

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

ACCOUNTANTS' REPORT and FINANCIAL STATEMENTS
June 30, 2005 and 2004

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2005 and 2004

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Tulsa Airports Improvement Trust

We have audited the accompanying basic financial statements of Tulsa Airports Improvement Trust (the Trust), a component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of the Trust as of and for the year ended June 30, 2004, before they were retroactively restated for the matter discussed in Note 11, were audited by other accountants whose report dated January 28, 2005 expressed an unqualified opinion on those statements.

We conducted our audit 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2005 basic financial statements referred to above present fairly, in all material respects, the financial position of Tulsa Airports Improvement Trust as of June 30, 2005, and its changes in financial position and cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11, in 2005 the Trust changed its method of accounting for aviation easements by retroactively restating prior years' financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2005, on our consideration of the Trust'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Trust's 2005 basic financial statements. The accompanying supplementary information, including the Schedule of Passenger Facility Charge Revenues and Expenditures required by the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2005 basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the 2005 basic financial statements taken as a whole.

November 29, 2005

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2005 and 2004

As management of the Tulsa Airports Improvement Trust (the "Trust"), we offer readers of the Trust's financial statements this narrative overview and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2005 and 2004.

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

Airport Activities Highlights

	2005	2004	2003
Enplaned Passengers	1,508,133	1,438,580	1,391,621
Airfreight Boarded (Tons)	54,309	53,274	49,901
Air Mail Boarded (Tons)	1,914	2,327	1,977
Airline/Aircraft Movements (TIA)	159,341	172,666	180,542
Aircraft Movements - R.L. Jones Airport	331,634	283,113	310,758

The City's airports include Tulsa International Airport and R.L. Jones Airport. As of June 30, 2005, eighteen scheduled passenger carriers, several charter carriers, and five freight carriers served Tulsa International Airport.

Financial Position Summary as of June 30, 2005

- Total assets increased \$4,295 from \$299,447 as of June 30, 2004 to \$303,742 as of June 30, 2005, which exceeded total liabilities by \$167,676.
- Net assets increased \$6,329 from \$161,347 as of June 30, 2004, to \$167,676.
- The liabilities decreased \$2,034 from \$138,100 as of June 30, 2004 to \$136,066.
- Cash and cash equivalents decreased \$2,201 from \$31,727 as of June 30, 2004, to \$29,526.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2005 and 2004

Financial Statements

The Trust's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting State 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 Assets includes all of the Trust's assets and liabilities and provides information to creditors about the nature of available resources and outstanding obligations. All of the Trust's current year revenues and expenses are accounted for in the Statement of Revenue, Expenses, and Changes in Net Assets. The Statement of Cash Flows provides information about cash receipts, cash payments and changes in cash resulting from operating, investing and capital financing activities.

Condensed Statements of Net Assets
June 30, 2005, 2004 and 2003

<i>(in thousands of dollars)</i>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assets			
Current and other assets	\$ 50,469	\$ 57,021	\$ 26,142
Capital assets, net	<u>253,273</u>	<u>242,426</u>	<u>220,324</u>
Total assets	<u>303,742</u>	<u>299,447</u>	<u>246,466</u>
Liabilities			
Current and other liabilities	4,581	5,301	8,351
Long-term debt outstanding	<u>131,485</u>	<u>132,799</u>	<u>105,702</u>
Total liabilities	<u>136,066</u>	<u>138,100</u>	<u>114,053</u>
Net assets			
Invested in capital assets, net of debt	138,345	134,771	108,727
Restricted	21,665	18,899	16,648
Unrestricted	<u>7,666</u>	<u>7,677</u>	<u>7,038</u>
Total net assets	<u>\$ 167,676</u>	<u>\$ 161,347</u>	<u>\$ 132,413</u>

The largest portion (83%) and (84%) of the Trust's net assets as of June 30, 2005 and 2004, respectively, represent investment in capital assets less related debt outstanding to acquire those capital assets. The Trust uses the capital assets to provide safe, secure and user-friendly services to its passengers and visitors at its airports. Although the Trust's investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2005 and 2004

**Condensed Statements of Revenues,
Expenses and Changes in Net Assets
Years Ended June 30, 2005, 2004 and 2003**

(in thousands of dollars)

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 26,966	\$ 25,605	\$ 25,031
Operating expenses, excluding depreciation	<u>(16,912)</u>	<u>(16,235)</u>	<u>(16,412)</u>
Operating income before depreciation	10,054	9,370	8,619
Depreciation	<u>(12,955)</u>	<u>(12,364)</u>	<u>(14,493)</u>
Operating loss	(2,901)	(2,994)	(5,874)
Other non-operating revenues and (expenses), net	(7,051)	(6,441)	(8,701)
Capital contributions, grants, and charges	<u>16,281</u>	<u>18,074</u>	<u>24,389</u>
Increase (decrease) in net assets	<u>\$ 6,329</u>	<u>\$ 8,639</u>	<u>\$ 9,814</u>

- Operating revenues, which consist primarily of rents and services fees, increased 5.3% and increased 2.3% for the years ended June 30, 2005 and 2004, respectively.
- Operating expenses increased 4.2% and decreased 1.1% for the years ended June 30, 2005 and 2004, respectively.
- Non-operating revenues (expenses), net, increased 9.5% in 2005 due to increased interest expense on revenue bonds outstanding and decreased 25.9% in 2004 due to decreased interest expense.
- Capital contributions, net, decreased, 9.9% and 25.9% for the years ended June 30, 2005 and 2004, respectively, due to decreased federal assistance received on capital projects in both years and increased contributions from lessees in the 2005.

Tulsa Airports Improvement Trust
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Summary of Cash Flow Activities

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

(in thousands of dollars)

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash flows			
Provided by (used in) operating activities	\$ 8,414	\$ 9,964	\$ 496
Provided by (used in) capital and related financing activities	2,900	(2,117)	(54,493)
Provided by (used in) investing activities	<u>(13,515)</u>	<u>17,712</u>	<u>36,102</u>
Net increase (decrease) in cash and cash equivalents	(2,201)	25,559	(17,895)
Cash and cash equivalents			
Beginning of year	<u>31,727</u>	<u>6,168</u>	<u>24,063</u>
End of year	<u>\$ 29,526</u>	<u>\$ 31,727</u>	<u>\$ 6,168</u>

Capital Assets

The Trust's investment in capital assets amounted to \$253,273 (net of accumulated depreciation). The Trust paid \$18,537 and \$17,882 related to the acquisition and construction of capital assets for the years ended June 30, 2005 and 2004, respectively.

(in thousands of dollars)

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Land and improvements	\$ 244,904	\$ 244,268	\$ 248,934
Easements	28,035	24,548	20,295
Buildings	159,901	157,219	130,578
Equipment	<u>25,011</u>	<u>24,339</u>	<u>29,074</u>
	457,851	450,374	428,881
Less: Accumulated depreciation	(232,680)	(219,797)	(207,445)
Construction-in-progress	<u>28,102</u>	<u>11,849</u>	<u>19,183</u>
Capital assets, net	<u>\$ 253,273</u>	<u>\$ 242,426</u>	<u>\$ 240,619</u>

Tulsa Airports Improvement Trust
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Long-Term Debt

At June 30, 2005, the Trust had outstanding general revenue bonds of \$119,710 and outstanding capital lease obligations of \$6,355. The bonds are collateralized by and payable from the revenues of the Trust. The Bonds mature per a set schedule with the last maturity occurring on June 1, 2026.

