

Tulsa Airports Improvement Trust

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

FINANCIAL REPORT

June 30, 2014 and 2013

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2014 and 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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.

McGladrey LLP

Kansas City, Missouri
November 12, 2014

**Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2014 and 2013**

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, 2014 and 2013.

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>2014</u>	<u>2013</u>	<u>2012</u>
Enplaned Passengers	1,345,211	1,316,654	1,355,785
Airfreight Boarded (Tons)	57,794	56,417	57,131
Airline/Aircraft Movements (TIA)	96,117	93,152	104,610
Aircraft Movements - R.L. Jones Airport	123,569	148,615	194,670

The City’s airports include Tulsa International Airport and R.L. Jones, Jr. Airport. As of June 30, 2014, 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, 2014 (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 \$289,222.
- Net position increased \$17,400 from \$271,822 at June 30, 2013 to \$289,222 at June 30, 2014.
- Total liabilities increased \$15,863 from \$165,103 at June 30, 2013 to \$180,966 at June 30, 2014.
- Cash and cash equivalents increased \$22,791 from \$28,927 at June 30, 2013, to \$51,718 at June 30, 2014.

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
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Management's Discussion and Analysis
June 30, 2014 and 2013

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>2014</u>	<u>2013</u>	<u>2012</u>
Assets			
Current and other assets	\$ 79,194	\$ 64,986	\$ 65,946
Capital assets, net	<u>384,278</u>	<u>364,668</u>	<u>347,685</u>
Total assets	<u>463,472</u>	<u>429,654</u>	<u>413,631</u>
Deferred outflows of resources	<u>6,716</u>	<u>7,271</u>	<u>7,887</u>
Liabilities			
Current and other liabilities	10,035	14,402	11,534
Long-term debt outstanding	<u>170,931</u>	<u>150,701</u>	<u>158,289</u>
Total liabilities	<u>180,966</u>	<u>165,103</u>	<u>169,823</u>
Net position			
Net investment in capital assets	258,359	231,118	211,795
Restricted	9,009	10,918	12,734
Unrestricted	<u>21,854</u>	<u>29,786</u>	<u>27,166</u>
Total net position	<u>\$ 289,222</u>	<u>\$ 271,822</u>	<u>\$ 251,695</u>

The largest portion (89%) and (85%) of the Trust's net position as of June 30, 2014 and 2013, 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

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 33,452	\$ 31,341	\$ 30,697
Nonoperating revenues, including capital grants	<u>29,802</u>	<u>33,173</u>	<u>24,148</u>
Total revenues	63,254	64,514	54,845
Operating expenses	35,587	34,489	34,376
Nonoperating expenses	<u>11,309</u>	<u>9,898</u>	<u>9,943</u>
Total expenses	<u>46,896</u>	<u>44,387</u>	<u>44,319</u>
Special item	<u>1,042</u>	<u>-</u>	<u>-</u>
Increase in net position	<u>\$ 17,400</u>	<u>\$ 20,127</u>	<u>\$ 10,526</u>

- For the year ended June 30, 2014 operating revenues, which consist primarily of rents and services fees, increased 6.7% due to the recognition of additional rental income owed by a cargo tenant. For the year ended June 30, 2013 operating revenues increased 2.1% due to scheduled increases in terminal rental rates.
- Nonoperating revenues decreased 10.2% in 2014 due to changes in the level of federal grants awarded, reflecting the concluding phases of the runway reconstruction project. The increase of 37.4% in 2013 was due to federal grants awarded and earned for the runway reconstruction project.
- Operating expenses, excluding depreciation, increased 5.9% for the year ended June 30, 2014 due to one time costs related to a change in employment status of airport employees from City of Tulsa employment under contract with the airport to direct employment with the Trust. Operating expenses remained flat with a minimal increase of 0.3% for the year ended June 30, 2013.
- Nonoperating expenses increased 14.3% for the year ended June 30, 2014 primarily due to the recognition of bond issuance costs related to the 2013 general airport revenue bonds and decreased 0.5% for the year ended June 30, 2013 due to a reduction in overall interest expense.

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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>2014</u>	<u>2013</u>	<u>2012</u>
Cash flows			
Provided by operating activities	\$ 10,855	\$ 12,309	\$ 9,369
Provided by non-capital and related financing activities	10	33	309
Provided by (used in) capital and related financing activities	11,097	(21,607)	(18,512)
Provided by investing activities	<u>829</u>	<u>3,549</u>	<u>443</u>
Net increase (decrease) in cash and cash equivalents	22,791	(5,716)	(8,391)
Cash and cash equivalents			
Beginning of year	<u>28,927</u>	<u>34,643</u>	<u>43,034</u>
End of year	<u>\$ 51,718</u>	<u>\$ 28,927</u>	<u>\$ 34,643</u>

Capital Assets (in thousands of dollars)

The Trust's investment in capital assets amounted to \$384,278 (net of accumulated depreciation). The Trust paid \$36,721 and \$29,146 related to the acquisition and construction of capital assets for the years ended June 30, 2014 and 2013, respectively.

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land and improvements	\$ 340,646	\$ 337,565	\$ 326,682
Easements	70,872	70,864	70,140
Buildings	215,548	215,295	212,617
Equipment	<u>31,367</u>	<u>30,317</u>	<u>29,977</u>
	658,433	654,041	639,416
Less: Accumulated depreciation	(334,175)	(321,030)	(307,949)
Construction-in-progress	<u>60,020</u>	<u>31,657</u>	<u>16,218</u>
Capital assets, net	<u>\$ 384,278</u>	<u>\$ 364,668</u>	<u>\$ 347,685</u>

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Long-Term Debt (in thousands of dollars)

At June 30, 2014, the Trust had outstanding long-term portion of general revenue bonds of \$161,421. 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, 2043.

	(in thousands of dollars)		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital lease obligation	\$ -	\$ 3,750	\$ 3,975
Revenue bonds	<u>161,421</u>	<u>138,231</u>	<u>145,929</u>
	<u>\$ 161,421</u>	<u>\$ 141,981</u>	<u>\$ 149,904</u>

The Trust's debt increased by \$19,440 in fiscal year 2014 due to the issuance of Series 2013A & B and decreased by \$7,923 in fiscal year 2013 due to scheduled payments of principal in 2013. 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 2014, 2013, and 2012 ranged from \$22.61 to \$90.43 per square foot. Signatory landing fees were \$2.79, \$2.92, and \$2.91 per 1000 lbs for 2014, 2013, and 2012, respectively. Beginning in fiscal year 2009 terminal rents are calculated according to a modified commercial compensatory methodology.

