b) The Authority adopted GASB Statement No. 65 in 2013, which requires bond issuance costs be expensed in the period incurred. Accordingly, fiscal years 2012 and 2011 have been restated to reflect the elimination of both unamoritized bond issuance costs and deferred loss on bond refunding. The Authority does not consider it practicable to restate 2010.

(c) Outstanding debt is for Airport Revenue Obligations, payable from general airport revenue.

SCHEDULE 4:

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Terminal rent:										
Ticket counter (per linear foot)	$48.84	$43.22	$42.01	$38.76	$38.62	$37.69	$38.90	$39.33	$39.45	$36.11
Ticket queuing (per square foot) (a)	$48.84	$43.22	$42.01	$38.76	$38.62	$37.69	$38.90	$39.33	$39.45	$36.11
Office space (per square foot)	$48.84	$43.22	$42.01	$38.76	$38.62	$37.69	$38.90	$39.33	$39.45	$36.11
Outbound baggage space (per square foot)	$48.84	$43.22	$42.01	$38.76	$38.62	$37.69	$38.90	$39.33	$39.45	$36.11
Operations space (per square foot)	$48.84	$43.22	$42.01	$38.76	$38.62	$37.69	$38.90	$39.33	$39.45	$36.11
Baggage service office (per square foot)	$48.84	$43.22	$42.01	$38.76	$38.62	$37.69	$38.90	$39.33	$39.45	$36.11
Holdroom area (per square foot)	$48.84	$43.22	$42.01	$38.76	$38.62	$37.69	$38.90	$39.33	$39.45	$36.11
Baggage claim (per square foot)	$48.84	$43.22	$42.01	$38.76	$38.62	$37.69	$38.90	$39.33	$39.45	$36.11
Apron charge (per gate) (a)	$92,101.00	$86,085.00	$82,788.00	$81,934.00	$77,624.00	$75,751.00	$70,476.00	$67,492.00	$68,396.00	$63,160.00
Loading bridge rent (per bridge) (a)	$40,574.00	$43,802.00	$45,176.00	$45,436.00	$51,378.00	$45,955.00	$47,828.00	$43,557.00	$46,324.00	$36,518.00
Landing fee (per 1,000 pounds)	$3.14	$3.13	$3.23	$3.50	$3.43	$3.28	$3.09	$2.82	$2.80	$2.56

(a) Fees and rental charges became effective with beginning of fiscal year for which amounts are shown.
Notes: The revenue bases to which these rates are applied and their principal payers can be found in schedules 7, 9 and 11.

SCHEDULE 5:

Airline arrivals and departures - last ten fiscal years (unaudited)

Fiscal Year	Air carrier	Air taxi	General aviation	Military	Total
2010	9,131	42,634	38,691	14,868	105,324
2011	9,259	41,473	42,691	18,123	111,546
2012	8,650	37,446	38,076	22,225	106,397
2013	7,381	36,012	33,273	25,685	102,351
2014	10,562	31,672	33,636	25,485	101,355
2015	10,778	30,812	32,645	23,874	98,109
2016	12,460	28,823	33,882	19,211	94,376
2017	17,115	25,120	38,631	18,993	99,859
2018	23,417	20,204	47,532	20,836	111,989
2019	23,613	26,037	50,895	19,257	119,802

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 fiscal years (unaudited)

Fiscal Year	Passengers enplaned	Passengers deplaned	Total passengers
2010	842,559	834,265	1,676,824
2011	863,640	852,837	1,716,477
2012	905,888	906,516	1,812,404
2013	850,304	843,913	1,694,217
2014	862,706	854,984	1,717,690
2015	872,849	866,334	1,739,183
2016	898,671	891,576	1,790,247
2017	958,429	948,366	1,906,795
2018	1,057,578	1,050,929	2,108,507
2019	1,191,198	1,183,861	2,375,059

Source: Metropolitan Knoxville Airport Authority Aviation's Activities Statistics Report

SCHEDULE 7:

Distribution of airline passengers - fiscal year ended June 30, 2019 (unaudited)

Airline	Enplaned passengers	Deplaned passengers	Total passengers	Percentage of passengers
United	221,765	221,022	442,787	18.64%
Allegiant Air	221,783	221,041	442,824	18.64%
American	349,901	349,851	699,752	29.46%
Delta	363,254	358,746	722,000	30.40%
Frontier	28,634	27,861	56,495	2.38%
Other	5,861	5,340	11,201	0.47%
Total	**1,191,198**	**1,183,861**	**2,375,059**	**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 fiscal years (in pounds) (unaudited)

Fiscal Year	Freight		Total cargo
	Enplaned	Deplaned	
2010	50,661,923	42,527,003	93,188,926
2011	49,531,901	43,903,240	93,435,141
2012	50,319,694	42,420,949	92,740,643
2013	45,918,957	41,562,216	87,481,173
2014	38,941,638	38,898,639	77,840,277
2015	36,351,492	39,459,681	75,811,173
2016	37,089,237	43,381,695	80,470,932
2017	37,210,403	48,076,612	85,287,015
2018	35,725,317	46,651,705	82,377,022
2019	36,427,469	46,854,736	83,282,205

Source: Metropolitan Knoxville Airport Authority Aviation's Activities Statistics Report

SCHEDULE 9:

Distribution of cargo - fiscal year ended June 30, 2019 (in pounds) (unaudited)