(in thousands of dollars)

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Capital lease obligation	6,355	6,855	-
Revenue bonds	119,710	124,329	105,563
	<u>\$ 126,065</u>	<u>\$ 131,184</u>	<u>\$ 105,563</u>

The Trust's debt decreased by \$5,119 in fiscal year 2005 due to regular debt payments and increased in fiscal year 2004 by \$25,621 due to the issuance of \$20,000 in bonds and \$6,935 in capital lease obligations.

Signatory Airline Rates and Charges

Under the Use and Lease Agreements between the airlines and the Trust, the airlines have agreed to pay rates, fees and charges determined prior to the beginning of each Fiscal Year in an amount sufficient (a) to pay 125% of the Debt Service on Bonds secured by the Bond Indenture; (b) to pay Operating Expense for the next succeeding Fiscal Year; (c) to provide for any deficiencies in the funds or accounts held under the Bond Indenture other than the General Account for the then current fiscal year; and (d) to provide for the estimated deposit to the Airport Special Reserve Fund. Each Use and Lease Agreement is for a term continuing until June 30, 2008.

Signatory Airline Terminal rental rates for FY 2005 ranged from \$29.85 to \$43.78 per square foot. Signatory landing fees were \$1.99 per 1000 lbs in FY 2005, compared to FY 2004 rate of \$1.96 per 1000 lbs. Rental rates can be adjusted based on the percentage change in the annual operating budget.

Economic Factors

The continuing recovery of local economic conditions during 2005 was reflected in the various activities at the airport. Enplanements were up 4.8% and total cargo tonnage handled at the airport increased 1.1% from the previous year. While total operations (take-offs and landings) were down due to a decrease in military activity, air carrier operations increased 6.2%. In addition, operations at the reliever airport (RVS) increased 17.1% from the prior year. Air service from Tulsa continued to expand with added "direct, non-stop" service bringing the total daily schedule to 17 airports in 15 different cities.

Contacting The Trust's Financial Management

Questions about this report or requests for additional financial information can be directed to:

Deputy Airports Director
 Finance and Administration
 7777 E. Apache St.
 Tulsa, OK 74115

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Net Assets
June 30, 2005 and 2004

<i>(in thousands of dollars)</i>	2005	(Restated Note 11) 2004
Assets		
Current assets		
Unrestricted		
Cash and cash equivalents	\$ 4,978	\$ 3,061
Receivables		
Trade, less allowance for doubtful accounts of \$146 for 2005 and \$677 for 2004	2,059	1,296
Federal grants receivable	1,026	4,216
Customer facility charges receivable	241	153
Advance to City of Tulsa	127	127
Other current assets	114	107
Total unrestricted current assets	<u>8,545</u>	<u>8,960</u>
Restricted assets		
Cash and cash equivalents	947	896
Cash and cash equivalents, customer deposits	69	69
Accrued interest receivable	109	75
Passenger facility charges receivable	510	510
Total restricted current assets	<u>1,635</u>	<u>1,550</u>
Non-Current assets		
Cash and cash equivalents	-	1,734
Cash and cash equivalents, restricted	23,532	25,967
Investments	1,700	-
Investments, restricted	11,245	14,713
Deferred bond issue costs, net	3,684	3,973
Non-depreciable capital assets	118,103	98,363
Depreciable capital assets, net	135,170	144,063
Other	128	124
Total non-current assets	<u>293,562</u>	<u>288,937</u>
 Total assets	 <u>\$ 303,742</u>	 <u>\$ 299,447</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Net Assets
June 30, 2005 and 2004

<i>(in thousands of dollars)</i>	2005	(Restated Note 11) 2004
Liabilities and Net Assets		
Current Liabilities		
Payable from Unrestricted Assets		
Accounts payable	\$ 1,032	\$ 2,218
Deferred revenue	555	169
Total current liabilities payable from unrestricted assets	<u>1,587</u>	<u>2,387</u>
Payable from Restricted Assets		
Accounts payable	1,649	1,556
Customer deposits	69	69
Current portion of debt	5,420	1,615
Accrued interest payable	611	587
Total current liabilities payable from restricted assets	<u>7,749</u>	<u>3,827</u>
Total current liabilities	<u>9,336</u>	<u>6,214</u>
Non-Current Liabilities		
Payable from Unrestricted assets		
Vested compensated absences and other payables	665	702
Payable from Restricted Assets		
Capital lease obligation	6,355	6,855
Bonds payable, net	119,710	124,329
Total non-current liabilities	<u>126,730</u>	<u>131,886</u>
Total liabilities	<u>136,066</u>	<u>138,100</u>
Net Assets		
Invested in capital assets, net of related debt	138,345	134,771
Restricted for		
Debt service	12,132	5,636
Capital projects	9,372	13,134
Other purposes	161	129
Total restricted net assets	<u>21,665</u>	<u>18,899</u>
Unrestricted	<u>7,666</u>	<u>7,677</u>
Total net assets	<u>\$ 167,676</u>	<u>\$ 161,347</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 Assets
Years Ended June 30, 2005 and 2004

<i>(in thousands of dollars)</i>	2005	(Restated Note 11) 2004
Operating Revenues		
Fuel sales fees	\$ 966	\$ 906
Rents and service fees		
Terminal building	14,472	13,136
Field and runways	5,993	5,982
Cargo	2,036	2,196
Ground rentals	2,125	2,070
Hangars and field buildings	870	865
Motel commissions	282	242
General aviation terminal building	137	122
Other	85	86
Total operating revenues	<u>26,966</u>	<u>25,605</u>
Operating Expenses, Excluding Depreciation		
Building maintenance	4,985	4,689
Automotive maintenance	430	342
Field electrical	375	335
Field maintenance	547	496
General and administrative	3,281	3,409
Engineering	1,644	1,373
Operations	4,231	4,195
Jones	391	350
Cargo management fees	1,027	1,046
Total operating expenses, excluding depreciation	<u>16,912</u>	<u>16,235</u>
Operating Income Before Depreciation	10,054	9,370
Depreciation and amortization	12,955	12,364
Operating Loss	<u>(2,901)</u>	<u>(2,994)</u>
Non-operating Revenues (Expenses)		
Investment income	1,163	683
Interest expense	(7,964)	(6,550)
Other, net	(250)	(574)
Net Non-operating Revenues (Expenses)	<u>(7,051)</u>	<u>(6,441)</u>
Capital Contributions, Grants and Charges		
Passenger facility charges	3,944	4,042
Customer facility charges	1,858	1,867
Federal grants earned	5,412	12,165
Contributions from lessees	5,067	-
Total capital contributions, grants and charges	<u>16,281</u>	<u>18,074</u>
Change in Net Assets	<u>6,329</u>	<u>8,639</u>
Net Assets, Beginning of Year, as Previously Presented	161,347	132,413
Adjustment Applicable to Prior Years	-	20,295
Net Assets, Beginning of Year, as Restated	<u>161,347</u>	<u>152,708</u>
Net Assets, End of Year	<u>\$ 167,676</u>	<u>\$ 161,347</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 the Financial Statements
June 30, 2005 and 2004