Economic Factors

Tulsa's economy grew solidly in 2013 in employment and gross product. Strong energy and manufacturing sectors perpetuated growth that began in 2011. In 2013, the Tulsa economy grew faster than the U.S. and is positioned in 2014 to grow faster than the U.S. in both employment and the production of goods and services. With its cost of doing business at 15% under the U.S. average due to low rent, energy costs and taxes, Tulsa continued in 2013 to be a prime location for industry prospects looking to relocate or expand at a steady pace. In 2014, Tulsa's gross production of goods and services should grow 2.6% to \$43.7 billion. After growing 1.7% in 2013, employment should increase to 2.2% with continued strength in construction, energy and machinery manufacturing.

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Airport activity has remained steady over the last two years. Passenger enplanements increased by 2% during FY 2014 (1,345,211) and decreased by 3% during FY 2013 (1,316,654). Airlines have added additional seats to the Tulsa market beginning in April 2013 when Southwest began daily service to Chicago Midway. Two new carriers also recently entered the market: Allegiant began service to Orlando Sanford in October 2013 and US Airways/American added twice daily service to Charlotte in July 2014. Overall capacity has remained steady with 169,374 available seats on 1,796 flights in October 2014 compared to 169,223 seats on 1,765 flights available in October 2013.

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., Room A217, Tulsa, OK 74115.

Tulsa Airports Improvement Trust
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Statements of Net Position
June 30, 2014 and 2013

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 18,940	\$ 19,419
Cash and cash equivalents - restricted	4,497	1,755
Investments - restricted	300	-
Receivables		
Trade, less allowance for doubtful accounts of \$16 for 2014 and \$20 for 2013	1,383	1,419
Intergovernmental receivable	1,784	10,738
Customer facility charges receivable	289	298
Inventory	1,427	1,332
Other current assets	568	87
Total current assets	<u>29,188</u>	<u>35,048</u>
Noncurrent assets		
Cash and cash equivalents - restricted	28,281	7,753
Investments - restricted	20,507	20,808
Passenger facility charges receivable - restricted	677	796
Accrued interest receivable - restricted	-	40
Capital assets not being depreciated	200,753	172,398
Capital assets, net of accumulated depreciation	183,525	192,270
Advance to primary government	127	127
Other	414	414
Total noncurrent assets	<u>434,284</u>	<u>394,606</u>
Total assets	<u>\$ 463,472</u>	<u>\$ 429,654</u>
Deferred Outflow of Resources		
Deferred charges on refunding	<u>\$ 6,716</u>	<u>\$ 7,271</u>

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

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,523	\$ 1,616
Accounts payable - restricted	6,136	9,379
Customer deposits - restricted	32	76
Current portion of vested compensated absences	167	611
Current portion of net pension obligation	-	25
Unearned revenue	353	302
Current portion of bonds and capital lease obligation	9,510	8,720
Accrued interest payable - restricted	821	769
Total current liabilities	<u>18,542</u>	<u>21,498</u>
Noncurrent liabilities		
Vested compensated absences	742	386
Other postemployment benefits	-	1,042
Net pension obligation	261	196
Capital lease obligation - restricted	-	3,750
Bonds payable, net - restricted	161,421	138,231
Total noncurrent liabilities	<u>162,424</u>	<u>143,605</u>
Total liabilities	<u>180,966</u>	<u>165,103</u>
Net position		
Net investment in capital assets	258,359	231,118
Restricted for		
Operations	5,680	5,273
Debt service	809	695
Capital projects	1,910	4,726
Other purposes	610	224
Total restricted net position	<u>9,009</u>	<u>10,918</u>
Unrestricted	21,854	29,786
Total net position	<u>\$ 289,222</u>	<u>\$ 271,822</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, 2014 and 2013

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Aeronautical operating revenues		
Landing fees - signatory and non-signatory		
Passenger airline landing fees	\$ 4,750	\$ 5,662
Cargo airline landing fees	847	1,005
Military joint use fees	89	-
Total landing fees	<u>5,686</u>	<u>6,667</u>
Passenger airline terminal revenue - signatory and non-signatory		
Airline terminal rentals	3,596	3,746
Baggage system rentals	2,218	2,084
Other terminal area airline fees	26	(172)
Total terminal area passenger airline fees	<u>5,840</u>	<u>5,658</u>
Total landing fees and terminal area passenger airline revenues	<u>11,526</u>	<u>12,325</u>
Other Aeronautical Revenue		
FBO revenue	707	705
Hangar, cargo space and ground rents	4,225	2,122
Fuel flowage fees	628	709
Security reimbursements	151	85
Other aeronautical revenue	304	380
Total other aeronautical revenue	<u>6,015</u>	<u>4,001</u>
Total Aeronautical Revenue	<u>17,541</u>	<u>16,326</u>
Non-Aeronautical Operating Revenue		
Terminal Revenues		
Food and beverage	650	601
Retail	540	551
Other terminal concessions and revenue (excludes rental car counter space)	676	624
Total non-aeronautical Terminal Revenue	<u>1,866</u>	<u>1,776</u>
Other Non-Aeronautical Operating Revenue		
Rental car revenues	4,661	4,399
Parking revenues	7,558	7,137
Hotel revenues	272	276
Ground rents and facilities leases (excludes aeronautical & car rental)	385	369
Other non-aeronautical revenue	161	79
Total Other Non-Aeronautical Operating Revenues	<u>13,037</u>	<u>12,260</u>
Total Non-Aeronautical Operating Revenue	<u>14,903</u>	<u>14,036</u>
Revenue from R. L. Jones, Jr. Airport	<u>1,008</u>	<u>979</u>
Total operating revenues	<u>33,452</u>	<u>31,341</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, 2014 and 2013

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Operating expenses		
Personnel compensation and benefits	\$ 9,610	\$ 9,052
Service contracts	8,577	8,332
Materials, equipment & supplies	1,101	1,211
Utilities & communications	1,740	1,545
Insurance, claims & settlements	301	237
Other	594	330
Total Operating Expenses, Excluding Depreciation	<u>21,923</u>	<u>20,707</u>
Net Operating Income (Loss) Before Depreciation	11,529	10,634
Depreciation	<u>13,664</u>	<u>13,782</u>
Net Operating (Loss)	<u>(2,135)</u>	<u>(3,148)</u>
Nonoperating revenues (expenses)		
Investment income	382	260
Net (decrease) increase in the fair value of investments	406	(847)
Interest expense	(9,682)	(9,045)
Amortization of bond discount/premium and deferred charges on refunding	(660)	(635)
Bond issuance costs	(967)	(218)
Passenger facility charges	5,316	5,244
Customer facility charges	3,181	3,103
Extinguishment of debt	5,056	-
Noncapital federal grants	9	33
Gain on sale of capital assets	4	7
Other, net	1	-
Net nonoperating revenues (expenses)	<u>3,046</u>	<u>(2,098)</u>
Capital contributions and grants		
Federal grants	13,344	18,782
State grants	348	2,757
Capital reimbursement agreements	1,745	3,834
Other contributions	10	-
Total capital contributions and grants	<u>15,447</u>	<u>25,373</u>
Increase in net position before special item	16,358	20,127
Special item	<u>1,042</u>	<u>-</u>
Increase in net position	17,400	20,127
Net position, beginning of year	<u>271,822</u>	<u>251,695</u>
Net position, end of year	<u>\$ 289,222</u>	<u>\$ 271,822</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, 2014 and 2013

