# Tulsa Airports Improvement Trust

Report to the Board of Trustees
November 12, 2013

McGladrey

Assurance ▪ Tax ▪ Consulting

McGladrey

November 12, 2013

Board of Trustees
Tulsa Airports Improvement Trust
Tulsa, Oklahoma

We are pleased to present this report related to our audit of the basic financial statements and compliance of the Tulsa Airports Improvement Trust (the Trust), a component unit of the City of Tulsa, Oklahoma, for the year ended June 30, 2013. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Trust's financial and compliance reporting process.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Trust.

McGladrey LLP

## Contents

# Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

| Area | Comments |
|---|---|
| **Our Responsibilities With Regard to the Financial Statement Audit** | Our responsibilities under auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States, and provisions of OMB Circular A-133 and OMB's Compliance Supplement, have been described to you in our arrangement letter dated March 26, 2013. |
| **Overview of the Planned Scope and Timing of the Financial Statement Audit** | We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement. |
| **Accounting Policies and Practices** | **Preferability of Accounting Policies and Practices**<br>Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.<br><br>**Adoption of, or Change in, Accounting Policies**<br>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Trust. The Trust did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.<br><br>**Significant or Unusual Transactions**<br>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.<br><br>**Management's Judgments and Accounting Estimates**<br>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates. |
| **Audit Adjustments** | There were no audit adjustments made to the original trial balance presented to us to begin our audit. |
| **Uncorrected Misstatements** | Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements. |
| **Disagreements with Management** | We encountered no disagreements with management over the application of significant accounting policies, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements. |

| Area | Comments |
|---|---|
| **Consultations With Other Accountants** | We are not aware of any consultations management had with other accountants about accounting or auditing matters. |
| **Significant Issues Discussed With Management** | No significant issues arising from the audit were discussed with or the subject of correspondence with management. |
| **Significant Difficulties Encountered in Performing the Audit** | We did not encounter any significant difficulties in dealing with management during the audit. |
| **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.** | We have separately issued a report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*, and this communication is included within Exhibit A. |
| **Significant Written Communications Between Management and Our Firm** | Copies of significant written communications between our firm and the management of the Trust, including the representation letter provided to us by management, are attached as Exhibit A. |

## Tulsa Airports Improvement Trust

## Summary of Significant Accounting Estimates

## Year Ended June 30, 2013

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Trust's June 30, 2013 basic financial statements.

| Estimate | Accounting Policy | Management's Estimation Process | Basis for Our Conclusions on Reasonableness of Estimate |
|---|---|---|---|
| **Depreciable Useful Life of Capital Assets** | The depreciable useful life of capital assets is set at the estimated useful life of the related asset. | The determination is made at the time the asset is placed into service and involves various judgments and assumptions based on prior experience. | We believe the estimates used by management of the Trust are reasonable. |
| **Fair Value of Investments** | The Trust records its investments held by the City's pooled portfolio and the nonpooled investments at the estimated fair value. Changes in estimated fair value of pooled investments is allocated annually based on the percentage of the Trust's average daily equity in the pooled portfolio to the total average daily pooled portfolio balance. | Investment securities are based on quoted market prices. | We tested the proprietary of information underlying management's estimates. Based on our procedures, we conclude that management's estimate is reasonable. |
| **Allowance for Doubtful Accounts** | The allowance for doubtful accounts is based on management's estimate of collectability of identified receivables, as well as aging of customer accounts. | The allowance is adjusted as information and specific accounts become available. The Trust also compares current allowance amounts to prior-year collection or write-off experience. | We tested the underlying information supporting this allowance, including the most recent aging reports and collection experience. We concluded that management's allowance methodology and estimates are reasonable. |

| Estimate | Accounting Policy | Management's Estimation Process | Basis for Our Conclusions on Reasonableness of Estimate |
|---|---|---|---|
| **Pension Plan and Other Postemployment Benefit Plan (OPEB)** | Pension plan and other postemployment benefit plan accounting and disclosures are based upon calculations performed by an actuary and include numerous assumptions and estimates. | The employee-related factors include turnover, retirement age and mortality. These factors and the estimated discount rate used to determine the present value of liabilities and rate of return on retirement plan assets are based upon historical and general market data. The amount was calculated by an actuary hired by the City of Tulsa, and management of the City determines the portion of the OPEB liability that is allocated to the Trust. | We analyzed the City's methodology, obtained actuarial calculation reports and concluded the estimates and allocation to the Trust are reasonable. |

## Tulsa Airports Improvement Trust

## Summary of Uncorrected Misstatements

## Year Ended June 30, 2013

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the statements of financial position, results of operations, and cash flows and to the related basic financial statement disclosures. Following is a summary of those differences.