<i>(in thousands of dollars)</i>	2005	2004
Cash flows from operating activities		
Cash received from customers, including cash deposits	\$ 25,800	\$ 24,420
Cash payments to suppliers for goods and services	(10,073)	(7,544)
Cash payments to employees for services	(7,313)	(6,912)
Net cash provided by operating activities	<u>8,414</u>	<u>9,964</u>
Cash flows from capital and related financing activities		
Construction and purchase of capital assets	(18,537)	(17,882)
Interest paid on revenue bonds, net of amounts capitalized	(7,374)	(5,841)
Passenger facility charge received	3,944	4,042
Customer facility charge received	1,770	1,867
Proceeds from sale of revenue bonds	-	20,000
Proceeds from capital lease acquisition	-	6,935
Principal paid on revenue bonds	(1,615)	-
Bond issue costs	-	(1,234)
Proceeds from disposition of capital assets	-	-
Other, net	(305)	(599)
Proceeds from federal capital grants	8,602	10,424
Net cash provided by (used in) capital and related financing activities	<u>(13,515)</u>	<u>17,712</u>
Cash flows from investing activities		
Purchase of investments	(5,817)	(3,254)
Proceeds from sale of investments	7,585	500
Interest received on investments	1,132	637
Net cash provided by (used in) investing activities	<u>2,900</u>	<u>(2,117)</u>
Net increase (decrease) in cash and cash equivalents	(2,201)	25,559
Cash and cash equivalents		
Beginning of period	<u>31,727</u>	<u>6,168</u>
End of period	<u>\$ 29,526</u>	<u>\$ 31,727</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Current unrestricted cash and cash equivalents	\$ 4,978	\$ 3,061
Current restricted cash and cash equivalents	947	896
Current restricted cash and cash equivalents, customer deposits	69	69
Non-current unrestricted cash and cash equivalents	-	1,734
Non-current restricted cash and cash equivalents	23,532	25,967
Total cash and cash equivalents	<u>\$ 29,526</u>	<u>\$ 31,727</u>

Tulsa Airports Improvement Trust
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<i>(in thousands of dollars)</i>	2005	2004
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (2,901)	\$ (2,994)
Adjustments to reconcile operating activities to net cash		
Depreciation and amortization	12,955	12,364
(Increase) decrease in accounts receivable	(898)	(125)
(Increase) decrease in other current assets	(10)	7
Increase (decrease) in accounts payable and accrued liabilities	(460)	719
Increase (decrease) in other assets	17	(7)
Net cash provided by operating activities	<u>\$ 8,703</u>	<u>\$ 9,964</u>
Supplemental Cash Flows Information Information		
Capital assets acquired through noncash lessee financed improvements	<u>\$ 5,567</u>	<u>\$ -</u>
Capital asset acquisitions included in account payable	<u>\$ 1,330</u>	<u>\$ 1,633</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to the Financial Statements
June 30, 2005 and 2004

1. **Summary of Significant Accounting Policies**

Organization and Purpose

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 is a component unit of the City and is reported in the City's comprehensive annual financial report. The Trust's purpose is to operate, maintain, construct, improve and/or lease airport facilities serving the City and to incur indebtedness as may be necessary to provide such facilities. Any indebtedness is payable solely from revenues of the Trust, as it has no authority to levy taxes. Under federal guidelines, all revenues generated by the Airports must be used for airport purposes.

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

The term of the lease, as now amended, extends through June 30, 2012, or until all bonds are retired. In the absence of a default on the lease, the Trustees have the option to extend the term of the lease for an additional 25 years. Effective July 1, 1989, the lease by and between the City and the Trust was further amended to provide for the operation and maintenance of the airports on a day-to-day basis by the TAA. The lease provides for a nominal annual lease payment to the City.

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

Basis of Accounting

The accounting and reporting policies of the Trust conform to generally accepted accounting principles for units of local government as promulgated by the Governmental Accounting Standards Board ("GASB"). The Trust has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The Trust has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board pronouncements and Accounting Principle Board Opinions issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The financial statements of the Trust have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Voluntary non exchange transactions are recognized when all applicable eligibility requirements are met.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to the Financial Statements
June 30, 2005 and 2004

1. **Summary of Significant Accounting Policies, continued**

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value.

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, five to 20 years for roads, ramps, and runways, three to 20 years for equipment, and one to 20 years for leasehold improvements. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in nonoperating revenues and expenses. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Interest incurred during construction periods is capitalized and included in the cost of capital assets.

Lessee-Financed Improvements

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

Bond Issuance Costs

Bond issuance costs are amortized on a straight-line basis over the life of the bonds to which they relate.

Bond Discounts/Premiums

Discounts/premiums on revenue bonds, including any deferred losses from refinancing, are being amortized using the interest method over the life of the bonds, to which they relate.

Vested Compensated Absences

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to the Financial Statements
June 30, 2005 and 2004

1. **Summary of Significant Accounting Policies, continued**

Federal Grants

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

Net Assets

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

Federal Income Taxes

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

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 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 Airport and the annual debt service on the Trust's outstanding revenue bonds for which the Trust's revenues are pledged as collateral. Operating revenues are recorded net of parking and cargo area management fees which amounted to approximately \$2,707,010 and \$2,749,480 in 2005 and 2004, respectively.

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

Passenger Facility Charge

Under a Record of Decision, the Federal Aviation Administration ("FAA") grants the Trust approval to impose and use a Passenger Facility Charge ("PFC") of \$3.00 per enplaned passenger on flights originating from Tulsa. Effective August 1, 1992, the Trust began the assessment of a \$3.00 PFC. The charge is collected by all carriers and remitted to the Trust, less a minor handling fee. The proceeds from the PFC are restricted for use by the Trust for certain FAA-approved capital improvement projects. PFC revenues are reflected in capital contributions, grants and other charges and are recognized as earned. As of January 1, 1997, the authority to collect PFC's through June 1, 2000 was granted by the FAA. This was extended through April 1, 2011. As of June 30, 2005, approximately \$36,438,000 has been received and approximately \$809,000 of interest has been earned.

Tulsa Airports Improvement Trust
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June 30, 2005 and 2004

1. **Summary of Significant Accounting Policies, continued**

Customer Facility Charge

Effective July 1, 2004, the Trust began the assessment of a Customer Facility Charge ("CFC"). The charge is \$2.60 per rental car transaction per day and can be adjusted periodically by the Trust. The charge is collected by all rental car concessionaires and remitted to the Trust. The proceeds from the CFC are restricted for use by the Trust for certain rental car capital improvement projects and debt service requirements. CFC revenues are reflected in capital contributions, grants and other charges`.

Reclassifications – Certain reclassifications have been made to the 2004 basic financial statements to conform to the 2005 presentation. These reclassifications had no effect on change in net assets.

Use of Estimates

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

2. **Cash and Investments**

Pooled Cash and Investments

The Trust maintains a portion of its cash and investments with the City's pooled cash and investments account. Pooled cash and investments consist primarily of time deposits and other securities guaranteed by the United States Government or its agencies and are reported at the fair value of the pooled shares. At June 30, 2005 and 2004, the pooled cash and investments, which are reflected on the Trust's statement of net assets within cash and cash equivalents, amounted to \$4,673,880 and \$2,607,804, respectively. The pooled cash and investments balance at June 30, 2005 and 2004, was represented by investments that were collateralized by securities that were held by the pledging financial institution, or by its trust department or agent, but not in the City's name.

Non-Pooled Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Trust's deposit policy for custodial credit risk requires compliance with the provisions of state law and that demand deposits be collateralized at least 110% of the amount that is not federally insured.

At June 30, 2005 and 2004, respectively, \$199,085 and \$353,233 of the Trust's bank balances of \$323,525 and \$476,673 were exposed to custodial credit risk as follows:

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June 30, 2005 and 2004

2. Cash and Investments, continued

(in thousands of dollars)

	2005	2004
Federally insured	100	100
Uninsured and uncollateralized	198	353
Uninsured and collateral held by pledging financial institution	12,231	12,231
	<u>12,529</u>	<u>12,684</u>

Non-Pooled Investments

In accordance with the bond indentures and state statutes, authorized investments consist of obligations of the US Treasury, agencies and instrumentalities, certain municipal bonds, and money market mutual funds.