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Cash received from customers, including cash deposits	\$ 33,539	\$ 31,687
Cash payments to suppliers for goods and services	(13,495)	(10,367)
Cash payments to employees for services	(9,189)	(9,011)
Net cash provided by operating activities	<u>10,855</u>	<u>12,309</u>
Cash flows from non-capital and related financing activities		
Proceeds from non-capital grants, donations and reimbursements	<u>10</u>	<u>33</u>
Net cash provided by non-capital and related financing activities	<u>10</u>	<u>33</u>
Cash flows from capital and related financing activities		
Construction and purchase of capital assets	(36,721)	(29,146)
Interest paid on revenue bonds	(10,958)	(9,073)
Passenger facility charges received	5,435	5,063
Customer facility charges received	3,190	3,086
Proceeds from tenant for debt defeasance	5,877	-
Proceeds from sale of revenue bonds	41,030	780
Principal paid on revenue bonds	(16,648)	(8,170)
Principal paid on capital lease	(3,750)	(215)
Bond issue costs	(967)	(218)
Proceeds from sale of capital assets	208	37
Proceeds from state capital grants	2,141	753
Proceeds from federal capital grants	18,971	13,659
Payments from federal government	3,279	1,837
Other contributions	<u>10</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>11,097</u>	<u>(21,607)</u>
Cash flows from investing activities		
Purchase of investments	(300)	(39,210)
Proceeds from sale of investments	693	42,462
Interest received on investments	<u>436</u>	<u>297</u>
Net cash provided by investing activities	<u>829</u>	<u>3,549</u>
Net increase (decrease) in cash and cash equivalents	22,791	(5,716)
Cash and cash equivalents		
Beginning of year	<u>28,927</u>	<u>34,643</u>
End of year	<u>\$ 51,718</u>	<u>\$ 28,927</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, 2014 and 2013

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current unrestricted cash and cash equivalents	\$ 18,940	\$ 19,419
Current restricted cash and cash equivalents	4,497	1,755
Noncurrent restricted cash and cash equivalents	<u>28,281</u>	<u>7,753</u>
Total cash and cash equivalents	<u>\$ 51,718</u>	<u>\$ 28,927</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (2,135)	\$ (3,148)
Adjustments to reconcile operating activities to net cash		
Depreciation	13,664	13,782
Decrease in accounts receivable, trade	36	338
Increase in inventory	(95)	(40)
Decrease (increase) in other current assets	(481)	133
Increase (decrease) in unearned revenue	51	9
Increase in accounts payable and accrued liabilities	<u>(185)</u>	<u>1,235</u>
Net cash provided by operating activities	<u>\$ 10,855</u>	<u>\$ 12,309</u>
Noncash capital and investing activities:		
Capital asset acquisitions included in accounts payable	<u>\$ 6,136</u>	<u>\$ 9,379</u>
(Appreciation) depreciation of fair value of investments	<u>\$ (392)</u>	<u>\$ 822</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 (in thousands of dollars)
June 30, 2014 and 2013

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).

Effective January 1, 2014, the City of Tulsa and the Tulsa Airports Improvement Trust entered into an Amended and Restated Lease Agreement for the land encompassing Tulsa International Airport and R.L. Jones Jr. Airport. Throughout 2013, airport management and staff collaborated diligently with the City to accomplish this task through which many organizational and structural changes were accomplished and continue to be made. The new lease and its associated Services Agreement has facilitated business changes and will enable the Airports to function more efficiently as a real-time, fast paced, business-oriented, regional transportation center, and enhance the ability to structure and streamline administrative tasks to effectuate cost savings. Significant improvements have been made to our business model and structure. These efforts were made to facilitate a comprehensive consolidation of core business functions and to take advantages of efficiencies created by these consolidations. The Airport continues to focus on streamlining its business functions.

The accompanying financial statements include the accounts and activity of the Trust and the TAA. All amounts in the notes to the financial statements, unless otherwise indicated, are expressed in thousands of dollars.

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.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

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

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.

CASH AND CASH EQUIVALENTS – 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 as of June 30, 2013 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 an increase in the fair value of investments of approximately \$406 for the year ended June 30, 2014 and a decrease in the fair value of investments of approximately \$847 for the year ended June 30, 2013.

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 2014 or 2013.

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

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

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 amortization expense over the life of the old or new debt, whichever is shorter.

VESTED COMPENSATED ABSENCES - Vacation leave is granted to all regular and part-time employees. The annual amount of vacation time accrued varies from 14 to 26 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 recognized since it has not yet been earned. Unearned revenue primarily consists of rental payments received in advance.

PENSION BENEFITS - Pension 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, are taken after the employees' services have ended. Nevertheless, both types of benefits constitute compensation for employee services. The Trust accounts for annual pension 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. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed to be material. 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, 2014 and 2013, totaled \$2,574 and \$4,153, respectively, for the Trust.

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. Net investment in capital assets, excludes unspent bond proceeds of \$44,432 and \$19,259 as of June 30, 2014 and 2013, respectively. The Trust uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

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

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 Restated 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.

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.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

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

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, 2014, the Trust has submitted a total of nine applications. Under the approved open applications the Trust is authorized to collect \$171,334 of PFC revenue until April 1, 2033.

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.

RECLASSIFICATIONS – Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on Changes in Net Position.

2. **CASH AND INVESTMENTS**

POOLED CASH AND INVESTMENTS - As of June 30, 2014, the Trust no longer participates in the City's pooled cash and investments account, and therefore, the City's investment policies have not been disclosed. As of June 30, 2013, the Trust maintained 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, 2014 and 2013, the pooled cash and investments, which are reflected on the Trust's statement of net position within cash and cash equivalents, amounted to none and \$2,174, respectively. The pooled cash and investments balance at June 30, 2013, 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.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

2. **CASH AND INVESTMENTS, continued**

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, 2014 and 2013 there were no amounts uninsured or with insufficient collateral pledged to meet the requirement.

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, 2014 and 2013 are as follows:

(in thousands of dollars)

Type	Fair Value	June 30, 2014 Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. agency and instrumentality obligations	\$ 20,507	\$ -	\$ -	\$ 20,507	\$ -
Money market mutual funds	51,523	51,523	-	-	-
	<u>\$ 72,030</u>	<u>\$ 51,523</u>	<u>\$ -</u>	<u>\$ 20,507</u>	<u>\$ -</u>

The Trust's current restricted investment of \$300 as of June 30, 2014 consists of a certificate of deposit not subject to interest rate risk.