Airline	Freight			
	Enplaned	Deplaned	Total	Percentage
Major:				
Delta	126,684	227,840	354,524	0.43%
Regional:				
PSA	27,151	55,287	82,438	0.10%
Cargo:				
FedEx	25,549,752	35,249,895	60,799,647	73.00%
UPS	10,696,100	11,209,321	21,905,421	26.30%
AmeriFlight	-	96,641	96,641	0.12%
Other Freight	27,782	15,752	43,534	0.05%
Total	**36,427,469**	**46,854,736**	**83,282,205**	**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 fiscal years (in thousand pound units) (unaudited)

Fiscal Year	Major passenger airlines	Regional airlines	Cargo airlines	Total
2010	24,720	1,051,708	310,695	1,387,123
2011	63,727	1,039,047	313,522	1,416,296
2012	177,779	856,394	320,413	1,354,586
2013	178,710	773,701	301,345	1,253,756
2014	214,245	764,217	293,983	1,272,445
2015	255,671	736,629	280,670	1,272,970
2016	259,716	747,191	274,808	1,281,715
2017	329,063	787,276	290,938	1,407,277
2018	381,683	855,278	274,653	1,511,614
2019	395,936	965,645	286,676	1,648,257

Source: Metropolitan Knoxville Airport Authority Aviation's Activities Statistics Report

SCHEDULE 11:

Aircraft landed weights - ten fiscal year trend history (in thousand pound units) (unaudited)

	2019		2018		2017		2016		2015		2014		2013		2012		2011		2010	
Airline	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
PSA	197,355	12%	209,086	14%	220,844	16%	214,497	17%	209,479	17%	218,022	17%	214,335	17%	209,437	16%	223,051	16%	199,828	15%
FedEx	217,120	13%	207,785	14%	217,078	15%	204,158	16%	191,071	15%	205,937	16%	219,837	18%	260,064	19%	253,427	18%	248,374	18%
Pinnacle	275,618	17%	219,571	14%	177,725	13%	164,518	13%	158,198	13%	150,428	12%	153,315	12%	168,394	12%	138,620	10%	181,935	13%
Allegiant Air	228,065	14%	180,899	12%	153,689	11%	108,627	8%	102,409	8%	98,940	8%	94,158	8%	101,260	8%	97,622	7%	98,342	7%
ExpressJet	123,750	8%	134,215	9%	185,213	13%	213,080	17%	212,354	17%	208,936	16%	193,054	16%	145,580	11%	95,293	7%	54,102	4%
Delta	121,759	7%	131,656	9%	137,379	10%	135,749	11%	135,471	11%	101,819	8%	66,746	5%	42,673	3%	35,356	3%	11,570	1%
Skywest	125,649	8%	122,505	8%	22,180	2%	13,627	1%	1,081	0%	-	0%	-	0%	2,000	0%	48,885	3%	49,380	4%
UPS	68,774	4%	65,366	4%	72,533	5%	69,146	5%	87,911	7%	86,369	7%	79,585	6%	58,346	4%	56,702	4%	60,818	4%
ASA	11,122	1%	28,564	2%	60,625	4%	50,382	4%	36,900	3%	50,999	4%	96,417	8%	114,008	9%	122,756	9%	139,361	10%
United	20,225	1%	43,387	2%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Mesa	45,153	3%	28,827	2%	14,017	1%	-	0%	-	0%	3,747	0%	-	0%	368	0%	1,243	0%	14,859	1%
Trans States	34,956	2%	27,444	2%	35,160	2%	50,646	4%	17,210	1%	-	0%	-	0%	4,127	0%	7,701	1%	25,827	2%
GO Jets	1,943	0%	30,083	2%	19,430	1%	9,330	1%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
American Eagle	64,854	4%	11,022	1%	21,326	2%	13,737	1%	77,507	6%	95,644	8%	105,611	9%	120,324	9%	144,434	10%	141,313	10%
Frontier	25,886	1%	25,741	2%	20,079	1%	15,340	1%	17,792	1%	13,314	1%	17,476	1%	33,846	3%	1,883	0%	-	0%
Air Wisconsin	53,204	3%	33,417	2%	23,422	2%	15,416	1%	13,066	1%	10,575	1%	611	0%	940	0%	94	0%	-	0%
AmeriFlight	740	0%	1,255	0%	1,193	0%	1,376	0%	1,415	0%	1,588	0%	1,604	0%	1,614	0%	1,463	0%	-	0%
Piedmont	22,611	1%	2,095	0%	-	0%	-	0%	-	0%	2,163	0%	4,216	0%	2,197	0%	5,278	0%	9,210	1%
Mountain Air	17	0%	214	0%	100	0%	103	0%	217	0%	36	0%	128	0%	253	0%	45	0%	72	0%
Shuttle America	-	0%	-	0%	-	0%	1,957	0%	638	0%	-	0%	-	0%	-	0%	1,840	0%	5,536	0%
Chatauqua	-	0%	-	0%	-	0%	-	0%	5,067	0%	20,519	2%	3,021	0%	1,702	0%	14,799	1%	2,213	0%
Air Net	-	0%	-	0%	-	0%	-	0%	56	0%	54	0%	190	0%	136	0%	1,885	0%	1,430	0%
Compass	-	0%	-	0%	-	0%	-	0%	-	0%	3,073	0%	3,074	0%	5,022	0%	-	0%	-	0%
Continental Express	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	51,532	4%	88,480	6%	87,915	6%
AirTran Airways	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	23,760	2%	26,488	2%	24,720	2%
Comair	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	47	0%	4,324	0%	25,239	2%	5,895	0%
Mesaba	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	75	0%	14,775	1%	-	0%
Vision Airlines	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	2,604	0%	5,108	0%	-	0%
Freedom	-	0%	-	0%	-	0%	-	0%	5,119	0%	-	0%	-	0%	-	0%	3,657	0%	23,928	2%
Other	9,456	1%	8,482	1%	25,284	2%	26	0%	9	0%	282	0%	331	0%	-	0%	172	0%	495	0%
Total	**1,648,257**	**100%**	**1,511,614**	**100%**	**1,407,277**	**100%**	**1,281,715**	**100%**	**1,272,970**	**100%**	**1,272,445**	**100%**	**1,253,756**	**100%**	**1,354,586**	**100%**	**1,416,296**	**100%**	**1,387,123**	**100%**