The Trust's non-pooled investments as of June 30, 2005 and 2004 are as follows:

(in thousands of dollars)

Type	June 30, 2005			
	Maturities in Years			
	Fair Value	Less than 1	1-5	More than 10
U.S. Agency Obligations	\$ 49	\$ -	\$ -	\$ 49
State and Local Government Securities (SLUG)	690	-	-	690
Money Market Mutual Funds	24,528	24,528	-	-
	<u>\$ 25,268</u>	<u>\$ 24,528</u>	<u>\$ -</u>	<u>\$ 739</u>

(in thousands of dollars)

Type	June 30, 2004			
	Maturities in Years			
	Fair Value	Less than 1	1-5	More than 10
U.S. Agency Obligations	\$ 1,812	\$ -	\$ -	\$ 1,812
State and Local Government Securities (SLUG)	690	-	-	690
Money Market Mutual Funds	28,646	28,646	-	-
	<u>\$ 31,148</u>	<u>\$ 28,646</u>	<u>\$ -</u>	<u>\$ 2,502</u>

Interest Rate Risk – The Trust does not have a formal policy limiting its exposure to fair value losses arising from rising interest rates. For purposes of this disclosure, money market mutual funds are presented in the tables above as an investment with a maturity of less than one year because they are redeemable in full immediately.

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2. Cash and Investments, continued

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfil its obligations. The Trust does not have a formal policy to address credit risk. At June 30, 2005 and 2004, credit quality ratings for the Trust’s investments in US agencies obligations and State and Local Government securities not directly guaranteed by the U. S. government were unrated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the Trust’s investments in U.S. agency obligations at June 30, 2005 and 2004, are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the Trust’s name. The Trust’s investments in money market mutual funds are not categorized as to custodial credit risk because the investment is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk – The Trust places no limit on the amount that may be invested in any one issuer.

Reconciliation to Statement of Net Assets

A reconciliation of pooled cash and investments, non-pooled deposits and non-pooled investments to the fair values at June 30, 2005 and 2004 is as follows:

<i>(in thousands of dollars)</i>	2005	2004
Pooled cash and investments	\$ 4,674	\$ 2,608
Non-pooled deposits	324	477
Non-pooled investments	<u>37,474</u>	<u>43,355</u>
	<u>\$ 42,471</u>	<u>\$ 46,440</u>
Current unrestricted cash and cash equivalents	\$ 4,978	\$ 3,061
Current restricted cash and cash equivalents	947	896
Current restricted cash and cash equivalents, customer deposits	69	69
Non-current cash and cash equivalents		1,734
Non-current restricted cash and cash equivalents	23,532	25,967
Non-current investments	1,700	-
Non-current investments, restricted	<u>11,245</u>	<u>14,713</u>
	<u>\$ 42,471</u>	<u>\$ 46,440</u>

3. Federal Grants

Federal grants receivable represent the earned portions, based on the related expenditures, of various grants that have not been remitted by the grantor. The unearned portions of such grants are properly not reflected in the financial statements and as of June 30, 2005 and 2004, totaled \$6,586,081 and \$10,300,077, respectively, for the Trust.

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4. **Capital Assets**

The changes in capital assets during 2005 and 2004 can be summarized as follows:

2005: <i>(in thousands of dollars)</i>	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 61,966	\$ -	\$ -	\$ -	\$ 61,966
Easements	24,548	3,487	-	-	28,035
Construction-in-progress	11,849	19,694	-	(3,441)	28,102
Total capital assets not being depreciated	98,363	23,181	-	(3,441)	118,103
Capital assets being depreciated					
Land improvements	182,302	-	-	636	182,938
Buildings	157,219	503	-	2,179	159,901
Equipment	24,339	118	(72)	626	25,011
Total capital assets being depreciated	363,860	621	(72)	3,441	367,850
Accumulated depreciation					
Land improvements	117,808	8,648	-	-	126,456
Buildings	87,399	3,029	-	-	90,428
Equipment	14,590	1,278	(72)	-	15,796
Total accumulated depreciation	219,797	12,955	(72)	-	232,680
Total capital assets being depreciated, net	144,063	(12,334)	-	3,441	135,170
Capital assets, net	\$ 242,426	\$ 10,847	\$ -	\$ -	\$ 253,273
2004: <i>(in thousands of dollars)</i>					
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 55,137	\$ 6,829	\$ -	\$ -	\$ 61,966
Easements	20,295	4,253	-	-	24,548
Construction-in-progress	19,183	9,406	-	(16,740)	11,849
Total capital assets not being depreciated	94,615	20,488	-	(16,740)	98,363
Capital assets being depreciated					
Land improvements	193,797	-	(13,792)	2,297	182,302
Buildings	130,578	12,198	-	14,443	157,219
Equipment	29,074	475	(5,210)	-	24,339
Total capital assets being depreciated	353,449	12,673	(19,002)	16,740	363,860
Accumulated depreciation					
Land improvements	109,419	8,389	-	-	117,808
Buildings	84,694	2,705	-	-	87,399
Equipment	13,332	1,270	(12)	-	14,590
Total accumulated depreciation	207,445	12,364	(12)	-	219,797
Total capital assets being depreciated, net	146,004	309	(18,990)	16,740	144,063
Capital assets, net	\$ 240,619	\$ 20,797	\$ (18,990)	\$ -	\$ 242,426

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5. Revenue Bonds Payable and Other Long-Term Liabilities

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

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

General Revenue Bonds, Refunding Series 1997A and 1997B

The Series 1997A and 1997B bonds in the original amounts of \$21,740,000 and \$32,835,000, respectively, were issued to retire and redeem all of the outstanding General Revenue Bonds Series 1989 and General Revenue Consolidated Fixed Rate Series 1989. The 1997 series bonds are payable annually in amounts ranging from \$945,000 to \$4,485,000 commencing on June 30, 1997 with final maturity in 2017. Interest on the 1997A and 1997B bonds is payable semi annually at rates of 7.30% and 7.05%, respectively. The Series 1997 bonds are not subject to early redemption.

General Revenue Bonds Refunding Series 1999A, 1999B and 1999C

The Series 1999A, 1999B, 1999C bonds in the original amounts of \$8,145,000, \$14,665,000 and \$10,625,000, respectively, were issued to retire and redeem all of the outstanding General Revenue Bonds Series 1992 and 1996 and finance costs of certain improvements to the airport. The 1999 series bonds are payable annually in amounts ranging from \$1,085,000 to \$5,265,000 commencing on June 1, 2002 with final maturity in 2026. Interest on the 1999A, 1999B and 1999C bonds is payable at rates ranging from 4.75% to 5.50%, 5.125% to 6.125% and 7.25% to 7.75%, respectively. The 1999 bonds are subject to redemption at the option of the Trust after June 1, 2010, at a price equal to the principal amount.

General Revenue Bonds Refunding Series 2000A

The Series 2000A bonds in the original amount of \$11,000,000 were issued to finance the cost of construction of a new air cargo facility. The 2000 series bonds are payable annually in amount ranging from \$775,000 to \$5,000,000 commencing on June 1, 2004 with final maturity on 2020. Interest on the 2000A bonds is payable at rates ranging from 5.75% to 6.00%. The 2000 bonds are subject to redemption at the option of the Trust after June 1, 2010, at a price equal to the principal amount.