(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>

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 – The weighted average maturity of the City's pooled investment portfolio as of June 30, 2013 was 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 (in thousands of dollars), continued
June 30, 2014 and 2013

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.

Pooled investments –As of June 30, 2013, 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, 2014 and 2013, 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.

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 –As of June 30, 2013, 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 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, 2014 and 2013 are insured or registered or securities held by the Trust or by its agent in the Trust's name.

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.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

2. **CASH AND INVESTMENTS, continued**

Non-pooled investments – At June 30, 2014 and 2013, the Trust’s investment in Federal Home Loan Bank (“FHLB”) constituted 28% and 43%, 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, 2014 and 2013 is as follows:

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Pooled cash and investments	\$ -	\$ 2,174
Non-pooled cash and deposits	195	291
Non-pooled investments	<u>72,330</u>	<u>47,270</u>
	<u>\$ 72,525</u>	<u>\$ 49,735</u>
Current cash and cash equivalents	\$ 18,940	\$ 19,419
Current restricted cash and cash equivalents	4,497	1,755
Current restricted investments	300	-
Noncurrent restricted cash and cash equivalents	28,281	7,753
Noncurrent restricted investments	<u>20,507</u>	<u>20,808</u>
	<u>\$ 72,525</u>	<u>\$ 49,735</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

3. **CAPITAL ASSETS**

The changes in capital assets during 2014 and 2013 are summarized as follows:

2014: <i>(in thousands of dollars)</i>	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 69,877	\$ -	\$ (16)	\$ -	\$ 69,861
Easements	70,864	-	-	8	70,872
Construction-in-progress	31,657	33,054	(170)	(4,521)	60,020
Total capital assets not being depreciated	<u>172,398</u>	<u>33,054</u>	<u>(186)</u>	<u>(4,513)</u>	<u>200,753</u>
Capital assets being depreciated					
Land improvements	267,688	-	(49)	3,146	270,785
Buildings	215,295	-	(365)	618	215,548
Equipment	30,317	424	(123)	749	31,367
Total capital assets being depreciated	<u>513,300</u>	<u>424</u>	<u>(537)</u>	<u>4,513</u>	<u>517,700</u>
Accumulated depreciation					
Land improvements	183,738	6,171	(51)	-	189,858
Buildings	118,873	6,058	(365)	-	124,566
Equipment	18,419	1,435	(103)	-	19,751
Total accumulated depreciation	<u>321,030</u>	<u>13,664</u>	<u>(519)</u>	<u>-</u>	<u>334,175</u>
Total capital assets being depreciated, net	<u>192,270</u>	<u>(13,240)</u>	<u>(18)</u>	<u>4,513</u>	<u>183,525</u>
Capital assets, net	<u>\$ 364,668</u>	<u>\$ 19,814</u>	<u>\$ (204)</u>	<u>\$ -</u>	<u>\$ 384,278</u>
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>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

4. **REVENUE BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES**

The changes in revenue bonds payable and other long-term liabilities during 2014 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%	8,205	-	(1,485)	6,720	1,560
Series 2004B, 2017	2,200	4.95%	800	-	(200)	600	200
Series 2009A, 2024	42,705	3.0 - 5.375%	32,915	-	(2,370)	30,545	2,465
Series 2009B, 2031	25,865	3.0 - 5.75%	22,840	-	(1,195)	21,645	1,195
Series 2009C, 2023	4,020	3.00 - 6.00%	3,865	-	(80)	3,785	85
Series 2009D, 2031	56,615	2.726 - 7.114%	50,915	-	(855)	50,060	1,040
Series 2010A, 2021	5,770	4.57 - 5.00%	4,965	-	(545)	4,420	560
Series 2010B, 2021	8,215	6.00 - 6.50%	6,415	-	(685)	5,730	690
Series 2010C, 2025	13,520	4.00 - 5.25%	10,270	-	(1,080)	9,190	1,485
Series 2012A, 2016	14,625	1.92%	132	3,716	(2,131)	1,717	-
Series 2012B, 2015	2,000	2.75%	648	374	(1,022)	-	-
Series 2013A, 2043	33,665	5.00 - 5.625%	-	33,665	-	33,665	-
Series 2013B, 2024	3,275	1.389 - 5.087%	-	3,275	-	3,275	230
Total revenue bonds payable			<u>146,970</u>	<u>41,030</u>	<u>(16,648)</u>	<u>171,352</u>	<u>9,510</u>
Unamortized discount (premium)			<u>244</u>	<u>217</u>	<u>(40)</u>	<u>421</u>	<u>-</u>
Total revenue bonds payable, net			<u>146,726</u>	<u>40,813</u>	<u>(16,608)</u>	<u>170,931</u>	<u>9,510</u>
Other long-term liabilities							
Capital lease			3,975	-	(3,975)	-	-
Other postemployment benefits			1,042	-	(1,042)	-	-
Vested compensated absences			997	437	(525)	909	167
Net pension obligation			221	40	-	261	-
Total other long-term liabilities			<u>6,235</u>	<u>477</u>	<u>(5,542)</u>	<u>1,170</u>	<u>167</u>
Total long-term liabilities			<u>\$ 152,961</u>	<u>\$ 41,290</u>	<u>\$ (22,150)</u>	<u>\$ 172,101</u>	<u>\$ 9,677</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

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

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 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

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 (in thousands of dollars), continued
June 30, 2014 and 2013

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

REVENUES PLEDGED - The Trust has pledged future net revenues derived from the operation of the airports to repay approximately \$241,275 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 2043. 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 \$280,590. Principal and interest paid for the year was \$20,992. Net revenues available for debt services in FY 2014 were \$29,688.

ECONOMIC GAIN/LOSS ON REFUNDING – General Revenue Bonds, Refunding Series 2013B – On December 4, 2013, the Trust issued the Series 2013B Revenue Bonds in the amount of \$3,275. The proceeds of this issue were used to complete a current refunding of the Trust’s capital lease obligation. This transaction will reduce debt service payments by approximately \$888 over the next 10 years and result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$91. This refunding resulted in a deferred accounting gain of \$65 which will be amortized over the life of the new bonds.

On September 30, 2003, the Trust entered into a \$6,935 capital lease obligation to finance the purchase of certain energy efficient equipment and services, canopies in certain parking areas and computer equipment. During the year ending June 30, 2014, the capital lease was paid off with the proceeds of the Series 2013B revenue bonds.

