

Tulsa Airports Improvement Trust

(A Component Unit of the City of Tulsa, Oklahoma)

FINANCIAL REPORT

June 30, 2013 and 2012

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2013 and 2012

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Independent Auditor's Report

Board of Trustees
Tulsa Airports Improvement Trust
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Tulsa Airports Improvement Trust (Trust), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, listed in the table of contents as supplementary information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other statistical information, as listed in the table of contents, has 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 it.



Kansas City, Missouri
November 12, 2013

**Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2013 and 2012**

As management of the Tulsa Airports Improvement Trust (the "Trust"), we offer readers of the Trust's financial statements this narrative overview and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2013 and 2012.

Following Management's Discussion and Analysis are the financial statements of the Trust together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. We encourage readers to consider the information presented here in conjunction with the Trust's financial statements.

Airport Activities Highlights

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Enplaned Passengers	1,316,654	1,355,785	1,361,745
Airfreight Boarded (Tons)	56,417	57,131	54,167
Airline/Aircraft Movements (TIA)	93,152	104,610	108,473
Aircraft Movements - R.L. Jones Airport	148,615	194,670	207,051

The City's airports include Tulsa International Airport and R.L. Jones, Jr. Airport. As of June 30, 2013, there are four major airlines and their affiliates serving Tulsa International airport, along with several charter carriers, and five air freight carriers.

Financial Position Summary as of June 30, 2013 (in thousands of dollars)

- The assets and deferred outflow of resources of the Trust exceeded liabilities at the close of the most recent year by \$271,822.
- Net position increased \$20,127 from \$251,695 at June 30, 2012 to \$271,822 at June 30, 2013.
- Total liabilities decreased \$4,720 from \$169,823 at June 30, 2012 to \$165,103 at June 30, 2013.
- Cash and cash equivalents decreased \$5,716 from \$34,643 at June 30, 2012, to \$28,927 at June 30, 2013.

Overview of the Financial Statements

The Trust is reported by the City as a discretely presented component unit in the City's Comprehensive Annual Financial Report. The primary function of the Trust is to operate and maintain the City's two airports and finance capital improvements.

This discussion and analysis is intended to serve as an introduction to the Trust's financial statements. The basic financial statements include: 1) Statements of Net Position, 2) Statements of Revenues, Expenses, and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to the Financial Statements.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2013 and 2012

Overview of the Financial Statements (cont.)

Financial Statements

The Trust'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 ("GASB"). The Trust is structured as a single-purpose business-type activity with revenues recognized when earned and expenses recognized when incurred. The Statement of Net Position includes all of the Trust's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Trust is improving or deteriorating. All of the Trust's current year revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Cash Flows provides information about cash receipts, cash payments, and changes in cash resulting from operating, investing, and capital financing activities.

Summary of Net Position

<i>(in thousands of dollars)</i>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets			
Current and other assets	\$ 64,986	\$ 65,946	\$ 77,709
Capital assets, net	<u>364,668</u>	<u>347,685</u>	<u>332,140</u>
Total assets	<u>429,654</u>	<u>413,631</u>	<u>409,849</u>
Deferred outflows of resources	<u>7,271</u>	<u>7,887</u>	<u>8,504</u>
Liabilities			
Current and other liabilities	14,402	11,534	11,059
Long-term debt outstanding	<u>150,701</u>	<u>158,289</u>	<u>166,125</u>
Total liabilities	<u>165,103</u>	<u>169,823</u>	<u>177,184</u>
Net position			
Net investment in capital assets	231,118	211,795	200,620
Restricted	10,918	12,734	13,211
Unrestricted	<u>29,786</u>	<u>27,166</u>	<u>27,338</u>
Total net position	<u>\$ 271,822</u>	<u>\$ 251,695</u>	<u>\$ 241,169</u>

The largest portion (85%) and (84%) of the Trust's net position as of June 30, 2013 and 2012, respectively, represent investment in capital assets less related debt outstanding to acquire those capital assets. The Trust uses the capital assets to provide safe, secure, and user-friendly services to its passengers and visitors at its airports. Although the Trust's investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations and specifically identified nonoperating revenues.

Tulsa Airports Improvement Trust
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Summary of Changes in Net Position

(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 31,341	\$ 30,697	\$ 31,505
Nonoperating revenues, including capital grants	<u>33,173</u>	<u>24,148</u>	<u>23,211</u>
Total revenues	64,514	54,845	54,716
Operating expenses	34,489	34,376	34,873
Nonoperating expenses	<u>9,898</u>	<u>9,943</u>	<u>10,652</u>
Total expenses	44,387	44,319	45,525
Increase in net position	<u>\$ 20,127</u>	<u>\$ 10,526</u>	<u>\$ 9,191</u>

- For the year ended June 30, 2013 operating revenues, which consist primarily of rents and services fees, increased 2.1% due to scheduled increases in terminal rental rates. For the year ended June 30, 2012 operating revenues, which consist primarily of rents and services fees, decreased 2.6% due to slightly reduced enplanement levels from the prior year.
- Nonoperating revenues improved 37.4% in 2013 due to federal grants awarded and earned for a major runway reconstruction project and increased 4.0% in 2012 due to the full year impact of rate changes in the prior fiscal year.
- Operating expenses, excluding depreciation and amortization, increased 0.3% for the year ended June 30, 2013 and decreased 1.4% for the year ended June 30, 2012 due expiration of a cargo facility management contract.
- Nonoperating expenses decreased 0.5% for the year ended June 30, 2013 due to a reduction in overall interest expense, and decreased 6.7% for the year ended June 30, 2012 due to lower interest costs as some debt matured during the year.

Tulsa Airports Improvement Trust
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Management's Discussion and Analysis
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Summary of Cash Flow Activities

The following shows a summary of the major sources and uses of cash and cash equivalents. Cash equivalents are defined as any cash held in the City's internal pool and highly liquid investments with an original maturity of three months or less.

<i>(in thousands of dollars)</i>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash flows			
Provided by operating activities	\$ 12,309	\$ 9,369	\$ 10,967
Provided by non-capital and related financing activities	33	309	605
Used in capital and related financing activities	(21,607)	(18,512)	(28,256)
Provided by investing activities	<u>3,549</u>	<u>443</u>	<u>75</u>
Net decrease in cash and cash equivalents	(5,716)	(8,391)	(16,609)
Cash and cash equivalents			
Beginning of year	<u>34,643</u>	<u>43,034</u>	<u>59,643</u>
End of year	<u>\$ 28,927</u>	<u>\$ 34,643</u>	<u>\$ 43,034</u>

Capital Assets (in thousands of dollars)

The Trust's investment in capital assets amounted to \$364,668 (net of accumulated depreciation). The Trust paid \$29,146 and \$27,875 related to the acquisition and construction of capital assets for the years ended June 30, 2013 and 2012, respectively.

<i>(in thousands of dollars)</i>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 337,565	\$ 326,682	\$ 314,691
Easements	70,864	70,140	64,885
Buildings	215,295	212,617	171,321
Equipment	<u>30,317</u>	<u>29,977</u>	<u>41,258</u>
	654,041	639,416	592,155
Less: Accumulated depreciation	(321,030)	(307,949)	(294,921)
Construction-in-progress	<u>31,657</u>	<u>16,218</u>	<u>34,906</u>
Capital assets, net	<u>\$ 364,668</u>	<u>\$ 347,685</u>	<u>\$ 332,140</u>

**Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
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Long-Term Debt (in thousands of dollars)

At June 30, 2013, the Trust had outstanding long-term portion of general revenue bonds of \$141,981 and outstanding long-term portion of capital lease obligations of \$3,750. The bonds are collateralized by and payable from the revenues of the Trust. The bonds mature per a set schedule with the last maturity occurring on June 1, 2031.

(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital lease obligation	\$ 3,750	\$ 3,975	\$ 4,190
Revenue bonds	138,231	145,929	154,080
	<u>\$ 141,981</u>	<u>\$ 149,904</u>	<u>\$ 158,270</u>

The Trust's debt decreased by \$7,923 and \$8,366 in fiscal years 2013 and 2012, respectively, due to scheduled payments of principal in 2013 and 2012. Debt was issued in 2013 (Series 2012A & B), however principal increases were limited resulting in an overall decrease.

Signatory Airline Rates and Charges

Under the Use and Lease Agreements between the airlines and the Trust, the airlines have agreed to pay rates, fees and charges determined prior to the beginning of each fiscal year in an amount sufficient (a) to pay 125% of the debt service on bonds secured by the bond indenture; (b) to pay operating expense for the next succeeding fiscal year; (c) to provide for any deficiencies in the funds or accounts held under the bond indenture other than the general account for the then current fiscal year; and (d) to provide for the estimated deposit to the Airport Special Reserve Fund. Each Use and Lease Agreement is for a five year term continuing until June 30, 2018.

Signatory Airline Terminal rental rates for fiscal years 2013, 2012, and 2011 ranged from \$38.51 to \$88.03 per square foot. Signatory landing fees were \$2.92, \$2.91, and \$2.90 per 1000 lbs for 2013, 2012, and 2011, respectively. Beginning in fiscal year 2009 terminal rents are calculated according to a modified commercial compensatory methodology. Prior years rates could be adjusted based on the change in the operating budget.

