

# **Tulsa Airports Improvement Trust**

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

## **FINANCIAL REPORT**

**June 30, 2012 and 2011**

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Index**  
**June 30, 2012 and 2011**

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## Independent Auditor's Report

Board of Trustees  
Tulsa Airports Improvement Trust  
Tulsa, Oklahoma

We have audited the accompanying basic financial statements of the Tulsa Airports Improvement Trust (the "Trust"), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust, as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14 to the basic financial statements, the Trust adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which restated beginning net position for items previously reported as assets.

In accordance with *Government Auditing Standards*, we have also issued our reports for the years ended June 30, 2012 and 2011 dated November 19, 2012 and December 5, 2011, respectively, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB) 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The schedule of expenditures of federal awards, listed in the table of contents as supplementary information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying other statistical information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Kansas City, Missouri  
November 19, 2012

# **Tulsa Airports Improvement Trust**

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

### **Management's Discussion and Analysis**

#### **June 30, 2012 and 2011**

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As management of the Tulsa Airports Improvement Trust (the "Trust"), we offer readers of the Trust's financial statements this narrative overview and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2012 and 2011.

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

#### **Airport Activities Highlights**

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Enplaned Passengers	1,355,785	1,361,745	1,394,659
Airfreight Boarded (Tons)	56,946	53,916	57,990
Airline/Aircraft Movements (TIA)	104,610	108,473	110,698
Aircraft Movements - R.L. Jones Airport	194,670	207,051	218,435

The City's airports include Tulsa International Airport and R.L. Jones, Jr. Airport. As of June 30, 2012, there were sixteen scheduled passenger carriers, under five major brands serving Tulsa International airport, along with several charter carriers, and five air freight carriers.

#### **Financial Position Summary as of June 30, 2012** (in thousands of dollars)

- The assets and deferred outflow of resources of the Trust exceeded liabilities at the close of the most recent year by \$251,695.
- Net position increased \$10,526 from \$241,169 at June 30, 2011 to \$251,695 at June 30, 2012.
- Total liabilities decreased \$7,361 from \$177,184 at June 30, 2011 to \$169,823 at June 30, 2012.
- Cash and cash equivalents decreased \$8,391 from \$43,034 at June 30, 2011, to \$34,643 at June 30, 2012.

#### **Overview of the Financial Statements**

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

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

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Management's Discussion and Analysis**  
**June 30, 2012 and 2011**

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**Overview of the Financial Statements (cont.)**

The Trust adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

**Financial Statements**

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

**Summary of Net Position**

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Assets</b>			
Current and other assets	\$ 65,946	\$ 77,709	\$ 91,772
Capital assets, net	347,685	332,140	310,832
Total assets	413,631	409,849	402,604
<b>Deferred outflows of resources</b>	7,887	8,504	9,477
<b>Liabilities</b>			
Current and other liabilities	11,534	11,059	6,461
Long-term debt outstanding	158,289	166,125	173,642
Total liabilities	169,823	177,184	180,103
<b>Net position</b>			
Net investment in capital assets	194,869	183,778	173,259
Restricted	36,398	32,669	37,707
Unrestricted	20,428	24,722	21,012
Total net position	\$ 251,695	\$ 241,169	\$ 231,978

The largest portion (77%) and (76%) of the Trust's net position as of June 30, 2012 and 2011, respectively, represent investment in capital assets less related debt outstanding to acquire those capital assets. The Trust uses the capital assets to provide safe, secure, and user-friendly services to its passengers and visitors at its airports. Although the Trust's investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations and specifically identified nonoperating revenues.

**Tulsa Airports Improvement Trust**  
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**Management's Discussion and Analysis**  
**June 30, 2012 and 2011**

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**Summary of Changes in Net Position**

*(in thousands of dollars)*

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Operating revenues	\$ 30,697	\$ 31,505	\$ 31,267
Nonoperating revenues, including capital grants	24,148	23,211	20,262
Total revenues	54,845	54,716	51,529
Operating expenses	34,376	34,873	32,859
Nonoperating expenses	9,943	10,652	10,423
Total expenses	44,319	45,525	43,282
Increase in net position	\$ 10,526	\$ 9,191	\$ 8,247

- For the year ended June 30, 2012 operating revenues, which consist primarily of rents and services fees, decreased 2.6% due to slightly reduced enplanement levels from the prior year. For the year ended June 30, 2011 operating revenues increased 0.8% due to a slight increase in rates from the prior year as well as an increase in cargo related revenues.
- Nonoperating revenues improved 4.0% in 2012 due to the full year impact of rate changes in the prior fiscal year; and increased 14.6% in 2011 due to increased rates associated with passenger facility charges and customer facility charges (rental cars), and a transfer from the primary government related to a grant received for energy efficient electrical upgrades.
- Operating expenses, excluding depreciation and amortization, decreased 1.4% for the year ended June 30, 2012 and increased 6.1% for the year ended June 30, 2011 due to slight changes in the airport cost structure as directed by a new airline agreement that took effect in fiscal year 2008-2009.
- Nonoperating expenses decreased 6.7% for the year ended June 30, 2012 due to lower interest costs as some debt matured during the year, and increased 2.2% for the year ended June 30, 2011 due to higher interest costs due to the issuance of new debt in 2010 as well as a loss on the sale of capital assets.

**Tulsa Airports Improvement Trust**  
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**Summary of Cash Flow Activities**

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

<i>(in thousands of dollars)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Cash flows</b>			
Provided by operating activities	\$ 9,369	\$ 10,967	\$ 10,739
Provided by non-capital and related financing activities	309	605	410
Provided by (used in) capital and related financing activities	(18,512)	(28,256)	32,167
Provided by (used in) investing activities	<u>443</u>	<u>75</u>	<u>(10,216)</u>
Net increase (decrease) in cash and cash equivalents	(8,391)	(16,609)	33,100
<b>Cash and cash equivalents</b>			
Beginning of year	<u>43,034</u>	<u>59,643</u>	<u>26,543</u>
End of year	<u>\$ 34,643</u>	<u>\$ 43,034</u>	<u>\$ 59,643</u>

**Capital Assets** (in thousands of dollars)

The Trust's investment in capital assets amounted to \$347,685 (net of accumulated depreciation). The Trust paid \$27,875 and \$31,790 related to the acquisition and construction of capital assets for the years ended June 30, 2012 and 2011, respectively.

<i>(in thousands of dollars)</i>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land and improvements	\$ 326,682	\$ 314,691	\$ 304,647
Easements	70,140	64,885	59,832
Buildings	212,617	171,321	178,519
Equipment	<u>29,977</u>	<u>41,258</u>	<u>41,056</u>
	639,416	592,155	584,054
Less: Accumulated depreciation	(307,949)	(294,921)	(288,142)
Construction-in-progress	<u>16,218</u>	<u>34,906</u>	<u>14,920</u>
Capital assets, net	<u>\$ 347,685</u>	<u>\$ 332,140</u>	<u>\$ 310,832</u>



# **Tulsa Airports Improvement Trust**

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

### **Management's Discussion and Analysis**

#### **June 30, 2012 and 2011**

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#### **Long-Term Debt** (in thousands of dollars)

At June 30, 2012, the Trust had outstanding long-term portion of general revenue bonds of \$146,190 and outstanding long-term portion of capital lease obligations of \$3,975. The bonds are collateralized by and payable from the revenues of the Trust. The bonds mature per a set schedule with the last maturity occurring on June 1, 2031.

	<i>(in thousands of dollars)</i>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Capital lease obligation	3,975	4,190	4,395
Revenue bonds	145,929	154,080	162,132
	<u>\$ 149,904</u>	<u>\$ 158,270</u>	<u>\$ 166,527</u>

The Trust's debt decreased by \$8,366, decreased by \$8,257, and increased by \$47,733 in fiscal years 2012, 2011, and 2010, respectively, due to annual debt service payments in 2012 and 2011, and the issuance of debt in fiscal year 2010 (Series 2009A, B, C, D and Series 2010A & B).