DEFEASED DEBT - Series 1997B and Series 2000A Revenue Bonds – The Trust has placed the proceeds of refunding bonds and cash received from a tenant of the Trust, recorded in the current year as nonoperating revenue – extinguishment of debt, 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 and 2000A Revenue bonds are considered extinguished and had outstanding balances of \$11,125 and \$5,000, respectively, at June 30, 2014.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

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

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>
2015	\$ 9,510	\$ 9,865	\$ 19,375
2016	11,587	9,441	21,028
2017	10,875	8,997	19,872
2018	10,360	8,497	18,857
2019	8,975	7,998	16,973
2020-2024	48,975	32,534	81,509
2025-2029	33,725	19,425	53,150
2030-2034	20,620	7,436	28,056
2035-2039	8,270	3,824	12,094
2040-2043	8,455	1,221	9,676
	<u>\$ 171,352</u>	<u>\$109,238</u>	<u>\$ 280,590</u>

5. **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, 2014 and 2013, Special Facility Revenue Bonds outstanding aggregated \$10,120. 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.

6. **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.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

6. **MUNICIPAL EMPLOYEES' PENSION FUND, continued**

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 \$665, \$672 and \$720 for the years ended June 30, 2014, 2013, and 2012, respectively. The Trust's actual contributions to the plan were \$659, \$840 and \$700, respectively, which equalled 99%, 125% and 97% of the annual required contributions for each year.

The Plan is reported as a Pension Trust Fund in the City's 2014 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.

7. **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.

Minimum future rentals under non-cancellable operating leases as of June 30, 2014, are as follows:

(In thousands of dollars)

2015	\$	12,171
2016		11,870
2017		8,246
2018		5,558
2019		3,699
2020 - 2024		14,494
2025 - 2029		8,541
2030 - 2034		5,989
2035 - 2039		2,720
2040 - 2044		1,197
2045 - 2049		552
2050 - 2054		316
2055 - 2059		316
2060 - 2064		179
	\$	<u>75,848</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

8. RISK MANAGEMENT

Insurance coverage for property, liability and auto were not reduced as a result of the transition of airport employees to the Tulsa Airports Improvement Trust from the City of Tulsa. In October of 2014 in preparation for the transition, the Trust purchased its own workers compensation insurance on the open market, assuming a portion of the risk through a deductible program. The Trust was covered by the City's workers compensation plan until the transition date of January 1, 2014.

After the transition, employees of the Trust participated in the City's health and dental insurance plans through the end of fiscal year 2014. Beginning July 1, 2014, the Trust negotiated separate arrangements with the City's health, dental and other insurance providers which expire at the end of fiscal year 2015.

There have been no significant reductions in insurance coverage for insured programs. The Trust is currently working on final settlements for the remaining open claims from participation in the City's workers compensation program. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

For the year ending June 30, 2013, the Trust participated in the City's insurance programs through payment for services and assumed no liability. 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 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.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

9. **COMMITMENTS AND CONTINGENCIES**

As of June 30, 2014, the Trust had open commitments for construction projects of approximately \$21,355.

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.

The Tulsa Industrial Authority and BOKF, NA dba Bank of Oklahoma (BOK) originally filed suit against Tulsa Airports Improvement Trust (TAIT) in the District Court of Tulsa County, Oklahoma 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 \$30,000 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. Great Plains ultimately defaulted, but after investigations by the OIG and FAA into the appropriateness of the transaction, TAIT declined to purchase the property 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 and state law. The original case was settled in 2008 after BOK joined the City of Tulsa as a defendant and the City agreed to pay \$7,100 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 new Petition against TAIT in the District Court of Tulsa County, Oklahoma. The current lawsuit seeks more than \$15,000 in principal, interest and fees from TAIT. A trial date has currently been set for June 2015. TAIT continues to vigorously defend this matter.

10. **RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2014 and 2013, the Trust conducted the following transactions with related parties.

(In thousands of dollars)	<u>2014</u>	<u>2013</u>
Payments to City of Tulsa - General Fund for support services	<u>\$ 915</u>	<u>\$ 1,219</u>
Payments to City of Tulsa - General Fund for fire services	<u>\$ 1,957</u>	<u>\$ 1,698</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2014 and 2013

11. **SPECIAL ITEM**

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.

As of June 30, 2014, the Trust is no longer participating in the Plan. No other post retirement benefit plan will be offered to Trust employees, therefore, the liability for the future payments should no longer be disclosed by the Trust. As of June 30, 2013, the other postemployment benefits liability recorded by the Trust was \$1,042. The reversal of this liability is recorded as a special item since it is infrequent in occurrence.

12. **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 and 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.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, issued November 2013, will be effective for the Trust beginning with its year ending June 30, 2015. This Statement eliminates a potential source of understatement of restated beginning net position and expense in a government’s first year of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. To correct this potential understatement, Statement 71 requires a state or local government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions.

**Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

Grant Title	CDFA Number	Grant Number	Amount of Grant	Unexpended Balance at June 30, 2013	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, 2014
Department of Transportation										
Federal Aviation Administration										
Rehabilitate Service Road - Phase 5	20.106	3-40-0098-24	\$ 101,339	\$ 27,777	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 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	1,642,775	1	21,085	-	400	21,085	21,485	1
Rehabilitate Runway Lighting, Wildlife Hazard Assessments	20.106	3-40-0098-27	1,487,408	-	1,487,408	-	154,233	1,388,101	1,542,334	99,307
Noise Mitigation 2009	20.106	3-40-0099-70	6,930,000	499,824	-	-	-	-	-	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	1,494,885	-	-	771	7,327	8,098	1,487,558
Electronic Airport Layout Plan	20.106	3-40-0099-76	602,067	7	-	-	-	-	-	7
Wildlife Hazard Assessment	20.106	3-40-0099-77	79,201	8,714	-	-	454	8,624	9,078	90
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	11,420	(11,420)	-	-	-	-	-
Install Runway 26 MALSR	20.106	3-40-0099-81	1,329,238	55,762	-	-	216	4,101	4,317	51,661
Rehabilitate Runway 18L/36R - Phase 5-8	20.106	3-40-0099-83	16,179,074	522,999	4,621,191	-	571,577	5,144,189	5,715,766	1
Rehabilitate Runway 18L/36R Safety Area	20.106	3-40-0099-84	825,000	687,020	-	-	53,604	482,432	536,036	204,588
Rehabilitate Runway 18L/36R	20.106	3-40-0099-85	6,500,000	-	6,500,000	-	699,657	6,296,906	6,996,563	203,094
			\$ 50,761,577	\$ 4,153,308	\$ 11,773,366	\$ -	\$ 1,480,912	\$ 13,352,765	\$ 14,833,677	\$ 2,573,909

Note: The above Schedule of Expenditures of Federal Awards does not reflect Passenger Facility Charges ("PFC") authorized to be collected through April 2033. 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
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Insurance in Force (Unaudited)
Year Ended June 30, 2014**

Policy Coverage	Issuer	Limit of Liability	Self Insurat	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	Nov-15	\$ 78,000
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	Jul-15	\$169,412
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.	None	Jul-15	\$ 31,195
Workers compensation insurance	Starr Indemnity and Liability Co.	Deductible of \$250,000 per occurrence	None	Oct-15	\$204,942

