# Tulsa Airports Improvement Trust

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

## FINANCIAL REPORT

**June 30, 2017 and 2016**

**Tulsa Airports Improvement Trust**
**(A Component Unit of the City of Tulsa, Oklahoma)**
**Index**
**June 30, 2017 and 2016**

# Independent Auditor's Report

Board of Trustees
Tulsa Airports Improvement Trust

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Tulsa Airports Improvement Trust (TAIT), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise TAIT's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TAIT, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The detailed schedules of operating revenue information, listed in the table of contents as supplementary information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The accompanying other statistical information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017 on our consideration of TAIT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of TAIT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TAIT's internal control over financial reporting and compliance.

RSM US LLP

Kansas City, Missouri
November 17, 2017

As management of the Tulsa Airports Improvement Trust ("TAIT"), we offer readers of TAIT's financial statements this narrative overview and analysis of the financial activities of TAIT for the fiscal years ended June 30, 2017 and 2016.

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

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Enplaned Passengers | **1,380,299** | 1,368,300 | 1,373,832 |
| Airfreight (Tons) | **55,379** | 57,947 | 60,089 |
| Airline/Aircraft Movements (TUL) | **111,640** | 87,598 | 101,441 |
| Aircraft Movements - R.L. Jones Airport | **195,175** | 179,604 | 181,223 |
| Landed weights | **2,015,399,558** | 1,962,445,829 | 2,046,167,662 |

### Airport Activities Highlights

Tulsa Airports Improvement Trust operates Tulsa International Airport (TUL), R.L. Jones, Jr. Airport (RVS), and began managing Okmulgee Regional Airport (OKM) in 2015. As of June 30, 2017 there are five airlines serving Tulsa International Airport, along with several charter carriers, and three freight carriers.

Tulsa's passenger activity increased in FY17 to 1,380,299 after experiencing a slight decline in FY16. For FY17, Southwest Airlines enplaned the largest share of passengers at Tulsa International Airport with 33 percent of enplanements, followed by American Airlines (mainline and regional affiliates) with 30.8 percent. The market share of mainline carriers increased to 68.2 percent in FY17 from 66.3 percent in FY16, while the market share of regional affiliates decreased to 31.8 percent in FY17 from 33.7 percent in FY16.

Overall airline seat capacity increased by 3.4% in FY17 and is on track to increase again in FY18 by at least 2.5%. Frontier Airlines announced in July their return to the Tulsa market with service to Denver beginning in March 2018 and service to Orlando and San Diego beginning in April 2018. Denver ranks as the second most popular destination for Tulsa travelers, with more than 400 passengers traveling between the cities each day. Orlando and San Diego are also both top destinations with growing passenger demand.

**Financial Position Summary as of June 30, 2017** (in thousands of dollars)

- The assets and deferred outflows of resources of TAIT exceeded liabilities and deferred inflows of resources at the close of the most recent year by $270,522.
- Net position decreased $1,331 from $271,853 at June 30, 2016 to $270,522 at June 30, 2017.
- Total liabilities decreased $11,260 from $194,439 at June 30, 2016 to $183,179 at June 30, 2017.
- Cash and cash equivalents decreased $13,908 from $30,940 at June 30, 2016 to $17,032 at June 30, 2017.

## Overview of the Financial Statements

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

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

## Financial Statements

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

### Summary of Net Position

| *(in thousands of dollars)* | **2017** | 2016 | 2015 (as restated) |
|---|---|---|---|
| **Assets** | | | |
| Current and other assets | **$ 46,086** | $ 57,226 | $ 81,812 |
| Capital assets, net | **401,342** | 399,958 | 384,600 |
| Total assets | **447,428** | 457,184 | 466,412 |
| **Deferred outflows of resources** | **8,117** | 11,157 | 7,540 |
| **Liabilities** | | | |
| Current and other liabilities | **12,507** | 14,539 | 7,995 |
| Long-term debt outstanding | **170,672** | 179,900 | 190,241 |
| Total liabilities | **183,179** | 194,439 | 198,236 |
| **Deferred inflows of resources** | **1,844** | 2,049 | 3,047 |
| **Net position** | | | |
| Net investment in capital assets | **252,778** | 254,788 | 254,247 |
| Restricted | **9,324** | 9,284 | 8,473 |
| Unrestricted | **8,420** | 7,781 | 9,949 |
| Total net position | **$ 270,522** | $ 271,853 | $ 272,669 |

The largest portion (93 percent) and (94 percent) of TAIT’s net position as of June 30, 2017 and 2016, 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 TAIT’s investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations and specifically identified nonoperating revenues.

### Summary of Changes in Net Position

| *(in thousands of dollars)* | **2017** | 2016 | 2015 (as restated) |
|---|---|---|---|
| Operating revenues | **$ 33,785** | $ 32,305 | $ 30,823 |
| Nonoperating revenues, including capital grants | **13,652** | 13,224 | 14,150 |
| Total revenues | **47,437** | 45,529 | 44,973 |
| Operating expenses | **38,605** | 36,257 | 38,340 |
| Nonoperating expenses | **10,163** | 10,088 | 12,815 |
| Total expenses | **48,768** | 46,345 | 51,155 |
| (Decrease) in net position | **$ (1,331)** | $ (816) | $ (6,182) |

- FY17 operating revenues, which consist primarily of rents and services fees, increased 4.6 percent due in part to timing differences in the Airline Reconciliation and Revenue Sharing calculations for FY16 which were recorded in FY17 and an overall increase in rates, fees, and charges. FY16 operating revenues increased 4.8 percent due to timing differences in the Airline Reconciliation and Revenue Sharing calculations for FY15 which were recorded in FY16.

- Nonoperating revenues increased 3.2 percent in FY17 due to changes in the level of federal and state grant receipts. The decrease of 6.5 percent in FY16 was due to changes in the level of federal grant receipts and reductions in other contributions.

- Operating expenses increased $2,348 for FY17 due to increased deprecation expense as capital projects were completed and closed. Operating expenses decreased $2,083 for FY16 due to an approximate $4 million dollar decrease in depreciation expense which was offset by an increase of approximately $2 million of various market-based and budgeted salary increases, and a lower than expected attrition rate.

- Nonoperating expenses remained consistent for FY17. Nonoperating expenses decreased 21.3 percent for FY16 primarily because there were no litigation expenses or bond issuance costs. Interest expense also decreased as a result of the bond refinancing activities of 2015.

### Summary of Cash Flow Activities

The following shows a summary of the major sources and uses of cash and cash equivalents. Cash equivalents are defined as cash and highly liquid investments with an original maturity of three months or less.

| *(in thousands of dollars)* | **2017** | 2016 | 2015 |
|---|---|---|---|
| **Cash flows** | | | |
| Provided by operating activities | **$ 11,399** | $ 10,185 | $ 11,002 |
| Provided by non-capital and related financing activities | **7** | 23 | (855) |
| Provided by (used in) capital and related financing activities | **(23,927)** | (35,234) | (6,477) |
| Provided by investing activities | **(1,387)** | 509 | 69 |
| Net increase (decrease) in cash and cash equivalents | **(13,908)** | (24,517) | 3,739 |
| **Cash and cash equivalents** | | | |
| Beginning of year | **30,940** | 55,457 | 51,718 |
| End of year | **$ 17,032** | $ 30,940 | $ 55,457 |

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

The Trust's investment in capital assets amounted to $401,342 (net of accumulated depreciation). The Trust paid $19,954 and $28,806 related to the acquisition and construction of capital assets for the years ended June 30, 2017 and 2016, respectively.

| *(in thousands of dollars)* | **2017** | 2016 | 2015 |
|---|---|---|---|
| Land and improvements | **$ 348,705** | $ 343,811 | $ 318,925 |
| Easements | **70,838** | 70,838 | 70,838 |
| Buildings | **267,122** | 234,870 | 208,671 |
| Art | **275** | 291 | 291 |
| Equipment | **21,088** | 18,924 | 19,103 |
| | **708,028** | 668,734 | 617,828 |
| Less: Accumulated depreciation | **(312,352)** | (314,025) | (302,743) |
| Construction-in-progress | **5,666** | 45,249 | 69,515 |
| Capital assets, net | **$ 401,342** | $ 399,958 | $ 384,600 |

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

At June 30, 2017, TAIT had outstanding long-term portion of general revenue bonds of $158,518. The bonds are collateralized by and payable from the revenues of TAIT. The bonds mature per a set schedule with the last maturity occurring on June 1, 2045.

| | (in thousands of dollars) | | |
|---|---|---|---|
| | **2017** | 2016 | 2015 |
| Revenue bonds | **$ 158,518** | $ 165,577 | $ 173,789 |

The Trust’s long-term debt decreased by $7,059 in FY17 and by $8,212 in FY16 due to scheduled payments of principal.

**Signatory Airline Rates and Charges**

Under the Use and Lease Agreements between the airlines and TAIT, the airlines have agreed to pay rates, fees and charges determined prior to the beginning of each fiscal year in an amount sufficient (a) to pay 125 percent 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. The current Use and Lease Agreement is for a five year term, which expires June 30, 2018.

Signatory Airline Terminal rental rates for FY17, FY16 and FY15 ranged from $21.22 to $88.47 per square foot. Signatory landing fees were $3.41, $3.04, and  $2.87 per 1000 lbs for FY17, FY16 and FY15, respectively.

### Economic Factors

The Tulsa Metropolitan Statistical Area (MSA) comprises seven counties: Creek, Okmulgee, Osage, Pawnee, Rogers, Tulsa and Wagoner, whose aggregate population is approximately 987,000 or 25 percent of the population of the state of Oklahoma. The gross product or value of all goods and services produced in the seven county MSA is estimated to be $52.1 billion (2009 dollars), or 30.7 percent of the Oklahoma economy.

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

In 2016, Tulsa-area employment declined 0.2 percent, only half the decline the state of Oklahoma experienced, while U.S. employment grew 1.8 percent. Tulsa real gross product grew 0.9 percent while Oklahoma and the U.S. grew at 1.3 percent and 1.6 percent, respectively.

Because Tulsa’s cost of doing business is 11 percent under the U.S. average due to low rent, energy costs and taxes, Tulsa is well positioned to become a prime location for industry prospects looking to relocate or expand.

### Contacting TAIT’s Financial Management

Questions about this report or requests for additional financial information can be directed to the Deputy Airports Director, Finance and Administration, 7777 E. Apache St., Room A217, Tulsa, OK 74115.

