

Tulsa Airports Improvement Trust

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

FINANCIAL REPORT

June 30, 2018 and 2017

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 28, 2018 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 28, 2018

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2018 and 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, 2018 and 2017.

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.

	2018	2017	2016
Enplaned Passengers	1,430,909	1,380,299	1,368,300
Airfreight (Tons)	68,541	55,379	57,947
Airline/Aircraft Movements (TUL)	101,519	111,640	87,598
Aircraft Movements - R.L. Jones Airport	189,910	195,175	179,604
Landed weights	2,167,744,083	2,015,399,558	1,962,445,829

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, 2018 there are seven airlines serving Tulsa International Airport, along with several charter carriers, and seven freight carriers.

Tulsa's passenger activity increased in FY18 to 1,430,909 continuing the growth experienced in FY17. For FY18, Southwest Airlines enplaned the largest share of passengers at Tulsa International Airport with 34 percent of enplanements, followed by American Airlines (mainline and regional affiliates) with 29 percent. The market share of mainline carriers decreased to 67.5 percent in FY18 from 68.2 percent in FY17, while the market share of regional affiliates increased to 32.5 percent in FY18 from 31.8 percent in FY17.

Airline seat capacity increased by 2.9% in FY 18 with a significant increase occurring in mid-April with the addition of Frontier service to five new destinations, followed by Via Air's launch of nonstop service to Austin in May. Activity to the airport's top 20 destinations increased by 9.8% during Quarters 1 and 2 of 2018, compared to the same period in FY 17, with Salt Lake City seeing the greatest increase at 25.0%, followed by San Diego at 23.2% and Orlando at 22.2%.

Tulsa Airports Improvement Trust

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Management's Discussion and Analysis

June 30, 2018 and 2017

Financial Position Summary as of June 30, 2018 (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 \$275,715.
- Net position increased \$5,193 from \$270,522 at June 30, 2017 to \$275,715 at June 30, 2018.
- Total liabilities increased \$3,661 from \$183,179 at June 30, 2017 to \$186,840 at June 30, 2018.
- Cash and cash equivalents increased \$2,673 from \$17,032 at June 30, 2017 to \$19,075 at June 30, 2018.

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.

Tulsa Airports Improvement Trust
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Management's Discussion and Analysis
June 30, 2018 and 2017

Summary of Net Position

(in thousands of dollars)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets			
Current and other assets	\$ 50,801	\$ 46,086	\$ 57,226
Capital assets, net	<u>400,716</u>	<u>401,342</u>	<u>399,958</u>
Total assets	<u>451,517</u>	<u>447,428</u>	<u>457,184</u>
Deferred outflows of resources	<u>11,847</u>	<u>8,117</u>	<u>11,157</u>
Liabilities			
Current and other liabilities	17,903	12,507	14,539
Long-term debt outstanding	<u>168,937</u>	<u>170,672</u>	<u>179,900</u>
Total liabilities	<u>186,840</u>	<u>183,179</u>	<u>194,439</u>
Deferred inflows of resources	<u>809</u>	<u>1,844</u>	<u>2,049</u>
Net position			
Net investment in capital assets	252,981	252,778	254,788
Restricted	11,434	9,324	9,284
Unrestricted	<u>11,300</u>	<u>8,420</u>	<u>7,781</u>
Total net position	<u>\$ 275,715</u>	<u>\$ 270,522</u>	<u>\$ 271,853</u>

The largest portion (92 percent) and (93 percent) of TAIT's net position as of June 30, 2018 and 2017, 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.

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Summary of Changes in Net Position

(in thousands of dollars)

	2018	2017	2016
Operating revenues	\$ 37,066	\$ 33,785	\$ 32,305
Nonoperating revenues, including capital grants	17,852	13,652	13,224
Total revenues	54,918	47,437	45,529
Operating expenses	40,201	38,605	36,257
Nonoperating expenses	9,524	10,163	10,088
Total expenses	49,725	48,768	46,345
Increase (decrease) in net position	\$ 5,193	\$ (1,331)	\$ (816)

- FY18 operating revenues, which consist primarily of rents and services fees, increased 9.7 percent due to an increase in non-aeronautical operating revenues.. FY17 operating revenues increased 4.6 percent due to timing differences in the Airline Reconciliation and Revenue Sharing calculations for FY16 which were recorded in FY17.
- Nonoperating revenues increased 30.8 percent in FY18 due to changes in the level of federal and state grant receipts. The increase of 3.2 percent in FY17 was due to changes in the level of federal grant receipts and reductions in other contributions.
- Operating expenses increased \$1,596 for FY18 due to increased depreciation expense as capital projects were completed and closed. Operating expenses increased \$2,348 for FY17 due to an approximate \$3 million dollar increase in depreciation expense which was offset by an increase of approximately \$0.1 million of various market-based and budgeted salary increases, and a lower than expected attrition rate.
- Nonoperating expenses decreased for FY18. Nonoperating expenses decreased 6.29 percent from FY17 primarily due to a reduction in interest expense.

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Summary of Cash Flow Activities

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

(in thousands of dollars)

	2018	2017	2016
Cash flows			
Provided by operating activities	\$ 13,435	\$ 11,399	\$ 10,185
Provided by non-capital and related financing activities	17	7	23
Provided by (used in) capital and related financing activities	(11,223)	(23,927)	(35,234)
Provided by investing activities	444	(1,387)	509
Net increase (decrease) in cash and cash equivalents	2,673	(13,908)	(24,517)
Cash and cash equivalents			
Beginning of year	17,032	30,940	55,457
End of year	\$ 19,705	\$ 17,032	\$ 30,940

Capital Assets (in thousands of dollars)

The Trust's investment in capital assets amounted to \$400,716 (net of accumulated depreciation). The Trust paid \$11,818 and \$19,954 related to the acquisition and construction of capital assets for the years ended June 30, 2018 and 2017, respectively.

(in thousands of dollars)

	2018	2017	2016
Land and improvements	\$ 355,309	\$ 348,705	\$ 343,811
Easements	70,838	70,838	70,838
Buildings	269,805	267,122	234,870
Art	275	275	291
Equipment	22,202	21,088	18,924
	718,429	708,028	668,734
Less: Accumulated depreciation	(328,409)	(312,352)	(314,025)
Construction-in-progress	10,696	5,666	45,249
Capital assets, net	\$ 400,716	\$ 401,342	\$ 399,958

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Long-Term Debt (in thousands of dollars)

At June 30, 2018, TAIT had outstanding long-term portion of general revenue bonds of \$156,422. 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)		
	2018	2017	2016
Revenue bonds	\$ 156,422	\$ 158,518	\$ 165,577

The Trust's long-term debt decreased by \$2,096 in FY18 and by \$7,059 in FY17 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 and was set to expire on June 30, 2018.

To allow completion of negotiations of a new five year Airline-Airport Use and Lease Agreements and Cargo Carrier Use and Lease Agreements in the ordinary course, the Airport Trustees and the Signatory Airlines and Signatory Cargo Airlines approved a one year amendment that extends the current Airline-Airport Use and Lease Agreements and Cargo Carrier Use and Lease Agreements to June 30, 2019. In connection with the one year extension, the rate making process was eliminated through the agreement to extend current rates and charges and placing a cap on overall airline revenues paid to the Airport Trustees at the amount received over past years, or approximately \$11.5 million annually. It is expected that a new five year Airline-Airport Use and Lease Agreement and Cargo Carrier Use and Lease Agreements between the Airport Trustees and each of the Signatory Airlines and Signatory Cargo Airlines will be finalized and executed prior to June 30, 2019.

Signatory Airline Terminal rental rates for FY18, FY17 and FY16 ranged from \$21.22 to \$96.88 per square foot. Signatory landing fees were \$3.62, \$3.62, and \$3.04 per 1000 lbs for FY18, FY17 and FY16, respectively.