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statistical Information (Unaudited)
Year Ended June 30, 2014

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

Gross revenues as defined by the Bond Indenture as supplemented	
Operating revenue	\$ 33,450,796
Nonoperating revenues (1)	379,155
Airport Improvement Fund balance (2)	867,000
Airport Improvement Fund transfers (2)	4,682,382
Nonoperating funds available for debt service (4)	2,024,083
PFC funds available for debt service (3)	7,275,400
CFC revenues	3,181,096
Other nonoperating	26,911
Total gross revenues	<u>51,886,823</u>
Gross expenses as defined by the Bond Indenture as supplemented	
Combined operating expenses	21,922,642
Capitalized expenditures classified as operating expenses in accordance with the Bond Indenture as supplemental	276,133
Total operating expenses	<u>22,198,775</u>
Net revenues available for debt service	<u><u>\$ 29,688,048</u></u>
Debt service (5)	\$ 20,276,622
Debt coverage	1.46

- (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) Nonoperating sources of funds specifically identified for debt service related to requiring a financial system and other operating equipment.
- (5) 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
(A Component Unit of the City of Tulsa, Oklahoma)
Statistical Information (Unaudited)
Year Ended June 30, 2014

Schedule of Funds on Deposit and Invested:

DESCRIPTION	DUE DATE	INTEREST RATE	YIELD AT MARKET	PAR VALUE	INVESTMENT COST	MARKET VALUE
Revenue Funds						
Cash	On Demand	0.00%	0.00%	139,617	\$ 139,617	\$ 139,617
BOK Short-Term Cash Fund I	On Demand	0.01%	0.01%	1,557,418	1,557,418	1,557,418
Revenue Receipts Demand Deposit Account	On Demand			96,331	96,331	96,331
Parking Receipts Demand Deposit Account	On Demand			(56)	(56)	(56)
Payroll Demand Deposit Account	On Demand			943	943	943
Total Revenue Funds					<u>1,794,252</u>	<u>1,794,252</u>
Coverage Account						
BOK Short-Term Cash Fund	On Demand	0.01%	0.01%	3,251,760	3,251,760	3,251,760
Total Coverage Account					<u>3,251,760</u>	<u>3,251,760</u>
Commerce Bank						
Commerce Bank - Time Deposit	10/16/2014	0.35%	0.35%	300,000	300,000	300,000
Total Commerce Bank					<u>300,000</u>	<u>300,000</u>
Customer Facility Charge Account						
BOK Short-Term Cash Fund	On Demand	0.01%	0.01%	9,330,756	9,330,756	9,330,756
Total Customer Facility Charge Accounts					<u>9,330,756</u>	<u>9,330,756</u>
Passenger Facility Charge Revenue Fund						
Cash	On Demand	0.00%	0.00%	440	440	440
BOK Short-Term Cash Fund I	On Demand	0.01%	0.01%	270,102	270,102	270,102
PFC Demand Deposit Account	On Demand			95,301	95,301	95,301
Total Passenger Facility Charge Revenue Fund					<u>365,843</u>	<u>365,843</u>
General Operating Fund						
BOK Short-Term Cash Fund I	On Demand	0.01%	0.01%	1,607,545	1,607,545	1,607,545
Total General Operating Fund					<u>1,607,545</u>	<u>1,607,545</u>
Operating Reserve Fund						
BOK Short-Term Cash Fund	On Demand	0.01%	0.01%	288,450	288,450	288,450
FHLB	09/26/2022	1.20%	1.33%	1,000,000	1,000,000	940,600
FHLB	10/25/2022	1.20%	1.01%	830,000	830,000	821,468
FHLB	12/28/2022	1.10%	1.16%	1,000,000	1,000,000	966,760
FHLB	11/15/2021	1.00%	1.02%	2,400,000	2,400,000	2,356,632
FNMA ARMS #4593	05/01/2024	4.80%	4.60%	2,756	2,943	2,901
FNMA ARMS #20086	07/01/2024	4.90%	4.69%	2,609	2,609	2,709
Total Operating Reserve Fund					<u>5,524,002</u>	<u>5,379,519</u>
Airport Improvement Fund						
BOK Short-Term Cash Fund	On Demand	0.01%	0.01%	867,000	867,000	867,000
Total Airport Improvement Fund					<u>867,000</u>	<u>867,000</u>

(Continued)

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statistical Information (Unaudited)
Year Ended June 30, 2014

DESCRIPTION	DUE DATE	INTEREST RATE	YIELD AT MARKET	PAR VALUE	INVESTMENT COST	MARKET VALUE
Bond Principal and Interest Accounts						
BOK Short-Term Cash Fund -2004A Bonds (PFC)	On Demand	0.01%	0.01%	153,502	\$ 153,501	\$ 153,502
BOK Short-Term Cash Fund -2004B Bonds	On Demand	0.01%	0.01%	19,142	19,142	19,142
BOK Short-Term Cash Fund -2009A Bonds (PFC)	On Demand	0.01%	0.01%	333,002	333,002	333,002
BOK Short-Term Cash Fund -2009B Bonds	On Demand	0.01%	0.01%	193,279	193,279	193,279
BOK Short-Term Cash Fund -2009C Bonds	On Demand	0.01%	0.01%	24,975	24,975	24,975
BOK Short-Term Cash Fund -2009D Bonds	On Demand	0.01%	0.01%	400,871	400,871	400,871
BOK Short-Term Cash Fund -2010A Bonds	On Demand	0.01%	0.01%	62,481	62,481	62,481
BOK Short-Term Cash Fund -2010B Bonds	On Demand	0.01%	0.01%	85,921	85,921	85,921
BOK Short-Term Cash Fund -2010C Bonds	On Demand	0.01%	0.01%	157,059	157,059	157,059
BOK Short-Term Cash Fund -2012A Bonds	On Demand	0.01%	0.01%	2,640	2,640	2,640
BOK Short-Term Cash Fund -2013A Bonds (PFC)	On Demand	0.01%	0.01%	161,282	161,282	161,282
BOK Short-Term Cash Fund -2013B Bonds	On Demand	0.01%	0.01%	36,090	36,091	36,090
Total Bond Principal and Interest Accounts					1,630,244	1,630,244
Construction Interest Account						
BOK Short-Term Cash Fund 2013A Bonds	On Demand	0.01%	0.01%	2,577,816	2,577,816	2,577,816
Total Construction Interest					2,577,816	2,577,816
Construction Funds						
BOK Short-Term Cash Fund 2009A Bonds	On Demand	0.01%	0.01%	2,434,183	2,434,183	2,434,183
BOK Short-Term Cash Fund 2012A Bonds	On Demand	0.01%	0.01%	3,031	3,031	3,031
BOK Short-Term Cash Fund 2012B Bonds	On Demand	0.01%	0.01%	1	1	1
BOK Short-Term Cash Fund 2013A Bonds	On Demand	0.01%	0.01%	22,775,759	22,775,759	22,775,759
Total Construction Funds					25,212,974	25,212,974
Bond Reserve Funds						
BOK Short-Term Cash Fund I	On Demand	0.01%	0.01%	1,225,500	1,225,500	1,225,500
FHLB	11/15/2021	1.00%	1.02%	9,750,000	9,750,000	9,573,818
FHLB	11/15/2021	1.00%	1.02%	5,950,000	5,950,000	5,842,484
					16,925,500	16,641,801
Capital Projects Clearing Fund						
Grant Receipts Demand Deposit Account				990	990	990
BOK Short-Term Cash Fund I	On Demand	0.01%	0.01%	2,480,386	2,480,386	2,480,386
Total Capital Projects Clearing Fund					2,481,376	2,481,376
Other Funds						
BOK Short-Term Cash Fund (Special Projrams)	On Demand	0.01%	0.01%	472,566	472,566	472,566
BOK Short-Term Cash Fund (Noise Land Use)	On Demand	0.01%	0.01%	451,152	451,152	451,152
BOK Short-Term Cash Fund (State Grant Escrow Fund)	On Demand	0.01%	0.01%	159,009	159,009	159,009
BOK Short-Term Cash Fund (Dept of Justice)	On Demand	0.01%	0.01%	19	19	19
Pooled Cash with City of Tulsa	On Demand			25	25	25
Petty Cash	On Demand			2,000	2,000	2,000
Total Other Funds					1,084,771	1,084,771
Total Funds on Deposit and Invested					\$ 72,953,839	\$ 72,525,657

