

Tulsa Airports Improvement Trust

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

FINANCIAL REPORT

June 30, 2020 and 2019

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2020 and 2019

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Tulsa Airports Improvement Trust

Report on the Financial Statements

We have audited the accompanying financial statements of the Tulsa Airports Improvement Trust (TAIT), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise TAIT'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TAIT, as of June 30, 2020 and 2019, 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 and pension information, as listed in the table of contents, 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The detailed schedules of operating revenue information, 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. The schedule 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 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.

RSM US LLP

Kansas City, Missouri
December 3, 2020

**Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2020 and 2019**

As management of the Tulsa Airports Improvement Trust (“TAIT”), we offer readers of TAIT’s financial statements this narrative overview and analysis of the financial activities of TAIT for the fiscal years ended June 30, 2020 and 2019.

Following Management’s Discussion and Analysis are the financial statements of TAIT 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 TAIT’s financial statements.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Enplaned Passengers	1,093,119	1,509,453	1,430,909
Airfreight (Tons)	62,546	69,789	68,541
Airline/Aircraft Movements (TUL)	79,625	93,428	101,519
Airline/Aircraft Movements (RVS)	182,532	186,282	189,910
Landed weights	1,909,743,954	2,303,599,863	2,167,744,083

Airport Activities Highlights

Tulsa Airports Improvement Trust operates Tulsa International Airport (TUL) and R.L. Jones, Jr. Airport (RVS). As of June 30, 2020 there are six airlines serving Tulsa International Airport, along with several charter carriers, and two signatory mainline freight carriers, one non-signatory mainline freight carrier and several non- mainline freight carriers.

Tulsa’s passenger activity decreased in FY20 to 1,093,119, down from the 1,509,453 in FY19. For FY20, Southwest Airlines enplaned the largest share of passengers at Tulsa International Airport with 32% of enplanements, followed by American Airlines (mainline and regional affiliates) with 31%. The market share of mainline carriers decreased to 64.8% in FY20 from 65.2% in FY19, while the market share of regional affiliates increased to 35.2% in FY20 from 34.8% in FY19.

Year-over-year seat capacity at TUL decreased 17.0% for FY21 due to the COVID-19 pandemic. Airline capacity reductions began in April 2020, and continued through June 2020. United Airlines had the largest decrease in capacity, with a 23.1% decrease in seats for FY21. Delta decreased capacity by 21.8%, while Southwest and American removed 13.2% and 9.6% of their capacity, respectively. Ultra-low-cost carrier Frontier Airlines decreased their TUL capacity by 78.8%, as they temporarily exited the TUL market entirely, eventually returning with nonstop service to Denver (DEN). Allegiant Airlines capacity was slightly down 1.8%. In total for FY21, nearly 345,000 seats on 2,900 flights were removed due to the pandemic. New nonstop routes from Southwest Airlines to Baltimore and Allegiant Air to San Diego were also postponed due to COVID-19. Despite these headwinds, Allegiant Air launched new nonstop service to Nashville in June 2020, and American Airlines announced new daily nonstop service to Phoenix beginning in November 2020. Allegiant also expanded seasonality from Tulsa to Destin/Ft. Walton Beach and Las Vegas in summer 2020.

Tulsa Airports Improvement Trust

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

Management's Discussion and Analysis

June 30, 2020 and 2019

Financial Position Summary as of June 30, 2020 (in thousands of dollars)

- The assets and deferred outflows of resources of TAIT exceeded liabilities and deferred inflows of resources at the close of the most recent year by \$289,653.
- Net position increased \$9,796 from \$279,857 at June 30, 2019 to \$289,653 at June 30, 2020.
- Total liabilities decreased \$11,453 from \$199,221 at June 30, 2019 to \$187,768 at June 30, 2020.
- Cash and cash equivalents decreased \$315 from \$29,792 at June 30, 2019 to \$29,477 at June 30, 2020.

Overview of the Financial Statements

The Trust is reported by the City of Tulsa, Oklahoma (the City) as a discretely presented component unit in the City's Comprehensive Annual Financial Report. The primary function of TAIT 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 TAIT'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.

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 TAIT'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 TAIT is improving or deteriorating. All of TAIT'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.

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June 30, 2020 and 2019

Summary of Net Position

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Current and other assets	\$ 62,188	\$ 68,112	\$ 50,801
Capital assets, net	406,275	400,047	400,716
Total assets	<u>468,463</u>	<u>468,159</u>	<u>451,517</u>
Deferred outflows of resources	<u>9,263</u>	11,589	11,847
Liabilities			
Current and other liabilities	13,340	15,545	17,903
Long-term debt outstanding	174,428	183,676	168,937
Total liabilities	<u>187,768</u>	<u>199,221</u>	<u>186,840</u>
Deferred inflows of resources	<u>305</u>	670	809
Net position			
Net investment in capital assets	268,830	260,554	252,981
Restricted	10,185	11,545	11,434
Unrestricted	10,638	7,758	11,300
Total net position	<u>\$ 289,653</u>	<u>\$ 279,857</u>	<u>\$ 275,715</u>

The largest portion (93%) of TAIT's net position as of June 30, 2020 and 2019, 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 TAIT'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.

Summary of Changes in Net Position

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 34,605	\$ 34,520	\$ 37,066
Nonoperating revenues, including capital grants	25,406	20,965	17,852
Total revenues	<u>60,011</u>	<u>55,485</u>	<u>54,918</u>
Operating expenses	41,619	42,364	40,201
Nonoperating expenses	8,596	8,979	9,524
Total expenses	<u>50,215</u>	<u>51,343</u>	<u>49,725</u>
Increase in net position	<u>\$ 9,796</u>	<u>\$ 4,142</u>	<u>\$ 5,193</u>

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- FY20 operating revenues, which consist primarily of rents and service fees, increased 0.2%. In the latter half of FY20, TAIT along with all airports and airlines were impacted by the COVID-19 pandemic. The operating revenue experienced a significant decrease due to travel restrictions and stay at home orders. TAIT was fortunate to be through three quarters of the fiscal year and was recognizing a 4.7% increase in actual to budgeted revenues. FY19 operating revenues decreased 6.9% due to recognizing the FY18 net revenue share agreement and FY19 net revenue share cap agreements with Signatory Airlines in FY19.
- Nonoperating revenues increased 21% in FY20 due to an increase in the level of federal grant receipts which included CARES Act funds totaling \$4.3M in grants recognized in FY20 and an increase in fair value of investments. Nonoperating revenues increased 17.4% in FY19 due to an increase in the level of federal grant receipts and an increase in fair value of investments.
- Operating expenses decreased \$745 for FY20 due to TAIT management's quick and early response to the increased financial pressure caused by the pandemic. Operating expenses increased \$2,163 for FY19 due to increased personnel compensation as well as increased depreciation expense as capital projects were completed and closed.
- Nonoperating expenses decreased for FY20 by 4.3% from FY19 primarily due to a reduction in interest expense, amortization of bond expenses, and bond issuance costs. FY19 nonoperating expenses decreased by 5.7% due to a reduction in bond issuance costs.

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 cash and highly liquid investments with an original maturity of three months or less.

<i>(in thousands of dollars)</i>	2020	2019	2018
Cash flows			
Provided by operating activities	\$ 9,794	\$ 13,233	\$ 13,435
Provided by non-capital and related financing activities	1,338	43	17
Provided by (used in) capital and related financing activities	(18,678)	2,828	(11,223)
Provided by (used in) investing activities	7,231	(6,017)	444
Net increase (decrease) in cash and cash equivalents	(315)	10,087	2,673
Cash and cash equivalents			
Beginning of year	29,792	19,705	17,032
End of year	\$ 29,477	\$ 29,792	\$ 19,705

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Capital Assets (in thousands of dollars)

The Trust's investment in capital assets amounted to \$406,275 (net of accumulated depreciation). The Trust paid \$24,486 and \$21,032 related to the acquisition and construction of capital assets for the years ended June 30, 2020 and 2019, respectively.

<i>(in thousands of dollars)</i>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 386,527	\$ 370,141	\$ 355,309
Easements	70,838	70,838	70,838
Buildings	275,914	274,538	269,805
Art	261	275	275
Equipment	26,492	25,539	22,202
	<u>760,032</u>	<u>741,331</u>	<u>718,429</u>
Less: Accumulated depreciation	361,597	(344,832)	(328,409)
Construction-in-progress	7,840	3,548	10,696
Capital assets, net	<u>\$ 406,275</u>	<u>\$ 400,047</u>	<u>\$ 400,716</u>

Long-Term Debt (in thousands of dollars)

At June 30, 2020, TAIT had outstanding long-term portion of general revenue bonds of \$158,389. The bonds are collateralized by and payable from the revenues of TAIT. The bonds mature per a set schedule with the last maturity occurring on June 1, 2048.

	<i>(in thousands of dollars)</i>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenue bonds	<u>\$ 158,389</u>	<u>\$ 168,886</u>	<u>\$ 156,422</u>

The Trust's long-term debt decreased by \$10,497 in FY20 and increased by \$12,464 in FY19. Fiscal Year 2019 increased with the issuance of the Airport Trustees General Airport Revenue Bond Series 2018A of \$19.8 million.

Signatory Airline Rates and Charges

Effective July 1, 2018 to allow completion of negotiations of a new five year Airline-Airport Use and Lease Agreements and Cargo Carrier Use and Lease Agreements in the ordinary course, the Airport Trustees and the Signatory Airlines and Signatory Cargo Airlines approved a one year amendment that extends the current Airline-Airport Use and Lease Agreements and Cargo Carrier Use and Lease Agreements to June 30, 2019. In connection with the one year extension, the rate making process was eliminated through the agreement to extend current rates and charges and placing a cap on certain signatory airline revenues paid to the Airport Trustees at the amount received over past years, or approximately \$11.5 million annually.

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TAIT entered into a new Signatory Airline Use and Lease Agreement for a term beginning July 1, 2019 and continuing until June 30, 2024, unless otherwise terminated in accordance with its terms. During the initial Term only, rates, fees and charges do not change. Pursuant to each Use and Lease Agreement, each Signatory Airline, upon the consent of the Airport, has the option to extend the term of its Agreement for two additional three year terms, or to June 30, 2030. The revenue sharing component of the Airport-Airline Use and Lease Agreement is based upon Airport liquidity thresholds ("Days of Cash", as defined under the Agreement). The first threshold is met when the Airport reaches 365 Days of Cash. When the Airport reaches this threshold, the revenue share to the Signatory Airlines will be 10% of net revenues. As the Days of Cash thresholds go up (400 days, 487 days, 609 days, 730 days) the net revenue share scales up in increments of 25%, 30%, and 40%, respectively. The maximum threshold is 730 Days of Cash and the net revenue share would be 50%. Provided the threshold for liquidity is met in any given fiscal year, the revenue share is allocated to each signatory based upon their market share at the Airport.