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5. **Revenue Bonds Payable and Other Long-Term Liabilities, continued**

General Revenue Bonds Refunding Series 2001A

The Series 2001 bonds in the original amount of \$54,000,000 were issued to finance the cost of construction and installation of certain facilities at the Tulsa International Airport and Richard Lloyd Jones, Jr., Airport. The 2001 bonds are payable in 2003 and 2004, \$27,000,000 and \$24,000,000, respectively, as well as three \$1,000,000 payments, with final maturity on June 1, 2017. Interest on 2001 bonds is payable at rates ranging from 5.0% to 5.2%. The 2001 bonds are subject to redemption at the option of the Trust after June 1, 2010, and are a price equal to the principal amount.

General Revenue Bonds Refunding Series 2003

The Series 2003 bonds in the original amount of \$30,400,000 were issued to refund a portion of the outstanding General Revenue Bonds Series 1993A, 1997A, 1997B, 1999A, 1999B, 1999C, 2000A, and 2001. The 2003 series bonds are payable in amounts ranging from \$380,000 to \$4,845,000 commencing on June 1, 2013 with final maturity in 2023. Interest on the 2003 bonds is payable at monthly at a variable interest rate determined weekly and is not to exceed 14.00%. The Trust may also elect a term interest rate in which interest is payable each June 1 and December 1. The 2003 are subject to redemption at the option of the Trust at any time at a price equal to the principal amount plus any accrued interest.

General Revenue Bonds Refunding Series 2004A

The Series 2004A bonds in the original amount of \$17,800,000 were issued to finance the construction and installation of airport terminal and related facilities improvements at the Tulsa International Airport and to pay the costs of issuance. The 2004A bonds are payable in amounts ranging from \$1,005,000 to \$1,805,000 commencing June 1, 2006 with final maturity in 2018. Interest on the 2004A bonds is payable semiannually at rates ranging from 3.25% to 5.0%. The 2004A bonds maturing on June 1, 2015 are subject to redemption at the option of the Trust at any time at a price equal to the principal amount plus any accrued interest.

General Revenue Bonds Refunding Series 2004B

The Series 2004B bonds in the original amount of \$2,200,000 were issued to finance the construction and installation of a convenience center, including fueling facilities on the premises of the Tulsa International Airport, to pay capitalized interest on the 2004B bonds and to pay the costs of issuance. The 2004B bonds are payable in 2017. Interest on the 2004B bonds is payable semiannually at 4.95%. The 2004B bonds are subject to mandatory redemption of \$100,000 on June 1, 2006 and 2007 and \$200,000 per year on June 1, 2008 to 2017. The 2004B bonds maturing on June 1, 2015 are subject to redemption at the option of the Trust at any time at a price equal to the principal amount plus any accrued interest.

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5. **Revenue Bonds Payable and Other Long-Term Liabilities, continued**

The changes in outstanding revenue bonds and other long-term liabilities during 2005 can be summarized as follows:

<i>(in thousands of dollars)</i>	Beginning Balance	Increase	Decrease	Ending Balance	Portion Due Within One Year
Revenue Bonds					
Series 1997A	\$ 7,030	\$ -	\$ -	\$ 7,030	\$ 2,065
Series 1997B	30,740	-	-	30,740	-
Series 1999A	7,405	-	(270)	7,135	290
Series 1999B	12,725	-	(710)	12,015	750
Series 1999C	9,395	-	(180)	9,215	310
Series 2000A	9,975	-	(375)	9,600	400
Series 2001A	3,000	-	-	3,000	-
Series 2003	30,400	-	-	30,400	-
Series 2004A	17,800	-	-	17,800	1,005
Series 2004B	2,200	-	-	2,200	100
Total revenue bonds payable	<u>130,670</u>	<u>-</u>	<u>(1,535)</u>	<u>129,135</u>	<u>4,920</u>
Unamortized loss/discount (premium)					
Series 1997A & B	274	-	(20)	254	-
Series 1999A	263	-	(16)	247	-
Series 1999B	149	-	(7)	142	-
Series 1999C	80	-	(5)	75	-
Series 2001A	(1,013)	-	84	(929)	-
Series 2003	5,053	-	(337)	4,716	-
Total unamortized loss/discount (premium)	<u>4,806</u>	<u>-</u>	<u>(301)</u>	<u>4,505</u>	<u>-</u>
Total revenue bonds payable, net	<u>125,864</u>	<u>-</u>	<u>(1,234)</u>	<u>124,630</u>	<u>4,920</u>
Other long-term liabilities					
Capital Lease	6,935	-	(80)	6,855	500
Vested compensated absences	620	18	-	638	-
Notes payable	83	-	(56)	27	-
Total other long-term liabilities	<u>7,638</u>	<u>18</u>	<u>(136)</u>	<u>7,520</u>	<u>500</u>
Total long-term liabilities	<u>\$ 133,502</u>	<u>\$ 18</u>	<u>\$ (1,370)</u>	<u>\$ 132,150</u>	<u>\$ 5,420</u>

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5. Revenue Bonds Payable and Other Long-Term Liabilities, continued

The changes in outstanding revenue bonds and other long-term liabilities during 2004 can be summarized as follows:

<i>(in thousands of dollars)</i>	Beginning Balance	Increase	Decrease	Ending Balance	Portion Due Within One Year
Revenue Bonds					
Series 1997A	\$ 7,030	\$ -	\$ -	\$ 7,030	\$ -
Series 1997B	30,740	-	-	30,740	-
Series 1999A	7,405	-	-	7,405	270
Series 1999B	12,725	-	-	12,725	710
Series 1999C	9,395	-	-	9,395	180
Series 2000A	9,975	-	-	9,975	375
Series 2001A	3,000	-	-	3,000	-
Series 2003	30,400	-	-	30,400	-
Series 2004A	-	17,800	-	17,800	-
Series 2004B	-	2,200	-	2,200	-
Total revenue bonds payable	<u>110,670</u>	<u>20,000</u>	<u>-</u>	<u>130,670</u>	<u>1,535</u>
Unamortized loss/discount (premium)					
Series 1997A & B	293	-	(19)	274	-
Series 1999A	280	-	(17)	263	-
Series 1999B	156	-	(7)	149	-
Series 1999C	85	-	(5)	80	-
Series 2001A	(1,097)	-	84	(1,013)	-
Series 2003	5,390	-	(337)	5,053	-
Total unamortized loss/discount (premium)	<u>5,107</u>	<u>-</u>	<u>(301)</u>	<u>4,806</u>	<u>-</u>
Total revenue bonds payable, net	<u>105,563</u>	<u>20,000</u>	<u>301</u>	<u>125,864</u>	<u>1,535</u>
Other long-term liabilities					
Capital Lease	-	6,935	-	6,935	80
Vested compensated absences	658	-	(38)	620	-
Notes payable	139	-	(56)	83	-
Total other long-term liabilities	<u>797</u>	<u>6,935</u>	<u>(94)</u>	<u>7,638</u>	<u>80</u>
Total long-term liabilities	<u>\$ 106,360</u>	<u>\$ 26,935</u>	<u>\$ 207</u>	<u>\$ 133,502</u>	<u>\$ 1,615</u>

Tulsa Airports Improvement Trust
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5. **Revenue Bonds Payable and Other Long-Term Liabilities, continued**

Future maturities of revenue bonds and capital leases are as follows:
(in thousands of dollars)

Fiscal Year	Principal	Interest	Total
2006	\$ 5,420	\$ 6,719	\$ 12,139
2007	5,720	6,409	12,129
2008	6,165	6,078	12,243
2009	6,525	5,717	12,242
2010	6,530	5,333	11,863
2011-2015	40,170	20,218	60,388
2016-2020	44,645	7,750	52,395
2021-2025	20,250	1,385	21,635
2026	565	35	600
	<u>\$ 135,990</u>	<u>\$ 59,644</u>	<u>\$ 195,634</u>

6. **Defeased Debt**

The Trust, in a prior year, placed funds in an irrevocable trust, held and managed by a bank, to be used to pay the principal and interest on the General Revenue Bonds, Series 1978 as such amounts becomes due. These bonds are considered defeased and are not included in the Trust's financial statements. The principal amount of such bonds outstanding at June 30, 2005 was \$3,735,000.