#### **Signatory Airline Rates and Charges**

Under the Use and Lease Agreements between the airlines and the Trust, the airlines have agreed to pay rates, fees and charges determined prior to the beginning of each fiscal year in an amount sufficient (a) to pay 125% of the debt service on bonds secured by the bond indenture; (b) to pay operating expense for the next succeeding fiscal year; (c) to provide for any deficiencies in the funds or accounts held under the bond indenture other than the general account for the then current fiscal year; and (d) to provide for the estimated deposit to the Airport Special Reserve Fund. Each Use and Lease Agreement is for a five year term continuing until June 30, 2013.

Signatory Airline Terminal rental rates for fiscal years 2012, 2011, and 2010 ranged from \$36.67 to \$81.43 per square foot. Signatory landing fees were \$2.91, \$2.90, and \$2.76 per 1000 lbs for 2012, 2011, and 2010, respectively. Beginning in fiscal year 2009 terminal rents are calculated according to a modified commercial compensatory methodology. Prior years rates could be adjusted based on the change in the operating budget.

#### **Economic Factors**

The Tulsa Metropolitan Statistical Area ("TMSA") was strengthened by the energy sector and a strong housing market during most of the current national economic recession. Nearly all other industry sectors in the TMSA showed declines in employment in 2009 and 2010. Local economists expect the TMSA to recover faster fiscal year 2011-2012 than the state and national economies.

Enplanements decreased 0.4% in fiscal year 2012 from fiscal year 2011 while total air freight tonnage declined 5.6%. Operations (take-offs and landings) at Tulsa International Airport declined 3.6% while operations at RL Jones, the reliever airport, declined 6.0%.

#### **Contacting the Trust's Financial Management**

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

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Statements of Net Position**  
**June 30, 2012 and 2011**

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*(in thousands of dollars)*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 16,623	\$ 15,687
Cash and cash equivalents - restricted	305	426
Receivables		
Trade, less allowance for doubtful accounts of \$20 for 2012 and 2011	1,886	2,331
Federal grants receivable	1,485	4,963
Customer facility charges receivable	280	277
Inventory	1,292	1,283
Other current assets	220	39
Total current assets	<u>22,091</u>	<u>25,006</u>
<b>Noncurrent assets</b>		
Cash and cash equivalents - restricted	17,715	26,921
Investments	1,033	2,848
Investments - restricted	23,850	21,671
Passenger facility charges receivable - restricted	615	628
Accrued interest receivable - restricted	101	95
Non-depreciable capital assets	156,243	169,502
Depreciable capital assets, net	191,442	162,638
Advance to primary government	127	127
Other	414	413
Total noncurrent assets	<u>391,540</u>	<u>384,843</u>
Total assets	<u>\$ 413,631</u>	<u>\$ 409,849</u>
<b>Deferred Outflow of Resources</b>		
Deferred charges on refunding	<u>\$ 7,887</u>	<u>\$ 8,504</u>

*(continued)*

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

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Statements of Net Position, continued**  
**June 30, 2012 and 2011**

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*(in thousands of dollars)*

	<u>2012</u>	<u>2011</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	196	296
Accounts payable - restricted	7,729	6,893
Customer deposits - restricted	78	102
Current portion of vested compensated absences	616	656
Current portion of net pension obligation	214	-
Unearned revenue	293	636
Current portion of bonds and capital lease obligation	8,385	7,855
Accrued interest payable - restricted	795	819
Total current liabilities	<u>18,306</u>	<u>17,257</u>
<b>Noncurrent liabilities</b>		
Vested compensated absences	386	320
Other postemployment benefits	1,055	976
Net pension obligation	172	361
Capital lease obligation - restricted	3,975	4,190
Bonds payable, net - restricted	145,929	154,080
Total noncurrent liabilities	<u>151,517</u>	<u>159,927</u>
Total liabilities	<u>169,823</u>	<u>177,184</u>
<b>Net position</b>		
Net investment in capital assets	194,869	183,778
Restricted for		
Debt service	30,384	26,632
Capital projects	5,963	5,986
Other purposes	51	51
Total restricted net position	<u>36,398</u>	<u>32,669</u>
Unrestricted	20,428	24,722
Total net position	<u>\$ 251,695</u>	<u>\$ 241,169</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, 2012 and 2011**

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*(in thousands of dollars)*

	<u>2012</u>	<u>2011</u>
<b>Operating revenues</b>		
Fuel sales fees	\$ 892	\$ 790
Terminal building rentals	11,662	11,658
Field and runways fees	6,555	6,763
Cargo fees	994	2,030
Ground rentals	2,155	2,531
Hangars and field buildings rentals	1,116	730
Motel commissions	282	295
Parking	6,911	6,708
Other	130	-
Total operating revenues	<u>30,697</u>	<u>31,505</u>
<b>Operating expenses, excluding depreciation and amortization</b>		
Building maintenance	6,008	6,410
Automotive maintenance	446	465
Field electrical	43	74
Field maintenance	882	839
General and administrative	5,430	4,367
Engineering	1,411	1,199
Operations	4,846	4,596
R. L. Jones	497	467
Cargo management	-	457
Parking	1,682	1,581
Total operating expenses, excluding depreciation and amortization	<u>21,245</u>	<u>20,455</u>
<b>Operating income before depreciation and amortization</b>	9,452	11,050
Depreciation and amortization	<u>13,131</u>	<u>14,418</u>
<b>Operating loss</b>	<u>(3,679)</u>	<u>(3,368)</u>

*(continued)*

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

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Statements of Revenues, Expenses and Changes in Net Position, continued**  
**Years Ended June 30, 2012 and 2011**

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*(in thousands of dollars)*

	<u>2012</u>	<u>2011</u>
<b>Nonoperating revenues (expenses)</b>		
Investment income	813	575
Interest expense	(9,943)	(10,304)
Bond issuance costs	-	(223)
Noncapital federal grants	26	155
Passenger facility charges	5,336	4,712
Customer facility charges	2,938	2,680
Payments from primary government	190	585
Gain (loss) on sale of capital assets	17	(125)
Other, net	174	486
Net nonoperating revenues (expenses)	<u>(449)</u>	<u>(1,459)</u>
<b>Capital contributions and grants</b>		
Federal grants	14,644	13,848
State grants	10	170
Total capital contributions and grants	<u>14,654</u>	<u>14,018</u>
<b>Increase in net position</b>	10,526	9,191
<b>Net position, beginning of year, as restated</b>	<u>241,169</u>	<u>231,978</u>
<b>Net position, end of year</b>	<u>\$ 251,695</u>	<u>\$ 241,169</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, 2012 and 2011**

*(in thousands of dollars)*

	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>		
Cash received from customers, including cash deposits	\$ 30,798	\$ 31,315
Cash payments to suppliers for goods and services	(12,802)	(12,004)
Cash payments to employees for services	(8,627)	(8,344)
Net cash provided by operating activities	<u>9,369</u>	<u>10,967</u>
<b>Cash flows from non-capital and related financing activities</b>		
Proceeds from non-capital grants, donations and reimbursements	309	142
Proceeds from litigation settlement	-	463
Net cash provided by non-capital and related financing activities	<u>309</u>	<u>605</u>
<b>Cash flows from capital and related financing activities</b>		
Construction and purchase of capital assets	(27,875)	(31,790)
Interest paid on revenue bonds	(9,321)	(9,780)
Passenger facility charge received	5,349	4,718
Customer facility charge received	2,935	2,569
Proceeds from sale of revenue bonds	-	13,520
Principal paid on revenue bonds	(7,650)	(20,440)
Principal paid on capital lease	(215)	(195)
Bond issue costs	-	(223)
Proceeds from sale of capital assets	52	132
Payments from primary government	190	585
Proceeds from state capital grants	10	170
Proceeds from federal capital grants	18,013	12,478
Net cash used by capital and related financing activities	<u>(18,512)</u>	<u>(28,256)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(36,202)	(49,310)
Proceeds from sale of investments	36,106	48,326
Interest received on investments	539	1,059
Net cash provided by investing activities	<u>443</u>	<u>75</u>
Net decrease in cash and cash equivalents	(8,391)	(16,609)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>43,034</u>	<u>59,643</u>
End of year	<u>\$ 34,643</u>	<u>\$ 43,034</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, 2012 and 2011**

