

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
FINANCIAL REPORT
June 30, 2010 and 2009

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Index
June 30, 2010 and 2009

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Independent Auditor's Report

Board of Trustees
Tulsa Airports Improvement Trust
Tulsa, Oklahoma

We have audited the accompanying basic financial statements of the Tulsa Airports Improvement Trust (the "Trust"), a component unit of the City of Tulsa, Oklahoma, as of and for the year ended June 30, 2010, 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 financial statements of the Trust for the year ended June 30, 2009 were audited by other auditors whose report dated January 22, 2010, expressed an unqualified opinion on those statements.

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

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of the Trust, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 2 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 financial statements that collectively comprise the Trust's basic financial statements. The schedule of expenditures of federal awards listed as supplementary information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other information as listed in the index has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Kansas City, Missouri
December 6, 2010

**Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2010 and 2009**

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, 2010 and 2009.

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

Airport Activities Highlights

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Enplaned Passengers	1,394,659	1,466,086	1,639,221
Airfreight Boarded (Tons)	57,990	59,743	65,256
Airline/Aircraft Movements (TIA)	110,698	121,811	138,306
Aircraft Movements - R.L. Jones Airport	218,435	305,793	334,420

The City's airports include Tulsa International Airport and R.L. Jones Airport. As of June 30, 2010, fifteen scheduled passenger carriers, several charter carriers, and three freight carriers served Tulsa International Airport.

Financial Position Summary as of June 30, 2010 (in thousands of dollars)

- The assets of the Trust exceeded liabilities at the close of the most recent year by \$236,257.
- Net assets increased \$9,980 from \$226,277 at June 30, 2009 to \$236,257 at June 30, 2010.
- Total liabilities increased \$46,181 from \$123,726 at June 30, 2009 to \$169,907 at June 30, 2010.
- Cash and cash equivalents increased \$33,100 from \$26,543 at June 30, 2009, to \$59,643 at June 30, 2010.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Management's Discussion and Analysis
June 30, 2010 and 2009

Financial Statements

The Trust's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United State 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 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

<i>(in thousands of dollars)</i>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets			
Current and other assets	\$ 95,332	\$ 47,709	\$ 50,814
Capital assets, net	<u>310,832</u>	<u>302,294</u>	<u>283,197</u>
Total assets	<u>406,164</u>	<u>350,003</u>	<u>334,011</u>
Liabilities			
Current and other liabilities	6,461	8,438	6,730
Long-term debt outstanding	<u>163,446</u>	<u>115,288</u>	<u>121,446</u>
Total liabilities	<u>169,907</u>	<u>123,726</u>	<u>128,176</u>
Net assets			
Invested in capital assets, net of debt	173,259	184,984	162,173
Restricted	37,834	22,493	25,540
Unrestricted	<u>25,164</u>	<u>18,800</u>	<u>18,122</u>
Total net assets	<u>\$ 236,257</u>	<u>\$ 226,277</u>	<u>\$ 205,835</u>

The largest portion (75%) and (83%) of the Trust's net assets as of June 30, 2010 and 2009, 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
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**Condensed Statements of Revenues,
Expenses and Changes in Net Assets**

(in thousands of dollars)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 31,267	\$ 32,087	\$ 31,170
Operating expenses, excluding depreciation and amortization	<u>(19,624)</u>	<u>(23,002)</u>	<u>(20,277)</u>
Operating income before depreciation and amortization	11,643	9,085	10,893
Depreciation and amortization	<u>(13,235)</u>	<u>(12,576)</u>	<u>(12,262)</u>
Operating loss	(1,592)	(3,491)	(1,369)
Nonoperating revenues and (expenses), net	(1,881)	(629)	404
Capital contributions and grants	<u>13,453</u>	<u>24,562</u>	<u>14,232</u>
Increase in net assets	<u>\$ 9,980</u>	<u>\$ 20,442</u>	<u>\$ 13,267</u>

- Operating revenues, which consist primarily of rents and services fees, decreased 2.5% due to a decrease in the number of scheduled flights by the airlines. Overall airlines have attempted to decrease the supply of available seats in order to improve unit revenues as a way to regain profitability. Less airline activity in fiscal year 2010, along with recessionary economic pressures, led to lower airline revenues and less passenger driven revenues for the year ended June 30, 2010. For the year ended June 30, 2009, operating revenues increased 2.9%.
- Operating expenses, excluding depreciation and amortization, decreased 14.7% for the year ended June 30, 2010 and increased 13.4% for the year ended June 30, 2009, due to slight changes in the airport cost structure as directed by a new airline agreement that took effect in fiscal year 2008-2009.
- Nonoperating revenues (expenses), net decreased 199.0% in 2010 due to increased interest from issuing debt as well as decreased passenger driven revenues from passenger facility charges and customer facility charges; and decreased 255.7 % in 2009 due to decreases in investment income, passenger facility charges, customer facility charges, and interest expense.
- Capital contributions, grants and charges decreased 45.2% for the year ended June 30, 2010, due to decreases in federal and state grants earned; and increased 72.6% for the year ended June 30, 2009, due to increases in federal and state grants earned.

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Summary of Cash Flow Activities

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

<i>(in thousands of dollars)</i>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash flows			
Provided by operating activities	\$ 10,739	\$ 9,157	\$ 10,125
Provided by (used in) capital and related financing activities	32,577	(13,646)	(9,616)
Provided by (used in) investing activities	<u>(10,216)</u>	<u>318</u>	<u>2,038</u>
Net increase (decrease) in cash and cash equivalents	33,100	(4,171)	2,547
Cash and cash equivalents			
Beginning of year	<u>26,543</u>	<u>30,714</u>	<u>28,167</u>
End of year	<u>\$ 59,643</u>	<u>\$ 26,543</u>	<u>\$ 30,714</u>

Capital Assets (in thousands of dollars)

The Trust's investment in capital assets amounted to \$310,832 (net of accumulated depreciation). The Trust paid \$24,170 and \$30,980 related to the acquisition and construction of capital assets for the years ended June 30, 2010 and 2009, respectively.