Economic Factors

The Tulsa area economy continues to show signs of improvement from the 2009-10 economic recession. The region's strong energy sector contributed to the economy's growth in 2012 in both employment and the production of goods and services. The Tulsa Metro Chamber anticipates 2013 gross metro product will grow 3% and employment will grow by 1.8%, both ahead of state and national projections.

Airport activity has remained steady over the past two years, as passenger activity decreased by 2% in 2012 (2,740,338 passengers) and 1% YTD 2013. However, airlines are beginning to add additional seats to the Tulsa market. Southwest began daily service to Chicago Midway in June and Allegiant will begin service to Orlando in October. Delta and American have also up gauged their equipment. Overall capacity has increased 3.8% from October 2012 to October 2013, providing an average of 5,433 daily seats.

**Tulsa Airports Improvement Trust
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Management's Discussion and Analysis
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Contacting the Trust's Financial Management

Questions about this report or requests for additional financial information can be directed to the Deputy Airports Director, Finance and Administration, 7777 E. Apache St., Tulsa, OK 74115.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Net Position
June 30, 2013 and 2012

(in thousands of dollars)

	<u>2013</u>	<u>2012</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 19,549	\$ 16,623
Cash and cash equivalents - restricted	1,760	1,722
Receivables		
Trade, less allowance for doubtful accounts of \$20 for 2013 and 2012	1,419	1,757
Intergovernmental receivable	10,738	1,614
Customer facility charges receivable	298	280
Inventory	1,332	1,292
Other current assets	87	220
Total current assets	<u>35,183</u>	<u>23,508</u>
Noncurrent assets		
Cash and cash equivalents - restricted	7,618	16,298
Investments	-	1,033
Investments - restricted	20,808	23,850
Passenger facility charges receivable - restricted	796	615
Accrued interest receivable - restricted	40	101
Capital assets not being depreciated	172,398	156,243
Capital assets, net of accumulated depreciation	192,270	191,442
Advance to primary government	127	127
Other	414	414
Total noncurrent assets	<u>394,471</u>	<u>390,123</u>
Total assets	<u>\$ 429,654</u>	<u>\$ 413,631</u>
Deferred Outflow of Resources		
Deferred charges on refunding	<u>\$ 7,271</u>	<u>\$ 7,887</u>

(continued)

The accompanying notes are an integral part of these financial statements.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Net Position, continued
June 30, 2013 and 2012

(in thousands of dollars)

	<u>2013</u>	<u>2012</u>
Liabilities		
Current liabilities		
Accounts payable	1,616	196
Accounts payable - restricted	9,379	7,729
Customer deposits - restricted	76	78
Current portion of vested compensated absences	611	616
Current portion of net pension obligation	25	214
Unearned revenue	302	293
Current portion of bonds and capital lease obligation	8,720	8,385
Accrued interest payable - restricted	769	795
Total current liabilities	<u>21,498</u>	<u>18,306</u>
Noncurrent liabilities		
Vested compensated absences	386	386
Other postemployment benefits	1,042	1,055
Net pension obligation	196	172
Capital lease obligation - restricted	3,750	3,975
Bonds payable, net - restricted	138,231	145,929
Total noncurrent liabilities	<u>143,605</u>	<u>151,517</u>
Total liabilities	<u>165,103</u>	<u>169,823</u>
Net position		
Net investment in capital assets	231,118	211,795
Restricted for		
Operations	5,273	5,470
Debt service	695	723
Capital projects	4,726	6,490
Other purposes	224	51
Total restricted net position	<u>10,918</u>	<u>12,734</u>
Unrestricted	29,786	27,166
Total net position	<u>\$ 271,822</u>	<u>\$ 251,695</u>

The accompanying notes are an integral part of these financial statements.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012

<i>(in thousands of dollars)</i>	<u>2013</u>	<u>2012</u>
Operating revenues		
Fuel sales fees	\$ 843	\$ 892
Terminal building rentals	12,084	11,662
Field and runways fees	6,410	6,555
Cargo fees	1,174	994
Ground rentals	2,152	2,155
Hangars and field buildings rentals	1,078	1,116
Motel commissions	276	282
Parking	7,138	6,911
Other	186	130
Total operating revenues	<u>31,341</u>	<u>30,697</u>
Operating expenses, excluding depreciation		
Building maintenance	5,937	6,008
Automotive maintenance	197	446
Field maintenance and electrical	1,172	925
General and administrative	4,789	5,430
Engineering	1,816	1,411
Operations	4,661	4,846
R. L. Jones	475	497
Parking	1,660	1,682
Total operating expenses, excluding depreciation	<u>20,707</u>	<u>21,245</u>
Operating income before depreciation	10,634	9,452
Depreciation	13,782	13,131
Operating loss	<u>(3,148)</u>	<u>(3,679)</u>

(continued)

The accompanying notes are an integral part of these financial statements.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Revenues, Expenses and Changes in Net Position, continued
Years Ended June 30, 2013 and 2012

<i>(in thousands of dollars)</i>	<u>2013</u>	<u>2012</u>
Nonoperating revenues (expenses)		
Investment income	260	548
Net (decrease) increase in the fair value of investments	(847)	265
Interest and amortization expense	(9,680)	(9,943)
Bond issuance costs	(218)	-
Noncapital federal grants	33	26
Passenger facility charges	5,244	5,336
Customer facility charges	3,103	2,938
Payments from primary government	-	190
Gain on sale of capital assets	7	17
Other, net	-	174
Net nonoperating revenues (expenses)	<u>(2,098)</u>	<u>(449)</u>
Capital contributions and grants		
Federal grants	18,782	14,644
State grants	2,757	10
Contributions	3,834	-
Total capital contributions and grants	<u>25,373</u>	<u>14,654</u>
Increase in net position	20,127	10,526
Net position, beginning of year	<u>251,695</u>	<u>241,169</u>
Net position, end of year	<u>\$ 271,822</u>	<u>\$ 251,695</u>

The accompanying notes are an integral part of these financial statements.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

<i>(in thousands of dollars)</i>	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Cash received from customers, including cash deposits	\$ 31,687	\$ 30,798
Cash payments to suppliers for goods and services	(10,367)	(12,802)
Cash payments to employees for services	(9,011)	(8,627)
Net cash provided by operating activities	<u>12,309</u>	<u>9,369</u>
Cash flows from non-capital and related financing activities		
Proceeds from non-capital grants, donations and reimbursements	33	309
Net cash provided by non-capital and related financing activities	<u>33</u>	<u>309</u>
Cash flows from capital and related financing activities		
Construction and purchase of capital assets	(29,146)	(27,875)
Interest paid on revenue bonds	(9,073)	(9,331)
Passenger facility charges received	5,063	5,349
Customer facility charges received	3,086	2,935
Proceeds from sale of revenue bonds	780	-
Principal paid on revenue bonds	(8,170)	(7,650)
Principal paid on capital lease	(215)	(205)
Bond issue costs	(218)	-
Proceeds from sale of capital assets	37	52
Payments from primary government	-	190
Proceeds from state capital grants	753	10
Proceeds from federal capital grants	13,659	18,013
Payments from federal government	1,837	-
Net cash used by capital and related financing activities	<u>(21,607)</u>	<u>(18,512)</u>
Cash flows from investing activities		
Purchase of investments	(39,210)	(36,202)
Proceeds from sale of investments	42,462	36,106
Interest received on investments	297	539
Net cash provided by investing activities	<u>3,549</u>	<u>443</u>
Net decrease in cash and cash equivalents	(5,716)	(8,391)
Cash and cash equivalents		
Beginning of year	<u>34,643</u>	<u>43,034</u>
End of year	<u>\$ 28,927</u>	<u>\$ 34,643</u>

(continued)

The accompanying notes are an integral part of these financial statements.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Cash Flows, continued
Years Ended June 30, 2013 and 2012

(in thousands of dollars)

	<u>2013</u>	<u>2012</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current unrestricted cash and cash equivalents	\$ 19,549	\$ 16,623
Current restricted cash and cash equivalents	1,760	1,722
Noncurrent restricted cash and cash equivalents	<u>7,618</u>	<u>16,298</u>
 Total cash and cash equivalents	 <u>\$ 28,927</u>	 <u>\$ 34,643</u>

Reconciliation of operating loss to net cash provided by operating activities

Operating loss	\$ (3,148)	\$ (3,679)
Adjustments to reconcile operating activities to net cash		
Depreciation	13,782	13,131
Decrease in accounts receivable, trade	338	445
Increase in inventory	(40)	(9)
Decrease (increase) in other current assets	133	(182)
Increase (decrease) in unearned revenue	9	(343)
Increase in accounts payable and accrued liabilities	1,235	6
Net cash provided by operating activities	<u>\$ 12,309</u>	<u>\$ 9,369</u>

Noncash capital and investing activities:

Capital asset acquisitions included in accounts payable	<u>\$ 9,379</u>	<u>\$ 7,729</u>
Depreciation of fair value of investments	<u>\$ 822</u>	<u>\$ 252</u>

The accompanying notes are an integral part of these financial statements.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Financial Statements
June 30, 2013 and 2012

1. **NATURE OF BUSINESS, REPORTING ENTITY, AND SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF BUSINESS - The Tulsa Airports Improvement Trust (the "Trust") was organized in 1967 as a public trust with the City of Tulsa (the "City") as its sole beneficiary. The Trust's purpose is to operate, maintain, construct, improve and/or lease airport facilities serving the City and to incur indebtedness as may be necessary to provide such facilities. Any indebtedness is payable solely from revenues of the Trust, as it has no authority to levy taxes. Under federal guidelines, all revenues generated by the Airports must be used for airport purposes.