Economic Factors

The City of Tulsa, located in northeastern Oklahoma, is the second largest city in the State. Tulsa is the central city of the Tulsa Metropolitan Statistical Area (the "Tulsa MSA"). The City is approximately 193 square miles in size whereas the Tulsa MSA covers approximately 5,161 square miles. The Tulsa MSA is comprised of seven counties: Okmulgee, Creek, Osage, Pawnee, Rogers, Tulsa and Wagoner counties. In 2017, the aggregate population of the Tulsa MSA was estimated to be 990,706 or 25 percent of the population of the state of Oklahoma.

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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 the five-year period ending 2017, nearly all sectors in the Tulsa economy showed positive average annual growth. The highest growth occurred in the construction and leisure & hospitality sectors with 3.0 percent and 2.8 percent annual average growth, respectively. Tulsa's target sectors of mining, manufacturing, transportation, business & professional service, and health services (with education) aggregately gained 3,400 jobs, despite 0.3 percent growth (1,200 jobs) in total employment in 2017.

Airline activity has increased at TIA as new carriers enter our market and existing carriers add capacity to constrained routes. Passenger enplanements increased by 3.7% during Fiscal Year 2018 (1,430,909). Year over year seat capacity (FY17 to FY18) increased 2.9% for Fiscal Year 2018 with the majority of the additional capacity coming from Frontier Airlines with nonstop service to five new cities. Frontier provides year-round service to Denver. Also new to TUL in May is Via Air. Via provides daily nonstop service on an E-145 to Austin, Texas. American, Delta, and Southwest have also expanded capacity in Fiscal Year 2018. American's growth is focused on growing the connectivity to their Charlotte hub with capacity up 51% over Fiscal Year 2017. Delta's overall capacity is up 2.2% year over year with growth primarily focused on their Atlanta and Minneapolis hubs. Southwest's capacity increased by 2.4%, with majority of their additional activity attributed to an added departure to Dallas. In Fiscal Year 2018, airlines provided 1,898,180 seats on 17,342 flights from Tulsa International Airport.

On October 5, 2018, S&P Global Ratings upgraded its rating on Tulsa Airports Improvement Trust rating from BBB+ to A- with a positive outlook. S&P Global Ratings' based the positive outlook on anticipations that TUL's enplanements will remain generally stable. Moody's assigned Tulsa Airports Improvement Trust a Baa1 rating with a stable rating outlook. This encompasses TAIT's debt service coverage ratio improving to nearly 1.4x over the near term after averaging around 1.1x in recent years. Moody's bases its stable rating outlook on the expectations that TUL enplanements will experience steady growth and no additional borrowing, along with signing of a new airline agreement in the near future which maintains extraordinary coverage protection and mid-year rate adjustments if deemed necessary.

Contacting TAIT's Financial Management

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Net Position
June 30, 2018 and 2017

(in thousands of dollars)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 14,143	\$ 13,007
Cash and cash equivalents - restricted	5,562	907
Investments - restricted	1,462	1,421
Receivables		
Trade, less allowance for doubtful accounts of \$57 and \$20, respectively	2,260	1,552
Intergovernmental receivable	2,644	1,362
Customer facility charges receivable	294	288
Inventory	1,580	1,488
Other current assets	487	467
Total current assets	<u>28,432</u>	<u>20,492</u>
Noncurrent assets		
Cash and cash equivalents - restricted	-	3,118
Investments	3,539	3,572
Investments - restricted	17,400	17,580
Passenger facility charges receivable - restricted	880	777
Accrued interest receivable - restricted	8	6
Capital assets not being depreciated	154,382	149,352
Capital assets, net of accumulated depreciation	246,334	251,990
Advance to primary government	128	127
Other	414	414
Total noncurrent assets	<u>423,085</u>	<u>426,936</u>
Total assets	<u>451,517</u>	<u>447,428</u>
Deferred Outflows of Resources		
Deferred charges on refunding	9,965	5,672
Pension related amounts	1,882	2,445
Total deferred outflows of resources	<u>\$ 11,847</u>	<u>\$ 8,117</u>

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

Tulsa Airports Improvement Trust
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Statements of Net Position, continued
June 30, 2018 and 2017

(in thousands of dollars)

	2018	2017
Liabilities		
Current liabilities		
Accounts payable	\$ 1,898	\$ 1,489
Current portion of compensated absences	139	167
Other accrued expenses	158	158
Unearned revenue	550	488
Current portion of bonds	8,020	7,661
Liabilities payable from restricted assets:		
Accounts payable	6,476	1,730
Customer deposits	49	38
Accrued interest payable	613	776
Total current liabilities	<u>17,903</u>	<u>12,507</u>
Noncurrent liabilities		
Compensated absences	851	829
Other accrued expenses	215	387
Net pension liability	11,449	10,938
Bonds payable, net	<u>156,422</u>	<u>158,518</u>
Total noncurrent liabilities	<u>168,937</u>	<u>170,672</u>
Total liabilities	<u>186,840</u>	<u>183,179</u>
Deferred inflows of resources, pension related amounts	<u>809</u>	<u>1,844</u>
Net position		
Net investment in capital assets	<u>252,981</u>	<u>252,778</u>
Restricted for		
Restricted by bond indenture for operations	6,321	6,360
Debt service	671	801
Capital projects	4,264	1,987
Other purposes	<u>178</u>	<u>176</u>
Total restricted net position	<u>11,434</u>	<u>9,324</u>
Unrestricted	<u>11,300</u>	<u>8,420</u>
Total net position	<u><u>\$ 275,715</u></u>	<u><u>\$ 270,522</u></u>

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

(in thousands of dollars)

	2018	2017
Operating revenue		
Aeronautical operating revenues		
Landing fees - signatory and non-signatory	\$ 8,100	\$ 7,498
Passenger airline terminal revenue - signatory and non-signatory	6,073	5,983
Other aeronautical revenue	3,670	3,576
Total aeronautical revenue	<u>17,843</u>	<u>17,057</u>
Non-aeronautical operating revenue		
Terminal revenues	2,490	2,189
Rental car revenues	4,772	4,520
Parking revenues	9,778	8,111
Other non-aeronautical operating revenue	994	757
Total non-aeronautical operating revenue	<u>18,034</u>	<u>15,577</u>
Revenue from R. L. Jones, Jr. Airport	<u>1,094</u>	<u>1,079</u>
Revenue from Okmulgee Airport	<u>95</u>	<u>72</u>
Total operating revenues	<u>37,066</u>	<u>33,785</u>
Operating expenses		
Personnel compensation and benefits	11,301	10,692
Service contracts	6,962	7,670
Materials, equipment & supplies	2,049	1,279
Utilities and communications	1,653	1,597
Insurance, claims	314	304
Other	897	766
Total operating expenses, excluding depreciation	<u>23,176</u>	<u>22,308</u>
Net operating income before depreciation	<u>13,890</u>	<u>11,477</u>
Depreciation	<u>17,025</u>	<u>16,297</u>
Net operating (loss)	<u>(3,135)</u>	<u>(4,820)</u>
Nonoperating revenues (expenses)		
Investment income and change in fair value of investments	297	52
Interest expense	(8,003)	(9,501)
Amortization of bond discount/premium and deferred charges on refunding	(352)	(237)
Debt issuance costs	(1,109)	(102)
Passenger facility charges	5,673	5,298
Customer facility charges	3,190	3,126
Noncapital federal grants	-	2
Other, net	(60)	(323)
Net nonoperating revenues (expenses)	<u>(364)</u>	<u>(1,685)</u>
Capital contributions and grants		
Federal grants	8,603	5,117
State grants	89	57
Total capital contributions and grants	<u>8,692</u>	<u>5,174</u>
Increase (decrease) in net position	<u>5,193</u>	<u>(1,331)</u>
Net position, beginning of year	<u>270,522</u>	<u>271,853</u>
Net position, end of year	<u><u>\$ 275,715</u></u>	<u><u>\$ 270,522</u></u>