<i>(in thousands of dollars)</i>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land and improvements	\$ 304,647	\$ 276,017	\$ 272,655
Easements	59,832	52,417	43,446
Buildings	178,519	178,519	181,671
Equipment	<u>41,056</u>	<u>29,884</u>	<u>30,406</u>
	584,054	536,837	528,178
Less: Accumulated depreciation	(288,142)	(275,376)	(269,275)
Construction-in-progress	<u>14,920</u>	<u>40,833</u>	<u>24,294</u>
Capital assets, net	<u>\$ 310,832</u>	<u>\$ 302,294</u>	<u>\$ 283,197</u>

**Tulsa Airports Improvement Trust
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Long-Term Debt (in thousands of dollars)

At June 30, 2010, the Trust had outstanding long-term portion of general revenue bonds of \$151,936 and outstanding long-term portion of capital lease obligations of \$4,395. The bonds are collateralized by and payable from the revenues of the Trust. The Bonds mature per a set schedule with the last maturity occurring on June 1, 2031.

(in thousands of dollars)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Capital lease obligation	\$ 4,395	\$ 4,590	\$ 4,780
Revenue bonds	151,936	104,008	110,281
	<u>\$ 156,331</u>	<u>\$ 108,598</u>	<u>\$ 115,061</u>

The Trust's debt increased by \$47,733 in fiscal year 2010 due to the issuances of debt in fiscal year 2010 (Series 2009A, B, C, D and Series 2010A & B). The debt in fiscal years 2009 and 2008 decreased by \$6,463 and increased by \$555, respectively.

Signatory Airline Rates and Charges

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

Signatory Airline Terminal rental rates for fiscal years 2010, 2009 and 2008 ranged from \$36.67 to \$73.33 per square foot. Signatory landing fees were \$2.76, \$2.35 and \$2.02 per 1000 lbs for 2010, 2009 and 2008, respectively. Beginning in fiscal year 2009 terminal rents are calculated according to a modified commercial compensatory methodology. Prior years rates could be adjusted based on the change in the operating budget.

Economic Factors

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

Enplanements decreased 4.9% in fiscal year 2010 from fiscal year 2009 while total air freight tonnage declined 2.9%. Operations (take-offs and landings) at Tulsa International Airport declined 9.1% while operations at RL Jones Riverside, the reliever airport, declined 28.6%.

Contacting The Trust's Financial Management

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Net Assets
June 30, 2010 and 2009

(in thousands of dollars)

	<u>2010</u>	<u>2009</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 15,502	\$ 14,149
Cash and cash equivalents - restricted	16,149	1,630
Receivables		
Trade, less allowance for doubtful accounts of \$34 for 2010 and \$58 for 2009	1,900	1,311
Federal grants receivable	3,557	2,138
Customer facility charges receivable	166	161
Passenger facility charges receivable - restricted	634	575
Accrued interest receivable - restricted	107	23
Inventory	1,166	1,123
Other current assets	50	112
Total current assets	<u>39,231</u>	<u>21,222</u>
Noncurrent assets		
Cash and cash equivalents - restricted	27,992	10,764
Investments	1,674	9
Advance to primary government, restricted	127	127
Investments - restricted	22,333	12,976
Deferred bond issue costs, net	3,560	2,546
Non-depreciable capital assets	144,463	162,961
Depreciable capital assets, net	166,369	139,333
Other	415	65
Total noncurrent assets	<u>366,933</u>	<u>328,781</u>
Total assets	<u>\$ 406,164</u>	<u>\$ 350,003</u>

(continued)

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Net Assets, continued
June 30, 2010 and 2009

(in thousands of dollars)

	<u>2010</u>	<u>2009</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	449	537
Accounts payable - restricted	2,700	5,050
Customer deposits - restricted	70	66
Current portion of vested compensated absences	366	395
Deferred revenue	395	612
Current portion of bonds and capital lease obligation	7,115	6,690
Accrued interest payable - restricted	866	508
Total current liabilities	<u>11,961</u>	<u>13,858</u>
Noncurrent liabilities		
Vested compensated absences	639	609
Other postemployment benefits	829	661
Net pension obligation	147	-
Capital lease obligation - restricted	4,395	4,590
Bonds payable, net - restricted	151,936	104,008
Total noncurrent liabilities	<u>157,946</u>	<u>109,868</u>
Total liabilities	<u>169,907</u>	<u>123,726</u>
Net assets		
Invested in capital assets, net of related debt	173,259	184,984
Restricted for		
Debt service	26,333	8,327
Capital projects	11,323	13,514
Other purposes	178	652
Total restricted net assets	<u>37,834</u>	<u>22,493</u>
Unrestricted	25,164	18,800
Total net assets	<u>\$ 236,257</u>	<u>\$ 226,277</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, 2010 and 2009

(in thousands of dollars)

	<u>2010</u>	<u>2009</u>
Operating revenues		
Fuel sales fees	\$ 870	\$ 796
Terminal building rentals	11,572	11,529
Field and runways fees	6,415	5,819
Cargo fees	1,476	1,947
Ground rentals	2,664	2,714
Hangars and field buildings rentals	744	786
Motel commissions	266	308
General aviation terminal building rentals	-	40
Parking	6,556	8,007
Other	704	141
Total operating revenues	<u>31,267</u>	<u>32,087</u>
Operating expenses, excluding depreciation and amortization		
Building maintenance	5,761	6,409
Automotive maintenance	445	508
Field electrical	49	243
Field maintenance	781	858
General and administrative	5,032	5,714
Engineering	928	927
Operations	4,518	4,634
R. L. Jones	435	450
Cargo management	501	1,087
Parking	1,174	2,172
Total operating expenses, excluding depreciation and amortization	<u>19,624</u>	<u>23,002</u>
Operating income before depreciation and amortization	11,643	9,085
Depreciation and amortization	13,235	12,576
Operating loss	<u>(1,592)</u>	<u>(3,491)</u>