Effective October 1, 1978, and as thereafter amended, the Trust and the City entered into a lease agreement whereby the City, acting by and through the Tulsa Airport Authority (the "TAA"), leased and assigned all airport properties and equipment (except police and emergency fire heliports of the City) and the income derived there from to the Trust under a long-term lease agreement.

Effective July 1, 1989, the lease by and between the City and the Trust was further amended to provide for the operation and maintenance of the airports on a day-to-day basis by the TAA. The lease provides for a nominal annual lease payment to the City. The term of the lease, as amended, has commenced and expires when all Bonds of the Trustees issued in connection with the Airport have been paid or provision for the payment has been made (current outstanding Bonds mature on June 1, 2031).

The accompanying financial statements include the accounts and activity of the Trust and the TAA.

BASIS OF ACCOUNTING AND PRESENTATION- The financial statements of the Trust are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The financial statements of the Trust have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expense include exchange transactions. Investment income and voluntary nonexchange transactions are included in nonoperating revenues and expenses.

REPORTING ENTITY- The Trust and TAA trustees are appointed by the Mayor and approved by City Council. The Trust is a component unit of the City and is included in the City's comprehensive annual report as a discretely presented component unit.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

1. **NATURE OF BUSINESS, REPORTING ENTITY, AND SIGNIFICANT ACCOUNTING POLICIES**, continued

CASH AND CASH EQUIVALENTS – Cash and cash equivalents balances, other than petty cash and non-pooled deposits and investments, are pooled with the City of Tulsa’s cash and investments and invested by the City of Tulsa’s Treasurer. Interest income on pooled cash and investments is allocated monthly based on the percentage of the Trust’s average daily equity in the pooled portfolio to the total average daily pooled portfolio balance.

The Trust considers all highly liquid debt instruments with an original maturity of three months or less and any cash and investments held by the City of Tulsa’s internal pool to be cash equivalents.

INVESTMENTS - Investments consist of obligations of the U.S. Treasury and various federal agencies and instrumentalities, investment agreements with financial institutions and money market funds. These investments are held by bond trustees and invested in accordance with the requirements and terms of various bond indentures. The Trust follows the provisions of GASB Statement No. 31, *Certain Investments and External Investment Pools*, which requires governmental entities to report investments at fair value in the statement of net position. The Trust experienced a decrease in the fair value of investments of approximately \$847,000 for the year ended June 30, 2013 and an increase in the fair value of investments of approximately \$265,000 for the year ended June 30, 2012.

INVENTORIES - Inventories consist principally of consumable supplies and replacement parts for fixtures and equipment. Inventories are stated at the lower of cost (first-in, first-out) or market.

CAPITAL ASSETS - Capital assets are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 20 to 50 years for buildings, 5 to 20 years for roads, ramps, and runways, 3 to 20 years for equipment, and 1 to 20 years for leasehold improvements. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in nonoperating revenues and expenses. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Interest incurred during construction periods is capitalized and included in the cost of capital assets. There were no amounts of interest capitalized in fiscal years 2013 or 2012.

BOND DISCOUNTS/PREMIUMS - Discounts/premiums on revenue bonds are being accreted/amortized using the effective interest method over the life of the bonds to which they relate.

DEFERRED CHARGES ON REFUNDING - Deferred charges on refunding represents the difference in the reacquisition price and the net carrying amount of the old debt. These charges are presented as a deferred outflow of resources and recognized as a component of interest expense over the life of the old or new debt, whichever is shorter.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

1. **NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**, continued

VESTED COMPENSATED ABSENCES - Vacation leave is granted to all regular and part-time employees. The annual amount of vacation time accrued varies from 13 to 24 days depending upon years of service. The maximum amount of vacation time that may be accumulated is twice the amount which may be earned in one calendar year. Accumulated vacation leave vests and the Trust is obligated to make payment even if the employee terminates. The liability for compensated absences attributable to the Trust is charged to operating expenses.

UNEARNED REVENUE - Unearned revenue represents payments and/or revenue received but not yet recognized since it has not yet been earned. Unearned revenue primarily consists of rental payments.

POSTEMPLOYMENT BENEFITS (PENSION AND OTHER) - Postemployment benefits are part of an exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active-employee healthcare, are taken while the employees are in active service, whereas other benefits, including retirement and postemployment healthcare, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. The Authority accounts for annual pension and other postemployment benefit costs on an accrual basis, charging expenses in the period incurred, with a corresponding liability for benefits to be paid in future periods.

FEDERAL AND STATE GRANTS - Contributions resulting from federal and state grants are generally restricted for the acquisition or construction of property and equipment. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

1. **NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**, continued

NET POSITION - Net Position of the Trust represents the difference between assets, liabilities and deferred inflows/outflows of resources. The net position of the Trust is comprised of these categories:

NET INVESTMENT IN CAPITAL ASSETS - reflects the Trust's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Trust uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.

RESTRICTED NET POSITION - represents resources that are subject to enabling legislation adopted by the Trust or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

UNRESTRICTED NET POSITION - represents remaining assets and deferred outflows of resources less remaining liabilities that do not meet the definition of net investment in capital assets or restricted.

The Trust first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

OPERATING RESERVE - The Trust has an operating reserve, which was established in the Amended and Restate Bond Indenture ("Indenture"). The Indenture requires the reserve to be established and maintained at approximately one-fourth of the estimated and budgeted annual expenses of the Trust. The reserve can be used to pay operating expenses or to pay interest, principal and premium on bonds.

FEDERAL INCOME TAXES - The Trust, as a political subdivision of the State of Oklahoma with the City of Tulsa as beneficiary, is excluded from taxation under Section 115(1) of the Internal Revenue Code.

REVENUE AND EXPENSES - Operating revenues consist principally of landing and operating fees charged to airlines using the airport facilities, fuel sales fees, parking fees, and concession rentals. Long-term use and lease agreements govern the rates charged to the major airlines using the airport. Under the terms of these agreements, the airlines have agreed to pay amounts which, when combined with other revenues, will be sufficient to pay operating and maintenance costs of the airports and the annual debt service on the Trust's outstanding revenue bonds for which the Trust's revenues are pledged as collateral.

Operating expenses consist of all costs incurred to administer the airport system, including depreciation of capital assets. All revenues and expenses not meeting these descriptions are considered nonoperating revenues and expenses or capital grants, contributions and charges.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

1. **NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**, continued

PASSENGER FACILITY CHARGE - In 1990, the United States Congress enacted the Aviation Safety and Capacity Expansion Act ("ASCEA") of 1990, which allows public agencies controlling commercial service airports to charge eligible enplaning passengers at the airport a \$1, \$2, or \$3 passenger facility charge, or PFC. In 2000, the U.S. Congress passed the Aviation Investment and Reform Act for the 21st Century ("AIR-21"), which allowed airports to levy a PFC of \$4.00 or \$4.50 per eligible enplaned passenger.

The proceeds from PFCs are to be used to finance eligible airport-related projects that preserve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers.

Effective August 1, 1992, the Trust began the assessment of a \$3.00 PFC, which increased to \$4.50 in November 2010. The charge is collected by all carriers and remitted to the Trust, less a minor handling fee. The proceeds from the PFC are restricted for use by the Trust for certain FAA-approved capital improvement projects and debt payments. PFC revenues are reflected as nonoperating revenues when collected by the Airlines. As of June 30, 2013, the Trust has submitted a total of eight applications. Under the approved applications the Trust is authorized to collect \$147,766,498 of PFC revenue for the period beginning August 1, 1992 until February 1, 2021.

CUSTOMER FACILITY CHARGE - Effective July 1, 2004, the Trust began the assessment of a Customer Facility Charge ("CFC"). Effective August 1, 2010, this rate was set at \$4.00. The charge is collected by all rental car concessionaires and remitted to the Trust. The proceeds from the CFC are designated for use by the Trust for certain rental car capital improvement projects, industry operating costs, and debt service requirements. CFC revenues are reflected in nonoperating revenues and are recognized as earned.

CAPITAL CONTRIBUTIONS – Capital contributions include payments made by other governments for facility improvements. The Trust follows provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which establishes accounting and financial reporting standards to guide state and local governments' decisions about when and how to report results of nonexchange transactions involving cash and other financial and capital resources.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

1. **NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**, continued

RECLASSIFICATIONS – Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on Changes in Net Position.

2. **CASH AND INVESTMENTS**

POOLED CASH AND INVESTMENTS - The Trust maintains a portion of its cash and investments with the City's pooled cash and investments account. Pooled cash and investments consist primarily of time deposits and United States Government agency and instrumentality securities, and are reported at the fair value of the pooled shares. At June 30, 2013 and 2012, the pooled cash and investments, which are reflected on the Trust's statement of net position within cash and cash equivalents, amounted to \$2,173,771 and \$2,130,386, respectively. The pooled cash and investments balance at June 30, 2013 and 2012, was comprised of investments that were collateralized by securities that were held by the pledging financial institution, or by its trust department or agent, but not in the City's name.