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

(in thousands of dollars)

	2018	2017
Cash flows from operating activities		
Cash received from customers, including cash deposits	\$ 36,420	\$ 33,745
Cash payments to suppliers for goods and services	(11,716)	(11,856)
Cash payments to employees for services	(11,269)	(10,490)
Net cash provided by operating activities	<u>13,435</u>	<u>11,399</u>
Cash flows from non-capital and related financing activities		
Proceeds from non-capital grants, donations and reimbursements	<u>17</u>	<u>7</u>
Net cash provided by non-capital and related financing activities	<u>17</u>	<u>7</u>
Cash flows from capital and related financing activities		
Construction and purchase of capital assets	(11,818)	(19,954)
Interest paid on long-term debt	(7,215)	(9,528)
Passenger facility charges received	5,570	5,202
Customer facility charges received	3,184	3,112
Proceeds from issuance of long-term debt	54,180	1,048
Principal paid on long-term debt	(8,448)	(7,866)
Payments to escrow agent for debt refunding	(53,065)	-
Debt issuance costs	(1,109)	(102)
Proceeds from sale of capital assets	88	97
Proceeds from state grants	131	-
Proceeds from federal capital grants	7,279	4,064
Net cash (used in) capital and related financing activities	<u>(11,223)</u>	<u>(23,927)</u>
Cash flows from investing activities		
Purchase of investments	(13,564)	(14,085)
Proceeds from sale or maturity of investments	13,525	12,363
Interest received on investments	483	335
Net cash provided by (used in) investing activities	<u>444</u>	<u>(1,387)</u>
Net increase (decrease) in cash and cash equivalents	2,673	(13,908)
Cash and cash equivalents		
Beginning of year	<u>17,032</u>	<u>30,940</u>
End of year	<u>\$ 19,705</u>	<u>\$ 17,032</u>

(continued)

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Cash Flows, continued
Years Ended June 30, 2018 and 2017

(in thousands of dollars)

	<u>2018</u>	<u>2017</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current unrestricted cash and cash equivalents	\$ 14,143	\$ 13,007
Current restricted cash and cash equivalents	5,562	907
Noncurrent restricted cash and cash equivalents	<u>-</u>	<u>3,118</u>
Total cash and cash equivalents	<u>\$ 19,705</u>	<u>\$ 17,032</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (3,135)	\$ (4,820)
Adjustments to reconcile operating activities to net cash provided by operating activities:		
Depreciation	17,025	16,297
Changes in operating assets and liabilities:		
(Increase) in accounts receivable, trade	(708)	(51)
(Increase) in inventory	(92)	(8)
(Increase) in other current assets	1	(44)
Decrease in other assets	-	1
Increase in unearned revenue	62	11
Increase (decrease) in accounts payable and accrued liabilities	244	(284)
Change in pension-related amounts	38	297
Net cash provided by operating activities	<u>\$ 13,435</u>	<u>\$ 11,399</u>
Noncash capital and investing activities:		
Capital asset acquisitions included in accounts payable	<u>\$ 4,746</u>	<u>\$ (1,848)</u>
(Appreciation) of fair value of investments	<u>\$ (493)</u>	<u>\$ (283)</u>
Noncash capital and financing activities:		
Federal capital grant revenue included in receivables	<u>\$ 2,629</u>	<u>\$ 1,305</u>
Passenger facility charge revenue included in receivables	<u>\$ 880</u>	<u>\$ 777</u>
Customer facility charge revenue included in receivables	<u>\$ 294</u>	<u>\$ 288</u>

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars)
June 30, 2018 and 2017

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, as well as debt related expenses.

REPORTING ENTITY – The Trust and TAA trustees are appointed by the Mayor and approved by City Council. The Trust is a component unit of the City and is included in the City's comprehensive annual report as a discretely presented component unit.

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

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

INVESTMENTS - Investments consist of obligations of the U.S. Treasury and various federal agencies and instrumentalities, certificates of deposit and money market funds. These investments are held by bond trustees (with the exception of the certificates of deposit) and invested in accordance with the requirements and terms of various bond indentures. Investments in the U.S. Treasury and federal agencies are recorded at fair value. Investments in certificates of deposit and money market funds are recorded at amortized cost. The Trust experienced a decrease in the fair value of investments of approximately \$212 and \$280 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

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

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

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

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

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

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

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

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

CAPITAL ASSETS - Capital assets are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 20 to 50 years for buildings, 5 to 20 years for roads, ramps, and runways, 3 to 20 years for equipment, and 1 to 20 years for leasehold improvements. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in nonoperating revenues and expenses. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Interest incurred during construction periods is expensed in accordance with GASB Statement No. 89 for the year ending June 30, 2018 as a result of implementing the Statement. For the year ending June 30, 2017, interest incurred during construction and capitalized was \$146.

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

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

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

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 when all eligibility requirements have been satisfied, primarily as a result of the approved capital outlays or expenditures being incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed to be material. Federal grants receivable represent the earned portions, based on the related expenditures, of various grants that have not been remitted by the grantor. The unexpended portions of such grants are properly not reflected in the financial statements and as of June 30, 2018 and 2017, totaled \$8,189 and \$3,356, respectively.

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

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 \$13,218 and \$13,673 as of June 30, 2018 and 2017, 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.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

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, 2018, TAIT has submitted a total of nine applications. Under the five 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 (when the rental transaction occurs).

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

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

2. **CASH AND INVESTMENTS**

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

2. CASH AND INVESTMENTS, continued

The Trust's investments as of June 30, 2018 are as follows:

		June 30, 2018				
		Maturities in Years				
Type	Carrying Value	Less than 1	1-5	6-10	Fair Value Measurement	
Investments reported at fair value:						
US Treasury Bill	\$ 1,261	\$ 1,261	\$ -	\$ -	Level 2	
Federal Home Loan Bank	17,718	-	17,718	-	Level 2	
Federal National Mortgage Association	1,268	-	-	1,268	Level 2	
Federal Home Loan Mortgage Corporation	1,953	-	1,953	-	Level 2	
	22,200	\$ 1,261	\$ 19,671	\$ 1,268		
Investments reported at amortized cost:						
Certificates of deposit	201					
	\$ 22,401					

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

		June 30, 2017			
		Maturities in Years			
Type	Carrying Value	Less than 1	1-5	6-10	Fair Value Measurement
Investments reported at fair value:					
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 reported at amortized cost:					
Certificates of deposit	200				
	\$ 22,573				

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

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

2. **CASH AND INVESTMENTS**, continued

Investments – At June 30, 2018 and 2017, 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, 2018 and 2017 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, 2018 and 2017 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, 2018 and 2017, TAIT’s investment in Federal Home Loan Bank (“FHLB”) constituted 80 percent of its total investments. At June 30, 2018 and 2017, TAIT’s investment in Federal Home Loan Mortgage Corporation constituted 9 percent of its total investments. At June 30, 2018 and 2017, TAIT’s investment in Federal National Mortgage Association constituted 6 percent of its total investments. Money market accounts and certificates of deposit are not subject to concentration of credit risk disclosure.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

3. CAPITAL ASSETS

The changes in capital assets during 2018 and 2017 are summarized as follows:

2018: <i>(in thousands of dollars)</i>	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 72,573	\$ -	\$ -	\$ -	\$ 72,573
Easements	70,838	-	-	-	70,838
Artwork	275	-	-	-	275
Construction-in-progress	5,666	15,246	-	(10,216)	10,696
Total capital assets not being depreciated	149,352	15,246	-	(10,216)	154,382
Capital assets being depreciated					
Land improvements	276,132	-	(615)	7,219	282,736
Buildings	267,122	22	(163)	2,824	269,805
Equipment	21,088	1,349	(408)	173	22,202
Total capital assets being depreciated	564,342	1,371	(1,186)	10,216	574,743
Accumulated depreciation					
Land improvements	174,909	7,654	(582)	-	181,981
Buildings	127,253	8,048	(53)	-	135,248
Equipment	10,190	1,323	(333)	-	11,180
Total accumulated depreciation	312,352	17,025	(968)	-	328,409
Total capital assets being depreciated, net	251,990	(15,654)	(218)	10,216	246,334
Capital assets, net	\$ 401,342	\$ (408)	\$ (218)	\$ -	\$ 400,716
2017: <i>(in thousands of dollars)</i>	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 72,573	\$ -	\$ -	\$ -	\$ 72,573
Easements	70,838	-	-	-	70,838
Artwork	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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

4. REVENUE BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES

The changes in revenue bonds payable and other long-term liabilities during 2018 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 2009D, 2031	\$ 56,615	2.726 - 7.759%	\$ 47,530	\$ -	\$ (47,530)	\$ -	\$ -
Series 2010A, 2021	5,770	4.57 - 5.00%	2,675	-	(625)	2,050	655
Series 2010B, 2021	8,215	6.00 - 6.50%	3,550	-	(810)	2,740	855
Series 2010C, 2025	13,520	4.00 - 5.25%	4,670	-	(560)	4,110	585
Series 2013A, 2043	33,665	5.00 - 5.625%	33,065	-	(630)	32,435	660
Series 2013B, 2024	3,275	1.389 - 5.087%	2,570	-	(245)	2,325	255
Series 2015A, 2045	44,045	2.00 - 5.00%	40,595	-	(2,440)	38,155	3,025
Series 2015B, 2018	6,670	2.00 - 4.00%	1,720	-	(1,720)	-	-
Series 2015C, 2045	895	2.00 - 4.25%	855	-	(20)	835	20
Series 2015D, 2028	24,395	2.00 - 5.00%	21,895	-	(60)	21,835	1,850
Series 2016A, 2027	1,500	3.82%	1,002	-	(87)	915	85
Series 2017A, 2028	54,180	1.888 - 3.977%	-	54,180	(780)	53,400	30
Total revenue bonds payable			160,127	54,180	(55,507)	158,800	8,020
Unamortized discount (premium)			(6,052)	-	410	(5,642)	-
Total revenue bonds payable, net			166,179	54,180	(55,917)	164,442	8,020
Other long-term liabilities							
Compensated absences			996	613	(619)	990	139
Net pension liability			10,938	511	-	11,449	-
Total other long-term liabilities			11,934	1,124	(619)	12,439	139
Total long-term liabilities			\$ 178,113	\$ 55,304	\$ (56,536)	\$ 176,881	\$ 8,159

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

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

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

2017:

(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							
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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

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.

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

REVENUES PLEDGED - The Trust has pledged future gross revenues derived from the operation of the airports to repay all of its revenue bonds issued. Proceeds from the bonds provided financing for various capital projects and debt refundings. The bonds are payable solely from gross revenues and are payable through 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 \$244,552. Principal and interest paid for the year was \$17,375, excluding the debt refunding. Net revenues available for debt services (after reducing by operating expenses) in FY 2018 were \$28,632.

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 \$1,865 and \$2,720 at June 30, 2018 and 2017, respectively.

ECONOMIC GAIN/LOSS ON REFUNDING – General Revenue Bonds, Refunding Series – On September 6, 2017, the Trust issued the Series 2017A Revenue Bonds in the amount of \$54,180. The proceeds of this issue were used to advance refund the Airport Trustees General Airport Revenue Bonds, Taxable Refunding Series 2009D, and to pay the costs of issuance of the 2017A Bonds. This transaction will reduce debt service payments by approximately \$9,178 over the next 15 years and result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$3,186. This refunding resulted in a deferred charge of \$8,185, which will be amortized over the life of the new bonds.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 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
2019	\$ 8,020	\$ 7,384	\$ 15,404
2020	8,441	6,989	15,430
2021	8,760	6,565	15,325
2022	7,868	6,122	13,990
2023	7,983	5,759	13,742
2024-2028	37,273	23,619	60,892
2029-2033	29,710	16,260	45,970
2034-2038	30,865	9,253	40,118
2039-2043	16,800	3,569	20,369
2044-2046	3,080	232	3,312
	<u>\$ 158,800</u>	<u>\$ 85,752</u>	<u>\$ 244,552</u>

5. **CONDUIT DEBT OBLIGATIONS**

To pay the costs of certain modifications, rehabilitations, and reconstruction to a special facility located adjacent to Tulsa International Airport, TAIT has issued a series of Special Facility Revenue Bonds. At June 30, 2018 and 2017, 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.

Tulsa Airports Improvement Trust
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June 30, 2018 and 2017

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, 2018 and 2017. The Trust was required to contribute 15.5 percent and 11.5 percent of pensionable wages for the years ended June 30, 2018 and 2017, respectively. The Trust is also responsible for Actuarially Determined Employer Contributions (ADEC) that exceed the 15.5 percent of payroll. Actual contributions to the pension plan from TAIT were \$1,074 and \$770 for the years ended June 30, 2018 and 2017, respectively.

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

At June 30, 2018, TAIT reported a liability of \$11,449 for its proportionate share of the net pension liability. The liability for June 30, 2017 was \$10,938. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Standard update procedures were used to roll forward the total pension liability to June 30, 2018. 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, 2018 and 2017, TAIT's proportion was 5.8319 percent and 5.5364 percent and, respectively.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

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

For the years ended June 30, 2018 and 2017, TAIT recognized pension expense of \$1,117 and \$1,048, respectively. At June 30, 2018 and 2017, 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
2018:		
Differences between expected and actual plan experience	\$ 125	\$ (283)
Changes of assumptions	1,160	(49)
Net difference between projected and actual earnings on pension plan investments	-	(98)
Changes in proportion and differences between Trust contributions and proportionate share of contributions	597	(379)
Total	<u>\$ 1,882</u>	<u>\$ (809)</u>
	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	<u>\$ 2,445</u>	<u>\$ (1,844)</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2018, will be recognized in pension expense as follows:

Years ended June 30:

2019	\$	1,101
2020		278
2021		(338)
2022		32
	\$	<u>1,073</u>

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2018, 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, 2018 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

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	0.40
Timber	4	3.75
Cash	1	0.11
	<u>100%</u>	

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 be 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.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

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%)
2018:			
Trust's proportionate share of the net pension liability	\$ 16,001	\$ 11,449	\$ 7,635

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

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, 2018, are as follows (presented on a calendar year basis):

(In thousands of dollars)

2019	\$	9,671
2020		8,442
2021		8,142
2022		7,455
2023		7,342
2024 -2028		13,627
2029 -2033		7,833
2034 -2038		3,503
2039 -2043		1,304
2044 -2048		316
2049 -2053		316
2054 -2058		316
2059 -2062		190
	\$	<u>68,457</u>

Under the Use and Lease Agreements between the airlines and TAIT, the airlines have agreed to pay rates, fees and charges determined prior to the beginning of each fiscal year in an amount sufficient (a) to pay 125 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 expired June 30, 2018, and was extended through June 30, 2019.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

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, 2018. 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, 2018, TAIT had open commitments for construction projects of approximately \$18,024, which will be primarily funded by the FAA, revenue, and discretionary funds.

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

10. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2018 and 2017, TAIT conducted the following transactions with related parties.