# Tulsa Airports Improvement Trust
# (A Component Unit of the City of Tulsa, Oklahoma)
## Statements of Net Position
## June 30, 2017 and 2016

| *(in thousands of dollars)* | **2017** | 2016 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 13,007 | $ 14,783 |
| Cash and cash equivalents - restricted | 907 | 2,016 |
| Investments - restricted | 1,421 | 200 |
| Receivables | | |
| Trade, less allowance for doubtful accounts of $20 | 1,552 | 1,501 |
| Intergovernmental receivable | 1,362 | 253 |
| Customer facility charges receivable | 288 | 274 |
| Inventory | 1,488 | 1,480 |
| Other current assets | 467 | 415 |
| Total current assets | 20,492 | 20,922 |
| **Noncurrent assets** | | |
| Cash and cash equivalents - restricted | 3,118 | 14,141 |
| Investments | 3,572 | 2,355 |
| Investments - restricted | 17,580 | 18,579 |
| Passenger facility charges receivable - restricted | 777 | 681 |
| Accrued interest receivable - restricted | 6 | 6 |
| Capital assets not being depreciated | 149,352 | 188,951 |
| Capital assets, net of accumulated depreciation | 251,990 | 211,007 |
| Advance to primary government | 127 | 127 |
| Other | 414 | 415 |
| Total noncurrent assets | 426,936 | 436,262 |
| Total assets | $ 447,428 | $ 457,184 |
| **Deferred Outflows of Resources** | | |
| Deferred charges on refunding | $ 5,672 | $ 6,309 |
| Pension related amounts | 2,445 | 4,848 |
| Total deferred outflows of resources | $ 8,117 | $ 11,157 |

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, 2017 and 2016

| *(in thousands of dollars)* | **2017** | 2016 |
|---|---|---|
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable | $ 1,489 | $ 1,540 |
| Current portion of compensated absences | 167 | 122 |
| Other accrued expenses | 158 | 158 |
| Unearned revenue | 488 | 477 |
| Current portion of bonds | 7,661 | 7,820 |
| Liabilities payable from restricted assets: | | |
| Accounts payable | 1,730 | 3,578 |
| Customer deposits | 38 | 40 |
| Accrued interest payable | 776 | 804 |
| Total current liabilities | 12,507 | 14,539 |
| **Noncurrent liabilities** | | |
| Compensated absences | 829 | 924 |
| Other accrued expenses | 387 | 559 |
| Net pension liability | 10,938 | 12,840 |
| Bonds payable, net | 158,518 | 165,577 |
| Total noncurrent liabilities | 170,672 | 179,900 |
| Total liabilities | 183,179 | 194,439 |
| **Deferred inflows of resources,** pension related amounts | 1,844 | 2,049 |
| **Net position** | | |
| Net investment in capital assets | 252,778 | 254,788 |
| Restricted for | | |
| Restricted by bond indenture for operations | 6,360 | 5,945 |
| Debt service | 801 | 667 |
| Capital projects | 1,987 | 2,513 |
| Other purposes | 176 | 159 |
| Total restricted net position | 9,324 | 9,284 |
| Unrestricted | 8,420 | 7,781 |
| Total net position | $ 270,522 | $ 271,853 |

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, 2017 and 2016

| *(in thousands of dollars)* | **2017** | 2016 |
|---|---|---|
| **Operating revenue** | | |
| **Aeronautical operating revenues** | | |
| Landing fees - signatory and non-signatory | $ 7,498 | $ 6,966 |
| Passenger airline terminal revenue - signatory and non-signatory | 5,983 | 5,384 |
| Other aeronautical revenue | 3,576 | 3,492 |
| Total aeronautical revenue | 17,057 | 15,842 |
| **Non-areonautical operating revenue** | | |
| Terminal revenues | 2,189 | 2,081 |
| Rental car revenues | 4,520 | 4,688 |
| Parking revenues | 8,111 | 7,882 |
| Other non-areonautical operating revenue | 757 | 688 |
| Total non-aeronautical operating revenue | 15,577 | 15,339 |
| Revenue from R. L. Jones, Jr. Airport | 1,079 | 1,047 |
| Revenue from Okmulgee Airport | 72 | 77 |
| Total operating revenues | 33,785 | 32,305 |
| **Operating expenses** | | |
| Personnel compensation and benefits | 10,692 | 11,039 |
| Service contracts | 7,670 | 7,330 |
| Materials, equipment & supplies | 1,279 | 1,082 |
| Utilities and communications | 1,597 | 1,658 |
| Insurance, claims | 304 | 325 |
| Other | 766 | 752 |
| Total operating expenses, excluding depreciation | 22,308 | 22,186 |
| Net operating income before depreciation | 11,477 | 10,119 |
| Depreciation | 16,297 | 14,071 |
| Net operating (loss) | (4,820) | (3,952) |
| **Nonoperating revenues (expenses)** | | |
| Investment income and change in fair value of investments | 52 | 506 |
| Interest expense | (9,501) | (9,692) |
| Amortization of bond discount/premium and deferred charges on refunding | (237) | (244) |
| Debt issuance costs | (102) | - |
| Passenger facility charges | 5,298 | 5,303 |
| Customer facility charges | 3,126 | 3,318 |
| Noncapital federal grants | 2 | 1 |
| Other, net | (323) | (152) |
| Net nonoperating revenues (expenses) | (1,685) | (960) |
| **Capital contributions and grants** | | |
| Federal grants | 5,117 | 4,081 |
| State grants | 57 | - |
| Other contributions | - | 15 |
| Total capital contributions and grants | 5,174 | 4,096 |
| **(Decrease) in net position** | (1,331) | (816) |
| **Net position, beginning of year** | 271,853 | 272,669 |
| **Net position, end of year** | $ 270,522 | $ 271,853 |

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, 2017 and 2016

| *(in thousands of dollars)* | **2017** | 2016 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash received from customers, including cash deposits | $ 33,745 | $ 32,746 |
| Cash payments to suppliers for goods and services | (11,856) | (11,884) |
| Cash payments to employees for services | (10,490) | (10,677) |
| Net cash provided by operating activities | 11,399 | 10,185 |
| **Cash flows from non-capital and related financing activities** | | |
| Proceeds from non-capital grants, donations and reimbursements | 7 | 23 |
| Net cash provided by non-capital and related financing activities | 7 | 23 |
| **Cash flows from capital and related financing activities** | | |
| Construction and purchase of capital assets | (19,954) | (28,806) |
| Interest paid on long-term debt | (9,528) | (9,722) |
| Passenger facility charges received | 5,202 | 5,309 |
| Customer facility charges received | 3,112 | 3,339 |
| Proceeds from issuance of long-term debt | 1,048 | - |
| Principal paid on long-term debt | (7,866) | (9,425) |
| Debt issuance costs | (102) | - |
| Proceeds from sale of capital assets | 97 | 78 |
| Proceeds from federal capital grants | 4,064 | 3,978 |
| Other contributions | - | 15 |
| Net cash (used in) capital and related financing activities | (23,927) | (35,234) |
| **Cash flows from investing activities** | | |
| Purchase of investments | (14,085) | (20,100) |
| Proceeds from sale or maturity of investments | 12,363 | 20,330 |
| Interest received on investments | 335 | 279 |
| Net cash provided by (used in) investing activities | (1,387) | 509 |
| Net (decrease) in cash and cash equivalents | (13,908) | (24,517) |
| **Cash and cash equivalents** | | |
| Beginning of year | 30,940 | 55,457 |
| End of year | $ 17,032 | $ 30,940 |

*(continued)*

# Tulsa Airports Improvement Trust
# (A Component Unit of the City of Tulsa, Oklahoma)
## Statements of Cash Flows, continued
## Years Ended June 30, 2017 and 2016

| *(in thousands of dollars)* | **2017** | 2016 |
|---|---|---|
| **Reconciliation of Cash and Cash Equivalents to the Statements of Net Position** | | |
| Current unrestricted cash and cash equivalents | $ 13,007 | $ 14,783 |
| Current restricted cash and cash equivalents | 907 | 2,016 |
| Noncurrent restricted cash and cash equivalents | 3,118 | 14,141 |
| Total cash and cash equivalents | $ 17,032 | $ 30,940 |
| **Reconciliation of operating loss to net cash provided by operating activities** | | |
| Operating loss | $ (4,820) | $ (3,952) |
| Adjustments to reconcile operating activities to net cash provided by operating activities: | | |
| Depreciation | 16,297 | 14,071 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable, trade | (51) | 419 |
| (Increase) in inventory | (8) | (92) |
| (Increase) in other current assets | (44) | (184) |
| Decrease in other assets | 1 | - |
| Increase in unearned revenue | 11 | 22 |
| (Decrease) in accounts payable and accrued liabilities | (284) | (401) |
| Change in pension-related amounts | 297 | 302 |
| Net cash provided by operating activities | $ 11,399 | $ 10,185 |
| **Noncash capital and investing activities:** | | |
| Capital asset acquisitions included in accounts payable | $ (1,848) | $ 875 |
| (Appreciation) depreciation of fair value of investments | $ (283) | $ 224 |

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

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 TAIT, as it has no authority to levy taxes. All revenues generated by the Airports must be used for airport purposes.

Effective January 1, 2014, the City of Tulsa and the Tulsa Airports Improvement Trust entered into an Amended and Restated Lease Agreement for the land encompassing Tulsa International Airport and R.L. Jones Jr. Airport. The lease agreement shall end on December 31, 2023, or on such later date on which all Bonds of the Trustees issued in connection with the Airports have been paid or provision for the payment thereof has been made. The Trust shall have the option to extend the terms for up to four periods of ten years each.

The accompanying financial statements include the accounts and activity of TAIT and the Tulsa Airport Authority (TAA). All amounts in the notes to the financial statements, unless otherwise indicated, are expressed in thousands of dollars.

**BASIS OF ACCOUNTING AND PRESENTATION-** The financial statements of TAIT are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to business-type activities of governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting.

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

**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.

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

**CASH AND CASH EQUIVALENTS –** The Trust considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

**INVESTMENTS -** Investments consist of obligations of the U.S. Treasury and various federal agencies and instrumentalities, certificates of deposit and money market funds. These investments are held by bond trustees (with the exception of the certificates of deposit) and invested in accordance with the requirements and terms of various bond indentures. Investments in the U.S. Treasury and federal agencies are recorded at fair value. Investments in certificates of deposit and money market funds are recorded at amortized cost. The Trust experienced a decrease in the fair value of investments of approximately $280 and an increase of approximately $242 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

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

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

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

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

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

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

**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.

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

**CAPITAL ASSETS -** Capital assets are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 20 to 50 years for buildings, 5 to 20 years for roads, ramps, and runways, 3 to 20 years for equipment, and 1 to 20 years for leasehold improvements. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in nonoperating revenues and expenses. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Interest incurred during construction periods is capitalized and included in the cost of capital assets. Interest capitalized was $146 and $271 during fiscal year 2017 and 2016, respectively.