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*(in thousands of dollars)*

	<u>2012</u>	<u>2011</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>		
Current unrestricted cash and cash equivalents	\$ 16,623	\$ 15,687
Current restricted cash and cash equivalents	305	426
Noncurrent restricted cash and cash equivalents	<u>17,715</u>	<u>26,921</u>
Total cash and cash equivalents	<u>\$ 34,643</u>	<u>\$ 43,034</u>

**Reconciliation of operating loss to net cash provided by operating activities**

Operating loss	\$ (3,679)	\$ (3,368)
Adjustments to reconcile operating activities to net cash		
Depreciation and amortization	13,131	14,418
Decrease (Increase) in accounts receivable, trade	445	(431)
Increase in inventory	(9)	(117)
(Increase) decrease in other current assets	(182)	11
Increase in other assets	6	211
Increase (decrease) in unearned revenue	(343)	241
Increase in accounts payable and accrued liabilities	-	2
Net cash provided by operating activities	<u>\$ 9,369</u>	<u>\$ 10,967</u>

**Noncash capital and investing activities:**

Capital asset acquisitions included in accounts payable	<u>\$ 7,729</u>	<u>\$ 6,892</u>
Appreciation of fair value of investments	<u>\$ 252</u>	<u>\$ 472</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**  
**June 30, 2012 and 2011**

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

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

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

Effective July 1, 1989, the lease by and between the City and the Trust was further amended to provide for the operation and maintenance of the airports on a day-to-day basis by the TAA. The lease provides for a nominal annual lease payment to the City. The term of the lease, as amended, has commenced and the term expires on June 30, 2012, or such later date on which all Bonds of the Trustees issued in connection with the Airport have been paid or provision for the payment has been made (current outstanding Bonds mature on June 1, 2031). In the absence of a default on the lease, the Trustees have the option to extend the term of the lease for an additional 25 years.

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

**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.

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

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



**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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

The Trust adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

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

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

**INVESTMENTS** - Investments consist of obligations of the U.S. Treasury and various federal agencies and instrumentalities, investment agreements with financial institutions and money market funds. These investments are held by bond trustees and invested in accordance with the requirements and terms of various bond indentures. The Trust follows the provisions of GASB Statement No. 31, *Certain Investments and External Investment Pools*, which requires governmental entities to report investments at fair value in the statement of net position.

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

**CAPITAL ASSETS** - Capital assets are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 20 to 50 years for buildings, 5 to 20 years for roads, ramps, and runways, 3 to 20 years for equipment, and 1 to 20 years for leasehold improvements. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in nonoperating revenues and expenses. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Interest incurred during construction periods is capitalized and included in the cost of capital assets. There were no amounts of interest capitalized in fiscal years 2012 or 2011.

**LESSEE-FINANCED IMPROVEMENTS** - Certain leases include provisions whereby lessee-financed improvements become the property of the Trust. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Trust records lessee-financed improvements at cost or estimated cost upon completion of construction or upon the asset being placed in service, whichever occurs first.

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

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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

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

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

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

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

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

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

**NET INVESTMENT IN CAPITAL ASSETS** - reflects the Trust's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. Net investment in capital assets excludes unspent bond proceeds of \$5,315,000 and \$16,152,000 as of June 30, 2012 and 2011, 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 the Trust or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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

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

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

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

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

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

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

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

Effective August 1, 1992, the Trust began the assessment of a \$3.00 PFC, which increased to \$4.50 in November 2010. The charge is collected by all carriers and remitted to the Trust, less a minor handling fee. The proceeds from the PFC are restricted for use by the Trust for certain FAA-approved capital improvement projects and debt payments. PFC revenues are reflected as nonoperating revenues when collected by the Airlines. As of June 30, 2012, the Trust has submitted a total of eight applications. Under the approved applications the Trust is authorized to collect \$145,719,000 of PFC revenue for the period beginning August 1, 1992 until December 1, 2020.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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

**CUSTOMER FACILITY CHARGE** - Effective July 1, 2004, the Trust began the assessment of a Customer Facility Charge ("CFC"). The charge was initially \$2.60 per rental car transaction per day and may be adjusted periodically by the Trust. Effective August 1, 2010, this rate increased to \$4.00. The charge is collected by all rental car concessionaires and remitted to the Trust. The proceeds from the CFC are designated for use by the Trust for certain rental car capital improvement projects, industry operating costs, and debt service requirements. CFC revenues are reflected in nonoperating revenues and are recognized as earned.

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

2. **CASH AND INVESTMENTS**

**POOLED CASH AND INVESTMENTS** - The Trust maintains a portion of its cash and investments with the City's pooled cash and investments account. Pooled cash and investments consist primarily of time deposits and United States Government agency and instrumentality securities, and are reported at the fair value of the pooled shares. At June 30, 2012 and 2011, the pooled cash and investments, which are reflected on the Trust's statement of net position within cash and cash equivalents, amounted to \$2,130,386 and \$2,746,946, respectively. The pooled cash and investments balance at June 30, 2012 and 2011, was comprised of investments that were collateralized by securities that were held by the pledging financial institution, or by its trust department or agent, but not in the City's name.

**NON-POOLED DEPOSITS** - Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Trust's deposit policy for custodial credit risk requires compliance with the provisions of state law and that demand deposits be collateralized at least 110% of the amount that is not federally insured. At June 30, 2012 and 2011 there were no amounts uninsured or with insufficient collateral pledged to meet the requirement.

**Tulsa Airports Improvement Trust**  
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**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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2. **CASH AND INVESTMENTS, continued**

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

The Trust's non-pooled investments as of June 30, 2012 and 2011 are as follows:

*(in thousands of dollars)*

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

*(in thousands of dollars)*

Type	Fair Value	June 30, 2011 Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. agency and instrumentality obligations	\$ 26,399	\$ -	\$ -	\$ 25,588	\$ 811
State and local government securities (SLUG)	690	-	-	-	690
Money market mutual funds	18,797	18,797	-	-	-
	<u>\$ 45,886</u>	<u>\$ 18,797</u>	<u>\$ -</u>	<u>\$ 25,588</u>	<u>\$ 1,501</u>

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

Pooled investments – In accordance with the City's investment policy, the City manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less. No security, at the time of purchase, shall have a maturity exceeding five years. The weighted average maturity of the City's pooled investment portfolio is 1.80 years.

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

**Tulsa Airports Improvement Trust**  
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**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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2. **CASH AND INVESTMENTS, continued**

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

Pooled investments – The City's investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2012, the U.S. agencies obligations included in the City's pooled investment portfolio were rated Aaa and AA+ by Moody's Investor's Service and Standard & Poor's, respectively. As of June 30, 2011, the ratings were Aaa and AAA by Moody's and Standard & Poor's, respectively.

Non-pooled investments – At June 30, 2012, the Trust's investments in U. S. agencies obligations not directly guaranteed by the U. S. government were rated AA+ and Aaa by Standard & Poor's and Moody's, respectively, and the Trust's money market mutual funds were rated AAAM and Aaa by Standard & Poor's and Moody's, respectively. At June 30, 2011, the Trust's investments in U. S. agencies obligations not directly guaranteed by the U. S. government were rated AAA and AAa by Standard & Poor's and Moody's, respectively, and the Trust's money market mutual funds were rated AAAM and AAa by Standard & Poor's and Moody's, respectively.