(continued)

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Revenues, Expenses and Changes in Net Assets, continued
Years Ended June 30, 2010 and 2009

(in thousands of dollars)

	<u>2010</u>	<u>2009</u>
Nonoperating revenues (expenses)		
Investment income	890	572
Interest expense	(8,690)	(6,688)
Passenger facility charges	3,735	3,817
Customer facility charges	1,759	1,953
(Loss) gain on sale of capital assets	15	(471)
Other, net	410	188
Net nonoperating revenues (expenses)	<u>(1,881)</u>	<u>(629)</u>
Capital contributions and grants		
Federal grants	12,600	21,856
State grants	853	2,706
Total capital contributions and grants	<u>13,453</u>	<u>24,562</u>
Increase in net assets	9,980	20,442
Net assets, beginning of year	<u>226,277</u>	<u>205,835</u>
Net assets, end of year	<u>\$ 236,257</u>	<u>\$ 226,277</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, 2010 and 2009

(in thousands of dollars)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Cash received from customers, including cash deposits	\$ 30,461	\$ 29,925
Cash payments to suppliers for goods and services	(11,826)	(12,814)
Cash payments to employees for services	(7,896)	(7,954)
Net cash provided by operating activities	<u>10,739</u>	<u>9,157</u>
Cash flows from capital and related financing activities		
Construction and purchase of capital assets	(24,172)	(30,980)
Interest paid on revenue bonds	(8,002)	(6,252)
Passenger facility charge received	3,676	3,702
Customer facility charge received	1,754	1,995
Proceeds from sale of revenue bonds	137,558	-
Principal paid on revenue bonds	(88,505)	(5,845)
Principal paid on capital lease	(190)	(540)
Bond issue costs	(2,049)	-
Proceeds from sale of capital assets	63	389
Proceeds from state capital grants	853	2,706
Proceeds from federal capital grants	11,181	20,990
Other, net	410	189
Net cash provided (used) by capital and related financing activities	<u>32,577</u>	<u>(13,646)</u>
Cash flows from investing activities		
Purchase of investments	(28,650)	(11,283)
Proceeds from sale of investments	17,676	11,125
Interest received on investments	758	476
Net cash provided (used) by investing activities	<u>(10,216)</u>	<u>318</u>
Net increase (decrease) in cash and cash equivalents	<u>33,100</u>	<u>(4,171)</u>
Cash and cash equivalents		
Beginning of year	<u>26,543</u>	<u>30,714</u>
End of year	<u>\$ 59,643</u>	<u>\$ 26,543</u>

(continued)

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statements of Cash Flows, continued
Years Ended June 30, 2010 and 2009

(in thousands of dollars)

	<u>2010</u>	<u>2009</u>
Reconciliation of cash and cash equivalents to the statements of net assets		
Current unrestricted cash and cash equivalents	\$ 15,502	\$ 14,149
Current restricted cash and cash equivalents	16,149	1,630
Noncurrent restricted cash and cash equivalents	<u>27,992</u>	<u>10,764</u>
 Total cash and cash equivalents	 <u>\$ 59,643</u>	 <u>\$ 26,543</u>
 Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (1,592)	\$ (3,491)
Adjustments to reconcile operating activities to net cash		
Depreciation and amortization	13,235	12,576
(Increase) decrease in accounts receivable, trade	(589)	(206)
(Increase) decrease in inventory	(43)	72
(Increase) decrease in other current assets	62	2
Increase (decrease) in accounts payable and accrued liabilities	233	4
Increase (decrease) in deferred revenue	(217)	214
Increase (decrease) in other assets	(350)	(14)
Net cash provided by operating activities	<u>\$ 10,739</u>	<u>\$ 9,157</u>
 Noncash capital and investing activities:		
Capital asset acquisitions included in accounts payable	<u>\$ 2,699</u>	<u>\$ 5,050</u>
Appreciation of fair value of investments	<u>\$ 48</u>	<u>\$ 142</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
Years Ended June 30, 2010 and 2009

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

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

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

Effective July 1, 1989, the lease by and between the City and the Trust was further amended to provide for the operation and maintenance of the airports on a day-to-day basis by the TAA. The lease provides for a nominal annual lease payment to the City. The term of the lease, as amended on July 1 2008, 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.

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

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

BASIS OF ACCOUNTING AND PRESENTATION- The 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 Trust has elected not to follow FASB guidance subsequent to November 30, 1989.

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

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

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

INVESTMENTS - Investments are stated at fair value.

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

CAPITAL ASSETS - Capital assets are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 20 to 50 years for buildings, 5 to 20 years for roads, ramps, and runways, 3 to 20 years for equipment, and 1 to 20 years for leasehold improvements. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in nonoperating revenues and expenses. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Interest incurred during construction periods is capitalized and included in the cost of capital assets. There were no amounts of interest capitalized in fiscal year 2010 or 2009.

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 COST - 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 accreted/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 operating expenses.

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

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

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

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

NET ASSETS - Net Assets of the Trust represent the difference between assets and liabilities. The net assets of the Trust are comprised of these categories:

INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT - reflects the Trust's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. Invested in capital assets, net of related debt, excludes unspent bond proceeds of \$28,572 and \$3,027 as of June 30, 2010 and 2009, respectively. The Trust uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.

RESTRICTED NET ASSETS - represent resources that are subject to enabling legislation adopted by the Trust or through external restrictions imposed by creditors, grantors or, laws or regulations of other governments.

UNRESTRICTED NET ASSETS - represent remaining assets less remaining liabilities that do not meet the definition of invested capital assets, net of related debt or restricted.