Signatory Airline Terminal rental rates for FY20, FY19, and FY18 ranged from \$24.22 to \$96.88 per square foot. Signatory landing fees were \$3.62 per 1000 lbs for FY20, FY19, and FY18.

Economic Factors

The City of Tulsa, located in northeastern Oklahoma, is the second largest city in the State. Tulsa is the central city of the Tulsa Metropolitan Statistical Area (the "Tulsa MSA"). The City is approximately 193 square miles in size whereas the Tulsa MSA covers approximately 5,161 square miles. The Tulsa MSA is comprised of seven counties: Okmulgee, Creek, Osage, Pawnee, Rogers, Tulsa and Wagoner counties. In 2019, the aggregate population of the Tulsa MSA was estimated to be 991,561 or 25% percent of the population of the state of Oklahoma.

Tulsa's major industries are aerospace (including aerospace manufacturing and aviation), health care, energy, machinery and electrical equipment manufacturing, transportation, distribution and logistics. Several clusters, or groups of companies within industries that buy or sell to each other in the manufacture of goods for export from the area, have disproportionately large concentrations of employment relative to the U.S. concentrations and are positioned to grow within the Tulsa MSA.

Pre-COVID 19, the five-year period ending 2019, nearly all sectors in the Tulsa economy showed positive average annual growth. The highest growth occurred in the (i) construction and (ii) leisure and hospitality sectors with 3.7% and 3.4% annual average growth, respectively. Tulsa's target sectors of mining, manufacturing, transportation, business and professional service, and health services experienced growth in during such period.

COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. Many states and local governments in the United States, including Oklahoma and the City of Tulsa, have issued "stay at home" or "shelter in place" orders, which severely restrict movement and limit businesses and activities to essential functions. Additionally, a growing number of nations have effectively closed their borders by restricting entry and exit only to essential travel.

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The COVID-19 pandemic and resulting restrictions have severely disrupted, and continue to disrupt, the economies of the United States and other countries, leading to volatility in the securities markets. Many of these markets have lost significant value and may continue to do so. Increased business failures, worker layoff, and consumer and business bankruptcies have begun and are expected to continue in the near future.

Airports in the United States have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic shutdown resulting from the COVID-19 pandemic. The pandemic has adversely affected domestic and international travel and travel-related industries. Airlines are reporting unprecedented downturns in passenger volumes and have expressed expectations for reduced levels of passenger volumes which, in turn, has resulted in airlines significantly reducing flights.

The United States government, the Federal Reserve Board and foreign governments took legislative and regulatory actions and implementing measures to mitigate the broad disruptive effects of the COVID-19 pandemic. The Coronavirus Aid, Relief, and Economic Safety Act (the "CARES Act"), approved by the United States Congress and signed by the President on March 27, 2020, is one of the legislative actions to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines.

Provisions of the CARES Act, which provide \$10 billion of assistance to airports, include the following: (i) \$3.7 billion to be allocated among all commercial service airports throughout the nation based on calendar year 2018 enplanements for all commercial service airports (according to calendar year 2018 data provided by the FAA, the Airport was the 80th busiest airport in the United States in terms of enplaned passengers), (ii) \$3.7 billion to be allocated among all commercial service airports based on a formula that includes as its factors the fiscal year 2018 debt service for a given airport as a percentage of the combined debt service for all commercial service airports, and the airport's ratio of unrestricted reserves to respective debt service, (iii) \$2 billion to be apportioned in accordance with the Airport Improvement Program entitlement formulas, subject to CARES Act formula revisions, (iv) \$500 million to pay a federal share of the costs of making grants under the Further Consolidated Appropriations Act, 2020 (Public Act 116-94), with unused amounts to be distributed to airports according to the allocations described in (i) and (ii), and (iii) \$100 million reserved for general aviation airports. With the exception of any funds allocated to TAIT under (iv) above, CARES Act funds received by TAIT are eligible to be used for any lawful purpose.

TAIT filed for and was awarded CARES Act funds totaling \$15,704,550. Tulsa International Airport (TUL) received \$15,547,550 and R.L. Jones Jr. (RVS) received \$157,000 in CARES Act funding. The airport sponsor may use these funds for any purpose for which airport revenues may be lawfully used. CARES grant recipients should follow the FAA's Policy and Procedures Concerning the Use of Airport Revenues ("Revenue Use Policy"), 64 Federal Register 7696 (64 FR 7696), as amended by 78 Federal Register 55330 (78 FR 55330). The Revenue Use Policy defines permitted uses of airport revenue. In addition to the detailed guidance in the Revenue Use Policy, the CARES Act states the funds may not be used for any purpose not related to the airport. Additionally by accepting this grant, the airport agreed to continue to employ, through December 31, 2020, at least 90 percent of the number of individuals employed by the airport as of March 27, 2020.

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As a condition of receiving Federal assistance under this award, the airport must comply with audit requirements as established under 2 CFR part 200. Subpart F requires non-Federal entities that expend \$750,000 or more in Federal awards to conduct a single or program specific audit for that year.

The Airport, similar to other airports around the nation, has seen declines in many financial and operating metrics subsequent to the outbreak of COVID-19 in the United States. Passenger enplanements and parking revenues significantly declined beginning mid-March 2020 and such decrease is currently continuing. Rental car transactions and demand for parking and ground transportation services, including, but not limited to, those provided by taxis, executive cars, Uber and Lyft, have also decreased significantly. The above described declines may accelerate as additional flight cancellations are announced and new reduced scheduled service becomes effective.

Domestic air travel throughout the nation has been severely impacted. Based on enplanements reported by the airlines at the Airport, for the month of March, enplanements declined by approximately 58.91% when compared to the same period in 2019. Airlines at the Airport are making changes to their flight schedules on a daily basis, and are evaluating their spring and summer flight schedules. TAIT anticipates the reduced level of scheduled airline service to continue and cannot predict the duration. TAIT also cannot predict if there will be a nationwide order to restrict travel within the United States, which could lead to a cessation of operations at the Airport requiring significant cost-cutting measures.

The Airport is also experiencing significant reductions in operations at concessions within the Airport. Many concessionaires have closed operations at the Airport as a result of the COVID-19 pandemic. On April 1, 2020, Oklahoma Governor Kevin Stitt issued an executive order prohibiting on premises dining or consumption at restaurants or bars until April 30, 2020, and as a result the Airport bars are closed, a number of Airport restaurants are closed and the restaurants that remain open are offering takeaway only.

TAIT has received and is receiving requests for rate relief and other forms of financial restructuring of agreements from airlines and Airport concessionaires, including rental car companies. The Airport Trustees have agreed to permit such Airport tenants to defer the payment of rent for the months of April, May and June, with payment in accordance with lease terms resuming as of July 1, 2020. Any tenant that desires to take advantage of the offered deferment of rent must sign a contract with TAIT that requires repayment of all such deferred rent, no later than December 31, 2020.

In response to the COVID-19 pandemic, TAIT is proactively implementing a number of temporary measures intended to mitigate operational and financial impacts to TAIT, including: a hiring freeze; eliminating non-business critical travel; cancelling employee attendance at industry conferences; limiting overtime and training; restricting discretionary contracts and task orders; requiring remote working for non-essential employees; and reducing capital and maintenance spending by identifying projects that could safely be delayed. Increased sanitization procedures have been implemented at the Airport and the childrens' play areas have been closed. TAIT is also reducing certain contractor staffing levels at the Airport, such as parking and customer service personnel, and is consolidating all employee surface parking lot use into the long-term parking garage. TAIT cannot predict whether these measures will be sufficient to mitigate the negative effects of the COVID-19 pandemic.

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However, TAIT will continue to assess and implement opportunities to reduce costs and adjust operations to keep the Airport safe and efficient in response to the ongoing changes caused by COVID-19. TAIT expects its budget for the fiscal year beginning July 1, 2020 to reflect these ongoing measures.

TAIT cannot predict (i) the duration or extent of the COVID-19 pandemic or another outbreak or pandemic; (ii) the scope or duration of restrictions or warnings related to air travel, gatherings or any other activities, and the duration or extent to which airlines will reduce services at the Airport, or whether all airlines will cease operations at the Airport or shut down in response to such restrictions or warnings, (iii) what effect any COVID-19 pandemic-related restrictions or warnings may have on air travel, including to and from the Airport, the retail and services provided by Airport concessionaires, Airport costs or TAIT revenues; (iv) whether and to what extent the COVID-19 pandemic may disrupt the local, state, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airport-related construction, the cost of both construction and borrowed money, sources of funds, schedule or implementation of TAIT's CIP (as hereinafter defined), or other TAIT operations, or the airline and travel industry, generally; or (v) whether or to what extent TAIT may provide deferrals, forbearances, adjustments or other changes to TAIT's arrangements with the Airlines and its other tenants and concessionaires. Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current upheaval to the air travel industry and the national and global economies, will increase at least over the near term, recovery may be prolonged and, therefore, will have an adverse impact on TAIT revenues and operations. Future outbreaks, pandemics or events outside of TAIT's control may further reduce demand for travel, which in turn could cause a decrease in passenger activity at the Airport and declines in TAIT revenues.

Contacting TAIT's Financial Management

Questions about this report or requests for additional financial information can be directed to the Chief Financial Officer, 7777 E. Apache St., Room A217, Tulsa, OK 74115.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Net Position
June 30, 2020 and 2019

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 18,208	\$ 17,249
Cash and cash equivalents - restricted	719	1,735
Investments - restricted	1,345	1,546
Investments	203	-
Receivables		
Trade, less allowance for doubtful accounts of \$205 and \$35, respectively	2,218	2,140
Intergovernmental receivable	4,535	3,017
Customer facility charges receivable	127	315
Inventories	1,392	1,517
Other current assets	396	407
Total current assets	<u>29,143</u>	<u>27,926</u>
Noncurrent assets		
Cash and cash equivalents - restricted	10,550	10,808
Investments - restricted	22,175	28,364
Passenger facility charges receivable - restricted	192	862
Accrued interest receivable - restricted	-	24
Capital assets not being depreciated	151,512	147,234
Capital assets, net of accumulated depreciation	254,763	252,813
Advance to primary government	128	128
Total noncurrent assets	<u>439,320</u>	<u>440,233</u>
Total assets	<u>468,463</u>	<u>468,159</u>
Deferred Outflows of Resources		
Deferred charges on refunding	7,004	9,185
Pension related amounts	2,259	2,404
Total deferred outflows of resources	<u>\$ 9,263</u>	<u>\$ 11,589</u>