Source: Metropolitan Knoxville Airport Authority, Annual Activity Report

SCHEDULE 12:

Total Passengers - ten fiscal year trend history (unaudited)

	2019		2018		2017		2016		2015		2014		2013		2012		2011		2010	
Airline	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
Delta	679,504	29%	592,892	28%	528,295	28%	522,892	29%	225,241	13%	170,569	10%	111,521	7%	73,405	4%	52,635	3%	16,302	1%
Allegiant Air	442,824	19%	364,125	17%	300,796	16%	221,807	13%	218,386	13%	211,208	12%	192,626	11%	200,789	11%	194,329	11%	195,520	12%
PSA	309,303	13%	328,538	16%	345,775	18%	344,727	19%	343,334	20%	351,352	21%	351,521	21%	338,243	19%	316,018	18%	289,389	17%
American Eagle	264,231	11%	240,147	11%	201,287	11%	226,015	13%	170,642	10%	214,523	13%	208,868	12%	214,741	12%	212,081	12%	207,311	12%
ExpressJet	193,928	8%	143,002	7%	188,560	10%	188,712	11%	281,754	16%	324,689	19%	328,276	19%	252,579	14%	141,325	8%	74,900	5%
ASA	21,298	1%	47,720	2%	105,245	6%	93,217	5%	66,769	4%	92,635	5%	176,697	10%	211,136	12%	219,143	13%	241,249	14%
United	31,627	1%	62,791	3%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Mesa	77,706	3%	43,117	2%	21,227	1%	-	0%	-	0%	5,113	0%	-	0%	673	0%	1,237	0%	18,688	1%
Trans States	69,904	3%	47,375	2%	64,306	3%	92,648	5%	30,523	2%	-	0%	-	0%	6,919	0%	10,527	1%	35,135	2%
Go Jets	3,031	0%	48,229	2%	32,603	2%	16,443	1%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Skywest	67,784	3%	54,610	3%	23,546	1%	24,891	1%	1,704	0%	-	0%	-	0%	3,379	0%	60,272	4%	64,077	4%
Frontier	56,495	2%	51,815	2%	39,243	2%	30,242	2%	43,348	2%	25,528	2%	28,677	2%	49,355	3%	3,635	0%	-	0%
Air Wisconsin	91,902	4%	54,865	3%	15,465	1%	20,375	1%	15,695	1%	13,938	1%	950	0%	1,762	0%	74	0%	30	0%
Commute Air	1,402	0%	14,916	1%	10,287	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Shuttle America	44,447	2%	3,822	0%	-	0%	-	0%	-	0%	3,811	0%	8,558	1%	3,853	0%	8,950	1%	14,097	1%
Chautauqua	-	0%	-	0%	-	0%	3,828	0%	1,175	0%	-	0%	-	0%	-	0%	2,069	0%	7,901	0%
Piedmont	-	0%	-	0%	-	0%	-	0%	66,955	4%	34,038	2%	4,744	0%	3,578	0%	24,050	1%	3,205	0%
Endeavor Air	-	0%	-	0%	-	0%	-	0%	269,189	15%	257,707	15%	266,344	16%	292,178	16%	214,646	13%	268,614	16%
Compass	-	0%	-	0%	-	0%	-	0%	-	0%	4,778	0%	5,388	0%	8,321	1%	-	0%	-	0%
Continental Express	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	86,317	5%	127,860	7%	136,155	8%
AirTran Airways	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	41,882	2%	47,859	3%	45,315	3%
Comair	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	95	0%	7,893	0%	35,706	2%	8,907	1%
Vision Airlines	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	3,534	0%	8,265	1%	-	0%
Mesaba	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	17,466	1%	-	0%
Freedom Airlines	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	5,655	0%	37,391	2%
Other	19,673	1%	10,543	1%	30,160	1%	4,450	0%	4,468	0%	7,801	0%	9,952	1%	11,867	1%	12,675	1%	12,638	1%
Total	**2,375,059**	**100%**	**2,108,507**	**100%**	**1,906,795**	**100%**	**1,790,247**	**100%**	**1,739,183**	**100%**	**1,717,690**	**100%**	**1,694,217**	**100%**	**1,812,404**	**100%**	**1,716,477**	**100%**	**1,676,824**	**100%**

Source: Schedule 7 of Comprehensive Annual Financial Report

SCHEDULE 13:

Distribution of total cargo - ten fiscal year trend history (in pounds)(unaudited)