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.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

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

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

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

PASSENGER FACILITY CHARGE - 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 nonoperating revenues 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. In October 2008, the Trust received approval from the FAA to impose and use \$65,043,406 in PFC's for various capital-related purposes. The effective date of the approval is April 1, 2010 and the expiration date for collections has been extended to September 1, 2026. With this approval, the Trust's approved collection and use total increases to \$142,278,896.

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 may 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 designated for use by the Trust for certain rental car capital improvement projects, industry operating cost and debt service requirements. CFC revenues are reflected in nonoperating revenues.

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.

RECLASSIFICATIONS - Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no effect on changes in net assets.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

2. **CASH AND INVESTMENTS**

POOLED CASH AND INVESTMENTS - The Trust maintains a portion of its cash and investments with the City's pooled cash and investments account. Pooled cash and investments consist primarily of time deposits and United States Government agency and instrumentality securities, and are reported at the fair value of the pooled shares. At June 30, 2010 and 2009, the pooled cash and investments, which are reflected on the Trust's statement of net assets within cash and cash equivalents, amounted to \$4,950,587 and \$2,801,889, respectively. The pooled cash and investments balance at June 30, 2010 and 2009, was comprised of investments that were collateralized by securities that were held by the pledging financial institution, or by its trust department or agent, but not in the City's name.

NON-POOLED DEPOSITS - Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Trust's deposit policy for custodial credit risk requires compliance with the provisions of state law and that demand deposits be collateralized at least 110% of the amount that is not federally insured. At June 30, 2010 and 2009 there were no amounts uninsured or with insufficient collateral pledged to meet the requirement.

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

The Trust's non-pooled investments as of June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

Type	Fair Value	June 30, 2010		
		Maturities in Years		
		Less than 1	1-10	More than 10
U.S. agency and instrumentality obligations	\$ 21,650	\$ -	\$ 21,632	\$ 18
State and local government securities (SLUG)	690	-	-	690
Money market mutual funds	26,270	26,270	-	-
	<u>\$ 48,610</u>	<u>\$ 26,270</u>	<u>\$ 21,632</u>	<u>\$ 708</u>

(in thousands of dollars)

Type	Fair Value	June 30, 2009		
		Maturities in Years		
		Less than 1	1-10	More than 10
U.S. agency and instrumentality obligations	\$ 9,514	\$ 8,653	\$ 839	\$ 22
State and local government securities (SLUG)	690	-	-	690
Money market mutual funds	22,858	22,858	-	-
	<u>\$ 33,062</u>	<u>\$ 31,511</u>	<u>\$ 839</u>	<u>\$ 712</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

2. **CASH AND INVESTMENTS, continued**

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 immediately.

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, 2010 and 2009, credit quality ratings for the Trust’s investments in U.S. agency and instrumentality obligations were rated Aaa by Moody’s and AAA by S&P, and the money market mutual funds were rated AAA. Investments in state and local government securities 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 and instrumentality obligations at June 30, 2010 and 2009 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. At June 30, 2010, the Trust’s investment in Federal Home Loan Mortgage Corporation (FHLMC) and Federal Home Loan Bank (FHLB) constituted 16% and 12%, respectively, of its total investments. Mutual funds are not subject to concentration of credit risk disclosure.

RECONCILIATION TO STATEMENTS OF NET ASSETS - A reconciliation of pooled cash and investments, non-pooled deposits and non-pooled investments to the fair values at June 30, 2010 and 2009 is as follows:

<i>(in thousands of dollars)</i>	<u>2010</u>	<u>2009</u>
Pooled cash and investments	\$ 4,951	\$ 2,802
Non-pooled deposits	30,089	3,664
Non-pooled investments	<u>48,610</u>	<u>33,062</u>
	<u>\$ 83,650</u>	<u>\$ 39,528</u>
Current cash and cash equivalents	\$ 15,502	\$ 14,149
Current restricted cash and cash equivalents	16,149	1,630
Noncurrent restricted cash and cash equivalents	27,992	10,764
Noncurrent unrestricted investments	1,674	9
Noncurrent restricted investments	<u>22,333</u>	<u>12,976</u>
	<u>\$ 83,650</u>	<u>\$ 39,528</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

3. **FEDERAL GRANTS**

Federal grants receivable represent the earned portions, based on the related expenditures, of various grants that have not been remitted by the grantor. The unexpended portions of such grants are properly not reflected in the financial statements and as of June 30, 2010 and 2009, totaled \$16,218,721 and \$8,784,622, respectively, for the Trust.

4. **CAPITAL ASSETS**

The changes in capital assets during 2010 can be summarized as follows:

2010: <i>(in thousands of dollars)</i>	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 69,711	-	\$ -	\$ -	\$ 69,711
Easements	52,417	7,415	-	-	59,832
Construction-in-progress	40,833	13,839	-	(39,752)	14,920
Total capital assets not being depreciated	<u>162,961</u>	<u>21,254</u>	<u>-</u>	<u>(39,752)</u>	<u>144,463</u>
Capital assets being depreciated					
Land improvements	206,306	-	-	28,630	234,936
Buildings	178,519	-	-	-	178,519
Equipment	29,884	567	(517)	11,122	41,056
Total capital assets being depreciated	<u>414,709</u>	<u>567</u>	<u>(517)</u>	<u>39,752</u>	<u>454,511</u>
Accumulated depreciation					
Land improvements	149,247	6,911	-	-	156,158
Buildings	104,276	4,607	-	-	108,883
Equipment	21,853	1,717	(469)	-	23,101
Total accumulated depreciation	<u>275,376</u>	<u>13,235</u>	<u>(469)</u>	<u>-</u>	<u>288,142</u>
Total capital assets being depreciated, net	<u>139,333</u>	<u>(12,668)</u>	<u>(48)</u>	<u>39,752</u>	<u>166,369</u>
Capital assets, net	<u>\$ 302,294</u>	<u>\$ 8,586</u>	<u>\$ (48)</u>	<u>\$ -</u>	<u>\$ 310,832</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