7. **Capital Lease Obligation**

On September 30, 2003, the Trust entered into a \$6,935,000 capital lease obligation to finance the purchase of certain energy efficient equipment and services, canopies in certain parking areas and computer equipment. The obligation is payable in amounts ranging from \$80,000 to \$540,000 annually from October 2004 to October 2023. Interest on the obligation is payable semiannually at rates ranging from 2.0% to 6.0%. The obligations due on or after October 1, 2013 are subject to redemption at the option of the Trust, at a price equal to the principal amount plus any accrued interest. The gross amounts of capital assets and related accumulated depreciation recorded under these capital leases at June 30, 2005 and 2004 follows:

<i>(in thousands of dollars)</i>	2005	2004
Capital lease proceeds	\$ 6,935	\$ 6,935
Unspent proceeds	(972)	(1,462)
Purchases less than capitalization threshold	<u>(182)</u>	<u>(100)</u>
Capital assets	5,781	5,373
Accumulated amortization	<u>(181)</u>	<u>(14)</u>
	<u>\$ 5,600</u>	<u>\$ 5,359</u>

Tulsa Airports Improvement Trust
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7. Capital Lease Obligation, continued

The present value of future minimum capital lease payments at June 30, 2005 follows:

2006	\$ 816
2007	816
2008	815
2009	812
2010	448
2011 - 2015	2,228
2016 - 2020	2,228
2021 - 2024	<u>2,434</u>
Total minimum lease payments	10,597
Amounts representing interest	<u>(3,742)</u>
Present value of minimum lease payments	<u>\$ 6,855</u>

8. Conduit Debt Obligations

To pay the costs of certain modifications, rehabilitations, and reconstruction to a special facility located adjacent to Tulsa International Airport, the Trust has issued a series of Special Facility Revenue Bonds. These bonds are special limited obligations of the Trust, payable solely from and secured by a pledge of rentals to be received from a lease agreement between the Trust and Boeing Corporation. The bonds do not constitute a debt or pledge of the faith and credit of the Trust, the City, or the State, and accordingly, they have not been reported in the accompanying financial statements.

At June 30, 2005 and 2004, Special Facility Revenue Bonds outstanding aggregated \$15,420,000 and \$17,490,000, respectively.

9. Municipal Employees' Pension Fund

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

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

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9. Municipal Employees' Pension Fund, continued

The authority to establish and amend requirements the plan is set forth in the City Charter and State Statutes and is vested in the plan's board of trustees, which are appointed by the Mayor with approval of the City Council. Plan members are required to contribute 4.0% of their annual covered salary. The Trust is required to contribute at an actuarially determined rate; the rate was 6.3% for the years ended 2005 and 2004 respectively. The Trust's contributions to the plan for 2005 and 2004 were \$307,000 and \$296,000, respectively, which equalled its portion of the contributions for each year.

The Plan is reported as a Pension Trust Fund in the City's 2005 Comprehensive Annual Financial Report. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or a report of another entity.

10. Rental Income From Operating Leases

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

Minimum future rentals on non-cancellable operating leases as of June 30, 2005, are as follows:

(In thousands of dollars)

2006	\$ 10,225
2007	9,690
2008	9,148
2009	6,960
2010	3,520
2011 - 2015	17,090
2016 - 2020	15,290
2021 - 2025	12,007
2026 - 2030	9,560
2031 - 2035	3,276
2036 - 2040	2,886
2041 - 2045	2,154
2046 - 2050	1,256
	<u>\$ 103,062</u>

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11. Commitments and Contingencies

As of June 30, 2005, the Trust had open commitments for construction projects of approximately \$10,183,000.

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

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

In 2003, the Office of the Inspector General of the U.S. Department of Transportation was asked to perform a review of certain issues at the Authority, and which later included the financial support of GPA. GPA declared bankruptcy in January 2004.

In May 2004, the Inspector General noted improprieties with the Support Agreement and notified the Federal Aviation Administration (FAA). The FAA advised TAIT that funds provided by the FAA were not to be used to subsidize airlines and that should TAIT purchase the property under the Support Agreement, it would constitute a direct subsidy to the airline in violation of FAA policy.

In June 2004, BOK caused TIA to make formal demand upon TAIT to purchase the property from TIA in the amount of the indebtedness outstanding to GPA. As a result of the FAA's position, TAIT declined to purchase the property.

In October, 2004, TIA (at the direction of BOK) filed suit against TAIT and its former legal counsel. The suit alleges that TAIT breached the Support Agreement and demands that TAIT be required to purchase the property or that TIA be awarded damages totalling \$7,497,546 plus interest, costs and attorney fees. As of October, 2005, the amount claimed was \$8,528,984.

Subsequent to June 30, 2005, the Trust filed an answer to the suit and has claimed various affirmative defenses. Given the complex factual and legal issues involved and the inherent uncertainties of litigation, the Trust is not able to assess the likelihood of the possible outcome of the contingency. As a result of this uncertainty, no liability has been recorded as of June 30, 2005. Events could occur in the near term that could materially change any estimate of the amount of the contingency.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to the Financial Statements
June 30, 2005 and 2004

12. Restatement of Prior Years' Financial Statements

In prior years, the Trust did not capitalize costs associated with avigation easements. During 2005, the Trust retroactively changed its accounting method to capitalize these costs in Non-depreciable capital assets. This change increased the 2004 change in net assets by \$4,253. Adjustments of \$20,295 applicable to 2003 and prior years have been included in the restated 2004 beginning of year net asset balance.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Grant Title	C DFA Number	Grant Number	Amount of Grant	Unexpended Balance at June 30, 2004	Grants Awarded (Closed) During Current Year	Transfers and Adjustments	Other Income and Matching	Current Year Expenditures	Unexpended Balance at June 30, 2005
Department of Transportation									
Federal Aviation Administration									
Safety Area Runway	20.106	3-40-0098-12	\$ 273,375	\$ 17,632	\$ -	\$ -	\$ 1,324	\$ 13,237	\$ 5,719
Riverside Masterplan	20.106	3-40-0098-13	370,647	-	370,647	-	1,473	14,731	357,389
Riverside Easements	20.106	3-40-0098-14	202,500	-	202,500	-	1,390	27,794	176,096
Airfield Drainage Improvement	20.106	3-40-0099-41	961,425	7,856	33,842	-	13,899	55,597	-
Noise Mitigation	20.106	3-40-0099-45	1,492,912	1,687	54,925	-	-	56,612	-
Terminal Building Expansion	20.106	3-40-0099-46	1,300,000	22,331	195,000	-	24,148	241,479	-
Electrical and Baggage System	20.106	3-40-0099-48	2,142,362	1,153,831	(1,153,831)	-	-	-	-
Taxi way November	20.106	3-40-0099-49	4,000,000	3,838,748	-	-	95,387	953,870	2,980,265
Noise Mitigation	20.106	3-40-0099-50	6,298,000	4,197,065	-	755,238	174,346	3,486,919	1,639,730
Terminal Building Expansion	20.106	3-40-0099-51	3,110,000	1,060,927	-	-	31,316	626,318	465,925
Terminal Building Expansion	20.106	3-40-0099-52	1,976,876	-	1,976,876	-	520,846	1,554,765	942,957
			<u>\$ 22,128,097</u>	<u>\$ 10,300,077</u>	<u>\$ 1,679,959</u>	<u>\$ 755,238</u>	<u>\$ 864,129</u>	<u>\$ 7,031,322</u>	<u>\$ 6,568,081</u>