NON-POOLED DEPOSITS - Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Trust's deposit policy for custodial credit risk requires compliance with the provisions of state law and that demand deposits be collateralized at least 110% of the amount that is not federally insured. At June 30, 2013 and 2012 there were not amounts uninsured or with insufficient collateral pledged to meet the requirement.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

2. **CASH AND INVESTMENTS, continued**

NON-POOLED INVESTMENTS - In accordance with the bond indentures and state statutes, authorized investments consist of obligations of the U.S. Treasury, agencies and instrumentalities, certain municipal bonds, and money market mutual funds.

The Trust's non-pooled investments as of June 30, 2013 and 2012 are as follows:

(in thousands of dollars)

Type	Fair Value	June 30, 2013 Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. agency and instrumentality obligations	\$ 20,118	\$ -	\$ -	\$ 20,110	\$ 8
State and local government securities (SLUG)	690	-	-	-	690
Money market mutual funds	26,462	26,462	-	-	-
	<u>\$ 47,270</u>	<u>\$ 26,462</u>	<u>\$ -</u>	<u>\$ 20,110</u>	<u>\$ 698</u>

(in thousands of dollars)

Type	Fair Value	June 30, 2012 Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. agency and instrumentality obligations	\$ 22,469	\$ -	\$ -	\$ 22,458	\$ 11
State and local government securities (SLUG)	690	-	-	-	690
Money market mutual funds	31,952	31,952	-	-	-
	<u>\$ 55,111</u>	<u>\$ 31,952</u>	<u>\$ -</u>	<u>\$ 22,458</u>	<u>\$ 701</u>

INTEREST RATE RISK – The Trust does not have a formal policy limiting its exposure to fair value losses arising from rising interest rates.

Pooled investments – In accordance with the City’s investment policy, the City manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less. No security, at the time of purchase, shall have a maturity exceeding five years. The weighted average maturity of the City’s pooled investment portfolio is 2.53 years.

Non-pooled investments – Bond requirements limit the type of restricted investments that can be acquired and unrestricted investments are in U.S. Treasury money market mutual funds. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

2. **CASH AND INVESTMENTS**, continued

CREDIT RISK – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfil its obligations. The Trust utilizes the City of Tulsa investment policy to limit its exposure to credit risks.

Pooled investments – The City’s investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2013 and 2012, the U.S. agencies obligations included in the City’s pooled investment portfolio were rated Aaa and AA+ by Moody’s Investor’s Service and Standard & Poor’s, respectively.

Non-pooled investments – At June 30, 2013 and 2012, the Trust’s investments in U. S. agencies obligations not directly guaranteed by the U. S. government were rated AA+ and Aaa by Standard & Poor’s and Moody’s, respectively, and the Trust’s money market mutual funds were rated AAAm and Aaa by Standard & Poor’s and Moody’s, respectively.

CUSTODIAL CREDIT RISK – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Pooled deposits and investments – The City’s investment policy requires that demand deposits be collateralized at least by 110% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The securities cannot be released, substituted or sold without the City’s approval and release of the security. Certificates of deposit are, according to the City’s investment policy, to be collateralized at least by 102% of the amount that is not federally insured. As of June 30, 2013 and 2012, none of the deposits in the pooled portfolio was exposed to custodial credit risk. All safekeeping receipts for investment instruments are held in accounts in the City’s name and all securities are registered in the City’s name. Therefore, none of the Trust’s pooled investments as of June 30, 2013 and 2012 was exposed to custodial credit risk.

Non-pooled deposits and investments – The Trust’s deposit policy for custodial credit risk requires compliance with provisions of state law and that demand deposits be collateralized at least 110% of the amount that is not federally insured. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Trust’s investments in U.S. agency obligations at June 30, 2013 and 2012 are insured or registered or securities held by the Trust or by its agent in the Trust’s name.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

2. **CASH AND INVESTMENTS, continued**

CONCENTRATION OF CREDIT RISK – The Trust places no limit on the amount that may be invested in any one issuer.

Pooled investments – At June 30, 2013, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 18%, 22%, 19%, and 22%, respectively, of its total pooled investment portfolio. At June 30, 2012, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 17%, 15%, 22%, and 21%, respectively, of its total pooled investment portfolio.

Non-pooled investments – At June 30, 2013 and 2012, the Trust’s investment in Federal Home Loan Bank (“FHLB”) constituted 43% and 37%, respectively of its total investments. Mutual funds are not subject to concentration of credit risk disclosure.

RECONCILIATION TO STATEMENTS OF NET POSITION - A reconciliation of pooled cash and investments, non-pooled deposits, and non-pooled investments to the fair values at June 30, 2013 and 2012 is as follows:

<i>(in thousands of dollars)</i>	<u>2013</u>	<u>2012</u>
Pooled cash and investments	\$ 2,174	\$ 2,131
Non-pooled cash and deposits	291	2,284
Non-pooled investments	<u>47,270</u>	<u>55,111</u>
	<u>\$ 49,735</u>	<u>\$ 59,526</u>
Current cash and cash equivalents	\$ 19,549	\$ 16,623
Current restricted cash and cash equivalents	1,760	1,722
Noncurrent restricted cash and cash equivalents	7,618	16,298
Noncurrent unrestricted investments	-	1,033
Noncurrent restricted investments	<u>20,808</u>	<u>23,850</u>
	<u>\$ 49,735</u>	<u>\$ 59,526</u>

3. **FEDERAL GRANTS**

Federal grants receivable represent the earned portions, based on the related expenditures, of various grants that have not been remitted by the grantor. The unexpended portions of such grants are properly not reflected in the financial statements and as of June 30, 2013 and 2012, totaled \$18,189,798 and \$6,674,142, respectively, for the Trust.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

4. **CAPITAL ASSETS**

The changes in capital assets during 2013 and 2012 are summarized as follows:

2013: <i>(in thousands of dollars)</i>	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 69,885	\$ -	\$ (8)	\$ -	\$ 69,877
Easements	70,140	724	-	-	70,864
Construction-in-progress	16,218	29,605	-	(14,166)	31,657
Total capital assets not being depreciated	<u>156,243</u>	<u>30,329</u>	<u>(8)</u>	<u>(14,166)</u>	<u>172,398</u>
Capital assets being depreciated					
Land improvements	256,797	15	-	10,876	267,688
Buildings	212,617	21	-	2,657	215,295
Equipment	29,977	430	(723)	633	30,317
Total capital assets being depreciated	<u>499,391</u>	<u>466</u>	<u>(723)</u>	<u>14,166</u>	<u>513,300</u>
Accumulated depreciation					
Land improvements	177,326	6,412	-	-	183,738
Buildings	112,814	6,059	-	-	118,873
Equipment	17,809	1,311	(701)	-	18,419
Total accumulated depreciation	<u>307,949</u>	<u>13,782</u>	<u>(701)</u>	<u>-</u>	<u>321,030</u>
Total capital assets being depreciated, net	<u>191,442</u>	<u>(13,316)</u>	<u>(22)</u>	<u>14,166</u>	<u>192,270</u>
Capital assets, net	<u>\$ 347,685</u>	<u>\$ 17,013</u>	<u>\$ (30)</u>	<u>\$ -</u>	<u>\$ 364,668</u>

2012: <i>(in thousands of dollars)</i>	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 69,711	\$ -	\$ -	\$ 174	\$ 69,885
Easements	64,885	2,925	-	2,330	70,140
Construction-in-progress	34,906	25,557	-	(44,245)	16,218
Total capital assets not being depreciated	<u>169,502</u>	<u>28,482</u>	<u>-</u>	<u>(41,741)</u>	<u>156,243</u>
Capital assets being depreciated					
Land improvements	244,980	-	-	11,817	256,797
Buildings	171,321	33	-	41,263	212,617
Equipment	41,258	196	(138)	(11,339)	29,977
Total capital assets being depreciated	<u>457,559</u>	<u>229</u>	<u>(138)</u>	<u>41,741</u>	<u>499,391</u>
Accumulated depreciation					
Land improvements	163,856	6,319	-	7,151	177,326
Buildings	106,697	5,249	-	868	112,814
Equipment	24,368	1,563	(103)	(8,019)	17,809
Total accumulated depreciation	<u>294,921</u>	<u>13,131</u>	<u>(103)</u>	<u>-</u>	<u>307,949</u>
Total capital assets being depreciated, net	<u>162,638</u>	<u>(12,902)</u>	<u>(35)</u>	<u>41,741</u>	<u>191,442</u>
Capital assets, net	<u>\$ 332,140</u>	<u>\$ 15,580</u>	<u>\$ (35)</u>	<u>\$ -</u>	<u>\$ 347,685</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

5. REVENUE BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES

The changes in revenue bonds payable and other long-term liabilities during 2013 are summarized as follows:

(in thousands of dollars)