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

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

**COMPENSATED ABSENCES -** Vacation leave is granted to all regular and part-time employees. The annual amount of vacation time accrued varies from 14 to 26 days depending upon years of service. The maximum amount of vacation time that may be accumulated is twice the amount which may be earned in one calendar year. Accumulated vacation leave vests and TAIT is obligated to make payment even if the employee terminates. Full-time employees accrue 1 day (8 hours) of sick leave for each full calendar month of service and may accrue a maximum of 150 working days (1,200 hours) of sick leave. Employees may convert accrued sick leave in excess of 120 days (960 hours) to vacation leave, provided the total accrued vacation leave does not exceed the maximum allowed under the Vacation Policy. Upon retirement (age 55 or older) or death, employees with at least 120 days (960 hours) of accrued sick leave will receive payment for accrued sick leave at a rate of 1 day of pay for every 2 days of sick leave up to a maximum of 75 days (600 hours) of pay, at the employee's rate of pay at the time of separation. The liability for compensated absences attributable to TAIT is charged to operating expenses during the period earned by the employee and a corresponding liability is established.

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

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

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

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

**FEDERAL AND STATE GRANTS -** Contributions resulting from federal and state grants are generally restricted for the acquisition or construction of property and equipment. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed to be material. Federal grants receivable represent the earned portions, based on the related expenditures, of various grants that have not been remitted by the grantor. The unexpended portions of such grants are properly not reflected in the financial statements and as of June 30, 2017 and 2016, totaled $3,356 and $605, respectively.

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

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

**NET INVESTMENT IN CAPITAL ASSETS -** reflects TAIT's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. Net investment in capital assets, excludes unspent bond proceeds of $13,673 and $25,496 as of June 30, 2017 and 2016, respectively. The Trust uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.

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

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

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

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

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

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

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

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

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

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

Effective August 1, 1992, TAIT began the assessment of a $3.00 PFC, which increased to $4.50 in November 2010. The charge is collected by all carriers and remitted to TAIT, less a minor handling fee. The proceeds from the PFC are restricted for use by TAIT for certain FAA-approved capital improvement projects and debt payments. PFC revenues are reflected as nonoperating revenues when collected by the Airlines. As of June 30, 2017, TAIT has submitted a total of nine applications. Under the six approved open applications TAIT is authorized to collect $168,310 of PFC revenue until August 1, 2033.

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

**CAPITAL CONTRIBUTIONS –** Capital contributions include cash payments made by other governments for facility improvements, and are recognized as revenue as expenditures are incurred. Capital contributions also include donated assets, which are recorded at their acquisition value.

**USE OF ESTIMATES -** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

2. **CASH AND INVESTMENTS**

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

2. **CASH AND INVESTMENTS,** continued

The Trust's investments as of June 30, 2017 are as follows:

| *(in thousands of dollars)* | | June 30, 2017 Maturities in Years | | | |
|---|---|---|---|---|---|
| **Type** | **Fair Value** | **Less than 1** | **1-5** | **6-10** | **Fair Value Measurement** |
| US Treasury Bill | $ 470 | $ 470 | $ - | $ - | Level 2 |
| US Treasury Note | 578 | 578 | - | - | Level 2 |
| Federal Home Loan Bank | 17,884 | - | 17,884 | - | Level 2 |
| Federal National Mortgage Association | 1,464 | 172 | - | 1,292 | Level 2 |
| Federal Home Loan Mortgage Corporation | 1,977 | - | 1,977 | - | Level 2 |
| | 22,373 | $ 1,220 | $ 19,861 | $ 1,292 | |
| Investments measured at amortized cost: | | | | | |
| Certificates of deposit | 200 | | | | |
| | $ 22,573 | | | | |

The Trust's investments as of June 30, 2016 are as follows:

| *(in thousands of dollars)* | | June 30, 2016 Maturities in Years | | | |
|---|---|---|---|---|---|
| **Type** | Fair Value | Less than 1 | 1-5 | 6-10 | Fair Value Measurement |
| Federal Home Loan Bank | $ 20,930 | $ - | $ 20,098 | $ 832 | Level 2 |
| Federal National Mortgage Association | 4 | - | - | 4 | Level 2 |
| | 20,934 | $ - | $ 20,098 | $ 836 | |
| Investments measured at amortized cost: | | | | | |
| Certificates of deposit | 200 | | | | |
| | $ 21,134 | | | | |

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

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

Investments – At June 30, 2017 and 2016, TAIT's investments in U. S. agencies obligations not directly guaranteed by the U. S. government were rated AA+ and Aaa by Standard & Poor's and Moody's, respectively. TAIT's U.S. Treasury Bills and U.S. Treasury Notes are not subject to credit risk disclosures.

**CUSTODIAL CREDIT RISK –** For deposits, custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, TAIT will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Deposits and investments – The Trust's deposit policy for custodial credit risk requires compliance with provisions of state law and that demand deposits be collateralized at least 110 percent of the amount that is not federally insured. At June 30, 2017 and 2016 there were no deposits or money market accounts exposed to custodial credit risk. All of the underlying securities for TAIT's investments in U.S. agency obligations at June 30, 2017 and 2016 are registered in TAIT's name.

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

Investments – At June 30, 2017 and 2016, TAIT's investment in Federal Home Loan Bank ("FHLB") constituted 80 percent and 42 percent, respectively, of its total investments. At June 30, 2017, TAIT's investment in Federal Home Loan Mortgage Corporation constituted 9 percent of its total investments. Money market accounts and certificates of deposit are not subject to concentration of credit risk disclosure.

## 3. CAPITAL ASSETS

The changes in capital assets during 2017 and 2016 are summarized as follows:

| **2017:** *(in thousands of dollars)* | **Beginning Balance** | **Additions** | **Reductions** | **Transfers** | **Ending Balance** |
|---|---|---|---|---|---|
| **Capital assets not being depreciated** | | | | | |
| Land | $ 72,573 | $ - | $ - | $ - | $ 72,573 |
| Easements | 70,838 | - | - | - | 70,838 |
| Artwork | 291 | - | (16) | - | 275 |
| Construction-in-progress | 45,249 | 18,075 | (883) | (56,775) | 5,666 |
| Total capital assets not being depreciated | 188,951 | 18,075 | (899) | (56,775) | 149,352 |
| **Capital assets being depreciated** | | | | | |
| Land improvements | 271,238 | - | (15,395) | 20,289 | 276,132 |
| Buildings | 234,870 | 111 | - | 32,141 | 267,122 |
| Equipment | 18,924 | 804 | (2,985) | 4,345 | 21,088 |
| Total capital assets being depreciated | 525,032 | 915 | (18,380) | 56,775 | 564,342 |
| **Accumulated depreciation** | | | | | |
| Land improvements | 182,850 | 7,261 | (15,202) | - | 174,909 |
| Buildings | 119,466 | 7,787 | - | - | 127,253 |
| Equipment | 11,709 | 1,249 | (2,768) | - | 10,190 |
| Total accumulated depreciation | 314,025 | 16,297 | (17,970) | - | 312,352 |
| Total capital assets being depreciated, net | 211,007 | (15,382) | (410) | 56,775 | 251,990 |
| Capital assets, net | $ 399,958 | $ 2,693 | $ (1,309) | $ - | $ 401,342 |

| 2016: *(in thousands of dollars)* | Beginning Balance | Additions | Reductions | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Capital assets not being depreciated | | | | | |
| Land | $ 71,876 | $ 700 | $ (3) | $ - | $ 72,573 |
| Easements | 70,838 | - | - | - | 70,838 |
| Artwork | 291 | - | - | - | 291 |
| Construction-in-progress | 69,515 | 28,490 | - | (52,756) | 45,249 |
| Total capital assets not being depreciated | 212,520 | 29,190 | (3) | (52,756) | 188,951 |
| Capital assets being depreciated | | | | | |
| Land improvements | 247,049 | 24,304 | (120) | 5 | 271,238 |
| Buildings | 208,671 | 27,922 | (1,723) | - | 234,870 |
| Equipment | 19,103 | 1,021 | (1,200) | - | 18,924 |
| Total capital assets being depreciated | 474,823 | 53,247 | (3,043) | 5 | 525,032 |
| Accumulated depreciation | | | | | |
| Land improvements | 176,610 | 6,356 | (120) | 4 | 182,850 |
| Buildings | 114,526 | 6,654 | (1,715) | 1 | 119,466 |
| Equipment | 11,607 | 1,061 | (959) | - | 11,709 |
| Total accumulated depreciation | 302,743 | 14,071 | (2,794) | 5 | 314,025 |
| Total capital assets being depreciated, net | 172,080 | 39,176 | (249) | - | 211,007 |
| Capital assets, net | $ 384,600 | $ 68,366 | $ (252) | $ (52,756) | $ 399,958 |

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

The changes in revenue bonds payable and other long-term liabilities during 2017 are summarized as follows:

*(in thousands of dollars)*

| Series and Maturity Dates | Issue (Authorized) Amount | Interest Rate | Beginning Balance | Increase | Decrease | Ending Balance | Portion Due Within One Year |
|---|---|---|---|---|---|---|---|
| **Revenue bonds** | | | | | | | |
| Series 2004B, 2017 | $ 2,200 | 4.95% | $ 200 | $ - | $ (200) | $ - | $ - |
| Series 2009D, 2031 | 56,615 | 2.726 - 7.759% | 48,180 | - | (650) | 47,530 | 470 |
| Series 2010A, 2021 | 5,770 | 4.57 - 5.00% | 3,280 | - | (605) | 2,675 | 625 |
| Series 2010B, 2021 | 8,215 | 6.00 - 6.50% | 4,315 | - | (765) | 3,550 | 810 |
| Series 2010C, 2025 | 13,520 | 4.00 - 5.25% | 6,190 | - | (1,520) | 4,670 | 560 |
| Series 2013A, 2043 | 33,665 | 5.00 - 5.625% | 33,665 | - | (600) | 33,065 | 630 |
| Series 2013B, 2024 | 3,275 | 1.389 - 5.087% | 2,810 | - | (240) | 2,570 | 245 |
| Series 2015A, 2045 | 44,045 | 2.00 - 5.00% | 42,105 | - | (1,510) | 40,595 | 2,440 |
| Series 2015B, 2018 | 6,670 | 2.00 - 4.00% | 3,360 | - | (1,640) | 1,720 | 1,720 |
| Series 2015C, 2045 | 895 | 2.00 - 4.25% | 875 | - | (20) | 855 | 20 |
| Series 2015D, 2028 | 24,395 | 2.00 - 5.00% | 21,965 | - | (70) | 21,895 | 60 |
| Series 2016A, 2027 | 1,500 | 3.82% | - | 1,048 | (46) | 1,002 | 81 |
| Total revenue bonds payable | | | 166,945 | 1,048 | (7,866) | 160,127 | 7,661 |
| **Unamortized discount (premium)** | | | (6,452) | - | 400 | (6,052) | - |
| Total revenue bonds payable, net | | | 173,397 | 1,048 | (8,266) | 166,179 | 7,661 |
| **Other long-term liabilities** | | | | | | | |
| Vested compensated absences | | | 1,046 | 360 | (410) | 996 | 167 |
| Net pension liability | | | 12,840 | - | (1,902) | 10,938 | - |
| Total other long-term liabilities | | | 13,886 | 360 | (2,312) | 11,934 | 167 |
| Total long-term liabilities | | | $ 187,283 | $ 1,408 | $ (10,578) | $ 178,113 | $ 7,828 |