4. **CAPITAL ASSETS, continued**

The changes in capital assets during 2009 can be summarized as follows:

2009: <i>(in thousands of dollars)</i>	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 69,535	\$ -	\$ -	\$ 176	\$ 69,711
Easements	43,446	8,971	-	-	52,417
Construction-in-progress	24,294	22,699	-	(6,160)	40,833
Total capital assets not being depreciated	<u>137,275</u>	<u>31,670</u>	<u>-</u>	<u>(5,984)</u>	<u>162,961</u>
Capital assets being depreciated					
Land improvements	203,120	-	(690)	3,876	206,306
Buildings	181,671	-	(3,152)	-	178,519
Equipment	30,406	863	(3,493)	2,108	29,884
Total capital assets being depreciated	<u>415,197</u>	<u>863</u>	<u>(7,335)</u>	<u>5,984</u>	<u>414,709</u>
Accumulated depreciation					
Land improvements	143,292	6,596	(641)	-	149,247
Buildings	102,303	4,450	(2,477)	-	104,276
Equipment	23,680	1,530	(3,357)	-	21,853
Total accumulated depreciation	<u>269,275</u>	<u>12,576</u>	<u>(6,475)</u>	<u>-</u>	<u>275,376</u>
Total capital assets being depreciated, net	<u>145,922</u>	<u>(11,713)</u>	<u>(860)</u>	<u>5,984</u>	<u>139,333</u>
Capital assets, net	<u>\$ 283,197</u>	<u>\$ 19,957</u>	<u>\$ (860)</u>	<u>\$ -</u>	<u>\$ 302,294</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

5. REVENUE BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES

The changes in revenue bonds payable and other long-term liabilities during 2010 can be summarized as follows:

(in thousands of dollars)

Series and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Increase	Decrease	Ending Balance	Portion Due Within One Year
Revenue bonds							
Series 1997B, 2017	32,835	7.05%	\$ 28,695	\$ -	\$ (28,695)	\$ -	\$ -
Series 1999A, 2021	8,145	5.30 - 6.00%	5,830	-	(5,830)	-	-
Series 1999B, 2026	14,665	5.5 - 6.125%	8,775	-	(925)	7,850	350
Series 1999C, 2021	10,265	7.65 - 7.75%	7,765	-	(7,765)	-	-
Series 2000A, 2020	11,000	6.00%	7,850	-	(505)	7,345	535
Series 2001A, 2017	54,000	5.20%	3,000	-	-	3,000	-
Series 2003, 2023	30,400	3.50%	10,180	-	(10,180)	-	-
Series 2004A, 2018	17,800	3.25 - 5.00%	13,465	-	(1,220)	12,245	1,280
Series 2004B, 2017	2,200	4.95%	1,525	-	(125)	1,400	200
Series 2007A, 2018	2,955	5.00%	2,955	-	(2,955)	-	-
Series 2007B, 2019	4,050	5.125%	4,050	-	(4,050)	-	-
Series 2007C, 2020	20,220	2.50%	20,155	-	(20,155)	-	-
Series 2009A, 2024	42,705	3.0 - 5.375%	-	42,705	(3,085)	39,620	2,170
Series 2009B, 2031	25,865	3.0 - 5.75%	-	25,865	-	25,865	910
Series 2009C, 2023	4,020	3.00 - 6.00%	-	4,020	(20)	4,000	30
Series 2009D, 2031	56,615	2.726 - 7.114%	-	56,615	(2,995)	53,620	945
Series 2010A, 2021	5,770	4.57 - 5.00%	-	5,770	-	5,770	-
Series 2010B, 2021	8,215	6.00 - 6.50%	-	8,215	-	8,215	500
Total revenue bonds payable			<u>114,245</u>	<u>143,190</u>	<u>(88,505)</u>	<u>168,930</u>	<u>6,920</u>
Unamortized loss			<u>4,312</u>	<u>6,399</u>	<u>(515)</u>	<u>10,196</u>	<u>-</u>
Unamortized discount (premium)			<u>(575)</u>	<u>286</u>	<u>167</u>	<u>(122)</u>	<u>-</u>
Total unamortized loss/discount (premium)			<u>3,737</u>	<u>6,685</u>	<u>(348)</u>	<u>10,074</u>	<u>-</u>
Total revenue bonds payable, net			<u>110,508</u>	<u>136,505</u>	<u>(88,157)</u>	<u>158,856</u>	<u>6,920</u>
Other long-term liabilities							
Capital lease			4,780	-	(190)	4,590	195
Other postemployment benefits			661	168	-	829	-
Vested compensated absences			1,004	327	(326)	1,005	366
Net pension obligation			-	147	-	147	-
Total other long-term liabilities			<u>6,445</u>	<u>642</u>	<u>(516)</u>	<u>6,571</u>	<u>561</u>
Total long-term liabilities			<u>\$ 116,953</u>	<u>\$ 137,147</u>	<u>\$ (88,673)</u>	<u>\$ 165,427</u>	<u>\$ 7,481</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

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

The changes in revenue bonds payable and other long-term liabilities during 2009 can be summarized as follows:

(in thousands of dollars)