Series and Maturity Dates	Issue (Authorized) Amount	Interest Rate	Beginning Balance	Increase	Decrease	Ending Balance	Portion Due Within One Year
Revenue bonds							
Series 2000A, 2020	11,000	6.00%	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ -
Series 2004A, 2018	17,800	3.25 - 5.00%	9,620	-	(1,415)	8,205	1,485
Series 2004B, 2017	2,200	4.95%	1,000	-	(200)	800	200
Series 2009A, 2024	42,705	3.0 - 5.375%	35,215	-	(2,300)	32,915	2,370
Series 2009B, 2031	25,865	3.0 - 5.75%	24,025	-	(1,185)	22,840	1,195
Series 2009C, 2023	4,020	3.00 - 6.00%	3,940	-	(75)	3,865	80
Series 2009D, 2031	56,615	2.726 - 7.114%	51,685	-	(770)	50,915	855
Series 2010A, 2021	5,770	4.57 - 5.00%	5,495	-	(530)	4,965	545
Series 2010B, 2021	8,215	6.00 - 6.50%	7,075	-	(660)	6,415	685
Series 2010C, 2025	13,520	4.00 - 5.25%	11,305	-	(1,035)	10,270	1,080
Series 2012A, 2016	14,625	1.92%	-	132	-	132	-
Series 2012B, 2015	2,000	2.75%	-	648	-	648	-
Total revenue bonds payable			154,360	780	(8,170)	146,970	8,495
Unamortized discount (premium)			261	-	(17)	244	-
Total revenue bonds payable, net			154,099	780	(8,153)	146,726	8,495
Other long-term liabilities							
Capital lease			4,190	-	(215)	3,975	225
Other postemployment benefits			1,055	-	(13)	1,042	-
Vested compensated absences			1,002	754	(759)	997	611
Net pension obligation			386	49	(214)	221	25
Total other long-term liabilities			6,633	803	(1,201)	6,235	861
Total long-term liabilities			\$ 160,732	\$ 1,583	\$ (9,354)	\$ 152,961	\$ 9,356

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

5. **REVENUE BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES, continued**

The changes in revenue bonds payable and other long-term liabilities during 2012 are summarized as follows:

(in thousands of dollars)

Series and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Increase	Decrease	Ending Balance	Portion Due Within One Year
Revenue bonds							
Series 2000A, 2020	11,000	6.00%	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ -
Series 2004A, 2018	17,800	3.25 - 5.00%	10,965	-	(1,345)	9,620	1,415
Series 2004B, 2017	2,200	4.95%	1,200	-	(200)	1,000	200
Series 2009A, 2024	42,705	3.0 - 5.375%	37,450	-	(2,235)	35,215	2,300
Series 2009B, 2031	25,865	3.0 - 5.75%	24,955	-	(930)	24,025	1,185
Series 2009C, 2023	4,020	3.00 - 6.00%	3,970	-	(30)	3,940	75
Series 2009D, 2031	56,615	2.726 - 7.114%	52,675	-	(990)	51,685	770
Series 2010A, 2021	5,770	4.57 - 5.00%	5,770	-	(275)	5,495	530
Series 2010B, 2021	8,215	6.00 - 6.50%	7,715	-	(640)	7,075	660
Series 2010C, 2025	13,520	4.00 - 5.25%	12,310	-	(1,005)	11,305	1,035
Total revenue bonds payable			162,010	-	(7,650)	154,360	8,170
Unamortized discount (premium)			280	-	(19)	261	-
Total revenue bonds payable, net			161,730	-	(7,631)	154,099	8,170
Other long-term liabilities							
Capital lease			4,395	-	(205)	4,190	215
Other postemployment benefits			976	79	-	1,055	-
Vested compensated absences			976	739	(713)	1,002	616
Net pension obligation			361	172	(147)	386	214
Total other long-term liabilities			6,708	990	(1,065)	6,633	1,045
Total long-term liabilities			\$ 168,438	\$ 990	\$ (8,696)	\$ 160,732	\$ 9,215

Pursuant to an original bond indenture dated December 1, 1984 and various supplemental bond indentures (the "Indentures"), the Trust has issued revenue bonds for the purpose of constructing improvements to the airport facilities and refunding prior issues of revenue bonds. The bonds issued are collateralized by and payable from the revenues of the Trust. The Indentures provide, among other things, for the establishment of certain restricted accounts for the receipt and expenditure of the bond proceeds and for the pledged revenues to be administered by a trustee bank.

The Indentures require the Trust to charge fees for the use and services of the airport to make the Trust self-sufficient and self-sustaining. Amounts charged and collected by the Trust for use and services of the airport are required to yield gross revenues in an amount at least equal to the sum of 1.25 times debt service, operating expenses, any deficiencies in the bond funds or accounts and an amount required to be transferred into a reserve fund. Transfers from certain reserve accounts can be considered revenue for purposes of the gross revenue test.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

5. **REVENUE BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES**, continued

REVENUES PLEDGED - The Trust has pledged future gross revenues derived from the operation of the airports to repay approximately \$204,335,000 in revenue bonds issued. Proceeds from the bonds provided financing for various capital projects and debt refundings. The bonds are payable solely from gross revenues and are payable through 2031. Annual principal and interest payments on the bonds required 35% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$229,563,000. Principal and interest paid for the year was \$17,012,171. Total gross revenues were \$48,383,278.

DEFEASED DEBT - Series 1997B Revenue Bonds – The Trust has placed the proceeds of refunding bonds in irrevocable escrow accounts held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow accounts and the defeased bonds are not included in the Trust’s financial statements. The defeased 1997B Revenue bonds are considered extinguished and had an outstanding balance of \$15,040,000 at June 30, 2013.

FUTURE MATURITIES

Future maturities of revenue bonds are as follows:

(in thousands of dollars)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 8,495	\$ 8,550	\$ 17,045
2015	10,643	8,190	18,833
2016	10,527	7,747	18,274
2017	10,840	7,266	18,106
2018	10,340	6,755	17,095
2019-2023	44,260	26,388	70,648
2024-2028	31,160	14,455	45,615
2029-2031	20,705	3,242	23,947
	<u>\$ 146,970</u>	<u>\$ 82,593</u>	<u>\$ 229,563</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

6. **CAPITAL LEASE OBLIGATION**

On September 30, 2003, the Trust entered into a \$6,935,000 capital lease obligation to finance the purchase of certain energy efficient equipment and services, canopies in certain parking areas and computer equipment. The obligation is payable in amounts ranging from \$80,000 to \$540,000 annually from October 2004 to October 2023. Interest on the obligation is payable semiannually at rates ranging from 2.0% to 6.0%. The obligations due on or after October 1, 2013 are subject to redemption at the option of the Trust, at a price equal to the principal amount plus any accrued interest. The gross amounts of capital assets and related accumulated depreciation recorded under these capital leases at June 30, 2013 and 2012 are as follows:

<i>(in thousands of dollars)</i>	<u>2013</u>	<u>2012</u>
Capital lease proceeds	\$ 6,935	\$ 6,935
Unspent proceeds	(691)	(691)
Purchases less than capitalization threshold	<u>(645)</u>	<u>(645)</u>
Capital assets	5,599	5,599
Accumulated depreciation	<u>(1,430)</u>	<u>(1,285)</u>
	<u>\$ 4,169</u>	<u>\$ 4,314</u>

The present value of future minimum capital lease payments at June 30, 2013 is as follows:

<i>(in thousands of dollars)</i>	
2014	\$ 444
2015	447
2016	445
2017	446
2018	447
2019-2023	2,207
2024	<u>1,112</u>
Total minimum lease payments	5,548
Amounts representing interest	<u>(1,573)</u>
Present value of minimum lease payments	<u>\$ 3,975</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

7. CONDUIT DEBT OBLIGATIONS

To pay the costs of certain modifications, rehabilitations, and reconstruction to a special facility located adjacent to Tulsa International Airport, the Trust has issued a series of Special Facility Revenue Bonds. At June 30, 2013 and 2012, Special Facility Revenue Bonds outstanding aggregated \$10,120,000. The obligations are payable solely from and collateralized by a pledge of rentals to be received from a lease agreement between the airport and Biz Jet International. The bonds do not constitute a debt or pledge of the faith and credit of the Trust, the City, or the State and, accordingly, they have not been reported in the accompanying financial statements.

8. MUNICIPAL EMPLOYEES' PENSION FUND

The Trust contributes to the Municipal Employees Pension System (the "Plan"), a cost-sharing multiple-employer defined benefit pension plan administered by the City of Tulsa, Oklahoma. The pension plan was established by the City in accordance with the City Charter and State Statutes, and is reported in the City's Comprehensive Annual Financial Report. All full-time employees of the Trust, along with other employees of the City of Tulsa and certain related agencies, are eligible to participate in the Plan on the first day of the month coinciding with or next following their first day of employment, except employees elected or covered under the pension programs established for police officers and firefighters. Employees become 100% vested after five years of employment.

Pension provisions include death benefits for the surviving spouse. The Plan does not provide a monthly income for disabled participants; however, under certain conditions, employees who become disabled may be eligible to receive their full retirement at age 65 even though they were unable to work up to the retirement age.

The ability to establish and amend requirements of plan members and the Trust is set forth in the City Charter and State Statutes and is vested in the Plan's board of trustees, which are appointed by the mayor with approval of the City Council. Plan members are required to contribute 6.0% of their annual covered salary. The Trust is required to contribute at an actuarially determined rate. The Trust was required to contribute \$672,000, \$720,000, and \$562,000 for the years ended June 30, 2013, 2012, and 2011, respectively. The Trust's actual contributions to the plan were \$840,000, \$700,000, and \$358,000, respectively, which equalled 125%, 97%, and 65% of the annual required contributions for each year.

The Plan is reported as a Pension Trust Fund in the City's 2013 Comprehensive Annual Financial Report. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or a report of another entity.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

9. OTHER POSTEMPLOYMENT BENEFITS

The City provides postemployment healthcare benefits for retired employees and their dependents through the City of Tulsa Post-retirement Medical Plan (the “Plan”), a single- employer defined benefit healthcare plan. The benefits, coverage levels, employee contributions, and employer contributions are governed by the City through its personnel and union contracts.