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

The changes in revenue bonds payable and other long-term liabilities during 2016 are summarized as follows:

**2016:**
*(in thousands of dollars)*

| Series and Maturity Dates | Issue (Authorized) Amount | Interest Rate | Beginning Balance | Increase | Decrease | Ending Balance | Portion Due Within One Year |
|---|---|---|---|---|---|---|---|
| Revenue bonds | | | | | | | |
| Series 2004B, 2017 | $ 2,200 | 4.95% | $ 400 | $ - | $ (200) | $ 200 | $ 200 |
| Series 2009D, 2031 | 56,615 | 2.726 - 7.759% | 49,020 | - | (840) | 48,180 | 650 |
| Series 2010A, 2021 | 5,770 | 4.57 - 5.00% | 3,860 | - | (580) | 3,280 | 605 |
| Series 2010B, 2021 | 8,215 | 6.00 - 6.50% | 5,040 | - | (725) | 4,315 | 765 |
| Series 2010C, 2025 | 13,520 | 4.00 - 5.25% | 7,705 | - | (1,515) | 6,190 | 1,520 |
| Series 2013A, 2043 | 33,665 | 5.00 - 5.625% | 33,665 | - | - | 33,665 | 600 |
| Series 2013B, 2024 | 3,275 | 1.389 - 5.087% | 3,045 | - | (235) | 2,810 | 240 |
| Series 2015A, 2045 | 44,045 | 2.00 - 5.00% | 43,755 | - | (1,650) | 42,105 | 1,510 |
| Series 2015B, 2018 | 6,670 | 2.00 - 4.00% | 5,025 | - | (1,665) | 3,360 | 1,640 |
| Series 2015C, 2045 | 895 | 2.00 - 4.25% | 895 | - | (20) | 875 | 20 |
| Series 2015D, 2028 | 24,395 | 2.00 - 5.00% | 23,960 | - | (1,995) | 21,965 | 70 |
| Total revenue bonds payable | | | 176,370 | - | (9,425) | 166,945 | 7,820 |
| Unamortized discount (premium) | | | (6,844) | - | 392 | (6,452) | - |
| Total revenue bonds payable, net | | | 183,214 | - | (9,817) | 173,397 | 7,820 |
| Other long-term liabilities | | | | | | | |
| Vested compensated absences | | | 989 | 661 | (604) | 1,046 | 122 |
| Net pension liability | | | 7,288 | 5,552 | - | 12,840 | - |
| Total other long-term liabilities | | | 8,277 | 6,213 | (604) | 13,886 | 122 |
| Total long-term liabilities | | | $ 191,491 | $ 6,213 | $ (10,421) | $ 187,283 | $ 7,942 |

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

Pursuant to the Amended and Restated Bond Indenture dated November 1, 2009 and various supplemental bond indentures (the "Indentures"), TAIT has issued revenue bonds for the purpose of constructing improvements to the airport facilities and refunding prior issues of revenue bonds. The bonds issued are collateralized by and payable from the revenues of TAIT. The Indentures provide, among other things, for the establishment of certain restricted accounts for the receipt and expenditure of the bond proceeds and for the pledged revenues to be administered by a trustee bank.

The Indentures require TAIT to charge fees for the use and services of the airport to make TAIT self-sufficient and self-sustaining. Amounts charged and collected by TAIT 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.

**REVENUES PLEDGED -** The Trust has pledged future net revenues derived from the operation of the airports to repay all of its revenue bonds issued. Proceeds from the bonds provided financing for various capital projects and debt refundings. The bonds are payable solely from gross revenues and are payable through 2045. Annual principal and interest payments on the bonds required 35 percent of gross revenues. The total principal and interest remaining to be paid on the bonds is $263,402. Principal and interest paid for the year was $17,394. Net revenues available for debt services in FY 2017 were $27,644.

**DEFEASED DEBT - Series 2000A Revenue Bonds –** The Trust has placed the proceeds of refunding bonds and cash received from a tenant of TAIT, in irrevocable escrow accounts held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow accounts and the defeased bonds are not included in TAIT’s financial statements. The defeased 2000A Revenue bonds are considered extinguished and had an outstanding balance of $2,720 at June 30, 2017.

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

**FUTURE MATURITIES**

Future maturities of revenue bonds are as follows:

*(in thousands of dollars)*

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 7,661 | $ 9,344 | $ 17,005 |
| 2019 | 7,997 | 9,003 | 17,000 |
| 2020 | 8,391 | 8,605 | 16,996 |
| 2021 | 8,720 | 8,183 | 16,903 |
| 2022 | 8,123 | 7,736 | 15,859 |
| 2023-2027 | 47,045 | 31,178 | 78,223 |
| 2028-2032 | 37,160 | 16,123 | 53,283 |
| 2033-2036 | 12,290 | 8,092 | 20,382 |
| 2037-2041 | 15,940 | 4,426 | 20,366 |
| 2042-2046 | 6,800 | 585 | 7,385 |
| | $ 160,127 | $ 103,275 | $ 263,402 |

5. **CONDUIT DEBT OBLIGATIONS**

To pay the costs of certain modifications, rehabilitations, and reconstruction to a special facility located adjacent to Tulsa International Airport, TAIT has issued a series of Special Facility Revenue Bonds. At June 30, 2017 and 2016, Special Facility Revenue Bonds outstanding aggregated $10,120. The obligations are payable solely from and collateralized by a pledge of rentals to be received from a lease agreement between the airport and Biz Jet International. The bonds do not constitute a debt or pledge of the faith and credit of TAIT, the City, or the State and, accordingly, they have not been reported in the accompanying financial statements.

## 6. PENSION AND RETIREMENT BENEFITS

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

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

**Contributions:** Contributions are set per City of Tulsa ordinance. Employees were required to contribute 6.5 percent of their pensionable wages for the years ended June 30, 2017 and 2016. The Trust was required to contribute 11.5 percent of pensionable wages for the years ended June 30, 2017 and 2016. The Trust is also responsible for Actuarially Determined Employer Contributions (ADEC) that exceed the 11.5 percent of payroll. Actual contributions to the pension plan from TAIT were $770 and $785 for the years ended June 30, 2017 and 2016, respectively.

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

At June 30, 2017, TAIT reported a liability of $10,938 for its proportionate share of the net pension liability. The liability for June 30, 2016 was $12,840. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. Standard update procedures were used to roll forward the total pension liability to June 30, 2017. The Trust's proportion of the net pension liability was based on TAIT's share of contributions to the pension plan relative to the contributions of all participating governments. At June 30, 2017 and 2016, TAIT's proportion was 5.5364 percent and 5.9357 percent, respectively.

**Notes to Basic Financial Statements (in thousands of dollars), continued**

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

For the years ended June 30, 2017 and 2016, TAIT recognized pension expense of $1,048 and $1,134, respectively. At June 30, 2017 and 2016, TAIT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| **2017:** | | |
| Differences between expected and actual plan experience | $ 91 | $ (473) |
| Changes of assumptions | 1,861 | (824) |
| Net difference between projected and actual earnings on pension plan investments | 103 | - |
| Changes in proportion and differences between Trust contributions and proportionate share of contributions | 390 | (547) |
| Total | $ 2,445 | $ (1,844) |

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2016: | | |
| Differences between expected and actual plan experience | $ 137 | $ (332) |
| Changes of assumptions | 2,810 | (1,717) |
| Net difference between projected and actual earnings on pension plan investments | 1,304 | - |
| Changes in proportion and differences between Trust contributions and proportionate share of contributions | 597 | - |
| Total | $ 4,848 | $ (2,049) |

**Note:** Changes of assumptions – In 2016, amounts reported as changes in assumptions resulted primarily from the changes in mortality table and discount rate from 7.75 percent to 7.5 percent.

## Notes to Basic Financial Statements (in thousands of dollars), continued

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

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

| | | |
|---|---|---|
| Year ended June 30: | | |
| 2018 | $ | (176) |
| 2019 | | 1,013 |
| 2020 | | 190 |
| 2021 | | (426) |
| | $ | 601 |

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 3.00 percent |
| Salary increases | 4.00 to 11.75 percent, including inflation |
| Investment rate of return | 7.50 percent compounded annually, net of investment expense and including inflation |

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

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015.

**Notes to Basic Financial Statements (in thousands of dollars), continued**

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Fixed income | 24% | 1.16% |
| Domestic equity | 36 | 6.19 |
| International equity | 24 | 6.59 |
| Real estate | 8 | 4.24 |
| Commodities | 3 | 0.50 |
| Timber | 4 | 4.25 |
| Cash | 1 | 0.11 |
| | 100% | |

**Discount rate:** The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the participating employers will be made as specified in MERP’s funding policy. Beginning July 1, 2017, and all future years, it is assumed that the employer contribution rate will increase to 15.50 percent of payroll, which is the actuarially determined contribution rate. Based on those assumptions, MERP’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

**Notes to Basic Financial Statements (in thousands of dollars), continued**

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

**Sensitivity of TAIT's proportionate share of the net pension liability to changes in the discount rate:** The following presents TAIT's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what TAIT's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|---|---|---|
| **2017:** | | | |
| Trust's proportionate share of the net pension liability | $ 15,127 | $ 10,938 | $ 7,427 |

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

## 7. RENTAL INCOME FROM OPERATING LEASES

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

Minimum future rentals under non-cancellable operating leases as of June 30, 2017, are as follows:

*(In thousands of dollars)*

| | | |
|---|---|---|
| 2018 | $ | 10,386 |
| 2019 | | 8,212 |
| 2020 | | 7,912 |
| 2021 | | 7,579 |
| 2022 | | 7,030 |
| 2023 -2027 | | 12,765 |
| 2028 -2032 | | 6,916 |
| 2033 -2037 | | 4,230 |
| 2038 -2042 | | 1,178 |
| 2043 -2047 | | 562 |
| 2048 -2052 | | 316 |
| 2053 -2057 | | 316 |
| 2058 -2062 | | 306 |
| | $ | 67,708 |

Under the Use and Lease Agreements between the airlines and TAIT, the airlines have agreed to pay rates, fees and charges determined prior to the beginning of each fiscal year in an amount sufficient (a) to pay 125 percent 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. The current Agreement expires June 30, 2018.