Tulsa Airports Improvement Trust
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Statistical Information (Unaudited)
Year Ended June 30, 2014

Five Year Construction In Progress – The Airport’s total estimated cost for the years ending 2015 through 2019 (in thousands):

	<u>Total</u>	<u>Federal</u>	<u>Local</u>
Airfield	\$ 15,500	\$ -	\$ 15,500
Terminal	64,841	58,209	6,632
Landside	33,250	-	33,250
RVS	13,870	12,746	1,124
Total Estimated Cost	<u>\$ 127,461</u>	<u>\$ 70,955</u>	<u>\$ 56,506</u>

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
January	91,651	96,050	92,817	89,453	91,831
February	90,551	79,389	92,250	87,788	89,129
March	113,874	115,220	109,688	104,728	113,445
April	110,876	102,375	105,413	107,204	110,202
May	127,395	123,957	125,879	128,047	128,276
June	133,625	132,671	126,708	126,798	130,251
July	135,447	129,703	123,024	120,444	136,283
August	115,643	112,395	111,940	110,023	113,087
September	112,275	112,904	105,550	107,658	112,832
October	125,060	122,919	116,870	121,302	N/A(1)
November	110,524	113,251	109,080	110,513	N/A(1)
December	113,134	111,858	106,173	111,964	N/A(1)
Annual	<u>1,380,055</u>	<u>1,352,692</u>	<u>1,325,392</u>	<u>1,325,922</u>	<u>1,025,336</u>

(1) Not available

Tulsa Airports Improvement Trust
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Average Daily Scheduled Flights:

Airline	2010		2011		2012		2013		2014	
	Daily Arrivals & Departures	% of Total	Daily Arrivals & Departures	% of Total	Daily Arrivals & Departures	% of Total	Daily Arrivals & Departures	% of Total	Daily Arrivals & Departures	% of Total
American	24	19.05%	26	20.63%	26	19.55%	26	20.00%	26	20.63%
Continental	19	15.08%	18	14.29%	-	0.00%	-	0.00%	-	0.00%
Delta	29	23.02%	26	20.63%	28	21.05%	24	18.46%	22	17.46%
Northwest Airlink / Pinnacle	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Southwest	34	26.98%	32	25.40%	34	25.56%	36	28.57%	34	26.98%
United	20	15.87%	24	19.05%	45	33.83%	44	34.92%	44	34.92%
	<u>126</u>	<u>100.00%</u>	<u>126</u>	<u>100.00%</u>	<u>133</u>	<u>100.00%</u>	<u>130</u>	<u>100.00%</u>	<u>126</u>	<u>100.00%</u>

Tulsa Airports Improvement Trust (A Component Unit of the City of Tulsa, Oklahoma) Statistical Information (Unaudited) Year Ended June 30, 2014

Airline Enplaned Passengers:

Airline	2010		2011		2012		2013		2014	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
American	307,032	22.01%	293,079	21.52%	298,551	22.02%	298,318	22.66%	302,713	22.50%
American Connection / Transstates	-	N/A	-	N/A	-	N/A	-	N/A	57,765	4.29%
American Connection / Chautauqua	3,916	0.28%	-	N/A	-	N/A	-	N/A	-	N/A
American Eagle	48,810	3.50%	54,342	3.99%	59,029	4.35%	56,584	4.30%	-	N/A
Charters	2,077	0.15%	-	N/A	-	N/A	-	N/A	-	N/A
Continental	25,519	1.83%	21,902	1.61%	23,491	1.73%	15,950	1.21%	-	N/A
Continental Express	111,811	8.02%	77,545	5.69%	91,567	6.75%	86,459	6.57%	-	N/A
Continental Express/Chautauqua	8,004	0.57%	11,120	0.82%	-	N/A	-	N/A	-	N/A
Continental Express/Colgan	-	N/A	24,945	1.83%	-	N/A	-	N/A	-	N/A
Delta	-	N/A	14,642	1.08%	18,049	1.33%	39,833	3.03%	54,002	4.01%
Delta Connection / ASA	74,909	5.37%	87,012	6.39%	85,876	6.33%	79,085	6.01%	85,536	6.36%
Delta Connection / Comair	7,661	0.55%	963	0.07%	2,010	0.15%	449	0.03%	-	N/A
Delta Connection/Compass	-	N/A	5,406	0.40%	6,700	0.49%	5,289	0.40%	31	0.00%
Delta Connection/Mesaba	-	N/A	3,513	0.26%	837	0.06%	-	N/A	-	N/A
Delta Connection / SkyWest	32,376	2.32%	31,941	2.35%	25,348	1.87%	32,019	2.43%	26,435	1.97%
Delta Connection / ACA/ ExpressJet	1,223	0.09%	-	N/A	-	N/A	-	N/A	-	N/A
ExpressJets	1,978	0.14%	-	N/A	-	N/A	-	N/A	-	N/A
Frontier	23,074	1.65%	-	N/A	-	N/A	-	N/A	138	0.01%
Northwest Airlink / Pinnacle	93,860	6.73%	64,968	4.77%	60,197	4.44%	36,710	2.79%	18,494	1.37%
Southwest	471,514	33.81%	492,804	36.19%	488,844	36.06%	482,179	36.62%	509,152	37.85%
United	69,395	4.98%	52,499	3.86%	29,870	2.20%	16,600	1.26%	16,923	1.26%
United / Other	-	N/A	-	N/A	21,783	1.61%	6,397	0.49%	22,968	1.71%
United Express / Express Jet	2,542	0.18%	44,539	3.27%	74,345	5.48%	97,141	7.38%	187,785	13.96%
United Express / GoJet	-	N/A	9,556	0.70%	-	N/A	-	N/A	-	N/A
United Express / Mesa	3,086	0.22%	-	N/A	-	N/A	-	N/A	-	N/A
United Express / SkyWest	72,822	5.22%	56,086	4.12%	33,930	2.50%	60,668	4.61%	44,539	3.31%
United Express / Trans State	33,050	2.37%	12,794	0.94%	417	0.03%	-	N/A	5,482	0.41%
Other	-	N/A	2,089	0.15%	3,243	0.24%	2,911	0.22%	13,248	0.98%
	<u>1,394,659</u>	<u>100.00%</u>	<u>1,361,745</u>	<u>100.00%</u>	<u>1,355,785</u>	<u>100.00%</u>	<u>1,316,654</u>	<u>100.00%</u>	<u>1,345,211</u>	<u>100.00%</u>