Series and Maturity Dates	Issue Amount	Interest Rate	Beginning Balance	Increase	Decrease	Ending Balance	Portion Due Within One Year
Revenue bonds							
Series 1997A, 2009	\$ 21,740	7.30%	\$ 450	\$ -	\$ (450)	\$ -	\$ -
Series 1997B, 2017	32,835	7.05%	30,740	-	(2,045)	28,695	2,710
Series 1999A, 2021	8,145	5.25 - 6.00%	6,180	-	(350)	5,830	350
Series 1999B, 2026	14,665	5.5 - 6.125%	9,650	-	(875)	8,775	925
Series 1999C, 2021	10,265	7.25 - 7.75%	8,190	-	(425)	7,765	430
Series 2000A, 2020	11,000	6.00%	8,325	-	(475)	7,850	505
Series 2001A, 2017	54,000	5.20%	3,000	-	-	3,000	-
Series 2003, 2023	30,400	3.50%	10,180	-	-	10,180	-
Series 2004A, 2018	17,800	3.25 - 5.00%	14,630	-	(1,165)	13,465	1,220
Series 2004B, 2017	2,200	4.95%	1,525	-	-	1,525	125
Series 2007A, 2018	2,955	5.00%	2,955	-	-	2,955	80
Series 2007B, 2019	4,050	5.125%	4,050	-	-	4,050	95
Series 2007C, 2020	20,220	2.50%	20,215	-	(60)	20,155	60
Total revenue bonds payable			<u>120,090</u>	<u>-</u>	<u>(5,845)</u>	<u>114,245</u>	<u>6,500</u>
Unamortized loss			4,625	(313)	-	4,312	-
Unamortized discount (premium)			(661)	-	86	(575)	-
Total unamortized loss/discount (premium)			<u>3,964</u>	<u>(313)</u>	<u>86</u>	<u>3,737</u>	<u>-</u>
Total revenue bonds payable, net			<u>116,126</u>	<u>313</u>	<u>(5,931)</u>	<u>110,508</u>	<u>6,500</u>
Other long-term liabilities							
Capital lease			5,320	-	(540)	4,780	190
Other postemployment benefits			319	342	-	661	-
Vested compensated absences			906	98	-	1,004	395
Total other long-term liabilities			<u>6,545</u>	<u>440</u>	<u>(540)</u>	<u>6,445</u>	<u>585</u>
Total long-term liabilities			<u>\$ 122,671</u>	<u>\$ 753</u>	<u>\$ (6,471)</u>	<u>\$ 116,953</u>	<u>\$ 7,085</u>

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

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

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

REVENUES PLEDGED - The Trust has pledged future gross revenues derived from the operation of the Airports to repay approximately \$242,855,000 in revenue bonds issued. Proceeds from the bonds provided financing for various capital projects and debt refundings. The bonds are payable solely from gross revenues and are payable through 2031. Annual principal and interest payments on the bonds required 40% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$280,258,093. Principal and interest paid for the year was \$16,926,219. Total gross revenues were \$42,552,620.

ECONOMIC GAIN/LOSS ON REFUNDING – General Revenue Bonds, Refunding Series 2009B, 2009C, and 2009D – On December 10, 2009 the Trust issued the Series 2009 Revenue Bonds in the amount of \$86,500,000. The proceeds of this issue were used to currently refund the Trusts Series 1997B, Series 2003, and Series 2007ABC. This refunding resulted in a deferred accounting loss of \$6,174,347, which will be amortized over the life of the new bonds. Neither the economic gain/loss nor the increase/decrease in future debt service payments is known since some of the debt refunded had variable interest rates.

ECONOMIC GAIN/LOSS ON REFUNDING – General Revenue Bonds, Refunding Series 2010A and 2010B – On May 5, 2010 the Trust issued the Series 2010 Revenue Bonds in the amount of \$13,985,000. The proceeds of this issue were used to currently refund the Trusts Series 1999A and 1999C. This transaction will reduce debt service payments by approximately \$790,000 over the next 11 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 \$994,000. This refunding resulted in a deferred accounting loss of \$224,474, which will be amortized over the life of the new bonds.

Future maturities of revenue bonds are as follows:

(in thousands of dollars)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 6,920	\$ 9,576	\$ 16,496
2012	7,590	9,287	16,877
2013	8,130	9,012	17,142
2014	8,470	8,689	17,159
2015	9,950	8,323	18,273
2016-2020	49,925	34,221	84,146
2021-2025	40,035	21,596	61,631
2026-2030	30,500	10,059	40,559
2031	7,410	565	7,975
	<u>\$ 168,930</u>	<u>\$111,328</u>	<u>\$ 280,258</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

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

DEFEASED DEBT - Certain outstanding revenue bonds of the Trust have been defeased by placing the proceeds of refunding bonds in irrevocable escrow accounts held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow accounts and the defeased bonds are not included in the Trust's financial statements. The defeased bonds outstanding and considered extinguished are as follows:

Tulsa Airport, 1997B Revenue Bonds	\$ 25,985
	<u> </u>

6. **CAPITAL LEASE OBLIGATION**

On September 30, 2003, the Trust entered into a \$6,935,000 capital lease obligation to finance the purchase of certain energy efficient equipment and services, canopies in certain parking areas and computer equipment. The obligation is payable in amounts ranging from \$80,000 to \$540,000 annually from October 2004 to October 2023. Interest on the obligation is payable semiannually at rates ranging from 2.0% to 6.0%. The obligations due on or after October 1, 2013 are subject to redemption at the option of the Trust, at a price equal to the principal amount plus any accrued interest. The gross amounts of capital assets and related accumulated depreciation recorded under these capital leases at June 30, 2010 and 2009 follows:

<i>(in thousands of dollars)</i>	<u>2010</u>	<u>2009</u>
Capital lease proceeds	\$ 6,935	\$ 6,935
Unspent proceeds	(726)	(727)
Purchases less than capitalization threshold	<u>(610)</u>	<u>(609)</u>
Capital assets	5,599	5,599
Accumulated amortization	<u>(995)</u>	<u>(850)</u>
	<u>\$ 4,604</u>	<u>\$ 4,749</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

6. **CAPITAL LEASE OBLIGATION**, continued

The present value of future minimum capital lease payments at June 30, 2010 follows:

<i>(in thousands of dollars)</i>	
2011	\$ 445
2012	445
2013	445
2014	444
2015	447
2016 - 2020	2,222
2021 - 2024	<u>2,435</u>
Total minimum lease payments	6,883
Amounts representing interest	<u>(2,293)</u>
Present value of minimum lease payments	<u>\$ 4,590</u>

7. **CONDUIT DEBT OBLIGATIONS**

To pay the costs of certain modifications, rehabilitations, and reconstruction to a special facility located adjacent to Tulsa International Airport, the Trust has issued a series of Special Facility Revenue Bonds. At June 30, 2010 and 2009, Special Facility Revenue Bonds outstanding aggregated \$10,120,000. The obligations are payable solely from and collateralized by a pledge of rentals to be received from a lease agreement between the airport and Biz Jet International. The bonds do not constitute a debt or pledge of the faith and credit of the Trust, the City, or the State and, accordingly, they have not been reported in the accompanying financial statements.