## 8. RISK MANAGEMENT

The Trust maintains commercial insurance coverage for property and equipment, bodily injury, automotive (personal liability and property damage off-airport), workers compensation on all employees and liability insurance coverage for its board members and directors. The Trust's current health and welfare insurance policies cover an 18-month period ending December 31, 2017. There were no significant reductions in TAIT's insurance coverage during the year and there were no settlement amounts in excess of the insurance coverage in the current year or in the three prior years.

## 9. COMMITMENTS AND CONTINGENCIES

As of June 30, 2017, TAIT had open commitments for construction projects of approximately $6,288.

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

## 10. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2017 and 2016, TAIT conducted the following transactions with related parties.

| *(In thousands of dollars)* | 2017 | 2016 |
|---|---|---|
| Payments to City of Tulsa - General Fund for support services | $ 52 | $ 51 |
| Payments to City of Tulsa - General Fund for fire services | $ 1,823 | $ 1,920 |

## 11. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the Trust beginning with its fiscal year ending June 30, 2021, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the Trust must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.

## 12. MAJOR CUSTOMERS

The Trust has two customers that provide in excess of 10 percent of the operating revenues. Revenues from these two customers were $3,786 and $3,740, respectively. Amounts due from these customers as of June 30, 2017 were $183 and $184, respectively.

## 13. SUBSEQUENT EVENT

On September 6, 2017, the Trustees of the Tulsa Airports Improvement Trust issued $54,180 of General Airport Revenue Refunding Bonds, Taxable Series 2017. The proceeds of the 2017 Bonds were used to advance refund a portion of the Airport Trustees General Airport Revenue Bonds, Taxable Refunding Series 2009D, and to pay the costs of issuance of the 2017 Bonds. The 2017 Bonds were issued for savings and resulted in a net present value savings of $9,276 or 19.7 percent of the refunded bonds. These bonds will be repaid from certain Net Revenues derived from the operation of the Airports through maturity of June 1, 2037.

On September 14, 2017, the Trustees approved the Tulsa Airport (TUL) Master Plan (last updated in 1996). The Master Plan guides future development for the airport with regard to the FAA investment and TUL's role in the National Airports System (NAS).

# Tulsa Airports Improvement Trust
# (A Component Unit of the City of Tulsa, Oklahoma)
## Required Supplementary Information (in thousands of dollars)
## Municipal Employees' Retirement Plan
## June 30, 2017

**Schedule of Proportionate Share of the Net Pension Liability**

| Year | Trust's Proportion of Net Pension Liability | Trust's Proportionate Share of Net Pension Liability | Trust's Covered-Employee Payroll | Trust's Proportionate Share of Net Pension Liability as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of Total Pension Liability |
|---|---|---|---|---|---|
| 2017 | 5.5364% | $ 10,938 | $ 6,696 | 163.35% | 69.39% |
| 2016 | 5.9357% | 12,840 | 6,848 | 187.50% | 65.62% |
| 2015 | 5.8186% | 7,288 | 6,316 | 115.39% | 77.13% |

* Prior year information is not available.

**Schedule of Employer Contributions - Last Ten Years**

| Year | Contractually Required Contributions | Actual Contributions | Contribution Deficiency (Excess) | Trust's Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2017 | $ 770 | $ 770 | $ - | $ 6,696 | 11.5% |
| 2016 | 785 | 785 | - | 6,848 | 11.5% |
| 2015 | 748 | 748 | - | 6,316 | 11.8% |
| 2014 | 665 | 659 | - | N/A | N/A |
| 2013 | 672 | 840 | - | N/A | N/A |
| 2012 | 720 | 700 | - | N/A | N/A |
| 2011 | 572 | 358 | - | N/A | N/A |
| 2010 | 517 | 370 | - | N/A | N/A |
| 2009 | 380 | 380 | - | N/A | N/A |
| 2008 | 366 | 366 | - | N/A | N/A |

Changes of assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from changes in the mortality table and discount rate from 7.75 percent to 7.5 percent.

# Tulsa Airports Improvement Trust
# (A Component Unit of the City of Tulsa, Oklahoma)
## Supplementary Information
## Detailed Schedules of Operating Revenue
## Years Ended June 30, 2017 and 2016

| *(in thousands of dollars)* | **2017** | 2016 |
|---|---|---|
| **Aeronautical operating revenues** | | |
| **Landing fees - signatory and non-signatory** | | |
| Passenger airline landing fees | $ 6,254 | $ 5,776 |
| Cargo airline landing fees | 1,200 | 1,146 |
| Military joint use fees | 44 | 44 |
| Total landing fees | 7,498 | 6,966 |
| **Passenger airline terminal revenue - signatory and non-signatory** | | |
| Airline terminal rentals | 3,879 | 3,763 |
| Baggage system rentals | 2,202 | 2,273 |
| Other terminal area airline fees | (98) | (652) |
| Total terminal area passenger airline fees | 5,983 | 5,384 |
| Total landing fees and terminal area passenger airline revenues | 13,481 | 12,350 |
| **Other Aeronautical Revenue** | | |
| FBO revenue | 870 | 870 |
| Hangar, cargo space and ground rents | 1,683 | 1,664 |
| Fuel flowage fees | 734 | 674 |
| Security reimbursements | 121 | 114 |
| Other aeronautical revenue | 168 | 170 |
| Total other aeronautical revenue | 3,576 | 3,492 |
| Total Aeronautical Revenue | 17,057 | 15,842 |
| **Non-Areonautical Operating Revenue** | | |
| **Terminal Revenues** | | |
| Food and beverage | 638 | 660 |
| Retail | 568 | 608 |
| Other terminal concessions and revenue (excludes rental car counter space) | 983 | 813 |
| Total non-aeronautical Terminal Revenue | 2,189 | 2,081 |
| **Other Non-Areonautical Operating Revenue** | | |
| Rental car revenues | 4,520 | 4,688 |
| Parking revenues | 8,111 | 7,882 |
| Hotel revenues | 242 | 254 |
| Ground rents and facilities leases (excludes aeronautical & car rental) | 411 | 343 |
| Other non-aeronautical revenue | 104 | 91 |
| Total Other Non-Aeronautical Operating Revenues | 13,388 | 13,258 |
| Total Non-Aeronautical Operating Revenue | 15,577 | 15,339 |
| **Revenue from R. L. Jones, Jr. Airport** | 1,079 | 1,047 |
| **Revenue from Okmulgee Airport** | 72 | 77 |
| Total operating revenues | $ 33,785 | $ 32,305 |

# Tulsa Airports Improvement Trust
# (A Component Unit of the City of Tulsa, Oklahoma)
## Schedule of Insurance in Force (Unaudited)
## Year Ended June 30, 2017

| Policy Coverage | Issuer | Limit of Liability | Self Insurai | Expiration Date | Premium |
|---|---|---|---|---|---|
| Primary coverage on bodily injury, single limit bodily injury and property damage liability. | Phoenix Aviation Managers, Inc | Up to $75,000,000 for any one accident, or occurrence with $25,000 deductible each loss, and $100,000 annual aggregate deductible. | None | 11/20/2017 | $ 69,200 |
| Property damage (including boilers and machinery and scheduled automotive equipment) fire and extended coverage. | Public Entity Property Insurance Program | Real and personal property damage not to exceed $375,000,000 with $100,000 deductible. | None | 7/1/2018 | $ 162,974 |
| Automotive personal liability and property damage off-airport. | Mid-Continent Casualty Co. | Excess of $250,000 up to $1,000,000 bodily injury and property damage, combined single limit, each occurrence and in the aggregate. | None | 7/19/2018 | $ 27,766 |
| Workers compensation insurance | Compsource | Bodily injury by accident, $1,000,000 each accident; Disease $1,000,000 each employee | None | 10/01/2017 | $ 172,117 |
| Directors and Officers Liability | Navigators Specialty Insurance Co. | $1,000,000 all loss, $100,000 non-monetary, $500,000 add excess | None | 6/22/2018 | $ 24,961 |

# Tulsa Airports Improvement Trust
# (A Component Unit of the City of Tulsa, Oklahoma)
## Statistical Information (Unaudited)
## Year Ended June 30, 2017

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

| | |
|---|---|
| **Gross revenues as defined by the Bond Indenture as supplemented** | |
| Operating revenue | $ 33,785,931 |
| Nonoperating revenues (1) | 247,801 |
| Airport Improvement Fund balance (2) | 3,904,842 |
| Airport Improvement Fund transfers (2) | 1,711,817 |
| Nonoperating funds available for debt service (4) | 1,256,448 |
| PFC funds available for debt service (3) | 5,705,921 |
| CFC revenues | 3,126,212 |
| Other nonoperating | 102,527 |
| Total gross revenues | 49,841,499 |
| **Gross expenses as defined by the Bond Indenture as supplemented** | |
| Combined operating expenses, excluding non-cash pension expense | 21,283,651 |
| Capitalized expenditures classified as operating expenses in accordance with the Bond Indenture as supplemental | 914,201 |
| Total operating expenses | 22,197,852 |
| **Net revenues available for debt service** | $ 27,643,647 |
| **Debt service** (5) | $ 17,456,883 |
| **Debt coverage** | 1.58 |

(1) Nonoperating revenues including interest earned on invested funds, net of construction fund interest earnings and certain other nonoperating revenues and expenses, as defined by the Bond Indenture.

(2) The Bond Indenture provides that transfers from the Airport Improvement Fund to other funds are considered as Gross Revenues for the next ensuing fiscal year.

(3) PFC are Dedicated Revenues, which the Trustee have dedicated to pay an amount up to 1.25 times principal and or interest on the Bonds.

(4) Nonoperating sources of funds specifically identified for debt service.

(5) The Bond Indenture defines debt service as the aggregate amount required to be deposited during the year in the Bond fund to provide for the payment of interest (to the extent not capitalized) and principal on the Bonds.