| | Debit (Credit) | | | | |
|---|---|---|---|---|---|
| Description | Assets | Liabilities | Net Position | Revenue | Expenses |
| Carryover impact from previous years | $ - | $ - | $ - | $ - | $ - |
| Current year misstatements: | | | | | |
| Factual misstatement, | | | | | |
| to correct retainage accrual at year-end | 92,000 | - | - | - | (92,000) |
| Projected misstatement, | | | | | |
| to adjust FMV of investments | (187,000) | - | - | 187,000 | - |
| **Subtotal** | $ (95,000) | $ - | - | $ 187,000 | $ (92,000) |
| Net effect on the statement of changes in net position | | | 95,000 | | |
| **Ending misstatement of net position** | | | $ 95,000 | | |

## Recently Issued Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the Trust. The Trust's management has not yet determined the effect these statements will have on the Trust's financial statements. However, the Trust plans to implement all statements by the required dates. The Statement which might impact the Trust is as follows:

**GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***

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

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

## Exhibit A—Significant Written Communications between Management and Our Firm

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Tulsa
International Airport

November 12, 2013

McGladrey LLP
4801 Main Street, Suite 400
Kansas City, Missouri 64112

This representation letter is provided in connection with your audits of the 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, 2013 and 2012 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of November 12, 2013 the following representations made to you during your audits:

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated March 26, 2013 for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

5. Related-party transactions, including those with the primary government having accountability for the Trust, other organizations for which the nature and significance of their relationship with the Trust are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. The following have been properly recorded and/or disclosed in the financial statements:

    a. The fair value of investments.

    b. All significant estimates and material concentrations known to management which are required to be disclosed.

    c. Risk financing activities.

    d. Deposits and investment securities categories of risk.

    e. The general effect on the financial statements of GASB Statement No. 68, which has been issued, but which we have not yet adopted.

    f. Authorized but unissued bonds and/or notes.

    g. Restrictions of cash and investment balances.

    h. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or expenditures recorded on the books.

    i. Details of all outstanding bond issues, including outstanding balances, interest rates and maturity schedules for each.

    j. All leases and material amounts of rental obligations under long-term leases.

    k. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.

9. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:

    a. The Trust has no significant amounts of idle property or equipment.

    b. The Trust has no plans or intentions to discontinue the operations of any activities or programs or to discontinue any significant operations.

10. We are responsible for making the accounting estimates included in the basic financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:

    a. To reduce receivables to their estimated net collectable amounts.

    b. To reduce obsolete, damaged or excess inventories to their estimated net realizable values.

    c. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2013, and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2013.

    d. For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through June 30, 2013.

11. There are no:

    a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

    b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.

    c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the GASB Accounting Standards Codification.

    d. Guarantees, whether written or oral, under which the Trust is contingently liable.

    e. Arrangements with financial institutions involving compensating balances.

    f. Lines of credit or similar arrangements.

    g. Arrangements to repurchase assets previously sold.

    h. Liabilities which are subordinated in any way to any other actual or possible liabilities.

    i. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.

    j. Derivative financial instruments.

    k. Special and extraordinary items.

    l. Arbitrage rebate liabilities.

    m. Impairment of capital assets.

    n. Investments, intangibles, and other assets which have permanently declined in value.

    o. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.

    p. Material losses to be sustained as a result of purchase commitments.

    q. Environmental cleanup obligations.

12. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the Contingencies Topic of the GASB Accounting Standards Codification.

13. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statement.

14. The Trust has satisfactory title to all owned assets.

15. We have complied with all aspects of contractual agreements that would have a material effect on the basic financial statements in the event of noncompliance.

16. Net positions (net investment in capital assets; restricted; and unrestricted) are properly classified and, when applicable, approved.

17. Expenses have been appropriately classified.

18. Revenues are appropriately classified.

19. Capital assets, including infrastructure assets, are properly capitalized, reported and depreciated.

20. The following GASB pronouncements have been issued, but are not yet effective for the Trust, and we have not yet adopted. The standards are not disclosed in the financial statements since the new standards are not expected to significantly impact the Trust's basic financial statements, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* or GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

21. We have informed you of all uncorrected misstatements.

As of and for the year ended June 30, 2013, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

| | Debit (Credit) | | | | |
|---|---|---|---|---|---|
| Description | Assets | Liabilities | Net Position | Revenue | Expenses |
| Carryover impact from previous years | $ - | $ - | $ - | $ - | $ - |
| Current year misstatements: | | | | | |
| Factual misstatement, | | | | | |
| to correct retainage accrual at year-end | 92,000 | - | - | - | (92,000) |
| Projected misstatement, | | | | | |
| to adjust FMV of investments | (187,000) | - | - | 187,000 | - |
| **Subtotal** | $ (95,000) | $ - | - | $ 187,000 | $ (92,000) |
| Net effect on the statement of changes in net position | | | 95,000 | | |
| **Ending misstatement of net position** | | | $ 95,000 | | |

*Information Provided*

22. We have provided you with:

a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.

b. Additional information that you have requested from us for the purpose of the audits.

c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

d. Minutes of the meetings of the governing boards and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

23. All transactions have been recorded in the accounting records and are reflected in the financial statements.

24. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

25. We have no knowledge of allegations of fraud or suspected fraud, affecting the Trust's financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the financial statements.