8. **MUNICIPAL EMPLOYEES' PENSION FUND**

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

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

8. **MUNICIPAL EMPLOYEES' PENSION FUND**, continued

The authority to establish and amend requirements of the Plan is set forth in the City Charter and State Statutes and is vested in the Plan's board of trustees, which are appointed by the Mayor with approval of the City Council. Plan members are required to contribute 4.0% of their annual covered salary. The Trust is required to contribute at an actuarially determined rate; the rate was 8.99%, 6.3% and 6.3% for the years ended 2010, 2009 and 2008. The Trust's contributions to the Plan for 2010, 2009 and 2008 were \$370,000, \$380,000 and \$366,000, respectively, which equalled 73%, 100% and 100% of the actuary required contribution each year. The difference between the required contributions to the Plan and the actual contributions made by the Trust was \$147 and \$0 as of June 30, 2010 and 2009, respectively.

The Plan is reported as a Pension Trust Fund in the City's 2010 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.

9. **OTHER POSTEMPLOYMENT BENEFITS**

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

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

The actuarial valuation of the liabilities under the Plan is calculated using the entry age normal cost method as of the July 1, 2009 and 2008 actuarial valuations. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$33,852 and \$33,036 for the City as of June 30, 2010 and 2009, respectively. The Authority's portion of the unfunded actuarial liability is not separately determinable.

The City's actuarial determined annual required contribution (ARC) for fiscal years ending June 30, 2010 and 2009 was \$3,239,000 and \$3,071,000, of which \$522,000 and \$285,000 was paid on a pay-as-you-go basis in 2010 and 2009, respectively. The Trust was allocated \$829,000 and \$661,000 of the net obligation for the fiscal year ending June 30, 2010 and 2009, respectively, which has been reflected in the financial statements. The amount allocated to the Trust is based on the percentage of the Trust's payroll cost compared to the total payroll cost of the active eligible employees. The complete details of the plan are disclosed in the City's Comprehensive Annual Financial Report.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

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 under non-cancellable operating leases as of June 30, 2010, are as follows:

(In thousands of dollars)

2011	\$ 13,716
2012	13,645
2013	9,224
2014	9,009
2015	4,592
2016 - 2020	3,369
2021 - 2025	2,578
2026 - 2030	2,275
2031 - 2035	1,567
2036 - 2040	1,294
2041 - 2045	1,230
2046 - 2049	125
	<u> </u>
	<u><u>\$ 62,624</u></u>

11. RISK MANAGEMENT

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

12. **COMMITMENTS AND CONTINGENCIES**

As of June 30, 2010, the Trust had open commitments for construction projects of approximately \$18,617,000.

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.

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

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

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

In October 2004, TIA (at the direction of BOK) filed suit against the Trust and its former legal counsel. The suit alleges that the Trust breached the Support Agreement and demands that the Trust be required to purchase the property or that TIA be awarded damages totaling \$7,497,546 plus interest, costs and attorney fees. The Trust filed an answer to the suit and has claimed various affirmative defenses. TIA's initial motion for summary judgment was denied. An order entered by the Court on two subsequent TIA motions for partial summary adjudication identified a limited source of nonairport revenues but failed to otherwise strike the Trust's affirmative defenses as requested by TIA. In a more recent demand, TIA calculated the purchase price as \$10,783,056 which includes principal, accrued interest, and attorney fees. In June, 2008, TIA/BOK filed an amended petition in which it added the City of Tulsa as a defendant with a claim for unjust enrichment.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Notes to Basic Financial Statements, continued
Years Ended June 30, 2010 and 2009

12. **COMMITMENTS AND CONTINGENCIES, continued**

Following settlement negotiations, the Trust, the City and TIA/BOK entered into a Settlement Agreement which was approved by the Trust, the Mayor, BOK and the Court. On June 26, 2008, the City Council approved a resolution authorizing payment of the \$7.1 million judgment (“Settlement Amount”) from the City’s sinking fund. The Settlement Amount was paid on August 4, 2008. The Settlement Agreement resulted in a dismissal, without prejudice, of TIA/BOK’s claims against the Trust.

Following approval of the Settlement Agreement, the City received a taxpayers’ Qui Tam Demand on July 8, 2008, challenging the legality of the settlement. In response, and according to the terms of the Settlement Agreement, the Mayor and City filed a Declaratory Judgment action in Tulsa County District Court on July 14, 2008, seeking a judicial declaration that their actions in executing the Settlement Agreement and transferring the Settlement Payment were authorized by Oklahoma law. If the Court does not rule in the City/Mayor’s favor, the terms of the Settlement Agreement will cause a repayment of the Settlement Amount to the City and reinstatement of the TIA/BOK litigation (originally filed in October, 2004) against the Trust and the City.

13. **RELATED PARTY TRANSACTIONS**

During the years ended, the Authority conducted the following transactions with related parties.

(In thousands of dollars)

	<u>2010</u>	<u>2009</u>
Payments to City of Tulsa - General Fund for support services	\$ 1,281	\$ 1,396
Payments to City of Tulsa - General Fund for fire services	\$ 1,644	\$ 1,592

14. **SUBSEQUENT EVENTS**

GENERAL AIRPORT REVENUE BONDS ISSUANCE

On September 16, 2010, the Trust passed a resolution approving the issuance of General Airport Revenue Bonds in an amount not to exceed \$17,000,000. The resolution anticipated the bonds would refund various series of bonds. The 2010C General Airport Revenue Bonds were issued on November 10, 2010 in the amount of \$13,520,000.