# Tulsa Airports Improvement Trust
# (A Component Unit of the City of Tulsa, Oklahoma)
## Statistical Information (Unaudited)
## Year Ended June 30, 2017

### Schedule of Funds on Deposit and Invested:

| DESCRIPTION | DUE DATE | INTEREST RATE | YIELD AT MARKET | PAR VALUE | INVESTMENT COST | MARKET VALUE |
|---|---|---|---|---|---|---|
| **Revenue Funds** | | | | | | |
| Cash | On Demand | 0.00% | 0.00% | $ 182,114 | $ 182,114 | $ 182,114 |
| BOK Short-Term Cash Fund I | On Demand | 0.68% | 0.68% | 2,493,528 | 2,493,528 | 2,493,528 |
| Revenue Receipts Demand Deposit Account | On Demand | 0.00% | 0.00% | 84,617 | 84,617 | 84,617 |
| Parking Receipts Demand Deposit Account | On Demand | 0.00% | 0.00% | 420 | 420 | 420 |
| Total Revenue Funds | | | | | 2,760,680 | 2,760,680 |
| **Coverage Account** | | | | | | |
| BOK Short-Term Cash Fund I | On Demand | 0.68% | 0.68% | 3,003,131 | 3,003,131 | 3,003,131 |
| Total Coverage Account | | | | | 3,003,131 | 3,003,131 |
| **Commerce Bank** | | | | | | |
| Commerce Bank - Time Deposit 6220649706 | 11/25/2017 | 0.04% | 0.04% | 50,175 | 50,175 | 50,175 |
| Commerce Bank - Time Deposit 6220649739 | 11/25/2017 | 0.04% | 0.04% | 150,525 | 150,525 | 150,525 |
| Total Commerce Bank | | | | | 200,699 | 200,699 |
| **Customer Facility Charge Account** | | | | | | |
| BOK Short-Term Cash Fund I | On Demand | 0.68% | 0.68% | 3,695,371 | 3,695,371 | 3,695,371 |
| FHLB STP (3130A82C6) | 06/08/2021 | 1.14% | 1.14% | 3,615,000 | 3,615,000 | 3,571,837 |
| Total Customer Facility Charge Accounts | | | | | 7,310,371 | 7,267,208 |
| **Passenger Facility Charge Revenue Fund** | | | | | | |
| Cash | On Demand | 0.00% | 0.00% | 466 | 466 | 466 |
| BOK Short-Term Cash Fund I | On Demand | 0.68% | 0.68% | 714,661 | 714,661 | 714,661 |
| PFC Demand Deposit Account | On Demand | 0.00% | 0.00% | 1,154 | 1,154 | 1,154 |
| Total Passenger Facility Charge Revenue Fund | | | | | 716,281 | 716,281 |
| **Operating Reserve Fund** | | | | | | |
| BOK Short-Term Cash Fund I | On Demand | 0.68% | 0.68% | 520,128 | 520,128 | 520,128 |
| FHLB (3130A82C6) | 06/08/2021 | 1.14% | 1.14% | 2,400,000 | 2,400,000 | 2,371,344 |
| FNMA (3136G3YV1) | 06/30/2021 | 1.29% | 1.29% | 1,330,000 | 1,330,000 | 1,288,783 |
| FHLMC (3134G9VX2) | 07/27/2023 | 1.01% | 1.01% | 2,000,000 | 2,000,000 | 1,976,140 |
| FNMA POOL #20086 (31360YJ70) | 07/01/2024 | 4.83% | 4.83% | 1,071 | 1,071 | 1,109 |
| FNMA POOL #4593 (31360FC60) | 05/01/2024 | 4.66% | 4.66% | 1,758 | 1,758 | 1,696 |
| Total Operating Reserve Fund | | | | | 6,252,957 | 6,159,200 |
| **Airport Improvement Fund** | | | | | | |
| BOK Short-Term Cash Fund I | On Demand | 0.00% | 0.00% | 493,708 | 493,708 | 493,708 |
| Total Airport Improvement Fund | | | | | $ 493,708 | $ 493,708 |

(Continued)

# Tulsa Airports Improvement Trust
# (A Component Unit of the City of Tulsa, Oklahoma)
## Statistical Information (Unaudited)
## Year Ended June 30, 2017

| DESCRIPTION | DUE DATE | INTEREST RATE | YIELD AT MARKET | PAR VALUE | INVESTMENT COST | MARKET VALUE |
|---|---|---|---|---|---|---|
| **Bond Principal and Interest Accounts** | | | | | | |
| BOK Short-Term Cash Fund - 2009D Bond Fund | On Demand | 0.68% | 0.68% | $ 339,333 | $ 339,333 | $ 339,333 |
| FNMA (3135G0WJ8) - 2009D Bond Fund | 05/21/2018 | 0.88% | 1.14% | 53,000 | 52,942 | 52,824 |
| BOK Short-Term Cash Fund - 2010A Bond Fund | On Demand | 0.68% | 0.68% | 758 | 758 | 758 |
| US Treasury Bill (912796MD8) - 2010A Bond Fund | 11/24/2017 | 0.00% | 0.93% | 10,000 | 9,962 | 9,958 |
| US Treasury Note (912828R51) - 2010A Bond Fund | 05/31/2018 | 0.88% | 0.88% | 52,000 | 51,905 | 51,819 |
| BOK Short-Term Cash Fund - 2010B Bond Fund | On Demand | 0.68% | 0.68% | 1,339 | 1,339 | 1,339 |
| FNMA (3135G0WJ8) - 2010B Bond Fund | 05/21/2018 | 0.88% | 0.88% | 92,000 | 91,899 | 91,694 |
| US Treasury Bill (912796MD8) - 2010B Bond Fund | 11/24/2017 | 0.00% | 0.93% | 19,000 | 18,927 | 18,920 |
| US Treasury Note (912828R51) - 2010B Bond Fund | 05/31/2018 | 0.88% | 0.88% | 59,000 | 58,892 | 58,794 |
| BOK Short-Term Cash Fund - 2010C Bond Fund | On Demand | 0.68% | 0.68% | 1,605 | 1,605 | 1,605 |
| US Treasury Bill (912796MD8) - 2010C Bond Fund | 11/24/2017 | 0.00% | 0.93% | 18,000 | 17,931 | 17,924 |
| US Treasury Note (912828R51) - 2010C Bond Fund | 5/31/2017 | 0.88% | 0.88% | 46,000 | 45,916 | 45,839 |
| BOK Short-Term Cash Fund - 2013A Interest Account | On Demand | 0.68% | 0.68% | 239 | 239 | 239 |
| US Treasury Bill (912796MD8) - 2013A Interest Account | 11/24/2017 | 0.00% | 0.93% | 150,000 | 149,423 | 149,367 |
| BOK Short-Term Cash Fund - 2013A Principal Account | On Demand | 0.68% | 0.68% | 695 | 695 | 695 |
| US Treasury Note (912828R51) - 2013A Principal Account | 05/31/2018 | 0.88% | 0.88% | 52,000 | 51,905 | 51,819 |
| BOK Short-Term Cash Fund - 2013B Interest Account | On Demand | 0.68% | 0.68% | 757 | 757 | 757 |
| US Treasury Bill (912796MD8) - 2013B Interest Account | 11/24/2017 | 0.00% | 0.93% | 9,000 | 8,965 | 8,962 |
| BOK Short-Term Cash Fund - 2013B Principal Account | On Demand | 0.68% | 0.68% | 147 | 147 | 147 |
| FNMA (3135G0WJ8) - 2013B Principal Account | 05/21/2018 | 0.88% | 0.88% | 28,000 | 27,969 | 27,907 |
| US Treasury Note (912828R51) - 2013B Principal Account | 05/31/2018 | 0.88% | 0.88% | 18,000 | 17,967 | 17,937 |
| BOK Short-Term Cash Fund - 2015A Interest Account | On Demand | 0.68% | 0.68% | 414 | 414 | 414 |
| US Treasury Bill (912796MD8) - 2015A Interest Account | 11/24/2017 | 0.00% | 0.93% | 168,000 | 167,353 | 167,291 |
| BOK Short-Term Cash Fund - 2015A Principal Account | On Demand | 0.68% | 0.68% | 53 | 53 | 53 |
| US Treasury Note (912828R51) - 2015A Principal Account | 05/31/2018 | 0.88% | 0.88% | 204,000 | 203,625 | 203,288 |
| BOK Short-Term Cash Fund - 2015B Interest Account | On Demand | 0.68% | 0.68% | 782 | 782 | 782 |
| US Treasury Bill (912796MD8) - 2015B Interest Account | 11/24/2017 | 0.00% | 0.93% | 5,000 | 4,981 | 4,979 |
| BOK Short-Term Cash Fund - 2015B Principal Account | On Demand | 0.68% | 0.68% | 19 | 19 | 19 |
| US Treasury Note (912828R51) - 2015B Principal Account | 05/31/2018 | 0.88% | 0.88% | 144,000 | 143,736 | 143,497 |
| BOK Short-Term Cash Fund - 2015C Interest Account | On Demand | 0.68% | 0.68% | 755 | 755 | 755 |
| US Treasury Bill (912796MD8) - 2015C Interest Account | 11/24/2017 | 0.00% | 0.93% | 2,000 | 1,992 | 1,992 |
| BOK Short-Term Cash Fund - 2015C Principal Account | On Demand | 0.68% | 0.68% | 1,672 | 1,672 | 1,672 |
| BOK Short-Term Cash Fund - 2015D Interest Account | On Demand | 0.68% | 0.68% | 773 | 773 | 773 |
| US Treasury Bill (912796MD8) - 2015D Interest Account | 11/24/2017 | 0.00% | 0.93% | 91,000 | 90,650 | 90,616 |
| BOK Short-Term Cash Fund - 2015D Principal Account | On Demand | 0.68% | 0.68% | 22 | 22 | 22 |
| US Treasury Note (912828R51) - 2015D Principal Account | 05/31/2018 | 0.88% | 0.88% | 5,000 | 4,991 | 4,983 |
| Total Bond Principal and Interest Accounts | | | | | 1,571,291 | 1,569,771 |
| **Construction Funds** | | | | | | |
| BOK Short-Term Cash Fund 2013A Bonds | On Demand | 0.68% | 0.68% | 858,788 | 858,788 | 858,788 |
| BOK Short-Term Cash Fund 2015A Bonds | On Demand | 0.68% | 0.68% | 10 | 10 | 10 |
| BOK Short-Term Cash Fund 2015C Bonds | On Demand | 0.68% | 0.68% | 869,964 | 869,964 | 869,964 |
| BOK Short-Term Cash Fund -2016 Bonds | On Demand | 0.68% | 0.68% | 5 | 5 | 5 |
| Total Construction Funds | | | | | $ 1,728,767 | $ 1,728,767 |

(Continued)