Note:

The above Schedule of Expenditures of Federal Awards does not reflect Passenger Facility Charges (“PFC”) authorized to be collected through April 1, 2011. The above schedule does not reflect the expenditure of such PFC’s, except that the PFC’s can be used for matching purposes and therefore may be reflected as other income and matching. Through June 30, 2005, approximately \$36,438,000 for the program has been collected from the various airlines, including interest earned, and approximately \$29,052,000 has been expended on authorized projects.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Insurance in Force
June 30, 2005

Policy Coverage	Issuer	Limit of Liability	Insurance	Expiration Date	Premium
Primary coverage on bodily injury, single limit bodily injury and property damage liability.	Phoenix Aviation, Inc.	Up to \$75,000,000 for any one accident, or occurrence with \$5,000 deductible each loss, and \$50,000 annual aggregate deductible.	None	November 20, 2005	
Property damage (including boilers and machinery and scheduled automotive equipment) fire and extended coverage.	Travelers Insurance Company	Real and personal property damage not to exceed \$100,000 with \$10,000 deductible.	None	July 1, 2006	
Automotive personal liability and property damage off-airport.	Mid-Continent Casualty Co.	Excess of \$250,000 up to \$1 million bodily injury and property damage, combined single limit, each occurrence and in the aggregate.	\$ 250,000	July 18, 2006	

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Sources and Uses of Funds
Year Ended June 30, 2005

	Revenue Accounts	CFC Account	Interest Account	Special Bond Principal Account	Construction Accounts	Operating Fund	Airports Special Reserve Funds		Airports Improvements Funds		Total
						Operating Reserve Accounts	General Accounts	Major Maintenance Accounts	Capital Improvement Accounts	Airports Account	
Balances at June 30, 2004	\$ 1,804,577	\$ 31,535	\$ 833,414	\$ 127,415	\$ 3,623,603	\$ 4,459,554	\$ 6,471,032	\$ 1,720,096	\$ 502,038	\$ -	\$ 19,573,264
Sources											
Income on invested funds	64,967	398	21,257	11,582	80,229	167,343	210,940	62,246	13,174	-	632,136
Proceeds from federal capital grants	-	-	-	-	-	-	8,601,445	-	-	-	8,601,445
Proceeds from bond activity	-	-	-	-	-	-	-	-	-	-	-
Gross revenues from operations received in cash	29,401,252	-	-	-	-	-	-	-	-	-	29,401,252
	<u>31,270,796</u>	<u>31,933</u>	<u>854,671</u>	<u>138,997</u>	<u>3,703,832</u>	<u>4,626,897</u>	<u>15,283,417</u>	<u>1,782,342</u>	<u>515,212</u>	<u>-</u>	<u>58,208,097</u>
Transfers to (from) other trust funds											
Interest income transferred to Revenue Fund	(451,035)	-	20,621	11,582	-	168,302	341,590	62,205	12,868	-	166,133
Transfers to bond fund	8,455,576	-	(6,464,151)	(1,817,587)	-	-	-	-	-	-	173,839
Transfers to City of Tulsa-special trust fund	17,737,000	-	-	-	-	-	-	-	-	-	17,737,000
Transfer to (from) other	(847,942)	-	-	-	33,335	-	221,381	(29,148)	-	-	(622,374)
	<u>24,893,599</u>	<u>-</u>	<u>(6,443,529)</u>	<u>(1,806,006)</u>	<u>33,335</u>	<u>168,302</u>	<u>562,971</u>	<u>33,057</u>	<u>12,868</u>	<u>-</u>	<u>17,454,597</u>
Applications											
Operating expenses											
Disbursements during the year	2,215,439	-	-	-	-	-	370,608	2,349	-	-	2,588,396
Interest expense	-	-	6,792,778	-	-	-	-	-	-	-	6,792,778
Construction and land acquisition	-	-	-	-	798,838	-	10,489,813	363,024	-	-	11,651,675
Other	-	-	-	-	-	-	-	-	-	-	-
Principal payments on bonds	-	-	-	1,535,000	-	-	-	-	-	-	1,535,000
	<u>2,215,439</u>	<u>-</u>	<u>6,792,778</u>	<u>1,535,000</u>	<u>798,838</u>	<u>-</u>	<u>10,860,421</u>	<u>365,373</u>	<u>-</u>	<u>-</u>	<u>22,567,849</u>
Balances before year-end transfers	4,161,757	31,933	505,423	410,002	2,871,659	4,458,595	3,860,025	1,383,912	502,344	-	18,185,650
Transfers required by the bond indenture											
Transfers to general account	(2,050,000)	-	-	-	-	-	2,050,000	-	-	-	-
Transfers from general fund	437,000	-	-	-	-	-	(437,000)	-	-	-	-
Transfers to major maintenance fund	(432,113)	-	-	-	-	-	-	432,113	-	-	-
Transfers to operating fund - Operating reserve	-	-	-	-	-	-	-	-	-	-	-
Transfers to capital improvement fund	(200,000)	-	-	-	-	-	-	-	200,000	-	-
Balances at June 30, 2005	\$ 1,916,644	\$ 31,933	\$ 505,423	\$ 410,002	\$ 2,871,659	\$ 4,458,595	\$ 5,473,025	\$ 1,816,025	\$ 702,344	\$ -	\$ 18,185,650

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Net Revenue Available for Debt Service
Year Ended June 30, 2005

Gross revenues as defined by the 1984 Bond Indenture as supplemented

Operating revenue	\$ 26,965,254
Non-operating revenues (1)	550,495
Transferred funds (2)	2,137,000
	<u>29,652,749</u>

Gross expenses as defined by the 1984 Bond Indenture as supplemented

Combined operating expenses	16,911,761
Capitalized expenditures classified as operating expenses in accordance with the 1984 Bond Indenture as supplemental	
Items classified as other expense	31,887
	<u>16,943,648</u>
Total operating expenses	<u>16,943,648</u>
Net revenue available for debt service	<u>\$ 12,709,101</u>

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Funds on Deposit and Invested
June 30, 2005