All healthcare benefits are provided through the City’s fully insured health plan. The benefit levels are the same as those offered to active employees. Benefits include general inpatient and outpatient medical services and prescriptions. General employees are eligible for membership in the plan if they retire from the City on or after age 55 with 5 years of service or with age and service totalling 80 points. Coverage ceases upon eligibility of the member (retiree or dependent) for Medicare. Coverage for dependents can continue upon the death of the retiree. Spouses of employees eligible for benefits and who die in active service can receive coverage.

The actuarial valuation of the liabilities under the Plan is calculated using the entry age normal cost method as of the July 1, 2012, 2011 and 2010 actuarial valuations. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$28,539,000, \$27,437,000, and \$34,166,000 for the City as of June 30, 2013, 2012, and 2011, respectively. The Trust’s portion of the unfunded actuarial accrued liability is not separately determinable.

The City’s actuarial determined annual required contribution (ARC) for fiscal years ending June 30, 2013, 2012 and 2011 were \$2,880,000, \$2,769,000, and \$3,219,000, respectively, of which \$1,685,000, \$1,208,000, and \$537,000 were paid on a pay-as-you-go basis in 2013, 2012 and 2011, respectively. The Trust was allocated \$1,042,000, \$1,055,000 and \$976,000 of the net OPEB obligation for the fiscal years ending June 30, 2013, 2012 and 2011, respectively, which has been reflected in the financial statements. The amount allocated to the Trust is based on the number of active eligible employees of the Trust compared to the total number of active eligible employees. The complete details of the plan are disclosed in the City’s Comprehensive Annual Financial Report.

10. RENTAL INCOME FROM OPERATING LEASES

The Trust leases space in the Tulsa International Airport terminal along with other land and buildings on a fixed fee as well as contingent rental basis. Many of the leases provide for a periodic review and predetermination of the rental amounts. Substantially all capital assets are held by the Trust for the purpose of rental or related use.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

10. **RENTAL INCOME FROM OPERATING LEASES, continued**

Minimum future rentals under non-cancellable operating leases as of June 30, 2013, are as follows:

(In thousands of dollars)

2014	\$	13,461
2015		12,703
2016		12,451
2017		8,933
2018		6,399
2019 - 2023		17,369
2024 - 2028		14,592
2029 - 2033		9,553
2034 - 2038		6,866
2039 - 2043		6,407
2044 - 2048		613
2049 - 2053		316
2054 - 2058		316
2059 - 2062		306
		306
	\$	110,285

11. **RISK MANAGEMENT**

The City's risk management activities are recorded in the Employee Insurance Fund. The purpose of the fund is to administer the workers' compensation, health, and dental insurance programs of the City. The Trust participates in the City's insurance programs through payment for services and assumes no liability. The City retains all risk of loss for workers' compensation while all other major insurance programs are covered by commercial insurance. There have been no significant reductions in insurance coverage for insured programs. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

12. **COMMITMENTS AND CONTINGENCIES**

As of June 30, 2013, the Trust had open commitments for construction projects of approximately \$14,684,540.

There are other various suits and claims pending against the Trust which have arisen in the course of operating the Trust. Management believes any losses resulting from any such actions will not have a material adverse impact on the financial position or results of operations of the Trust.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

12. **COMMITMENTS AND CONTINGENCIES, continued**

The Tulsa Industrial Authority and BOKF, NA, dba Bank of Oklahoma (“BOK”) originally filed suit against Tulsa Airports Improvement Trust (TAIT) in Oklahoma state court in 2004 based on TAIT’s alleged breach of a “Support (Contingent Purchase and Sale) Agreement” entered into by TAIT in December 2000. The Support Agreement was a form of credit enhancement for a \$30 million loan from BOK to a start-up airline known as Great Plains Airlines (“Great Plains”). According to the terms of the Support Agreement, if Great Plains defaulted on the loan, TAIT would be obligated to purchase a parcel of land mortgaged to BOK for the amount outstanding on the loan, without regard to the parcel’s fair market value. Great Plains ultimately defaulted, but TAIT declined to purchase the land because to do so would have violated various provisions of federal aviation law applicable to federally obligated airports. TAIT defended the case principally on the grounds that the Support Agreement violated federal law. The original case was settled in 2008 after BOK joined the City of Tulsa as a defendant and the City agreed to pay \$7.1 million to resolve the matter. In 2011, the Oklahoma Supreme Court overturned the settlement, *City of Tulsa v. Bank of Oklahoma, NA*, 280 P.3d 316 (Okla. 2011).

On March 3, 2013, the Tulsa Industrial Authority and BOK filed a Petition against TAIT in the District Court of Tulsa County, Oklahoma. The current lawsuit seeks more than \$15 million in principal, interest and fees from TAIT. Because of the issues related to the Support Agreement’s validity under federal law, TAIT removed the case to federal court and BOK filed a Motion to Remand the case to state court.

On November 7, 2013, Federal District Judge Claire Eagan issued an Order on BOK’s Motion and ordered the case remanded to the District Court of Tulsa County, Oklahoma. TAIT then filed an Amended Answer and a Motion to Dismiss on November 12, 2013. No court proceedings are scheduled at this time.

The litigation is at a very early stage and it is impossible to predict the outcome of the claims against TAIT. TAIT continues to aggressively assert its defenses that the Support Agreement violates various provisions of federal law and is therefore unenforceable.

13. **RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2013 and 2012, the Authority conducted the following transactions with related parties.

<i>(In thousands of dollars)</i>	<u>2013</u>	<u>2012</u>
Payments to City of Tulsa - General Fund for support services	\$ 1,219	\$ 1,258
Payments to City of Tulsa - General Fund for fire services	\$ 1,698	\$ 1,704

Tulsa Airports Improvement Trust
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Notes to Basic Financial Statements, continued
June 30, 2013 and 2012

14. **SUBSEQUENT EVENTS**

GENERAL AIRPORT REVENUE BONDS ISSUANCE

On August 8, 2013, the Trust passed resolutions approving the issuance of two General Airport Revenue Bonds in principal amounts not to exceed \$42,500,000 and \$35,000,000, respectively.

The majority of the proceeds from the \$42,500,000 bonds will be used for the Concourse A renovation, with approximately \$4,000,000 used to retire the existing Capital Lease Obligation. These bonds are expected to be issued in December, 2013.

The proceeds of the \$35,000,000 bonds will be used to construct and improve the airport's rental car facilities, with actual bonds expected to be issued in the latter part of 2014.

PASSENGER FACILITY CHARGE APPLICATION

In September 2013 the Trust submitted a new Passenger Facility Charge application (#9) to impose and use \$54,675,000 for three approved projects. This application was approved by the Federal Aviation Administration (FAA) on October 22, 2013 and will extend the collection period to April 1, 2033.

15. **FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Trust beginning with its year ending June 30, 2015. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that met certain criteria.

This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively comparably measure the annual costs of pension costs. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Grant Title	CDFA Number	Grant Number	Amount of Grant	Unexpended Balance at June 30, 2012	Grants Awarded (Closed) During Current Year	Transfers and Adjustments	Program Income and Matching	Current Year Federal Expenditures	Total Current Year Expenditures	Unexpended Balance at June 30, 2013
Department of Transportation										
Federal Aviation Administration										
Rehabilitate Taxiways & Taxiways	20.106	3-40-0098-23	\$ 1,849,262	\$ -	\$ 241,208	\$ -	\$ 12,695	\$ 241,208	\$ 253,903	\$ -
Rehabilitate Service Road - Phase 5	20.106	3-40-0098-24	101,339	736	27,041	-	-	-	-	27,777
Upgrade Airfield Guidance Signs RVS	20.106	3-40-0098-25	192,565	1	-	-	-	-	-	1
Rehabilitate Airport Signage - Phase 1	20.106	3-40-0098-26	1,621,690	-	1,621,690	-	180,188	1,621,689	1,801,877	1
Noise Mitigation 2007	20.106	3-40-0099-60	7,016,319	156,785	(156,785)	-	-	-	-	-
Noise Mitigation 2008	20.106	3-40-0099-64	6,930,000	117,005	(117,005)	-	-	-	-	-
Noise Mitigation 2009	20.106	3-40-0099-70	6,930,000	572,831	-	-	3,842	73,007	76,849	499,824
Environmental Engineering	20.106	3-40-0099-74	1,096,269	38,895	-	-	-	-	-	38,895
Noise Mitigation 2010	20.106	3-40-0099-75	4,930,000	4,065,448	-	(2,000,000)	30,030	570,563	600,593	1,494,885
Electronic Airport Layout Plan	20.106	3-40-0099-76	602,067	33,447	-	-	1,760	33,440	35,200	7
Wildlife Hazard Assessment	20.106	3-40-0099-77	79,201	8,714	-	-	-	-	-	8,714
Rehabilitate Runway 18L/36R - Phase 3	20.106	3-40-0099-78	8,524,008	806,003	-	-	-	-	-	806,003
Remove Obstruction in Runway 8RPZ & Install Airfield Access Control Equipment	20.106	3-40-0099-79	342,633	89,317	-	-	4,100	77,897	81,997	11,420
Install Runway 26 MALSR	20.106	3-40-0099-81	1,329,238	75,304	-	-	1,029	19,542	20,571	55,762
Rehabilitate Runway 18L/36R & Taxiway Lima	20.106	3-40-0099-82	8,539,844	709,656	(325,793)	-	20,203	383,863	404,066	-
Rehabilitate Runway 18L/36R - Phase 5-8	20.106	3-40-0099-83	30,215,564	-	30,215,564	-	1,739,564	15,656,075	17,395,639	14,559,489
Rehabilitate Runway 18L/36R Safety Area	20.106	3-40-0099-84	825,000	-	825,000	-	15,331	137,980	153,311	687,020
			<u>\$ 81,124,999</u>	<u>\$ 6,674,142</u>	<u>\$ 32,330,920</u>	<u>\$ (2,000,000)</u>	<u>\$ 2,008,742</u>	<u>\$ 18,815,264</u>	<u>\$ 20,824,006</u>	<u>\$ 18,189,798</u>

Note: The above Schedule of Expenditures of Federal Awards does not reflect Passenger Facility Charges (“PFC”) authorized to be collected through February 2021. The above schedule does not reflect the expenditure of such PFC’s, except that the PFC’s can be used for matching purposes and therefore may be reflected as other income and matching.