<i>(In thousands of dollars)</i>	2018	2017
Payments to City of Tulsa - General Fund for support services	\$ 51	\$ 52
Payments to City of Tulsa - General Fund for fire services	\$ 1,812	\$ 1,823

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements (in thousands of dollars), continued
June 30, 2018 and 2017

11. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for TAIT beginning with its fiscal year ending June 30, 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. TAIT's management has not yet determined the effect this statement will have on the financial statements.

12. MAJOR CUSTOMERS

The Trust has two customers that provide in excess of 10 percent of the enplaned passengers. Southwest Airlines enplaned the largest share of passengers in both fiscal year 2018 and 2017 at 34 percent and 33 percent, respectively. American Airlines also exceeded 10 percent in fiscal year 2018 and 2017 at 29 percent and 31 percent, respectively.

13. SUBSEQUENT EVENT

On October 25, 2018, the Trustees of the Tulsa Airports Improvement Trust issued \$19,825 of General Airport Revenue Bonds, Tax Exempt Series 2018A. The proceeds of the 2018 Bonds will be used to pay for the design, renovation, equipping and rehabilitation of the terminal building, and to pay the costs of issuance of the 2018 Bonds. These bonds will be repaid from certain Net Revenues derived from the operation of the Airports through maturity of June 1, 2048, with interest rate between 4.00%–5.25%.

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, 2018

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
2018	5.8319%	\$ 11,449	\$ 6,929	165.23%	70.61%
2017	5.5364%	10,938	6,696	163.35%	69.39%
2016	5.9357%	12,840	6,848	187.50%	65.62%
2015	5.8186%	7,288	6,316	115.39%	77.13%

* Information prior to 2015 is not available.

Schedule of Employer Contributions - Last Ten Years

Year	Contractually Required Contributions	Actual Contributions	Contribution Deficiency (Excess)	Trust's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2018	\$ 1,074	\$ 1,074	\$ -	\$ 6,929	15.5%
2017	770	770	-	6,696	11.5%
2016	785	785	-	6,848	11.5%
2015	748	748	-	6,316	11.8%
2014	665	659	-	N/A	N/A
2013	672	840	-	N/A	N/A
2012	720	700	-	N/A	N/A
2011	572	358	-	N/A	N/A
2010	517	370	-	N/A	N/A
2009	380	380	-	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, 2018 and 2017

(in thousands of dollars)

	2018	2017
Aeronautical operating revenues		
Landing fees - signatory and non-signatory		
Passenger airline landing fees	\$ 6,367	\$ 6,254
Cargo airline landing fees	1,690	1,200
Military joint use fees	43	44
Total landing fees	8,100	7,498
Passenger airline terminal revenue - signatory and non-signatory		
Airline terminal rentals	4,349	3,879
Baggage system rentals	2,231	2,202
Other terminal area airline fees	(507)	(98)
Total terminal area passenger airline fees	6,073	5,983
Total landing fees and terminal area passenger airline revenues	14,173	13,481
Other Aeronautical Revenue		
FBO revenue	883	870
Hangar, cargo space and ground rents	1,698	1,683
Fuel flowage fees	753	734
Security reimbursements	123	121
Other aeronautical revenue	213	168
Total other aeronautical revenue	3,670	3,576
Total Aeronautical Revenue	17,843	17,057
Non-Aeronautical Operating Revenue		
Terminal Revenues		
Food and beverage	758	638
Retail	705	568
Other terminal concessions and revenue (excludes rental car counter space)	1,027	983
Total non-aeronautical Terminal Revenue	2,490	2,189
Other Non-Aeronautical Operating Revenue		
Rental car revenues	4,772	4,520
Parking revenues	9,778	8,111
Hotel revenues	245	242
Ground rents and facilities leases (excludes aeronautical & car rental)	527	411
Other non-aeronautical revenue	222	104
Total Other Non-Aeronautical Operating Revenues	15,544	13,388
Total Non-Aeronautical Operating Revenue	18,034	15,577
Revenue from R. L. Jones, Jr. Airport	1,094	1,079
Revenue from Okmulgee Airport	95	72
Total operating revenues	\$ 37,066	\$ 33,785

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Insurance in Force (Unaudited)
Year Ended June 30, 2018

Policy Coverage	Issuer	Limit of Liability	Self Insurance	Expiration Date	Premium
Primary coverage on bodily injury, single limit bodily injury and property damage liability.	Phoenix Aviation Managers, Inc	Up to \$75,000,000 for any one accident, or occurrence with \$25,000 deductible each loss, and \$100,000 annual aggregate deductible.	None	11/20/2018	\$ 73,865
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	7/1/2019	\$ 171,851
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	7/19/2019	\$ 28,878
Workers compensation insurance	Compsource	Bodily injury by accident, \$1,000,000 each accident; Disease \$1,000,000 each employee	None	10/01/2018	\$ 174,969
Directors and Officers Liability	Navigators Specialty Insurance Co.	\$1,000,000 all loss, \$100,000 non-monetary, \$500,000 add excess	None	6/22/2019	\$ 24,975

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statistical Information (Unaudited)
Year Ended June 30, 2018

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

Gross revenues as defined by the Bond

Indenture as supplemented

Operating revenue	\$ 37,066,442
Interest available for debt service (1)	402,486
Airport Improvement Fund balance (2)	493,708
Airport Improvement Fund transfers (2)	5,496,659
Nonoperating funds available for debt service (4)	294,523
PFC funds available for debt service (3)	6,248,630
CFC revenues	3,190,496
Other nonoperating	104,075
Total gross revenues	<u>53,297,019</u>

Gross expenses as defined by the Bond

Indenture as supplemented

Combined operating expenses, excluding non-cash pension expense	23,143,135
Capitalized expenditures classified as operating expenses in accordance with the Bond Indenture as supplemental	<u>1,522,336</u>
Total operating expenses	<u>24,665,471</u>

Net revenues available for debt service

\$ 28,631,548

Debt service (5)

\$ 15,652,868

Debt coverage

1.83

- (1) Interest available for debt service includes interest earned on invested funds, net of construction fund interest earnings and certain other nonoperating revenues and expenses, as defined by the Bond Indenture.
- (2) The Bond Indenture provides that transfers from the Airport Improvement Fund to other funds are considered as Gross Revenues for the next ensuing fiscal year.
- (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, 2018

Schedule of Funds on Deposit and Invested:

DESCRIPTION	DUE DATE	INTEREST RATE	YIELD AT MARKET	PAR VALUE	INVESTMENT COST	MARKET VALUE
Revenue Funds						
BOK Short-Term Cash Fund I	On Demand	1.68%	1.68%	5,634,828	5,634,824	5,634,824
Revenue Receipts Demand Deposit Account	On Demand	0.00%	0.00%	114,758	114,758	114,758
Parking Receipts Demand Deposit Account	On Demand	0.00%	0.00%	501	501	501
Total Revenue Funds					5,750,084	5,750,084
Coverage Account						
BOK Short-Term Cash Fund I	On Demand	1.68%	1.68%	3,853,921	3,853,921	3,853,921
Total Coverage Account					3,853,921	3,853,921
Commerce Bank						
Commerce Bank - Time Deposit 6220649706	11/30/2018	0.04%	0.04%	50,350	50,350	50,350
Commerce Bank - Time Deposit 6220649739	11/30/2018	0.04%	0.04%	151,051	151,051	151,051
Total Commerce Bank					201,401	201,401
Customer Facility Charge Account						
BOK Short-Term Cash Fund I	On Demand	1.68%	1.68%	155,690	155,690	155,690
FHLB STP (3130A82C6)	06/08/2021	0.01%	0.01%	3,615,000	3,615,000	3,538,796
Total Customer Facility Charge Accounts					3,770,690	3,694,486
Passenger Facility Charge Revenue Fund						
Cash	On Demand	0.00%	0.00%	-	-	-
BOK Short-Term Cash Fund I	On Demand	1.68%	1.68%	1,298,195	1,298,195	1,298,195
PFC Demand Deposit Account	On Demand	0.00%	0.00%	1,330	1,330	1,330
Total Passenger Facility Charge Revenue Fund					1,299,524	1,299,524
Operating Reserve Fund						
BOK Short-Term Cash Fund I	On Demand	1.68%	1.68%	260,641	260,641	260,641
FHLB (3130A82C6)	06/08/2021	0.01%	0.01%	2,695,000	2,695,000	2,638,189
FNMA (3136G3YV1)	06/30/2021	0.01%	0.01%	1,330,000	1,330,000	1,265,482
FHLMC (3134G9VX2)	07/27/2023	0.01%	0.01%	2,000,000	2,000,000	1,952,660
FNMA POOL #20086 (31360YJ70)	07/01/2024	0.05%	0.05%	799	778	799
FNMA POOL #4593 (31360FC60)	05/01/2024	0.05%	0.05%	1,456	1,520	1,456
Total Operating Reserve Fund					6,287,939	6,119,228
Airport Improvement Fund						
BOK Short-Term Cash Fund I	On Demand	1.68%	1.68%	2,084,276	2,084,276	2,084,276
Total Airport Improvement Fund					\$ 2,084,276	\$ 2,084,276

(Continued)

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statistical Information (Unaudited)
Year Ended June 30, 2018

DESCRIPTION	DUE DATE	INTEREST RATE	YIELD AT MARKET	PAR VALUE	INVESTMENT COST	MARKET VALUE
Bond Principal and Interest Accounts						
BOK Short-Term Cash Fund - 2010A Bond Fund	On Demand	1.68%	1.68%	962	\$ 962	\$ 962
US Treasury Bill (912796QH5) - 2010A Bond Fund	05/23/2019	0.00%	2.04%	55,000	53,964	53,898
US Treasury Bill (912796QL6) - 2010A Bond Fund	11/29/2018	0.00%	1.86%	8,000	7,935	7,933
BOK Short-Term Cash Fund - 2010B Bond Fund	On Demand	1.68%	1.68%	758	758	758
US Treasury Bill (912796QH5) - 2010B Bond Fund	05/23/2019	0.00%	2.04%	72,000	70,644	70,557
US Treasury Bill (912796QL6) - 2010B Bond Fund	11/29/2018	0.00%	1.86%	15,000	14,878	14,874
BOK Short-Term Cash Fund - 2010C Bond Fund	On Demand	1.68%	1.68%	2,176	2,176	2,176
US Treasury Bill (912796QH5) - 2010C Bond Fund	05/23/2019	0.00%	2.04%	48,000	47,096	47,038
US Treasury Bill (912796QL6) - 2010C Bond Fund	11/29/2018	0.00%	1.86%	16,000	15,870	15,865
BOK Short-Term Cash Fund - 2013A Interest Account	On Demand	1.68%	1.68%	829	829	829
US Treasury Bill (912796QH5) - 2013A Interest Account	11/29/2018	0.00%	1.86%	147,000	145,808	145,761
BOK Short-Term Cash Fund - 2013A Principal Account	On Demand	1.68%	1.68%	1,187	1,187	1,187
US Treasury Bill (912796QL6) - 2013A Principal Account	05/23/2019	0.00%	2.04%	55,000	53,964	53,898
BOK Short-Term Cash Fund - 2013B Interest Account	On Demand	1.68%	1.68%	147	147	147
US Treasury Bill (912796QH5) - 2013B Interest Account	11/29/2018	0.00%	1.86%	9,000	8,927	8,924
BOK Short-Term Cash Fund - 2013B Principal Account	On Demand	1.68%	1.68%	780	780	780
US Treasury Bill (912796QL6) - 2013B Principal Account	05/23/2019	0.00%	2.04%	21,000	20,605	20,579
BOK Short-Term Cash Fund - 2015A Interest Account	On Demand	1.68%	1.68%	474	474	474
US Treasury Bill (912796QH5) - 2015A Interest Account	11/29/2018	0.00%	1.86%	160,000	158,703	158,651
BOK Short-Term Cash Fund - 2015A Principal Account	On Demand	1.68%	1.68%	1,496	1,496	1,496
US Treasury Bill (912796QL6) - 2015A Principal Account	05/23/2019	0.00%	2.04%	256,000	251,179	250,870
BOK Short-Term Cash Fund - 2015C Interest Account	On Demand	1.68%	1.68%	721	721	721
US Treasury Bill (912796QH5) - 2015C Interest Account	11/29/2018	0.00%	1.86%	2,000	1,984	1,983
US Treasury Bill (912796QL6) - 2015C Principal Account	05/23/2019	0.00%	2.04%	1,000	981	980
BOK Short-Term Cash Fund - 2015C Principal Account	On Demand	1.68%	1.68%	686	686	686
BOK Short-Term Cash Fund - 2015D Interest Account	On Demand	1.68%	1.68%	717	717	717
US Treasury Bill (912796QH5) - 2015D Interest Account	11/29/2018	0.00%	1.86%	91,000	90,262	90,233
BOK Short-Term Cash Fund - 2015D Principal Account	On Demand	1.68%	1.68%	1,119	1,119	1,119
US Treasury Bill (912796QL6) - 2015D Principal Account	05/23/2019	0.00%	2.04%	156,000	153,062	152,874
BOK Short-Term Cash Fund - 2017A Principal Account	On Demand	1.68%	1.68%	854	854	854
BOK Short-Term Cash Fund - 2017A Interest Account	On Demand	1.68%	1.68%	1,125	1,125	1,125
US Treasury Bill (912796QH5) - 2017A Principal Account	05/23/2019	0.00%	2.04%	2,000	1,962	1,960
US Treasury Bill (912796QL6) - 2017A Interest Account	11/29/2018	0.00%	1.86%	166,000	164,654	164,601
Total Bond Principal and Interest Accounts					1,276,511	1,275,508
Construction Funds						
BOK Short-Term Cash Fund 2013A Bonds	On Demand	1.68%	1.68%	725,442	725,442	725,442
BOK Short-Term Cash Fund 2015A Bonds	On Demand	1.68%	1.68%	68,770	68,770	68,770
BOK Short-Term Cash Fund 2015C Bonds	On Demand	1.68%	1.68%	878,274	878,274	878,274
BOK Short-Term Cash Fund - 2016 Bonds	On Demand	1.68%	1.68%	5	5	5
Total Construction Funds					\$ 1,672,491	\$ 1,672,491

(Continued)

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statistical Information (Unaudited)
Year Ended June 30, 2018

DESCRIPTION	DUE DATE	INTEREST RATE	YIELD AT MARKET	PAR VALUE	INVESTMENT COST	MARKET VALUE
Bond Reserve Funds						
FHLB (3130A82C6) (Tax-Exempt)	6/8/2021	0.01%	0.01%	\$ 4,000,000	\$ 4,000,000	\$ 3,915,680
BOK Short-Term Cash Fund -(Taxable)	On Demand	1.68%	1.68%	4,029	4,029	4,029
FHLB (3130A82C6) (Taxable)	6/8/2021	0.01%	0.01%	7,790,000	7,790,000	7,625,787
Total Bond Reserve Funds					11,794,029	11,545,495
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	1.68%	1.68%	439,114	439,114	439,114
Total Capital Projects Clearing Fund					440,115	440,115
Other Funds						
ICS Deposit Account	On Demand	1.45%	1.45%	3,400,376	3,400,376	3,400,376
BOK Short-Term Cash Fund I (Special Programs)	On Demand	1.68%	1.68%	302,840	302,840	302,840
BOK Short-Term Cash Fund I (State Grant Escrow Fund)	On Demand	1.68%	1.68%	178,513	177,551	177,551
General Operating Deposit Account	On Demand	0.00%	0.00%	243,697	243,697	243,697
Specil Programs Demand Deposit Account	On Demand	0.00%	0.00%	29,364	29,364	29,364
Payroll Demand Deposit Account	On Demand	0.00%	0.00%	5,607	5,607	5,607
Arvest Bank (Purchasing Card) Demand Deposit Account	On Demand	0.00%	0.00%	7,281	7,281	7,281
Petty Cash	On Demand	0.00%	0.00%	2,500	2,500	2,500
Total Other Funds					4,169,215	4,169,215
Total Funds on Deposit and Invested					\$ 42,600,196	\$ 42,105,744