Airline	2019 Number	%	2018 Number	%	2017 Number	%	2016 Number	%	2015 Number	%	2014 Number	%	2013 Number	%	2012 Number	%	2011 Number	%	2010 Number	%
Passenger:																				
Delta	354,524	1%	379,315	1%	353,740	1%	302,992	1%	394,091	1%	366,515	1%	296,038	0%	221,316	0%	149,452	0%	51,560	0%
PSA	82,438	0%	107,971	0%	80,491	0%	146,212	0%	175,714	0%	135,896	0%	235,463	0%	233,820	0%	108,893	0%	-	0%
American Eagle	25,823	0%	7,862	0%	26,849	0%	2,551	0%	10,058	0%	-	0%	-	0%	2,374	0%	-	0%	8,750	0%
Skywest	10,828	0%	6,569	0%	998	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
ASA	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	3,159	0%	32,579	0%	37,193	0%	39,252	0%
Pinnacle	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	5,730	0%	10,159	0%	6,772	0%	37,149	0%
Comair	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	486	0%	48,546	0%	3,799	0%
Chautauqua	5	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	188	0%	-	0%
Other	3	0%	1,316	0%	2,576	0%	-	0%	162	0%	-	0%	8	0%	8	0%	84	0%	-	0%
Cargo:																				
FedEx	60,799,647	73%	61,790,777	75%	64,672,651	76%	58,126,733	72%	52,408,255	69%	55,543,110	71%	65,927,562	76%	72,737,084	79%	76,942,249	83%	78,507,928	84%
UPS	21,905,421	26%	19,899,283	24%	19,956,038	23%	21,666,452	27%	22,597,174	30%	21,574,987	28%	20,734,712	24%	19,206,871	21%	15,652,500	17%	14,359,415	16%
AmeriFlight	96,641	0%	150,231	0%	177,325	0%	211,133	0%	219,152	0%	202,459	0%	235,291	0%	251,478	0%	244,677	0%	-	0%
Mountain Air	1,480	0%	28,582	0%	8,513	0%	9,677	0%	-	0%	-	0%	-	0%	25,179	0%	7,260	0%	12,972	0%
Air Net	-	0%	-	0%	-	0%	-	0%	-	0%	759	0%	21,170	0%	19,289	0%	237,327	0%	168,101	0%
Other	5,395	0%	5,116	0%	7,834	0%	5,182	0%	6,567	0%	16,551	0%	22,040	0%	-	0%	-	0%	-	0%
Total	**83,282,205**	**100%**	**82,377,022**	**100%**	**85,287,015**	**100%**	**80,470,932**	**100%**	**75,811,173**	**100%**	**77,840,277**	**100%**	**87,481,173**	**100%**	**92,740,643**	**100%**	**93,435,141**	**100%**	**93,188,926**	**100%**

Source: Schedule 9 of Comprehensive Annual Financial Report

SCHEDULE 14:

Authority employees and demographic data - population (unaudited)

	Full-time equivalent employees as of fiscal year-end									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Administration	12.0	11.5	12.0	13.0	12.5	12.5	12.5	12.5	12.5	12.5
Marketing/Public Relations	9.5	8.5	9.0	9.0	7.0	7.0	8.0	7.5	10.0	8.0
Engineering & Planning	6.0	6.0	7.0	7.0	7.0	6.0	6.0	6.0	5.5	5.5
Safety (Police & Fire)	58.0	56.0	49.0	47.0	45.0	42.0	45.0	45.0	46.0	46.0
Operations Administration	11.5	12.0	12.0	13.0	12.0	10.5	9.5	10.0	9.5	9.5
Building Maintenance	7.5	7.5	9.0	10.5	8.0	9.5	9.0	10.0	11.0	10.0
Airfield Maintenance	21.0	20.5	20.0	22.0	22.0	21.5	21.5	24.0	24.0	21.0
Building Services (Custodial)	26.0	26.5	28.0	29.0	29.0	28.5	28.5	31.0	30.0	29.5
Knoxville Downtown Island Airport	6.5	6.0	7.0	7.0	7.0	6.5	7.0	9.0	7.5	7.5
Total Employees	**158.0**	**154.5**	**153.0**	**157.5**	**149.5**	**144.0**	**147.0**	**155.0**	**156.0**	**149.5**

Notes: A full-time employee is scheduled 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.

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

(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 - unemployment information last ten calendar years (unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
National	10.0%	9.1%	8.9%	8.1%	6.7%	6.2%	5.0%	4.9%	4.1%	3.9%
Tennessee	10.9	9.4	9.2	8.2	7.7	6.7	5.8	5.1	3.3	3.3
Major Tennessee metropolitan areas:										
Chattanooga	9.1	8.8	8.3	7.5	6.7	6.5	5.1	4.9	3.3	3.1
Knoxville (a)	8.7	7.9	7.3	6.7	6.0	5.8	5.0	4.7	2.9	2.8
Memphis	10.3	10.3	9.9	9.1	8.5	7.6	6.1	5.3	3.7	3.7
Nashville	9.4	8.7	8.0	6.8	5.5	5.2	4.2	3.8	2.4	2.3

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 16:

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

Calendar Year	Tennessee	United States
2009	34,635	39,376
2010	35,653	40,277
2011	37,452	42,453
2012	38,771	44,267
2013	38,806	44,462
2014	40,233	46,414
2015	42,094	48,112
2016	43,380	49,255
2017	45,517	51,631
2018	46,900	54,420

Source: U.S. Department of Commerce Bureau of Economic Analysis

SCHEDULE 17:

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

Calendar Year	Tennessee	United States
2009	218,408,222	12,079,444,000
2010	226,633,982	12,459,613,000
2011	239,633,734	13,233,436,000
2012	250,285,838	13,904,485,000
2013	252,091,031	14,068,960,000
2014	263,437,186	14,801,624,000
2015	277,832,327	15,463,981,000
2016	288,531,063	15,912,777,000
2017	297,292,992	16,413,551,000
2018	319,400,765	17,572,929,097

Source: U.S. Department of Commerce Bureau of Economic Analysis

SCHEDULE 18

Demographic data - top employers in Knoxville area for the last ten calendar years (unaudited)

	2018		2017		2016		2015		2014		2013		2012		2011		2010		2009	
	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%
Major Employers:																				
U.S. Department of Energy																				
Oak Ridge Operations	12,387	2%	12,618	3%	11,750	3%	11,986	3%	11,637	3%	11,877	4%	12,947	3%	13,082	4%	13,925	4%	13,182	4%
Covenant Health	10,419	2%	10,419	3%	10,119	3%	10,304	3%	10,458	3%	9,122	3%	6,771	2%	9,494	3%	9,000	2%	8,982	3%
Knox County Schools	8,082	2%	7,881	2%	8,146	2%	7,241	2%	6,804	2%	7,066	2%	6,409	2%	6,891	2%	6,945	2%	8,382	3%
The University of Tennessee																				
Knoxville	6,689	1%	6,689	2%	6,646	2%	6,609	2%	6,660	2%	6,550	2%	9,328	2%	6,400	2%	9,326	3%	11,901	4%
Wal-Mart Stores, Inc.	5,998	1%	5,881	1%	6,206	2%	5,951	2%	6,006	2%	5,776	2%	4,613	1%	4,668	1%	4,336	1%	5,330	2%
McGhee Tyson																				
Air National Guard Base	1,728	0%	1,728	0%	1,728	0%	1,717	0%	1,717	0%	4,897	1%	2,174	0%	n/a	0%	n/a	0%	n/a	0%
University Health																				
Systems	5,547	1%	5,316	1%	5,144	1%	4,941	1%	4,224	1%	4,061	1%	3,986	1%	3,942	1%	3,802	1%	3,724	1%
The Dollywood Co.	4,000	1%	4,000	1%	4,000	1%	3,000	1%	2,521	1%	2,521	1%	2,558	1%	2,534	1%	2,467	1%	2,550	1%
K-VA-T Food Stores	3,487	1%	3,328	1%	3,545	1%	3,913	1%	4,078	1%	3,857	1%	3,537	0%	n/a	0%	n/a	0%	n/a	0%
Denso Manufacturing																				
Tennessee	5,000	1%	4,439	1%	3,900	1%	3,800	1%	3,500	1%	3,400	1%	2,184	1%	2,346	1%	2,700	1%	2,500	1%
Clayton Homes	3,662	1%	3,188	1%	3,139	1%	2,883	1%	2,784	1%	2,631	1%	2,829	1%	n/a	0%	n/a	0%	n/a	0%

Source: Knoxville Area Chamber Partnership

Notes: Percentages reported above are based upon total employment in the Knoxville Area including Anderson, Blount, Grainger, Hamblen, Jefferson, Knox, Loudon, Monroe, Roane, Sevier, and Union Counties.

n/a = not available

SCHEDULE 19:

Airlines serving McGhee Tyson Airport (unaudited)

June 30, 2019

Major/domestic passenger airlines

Allegiant Air
American Airlines*
Delta Air Lines*
Frontier Airlines
United Airlines*

**Some or all service offered through regional airline affiliates shown below.*

Regional Airline Affiliates

Air Wisconsin Airlines/American Airlines
Endeavor Air /Delta Air Lines
Envoy Airlines/American Airlines
ExpressJet/United Airlines
GoJet Airlines/United Airlines
Mesa Airlines/American Airlines
Piedmont Airlines/American Airlines
PSA Airlines/American Airlines
Republic Airlines/United Airlines
Skywest Airlines/Delta Air Lines
Skywest Airlines/American Airlines
Skywest Airlines/United Airlines
TransStates Airlines/United Airlines

Cargo airlines

FedEx, Inc.
UPS Airlines, Inc.

SCHEDULE 20:

Flight information (unaudited)

June 30, 2019

Passenger Airlines	Destination	Daily flights	Daily seats	Aircraft
Allegiant Air*	St. Petersburg/Tampa Bay	1	177	A320
	Fort Lauderdale	1	177	A320
	Orlando-Sanford	1	177	A320
	Punta Gorda/SW Florida	1	177	A320
	Baltimore/Washington	1	177	A320
	Destin/Fort Walton	1	177	A320
	Las Vegas	1	177	A320
	Newark	1	177	A320
	Pittsburgh	1	177	A320
	Denver	1	177	A320
American Airlines	Dallas/Fort Worth	5	430	A319/RJ
	Chicago-O'Hare	4	238	RJ
	Philadelphia	3	150	RJ
	Charlotte	7	500	A319/RJ
	Washington-National	3	150	RJ
	Miami	2	152	RJ
	New York-LaGuardia	2	141	RJ
Delta Air Lines	Atlanta	9	860	RJ/MD90
	New York-LaGuardia	3	195	RJ
	Detroit	4	222	RJ
	Minneapolis/St. Paul	1	76	RJ
Frontier Airlines*	Denver	1	186	A320
	Orlando	1	186	A320
United Airlines	Chicago-O'Hare	5	263	RJ
	Denver	2	120	RJ
	Washington-Dulles	4	191	RJ
	Houston	3	168	RJ
	Newark	1	50	RJ
Totals		70	6,048	