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

Pooled deposits and investments – The City's investment policy requires that demand deposits be collateralized at least by 110% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The securities cannot be released, substituted or sold without the City's approval and release of the security. Certificates of deposit are, according to the City's investment policy, to be collateralized at least by 102% of the amount that is not federally insured. As of June 30, 2012 and 2011, none of the deposits in the pooled portfolio was exposed to custodial credit risk. All safekeeping receipts for investment instruments are held in accounts in the City's name and all securities are registered in the City's name. Therefore, none of the Trust's pooled investments as of June 30, 2012 and 2011 was exposed to custodial credit risk.

Non-pooled deposits and investments – The Trust's deposit policy for custodial credit risk requires compliance with provisions of state law and that demand deposits be collateralized at least 110% of the amount that is not federally insured. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Trust's investments in U.S. agency obligations at June 30, 2012 and 2011 are insured or registered or securities held by the Trust or by its agent in the Trust's name.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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2. **CASH AND INVESTMENTS, continued**

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

Pooled investments – At June 30, 2012, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 17%, 15%, 22%, and 21%, respectively, of its total pooled investment portfolio. At June 30, 2011, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 17%, 15%, 19%, and 13%, respectively, of its total pooled investment portfolio.

Non-pooled investments – At June 30, 2012, the Trust’s investment in Federal Home Loan Bank (“FHLB”) constituted 37% of its total investments. At June 30, 2011, the Trust’s investment in FHLB constituted 56% of its total investments. Mutual funds are not subject to concentration of credit risk disclosure.

**RECONCILIATION TO STATEMENTS OF NET POSITION** - A reconciliation of pooled cash and investments, non-pooled deposits, and non-pooled investments to the fair values at June 30, 2012 and 2011 is as follows:

*(in thousands of dollars)*

	<u>2012</u>	<u>2011</u>
Pooled cash and investments	\$ 2,131	\$ 2,747
Non-pooled cash and deposits	2,284	18,920
Non-pooled investments	55,111	45,886
	<u>\$ 59,526</u>	<u>\$ 67,553</u>
Current cash and cash equivalents	\$ 16,623	\$ 15,687
Current restricted cash and cash equivalents	305	426
Noncurrent restricted cash and cash equivalents	17,715	26,921
Noncurrent unrestricted investments	1,033	2,848
Noncurrent restricted investments	23,850	21,671
	<u>\$ 59,526</u>	<u>\$ 67,553</u>

3. **FEDERAL GRANTS**

Federal grants receivable represent the earned portions, based on the related expenditures, of various grants that have not been remitted by the grantor. The unexpended portions of such grants are properly not reflected in the financial statements and as of June 30, 2012 and 2011, totaled \$6,674,142 and \$10,678,957, respectively, for the Trust.

**Tulsa Airports Improvement Trust**  
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**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

**4. CAPITAL ASSETS**

The changes in capital assets during 2012 and 2011 are summarized as follows:

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

<b>2011:</b> <i>(in thousands of dollars)</i>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Capital assets not being depreciated</b>					
Land	\$ 69,711	\$ -	\$ -	\$ -	\$ 69,711
Easements	59,832	5,053	-	-	64,885
Construction-in-progress	14,920	30,182	-	(10,196)	34,906
Total capital assets not being depreciated	144,463	35,235	-	(10,196)	169,502
<b>Capital assets being depreciated</b>					
Land improvements	234,936	-	-	10,044	244,980
Buildings	178,519	-	(7,198)	-	171,321
Equipment	41,056	748	(698)	152	41,258
Total capital assets being depreciated	454,511	748	(7,896)	10,196	457,559
<b>Accumulated depreciation</b>					
Land improvements	156,158	7,698	-	-	163,856
Buildings	108,883	4,862	(7,048)	-	106,697
Equipment	23,101	1,858	(591)	-	24,368
Total accumulated depreciation	288,142	14,418	(7,639)	-	294,921
Total capital assets being depreciated, net	166,369	(13,670)	(257)	10,196	162,638
Capital assets, net	\$ 310,832	\$ 21,565	\$ (257)	\$ -	\$ 332,140



**Tulsa Airports Improvement Trust**  
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**Notes to Basic Financial Statements, continued**  
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**5. REVENUE BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES**

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

*(in thousands of dollars)*

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

**Tulsa Airports Improvement Trust**  
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**Notes to Basic Financial Statements, continued**  
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**5. REVENUE BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES, continued**

The changes in revenue bonds payable and other long-term liabilities during 2011 are summarized as follows:

<i>(in thousands of dollars)</i>							
<b>Series and Maturity Dates</b>	<b>Issue Amount</b>	<b>Interest Rate</b>	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balance</b>	<b>Portion Due Within One Year</b>
<b>Revenue bonds</b>							
Series 1999B, 2026	14,665	5.5 - 6.125%	\$ 7,850	\$ -	\$ (7,850)	\$ -	\$ -
Series 2000A, 2020	11,000	6.00%	7,345	-	(2,345)	5,000	-
Series 2001A, 2017	54,000	5.20%	3,000	-	(3,000)	-	-
Series 2004A, 2018	17,800	3.25 - 5.00%	12,245	-	(1,280)	10,965	1,345
Series 2004B, 2017	2,200	4.95%	1,400	-	(200)	1,200	200
Series 2009A, 2024	42,705	3.0 - 5.375%	39,620	-	(2,170)	37,450	2,235
Series 2009B, 2031	25,865	3.0 - 5.75%	25,865	-	(910)	24,955	930
Series 2009C, 2023	4,020	3.00 - 6.00%	4,000	-	(30)	3,970	30
Series 2009D, 2031	56,615	2.726 - 7.114%	53,620	-	(945)	52,675	990
Series 2010A, 2021	5,770	4.57 - 5.00%	5,770	-	-	5,770	275
Series 2010B, 2021	8,215	6.00 - 6.50%	8,215	-	(500)	7,715	640
Series 2010C, 2025	13,520	4.00 - 5.25%	-	13,520	(1,210)	12,310	1,005
Total revenue bonds payable			168,930	13,520	(20,440)	162,010	7,650
<b>Unamortized discount (premium)</b>			(122)	20	382	280	-
Total revenue bonds payable, net			169,052	13,500	(20,822)	161,730	7,650
<b>Other long-term liabilities</b>							
Capital lease			4,590	-	(195)	4,395	205
Other postemployment benefits			829	147	-	976	-
Vested compensated absences			1,005	719	(748)	976	656
Net pension obligation			147	214	-	361	-
Total other long-term liabilities			6,571	1,080	(943)	6,708	861
Total long-term liabilities			\$ 175,623	\$ 14,580	\$ (21,765)	\$ 168,438	\$ 8,511

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

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

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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

**REVENUES PLEDGED** - The Trust has pledged future gross revenues derived from the operation of the airports to repay approximately \$187,710,000 in revenue bonds issued. Proceeds from the bonds provided financing for various capital projects and debt refundings. The bonds are payable solely from gross revenues and are payable through 2031. Annual principal and interest payments on the bonds required 38% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$245,757,000. Principal and interest paid for the year was \$17,187,503, exclusive of the debt refunding. Total gross revenues were \$45,579,640.

**ECONOMIC GAIN/LOSS ON REFUNDING – General Revenue Bonds, Refunding Series 2010C** – On November 10, 2010 the Trust issued the Series 2010 Revenue Bonds in the amount of \$13,520,000. The proceeds of this issue were used to complete a current refunding of the Trusts Series 1999B, 2001 and 2000A in part. This transaction will reduce debt service payments by approximately \$1,391,000 over the next 16 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 \$747,000. This refunding resulted in a deferred accounting loss of \$423,212 which will be amortized over the life of the new bonds.

**DEFEASED DEBT - Series 1997B Revenue Bonds** – The Trust has placed the proceeds of refunding bonds in irrevocable escrow accounts held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow accounts and the defeased bonds are not included in the Trust's financial statements. The defeased 1997B Revenue bonds are considered extinguished and had an outstanding balance of \$18,700,000 at June 30, 2012.