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statistical Information (Unaudited)
Year Ended June 30, 2018

Five Year Construction In Progress – The Airport’s total estimated cost for the years ending 2019 through 2023 (in thousands):

	Total	Federal	Local
Airfield	\$ 38,158	\$ 32,195	\$ 5,963
Terminal	14,800	-	14,800
Landside	4,050	-	4,050
RVS	4,781	4,210	571
Total Estimated Cost	<u>\$ 61,789</u>	<u>\$ 36,405</u>	<u>\$ 25,384</u>

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

	2014	2015	2016	2017	2018
January	91,831	92,882	95,061	94,979	99,274
February	89,129	87,205	92,295	91,635	94,170
March	113,445	109,223	107,894	116,942	112,353
April	110,202	111,916	105,538	109,419	119,958
May	128,276	131,583	125,223	130,587	138,128
June	130,251	129,831	130,343	133,482	145,456
July	135,046	134,521	124,759	129,121	143,302
August	113,087	111,419	111,063	116,857	127,719
September	112,832	111,424	112,387	107,552	120,448
October	126,823	123,830	119,812	129,805	136,698
November	108,158	114,588	117,507	120,605	N/A (1)
December	115,246	116,164	117,727	117,630	N/A (1)
Annual	<u>1,374,326</u>	<u>1,374,586</u>	<u>1,359,609</u>	<u>1,398,614</u>	<u>1,237,506</u>

⁽¹⁾ Not available

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statistical Information (Unaudited)
Year Ended June 30, 2018

Average Daily Scheduled Flights:

Airline	2014		2015		2016		2017		2018	
	Daily		Daily		Daily		Daily		Daily	
	Arrivals &		Arrivals &		Arrivals &		Arrivals &		Arrivals &	
	Departures	% of Total	Departures	% of Total	Departures	% of Total	Departures	% of Total	Departures	% of Total
Allegiant Air	-	0.00%	3	2.65%	4	4.00%	3	3.00%	2	2.11%
American	26	20.63%	32	28.32%	26	26.00%	24	24.20%	24	25.26%
Delta	22	17.46%	17	15.04%	16	16.00%	17	17.20%	15	15.79%
Southwest	34	26.98%	25	22.12%	25	25.00%	27	27.30%	26	27.37%
United	44	34.92%	36	31.86%	29	29.00%	28	28.30%	27	28.42%
Other	-	0.00%	-	0.00%	-	0.00%	-	0.00%	1	1.05%
	<u>126</u>	100.00%	<u>113</u>	100.00%	<u>100</u>	100.00%	<u>99</u>	100.00%	<u>95</u>	100.00%

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statistical Information (Unaudited)
Year Ended June 30, 2018

Airline Enplaned Passengers:

Airline	2014		2015		2016		2017		2018	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
Allegiant Air	-	N/A	24,461	1.78%	42,882	3.13%	56,979	4.13%	56,095	3.92%
American	302,713	22.50%	293,645	21.37%	293,879	21.48%	336,958	24.41%	333,806	23.33%
American Connection / Transtates	57,765	4.29%	-	N/A	-	N/A	-	N/A	-	N/A
American Eagle	-	N/A	66,678	4.85%	39,387	2.88%	19,456	1.41%	9,167	0.64%
American/ Express Jet	-	N/A	-	N/A	22,280	1.63%	8,190	0.59%	-	N/A
American / Mesa / Envoy	-	N/A	9,475	0.69%	15,739	1.15%	12,582	0.91%	28,937	2.02%
American / PSA	-	N/A	-	N/A	-	N/A	-	N/A	32,367	2.26%
American / US Airways	-	N/A	-	N/A	42,385	3.10%	45,931	3.33%	-	N/A
American/SkyWest	-	N/A	-	N/A	-	0.00%	2,467	0.18%	8,284	0.58%
Delta	54,002	4.01%	76,875	5.60%	107,113	7.83%	100,063	7.25%	112,414	7.86%
Delta Connection / ASA	85,536	6.36%	65,026	4.73%	40,665	2.97%	47,812	3.46%	32,250	2.25%
Delta Connection/Compass	31	0.00%	-	N/A	1,096	0.08%	3,578	0.26%	-	N/A
Delta/Pinnacle/Endeavor	-	N/A	-	N/A	3,879	0.28%	5,629	0.41%	2,240	0.16%
Delta / Republic	-	N/A	-	N/A	-	N/A	-	N/A	61	0.00%
Delta Connection / SkyWest	26,435	1.97%	30,247	2.20%	37,421	2.73%	35,693	2.59%	58,295	4.07%
Frontier	138	0.01%	-	N/A	-	N/A	-	N/A	19,545	1.37%
Miami Air	-	N/A	-	N/A	-	N/A	272	0.02%	348	0.02%
Northwest Airlink / Pinnacle	18,494	1.37%	16,043	1.17%	-	N/A	-	N/A	-	N/A
Southwest	509,152	37.85%	482,598	35.13%	461,705	33.74%	454,881	32.96%	486,535	34.00%
Sun Country/MN Airlines	-	N/A	1,479	0.11%	2,377	0.17%	1,992	0.14%	1,418	0.10%
United	16,923	1.26%	1,852	0.13%	44,506	3.25%	48,970	3.55%	33,421	2.34%
United / Air Wisconsin	-	N/A	-	N/A	-	N/A	-	N/A	3,885	0.27%
United / Other	22,968	1.71%	-	N/A	-	N/A	-	N/A	-	N/A
United Express / Express Jet	187,785	13.96%	141,588	10.31%	96,252	7.03%	94,854	6.87%	61,202	4.28%
United Express / GoJet	-	N/A	34,903	2.54%	20,765	1.52%	21,313	1.54%	19,884	1.39%
United Express / Mesa	-	N/A	11,881	0.86%	38,057	2.78%	17,128	1.24%	38,963	2.72%
United Express/Republic	-	N/A	651	0.05%	66	0.00%	20,498	1.49%	30,218	2.11%
United Express / SkyWest	44,539	3.31%	47,799	3.48%	41,347	3.02%	33,912	2.46%	57,828	4.04%
United Express / Trans State	5,482	0.41%	29,799	2.17%	15,729	1.15%	10,402	0.75%	2,731	0.19%
U.S. Airways	-	N/A	37,900	2.76%	-	N/A	-	N/A	-	N/A
Via Air	-	N/A	-	N/A	-	N/A	-	N/A	520	0.04%
Other	13,248	0.98%	932	0.07%	770	0.06%	739	0.05%	495	0.03%
	<u>1,345,211</u>	100.00%	<u>1,373,832</u>	100.00%	<u>1,368,300</u>	100.00%	<u>1,380,299</u>	100.00%	<u>1,430,909</u>	100.00%

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statistical Information (Unaudited)
Year Ended June 30, 2018

Airline – Air Cargo Landed Weight (in pounds):