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

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(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Net Position, continued
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(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,588	\$ 3,153
Current portion of compensated absences	191	118
Other accrued expenses	29	158
Unearned revenue	676	529
Current portion of bonds payable	8,690	8,441
Liabilities payable from restricted assets:		
Accounts payable	1,514	2,437
Customer deposits	34	47
Accrued interest payable	618	662
Total current liabilities	<u>13,340</u>	<u>15,545</u>
Noncurrent liabilities		
Compensated absences	865	998
Other accrued expenses	-	43
Net pension liability	15,174	13,749
Bonds payable, including premium	158,389	168,886
Total noncurrent liabilities	<u>174,428</u>	<u>183,676</u>
Total liabilities	<u>187,768</u>	<u>199,221</u>
Deferred inflows of resources, pension related amounts	<u>305</u>	<u>670</u>
Net position		
Net investment in capital assets	<u>268,830</u>	<u>260,554</u>
Restricted for:		
Restricted by bond indenture for operations	6,224	6,646
Debt service	796	733
Capital projects	2,982	3,985
Other purposes	183	181
Total restricted net position	<u>10,185</u>	<u>11,545</u>
Unrestricted	<u>10,638</u>	<u>7,758</u>
Total net position	<u>\$ 289,653</u>	<u>\$ 279,857</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, 2020 and 2019

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Operating revenue		
Aeronautical operating revenues		
Landing fees - signatory and non-signatory	\$ 7,004	\$ 6,763
Passenger airline terminal revenue - signatory and non-signatory	6,320	3,502
Other aeronautical revenue	4,535	3,773
Total aeronautical revenue	<u>17,859</u>	<u>14,038</u>
Non-aeronautical operating revenue		
Terminal revenues	2,593	2,760
Rental car revenues	4,437	5,085
Parking revenues	7,342	10,195
Other non-aeronautical operating revenue	1,242	1,211
Total non-aeronautical operating revenue	<u>15,614</u>	<u>19,251</u>
Revenue from R. L. Jones, Jr. Airport	1,132	1,121
Revenue from Okmulgee Airport	-	110
Total operating revenues	<u>34,605</u>	<u>34,520</u>
Operating expenses		
Personnel compensation and benefits	13,230	13,074
Service contracts	6,413	7,049
Materials, equipment & supplies	1,564	1,671
Utilities and communications	1,614	1,703
Insurance, claims	494	300
Other	1,079	1,008
Total operating expenses, excluding depreciation	<u>24,394</u>	<u>24,805</u>
Net operating income before depreciation	10,211	9,715
Depreciation	17,225	17,559
Net operating (loss)	<u>(7,014)</u>	<u>(7,844)</u>
Nonoperating revenues (expenses)		
Investment income and change in fair value of investments	1,004	1,523
Interest expense	(7,873)	(7,972)
Amortization of bond discount/premium and deferred charges on refunding	(301)	(412)
Debt issuance costs	(422)	(595)
Passenger facility charges	4,201	5,940
Customer facility charges	2,652	3,297
Federal grants noncapital	4,290	-
Other, net	15	30
Net nonoperating revenues (expenses)	<u>3,566</u>	<u>1,811</u>
Capital contributions and grants		
Federal grants	12,849	10,168
State grants	395	-
Other contributions - City of Tulsa	-	7
Total capital contributions and grants	<u>13,244</u>	<u>10,175</u>
Increase in net position	9,796	4,142
Net position, beginning of year	<u>279,857</u>	<u>275,715</u>
Net position, end of year	<u>\$ 289,653</u>	<u>\$ 279,857</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, 2020 and 2019

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received from customers, including cash deposits	\$ 34,674	\$ 34,619
Cash payments to suppliers for goods and services	(12,798)	(10,069)
Cash payments to employees for services	(12,082)	(11,317)
Net cash provided by operating activities	<u>9,794</u>	<u>13,233</u>
Cash flows from non-capital and related financing activities		
Proceeds from non-capital grants, donations and reimbursements	<u>1,338</u>	<u>43</u>
Net cash provided by non-capital and related financing activities	<u>1,338</u>	<u>43</u>
Cash flows from capital and related financing activities		
Construction and purchase of capital assets	(24,486)	(21,032)
Interest paid on long-term debt	(7,684)	(7,922)
Passenger facility charges received	4,872	5,958
Customer facility charges received	2,840	3,276
Proceeds from issuance of long-term debt	15,965	19,825
Premium received, on debt issuance	2,302	1,447
Principal paid on long-term debt	(8,441)	(8,020)
Payments to escrow agent for debt refunding	(18,426)	-
Debt issuance costs	(422)	(595)
Proceeds from sale of capital assets	67	96
Other, net	59	-
Proceeds from state grants	395	-
Proceeds from federal capital grants	<u>14,281</u>	<u>9,795</u>
Net cash provided by (used in) capital and related financing activities	<u>(18,678)</u>	<u>2,828</u>
Cash flows from investing activities		
Purchase of investments	(49,404)	(32,481)
Proceeds from sale or maturity of investments	55,609	25,542
Interest received on investments	<u>1,026</u>	<u>922</u>
Net cash provided by (used in) investing activities	<u>7,231</u>	<u>(6,017)</u>
Net increase (decrease) in cash and cash equivalents	(315)	10,087
Cash and cash equivalents		
Beginning of year	<u>29,792</u>	<u>19,705</u>
End of year	<u>\$ 29,477</u>	<u>\$ 29,792</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, 2020 and 2019

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current unrestricted cash and cash equivalents	\$ 18,208	\$ 17,249
Current restricted cash and cash equivalents	719	1,735
Noncurrent restricted cash and cash equivalents	<u>10,550</u>	<u>10,808</u>
Total cash and cash equivalents	<u>\$ 29,477</u>	<u>\$ 29,792</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (7,014)	\$ (7,844)
Adjustments to reconcile operating activities to net cash provided by operating activities:		
Depreciation	17,225	17,559
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable, trade	(78)	120
Decrease (increase) in inventories	125	63
Decrease in other current and noncurrent assets	(7)	519
(Decrease) increase in unearned revenue	147	(21)
Increase in accounts payable and accrued liabilities	(1,810)	1,199
Change in pension-related amounts	1,206	1,638
Net cash provided by operating activities	<u>\$ 9,794</u>	<u>\$ 13,233</u>
Noncash investing activities:		
Appreciation of fair value of investments	<u>\$ 92</u>	<u>\$ 75</u>
Noncash capital and financing activities:		
Capital asset acquisitions included in accounts payable	<u>\$ (923)</u>	<u>\$ (4,039)</u>
Capital contributions	<u>\$ -</u>	<u>\$ 7</u>
Federal capital grant revenue included in receivables	<u>\$ 1,570</u>	<u>\$ 3,002</u>
Passenger facility charge revenue included in receivables	<u>\$ 192</u>	<u>\$ 862</u>
Customer facility charge revenue included in receivables	<u>\$ 127</u>	<u>\$ 315</u>
Noncash noncapital and financing activities:		
Federal noncapital grant revenue included in receivables	<u>\$ 2,952</u>	<u>\$ -</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 Basic Financial Statements (in thousands of dollars)
June 30, 2020 and 2019

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

NATURE OF BUSINESS - The Tulsa Airports Improvement Trust (the "Trust" or "TAIT" or the "Airports") 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 TAIT, as it has no authority to levy taxes. All revenues generated by the Airports must be used for airport purposes.

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. The lease agreement shall end on December 31, 2023, or on such later date on which all Bonds of the Trustees issued in connection with the Airports have been paid or provision for the payment thereof has been made. The Trust shall have the option to extend the terms for up to four periods of ten years each.

The accompanying financial statements include the accounts and activity of TAIT and the Tulsa Airport Authority (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 TAIT are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to business-type activities of governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting.

The financial statements of TAIT have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows/outflows 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 expenses include exchange transactions. Investment income and voluntary nonexchange transactions are included in nonoperating revenues and expenses, as well as debt related 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 to be cash equivalents.

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, 2020 and 2019

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

INVESTMENTS - Investments consist of obligations of the U.S. Treasury and various federal agencies and instrumentalities, certificates of deposit and money market funds. These investments are held by bond trustees (with the exception of the certificates of deposit) and invested in accordance with the requirements and terms of various bond indentures. Investments in the U.S. Treasury and federal agencies are recorded at fair value. Investments in certificates of deposit and money market funds are recorded at amortized cost. The Trust experienced an increase in the fair value of investments of approximately \$17 and \$570 for the years ended June 30, 2020 and June 30, 2019, respectively.

FAIR VALUE MEASUREMENTS –Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The Trust categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input – Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input – Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input – Inputs that are unobservable for the asset or liability which are typically based upon the Authority’s own assumptions as there is little, if any, related activity.

Hierarchy – The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs – If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

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.

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, 2020 and 2019

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

RESTRICTED ASSETS – Certain cash, cash equivalents and investments of TAIT are restricted under the terms of its bond indentures. Other assets are restricted by TAIT’s collection of passenger facility charges.

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 expensed.

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

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, amortized using a method which approximates the effective interest method, and recognized as a component of amortization expense over the term of the old or new debt, whichever is shorter.

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 TAIT is obligated to make payment even if the employee terminates. Full-time employees accrue 1 day (8 hours) of sick leave for each full calendar month of service and may accrue a maximum of 150 working days (1,200 hours) of sick leave. Employees may convert accrued sick leave in excess of 120 days (960 hours) to vacation leave, provided the total accrued vacation leave does not exceed the maximum allowed under the Vacation Policy. Upon retirement (age 55 or older) or death, employees with at least 120 days (960 hours) of accrued sick leave will receive payment for accrued sick leave at a rate of 1 day of pay for every 2 days of sick leave up to a maximum of 75 days (600 hours) of pay, at the employee’s rate of pay at the time of separation. The liability for compensated absences attributable to TAIT is charged to operating expenses during the period earned by the employee and a corresponding liability is established.

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, 2020 and 2019

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

DEFERRED OUTFLOW/INFLOW OF RESOURCES - Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be reported as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The Trust records deferred outflows of resources and deferred inflows of resources related to its participation in the Municipal Employees' Retirement Plan (MERP).

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.

PENSIONS - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of MERP and additions to/deductions from MERP's fiduciary net position have been determined on the same basis as they are reported by MERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 when all eligibility requirements have been satisfied, primarily as a result of the approved capital outlays or expenditures being 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, 2020 and 2019, totaled \$11,511 and \$10,081, respectively.

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

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, 2020 and 2019

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

NET INVESTMENT IN CAPITAL ASSETS - reflects TAIT'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 \$24,143 and \$31,086 as of June 30, 2020 and 2019, respectively. The Trust uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.

RESTRICTED NET POSITION - represents resources that are subject to enabling legislation adopted by TAIT 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 and deferred inflows of resources that do not meet the definition of net investment in capital assets or restricted.

The Trust first applies restricted resources when an expense or outlay is incurred for purposes for which both restricted and unrestricted resources are 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 operating expenses (excluding depreciation and certain other costs as defined in the Indenture) of TAIT. 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.

REVENUES 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 fees and 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 TAIT's outstanding revenue bonds for which the Trust's revenues are pledged as collateral.