Tulsa Airports Improvement Trust (A Component Unit of the City of Tulsa, Oklahoma) Statistical Information (Unaudited) Year Ended June 30, 2014

Airline – Air Cargo Landed Weight (in pounds):

Airline / Air Cargo Carrier	2010		2011		2012		2013		2014	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
American	436,737,500	19.97%	415,182,500	18.81%	421,316,500	19.42%	416,185,500	19.76%	411,061,400	19.75%
American Connection / Chautauqua	4,459,023	0.20%	-	N/A	-	N/A	-	N/A	-	N/A
American Connection / Transstates	-	N/A	-	N/A	-	N/A	-	N/A	-	N/A
American Eagle	54,803,502	2.51%	61,233,173	2.77%	65,766,654	3.03%	64,931,370	3.08%	64,507,090	3.10%
Continental	36,482,600	1.67%	38,638,500	1.75%	40,095,600	1.85%	27,049,100	1.28%	-	N/A
Continental Express/ Chautauqua	9,063,500	0.41%	12,027,500	0.54%	-	N/A	-	N/A	-	N/A
Continental Express/ Colgan	-	N/A	36,022,000	1.63%	44,144,000	2.03%	124,000	0.01%	-	N/A
Continental Express/ ExpressJet	116,278,000	5.32%	88,206,064	3.86%	70,597,560	3.25%	41,841,510	1.99%	-	N/A
Delta	-	N/A	24,340,100	1.10%	28,276,300	1.30%	59,476,900	2.82%	73,986,000	3.55%
Delta Connection / ASA	88,215,500	4.03%	112,977,000	5.12%	66,243,600	3.05%	107,091,200	5.08%	-	N/A
Delta Connection / Chautauqua	-	N/A	-	N/A	48,501	0.00%	-	N/A	-	N/A
Delta Connection / Comair	11,606,509	0.53%	1,175,000	0.05%	3,105,100	0.14%	705,000	0.03%	-	N/A
Delta Connection / Compass	-	N/A	9,519,539	0.43%	11,072,980	0.51%	8,804,188	0.42%	75,177	0.00%
Delta Connection / Express Jet	-	N/A	-	N/A	52,021,100	2.40%	-	N/A	113,907,700	5.47
Delta Connection / Mesaba	4,250,000	0.19%	5,945,400	0.27%	1,156,100	0.05%	-	N/A	-	N/A
Delta Connection / Pinnacle	107,738,516	4.93%	84,190,800	3.81%	71,266,000	3.29%	46,438,800	2.20%	22,292,400	1.07%
Delta Connection / SkyWest	38,512,300	1.76%	43,976,200	1.99%	33,443,700	1.54%	42,321,500	2.01%	34,772,000	1.67%
ExpressJets	-	N/A	-	N/A	-	N/A	-	N/A	268,964	0.01
Frontier	29,873,204	1.37%	-	N/A	-	N/A	-	N/A	-	N/A
Northwest Airlink / Pinnacle	-	N/A	-	N/A	-	N/A	-	N/A	-	N/A
Southwest	697,318,500	31.89%	699,250,000	31.68%	692,202,000	31.91%	683,022,000	32.42%	714,524,000	34.33%
United	106,037,315	4.85%	79,560,896	3.61%	42,417,356	1.96%	28,435,800	1.35%	25,567,800	1.23%
United Express / Express Jet	4,554,941	0.21%	49,770,720	2.26%	111,775,234	5.15%	163,610,314	7.77%	206,221,236	9.91%
United Express / Golet	-	N/A	14,057,294	0.64%	32,093,000	1.48%	11,926,000	0.57%	31,557,000	1.52%
United Express / Mesa	-	N/A	-	N/A	134,000	0.01%	-	N/A	-	N/A
United Express / SkyWest	92,263,000	4.22%	72,392,000	3.28%	47,720,000	2.20%	81,521,000	3.87%	56,043,000	2.69%
United Express / Transstates	36,762,336	1.68%	14,381,562	0.65%	468,039	0.02%	-	N/A	6,041,958	0.29
Other Passenger	6,084,084	0.28%	8,099,715	0.37%	14,191,380	0.65%	8,068,946	0.38%	16,760,830	0.81%
Air Transport	-	N/A	4,694,000	0.21%	-	N/A	-	N/A	-	N/A
Airborne	-	N/A	-	N/A	-	N/A	-	N/A	-	N/A
Ameriflight	-	N/A	11,659,944	0.53%	8,113,600	0.37%	8,384,946	0.40%	7,846,894	0.38%
FedEx	228,157,000	10.43%	229,759,390	10.41%	204,045,444	9.41%	191,285,860	9.08%	184,018,256	8.78%
FedEx-Empire	-	N/A	-	N/A	7,461,986	0.34%	11,075,309	0.53%	11,357,717	0.55%
Martinaire	4,513,500	0.21%	4,760,007	0.22%	4,420,000	0.20%	4,394,500	0.21%	4,386,000	0.21%
UPS	67,848,400	3.10%	86,230,876	3.91%	89,571,280	4.13%	87,186,360	4.14%	86,183,600	4.14%
Other Cargo	5,199,878	0.24%	1,890,306	0.09%	6,210,406	0.29%	12,710,804	0.60%	9,803,055	0.47%
	2,186,759,108	100.00%	2,206,940,486	100.00%	2,169,363,420	100.00%	2,106,590,907	100.00%	2,081,182,077	100.00%