**Less than daily service and/or seasonal service in some markets.*

Cargo Airlines	Destination	Daily flights	Daily seats	Aircraft
FedEx, Inc	Indianapolis	1	N/A	A310
	Memphis	2	N/A	A310
UPS Airlines	Louisville	1	N/A	B757

SCHEDULE 21:

Companies conducting business on airport property (unaudited)

June 30, 2019

Aviation service operators
Aircraft Technicians, Inc.
Avflight Services Corporation
Consolidated Aviation
G2 Secure Staff, LLC
Grande Aviation, LLC
Horizon Avionics, Inc.
Jetstar Aviation, LLC
Knoxville Flight Training Center, Inc.
MaxAir Charters dba Flight Choice
Quick Flight
Standard Aero Alliance
TAC Air
The Jet Shop, LLC
Xpress Aircraft Maintenance, LLC
United Ground Express

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
ExpressJet
Endeavor Air (Delta Connection)

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

Concessionaires
Classic Shine
First Class Seats
Five Star Food Service
HMS Host Corporation
Knoxville Airport Hotel Company dba
Knoxville Airport Hilton
Knoxville Coca-Cola Co.
Ruby Tuesday, Inc.
Smarte Carte, Inc.
Paradies-Knoxville, LLC
Security Point Media, LLC

Rental car companies
Alamo Rent A Car
Avis Car Rental
Budget Car Rental
Dollar Rent-a-Car
Enterprise Rent-A-Car
Hertz Rent-a-Car
National Car Rental
Payless Car Rental
Thrifty Rent-a-Car

Other
Airport Office Partners, LLC
ARINC
Atmos Energy
CNN Network
Cirrus Design Corp dba Cirrus Aviation
Delta Cargo, Inc.
G2 Secure Staff
GAT Security Services, Inc.
Global Logistic, LLC
Lyft
Massey Properties, LLC
National Safe Skies Alliance
Passur Aerospace
R Squared Construction
Remote Area Medical
Republic Parking System
SITA
Uber
Volunteer Turf, LLC

SCHEDULE 22:

Use of debt proceeds (unaudited)

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

Airport revenue refunding note

Series 2019A - $39,570,000

Proceeds from this debt issuance was used to partially refund the series 2008 V-A-1 bonds and to terminate the associated variable interest.

Series 2017A - $11,000,000

Proceeds from this debt issuance was used to refund the series 2000 II-D-1 bonds and to terminate the associated interest rate swap.

Local government public improvement revenues bonds

Series 2008 V-A-1—$84,645,000 (partially refunded)

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

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 2000 II-D-1—$18,500,000 (retired)

Proceeds from this bond issue were used to finance a regional jet maintenance facility for ExpressJet, formerly 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.

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 23:

Insurance in force (unaudited)

June 30, 2019

Type of policy	Policy insurer	Expiration date	Policy limit	Risk Coverage
Airport Liability (a)	ACE USA	July 12, 2020	$200,000,000 aggregate limit	Personal injury and property damage
Commercial Property (Includes Terrorism) Boiler & Machinery	Travelers Insurance	June 30, 2020	$247,678,229	Buildings - Fire and other perils (includes contents, rental income and extra expense)
Cybersecurity Insurance	Chubb	July 1, 2020	$3,000,000	Cyber liability and security
Public Officials and Employer Liability	ACE USA	December 18, 2019	$10,000,000	Commissioners and employee professional liability
Public Employee Dishonesty Bond	Cincinnati Insurance Company	July 27, 2020	$500,000	Employee dishonesty
Automobile Liability	Cincinnati Insurance Company	July 1, 2020	$1,000,000	Automobile liability
Physical Damage - Two Fire Trucks	National Hangar Insurance Co.	November 29, 2019	$1,433,250	Property damage - two fire trucks
Physical Damage - Refueler Trucks	National Hangar Insurance Co.	November 29, 2019	$140,000	Property damage-refueler trucks
Liability Only - Two Fire Trucks	National Hangar Insurance Co.	November 29, 2019	$140,000	Liability Only - two old trucks
Workers' Compensation	AIG	June 30, 2020	By Law	Employer's liability - employee bodily injury
Employee Health, Vision and Dental	CIGNA Health Care	May 30, 2020		Employee medical, vision and dental
Employee Long-Term Disability	Unum	May 30, 2020		Employee earnings after 90 days disability
Employee AD&D	Unum	May 30, 2020	$.30 per $1,000	Accidental death and dismemberment
Employee and Dependent Life	Unum	May 30, 2020	$.35 per $1,000/emp	Life and dependent life

(a) Includes terrorism and war risk coverage

SCHEDULE 24:

Major Airport Capital Improvements Completed (unaudited)

As of June 30, 2019

Year Completed	Description	Cost
1989	Parking Garage Phase I (775 spaces)	$5.7 million
1991	Air Cargo Complex (FedEx and UPS)	$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	Express Jet Maintenance Facility	$13.7 million
2002	Delta Air Lines 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
2013	Airfield Maintenance Complex	$18.7 million
2015	Land acquisition in Runway 23R Runway Protection Zone	$6.1 million
2016	Aircraft Storage Hangar for Cirrus Design Corp.	$2.3 million
2017	Air Cargo Building (Delta)	$2.0 million
2018	Knoxville Downtown Island Airport T-Hangars, Taxiway & Apron	$2.7 million
2019	Passenger Boarding Bridges (12)	$8.4 million