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2020 and 2019

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

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

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

Effective August 1, 1992, TAIT 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 TAIT, less a minor handling fee. The proceeds from the PFC are restricted for use by TAIT 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, 2020, TAIT has submitted a total of ten applications. Under the six approved open applications TAIT is authorized to collect \$157,977 of PFC revenue until August 1, 2034.

CUSTOMER FACILITY CHARGE - Effective July 1, 2004, TAIT 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 TAIT. The proceeds from the CFC are designated for use by TAIT 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 (when the rental transaction occurs).

CAPITAL CONTRIBUTIONS – Capital contributions include cash payments made by other governments for facility improvements, and are recognized as revenue when eligibility requirements have been satisfied, as a result of expenditures incurred. Capital contributions also include donated assets, which are recorded at their acquisition value.

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 amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

2. **CASH AND INVESTMENTS**

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 accounts.

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, 2020 and 2019

2. **CASH AND INVESTMENTS, continued**

The Trust's investments as of June 30, 2020 are as follows:

(in thousands of dollars)

Type	Carrying Value	June 30, 2020 Maturities in Years			Fair Value Measurement
		Less than 1	1-5	6-10	
Investments reported at fair value:					
US Treasury Bill	\$ 1,335	\$ 1,335	\$ -	\$ -	Level 2
Federal National Mortgage Association	1	-	1	-	Level 2
Federal Farm Credit Banks	16,199	-	-	16,199	Level 2
	<u>17,535</u>	<u>\$ 1,335</u>	<u>\$ 1</u>	<u>\$ 16,199</u>	
Investments reported at amortized cost:					
Certificates of deposit	203				
	<u>\$ 17,738</u>				

The Trust's investments as of June 30, 2019 are as follows:

(in thousands of dollars)

Type	Carrying Value	June 30, 2019 Maturities in Years			Fair Value Measurement
		Less than 1	1-5	6-10	
Investments reported at fair value:					
US Treasury Bill	\$ 8,317	\$ 8,317	\$ -	\$ -	Level 2
Federal Home Loan Bank	18,075	-	18,075	-	Level 2
Federal National Mortgage Association	1,320	-	1,320	-	Level 2
Federal Home Loan Mortgage Corporation	1,996	-	1,996	-	Level 2
	<u>29,708</u>	<u>\$ 8,317</u>	<u>\$ 21,391</u>	<u>\$ -</u>	
Investments reported at amortized cost:					
Certificates of deposit	202				
	<u>\$ 29,910</u>				

INTEREST RATE RISK – The Trust does not have a formal policy limiting its exposure to fair value losses arising from rising interest rates. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. See charts above for maturity dates of investments held.

CREDIT RISK – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

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, 2020 and 2019

2. **CASH AND INVESTMENTS**, continued

Investments – At June 30, 2020 and 2019, TAIT’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. TAIT’s U.S. Treasury Bills are not subject to credit risk disclosures.

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

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. At June 30, 2020 and 2019 there were no deposits or money market accounts exposed to custodial credit risk. All of the underlying securities for TAIT’s investments in U.S. agency obligations at June 30, 2020 and 2019 are registered in TAIT’s name.

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

Investments – At June 30, 2020 and 2019, TAIT’s investment in Federal Home Loan Bank (“FHLB”) constituted 0% and 60%, respectively, of its total investments. At June 30, 2020 and 2019, TAIT’s investment in Federal Home Loan Mortgage Corporation constituted 0% and 7%, respectively, of its total investments. At June 30, 2020 and 2019, TAIT’s investment in Federal National Mortgage Association constituted 0% and 4%, respectively, of its total investments. At June 30, 2020 and 2019, TAIT’s investment in Federal Farm Credit Banks constituted 91% and 0%, respectively, of its total investments. Money market accounts and certificates of deposit are not subject to concentration of credit risk disclosure.

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, 2020 and 2019

3. CAPITAL ASSETS

The changes in capital assets during 2020 and 2019 are summarized as follows:

2020: <i>(in thousands of dollars)</i>	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 72,573	\$ -	\$ -	\$ -	\$ 72,573
Easements	70,838	-	-	-	70,838
Artwork	276	-	(15)	-	261
Construction-in-progress	3,548	22,050	-	(17,758)	7,840
Total capital assets not being depreciated	<u>147,235</u>	<u>22,050</u>	<u>(15)</u>	<u>(17,758)</u>	<u>151,512</u>
Capital assets being depreciated					
Land improvements	297,568	25	(16)	16,377	313,954
Buildings	274,539	-	-	1,375	275,914
Equipment	25,539	1,488	(541)	6	26,492
Total capital assets being depreciated	<u>597,646</u>	<u>1,513</u>	<u>(557)</u>	<u>17,758</u>	<u>616,360</u>
Accumulated depreciation					
Land improvements	189,271	8,126	(16)	-	197,381
Buildings	143,300	7,397	-	-	150,697
Equipment	12,263	1,702	(446)	-	13,519
Total accumulated depreciation	<u>344,834</u>	<u>17,225</u>	<u>(462)</u>	<u>-</u>	<u>361,597</u>
Total capital assets being depreciated, net	<u>252,812</u>	<u>(15,712)</u>	<u>(95)</u>	<u>17,758</u>	<u>254,763</u>
Capital assets, net	<u>\$ 400,047</u>	<u>\$ 6,338</u>	<u>\$ (110)</u>	<u>\$ -</u>	<u>\$ 406,275</u>
2019: <i>(in thousands of dollars)</i>	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 72,573	\$ -	\$ -	\$ -	\$ 72,573
Easements	70,838	-	-	-	70,838
Artwork	275	-	-	-	275
Construction-in-progress	10,696	16,031	(54)	(23,125)	3,548
Total capital assets not being depreciated	<u>154,382</u>	<u>16,031</u>	<u>(54)</u>	<u>(23,125)</u>	<u>147,234</u>
Capital assets being depreciated					
Land improvements	282,736	-	(676)	15,508	297,568
Buildings	269,805	-	(5)	4,738	274,538
Equipment	22,202	1,034	(576)	2,879	25,539
Total capital assets being depreciated	<u>574,743</u>	<u>1,034</u>	<u>(1,257)</u>	<u>23,125</u>	<u>597,645</u>
Accumulated depreciation					
Land improvements	181,981	7,956	(666)	-	189,271
Buildings	135,248	8,056	(5)	-	143,299
Equipment	11,180	1,547	(465)	-	12,262
Total accumulated depreciation	<u>328,409</u>	<u>17,559</u>	<u>(1,136)</u>	<u>-</u>	<u>344,832</u>
Total capital assets being depreciated, net	<u>246,334</u>	<u>(16,525)</u>	<u>(121)</u>	<u>23,125</u>	<u>252,813</u>
Capital assets, net	<u>\$ 400,716</u>	<u>\$ (494)</u>	<u>\$ (175)</u>	<u>\$ -</u>	<u>\$ 400,047</u>

Tulsa Airports Improvement Trust
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Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2020 and 2019

4. REVENUE BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES

The changes in revenue bonds payable and other long-term liabilities during 2020 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 2010A, 2021	\$ 5,770	4.57% - 5.00%	\$ 1,395	\$ -	\$ (680)	\$ 715	\$ 715
Series 2010B, 2021	8,215	6.00% - 6.50%	1,885	-	(915)	970	970
Series 2010C, 2026	13,520	4.00% - 5.25%	3,525	-	(580)	2,945	610
Series 2013A, 2043	33,665	5.00% - 5.25%	31,775	-	(695)	31,080	730
Series 2013B, 2024	3,275	1.39% - 5.09%	2,070	-	(255)	1,815	265
Series 2015A, 2045	44,045	2.00% - 5.00%	35,130	-	(3,210)	31,920	3,155
Series 2015C, 2045	895	2.00% - 4.25%	815	-	(20)	795	20
Series 2015D, 2028	24,395	2.00% - 5.00%	19,985	-	(19,985)	-	-
Series 2016A, 2027	1,500	3.82%	830	-	(96)	734	100
Series 2017A, 2037	54,180	1.89% - 3.98%	53,370	-	(50)	53,320	160
Series 2018A, 2048	19,825	4.00% - 5.25%	19,825	-	-	19,825	-
Series 2020A, 2028	15,965	5.00%	-	15,965	-	15,965	1,965
Total revenue bonds payable			170,605	15,965	(26,486)	160,084	8,690
Unamortized discount (premium)			(6,722)	(2,302)	2,029	(6,995)	-
Total revenue bonds payable, net			177,327	18,267	(28,515)	167,079	8,690
Other long-term liabilities							
Compensated absences			1,116	798	(858)	1,056	191
Net pension liability			13,749	1,425	-	15,174	-
Total other long-term liabilities			14,865	2,223	(858)	16,230	191
Total long-term liabilities			\$ 192,192	\$ 20,490	\$ (29,373)	\$ 183,309	\$ 8,881

Tulsa Airports Improvement Trust
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June 30, 2020 and 2019

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

The changes in revenue bonds payable and other long-term liabilities during 2019 are summarized as follows:

2019:

(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 2010A, 2021	\$ 5,770	4.57 - 5.00%	\$ 2,050	\$ -	\$ (655)	\$ 1,395	\$ 680
Series 2010B, 2021	8,215	6.00 - 6.50%	2,740	-	(855)	1,885	915
Series 2010C, 2026	13,520	4.00 - 5.25%	4,110	-	(585)	3,525	580
Series 2013A, 2043	33,665	5.00 - 5.62%	32,435	-	(660)	31,775	695
Series 2013B, 2024	3,275	1.38 - 5.08%	2,325	-	(255)	2,070	255
Series 2015A, 2045	44,045	2.00 - 5.00%	38,155	-	(3,025)	35,130	3,210
Series 2015C, 2045	895	2.00 - 4.25%	835	-	(20)	815	20
Series 2015D, 2028	24,395	2.00 - 5.00%	21,835	-	(1,850)	19,985	1,940
Series 2016A, 2027	1,500	3.82%	915	-	(85)	830	96
Series 2017A, 2037	54,180	1.88 - 3.97%	53,400	-	(30)	53,370	50
Series 2018A, 2048	19,825	4.00 - 5.25%	-	19,825	-	19,825	-
Total revenue bonds payable			158,800	19,825	(8,020)	170,605	8,441
Unamortized discount (premium)			(5,642)	(1,447)	367	(6,722)	-
Total revenue bonds payable, net			164,442	21,272	(8,387)	177,327	8,441
Other long-term liabilities							
Compensated absences			990	683	(557)	1,116	118
Net pension liability			11,449	2,300	-	13,749	-
Total other long-term liabilities			12,439	2,983	(557)	14,865	118
Total long-term liabilities			\$ 176,881	\$ 24,255	\$ (8,944)	\$ 192,192	\$ 8,559

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, 2020 and 2019

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

Pursuant to the Amended and Restated Bond Indenture dated November 1, 2009 and various supplemental bond indentures (the "Indentures"), TAIT 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 TAIT. 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 TAIT revenue bonds are subject to acceleration if TAIT defaults.