# Tulsa Airports Improvement Trust
# (A Component Unit of the City of Tulsa, Oklahoma)
## Statistical Information (Unaudited)
## Year Ended June 30, 2017

| DESCRIPTION | DUE DATE | INTEREST RATE | YIELD AT MARKET | PAR VALUE | INVESTMENT COST | MARKET VALUE |
|---|---|---|---|---|---|---|
| **Bond Reserve Funds** | | | | | | |
| FHLB (3130A82C6) (Tax-Exempt) | 6/8/2021 | 1.14% | 1.14% | $ 4,000,000 | $ 4,000,000 | $ 3,952,240 |
| BOK Short-Term Cash Fund -(Taxable) | On Demand | 0.68% | 0.68% | 3,552 | 3,552 | 3,552 |
| FHLB (3130A82C6) (Taxable) | 6/8/2021 | 1.14% | 1.14% | 8,085,000 | 8,085,000 | 7,988,465 |
| Total Bond Reserve Funds | | | | | 12,088,552 | 11,944,257 |
| **Capital Projects Clearing Fund** | | | | | | |
| Grant Receipts Demand Deposit Account | On Demand | 0.00% | 0.00% | 1,000 | 1,000 | 1,000 |
| BOK Short-Term Cash Fund I | On Demand | 0.68% | 0.68% | 718,269 | 718,269 | 718,269 |
| Total Capital Projects Clearing Fund | | | | | 719,269 | 719,269 |
| **Other Funds** | | | | | | |
| BOK Short-Term Cash Fund I (Special Programs) | On Demand | 0.68% | 0.68% | 282,412 | 282,412 | 282,412 |
| BOK Short-Term Cash Fund I (State Grant Escrow Fund) | On Demand | 0.68% | 0.68% | 176,629 | 175,871 | 175,871 |
| General Operating Deposit Account | On Demand | 0.00% | 0.00% | 2,574,464 | 2,574,464 | 2,574,464 |
| Payroll Demand Deposit Account | On Demand | 0.00% | 0.00% | 2,116 | 2,116 | 2,116 |
| Arvest Bank (Purchasing Card) Demand Deposit Account | On Demand | 0.00% | 0.00% | 4,538 | 4,538 | 4,538 |
| Petty Cash | On Demand | 0.00% | 0.00% | 2,500 | 2,500 | 2,500 |
| Total Other Funds | | | | | 3,041,900 | 3,041,900 |
| Total Funds on Deposit and Invested | | | | | $ 39,887,607 | $ 39,604,872 |

**Five Year Construction In Progress –** The Airport's total estimated cost for the years ending 2018 through 2022 (in thousands):

| | Total | Federal | Local |
|---|---|---|---|
| Airfield | $ 69,298 | $ 62,369 | $ 6,929 |
| Terminal | 13,500 | 9,850 | 3,650 |
| Landside | 3,510 | - | 3,510 |
| RVS | 5,211 | 4,805 | 406 |
| Total Estimated Cost | $ 91,519 | $ 77,024 | $ 14,495 |

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

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| January | 89,453 | 91,831 | 92,882 | 95,061 | 94,979 |
| February | 87,788 | 89,129 | 87,205 | 92,295 | 91,635 |
| March | 104,728 | 113,445 | 109,223 | 107,894 | 116,942 |
| April | 107,204 | 110,202 | 111,916 | 105,538 | 109,419 |
| May | 128,047 | 128,276 | 131,583 | 125,223 | 130,587 |
| June | 126,798 | 130,251 | 129,831 | 130,343 | 133,482 |
| July | 120,444 | 135,046 | 134,521 | 124,759 | 129,121 |
| August | 110,196 | 113,087 | 111,419 | 111,063 | 116,857 |
| September | 107,658 | 112,832 | 111,424 | 112,387 | 107,552 |
| October | 121,302 | 126,823 | 123,830 | 119,812 | N/A (1) |
| November | 110,513 | 108,158 | 114,588 | 117,507 | N/A (1) |
| December | 111,964 | 115,246 | 116,164 | 117,727 | N/A (1) |
| Annual | 1,326,095 | 1,374,326 | 1,374,586 | 1,359,609 | 1,030,574 |

(1) Not available

**Average Daily Scheduled Flights:**

| | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Airline | Daily Arrivals & Departures | % of Total | Daily Arrivals & Departures | % of Total | Daily Arrivals & Departures | % of Total | Daily Arrivals & Departures | % of Total | Daily Arrivals & Departures | % of Total |
| Allegiant Air | - | 0.00% | - | 0.00% | 3 | 2.65% | 4 | 4.00% | 3 | 3.00% |
| American | 26 | 20.00% | 26 | 20.63% | 32 | 28.32% | 26 | 26.00% | 24 | 24.20% |
| Delta | 24 | 18.46% | 22 | 17.46% | 17 | 15.04% | 16 | 16.00% | 17 | 17.20% |
| Southwest | 36 | 28.57% | 34 | 26.98% | 25 | 22.12% | 25 | 25.00% | 27 | 27.30% |
| United | 44 | 34.92% | 44 | 34.92% | 36 | 31.86% | 29 | 29.00% | 28 | 28.30% |
| | 130 | 100.00% | 126 | 100.00% | 113 | 100.00% | 100 | 100.00% | 99 | 100.00% |

# Tulsa Airports Improvement Trust
# (A Component Unit of the City of Tulsa, Oklahoma)
## Statistical Information (Unaudited)
## Year Ended June 30, 2017

### Airline Enplaned Passengers:

| | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Airline | Number | % of Total | Number | % of Total | Number | % of Total | Number | % of Total | Number | % of Total |
| Allegiant Air | - | N/A | - | N/A | 24,461 | 1.78% | 42,882 | 3.13% | 56,979 | 4.13% |
| American | 298,318 | 22.66% | 302,713 | 22.50% | 293,645 | 21.37% | 293,879 | 21.48% | 336,958 | 24.41% |
| American Connection / Transtates | - | N/A | 57,765 | 4.29% | - | N/A | - | N/A | - | N/A |
| American Eagle | 56,584 | 4.30% | - | N/A | 66,678 | 4.85% | 39,387 | 2.88% | 19,456 | 1.41% |
| American/ Express Jet | - | N/A | - | N/A | - | N/A | 22,280 | 1.63% | 8,190 | 0.59% |
| American /Mesa /Envoy | - | N/A | - | N/A | 9,475 | 0.69% | 15,739 | 1.15% | 12,582 | 0.91% |
| American / US Airways | - | N/A | - | N/A | - | N/A | 42,385 | 3.10% | 45,931 | 3.33% |
| American/SkyWest | - | N/A | - | N/A | - | N/A | - | 0.00% | 2,467 | 0.18% |
| Continental | 15,950 | 1.21% | - | N/A | - | N/A | - | N/A | - | N/A |
| Continental Express | 86,459 | 6.57% | - | N/A | - | N/A | - | N/A | - | N/A |
| Continental Express/Colgan | 62 | 0.00% | - | 0.00% | - | N/A | - | N/A | - | N/A |
| Delta | 39,833 | 3.03% | 54,002 | 4.01% | 76,875 | 5.60% | 107,113 | 7.83% | 100,063 | 7.25% |
| Delta Connection / ASA | 79,085 | 6.01% | 85,536 | 6.36% | 65,026 | 4.73% | 40,665 | 2.97% | 47,812 | 3.46% |
| Delta Connection / Comair | 449 | 0.03% | - | N/A | - | N/A | - | N/A | - | N/A |
| Delta Connection/Compass | 5,289 | 0.40% | 31 | 0.00% | - | N/A | 1,096 | 0.08% | 3,578 | 0.26% |
| Delta/Pinacle/Endeaver | - | N/A | - | N/A | - | N/A | 3,879 | 0.28% | 5,629 | 0.41% |
| Delta Connection / SkyWest | 32,019 | 2.43% | 26,435 | 1.97% | 30,247 | 2.20% | 37,421 | 2.73% | 35,693 | 2.59% |
| Frontier | - | N/A | 138 | 0.01% | - | N/A | - | N/A | - | N/A |
| Miami Air | - | N/A | - | N/A | - | N/A | - | N/A | 272 | 0.02% |
| Northwest Airlink / Pinnacle | 36,710 | 2.79% | 18,494 | 1.37% | 16,043 | 1.17% | - | N/A | - | N/A |
| Southwest | 482,179 | 36.62% | 509,152 | 37.85% | 482,598 | 35.13% | 461,705 | 33.74% | 454,881 | 32.96% |
| Sun Country/MN Airlines | - | N/A | - | N/A | 1,479 | 0.11% | 2,377 | 0.17% | 1,992 | 0.14% |
| United | 16,600 | 1.26% | 16,923 | 1.26% | 1,852 | 0.13% | 44,506 | 3.25% | 48,970 | 3.55% |
| United / Other | 6,397 | 0.49% | 22,968 | 1.71% | - | N/A | - | N/A | - | N/A |
| United Express / Express Jet | 97,141 | 7.38% | 187,785 | 13.96% | 141,588 | 10.31% | 96,252 | 7.03% | 94,854 | 6.87% |
| United Express / GoJet | - | N/A | - | N/A | 34,903 | 2.54% | 20,765 | 1.52% | 21,313 | 1.54% |
| United Express / Mesa | - | N/A | - | N/A | 11,881 | 0.86% | 38,057 | 2.78% | 17,128 | 1.24% |
| United Express/Republic | - | N/A | - | N/A | 651 | 0.05% | 66 | 0.00% | 20,498 | 1.49% |
| United Express / SkyWest | 60,668 | 4.61% | 44,539 | 3.31% | 47,799 | 3.48% | 41,347 | 3.02% | 33,912 | 2.46% |
| United Express / Trans State | - | N/A | 5,482 | 0.41% | 29,799 | 2.17% | 15,729 | 1.15% | 10,402 | 0.75% |
| U.S. Airways | - | N/A | - | N/A | 37,900 | 2.76% | - | N/A | - | N/A |
| Other | 2,911 | 0.22% | 13,248 | 0.98% | 932 | 0.07% | 770 | 0.06% | 739 | 0.05% |
| | 1,316,654 | 100.00% | 1,345,211 | 100.00% | 1,373,832 | 100.00% | 1,368,300 | 100.00% | 1,380,299 | 100.00% |

# Tulsa Airports Improvement Trust
# (A Component Unit of the City of Tulsa, Oklahoma)
## Statistical Information (Unaudited)
## Year Ended June 30, 2017