Airline / Air Cargo Carrier	FY 2014		FY 2015		FY 2016		FY 2017		FY 2018	
	Pounds	% of Total	Pounds	% of Total	Pounds	% of Total	Pounds	% of Total	Pounds	% of Total
Allegiant Air, LLC	10,213,178	0.49%	22,489,974	1.10%	42,722,015	2.18%	59,111,065	2.93%	56,879,128	2.62%
American	411,061,400	19.75%	409,217,700	20.00%	352,657,500	17.97%	398,264,600	19.76%	399,341,523	18.42%
American Eagle / Envoy	64,507,090	3.10%	77,955,746	3.81%	44,145,231	2.25%	20,491,343	1.02%	38,342,870	1.77%
American / Express Jet	-	N/A	-	N/A	23,687,292	1.21%	9,626,554	0.48%	-	N/A
American/ Envoy/ Mesa	-	N/A	11,244,000	0.55%	20,633,000	1.05%	14,077,000	0.70%	11,808,000	0.54%
American/ SkyWest	-	N/A	-	N/A	-	N/A	4,002,000	0.20%	11,319,000	0.52%
American/ US Airways	-	N/A	48,599,950	2.38%	48,805,000	2.49%	51,906,800	2.58%	41,906,500	1.93%
Compass	-	N/A	-	N/A	-	N/A	-	N/A	74,950	0.00%
Delta	73,986,000	3.55%	102,449,000	5.01%	134,310,600	6.84%	125,777,300	6.24%	136,666,800	6.30%
Delta / Compass	-	N/A	-	N/A	-	N/A	5,144,223	0.26%	-	N/A
Delta Connection (ASA) (Express Jet)	113,907,700	5.47%	84,555,500	4.13%	51,082,900	2.60%	62,842,800	3.12%	38,355,200	1.77%
Delta Connection (Compass)	-	N/A	-	N/A	1,275,143	0.06%	-	N/A	-	N/A
Delta Connection (Express Jet)	75,177	0.00%	-	N/A	-	N/A	-	N/A	-	N/A
Delta (Pinnacle) (Endeavor)	22,292,400	1.07%	20,602,100	1.01%	5,473,100	0.28%	8,082,700	0.40%	3,023,000	0.14%
Delta / Republic	-	N/A	-	N/A	-	N/A	-	N/A	74,957	0.00%
Delta Connection (SkyWest)	34,772,000	1.67%	37,035,800	1.81%	45,409,200	2.31%	45,298,500	2.25%	76,463,324	3.53%
Frontier	268,964	0.01%	-	0.00%	-	N/A	-	N/A	23,294,029	1.07%
Southwest	714,524,000	34.33%	595,800,000	29.12%	556,814,000	28.37%	581,014,000	28.83%	606,890,000	28.00%
Sun Country / Mn Airlines	3,913,200	0.19%	3,053,700	0.15%	6,307,500	0.32%	6,002,700	0.30%	4,139,500	0.19%
United	25,567,800	1.23%	2,194,500	0.11%	67,996,200	3.46%	76,639,000	3.80%	48,948,100	2.26%
United / Air Wisconsin	-	N/A	-	N/A	-	N/A	-	N/A	3,995,000	0.18%
United Express / Express Jet	206,221,236	9.91%	157,643,985	7.70%	100,204,680	5.11%	98,844,210	4.90%	63,630,842	2.94%
United Express / GoJet	31,557,000	1.52%	42,813,000	2.09%	23,919,000	1.22%	25,929,000	1.29%	25,594,000	1.18%
United Express / Mesa	-	N/A	16,604,100	0.81%	51,456,300	2.62%	22,395,100	1.11%	49,583,800	2.29%
United Express / Republic	-	N/A	-	N/A	-	N/A	28,518,630	1.42%	40,584,250	1.87%
United Express / SkyWest	56,043,000	2.69%	58,277,700	2.85%	46,724,800	2.38%	37,798,100	1.88%	63,418,000	2.93%
United Express / Transtates	6,041,958	0.29%	32,697,322	1.60%	18,102,600	0.92%	11,683,150	0.58%	2,866,500	0.13%
US Airways Charter	-	N/A	97,000	0.00%	-	N/A	-	N/A	-	N/A
Other Non-Sig Passenger Carriers	2,634,452	0.13%	3,989,545	0.19%	3,377,230	0.17%	5,176,698	0.26%	4,313,762	0.20%
Air Transport	-	N/A	-	N/A	-	N/A	-	N/A	86,413,000	3.99%
Ameriflight	7,846,894	0.38%	7,787,700	0.38%	7,933,046	0.40%	9,021,420	0.45%	1,250,000	0.06%
Federal Express	182,675,700	8.78%	203,559,400	9.95%	199,551,300	10.17%	187,344,900	9.30%	193,309,300	8.92%
Federal Express /Empire	11,357,717	0.55%	10,731,504	0.52%	9,746,492	0.50%	11,719,267	0.58%	17,409,840	0.80%
Federal Express / Mountain Air Cargo	1,342,556	0.06%	202,616	0.01%	202,616	0.01%	-	N/A	166,456	0.01%
Martinaire	4,386,000	0.21%	4,479,500	0.22%	4,454,000	0.23%	4,292,500	0.21%	4,309,500	0.20%
Surburban Air	-	N/A	-	N/A	-	N/A	-	N/A	3,381,000	0.16%
UPS	86,183,600	4.14%	89,450,560	4.37%	88,398,720	4.50%	99,767,200	4.95%	103,816,960	4.79%
Other Cargo Carriers	9,803,055	0.47%	2,635,760	0.13%	7,056,364	0.36%	4,628,798	0.23%	6,174,992	0.28%
Totals	2,081,182,077	100.00%	2,046,167,662	100.00%	1,962,445,829	100.00%	2,015,399,558	100.00%	2,167,744,083	100.00%

Tulsa Airports Improvement Trust

Compliance Report
June 30, 2018

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**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***

RSM US LLP

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, 2018, 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.

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 VS LLP

Kansas City, Missouri
November 28, 2018

**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, 2018. 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, 2018.

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, 2018, and have issued our report thereon dated November 28, 2018, 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 28, 2018

Tulsa Airports Improvement Trust

Schedule of Expenditures of Federal Awards Year Ended June 30, 2018

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	\$ (463)
Rehabilitate Runway 1L/19R	20.106	3-40-0098-029-2016	1,624,423
Guidance Signs Phase 3	20.106	3-40-0098-030-2016	74,915
Rehabilitate Access Roads & TL DD-RVS (Jones) Airport	20.106	3-40-0098-031-2017	141,386
Airport Master Plan/Pavement Management Program	20.106	3-40-0099-087-2014	20
Upgrade Airfield Access	20.106	3-40-0099-088-2016	965,834
Design of Taxiway J	20.106	3-40-0099-090-2016	(29,475)
Construction of Taxiway J & K	20.106	3-40-0099-091-2016	5,826,672
Total U.S. Department of Transportation— Federal Aviation Administration			\$ 8,603,312

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, 2018

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, 2018. 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business.

Note 3. Subrecipients

There were no federal awards passed through to subrecipients for the year ended June 30, 2018.

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, 2018**

Number	Comment	Status
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The prior year single audit disclosed no findings in the *Schedule of Findings and Questioned Costs* and no uncorrected or unresolved findings exist from the prior audit's *Summary of Prior Audit Findings*.

Tulsa Airports Improvement Trust

Schedule of Findings and Questioned Costs Year Ended June 30, 2018

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? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| ▪ Significant deficiency(ies) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None reported |
| ▪ Noncompliance material to financial statements noted? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Federal Awards

Internal control over major programs:

- | | | |
|---|------------------------------|---|
| ▪ Material weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| ▪ Significant deficiency(ies) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> 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)? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> 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)

Tulsa Airports Improvement Trust

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018

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