For the purposes of complying with the Rate Covenant, the Indenture requires that Airport Trustees impose, adjust, enforce and collect such rates, rentals, fees and charges to ensure that Dedicated Revenues for such period plus Gross Revenues will equal at least (i) an amount equal to 1.25 times Debt Service due during the Fiscal Year; (ii) an amount equal to estimated and budgeted Operating Expenses during the Fiscal Year; and (iii) an amount equal to the aggregate of deficiencies in any fund or accounts (or so much as is required to be repaid during such Fiscal year) held under the Indenture.

REVENUES PLEDGED - The Trust has pledged future gross revenues derived from the operation of the airports to repay all of its 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 2048. Annual principal and interest payments on the bonds required 29% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$248,172. Principal and interest paid for the year was \$16,125, excluding the debt refunding. Net revenues available for debt services (after reducing by operating expenses) in fiscal years 2020 and 2019 were \$31,716 and \$30,583, respectively.

DEFEASED DEBT - Series 2000A Revenue Bonds – The Trust has placed the proceeds of refunding bonds and cash received from a tenant of TAIT, 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 TAIT's financial statements. The defeased 2000A Revenue bonds are considered extinguished and had an outstanding balance of \$0 and \$960 at June 30, 2020 and 2019, respectively.

ECONOMIC GAIN/LOSS ON REFUNDING – General Revenue Bonds, Refunding Series – On March 4, 2020, the Trust issued the Series 2020A Revenue Bonds in the amount of \$15,965. The proceeds of this issue were used to advance refund the Airport Trustees General Airport Revenue Bonds, Taxable Refunding Series 2015D, and to pay the costs of issuance of the 2020A Bonds. This transaction will reduce debt service payments by approximately \$2,763 over the next 8 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 \$2,123. This refunding resulted in a deferred gain of (\$1,254), which will be amortized over the life of the new bonds.

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, 2020 and 2019

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

FUTURE MATURITIES

Future maturities of revenue bonds are as follows:

(in thousands of dollars)

Fiscal Year	Principal	Interest	Total
2021	\$ 8,690	\$ 7,415	\$ 16,105
2022	8,134	6,976	15,110
2023	8,218	6,599	14,817
2024	7,292	6,216	13,508
2025	7,686	5,890	13,576
2026-2030	35,314	24,489	59,803
2031-2035	34,895	17,164	52,059
2036-2040	27,585	9,353	36,938
2041-2045	18,635	3,598	22,233
2046-2048	3,635	388	4,023
	<u>\$ 160,084</u>	<u>\$ 88,088</u>	<u>\$ 248,172</u>

5. **PENSION AND RETIREMENT BENEFITS**

Plan description: Employees of TAIT are provided with pensions through the Municipal Employee Retirement Plan (MERP)—a cost-sharing multiple-employer defined benefit pension plan administered by the City of Tulsa (City). MERP provides retirement, disability and death benefits which are established by City ordinance to plan members and beneficiaries. MERP’s financial statements and required supplementary information are included in the City of Tulsa’s Comprehensive Annual Financial Report (CAFR). The report may be obtained by writing to the City of Tulsa Controller, 175 E. 2nd Street, Tulsa, Oklahoma 74103.

Benefits provided: MERP provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee’s highest 30 months of pensionable wages during the last five-years of service and a multiplier based on the years of service. Employees entering the plan prior to July 1, 2018, are eligible for full retirement at age 65 and at least 5 years of service or when the years of service plus the employee’s age equals or exceeds 80. Reduced benefits are available after age 55 and 5 years of service (Early retirement). Benefits for Early retirement are reduced 2.5% per year prior to age 65. Employees entering the plan on or after July 1, 2018, are eligible for full retirement at age 65, with at least 5 years of service, or when the years of service plus the employee’s age equals or exceeds 90. Reduced benefits are available after age 60 and 5 years of service (Early Retirement). Benefits for Early Retirement are reduced 6.0% per year prior to age 65. Five years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as normal retirement. Death benefits for vested participants are, at the spouse’s election, a refund of contribution plus interest or a life annuity of 50% of the member’s accrued benefit determined based on final average earnings and service as of the date of death.

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, 2020 and 2019

5. **PENSION AND RETIREMENT BENEFITS, continued**

Contributions: Contributions are set per City of Tulsa ordinance. Employees were required to contribute 6.5% of their pensionable wages for the years ended June 30, 2020 and 2019. The Trust was required to contribute 15.5% of pensionable wages for the years ended June 30, 2020 and 2019. The Trust is also responsible for Actuarially Determined Employer Contributions (ADEC) that exceed the 15.5% of payroll. Actual contributions to the pension plan from TAIT were \$1,207 and \$1,126 for the years ended June 30, 2020 and 2019, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, TAIT reported a liability of \$15,174 for its proportionate share of the net pension liability. The liability for June 30, 2019 was \$13,749. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Standard update procedures were used to roll forward the total pension liability to June 30, 2020. The Trust's proportion of the net pension liability was based on TAIT's share of contributions to the pension plan relative to the contributions of all participating governments. At June 30, 2020 and 2019, TAIT's proportion was 5.9750% and 5.8549%, respectively.

For the years ended June 30, 2020 and 2019, TAIT recognized pension expense of \$2,420 and \$2,764, respectively. At June 30, 2020 and 2019, TAIT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2020:		
Differences between expected and actual plan experience	\$ 26	\$ (263)
Changes of assumptions	851	-
Net difference between projected and actual earnings on pension plan investments	1,022	-
Changes in proportion and differences between Trust contributions and proportionate share of contributions	360	(42)
Total	<u>\$ 2,259</u>	<u>\$ (305)</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, 2020 and 2019

5. **PENSION AND RETIREMENT BENEFITS, continued**

	Deferred Outflows of Resources	Deferred Inflows of Resources
2019:		
Differences between expected and actual plan experience	\$ 65	\$ (459)
Changes of assumptions	1,594	-
Net difference between projected and actual earnings on pension plan investments	410	-
Changes in proportion and differences between Trust contributions and proportionate share of contributions	335	(211)
Total	<u>\$ 2,404</u>	<u>\$ (670)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2020, will be recognized in pension expense as follows:

Years ended June 30:

2021	\$ 418
2022	720
2023	616
2024	200
	<u>\$ 1,954</u>

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement. The assumptions remained the same from the prior year.

Inflation	2.50%
Salary increases	3.50-11.25%, including inflation
Investment rate of return	7.00% compounded annually, net of investment expense and including inflation

Mortality rates were based on the RP-2014 Combined Healthy Mortality Tables with Blue Collar adjustments. Generational mortality improvements with Scale MP-2015 are from the table's base year of 2014.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015.

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, 2020 and 2019

5. **PENSION AND RETIREMENT BENEFITS, continued**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	24%	1.16%
Domestic equity	36	6.19
International equity	24	6.59
Real estate	8	4.24
Commodities	3	0.50
Timber	4	3.80
Cash	1	0.11
	100%	

Discount rate: The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the participating employers will be made as specified in MERP's funding policy. Beginning July 1, 2017, and all future years, it is assumed that the employer contribution rate will be 15.50% of payroll, which is the actuarially determined contribution rate. Based on those assumptions, MERP's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

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, 2020 and 2019

5. **PENSION AND RETIREMENT BENEFITS, continued**

Sensitivity of TAIT’s proportionate share of the net pension liability to changes in the discount rate: The following presents TAIT’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what TAIT’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
2020:			
Trust's proportionate share of the net pension liability	\$ 20,382	\$ 15,174	\$ 10,831
2019:			
Trust's proportionate share of the net pension liability	\$ 18,717	\$ 13,749	\$ 9,605

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the City of Tulsa’s CAFR, which can be located at www.cityoftulsa.org.

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, 2020 and 2019

6. 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 depreciable capital assets are held by TAIT for the purpose of rental or related use.

Minimum future rentals under non-cancellable operating leases as of June 30, 2020, are as follows (presented on a calendar year basis):

(In thousands of dollars)

2021	\$	12,413
2022		11,704
2023		11,414
2024		11,558
2025		9,726
2026 -2030		38,545
2031 -2035		8,041
2036 -2040		5,122
2041 -2045		2,184
2046 -2050		1,689
2051 -2055		1,075
2056 -2060		316
	<u>\$</u>	<u>113,787</u>

Under the Use and Lease Agreements between the airlines and TAIT, 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.

TAIT entered into a new Signatory Airline Use and Lease Agreement for a term beginning July 1, 2019 and continuing until June 30, 2024, unless otherwise terminated in accordance with its terms. During the initial Term only, rates, fees and charges do not change. Pursuant to each Use and Lease Agreement, each Signatory Airline, upon the consent of TAIT, has the option to extend the term of its Agreement for two additional three year terms, or to June 30, 2030. The revenue sharing component of the Airport-Airline Use and Lease Agreement is based upon TAIT liquidity thresholds (“Days of Cash”, as defined under the Agreement). The first threshold is met when the TAIT reaches 365 Days of Cash. When the TAIT reaches this threshold, the revenue share to the Signatory Airlines will be 10% of net revenues. As the Days of Cash thresholds go up (400 days, 487 days, 609 days, 730 days) the net revenue share scales up in increments of 25%, 30%, and 40%, respectively. The maximum threshold is 730 Days of cash and the net revenue share would be 50%. Provided the threshold for liquidity is met in any given fiscal year, the revenue share is allocated to each signatory based upon their market share at TAIT.

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, 2020 and 2019

7. RISK MANAGEMENT

The Trust maintains commercial insurance coverage for property and equipment, bodily injury, automotive (personal liability and property damage off-airport), workers compensation on all employees and liability insurance coverage for its board members and directors. The Trust's current health and welfare insurance policies cover an 18-month period ending December 31, 2020. There were no significant reductions in TAIT's insurance coverage during the year and there were no settlement amounts in excess of the insurance coverage in the current year or in the three prior years.

8. COMMITMENTS AND CONTINGENCIES

As of June 30, 2020, TAIT had open commitments for construction projects of approximately \$5,285, which will be primarily funded by the FAA, revenue, and discretionary funds.

There are other various suits and claims pending against TAIT which have arisen in the course of operating TAIT. 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 TAIT.

9. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2020 and 2019, TAIT conducted the following transactions with related parties.

<i>(In thousands of dollars)</i>	<u>2020</u>	<u>2019</u>
Payments to City of Tulsa - General Fund for support services	<u>\$ 52</u>	<u>\$ 52</u>
Payments to City of Tulsa - General Fund for fire services	<u>\$ 1,935</u>	<u>\$ 1,871</u>
Capital contribution from the City of Tulsa	<u>\$ -</u>	<u>\$ 7</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, 2020 and 2019

10. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for TAIT beginning with its fiscal year ending June 30, 2022, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the Trust must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties. TAIT's management has not yet determined the effect this statement will have on the financial statements.