**FUTURE MATURITIES**

Future maturities of revenue bonds are as follows:

*(in thousands of dollars)*

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 8,170	\$ 8,833	\$ 17,003
2014	8,495	8,529	17,024
2015	9,995	8,183	18,178
2016	10,395	7,746	18,141
2017	10,840	7,266	18,106
2018-2022	45,855	28,829	74,684
2023-2027	33,950	16,732	50,682
2028-2031	26,660	5,279	31,939
	<u>\$ 154,360</u>	<u>\$ 91,397</u>	<u>\$ 245,757</u>

**Tulsa Airports Improvement Trust**  
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**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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**6. CAPITAL LEASE OBLIGATION**

On September 30, 2003, the Trust entered into a \$6,935,000 capital lease obligation to finance the purchase of certain energy efficient equipment and services, canopies in certain parking areas and computer equipment. The obligation is payable in amounts ranging from \$80,000 to \$540,000 annually from October 2004 to October 2023. Interest on the obligation is payable semiannually at rates ranging from 2.0% to 6.0%. The obligations due on or after October 1, 2013 are subject to redemption at the option of the Trust, at a price equal to the principal amount plus any accrued interest. The gross amounts of capital assets and related accumulated depreciation recorded under these capital leases at June 30, 2012 and 2011 are as follows:

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
Capital lease proceeds	\$ 6,935	\$ 6,935
Unspent proceeds	(691)	(691)
Purchases less than capitalization threshold	<u>(645)</u>	<u>(645)</u>
Capital assets	5,599	5,599
Accumulated depreciation	<u>(1,285)</u>	<u>(1,140)</u>
	<u>\$ 4,314</u>	<u>\$ 4,459</u>

The present value of future minimum capital lease payments at June 30, 2012 is as follows:

<i>(in thousands of dollars)</i>	
2013	\$ 445
2014	444
2015	447
2016	445
2017	446
2018 - 2022	2,213
2023 - 2024	<u>1,553</u>
Total minimum lease payments	5,993
Amounts representing interest	<u>(1,803)</u>
Present value of minimum lease payments	<u>\$ 4,190</u>

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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**7. CONDUIT DEBT OBLIGATIONS**

To pay the costs of certain modifications, rehabilitations, and reconstruction to a special facility located adjacent to Tulsa International Airport, the Trust has issued a series of Special Facility Revenue Bonds. At June 30, 2012 and 2011, Special Facility Revenue Bonds outstanding aggregated \$10,120,000. The obligations are payable solely from and collateralized by a pledge of rentals to be received from a lease agreement between the airport and Biz Jet International. The bonds do not constitute a debt or pledge of the faith and credit of the Trust, the City, or the State and, accordingly, they have not been reported in the accompanying financial statements.

**8. MUNICIPAL EMPLOYEES' PENSION FUND**

The Trust contributes to the Municipal Employees Pension System (the "Plan"), a cost-sharing multiple-employer defined benefit pension plan administered by the City of Tulsa, Oklahoma. The Plan was established by the City in accordance with the City Charter and State Statutes. Nonuniform, nonelected full-time employees of TAA along with other employees of the City of Tulsa and certain related agencies participate in this plan immediately upon employment. Employees become 100% vested after five years of employment.

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

The authority to establish and amend requirements of the Plan is set forth in the City Charter and State Statutes and is vested in the Plan's board of trustees, which are appointed by the Mayor with approval of the City Council. Plan members are required to contribute 5.0% of their annual covered salary. The Trust is required to contribute at an actuarially determined rate; the rate was 12.12%, 9.62%, and 8.99% for the years ended 2012, 2011 and 2010. The Trust's contributions to the Plan for 2012, 2011 and 2010 were \$700,000, \$358,000 and \$370,000, respectively, which equalled 97%, 65%, and 73% of the actuarially required contribution each year. The difference between the required contributions to the Plan and the actual contributions made by the Trust was \$20,000 and \$214,000 as of June 30, 2012 and 2011, respectively.

The Plan is reported as a Pension Trust Fund in the City's 2012 Comprehensive Annual Financial Report. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or a report of another entity.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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**9. OTHER POSTEMPLOYMENT BENEFITS**

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

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

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

The City’s actuarial determined annual required contribution (“ARC”) for fiscal years ending June 30, 2012 and 2011 was \$2,769,000 and \$3,219,000, of which \$1,208,246 and \$536,693 was paid on a pay-as-you-go basis in 2012 and 2011, respectively. The Trust was allocated \$1,055,295 and \$976,127 of the net obligation for the fiscal years ending June 30, 2012 and 2011, respectively, which has been reflected in the financial statements. The amount allocated to the Trust is based on the percentage of the Trust’s payroll cost compared to the total payroll cost of the active eligible employees. The complete details of the plan are disclosed in the City’s Comprehensive Annual Financial Report.

**10. RENTAL INCOME FROM OPERATING LEASES**

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

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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

Minimum future rentals under non-cancellable operating leases as of June 30, 2012, are as follows:

*(In thousands of dollars)*

2013	\$ 13,602
2014	10,008
2015	9,357
2016	9,116
2017	5,052
2018 - 2022	3,837
2023 - 2027	2,580
2028 - 2032	1,879
2033 - 2037	1,076
2038 - 2042	635
2043 - 2047	188
2048	188
	<u>\$ 57,518</u>

**11. RISK MANAGEMENT**

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

**12. COMMITMENTS AND CONTINGENCIES**

As of June 30, 2012, the Trust had open commitments for construction projects of approximately \$18,801,828.

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

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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12. **COMMITMENTS AND CONTINGENCIES, continued**

**Great Plains Airlines:** In December 2000, the Trust entered into a Support (Contingent Purchase and Sale) Agreement with the Tulsa Industrial Authority (“TIA”) and Bank of Oklahoma (“BOK”) as part of a \$30 million loan transaction involving the City of Tulsa, TIA, Great Plains Airlines (“GPA”), and BOK. The Support Agreement included a provision that upon the occurrence of a trigger event (as defined by the loans), BOK could direct TIA to sell the property to the Trust for the amount of any existing indebtedness on the loan to GPA. GPA declared bankruptcy in January 2004.

The Office of the Inspector General of the U.S. Department of Transportation was asked to perform a review of certain issues at the Authority, and which later included the financial support of GPA. In May 2004, the Inspector General noted improprieties with the Support Agreement and notified the Federal Aviation Administration (“FAA”). The FAA advised the Trust that airport funds were not to be used to subsidize airlines and that should the Trust purchase the property under the Support Agreement, it would constitute a direct subsidy to the airline in violation of FAA policy.

In October 2004, TIA (at the direction of BOK) filed suit against the Trust and its former legal counsel. The City was included in the litigation and the matter was settled between the City, BOK and the Airport Trustees on June 26, 2008. The settlement in the case was pursuant to a Settlement Agreement approved by the District Court.

On July 8, 2008 the City received a taxpayers’ Qui Tam Demand challenging the legality of the settlement. In response, and according to the terms of the Settlement Agreement, the Mayor and City filed a Declaratory Judgment action in Tulsa County District Court on July 14, 2008, seeking a judicial declaration that their actions in executing the Settlement Agreement and transferring the Settlement Payment were authorized by Oklahoma law. The District Court determined the action taken by the City was a proper response to the Taxpayers’ Qui Tam Demand and the Taxpayers had no right to recover a Qui Tam penalty and granted the City’s Motion for Partial Summary Judgment.

The Taxpayers appealed the decision and in October 2011, the Oklahoma Supreme Court ruled that BOK’s claim against the City was not viable and remanded the matter for the District Court to direct the repayment from BOK to the City of Tulsa. On July 13, 2012, the Mandate was received and filed in Tulsa County. The City of Tulsa confirmed receipt of \$7.1 million from BOKF, NA (formerly Bank of Oklahoma NA) on July 18, 2012.

Taxpayers filed an Application for Statutory Reward and Alternative Motion for Compensation on July 31, 2012 which was denied. Taxpayers filed their Petition in Error with the Oklahoma Supreme Court.

TIA/BOKF, NA may re-initiate its proceedings against the Tulsa Airports Improvement Trust.