Description	Due Date	Interest Rate	Yield at Market	Par Value	Market Value	Investment Cost
Revenue Fund						
Certificate of deposit	05/02/07	4.63%	4.63%	\$ 860,000	\$ 860,000	\$ 860,000
Certificate of deposit	12/27/06	5.00%	5.00%	840,000	840,000	840,000
DDA cash accounts				216,644	216,644	216,644
Total Revenue Fund					1,916,644	1,916,644
CFC Fund						
American Performance Treasury Fund	On Demand	2.00%	2.24%	31,933	31,933	31,933
Interest Accounts						
American Performance Treasury Fund	On Demand	2.00%	2.24%	505,423	505,423	505,423
Special Bond Principal Account						
American Performance Treasury Fund	On Demand	2.00%	2.24%	410,002	410,002	410,002
Construction Fund						
American Performance Treasury Fund	On Demand	2.00%	2.24%	2,871,659	2,871,659	2,871,659
Operating Fund - Operating Reserve Account						
American Performance Treasury Fund	On Demand	2.00%	2.24%	824,251	824,251	824,251
Certificate of Deposit	05/17/12	4.43%	4.43%	702,760	702,760	702,760
Certificate of Deposit	05/01/24	2.78%	2.78%	883,000	883,000	883,000
Certificate of Deposit	01/24/07	5.00%	5.00%	2,018,027	2,018,027	2,018,027
FNMA Arms	05/01/24	4.40%	4.43%	30,124	30,557	32,165
Total Fund Operating Reserve Account					4,458,595	4,460,204
Airport Special Reserve Funds - Terminal Project Account Fund						
American Performance Treasury Fund	On Demand	2.00%	2.00%	1,402,164	1,402,164	1,402,164
Airport Special Reserve Funds - General Fund						
American Performance Treasury Fund	01/24/07	2.00%	2.00%	1,678,668	1,678,668	1,678,668
Certificate of deposit	05/02/07	4.63%	4.63%	1,740,000	1,740,000	1,740,000
Certificate of deposit	12/27/06	5.00%	5.00%	632,294	632,294	632,294
FNMA ARMS #20086	07/01/24	4.70%	4.92%	18,631	18,899	19,903
DDA cash account				1,000	1,000	1,000
Total Airport Special Reserve Funds - General Fund					5,473,024	5,474,028
Airport Special Reserve Funds - Major Maintenance Fund						
American Performance Treasury Fund	On Demand	2.00%	2.24%	636,025	636,025	636,025
Certificate of deposit	01/00/00	5.00%	5.00%	1,180,000	1,180,000	1,180,000
Total Airport Special Reserve Funds - Major Maintenance Fund					1,816,025	1,816,025
Airports Improvement Funds - Capital Improvement Fund						
American Performance Treasury Fund	On Demand	2.00%	2.24%	516,344	516,344	516,344
Certificate of deposit	12/27/06	5.00%	5.00%	186,000	186,000	186,000
Total Airports Improvement Funds - Capital Improvement Fund					702,344	702,344
					18,185,650	18,188,262
Other Accounts						
DDA cash account and petty cash				102,900	102,900	102,900
Pooled Investments with City Treasurer				4,753,263	4,673,880	4,753,263
American Performance Treasury Fund	On Demand	2.00%	2.24%	5,008,590	5,008,591	5,008,591
2004A Construction Funds, AP Treasury Fund	On Demand	2.00%	2.24%	10,385,982	10,385,982	10,385,982
Certificate of deposit	12/27/06	5.00%	5.00%	3,166,391	3,166,391	3,166,391
Treasury Money Fund	On Demand	4.63%	4.63%	257,396	257,396	257,396
Slug	On Demand	5.15%	5.15%	690,074	690,074	690,074
Total Other Accounts					24,285,213	24,364,596
Total Funds on Deposit and Invested					\$ 42,470,863	\$ 42,552,859

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Passenger Facility Charge Revenue and Expenditures
June 30, 2005

<u>Revenues:</u>	Date Approved	Amount Approved	Cumulative Total - June 30, 2004	Quarter Ended				Year Ended June 30, 2005	Cumulative Total - June 30, 2005
				September 30, 2004	December 31, 2004	March 31, 2005	June 30, 2005		
Passenger facility charge revenue received			\$ 32,493,408	\$ 794,768	\$ 1,017,173	\$ 971,555	\$ 1,160,666	\$ 3,944,162	\$ 36,437,570
Interest earned			622,976	37,732	41,620	47,962	58,561	185,875	808,851
Total passenger facility charge revenue received			33,116,384	832,500	1,058,793	1,019,517	1,219,227	4,130,037	37,246,421
<u>Expenditures:</u>									
Application 96-03:	October 25, 2006								
Project 1		7,269,100	7,085,508					-	7,085,508
Project 2		6,330,900	6,470,042					-	6,470,042
Project 3		2,756,000	2,225,788					-	2,225,788
Application 00-04:	April 28, 2000								
Project 1		900,000	828,936					-	828,936
Project 2		8,400,000	4,617,643					-	4,617,643
Project 3		3,000,000	1,492,512					-	1,492,512
Project 4		2,000,000	479,016					-	479,016
Project 5		800,000	628,088		43,378			43,378	671,466
Project 6		2,800,000	3,057,498					-	3,057,498
Application: 04-05	December 28, 2003								
Project 5-1		24,000,000	1,417,818	(233,469)	525,306		414,207	706,044	2,123,862
Project 5-2		210,000	-					-	-
Project 5-3		1,200,000	-					-	-
Project 5-4		1,057,000	-					-	-
Project 5-5		150,000	-					-	-
Total passenger facility charge revenue expended			28,302,849	(233,469)	568,684	-	414,207	749,422	29,052,271
Net increase (decrease) in cash			4,813,535	1,065,969	490,109	1,019,517	805,020	3,380,615	8,194,150
Cash balance, beginning			-	4,813,535	5,879,504	6,369,613	7,389,130	4,813,535	-
Cash balance, ending			\$ 4,813,535	\$ 5,879,504	\$ 6,369,613	\$ 7,389,130	\$ 8,194,150	\$ 8,194,150	\$ 8,194,150

Note to Schedule:

1. Revenues and expenditures on approved projects in the schedule above agree to the Passenger Facility Charge Quarterly Status Reports (PFC Reports) submitted by the Authority to the FAA.

**Independent Accountants' 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***

Board of Trustees
Tulsa Airports Improvement Trust
Tulsa, Oklahoma

We have audited the financial statements of the Tulsa Airports Improvement Trust (the "Trust") as of and for the year ended June 30, 2005, and have issued our report thereon dated November 29, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Trust's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Trust's management in a separate letter dated November 29, 2005.

This report is intended for the information and use of the governing body and management and is not intended to be and should not be used by anyone other than these specified parties.

November 29, 2005

**Independent Accountants' Report on Compliance and Internal Control
Over Compliance With Requirements Applicable to
the Passenger Facility Charge Program**

Board of Trustees
Tulsa Airports Improvement Trust
Tulsa, Oklahoma

Compliance

We have audited the compliance of the Tulsa Airports Improvement Trust (the "Trust") with the compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (Guide), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended June 30, 2005. Compliance with the requirements of laws and regulations applicable to its [passenger facility charge program] is the responsibility of the Trust's management. Our responsibility is to express an opinion on the compliance of the Tulsa Airports Improvement Trust based on our audit.

We conducted our audit 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 of America, and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on the 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. Our audit does not provide a legal determination on the Trust's compliance with those requirements.

In our opinion, Tulsa Airports Improvement Trust complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements, which is described in the accompanying schedule of passenger facility charge program findings and questioned costs as item 05-01.

Internal Control Over Compliance

The management of the Tulsa Airports Improvement Trust is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Trust's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws and regulations caused by error or fraud that would be material in relation to the

passenger facility program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the governing body and management and is not intended to be and should not be used by anyone other than these specified parties.

Tulsa, Oklahoma
November 29, 2005

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2005

Findings Required to be Reported by Government Auditing Standards

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
No matters reportable		

Findings Required to be Reported by the Federal Aviation Administration

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
O5-01	<p>Passenger Facility Charge (PFC) Expenditures</p> <p>Criteria: In accordance with the Passenger Facility Charge Program, the Federal Aviation Administration requires quarterly reports to be completed accurately and timely.</p> <p>Condition: It was noted for the quarter ending June 30, 2004 that the Trust recorded expenditures that had not yet been expended. The error was corrected in the quarter ending September 30, 2004.</p> <p>Cause: The Airport management overlooked this item in reconciling the activity from the PFC account.</p> <p>Effect: The June 30, 2004 quarterly report was prepared in error.</p> <p>Recommendation: We recommend that the Airport review this activity in more detail to ensure reports are being reported accurately.</p> <p>Airport's Response: We concur.</p>	\$233,469