11. MAJOR CUSTOMERS

The Trust has four customers that provide in excess of 10% of the enplaned passengers. Southwest Airlines enplaned the largest share of passengers in both fiscal year 2020 and 2019 at 32% and 33%, respectively. American Airlines, Delta Airlines and United Airlines also exceeded 10% in fiscal year 2020 at 31%, 14% and 18%, respectively and for 2019 at 28%, 14% and 18%, respectively.

12. SUBSEQUENT EVENTS

The spread of COVID-19, a novel strain of coronavirus, is altering the behaviour of businesses and people throughout the United States. Further, financial markets have experienced significant volatility attributed to coronavirus concerns. The continued spread of COVID-19 may adversely impact the local, regional and national economies. The extent to which the coronavirus impacts the Trust's results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak and could be affected by other factors that cannot currently be predicted.

Airports in the United States have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic shutdown resulting from the COVID-19 pandemic. The pandemic has adversely affected domestic and international travel and travel-related industries. Airlines are reporting unprecedented downturns in passenger volumes and have expressed expectations for reduced levels of passenger volumes which, in turn, has resulted in airlines significantly reducing flights.

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, 2020 and 2019

12. **SUBSEQUENT EVENTS**, continued

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Trust. To date, the Trust is experiencing reductions in capacity that fluctuates monthly from all passenger air carriers. When budgeting for fiscal year 2021, the revenue budget was reduced by 22% in anticipation of the reduction in air service and all other revenues streams impacted by this reduction. Currently within the first quarter of fiscal year 2021, the trust is experiencing a 5% reduction in actual to budgeted revenue. With CARES Act Funds, the Trust is able to close some of the financial gap as it was awarded \$15.5 million for TUL and \$157 thousand for RVS respectively. With the combination of CARES Act funding and liquid days of cash on hand the trust anticipates covering any revenue short falls for operating, debt service and capital expenses. Additionally as required by the Trust's bond indenture, the Trust holds a debt service reserve. As of the close of the first quarter fiscal year 2021 these reserve funds hold slightly more than one year's worth of the trust's annual debt service.

Accordingly, management cannot presently estimate the overall operational and financial impact to the Trust, but such an impact could have a material adverse effect on the financial condition of the Trust.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Required Supplementary Information (in thousands of dollars)
Municipal Employees' Retirement Plan
June 30, 2020

Schedule of Proportionate Share of the Net Pension Liability

Year	Trust's Proportion of Net Pension Liability	Trust's Proportionate Share of Net Pension Liability	Trust's Covered Payroll	Trust's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2020	5.9750%	\$ 15,174	\$ 7,774	195.19%	65.22%
2019	5.8549%	13,749	7,265	189.25%	66.91%
2018	5.8319%	11,449	6,929	165.23%	70.61%
2017	5.5364%	10,938	6,696	163.35%	69.39%
2016	5.9357%	12,840	6,848	187.50%	65.62%
2015	5.8186%	7,288	6,316	115.39%	77.13%

* Information prior to 2015 is not available.

Schedule of Employer Contributions - Last Ten Years

Year	Contractually Required Contributions	Actual Contributions	Contribution Deficiency (Excess)	Trust's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 1,371	\$ 1,205	\$ 166	\$ 7,774	15.5%
2019	1,126	1,126	-	7,265	15.5%
2018	1,074	1,074	-	6,929	15.5%
2017	770	770	-	6,696	11.5%
2016	785	785	-	6,848	11.5%
2015	748	748	-	6,316	11.8%
2014	665	659	-	N/A	N/A
2013	672	840	-	N/A	N/A
2012	720	700	-	N/A	N/A
2011	572	358	-	N/A	N/A

Changes of assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from changes in the mortality table and discount rate from 7.75% to 7.5%. In 2019, the inflation rate decreased from 3.00% to 2.50%, salary increases changed from 4.00% – 11.75% to 3.5% – 11.25%, and investment rate of return (and discount rate) decreased from 7.50% to 7.00%.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Supplementary Information
Detailed Schedules of Operating Revenue
Years Ended June 30, 2020 and 2019

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Aeronautical operating revenues		
Landing fees - signatory and non-signatory		
Passenger airline landing fees	\$ 5,376	\$ 5,293
Cargo airline landing fees	1,585	1,427
Military joint use fees	43	43
Total landing fees	<u>7,004</u>	<u>6,763</u>
Passenger airline terminal revenue - signatory and non-signatory		
Airline terminal rentals	3,899	3,238
Baggage system rentals	2,223	2,016
Other terminal area airline fees	198	(1,752)
Total terminal area passenger airline fees	<u>6,320</u>	<u>3,502</u>
Total landing fees and terminal area passenger airline revenues	<u>13,324</u>	<u>10,265</u>
Other Aeronautical Revenue		
FBO revenue	792	897
Hangar, cargo space and ground rents	2,102	1,803
Fuel flowage fees	696	791
Security reimbursements	115	133
Other aeronautical revenue	830	149
Total other aeronautical revenue	<u>4,535</u>	<u>3,773</u>
Total Aeronautical Revenue	<u>17,859</u>	<u>14,038</u>
Non-Aeronautical Operating Revenue		
Terminal Revenues		
Food and beverage	691	919
Retail	784	751
Other terminal concessions and revenue (excludes rental car counter space)	1,118	1,090
Total non-aeronautical Terminal Revenue	<u>2,593</u>	<u>2,760</u>
Other Non-Aeronautical Operating Revenue		
Rental car revenues	4,437	5,085
Parking revenues	7,342	10,195
Hotel revenues	190	244
Ground rents and facilities leases (excludes aeronautical & car rental)	526	547
Other non-aeronautical revenue	526	420
Total Other Non-Aeronautical Operating Revenues	<u>13,021</u>	<u>16,491</u>
Total Non-Aeronautical Operating Revenue	<u>15,614</u>	<u>19,251</u>
Revenue from R. L. Jones, Jr. Airport	1,132	1,121
Revenue from Okmulgee Airport	-	110
Total operating revenues	<u>\$ 34,605</u>	<u>\$ 34,520</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Insurance in Force (Unaudited)
Year Ended June 30, 2020

Policy Coverage	Issuer	Limit of Liability	Self Insurance	Expiration Date	Premium
Primary coverage on bodily injury, single limit bodily injury and property damage liability.	Phoenix Aviation Managers, Inc	Up to \$1,000,000 for any one accident or Aggregate Limit of \$25,000,000.	None	11/20/2021	\$ 72,500
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 \$375,000,000 with \$100,000 deductible.	None	7/01/2021	\$ 233,124
Automotive personal liability and property damage off-airport.	Mid-Continent Casualty Co.	Excess of \$250,000 up to \$1,000,000 bodily injury and property damage, combined single limit, each occurrence and in the aggregate.	None	7/19/2021	\$ 36,667
Workers compensation insurance	Compsource	Bodily injury by accident, \$1,000,000 each accident; Disease \$1,000,000 each employee	None	10/01/2020	\$ 174,767
Directors and Officers Liability	Navigators Specialty Insurance Co.	\$1,000,000 all loss, \$100,000 non-monetary, \$500,000 add excess	None	6/22/2021	\$ 28,267

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Net Revenues Available for Debt Service and Debt Coverage
(Unaudited)
Year Ended June 30, 2020

Gross revenues as defined by the Bond Indenture as supplemented	
Operating revenue	\$ 34,605,417
Interest available for debt service (1)	666,800
Airport Improvement Fund balance (2)	800,000
Airport Improvement Fund transfers (2)	11,381,462
PFC funds available for debt service (3)	6,244,608
CFC revenues	2,651,728
Other nonoperating	125,354
Total gross revenues	<u>56,475,369</u>
Gross expenses as defined by the Bond Indenture as supplemented	
Combined operating expenses, excluding non-cash pension expense	23,246,501
Capitalized expenditures classified as operating expenses in accordance with the Bond Indenture as supplemented	1,512,839
Total operating expenses	<u>24,759,340</u>
Net revenues available for debt service	<u><u>\$ 31,716,029</u></u>
Debt service (4)	\$ 15,310,237
Debt coverage	2.07

- (1) Interest available for debt service includes 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 as well as the opening balance in the fund.
- (3) PFC are Dedicated Revenues, which the Trustee have dedicated to pay an amount up to 1.25 times principal and or interest on the Bonds.
- (4) The Bond Indenture defines debt service as the aggregate amount required to be deposited during the year in the Bond fund to provide for the payment of interest (to the extent not capitalized) and principal on the Bonds.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Funds on Deposit and Invested (Unaudited)
Year Ended June 30, 2020

DESCRIPTION	DUE DATE	INTEREST RATE	YIELD AT MARKET	PAR VALUE	INVESTMENT COST	MARKET VALUE
Revenue Funds						
BLACKROCK LIQ FEDFD-CSH RES #00U3	On Demand	0.00%	0.00%	7,181,807	\$ 7,181,807	\$ 7,181,807
Revenue Receipts Demand Deposit Account	On Demand	0.00%	0.00%	25,455	25,455	25,455
Parking Receipts Demand Deposit Account	On Demand	0.00%	0.00%	674	674	674
Total Revenue Funds					<u>7,207,936</u>	<u>7,207,936</u>
Coverage Account						
BLACKROCK LIQ FEDFD-CSH RES #00U3	On Demand	0.00%	0.00%	4,005,453	4,005,453	4,005,453
Total Coverage Account					<u>4,005,453</u>	<u>4,005,453</u>
Commerce Bank						
Commerce Bank - Time Deposit 6220649706	11/30/2020	0.35%	0.35%	50,701	50,701	50,701
Commerce Bank - Time Deposit 6220649739	11/30/2020	0.35%	0.35%	152,103	152,103	152,103
Total Commerce Bank					<u>202,804</u>	<u>202,804</u>
Customer Facility Charge Account						
BLACKROCK LIQ FEDFD-CSH RES #00U3	On Demand	0.00%	0.00%	943,350	943,350	943,350
Total Customer Facility Charge Accounts					<u>943,350</u>	<u>943,350</u>
Passenger Facility Charge Revenue Fund						
BLACKROCK LIQ FEDFD-CSH RES #00U3	On Demand	0.00%	0.00%	2,216,191	2,216,191	2,216,191
PFC Demand Deposit Account	On Demand	0.00%	0.00%	73,758	73,758	73,758
Total Passenger Facility Charge Revenue Fund					<u>2,289,949</u>	<u>2,289,949</u>
Operating Reserve Fund						
BLACKROCK LIQ FEDFD-CSH RES #00U3	On Demand	0.00%	0.00%	90,196	90,196	90,196
EXXON MOBIL CORP CP DUE 01/25/21	1/25/2021	0.00%	0.76%	1,000,000	994,396	994,396
FFCB @ 2.230% DUE 01/06/2027	1/6/2027	2.23%	2.23%	2,000,000	2,003,052	2,012,180
FFCB @ 2.400% DUE 12/16/2027	12/16/2027	2.40%	2.40%	3,100,000	3,100,000	3,126,691
FNMA POOL #20086	7/1/2024	5.00%	5.00%	193	193	194
FNMA POOL #4593	5/1/2024	4.70%	4.70%	801	855	807
Total Operating Reserve Fund					<u>6,188,692</u>	<u>6,224,464</u>
Airport Improvement Fund						
BLACKROCK LIQ FEDFD-CSH RES #00U3	On Demand	0.00%	0.00%	500,000	500,000	500,000
Total Airport Improvement Fund					<u>500,000</u>	<u>500,000</u>