### Airline – Air Cargo Landed Weight (in pounds):

| | FY 2013 | | FY 2014 | | FY 2015 | | FY 2016 | | FY 2017 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Airline / Air Cargo Carrier | Pounds | % of Total | Pounds | % of Total | Pounds | % of Total | Pounds | % of Total | Pounds | % of Total |
| Allegiant Air, LLC | 1,838,000 | 0.09% | 10,213,178 | 0.49% | 22,489,974 | 1.10% | 42,722,015 | 2.18% | 59,111,065 | 2.93% |
| American | 416,185,500 | 19.76% | 411,061,400 | 19.75% | 409,217,700 | 20.00% | 352,657,500 | 17.97% | 398,264,600 | 19.76% |
| American Eagle / Envoy | 64,931,370 | 3.08% | 64,507,090 | 3.10% | 77,955,746 | 3.81% | 44,145,231 | 2.25% | 20,491,343 | 1.02% |
| American / Express Jet | - | N/A | - | N/A | - | N/A | 23,687,292 | 1.21% | 9,626,554 | 0.48% |
| American/ Envoy/ Mesa | - | N/A | - | N/A | 11,244,000 | 0.55% | 20,633,000 | 1.05% | 14,077,000 | 0.70% |
| American/ SkyWest | - | N/A | - | N/A | - | N/A | - | N/A | 4,002,000 | 0.20% |
| American/ US Airways | - | N/A | - | N/A | 48,599,950 | 2.38% | 48,805,000 | 2.49% | 51,906,800 | 2.58% |
| Continental | 27,049,100 | 1.28% | - | N/A | - | N/A | - | N/A | - | N/A |
| Continental Express (Colgan) | 124,000 | 0.01% | - | N/A | - | N/A | - | N/A | - | N/A |
| Continental Express (ExpressJet) | 41,841,510 | 1.99% | - | N/A | - | N/A | - | N/A | - | N/A |
| Delta | 59,476,900 | 2.82% | 73,986,000 | 3.55% | 102,449,000 | 5.01% | 134,310,600 | 6.84% | 125,777,300 | 6.24% |
| Delta / Compass | - | N/A | - | N/A | - | N/A | - | N/A | 5,144,223 | 0.26% |
| Delta Connection (ASA) (Express Jet) | 107,091,200 | 5.08% | 113,907,700 | 5.47% | 84,555,500 | 4.13% | 51,082,900 | 2.60% | 62,842,800 | 3.12% |
| Delta Connection (Comair) | 705,000 | 0.03% | - | N/A | - | N/A | - | N/A | - | N/A |
| Delta Connection (Compass) | 8,804,188 | 0.42% | - | N/A | - | N/A | 1,275,143 | 0.06% | - | N/A |
| Delta Connection (Express Jet) | - | N/A | 75,177 | 0.00% | - | N/A | - | N/A | - | N/A |
| Delta (Pinnacle) (Endeavor) | 46,438,800 | 2.20% | 22,292,400 | 1.07% | 20,602,100 | 1.01% | 5,473,100 | 0.28% | 8,082,700 | 0.40% |
| Delta Connection (SkyWest) | 42,321,500 | 2.01% | 34,772,000 | 1.67% | 37,035,800 | 1.81% | 45,409,200 | 2.31% | 45,298,500 | 2.25% |
| Frontier | - | N/A | 268,964 | 0.01% | - | 0.00% | - | N/A | - | N/A |
| Southwest | 683,022,000 | 32.42% | 714,524,000 | 34.33% | 595,800,000 | 29.12% | 556,814,000 | 28.37% | 581,014,000 | 28.83% |
| Sun Country / Mn Airlines | 2,778,200 | 0.13% | 3,913,200 | 0.19% | 3,053,700 | 0.15% | 6,307,500 | 0.32% | 6,002,700 | 0.30% |
| United | 28,435,800 | 1.35% | 25,567,800 | 1.23% | 2,194,500 | 0.11% | 67,996,200 | 3.46% | 76,639,000 | 3.80% |
| United Express / Express Jet | 163,610,314 | 7.77% | 206,221,236 | 9.91% | 157,643,985 | 7.70% | 100,204,680 | 5.11% | 98,844,210 | 4.90% |
| United Express / GoJet | 11,926,000 | 0.57% | 31,557,000 | 1.52% | 42,813,000 | 2.09% | 23,919,000 | 1.22% | 25,929,000 | 1.29% |
| United Express / Mesa | - | N/A | - | N/A | 16,604,100 | 0.81% | 51,456,300 | 2.62% | 22,395,100 | 1.11% |
| United Expess / Republic | - | N/A | - | N/A | - | N/A | - | N/A | 28,518,630 | 1.42% |
| United Express / SkyWest | 81,521,000 | 3.87% | 56,043,000 | 2.69% | 58,277,700 | 2.85% | 46,724,800 | 2.38% | 37,798,100 | 1.88% |
| United Express / Transtates | - | N/A | 6,041,958 | 0.29% | 32,697,322 | 1.60% | 18,102,600 | 0.92% | 11,683,150 | 0.58% |
| US Airways Charter | - | N/A | - | N/A | 97,000 | 0.00% | - | N/A | - | N/A |
| Other Non-Sig Passenger Carriers | 3,452,746 | 0.16% | 2,634,452 | 0.13% | 3,989,545 | 0.19% | 3,377,230 | 0.17% | 5,176,698 | 0.26% |
| Ameriflight | 8,384,946 | 0.40% | 7,846,894 | 0.38% | 7,787,700 | 0.38% | 7,933,046 | 0.40% | 9,021,420 | 0.45% |
| Federal Express | 191,249,700 | 9.08% | 182,675,700 | 8.78% | 203,559,400 | 9.95% | 199,551,300 | 10.17% | 187,344,900 | 9.30% |
| Federal Express /Empire | 11,075,309 | 0.53% | 11,357,717 | 0.55% | 10,731,504 | 0.52% | 9,746,492 | 0.50% | 11,719,267 | 0.58% |
| Federal Express / Mountain Air Cargo | 36,160 | 0.00% | 1,342,556 | 0.06% | 202,616 | 0.01% | 202,616 | 0.01% | | N/A |
| Martinaire | 4,394,500 | 0.21% | 4,386,000 | 0.21% | 4,479,500 | 0.22% | 4,454,000 | 0.23% | 4,292,500 | 0.21% |
| UPS | 87,186,360 | 4.14% | 86,183,600 | 4.14% | 89,450,560 | 4.37% | 88,398,720 | 4.50% | 99,767,200 | 4.95% |
| Other Cargo Carriers | 12,710,804 | 0.60% | 9,803,055 | 0.47% | 2,635,760 | 0.13% | 7,056,364 | 0.36% | 4,628,798 | 0.23% |
| Totals | 2,106,590,907 | 100.00% | 2,081,182,077 | 100.00% | 2,046,167,662 | 100.00% | 1,962,445,829 | 100.00% | 2,015,399,558 | 100.00% |

RSM

# Tulsa Airports Improvement Trust

Compliance Report
June 30, 2017

THE POWER OF BEING UNDERSTOOD
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## Contents

**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**

Board of Trustees
Tulsa Airport Improvement Trust

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 (the Trust), as of and for the year ended June 30, 2017, 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 17, 2017.

**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 opinion 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.

RSM US LLP

Kansas City, Missouri
November 17, 2017

RSM US LLP

**Report on Compliance for the Major Federal Program,
Report on Internal Control Over Compliance and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

**Independent Auditor's Report**

Board of Trustees
Tulsa Airport Improvement Trust

**Report on Compliance for the Major Federal Program**
We have audited the Tulsa Airports Improvement Trust's (the Trust) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Trust's major federal program for the year ended June 30, 2017. The Trust's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***
Our responsibility is to express an opinion on compliance for the Trust's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Trust's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Trust's compliance.

***Opinion on the Major Federal Program***
In our opinion, the Trust complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**
Management of the Trust is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Trust's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**
We have audited the financial statements of the Trust as of and for the year ended June 30, 2017, and have issued our report thereon dated November 17, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

RSM US LLP

Kansas City, Missouri
November 17, 2017

**Tulsa Airports Improvement Trust**

**Schedule of Expenditures of Federal Awards**
**Year Ended June 30, 2017**

| Federal Grantor/ Pass-Through Grantor/Program Title | Federal CFDA Number | Grant Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Transportation - Federal Aviation Administration (Direct): | | | |
| Rehabilitate Runway Lighting, Wildlife Hazard Assessments | 20.106 | 3-40-0098-027-2013 | $ 23,569 |
| Rehabilitate Taxiway A, Rehab RW1/19R, Upgrade Airfield Guidance Signs | 20.106 | 3-40-0098-028-2015 | 121 |
| Rehabilitate Runway 1L/19R | 20.106 | 3-40-0098-029-2016 | 34,461 |
| Guidance Signs Phase 3 | 20.106 | 3-40-0098-030-2016 | 967,153 |
| Rehabilitate Runway 18L/36R | 20.106 | 3-40-0099-085-2013 | 49,957 |
| Replace Lighting Systems - Runway 18L/ 36R | 20.106 | 3-40-0099-086-2014 | 10,557 |
| Airport Master Plan/Pavement Management Program | 20.106 | 3-40-0099-087-2014 | 204,263 |
| Upgrade Airfield Access | 20.106 | 3-40-0099-088-2016 | 2,655,006 |
| Design of Taxiway J | 20.106 | 3-40-0099-090-2016 | 1,171,746 |
| **Total U.S. Department of Transportation - Federal Aviation Administration** | | | $ 5,116,833 |

See notes to schedule of expenditures of federal awards.

**Tulsa Airports Improvement Trust**

**Notes to Schedule of Expenditures of Federal Awards**
**Year Ended June 30, 2017**

## Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Tulsa Airports Improvement Trust (Trust) for the year ended June 30, 2017. All federal awards received directly from federal agencies as well as those awards that are passed through other governmental agencies are included on the schedule of expenditures of federal awards. The information presented in this schedule is in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

## Note 2. Significant Accounting Policies

Expenditures of federal awards are recognized under the accrual basis of accounting. Such expenditures are reported following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

## Note 3. Subrecipients

There were no federal awards passed through to subrecipients for the year ended June 30, 2017.

## Note 4. Indirect Cost Rate

The Trust has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Tulsa Airports Improvement Trust**

**Summary Schedule of Prior Audit Findings**
**Year Ended June 30, 2017**

| Number | Comment | Status |
|---|---|---|

None reported.

## Tulsa Airports Improvement Trust

## Schedule of Findings and Questioned Costs
## Year Ended June 30, 2017

**I. Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☑ No
- Significant deficiency(ies) identified? ☐ Yes ☑ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☑ No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☑ No
- Significant deficiency(ies) identified? ☐ Yes ☑ None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200 516(a)? ☐ Yes ☑ No

**Identification of major program:**

| CFDA Number | Name of Federal Program or Cluster |
|---|---|
| 20.106 | Airport Improvement Program |

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ☑ Yes ☐ No

(Continued)

## II. Financial Statement Findings

### A. Internal Control

No matters to report

### B. Compliance Findings

No matters to report

## III. Findings and Questioned Costs for Federal Awards

### A. Internal Control

No matters to report

### B. Instances of Noncompliance

No matters to report

RSM