**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements, continued**  
**June 30, 2012 and 2011**

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**13. RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2012 and 2011, the Authority conducted the following transactions with related parties.

<i>(In thousands of dollars)</i>	<u>2012</u>	<u>2011</u>
Payments to City of Tulsa - General Fund for support services	\$ 1,258	\$ 1,281
Payments to City of Tulsa - General Fund for fire services	\$ 1,704	\$ 1,603

**14. RESTATEMENT**

The Trust adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on fiscal year 2011 is as follows:

<i>(In thousands of dollars)</i>	<u>2011 Previously Presented</u>	<u>Restatement</u>	<u>2011 Restated</u>
Deferred bond issue costs, net	\$ 2,756	\$ (2,756)	\$ -
Deferred charges on refunding	-	8,504	8,504
Bonds payable, net - restricted	144,171	9,909	154,080
Unrestricted net position	27,478	(2,756)	24,722
Net investment in capital assets	185,183	(1,405)	183,778
Interest expense	(10,645)	341	(10,304)
Bond issuance costs	-	(223)	(223)
Change in net position	9,073	118	9,191
Net position, beginning of year	236,257	(4,279)	231,978

**15. SUBSEQUENT EVENTS**

**GENERAL AIRPORT REVENUE BONDS ISSUANCE**

On July 11, 2012, the Trust passed resolutions approving the issuance of General Airport Revenue Bonds in a principal amount not to exceed \$14,625,000. The 2012A General Airport Revenue Bonds were issued on a draw-down basis on August 7, 2012. The proceeds will be used to pay for capital purchases and improvements.

On July 11, 2012, the Trust passed a resolution authorizing the issuance of General Airport Revenue Bonds in a principal amount not to exceed \$2,000,000. The 2012B General Airport Revenue Bonds were issued on August 29, 2012. The proceeds will be used to pay for capital purchases and improvements.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Grant Title	C DFA Number	Grant Number	A m o u n t o f Grant	U n e x p e n d e d B a l a n c e a t J u n e 3 0 , 2 0 1 1	Grants Awarded (C l o s e d) During Current Year	T r a n s f e r s and A d j u s t m e n t s	O t h e r I n c o m e a n d M a t c h i n g	C u r r e n t Y e a r E x p e n d i t u r e s	U n e x p e n d e d B a l a n c e a t J u n e 3 0 , 2 0 1 2
<b>Department of Transportation</b>									
<b>Federal Aviation Administration</b>									
RVS - Rehabilitate Taxiways & Roadways	20.106	3-40-0098-19	\$ 47,244	\$ 8,940	\$ (8,940)	\$ -	\$ -	\$ -	\$ -
Rehabilitate Taxiways & Taxiways	20.106	3-40-0098-23	1,608,054	83,735	-	-	4,407	88,142	-
Rehabilitate Service Road - Phase 5	20.106	3-40-0098-24	74,298	-	74,298	-	3,872	77,434	736
Upgrade Airfield Guidance Signs RVS	20.106	3-40-0098-25	192,565	-	192,565	-	10,135	202,699	1
Noise Mitigation	20.106	3-40-0099-47	6,148,649	73,649	-	-	8,183	81,832	-
Rehabilitate Runway 8-26 & Taxiways Charlie & Lima	20.106	3-40-0099-60	7,016,319	156,785	-	-	-	-	156,785
North Development Area Taxiways - Phase 1	20.106	3-40-0099-62	1,181,357	1,261	(1,261)	-	-	-	-
Acquire Runway Protection Zone for Runway 8	20.106	3-40-0099-64	6,930,000	117,005	-	-	-	-	117,005
North Development Area Taxiways - Phase II	20.106	3-40-0099-65	1,400,329	53,799	(53,799)	-	-	-	-
Acquire (Hangers) Runway Protection Zone	20.106	3-40-0099-67	2,250,000	11,446	(11,446)	-	-	-	-
North Development Area Taxiways - Phase 2	20.106	3-40-0099-68	1,696,680	50,008	(50,008)	-	-	-	-
Extend Taxiway NA - Phase 8	20.106	3-40-0099-69	836,000	35,966	(35,966)	-	-	-	-
Noise Mitigation 2010	20.106	3-40-0099-70	6,930,000	1,608,580	-	-	54,513	1,090,262	572,831
RW 18L-36R & TWJ Pavement Replacement Phase 1	20.106	3-40-0099-72	1,421,625	93,768	(93,768)	-	-	-	-
Runway 26 MALSR	20.106	3-40-0099-73	268,333	8,037	(8,037)	-	-	-	-
Memorial Drive Realignment & Water Line Improvements	20.106	3-40-0099-74	1,096,269	31,923	-	-	(367)	(7,339)	38,895
Noise Mitigation 2010	20.106	3-40-0099-75	6,930,000	5,601,809	-	-	80,861	1,617,222	4,065,448
Collect Airport Data for Airports Geographic Information System (	20.106	3-40-0099-76	602,067	327,686	-	-	15,486	309,725	33,447
Wildlife Hazard Assessment	20.106	3-40-0099-77	79,201	33,888	-	-	1,325	26,499	8,714
Rehabilitate Runway 18L/36R - Phase 3	20.106	3-40-0099-78	8,524,008	2,380,672	-	-	82,877	1,657,546	806,003
Remove Obstructions in Runway 8 RPZ & Install Airfield Access (	20.106	3-40-0099-79	342,633	-	342,633	-	13,332	266,648	89,317
North Development Area Airport Drainage	20.106	3-40-0099-80	450,469	-	450,469	-	23,709	474,178	-
Install Runway 26 MALSR	20.106	3-40-0099-81	1,329,238	-	1,329,238	-	65,997	1,319,931	75,304
Rehabilitate Runway 18L/36R & Taxiway Lima	20.106	3-40-0099-82	8,539,844	-	8,539,844	-	412,115	8,242,303	709,656
			<u>\$ 65,895,182</u>	<u>\$ 10,678,957</u>	<u>\$ 10,665,822</u>	<u>\$ -</u>	<u>\$ 776,445</u>	<u>\$ 15,447,082</u>	<u>\$ 6,674,142</u>

Note: The above Schedule of Expenditures of Federal Awards does not reflect Passenger Facility Charges ("PFC") authorized to be collected through September 1, 2026. The above schedule does not reflect the expenditure of such PFC's, except that the PFC's can be used for matching purposes and therefore may be reflected as other income and matching.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Schedule of Insurance in Force (Unaudited)**  
**Year Ended June 30, 2012**

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<b>Policy Coverage</b>	<b>Issuer</b>	<b>Limit of Liability</b>	<b>Self Insurance</b>	<b>Expiration Date</b>	<b>Premium</b>
Primary coverage on bodily injury, single limit bodily injury and property damage liability.	Phoenix Aviation Managers, Inc	Up to \$75,000,000 for any one accident, or occurrence with \$25,000 deductible each loss, and \$100,000 annual aggregate deductible.	None	November 19th 2012	\$85,096
Property damage (including boilers and machinery and scheduled automotive equipment) fire and extended coverage.	Public Entity Property Insurance Program	Real and personal property damage not to exceed \$358,238,900 with \$100,000 deductible.	None	June 30th 2012	\$165,396
Automotive personal liability and property damage off-airport.	Mid-Continent Casualty Co.	Excess of \$250,000 up to \$1 million bodily injury and property damage, combined single limit, each occurrence and in the aggregate.	\$250,000	July 18th 2012	\$31,367

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Statistical Information (Unaudited)**  
**Year Ended June 30, 2012**

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**Gross revenues as defined by the Bond  
Indenture as supplemented**

Operating revenue	\$ 30,696,877
Nonoperating revenues (1)	705,528
Airport Improvement Fund balance (2)	527,501
Airport Improvement Fund transfers (2)	3,485,149
PFC funds available for debt service	7,227,033
CFC revenues	2,937,552
Total gross revenues	<u>45,579,640</u>

**Gross expenses as defined by the Bond  
Indenture as supplemented**

Combined operating expenses	21,243,893
Capitalized expenditures classified as operating expenses in accordance with the Bond Indenture as supplemental	<u>229,339</u>
Total operating expenses	<u>21,473,232</u>

**Net revenue available for debt service** \$ 24,106,408

**Debt service** 16,756,296

**Debt coverage** 1.44

- (1) Nonoperating revenues including interest earned on invested funds, net of construction fund interest earnings and certain other nonoperating revenues and expenses, as defined by the Bond Indenture.
- (2) The Bond Indenture provides that transfers from the Airport Improvement Fund to other funds are considered as Gross Revenues for the next ensuing fiscal year.