(Continued)

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Funds on Deposit and Invested (Unaudited)
Year Ended June 30, 2020

DESCRIPTION	DUE DATE	INTEREST RATE	YIELD AT MARKET	PAR VALUE	INVESTMENT COST	MARKET VALUE
Bond Principal and Interest Accounts						
BLACKROCK LIQ FEDFD-CSH RES #00U3 2010A	On Demand	0.00%	0.00%	3,616	\$ 3,616	\$ 3,616
US TREASURY BILL 05/20/2021 2010A	5/20/2021	0.00%	0.00%	59,000	58,947	58,917
BLACKROCK LIQ FEDFD-CSH RES #00U3 2010B	On Demand	0.00%	0.00%	1,161	1,161	1,161
US TREASURY BILL 05/20/2021 2010B	5/20/2021	0.00%	0.00%	80,000	79,928	79,887
US TREASURY BILL 11/27/2020 2010B	11/27/2020	0.00%	0.00%	5,000	4,998	4,997
BLACKROCK LIQ FEDFD-CSH RES #00U3 2010C	On Demand	0.00%	0.00%	1,016	1,016	1,016
US TREASURY BILL 05/20/2021 2010C	5/20/2021	0.00%	0.00%	50,000	49,955	49,930
US TREASURY BILL 11/27/2020 2010C	11/27/2020	0.00%	0.00%	12,000	11,996	11,992
BLACKROCK LIQ FEDFD-CSH RES #00U3 2013A Int	On Demand	0.00%	0.00%	858	858	858
US TREASURY BILL 11/27/2020 2013A Int	11/27/2020	0.00%	0.00%	140,000	139,956	139,910
BLACKROCK LIQ FEDFD-CSH RES #00U3 2013A Prin	On Demand	0.00%	0.00%	901	901	901
US TREASURY BILL 05/20/2021 2013A Prin	5/20/2021	0.00%	0.00%	60,000	59,946	59,915
BLACKROCK LIQ FEDFD-CSH RES #00U3 2013B Int	On Demand	0.00%	0.00%	423	423	423
US TREASURY BILL 05/20/2021 2013B Int	11/27/2020	0.00%	0.00%	7,000	6,998	6,996
BLACKROCK LIQ FEDFD-CSH RES #00U3 2013B Prin	On Demand	0.00%	0.00%	305	305	305
US TREASURY BILL 05/20/2021 2013B Prin	5/20/2021	0.00%	0.00%	45,000	44,959	44,937
BLACKROCK LIQ FEDFD-CSH RES #00U3 2015A Int	On Demand	0.00%	0.00%	42	42	42
US TREASURY BILL 11/27/2020 2015A Int	11/27/2020	0.00%	0.00%	133,000	132,958	132,915
BLACKROCK LIQ FEDFD-CSH RES #00U3 2015A Prin	On Demand	0.00%	0.00%	1,153	1,153	1,153
US TREASURY BILL 05/20/2021 2015A Prin	5/20/2021	0.00%	0.00%	262,000	261,764	261,631
BLACKROCK LIQ FEDFD-CSH RES #00U3 2015C Int	On Demand	0.00%	0.00%	2,638	2,638	2,638
BLACKROCK LIQ FEDFD-CSH RES #00U3 2015C Prin	On Demand	0.00%	0.00%	1,667	1,667	1,667
BLACKROCK LIQ FEDFD-CSH RES #00U3 2015D Int	On Demand	0.00%	0.00%	39,202	39,202	39,202
BLACKROCK LIQ FEDFD-CSH RES #00U3 2016A Int	On Demand	0.00%	0.00%	2,334	2,334	2,334
BLACKROCK LIQ FEDFD-CSH RES #00U3 2016A Prin	On Demand	0.00%	0.00%	8,200	8,200	8,200
BLACKROCK LIQ FEDFD-CSH RES #00U3 2017 Prin	On Demand	0.00%	0.00%	515	515	515
US TREASURY BILL 05/20/2021 2017 Prin	5/20/2021	0.00%	0.00%	17,000	16,985	16,976
BLACKROCK LIQ FEDFD-CSH RES #00U3 2017 Int	On Demand	0.00%	0.00%	477	477	477
US TREASURY BILL 11/27/2020 2017 Int	11/27/2020	0.00%	0.00%	165,000	164,948	164,894
BLACKROCK LIQ FEDFD-CSH RES #00U3 2018 Prin	On Demand	0.00%	0.00%	3,537	3,537	3,537
BLACKROCK LIQ FEDFD-CSH RES #00U3 2018 Int	On Demand	0.00%	0.00%	341	341	341
US TREASURY BILL 11/27/2020 2018 Int	11/27/2020	0.00%	0.00%	82,000	81,974	81,948
BLACKROCK LIQ FEDFD-CSH RES #00U3 2018 CINT	On Demand	0.00%	0.00%	518,556	518,556	518,556
BLACKROCK LIQ FEDFD-CSH RES #00U3 2020 COI	On Demand	0.00%	0.00%	7,258	7,258	7,258
BLACKROCK LIQ FEDFD-CSH RES #00U3 2020A Interest	On Demand	0.00%	0.00%	542	542	542
US TREASURY BILL 11/27/2020	11/27/2020	0.00%	0.00%	66,000	65,979	65,958
BLACKROCK LIQ FEDFD-CSH RES #00U3 2020A Principal	On Demand	0.00%	0.00%	897	897	897
US TREASURY BILL 05/20/2021	5/20/2021	0.00%	0.00%	163,000	162,853	162,770
Total Bond Principal and Interest Accounts					1,940,783	1,940,212
Construction Funds						
BLACKROCK LIQ FEDFD-CSH RES #00U3	On Demand	0.00%	0.00%	7,002,197	7,002,197	7,002,197
NATIXIS NY BRANCH CP DUE 08/31/2020	8/31/2020	0.00%	1.00%	5,000,000	4,980,080	4,980,080
Total Construction Funds					\$ 11,982,277	\$ 11,982,277

(Continued)

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Funds on Deposit and Invested (Unaudited)
Year Ended June 30, 2020

DESCRIPTION	DUE DATE	INTEREST RATE	YIELD AT MARKET	PAR VALUE	INVESTMENT COST	MARKET VALUE
Bond Reserve Funds						
BLACKROCK LIQ FEDFD-CSH RES #00U3 - Tax Exempt	On Demand	0.00%	0.00%	\$ 269,498	\$ 269,498	\$ 269,498
FFCB @ 1.350% DUE 11/04/2027	11/4/2027	1.35%	1.35%	2,000,000	2,001,746	2,000,080
FFCB @ 2.400% DUE 12/16/2027	12/16/2027	2.40%	1.50%	2,000,000	2,000,000	2,017,220
BLACKROCK LIQ FEDFD-CSH RES #00U3 - Taxable	On Demand	0.00%	0.00%	305,181	305,181	305,181
FFCB @ 1.350% DUE 11/04/2027	11/4/2027	1.35%	1.35%	2,000,000	2,001,746	2,000,080
FFCB @ 2.400% DUE 12/16/2027	12/16/2027	2.40%	1.50%	5,000,000	5,000,000	5,043,050
Total Bond Reserve Funds					<u>11,578,171</u>	<u>11,635,109</u>
Capital Projects Clearing Fund						
Grant Receipts Demand Deposit Account	On Demand	0.00%	0.00%	1,000	1,000	1,000
BLACKROCK LIQ FEDFD-CSH RES #00U3	On Demand	0.00%	0.00%	538,591	538,591	538,591
Total Capital Projects Clearing Fund					<u>539,591</u>	<u>539,591</u>
Other Funds						
ICS Deposit Account	On Demand	0.25%	0.25%	4,484,629	4,484,629	4,484,629
BLACKROCK LIQ FEDFD-CSH RES #00U3 SPEC PGRM	On Demand	0.00%	0.00%	344,489	344,489	344,489
BLACKROCK LIQ FEDFD-CSH RES #00U3 STATE GRANT	On Demand	0.00%	0.00%	183,002	183,002	183,002
General Operating Deposit Account	On Demand	0.00%	0.00%	241,369	241,369	241,369
Special Programs Demand Deposit Account	On Demand	0.00%	0.00%	80,936	80,936	80,936
Payroll Demand Deposit Account	On Demand	0.00%	0.00%	303,152	303,152	303,152
Arvest Bank Demand Deposit Account	On Demand	0.00%	0.00%	88,935	88,935	88,935
Petty Cash	On Demand	0.00%	0.00%	2,500	2,500	2,500
Total Other Funds					<u>5,729,012</u>	<u>5,729,012</u>
Total Funds on Deposit and Invested					<u>\$ 53,108,018</u>	<u>\$ 53,200,157</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Other Information (Unaudited)
Year Ended June 30, 2020

Five Year Construction In Progress – The Airport’s total estimated cost for the years ending 2021 through 2025 (in thousands):

	<u>Total</u>	<u>Federal</u>	<u>Local</u>
Airfield	47,595	\$ 29,321	\$ 18,274
Terminal	2,670	-	2,670
Landslide	4,750	-	4,750
R.L. Jones, Jr.	4,287	3,934	353
Total Estimated Cost	<u>\$ 59,302</u>	<u>\$ 33,255</u>	<u>\$ 26,047</u>

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
January	95,061	94,979	99,274	104,504	104,444
February	92,295	91,635	94,170	100,646	99,746
March	107,894	116,942	112,353	120,220	53,652
April	105,538	109,419	119,958	119,016	5,137
May	125,223	130,587	138,128	142,857	17,784
June	130,343	133,482	145,456	142,978	38,293
July	124,759	129,121	143,302	143,738	58,136
August	111,063	116,857	127,719	126,539	54,038
September	112,387	107,552	120,448	122,033	54,386
October	119,812	129,805	136,698	135,003	61,267
November	117,507	120,605	129,418	119,197	N/A (1)
December	117,727	117,630	121,647	127,553	N/A (1)
Annual	<u>1,359,609</u>	<u>1,398,614</u>	<u>1,488,571</u>	<u>1,504,284</u>	<u>546,883</u>

(1) Not available

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Other Information (Unaudited)
Year Ended June 30, 2020