Tulsa Airports Improvement Trust
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Schedule of Insurance in Force (Unaudited)
Year Ended June 30, 2013

Policy Coverage	Issuer	Limit of Liability	Self Insurance	Expiration Date	Premium
Primary coverage on bodily injury, single limit bodily injury and property damage liability.	Phoenix Aviation Managers, Inc	Up to \$75,000,000 for any one accident, or occurrence with \$25,000 deductible each loss, and \$100,000 annual aggregate deductible.	None	November 20th 2014	\$75,000
Property damage (including boilers and machinery and scheduled automotive equipment) fire and extended coverage.	Public Entity Property Insurance Program	Real and personal property damage not to exceed \$358,238,900 with \$100,000 deductible.	None	July 1st 2014	\$207,054
Automotive personal liability and property damage off-airport.	Mid-Continent Casualty Co.	Excess of \$250,000 up to \$1 million bodily injury and property damage, combined single limit, each occurrence and in the aggregate.	\$250,000	July 1st 2014	\$25,115

Tulsa Airports Improvement Trust
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Statistical Information (Unaudited)
Year Ended June 30, 2013

Schedule of Net Revenue Available for Debt Service and Debt Coverage:

Gross revenues as defined by the Bond Indenture as supplemented	
Operating revenue	\$ 31,340,150
Nonoperating revenues (1)	245,315
Airport Improvement Fund balance (2)	1,226,103
Airport Improvement Fund transfers (2)	5,216,330
PFC funds available for debt service (3)	7,252,844
CFC revenues	<u>3,102,536</u>
Total gross revenues	<u>48,383,278</u>
Gross expenses as defined by the Bond Indenture as supplemented	
Combined operating expenses	20,706,707
Capitalized expenditures classified as operating expenses in accordance with the Bond Indenture as supplemental	<u>459,127</u>
Total operating expenses	<u>21,165,834</u>
Net revenue available for debt service	<u>\$ 27,217,444</u>
Debt service (4)	17,007,581
Debt coverage	1.60

- (1) Nonoperating revenues including interest earned on invested funds, net of construction fund interest earnings and certain other nonoperating revenues and expenses, as defined by the Bond Indenture.
- (2) The Bond Indenture provides that transfers from the Airport Improvement Fund to other funds are considered as Gross Revenues for the next ensuing fiscal year.
- (3) PFC are Dedicated Revenues, which the Trustee have dedicated to pay an amount equal to 1.25 times principal and or interest on the Bonds. Therefore the PFC backed related debt service amount is multiplied by 1.25 for the amount to be included in the coverage calculation.
- (4) The Bond Indenture defines debt service as the aggregate amount required to be deposited during the year in the Bond fund to provide for the payment of interest (to the extent not capitalized) and principal on the Bonds.

Tulsa Airports Improvement Trust
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Year Ended June 30, 2013

Schedule of Funds on Deposit and Invested:

Description	Due Date	Interest Rate	Yield at Market	Par Value	Investment Cost	Market Value
Revenue Fund						
BOK Short-Term Cash Fund 1	On Demand	0.01%	0.01%	\$ 2,395,184	\$ 2,395,184	\$ 2,395,184
Total Revenue Fund					<u>2,395,184</u>	<u>2,395,184</u>
CFC Fund						
BOK Short-Term Cash Fund 1	On Demand	0.01%	0.01%	8,077,903	8,077,903	8,077,903
Total CFC Fund					<u>8,077,903</u>	<u>8,077,903</u>
Interest Accounts						
BOK Short-Term Cash Fund 1	On Demand	0.01%	0.01%	45,181	45,181	45,181
Total Interest Accounts					<u>45,181</u>	<u>45,181</u>
Special Bond Principal Account						
BOK Short-Term Cash Fund 1	On Demand	0.01%	0.01%	152,047	152,047	152,047
Total Special Bond Principal Accounts					<u>152,047</u>	<u>152,047</u>
Construction Fund						
BOK Short-Term Cash Fund 1	On Demand	0.01%	0.01%	2,242,538	2,242,538	2,242,538
Total Construction Fund					<u>2,242,538</u>	<u>2,242,538</u>
Operating Fund - Operating Reserve Account						
BOK Short-Term Cash Fund 1	On Demand	0.01%	0.01%	260,507	260,507	260,507
FHLB	44134	2.50%	1.25%	830,000	830,000	804,577
FHLB	43448	1.20%	1.25%	1,000,000	1,000,000	949,090
FHLB	43829	1.50%	1.50%	2,400,000	2,400,000	2,309,160
FHLB	44186	1.00%	1.00%	1,000,000	1,000,000	941,730
FNMA Arms #20086	45474	4.90%	4.77%	3,589	3,589	3,735
FNMA Arms #4593	45413	4.90%	4.66%	3,729	3,982	3,936
Total Fund Operating Reserve Account					<u>5,498,078</u>	<u>5,272,735</u>
					<u>18,410,931</u>	<u>18,185,588</u>
Other Accounts						
DDA cash account and petty cash				290,514	290,514	290,514
Pooled Investments with City Treasurer				-	2,187,915	2,173,771
BOK Short-Term Cash Fund 1	On Demand	0.01%	0.01%	13,280,630	13,280,630	13,280,630
FHLB	44515	1.00%	1.01%	9,750,000	9,750,000	9,380,963
FHLB	44515	1.00%	1.01%	5,950,000	5,950,000	5,724,793
Treasury Money Fund	On Demand	0.01%	0.01%	8,261	8,261	8,261
Cash	0	0.00%	0.00%	-	96	96
Slug	0	0.00%	0.00%	690,074	690,074	690,074
Total Other Accounts					<u>32,157,490</u>	<u>31,549,101</u>
Total Funds on Deposit and Invested					<u>\$ 50,568,421</u>	<u>\$ 49,734,689</u>

Tulsa Airports Improvement Trust
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Year Ended June 30, 2013

Five Year Construction In Progress – The Airport’s total estimated cost for the years ending 2014 through 2018 (in thousands):

	<u>Total</u>	<u>Federal</u>	<u>Local</u>
Airfield	\$ 43,663	\$ 38,680	\$ 4,983
Terminal	37,500	-	37,500
Landside	31,950	-	31,950
RVS	<u>12,115</u>	<u>10,612</u>	<u>1,503</u>
Total Estimated Cost	<u>\$ 125,228</u>	<u>\$ 49,292</u>	<u>\$ 75,936</u>

Monthly Enplaned Passengers – The following table is a summary presentation of the monthly enplaned passengers for the past five years:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
January	100,386	91,651	96,050	92,817	89,453
February	96,939	90,551	79,389	92,250	87,788
March	110,121	113,874	115,220	109,688	104,728
April	114,171	110,876	102,375	105,413	107,204
May	126,304	127,395	123,957	125,879	128,047
June	133,070	133,625	132,671	126,708	126,798
July	139,217	135,447	129,703	122,962	120,444
August	120,473	115,643	112,395	111,940	110,023
September	114,709	112,275	112,904	105,425	107,496
October	125,028	125,060	122,919	116,870	121,302
November	113,907	110,524	113,251	109,080	N/A ⁽¹⁾
December	<u>113,353</u>	<u>113,134</u>	<u>111,858</u>	<u>106,173</u>	<u>N/A ⁽¹⁾</u>
Annual	<u>1,407,678</u>	<u>1,380,055</u>	<u>1,352,692</u>	<u>1,325,205</u>	<u>1,103,283</u>

⁽¹⁾ Not available

Tulsa Airports Improvement Trust
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Year Ended June 30, 2013

Average Daily Scheduled Flights:

Airline	2009		2010		2011		2012		2013	
	Daily		Daily		Daily		Daily		Daily	
	Arrivals & Departures	% of Total	Arrivals & Departures	% of Total	Arrivals & Departures	% of Total	Arrivals & Departures	% of Total	Arrivals & Departures	% of Total
American	28	21.21%	24	19.05%	26	20.63%	26	19.55%	26	20.00%
Continental	19	14.39%	19	15.08%	18	14.29%	-	0.00%	-	0.00%
Delta	19	14.39%	29	23.02%	26	20.63%	28	21.05%	24	18.46%
Northwest Airlin / Pinnacle	14	10.61%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Southwest	33	25.00%	34	26.98%	32	25.40%	34	25.56%	36	28.57%
United	19	14.39%	20	15.87%	24	19.05%	45	33.83%	44	34.92%
	<u>132</u>	100.00%	<u>126</u>	100.00%	<u>126</u>	100.00%	<u>133</u>	100.00%	<u>130</u>	100.00%