SCHEDULE 25:

Capital Asset Information (unaudited)

As of June 30, 2019

Airport Code:	**TYS**		**DKX**	
Location:	Alcoa, TN		Knoxville, TN	
Coordinates:	N35° 48.66' W83° 59.64'		N35° 57' 49.8" W83° 52' 25.2"	
Elevation:	979 feet		833.2 feet	
Tower:	24/7 121.2		None	
Total acreage:	2,731 acres		179.5 acres	
Runways:	RWY 05L-23R RWY 05R-23L	Under construction 9,000 x 150 ft.	RWY 08-26	3499 x 75 ft
Apron area-sq ft:	Cargo Airlines Fixed Base Operator	314,284 1,985,064		
Terminal Complex	Number of passenger gates	12		
	Number of loading bridges	12		
	Total area - sq ft	258,871		
	Useable space - sq ft	227,624		
	Leasable space - sq ft	98,222		
	Mechanical - sq ft	31,247		
Parking spaces, number:	Garage:			
	Short-term	663		
	Long-term	1,730		
	Rental Cars	435		
	Total Garage	2,828		
	Surface:			
	Short-term	45		
	Long-term	690		
	Economy	483		
	Rental Cars and Taxi	82		
	Employees	987		
	Temporary Hilton	225		
	West Terminal Service Area	23		
	Total Surface	2,535		
	Total Parking	5,363		
Fixed Base Operator	TAC Air			

Source: Metropolitan Knoxville Airport Authority Engineering and Planning department

COMPLIANCE SECTION

This section contains the following items:

Schedule of Expenditures of Federal Awards, State Financial Assistance and Passenger Facility Charges Collected and Expended

Schedule of Long-Term Debt Principal and Interest Requirements

Schedule of Changes in Long-Term Debt by Individual Issue

Independent Auditor's Reports

Schedule of Findings and Questioned Costs

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE AND PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

Year ended June 30, 2019

Federal Grantor / Pass-Through Grantor	Program Title	CFDA Number	Contract Number	Expenditures
Federal Awards				
U.S. Department of Transportation	Airport Improvement Program	20.106	N/A	$ 22,234,048
Passed Through Tennessee Department of Transportation- Aeronautics Division	Airport Improvement Program	20.106	47-555-1110-04	(7,031)
		20.106	47-555-0179-18	76,048
		20.106	47-555-0581-19	430,811
			Total Program 20.106*	22,733,876
U.S. Department of Defense	National Guard Military Construction Program	12.400	W912L7-13-2-2101	1,047,480
		12.400	W912L7-17-2-2101	237
		12.400	W912L7-18-2-2101	311,760
		12.400	W912L7-18-2-2102	507,788
		12.400	W912L7-19-2-2101	568,200
			Total Program 12.400	2,435,465
Executive Office of the President				
Passed Through the Office of National Drug Control Policy	High Intensity Drug Trafficking Area	95.001	G18AP0001A	1,706
		95.001	G19AP0001A	12,555
			Total Program 95.001	14,261
U.S. Department of Justice	Equitable Sharing Program	16.922	TN0050700	11,693
U.S. Department of Treasury	Equitable Sharing Program	21.016	TN0050700	18,815
TOTAL FEDERAL AWARDS				25,214,110

**Major federal financial assistance program.*

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE AND PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

Year ended June 30, 2019

Federal Grantor / Pass-Through Grantor	Program Title	CFDA Number	Contract Number	Expenditures
State Financial Assistance				
Tennessee Department of Transportation	Airport Improvements – McGhee Tyson Airport	N/A	47-555-0763-04	53,310
Tennessee Department of Transportation	Airport Improvements – McGhee Tyson Airport	N/A	47-555-0766-04	878,958
Tennessee Department of Transportation	Airport Improvements – McGhee Tyson Airport	N/A	47-555-0167-04	(14,350)
Tennessee Department of Transportation	Airport Improvements – McGhee Tyson Airport	N/A	47-555-0768-16	272,970
Tennessee Department of Transportation	Airport Improvements – McGhee Tyson Airport	N/A	47-555-0778-18	958,701
Tennessee Department of Transportation	Airport Improvements – Downtown Island Airport	N/A	47-555-0480-19	19,800
Tennessee Department of Transportation	Airport Improvements – Downtown Island Airport	N/A	47-555-0761-04	46,066
Tennessee Department of Transportation	Airport Improvements – Downtown Island Airport	N/A	47-555-0764-04	10,519
Tennessee Department of Transportation	Airport Improvements – Downtown Island Airport	N/A	47-555-1110-04	(391)
Tennessee Department of Transportation	Airport Improvements – Downtown Island Airport	N/A	47-555-0780-19	29,026
Tennessee Department of Transportation	Airport Improvements – Downtown Island Airport	N/A	47-555-0581-19	86,689
Tennessee Department of Transportation	Airport Improvements – Downtown Island Airport	N/A	47-555-0179-18	25,494
TOTAL STATE AWARDS				2,366,792
TOTAL FEDERAL AND STATE AWARDS				$ 27,580,902

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE AND PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

Year ended June 30, 2019

Passenger Facility Charges

Available at July 1, 2018	$ 1,471,915
Charges collected	4,826,226
Interest earned, net of service charges	16,275
Total available	6,314,416
Expended	(4,374,872)
Available at June 30, 2019	$ 1,939,544

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE AND PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

1. Basis of Presentation

The above Schedule of Expenditures of Federal Awards, State Financial Assistance, and Passenger Facility Charges Collected and Expended (the Schedule) summarizes the federal and state expenditures of the Metropolitan Knoxville Airport Authority (the Authority) under programs of the federal and state government for the year ended June 30, 2019 and Passenger Facility Charges (PFCs) collected and expended for the year ended June 30, 2019. These amounts were obtained from the Authority's general ledger, which is prepared on the accrual basis. 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 awards include federal financial assistance received directly from a federal awarding agency or indirectly from a pass-through entity. The awards are classified into major program categories in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Authority did not elect to apply the 10% de minimis indirect cost rate.