Average Daily Scheduled Flights:

Airline	2016		2017		2018		2019		2020	
	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
Allegiant Air	4	4.00%	3	3.00%	2	2.11%	2	1.98%	2	2.33%
American	26	26.00%	24	24.20%	24	25.26%	28	27.72%	26	27.73%
Delta	16	16.00%	17	17.20%	15	15.79%	15	14.85%	12	13.95%
Southwest	25	25.00%	27	27.30%	26	27.37%	25	24.75%	22	25.58%
United	29	29.00%	28	28.30%	27	28.42%	30	29.70%	24	27.91%
Other	-	0.00%	-	0.00%	1	1.05%	1	0.99%	-	0.00%
	<u>100</u>	<u>100.00%</u>	<u>99</u>	<u>100.00%</u>	<u>95</u>	<u>100.00%</u>	<u>101</u>	<u>100.00%</u>	<u>86</u>	<u>100.00%</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Other Information (Unaudited)
Year Ended June 30, 2020

Airline Enplaned Passengers:

Airline	2016		2017		2018		2019		2020	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
Allegiant Air	42,882	3.13%	56,979	4.13%	56,095	3.92%	54,152	3.59%	42,761	3.91%
American	293,879	21.48%	336,958	24.41%	333,806	23.33%	318,662	21.11%	237,009	21.68%
American / Compass	-	0.00%	-	0.00%	-	0.00%	5,790	0.38%	15,778	1.44%
American Eagle / Envoy	39,387	2.88%	19,456	1.41%	9,167	0.64%	21,129	1.40%	11,748	1.07%
American/ Express Jet	22,280	1.63%	8,190	0.59%	-	0.00%	-	0.00%	-	N/A
American/Mesa/Envoy	15,739	1.15%	12,582	0.91%	28,937	2.02%	48,848	3.24%	62,710	5.74%
American / PSA / US Airways	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	N/A
American / US Airways	42,385	3.10%	45,931	3.33%	32,367	2.26%	23,480	1.56%	14,681	1.34%
American/ SkyWest	-	0.00%	2,467	0.18%	8,284	0.58%	535	0.04%	439	0.04%
Delta	107,113	7.83%	100,063	7.25%	112,414	7.86%	101,820	6.75%	77,515	7.09%
Delta Connection / ASA/ Express Jet	40,665	2.97%	47,812	3.46%	32,250	2.25%	5,879	0.39%	-	N/A
Delta Connection / Compass	1,096	0.08%	3,578	0.26%	-	0.00%	64	0.00%	72	0.01%
Delta / GoJet	-	0.00%	-	0.00%	-	0.00%	505	0.03%	-	N/A
Delta /Pinnacle/Endeavor	3,879	0.28%	5,629	0.41%	2,240	0.16%	43,110	2.86%	28,647	2.62%
Delta Connection / SkyWest	37,421	2.73%	35,693	2.59%	58,295	4.07%	62,697	4.15%	41,642	3.81%
Frontier	-	0.00%	-	0.00%	19,545	1.37%	43,876	2.91%	10,872	0.99%
Miami Air	-	0.00%	272	0.02%	348	0.02%	-	0.00%	168	0.02%
Southwest	461,705	33.74%	454,881	32.96%	486,535	34.00%	497,107	32.93%	354,720	32.45%
Sun Country / MN Airlines	2,377	0.17%	1,992	0.14%	1,418	0.10%	1,504	0.10%	1,014	0.09%
United	44,506	3.25%	48,970	3.55%	33,421	2.34%	66,273	4.39%	39,385	3.60%
United / Air Wisconsin	-	0.00%	-	0.00%	3,885	0.27%	12,609	0.84%	5,094	0.47%
United Express / Express Jet	96,252	7.03%	94,854	6.87%	61,202	4.28%	70,527	4.67%	40,423	3.70%
United Express / GoJet	20,765	1.52%	21,313	1.54%	19,884	1.39%	15,482	1.03%	12,684	1.16%
United Express / Mesa	38,057	2.78%	17,128	1.24%	38,963	2.72%	41,403	2.74%	23,533	2.15%
United Express/ Republic	-	0.00%	20,498	1.49%	30,218	2.11%	9,375	0.62%	7,991	0.73%
United Express / SkyWest	41,347	3.02%	33,912	2.46%	57,828	4.04%	43,319	2.87%	46,842	4.29%
United Express / Trans State	15,729	1.15%	10,402	0.75%	2,731	0.19%	18,915	1.25%	17,076	1.56%
Via Air	-	0.00%	-	0.00%	520	0.04%	1,836	0.12%	-	N/A
Other	836	0.06%	739	0.05%	556	0.04%	556	0.04%	315	0.03%
	<u>1,368,300</u>	100.00%	<u>1,380,299</u>	100.00%	<u>1,430,909</u>	100.00%	<u>1,509,453</u>	100.00%	<u>1,093,119</u>	100.00%

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Other Information (Unaudited)
Year Ended June 30, 2020

Airline – Air Cargo Landed Weight (in pounds):

Airline / Air Cargo Carrier	FY 2016		FY 2017		FY 2018		FY 2019		FY 2020	
	Pounds	% of Total	Pounds	% of Total	Pounds	% of Total	Pounds	% of Total	Pounds	% of Total
Allegiant Air, LLC	42,722,015	2.18%	59,111,065	2.93%	56,879,128	2.62%	54,937,404	2.39%	48,578,590	2.54%
American	352,657,500	17.97%	398,264,600	19.76%	399,341,523	18.42%	417,147,318	18.11%	330,462,916	17.30%
American / Compass	-	N/A	-	N/A	-	N/A	6,745,500	0.29%	20,836,100	1.09%
American Eagle / Envoy	44,145,231	2.25%	20,491,343	1.02%	38,342,870	1.77%	66,526,710	2.89%	87,761,650	4.60%
American / Express Jet	23,687,292	1.21%	9,626,554	0.48%	-	N/A	67,000	0.00%	-	N/A
American / Envoy / Mesa	20,633,000	1.05%	14,077,000	0.70%	11,808,000	0.54%	25,528,800	1.11%	17,001,100	0.89%
American / SkyWest	-	N/A	4,002,000	0.20%	11,319,000	0.52%	1,340,000	0.06%	670,000	0.04%
American / US Airways	48,805,000	2.49%	51,906,800	2.58%	41,906,500	1.93%	28,702,900	1.25%	18,808,800	0.98%
Compass	-	N/A	-	N/A	74,950	0.00%	-	N/A	-	N/A
Delta	134,310,600	6.85%	125,777,300	6.24%	136,666,800	6.30%	118,601,320	5.15%	103,931,919	5.44%
Delta / Compass	-	N/A	5,144,223	0.25%	-	N/A	-	N/A	-	N/A
Delta Connection (ASA) (Express Jet)	51,082,900	2.60%	62,842,800	3.12%	38,355,200	1.77%	6,566,000	0.29%	-	N/A
Delta Connection (Compass)	1,275,143	0.06%	-	N/A	-	N/A	75,177	0.00%	89,000	0.00%
Delta (Pinnacle) (Endeavor)	5,473,100	0.28%	8,082,700	0.40%	3,023,000	0.14%	50,951,400	2.21%	35,348,400	1.85%
Delta / Republic	-	N/A	-	N/A	74,957	0.00%	670,000	0.03%	-	N/A
Delta Connection (SkyWest)	45,409,200	2.31%	45,298,500	2.25%	76,463,324	3.53%	80,631,893	3.50%	58,792,879	3.08%
Frontier	-	N/A	-	N/A	23,294,029	1.07%	48,781,434	2.12%	9,982,301	0.52%
Southwest	556,814,000	28.37%	581,014,000	28.83%	606,890,000	28.00%	600,816,000	26.08%	496,144,000	25.98%
Sun Country / Mn Airlines	6,307,500	0.32%	6,002,700	0.30%	4,139,500	0.19%	5,413,100	0.23%	5,086,300	0.27%
United	67,996,200	3.46%	76,639,000	3.80%	48,948,100	2.26%	94,326,500	4.10%	57,018,600	2.99%
United / Air Wisconsin	-	N/A	-	N/A	3,995,000	0.19%	14,382,000	0.62%	6,110,000	0.32%
United Express / Express Jet	100,204,680	5.11%	98,844,210	4.90%	63,630,842	2.94%	73,297,994	3.18%	49,613,330	2.60%
United Express / GoJet	23,919,000	1.22%	25,929,000	1.29%	25,594,000	1.18%	18,023,000	0.78%	23,992,000	1.26%
United Express / Mesa	51,456,300	2.62%	22,395,100	1.11%	49,583,800	2.29%	57,448,300	2.49%	37,256,600	1.95%
United Express / Republic	-	N/A	28,518,630	1.41%	40,584,250	1.87%	13,613,040	0.59%	12,055,680	0.63%
United Express / SkyWest	46,724,800	2.38%	37,798,100	1.87%	63,418,000	2.93%	49,633,500	2.16%	54,760,500	2.87%
United Express / Transtates	18,102,600	0.92%	11,683,150	0.58%	2,866,500	0.13%	19,773,270	0.86%	18,071,300	0.95%
US Airways Charter	-	N/A	-	N/A	-	N/A	-	N/A	-	N/A
Other Non-Sig Passenger Carriers	3,377,230	0.17%	5,176,698	0.26%	4,313,762	0.20%	10,690,661	0.46%	2,181,850	0.11%
Air Transport	-	N/A	-	N/A	86,413,000	3.99%	93,060,000	4.04%	40,675,000	2.13%
Ameriflight	7,933,046	0.41%	9,021,420	0.45%	1,250,000	0.06%	11,300	0.00%	1,645,200	0.09%
Federal Express	199,551,300	10.17%	187,344,900	9.30%	193,309,300	8.92%	197,361,700	8.57%	184,344,900	9.65%
Federal Express / Empire	9,746,492	0.50%	11,719,267	0.58%	17,409,840	0.80%	16,179,996	0.70%	15,360,765	0.80%
Federal Express / Mountain Air Cargo	202,616	0.01%	-	N/A	166,456	0.01%	94,136	0.00%	47,068	0.00%
Martinaire	4,454,000	0.23%	4,292,500	0.21%	4,309,500	0.20%	4,080,000	0.18%	4,284,000	0.22%
Surburban Air	-	N/A	-	N/A	3,381,000	0.16%	4,073,300	0.18%	4,121,600	0.22%
UPS	88,398,720	4.50%	99,767,200	4.95%	103,816,960	4.79%	111,087,280	4.82%	126,080,800	6.60%
Other Cargo Carriers	7,056,364	0.36%	4,628,798	0.23%	6,174,992	0.28%	12,961,930	0.56%	38,630,806	2.02%
Totals	1,962,445,829	100.00%	2,015,399,558	100.00%	2,167,744,083	100.00%	2,303,599,863	100.02%	1,909,743,954	100.00%