**Tulsa Airports Improvement Trust**  
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**Statistical Information (Unaudited)**  
**Year Ended June 30, 2012**

**Schedule of Cash and Investments:**

<b>Description</b>	<b>Due Date</b>	<b>Interest Rate</b>	<b>Yield at Market</b>	<b>Par Value</b>	<b>Investment Cost</b>	<b>Market Value</b>
<b>Revenue Fund</b>						
BOK Short-Term Cash Fund 1	On Demand	0.03%	0.03%	\$ 6,041,028	\$ 6,041,028	\$ 6,041,028
FHLB	12/30/2019	1.50%	1.50%	1,000,000	1,000,000	1,000,000
Total Revenue Fund					7,041,028	7,041,028
<b>CFC Fund</b>						
BOK Short-Term Cash Fund 1	On Demand	0.03%	0.03%	6,496,502	6,496,502	6,496,502
Certificate of Deposit	1/14/2013	0.80%	0.80%	33,067	33,067	33,067
<b>Interest Accounts</b>						
BOK Short-Term Cash Fund 1	On Demand	0.03%	0.03%	45,791	45,791	45,791
<b>Special Bond Principal Account</b>						
BOK Short-Term Cash Fund 1	On Demand	0.03%	0.03%	150,632	150,632	150,632
<b>Construction Fund</b>						
BOK Short-Term Cash Fund 1	On Demand	0.03%	0.03%	2,932,641	2,932,641	2,932,641
Certificate of Deposit	1/14/2013	0.80%	0.80%	1,691,232	1,691,232	1,691,232
<b>Operating Fund - Operating Reserve Account</b>						
BOK Short-Term Cash Fund 1	On Demand	0.03%	0.03%	226,869	226,869	226,869
FNMA	10/30/2020	2.50%	1.25%	830,000	830,000	829,909
FHLB	12/14/2018	1.20%	1.25%	1,000,000	1,000,000	1,001,080
FHLB	12/30/2019	1.50%	1.50%	2,400,000	2,400,000	2,400,000
FHLB	12/21/2020	1.00%	1.00%	1,000,000	1,000,000	1,001,680
FNMA Arms # 20086	7/1/2024	4.90%	4.77%	4,613	4,613	4,773
FNMA Arms # 4593	5/1/2024	4.90%	4.66%	5,729	6,118	6,009
Total Fund Operating Reserve Account					5,467,600	5,470,320
<b>Other Accounts</b>						
DDA cash account and petty cash				561,337	561,337	561,337
Pooled Investments with City Treasurer				-	2,117,587	2,128,386
BOK Short-Term Cash Fund 1	On Demand	0.03%	0.03%	16,050,531	16,050,531	16,050,531
FHLB	12/30/2019	1.50%	1.50%	9,750,000	9,750,000	9,750,000
FHLB	12/30/2019	1.50%	1.50%	6,475,000	6,475,000	6,475,000
Treasury Money Fund	On Demand	0.01%	0.01%	8,258	8,258	8,258
Cash	On Demand	0.00%	0.00%	97	97	97
Slug	10/1/2023	5.15%	5.15%	690,074	690,074	690,074
Total Other Accounts					35,652,884	35,663,683
Total Funds on Deposit and Invested					\$ 59,511,377	\$ 59,524,896

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Statistical Information (Unaudited)**  
**Year Ended June 30, 2012**

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**Five Year Construction In Progress** – The Airport’s total estimated cost for the years ending 2013 through 2017 (in thousands):

	<b>Total</b>	<b>Federal</b>	<b>Local</b>
Airfiled	\$ 83,075	\$ 74,129	\$ 8,946
Terminal	29,000	0	29,000
Landside	29,650	0	29,650
RVS	15,973	14,066	1,907
Total Estimated Cost	<u>\$ 157,698</u>	<u>\$ 88,195</u>	<u>\$ 69,503</u>

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

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
January	115,447	100,386	91,651	96,050	92,817
February	114,980	96,939	90,551	79,389	92,250
March	136,795	110,121	113,874	115,220	109,688
April	130,977	114,171	110,876	102,375	105,413
May	158,118	126,304	127,395	123,957	125,879
June	150,291	133,070	133,625	132,671	126,708
July	157,103	139,217	135,447	129,703	122,962
August	136,059	120,473	115,643	112,395	111,940
September	115,400	114,709	112,275	112,904	105,425
October	136,485	125,028	125,060	122,919	116,870
November	116,154	113,907	110,524	113,251	N/A <sup>(1)</sup>
December	123,894	113,353	113,134	111,858	N/A <sup>(1)</sup>
Annual	<u>1,591,703</u>	<u>1,407,678</u>	<u>1,380,055</u>	<u>1,352,692</u>	<u>1,109,952</u>

<sup>(1)</sup> Not available

**Tulsa Airports Improvement Trust**  
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**Average Daily Scheduled Flights:**

Airline	2008		2009		2010		2011		2012	
	Daily Arrivals & Departures	% of Total	Daily Arrivals & Departures	% of Total	Daily Arrivals & Departures	% of Total	Daily Arrivals & Departures	% of Total	Daily Arrivals & Departures	% of Total
American	29	19.20%	28	21.21%	24	19.05%	26	20.63%	26	19.55%
Continental	23	15.20%	19	14.39%	19	15.08%	18	14.29%	-	0.00%
Delta	22	14.60%	19	14.39%	29	23.02%	26	20.63%	28	21.05%
ExpressJets	8	5.30%	-	N/A	-	N/A	-	0.00%	-	0.00%
Frontier	-	N/A	-	N/A	-	N/A	-	0.00%	-	0.00%
Northwest Airlink / Pinnacle	14	9.30%	14	10.61%	-	N/A	-	0.00%	-	0.00%
Southwest	38	25.20%	33	25.00%	34	26.98%	32	25.40%	34	25.56%
United	17	11.30%	19	14.39%	20	15.87%	24	19.05%	45	33.83%
	<u>151</u>	100.00%	<u>132</u>	100.00%	<u>126</u>	100.00%	<u>126</u>	100.00%	<u>133</u>	100.00%

**Tulsa Airports Improvement Trust**  
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**Airline Enplaned Passengers:**