26. We have no knowledge of any allegations of fraud or suspected fraud affecting the Trust's financial statements received in communications from employees, former employees, analysts, regulators or others.

27. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.

28. We have properly disclosed any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

29. We have disclosed to you the identity of the Trust's related parties and all the related-party relationships and transactions of which we are aware.

30. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Trust's ability to record, process, summarize and report financial data.

31. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

*Supplementary Information*

32. With respect to supplementary information presented in relation to the financial statements as a whole:

    a. We acknowledge our responsibility for the presentation of such information.

    b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

    d. Management is responsible for the preparation of the required supplementary information (RSI) and supplementary information (SI) presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. If the Trust chooses to include the RSI or SI in any formal document, and indicates in this document that the auditor has reported on such RSI and SI, the Trust agrees to include in the document our auditor's report on this information and to make the audited financial statements readily available to the intended users of the RSI and SI.

33. With respect to management's discussion and analysis presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:

    a. We acknowledge our responsibility for the presentation of such required supplementary information.

    b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

34. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

*Compliance Considerations*

35. In connection with your audits, conducted in accordance with *Government Auditing Standards*, we confirm:

    a. The Board and management of the Trust are responsible for:

        i. Compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the Trust.

        ii. Establishing and maintaining effective internal control over financial reporting.

    b. We have identified and disclosed to you:

        i. All laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.

        ii. There are no violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.

    c. We are not aware of any fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that has been reported.

    d. We have a process to track the status of audit findings and recommendations.

    e. We have identified for you previous audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.

36. In connection with your audit of the passenger facility charge program conducted in accordance with the Passenger Facility Charge (PFC) Audit Guide for Public Agencies (the Guide), we confirm:

    a. We are responsible for complying, and have complied, with the requirements of the Guide.

    b. We have prepared the schedule of passenger facility charge receipts and disbursements in accordance with the Guide.

c. We are responsible for establishing and maintaining, and we have established and maintained, effective internal control over compliance for the PFC program that provides reasonable assurance that the Trust is managing the PFC program in compliance with laws, regulations and the provisions of contracts or grant agreements that could have a material effect on the program.

37. In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* we confirm:

a. We are responsible for complying, and we have complied, with the requirements of OMB Circular A-133.

b. We are responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.

c. We are responsible for establishing and maintaining, and we have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.

d. We have prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

e. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

f. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.

g. We have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.

h. We believe that we have complied with the direct and material compliance requirements.

i. We have made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

j. We have provided you our interpretations of any compliance requirements that are subject to varying interpretations.

k. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of your report.

l. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of your report.

m. We are responsible for taking corrective action on audit findings of the compliance audit.

n. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

o. We are not aware of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

p. We are not aware of any known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by your report.

q. We are not aware of any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by us with regard to significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance is audited.

r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

t. We have charged costs to federal awards in accordance with applicable cost principles.

u. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.

v. We will accurately complete appropriate sections of the data collection form. We further acknowledge our responsibility for the complete, accurate, and timely filing of the data collection form with the Federal Audit Clearinghouse.

**Tulsa Airports Improvement Trust**

Carl Remus

Carl Remus, Deputy Airports Director, Finance and Administration, Tulsa Airport Authority

Jeff Mulder

Jeff Mulder, Airports Director

McGladrey

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

**Independent Auditor's Report**

To the Board of Trustees
Tulsa Airports Improvement Trust
Tulsa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Tulsa Airports Improvement Trust (Trust), a discretely presented component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated November 12, 2013.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

McGladrey LLP

Kansas City, Missouri
November 12, 2013

McGladrey

To the Board of Trustees
Tulsa Airports Improvement Trust
Tulsa, Oklahoma

In planning and performing our audit of the financial statements of the Tulsa Airports Improvement Trust (the Trust), a discretely presented component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following is a description of an identified control deficiency that we determined did not constitute a significant deficiency or material weakness:

**Ground Rental Revenue:** During the current fiscal year, management determined there were customers that had made changes to their square footage or had new rates for rent in prior fiscal years, but the Trust had not properly increased their monthly billings to reflect the changes to square footage or rates. As a result, the Trust calculated the additional amount of revenue owed to the Trust that related to prior years, and billed the customers accordingly during fiscal year 2013. In addition, management discovered one contract with a significant tenant that has been under billed for several years due to an error in invoicing and an error in the calculated rent schedule spreadsheet, which was used to bill this specific customer. The Trust came to an agreement with this customer to collect under-billed amounts from prior years on a monthly basis, including lost interest, in order to recover the revenue. This collection will be over a period of six years. We recommend management review contract changes and reconcile to monthly invoices to ensure customers are being charged the appropriate rates.

**Management's Response:** The Trust formed a committee subsequent to fiscal year 2013 between several departments to discuss contracts on a regular basis. In addition, the contracts department is working on a rent study with consultants to determine the best approach for contract billing, with a goal to make the renewal of contracts more efficient.

The Trust's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Board of Trustees and others within the Trust, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Kansas City, Missouri
November 12, 2013