Tulsa Airports Improvement Trust
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Statistical Information (Unaudited)
Year Ended June 30, 2013

Airline Enplaned Passengers:

Airline	2009		2010		2011		2012		2013	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
American	38,121	21.70%	307,032	22.01%	293,079	21.52%	298,551	22.02%	298,318	22.66%
American Connection / Transstates	24,920	1.70%	-	N/A	-	N/A	-	N/A	-	N/A
American Connection / Chautauqua	-	N/A	3,916	0.28%	-	N/A	-	N/A	-	N/A
American Eagle	54,424	3.71%	48,810	3.50%	54,342	3.99%	59,029	4.35%	56,584	4.30%
Charters	9,154	0.62%	2,077	0.15%	-	N/A	-	N/A	-	N/A
Continental	58,868	4.02%	25,519	1.83%	21,902	1.61%	23,491	1.73%	15,950	1.21%
Continental Express	79,626	5.43%	111,811	8.02%	77,545	5.69%	91,567	6.75%	86,459	6.57%
Continental Express/Chautauqua	17,891	1.22%	8,004	0.57%	11,120	0.82%	-	N/A	-	N/A
Continental Express/Colgan	-	N/A	-	N/A	24,945	1.83%	31,698	2.34%	62	0.00%
Delta	-	N/A	-	N/A	14,642	1.08%	18,049	1.33%	39,833	3.03%
Delta Connection / ASA	89,778	6.12%	74,909	5.37%	87,012	6.39%	85,876	6.33%	79,085	6.01%
Delta Connection / Comair	8,037	0.55%	7,661	0.55%	963	0.07%	2,010	0.15%	449	0.03%
Delta Connection/Compass	-	N/A	-	N/A	5,406	0.40%	6,700	0.49%	5,289	0.40%
Delta Connection/Mesa	-	N/A	-	N/A	3,513	0.26%	837	0.06%	-	N/A
Delta Connection / SkyWest	26,168	1.78%	32,376	2.32%	31,941	2.35%	25,348	1.87%	32,019	2.43%
Delta Connection / ACA/ Express Jet	-	N/A	1,223	0.09%	-	N/A	-	N/A	-	N/A
Express Jets	9,113	0.62%	1,978	0.14%	-	N/A	-	N/A	-	N/A
Frontier	-	N/A	23,074	1.65%	-	N/A	-	N/A	-	N/A
Northwest Airlink / Pinnacle	100,643	6.86%	93,860	6.73%	64,968	4.77%	60,197	4.44%	36,710	2.79%
Southwest	494,170	30.80%	471,514	33.81%	492,804	36.19%	488,844	36.06%	482,179	36.62%
United	89,629	6.11%	69,395	4.98%	52,499	3.86%	29,870	2.20%	16,600	1.26%
United / Other	-	N/A	-	N/A	-	N/A	21,783	1.61%	6,397	0.49%
United Express / Express Jet	-	N/A	2,542	0.18%	44,539	3.27%	74,345	5.48%	97,141	7.38%
United Express / GoJet	-	N/A	-	N/A	9,556	0.70%	-	N/A	-	N/A
United Express / Mesa	-	N/A	3,086	0.22%	-	N/A	-	N/A	-	N/A
United Express / SkyWest	48,884	3.33%	72,822	5.22%	56,086	4.12%	33,930	2.50%	60,668	4.61%
United Express / Trans State	36,660	2.50%	33,050	2.37%	12,794	0.94%	417	0.03%	-	N/A
Other	-	N/A	-	N/A	2,089	0.15%	3,243	0.24%	2,911	0.22%
	<u>1466,086</u>	100.00%	<u>1,394,659</u>	100.00%	<u>1,361,745</u>	100.00%	<u>1,355,785</u>	100.00%	<u>1,316,654</u>	100.00%

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statistical Information (Unaudited)
Year Ended June 30, 2013

Airline – Air Cargo Landed Weight (in pounds):

Airline / Air Cargo Carrier	2009		2010		2011		2012		2013	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
American	431,823,500	18.79%	436,737,500	19.97%	415,182,500	18.81%	421,316,500	19.42%	416,185,500	19.76%
American Connection / Chautauqua	10,381,956	0.45%	4,459,023	0.20%	-	N/A	-	N/A	-	N/A
American Connection / Transtates	20,047,703	0.87%	-	N/A	-	N/A	-	N/A	-	N/A
American Eagle	59,867,428	2.60%	54,803,502	2.51%	61,233,173	2.77%	65,766,654	3.03%	64,931,370	3.08%
Continental	51,684,000	2.25%	36,482,600	1.67%	38,638,500	1.75%	40,095,600	1.85%	27,049,100	1.28%
Continental Express/ Chautauqua	20,287,500	0.88%	9,063,500	0.41%	12,027,500	0.54%	-	N/A	-	N/A
Continental Express / Colgan	-	N/A	-	N/A	36,022,000	1.63%	44,144,000	2.03%	124,000	0.01%
Continental Express/ ExpressJet	104,843,000	4.56%	116,278,000	5.32%	85,206,064	3.86%	70,597,560	3.25%	41,841,510	1.99%
Delta	-	N/A	-	N/A	24,340,100	1.10%	28,276,300	1.30%	59,476,900	2.82%
Delta Connection / ASA	102,603,000	4.46%	88,215,500	4.03%	112,977,000	5.12%	66,243,600	3.05%	107,091,200	5.08%
Delta Connection / Chautauqua	-	N/A	-	N/A	-	N/A	48,501	0.00%	-	N/A
Delta Connection / Comair	8,554,000	0.37%	11,606,509	0.53%	1,175,000	0.05%	3,105,100	0.14%	705,000	0.03%
Delta Connection / Compass	-	N/A	-	N/A	9,519,539	0.43%	11,072,980	0.51%	8,804,188	0.42%
Delta Connection / Express Jet	-	N/A	-	N/A	-	N/A	52,021,100	2.40%	-	N/A
Delta Connection / Mesaba	-	N/A	4,250,000	0.19%	5,945,400	0.27%	1,156,100	0.05%	-	N/A
Delta Connection / Pinnacle	116,334,000	5.06%	107,738,516	4.93%	84,190,800	3.81%	71,266,000	3.29%	46,438,800	2.20%
Delta Connection / SkyWest	28,106,000	1.22%	38,512,300	1.76%	43,976,200	1.99%	33,443,700	1.54%	42,321,500	2.01%
ExpressJets	9,154,629	0.40%	-	N/A	-	N/A	-	N/A	-	N/A
Frontier	-	N/A	29,873,204	1.37%	-	N/A	-	N/A	-	N/A
Northwest Airlin / Pinnacle	-	N/A	-	N/A	-	N/A	-	N/A	-	N/A
Southwest	774,600,000	33.70%	697,318,500	31.89%	699,250,000	31.68%	692,202,000	31.91%	683,022,000	32.42%
United	121,139,043	5.27%	106,037,315	4.85%	79,560,896	3.61%	42,417,356	1.96%	28,435,800	1.35%
United Express / Express Jet	-	N/A	4,554,941	0.21%	49,770,720	2.26%	111,775,234	5.15%	163,610,314	7.77%
United Express / GoJet	-	N/A	-	N/A	14,057,294	0.64%	32,093,000	1.48%	11,926,000	0.57%
United Express / Mesa	-	N/A	-	N/A	-	N/A	134,000	0.01%	-	N/A
United Express / SkyWest	56,120,000	2.44%	92,263,000	4.22%	72,392,000	3.28%	47,720,000	2.20%	81,521,000	3.87%
United Express / Transtates	42,038,412	1.83%	36,762,336	1.68%	14,381,562	0.65%	468,039	0.02%	-	N/A
Other Passenger	16,849,870	0.73%	6,084,084	0.28%	8,099,715	0.37%	14,191,380	0.65%	8,068,946	0.38%
Air Transport	-	N/A	-	N/A	4,694,000	0.21%	-	N/A	-	N/A
Airborne	18,431,300	0.80%	-	N/A	-	N/A	-	N/A	-	N/A
Ameriflight	-	N/A	-	N/A	11,659,944	0.53%	8,113,600	0.37%	8,384,946	0.40%
FedEx	218,091,900	9.49%	228,157,000	10.43%	229,759,390	10.41%	204,045,444	9.41%	191,285,860	9.08%
FedEx-Empire	-	N/A	-	N/A	-	N/A	7,461,986	0.34%	11,075,309	0.53%
Martinaire	6,154,000	0.27%	4,513,500	0.21%	4,760,007	0.22%	4,420,000	0.20%	4,394,500	0.21%
UPS	74,717,240	3.25%	67,848,400	3.10%	86,230,876	3.91%	89,557,280	4.13%	87,186,360	4.14%
Other Cargo	6,739,810	0.29%	5,199,878	0.24%	1,890,306	0.09%	6,210,406	0.29%	12,710,804	0.60%
	<u>2,298,568,291</u>	100.00%	<u>2,186,759,108</u>	100.00%	<u>2,206,940,486</u>	100.00%	<u>2,169,363,420</u>	100.00%	<u>2,106,590,907</u>	100.00%