	2008		2009		2010		2011		2012	
Airline	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
American	312,303	19.1%	318,121	21.7%	307,032	22.0%	293,079	2152.2%	298,551	22.02%
American Connection / Transtates	38,231	2.3%	24,920	1.7%	-	N/A	-	N/A	-	N/A
American Connection / Chautauqua	-	N/A	-	N/A	3,916	0.3%	54,342	4.0%	-	N/A
American Eagle	79,936	4.9%	54,424	3.7%	48,810	3.5%	-	N/A	59,029	4.35%
Continental	95,723	5.8%	58,868	4.0%	25,519	1.8%	21,902	1.6%	23,491	1.73%
Continental Express	21,570	1.3%	79,626	5.4%	-	N/A	-	N/A	-	N/A
Continental Express/Chautauqua	51,887	3.2%	17,891	1.2%	8,004	0.6%	11,120	0.8%	-	N/A
Continental Express/Colgan	-	N/A	-	N/A	-	N/A	24,945	1.8%	31,698	2.34%
Continental Express/Express Jets	-	N/A	-	N/A	111,811	8.0%	77,545	5.7%	91,567	6.75%
Delta	-	N/A	-	N/A	-	N/A	14,642	1.1%	18,049	1.33%
Delta Connection / ASA	77,308	4.7%	89,778	6.1%	74,909	5.4%	87,012	6.4%	85,876	6.33%
Delta Connection / Chautauqua	-	N/A	-	N/A	-	N/A	-	N/A	40	N/A
Delta Connection / Comair	32,752	2.0%	8,037	0.5%	7,661	0.5%	963	0.1%	2,010	0.15%
Delta Connection / Compass	-	N/A	-	N/A	-	N/A	5,406	0.4%	6,700	0.49%
Delta Connection / Mesaba	-	N/A	-	N/A	1,223	0.1%	3,513	0.3%	797	0.06%
Delta /Pinnacle	-	N/A	-	N/A	93,860	6.7%	64,968	4.8%	60,197	4.44%
Delta Connection / SkyWest	31,677	1.9%	26,168	1.8%	32,376	2.3%	31,941	2.3%	25,348	1.87%
ExpressJets	63,069	3.8%	9,113	0.6%	1,978	0.1%	-	N/A	-	N/A
Frontier	42,168	2.6%	-	N/A	23,074	1.7%	-	N/A	-	N/A
Northwest Airlin k / Pinnacle	97,799	6.0%	100,643	6.9%	-	N/A	-	N/A	-	N/A
Southwest	504,064	30.8%	494,170	33.7%	471,514	33.8%	492,804	36.2%	488,844	36.06%
United	91,579	5.6%	89,629	6.1%	69,395	5.0%	52,499	3.9%	29,870	2.20%
United Express / Atlantic Coast	58,477	3.6%	-	N/A	-	N/A	-	N/A	-	N/A
United Express / Express Jet	-	N/A	-	N/A	2,542	0.2%	44,539	3.3%	74,345	5.48%
United Express / GoJet	-	N/A	-	N/A	-	N/A	9,556	0.7%	21,783	1.61%
United Express / Mesa	-	N/A	-	N/A	3,086	0.2%	-	N/A	-	N/A
United Express / SkyWest	-	N/A	48,884	3.3%	72,822	5.2%	56,086	4.1%	33,930	2.50%
United Express / Trans State	22,052	1.3%	36,660	2.5%	33,050	2.4%	12,794	0.9%	417	0.03%
Other	18,626	1.1%	9,154	0.6%	2,077	0.1%	2,089	0.2%	3,243	0.24%
Totals	1,639,221	100.0%	1,466,086	100.0%	1,394,659	100.0%	1,361,745	100.0%	1,355,785	100.00%



**Tulsa Airports Improvement Trust**  
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**Airline – Air Cargo Landed Weight (in pounds):**

Airline / Air Cargo Carrier	2008		2009		2010		2011		2012	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
American	487,602,000	17.40%	431,823,500	18.79%	436,737,500	19.97%	415,182,500	18.81%	421,316,500	19.42%
American Connection / Chautauqua	-	N/A	10,381,956	0.45%	4,459,023	0.20%	-	N/A	-	N/A
American Connection / Transtates	44,506,254	1.59%	20,047,703	0.87%	-	N/A	-	N/A	-	N/A
American Eagle	85,392,909	3.05%	59,867,428	2.60%	54,803,502	2.51%	61,233,173	2.77%	65,766,654	3.03%
Charters	19,680,000	0.70%	-	N/A	-	N/A	-	N/A	-	N/A
Continental	146,641,000	5.23%	51,684,000	2.25%	36,482,600	1.67%	38,638,500	1.75%	40,095,600	1.85%
Continental Express	59,170,500	2.11%	-	N/A	-	N/A	-	N/A	-	N/A
Continental Express/ Chautauqua	-	N/A	20,287,500	0.88%	9,063,500	0.41%	12,027,500	0.54%	-	N/A
Continental Express / Colgan	-	N/A	-	N/A	-	N/A	36,022,000	1.63%	44,144,000	2.03%
Continental Express/ ExpressJet	-	N/A	104,843,000	4.56%	116,278,000	5.32%	85,206,064	3.86%	70,597,560	3.25%
Delta	-	N/A	-	N/A	-	N/A	24,340,100	1.10%	28,276,300	1.30%
Delta Connection / ASA	96,121,000	3.43%	102,603,000	4.46%	88,215,500	4.03%	112,977,000	5.12%	66,243,600	3.05%
Delta Connection / Chautauqua	-	N/A	-	N/A	-	N/A	-	N/A	48,501	0.00%
Delta Connection / Comair	48,932,000	1.75%	8,554,000	0.37%	11,606,509	0.53%	1,175,000	0.05%	3,105,100	0.14%
Delta Connection / Compass	-	N/A	-	N/A	-	N/A	9,519,539	0.43%	11,072,980	0.51%
Delta Connection / Express Jet	-	N/A	-	N/A	-	N/A	-	N/A	52,021,100	2.40%
Delta Connection / Mesaba	-	N/A	-	N/A	4,250,000	0.19%	5,945,400	0.27%	1,156,100	0.05%
Delta Connection / Pinnacle	-	N/A	116,334,000	5.06%	107,738,516	4.93%	84,190,800	3.81%	71,266,000	3.29%
Delta Connection / SkyWest	43,543,000	1.55%	28,106,000	1.22%	38,512,300	1.76%	43,976,200	1.99%	33,443,700	1.54%
ExpressJets	117,563,108	4.20%	9,154,629	0.40%	-	N/A	-	N/A	-	N/A
Frontier	61,971,724	2.21%	-	N/A	29,873,204	1.37%	-	N/A	-	N/A
Northwest Airlink / Pinnacle	126,336,000	4.51%	-	N/A	-	N/A	-	N/A	-	N/A
Southwest	858,000,000	30.62%	774,600,000	33.70%	697,318,500	31.89%	699,250,000	31.68%	692,202,000	31.91%
United	130,923,326	4.67%	121,139,043	5.27%	106,037,315	4.85%	79,560,896	3.61%	42,417,356	1.96%
United Express / Air Wisconsin	27,571,752	0.98%	-	N/A	-	N/A	-	N/A	-	N/A
United Express / Express Jet	-	N/A	-	N/A	4,554,941	0.21%	49,770,720	2.26%	111,775,234	5.15%
United Express / GoJet	-	N/A	-	N/A	-	N/A	14,057,294	0.64%	32,093,000	1.48%
United Express / Mesa	-	N/A	-	N/A	-	N/A	-	N/A	134,000	0.01%
United Express / SkyWest	82,258,000	2.94%	56,120,000	2.44%	92,263,000	4.22%	72,392,000	3.28%	47,720,000	2.20%
United Express / Transtates	-	N/A	42,038,412	1.83%	36,762,336	1.68%	14,381,562	0.65%	468,039	0.02%
Other Passenger	-	N/A	16,849,870	0.73%	6,084,084	0.28%	8,099,715	0.37%	14,191,380	0.65%
Air Cargo Carriers	-	N/A	-	N/A	-	N/A	-	N/A	-	N/A
Air Transport	-	N/A	-	N/A	-	N/A	4,694,000	0.21%	-	N/A
Airborne	33,600,700	1.20%	18,431,300	0.80%	-	N/A	-	N/A	-	N/A
Ameriflight	-	0.00%	-	0.00%	-	N/A	11,659,944	0.53%	8,113,600	0.37%
FedEx	231,770,650	8.27%	218,091,900	9.49%	228,157,000	10.43%	229,759,390	10.41%	204,045,444	9.41%
FedEx-Empire	-	N/A	-	N/A	-	N/A	-	N/A	7,461,986	0.34%
Martinaire	9,256,500	0.33%	6,154,000	0.27%	4,513,500	0.21%	4,760,007	0.22%	4,420,000	0.20%
UPS	91,023,000	3.25%	74,717,240	3.25%	67,848,400	3.10%	86,230,876	3.91%	89,557,280	4.13%
Other Cargo	-	N/A	6,739,810	0.29%	5,199,878	0.24%	1,890,306	0.09%	6,210,406	0.29%