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; reduce noise; or increase air carrier competition. PFCs are not considered to be federal financial assistance defined by the Uniform Guidance.

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. Federal expenditures are primarily for administering an Airport Improvement Program for the Authority.

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.

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2019

Local Government Public Improvement Bonds, Series V-A-I, synthetic fixed rate of 5.22%:

Year ending June 30:	Principal	Interest	Total
2020	$ 4,335,000	$ 441,386	$ 4,776,386
2021	4,545,000	213,932	4,758,932
Total	$ 8,880,000	$ 655,318	$ 9,535,318

Airport Revenue Refunding Note, Series 2017A, fixed rate of 1.95%:

Year ending June 30:	Principal	Interest	Total
2020	$ 1,245,000	$ 165,674	$ 1,410,674
2021	1,280,000	141,342	1,421,342
2022	1,310,000	116,335	1,426,335
2023	1,340,000	90,744	1,430,744
2024	1,370,000	64,567	1,434,567
2025	1,400,000	37,806	1,437,806
2026	650,000	11,668	661,668
Total	$ 8,595,000	$ 628,136	$ 9,223,136

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS *(continued)*

June 30, 2019

Airport Revenue Refunding Note, Series 2019A, fixed rate of 2.54%:

Year ending June 30:	Principal	Interest	Total
2020	$ -	$ 1,005,078	$ 1,005,078
2021	-	1,005,078	1,005,078
2022	5,275,000	994,433	6,269,433
2023	5,410,000	860,175	6,270,175
2024	5,545,000	722,489	6,267,489
2025	5,690,000	581,353	6,271,353
2026	5,750,000	436,706	6,186,706
2027	5,900,000	290,353	6,190,353
2028	6,000,000	140,292	6,140,292
Total	$ 39,570,000	$ 6,035,957	$ 45,605,957

SCHEDULE OF CHANGES IN LONG-TERM DEBT
BY INDIVIDUAL ISSUE

June 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2018	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2019
NOTES PAYABLE									
Series 2017A	$ 11,000,000	1.95%	5/25/2017	6/1/2026	$ 9,815,000	$ -	$ 1,220,000	$ -	$ 8,595,000
Series 2019A	39,570,000	2.54%	6/27/2019	6/1/2028	-	39,570,000	-	-	39,570,000
Total Notes Payable					$ 9,815,000	$ 39,570,000	$ 1,220,000	$ -	$ 48,165,000
BONDS PAYABLE									
Series V-A-I	$ 84,645,000	Variable	12/1/2008	6/1/2021	$ 52,580,000	$ -	$ 4,130,000	$ 39,570,000	$ 8,880,000
Total Bonds Payable					$ 52,580,000	$ -	$ 4,130,000	$ 39,570,000	$ 8,880,000

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Metropolitan Knoxville Airport Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Metropolitan Knoxville Airport Authority (the Authority), a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 20, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Commissioners
Metropolitan Knoxville Airport Authority

Compliance and Other Matters

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

Purpose of this Report

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

Coulter & Justus, P.C.

November 20, 2019
Knoxville, Tennessee

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Independent Auditor's Report on Compliance for Each Major Federal Program and the Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

Board of Commissioners
Metropolitan Knoxville Airport Authority

Report on Compliance for Each Major Federal Program and Passenger Facility Charge Program

We have audited compliance of the Metropolitan Knoxville Airport Authority (the Authority), a component unit of the City of Knoxville, Tennessee, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program 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, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs and the PFC program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program and PFC program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Passenger Facility Charge Audit Compliance and Reporting Guide for Public Agencies (PFC Guidance),* issued by the Federal Aviation Administration. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the 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 on compliance for the major federal program and PFC program. However, our audit does not provide a legal determination of the Authority's compliance.

Board of Commissioners
Metropolitan Knoxville Airport Authority

Opinion on the Major Federal Program and the PFC Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and the PFC program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program or the PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and the PFC program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

Coulter & Justus, P.C.

November 20, 2019
Knoxville, Tennessee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting: Material weakness(es) identified?	None reported	
Significant deficiency(s) identified?	None reported	
Noncompliance material to financial statements noted?	No	

Federal Awards

Type of auditors' report issued on compliance for major federal program:	Unmodified	
Internal control over major federal program: Material weakness(es) identified?	None reported	
Significant deficiency(s) identified?	None reported	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None reported	
Identification of major programs:	CFDA Number *20.106*	Name of Program *Airport Improvement Program*
Dollar threshold used to distinguish between Type A and Type B programs:	$756,423	
Auditee qualified as low-risk auditee?	Yes	

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*continued*)

Year ended June 30, 2019

Section II – Financial Statement Audit Findings

None reported.

Section III – Single Audit Findings

None reported.

Section IV – Corrective Action Plan

Not applicable as there were no 2019 findings reported.

Section V – Schedule of Prior Year Audit Findings

Not applicable as there were no 2018 findings reported.

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