In July 2010 TAIT submitted an amendment to PFC Application #6 as well as a new PFC Application #7 that was approved by the FAA on September 30, 2010. The amendment to PFC #6 was a decrease of approximately \$8.5 million with an increase in the rate from \$3.00 to \$4.50 effective on December 1, 2010. PFC Application #7 was for a total of \$7.9 million and will extend the collection period to December 2020.

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Grant Title	CDFA Number	Grant Number	Amount of Grant	Unexpended Balance at June 30, 2009	Grants Awarded (Closed) During Current Year	Transfers and Adjustments	Other Income and Matching	Current Year Expenditures	Unexpended Balance at June 30, 2010
Department of Transportation									
Federal Aviation Administration									
Airfield Drainage	20.106	3-40-0098-12	\$ 273,375	\$ 5,719	\$ -	\$ -	\$ -	\$ -	\$ 5,719
Riverside Masterplan	20.106	3-40-0098-13	370,647	2,719	-	-	-	-	2,719
Riverside Easements	20.106	3-40-0098-14	202,500	68,186	-	-	-	-	68,186
RVS - Drainage Improvement - Phase 1	20.106	3-40-0098-15	1,178,154	106,018	-	-	-	-	106,018
RVS - Drainage Improvement - Phase 1B, 2 & 3	20.106	3-40-0098-16	3,258,573	-	248,707	-	13,090	261,797	-
RVS - Southeast Stormsewer Phase III	20.106	3-40-0098-17	1,887,264	147,641	-	119,672	9,868	197,369	79,812
RVS - Perimeter Fencing (RSAT Initiative- Phase D)	20.106	3-40-0098-18	147,190	-	-	-	-	-	-
RVS - Rehabilitate Taxiways & Roadways	20.106	3-40-0098-19	47,244	8,940	-	-	-	-	8,940
Rehabilitate Taxiways & Taxilanes	20.106	3-40-0098-23	1,608,054	-	1,608,054	-	5,201	104,028	1,509,227
Noise Mitigation	20.106	3-40-0099-47	6,000,000	-	327,921	-	36,436	364,357	-
Baggage Conv & ARFF Vehicles	20.106	3-40-0099-49	4,000,000	37,504	-	-	-	-	37,504
Noise Mitigation	20.106	3-40-0099-50	6,298,000	-	168,996	-	8,895	177,891	-
Rehabilitate Runway 18R/36L	20.106	3-40-0099-52	1,976,876	11,630	-	-	-	-	11,630
Taxiway C Extension	20.106	3-40-0099-53	2,762,399	279	-	-	-	-	279
Noise Mitigation with Sales Assistance	20.106	3-40-0099-57	7,000,000	665,310	-	-	2,543	50,853	617,000
Airfield Electrical Improvements	20.106	3-40-0099-58	4,132,805	-	120,134	-	6,323	126,457	-
Taxiway November- Phase II	20.106	3-40-0099-59	7,065,450	48,896	-	-	2,573	51,469	-
Rehabilitate Runway 8-26 & Taxiways Charlie & Lima	20.106	3-40-0099-60	7,016,319	182,006	86,319	(111,540)	-	-	156,785
North Development Area Taxiways - Phase 1	20.106	3-40-0099-62	1,181,357	1,157	-	-	-	-	1,157
Upgrade ARFF Equipment (HPR 6X6)	20.106	3-40-0099-63	2,001,112	36,703	41,555	11	4,119	82,388	-
Acquire Runway Protection Zone for Runway 8	20.106	3-40-0099-64	6,930,000	4,785,070	-	(119,672)	239,475	4,789,493	115,380
North Development Area Taxiways - Phase 2	20.106	3-40-0099-65	1,400,329	118,708	-	-	3,416	68,325	53,799
Acquire (Hangers) Runway Protection Zone	20.106	3-40-0099-67	2,250,000	2,233,318	-	-	115,384	2,307,687	41,015
North Development Area Taxiways - Phase 2	20.106	3-40-0099-68	1,696,680	157,167	-	-	5,640	112,799	50,008
Extend Taxilane NA - Phase 8	20.106	3-40-0099-69	836,000	167,652	-	-	6,931	138,617	35,966
Noise Mitigation 2010	20.106	3-40-0099-70	6,930,000	-	6,930,000	-	97,465	1,949,295	5,078,170
New Snow Removal Equipment & Surface Condition Sensors	20.106	3-40-0099-71	790,798	-	795,153	-	41,850	836,993	10
RW18L-36R & TW J Pavement Replacement Phase 1	20.106	3-40-0099-72	1,421,625	-	1,421,625	-	58,196	1,163,917	315,904
Runway 26 MALSR	20.106	3-40-0099-73	268,333	-	268,333	-	13,465	269,293	12,505
Memorial Drive Realignment & Water Line Improvements	20.106	3-40-0099-74	1,096,269	-	1,096,269	-	6,067	121,348	980,988
Noise Mitigation 2010	20.106	3-40-0099-75	6,930,000	-	6,930,000	-	-	-	6,930,000
			\$ 88,957,353	\$ 8,784,623	\$ 20,043,066	\$ (111,529)	\$ 676,937	\$ 13,174,376	\$ 16,218,721

Note:

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

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Insurance in Force (Unaudited)
Year Ended June 30, 2010

<u>Policy Coverage</u>	<u>Issuer</u>	<u>Limit of Liability</u>	<u>Self Insurance</u>	<u>Expiration Date</u>	<u>Premium</u>
Primary coverage on bodily injury, single limit bodily injury and property damage liability.	Phoenix Aviation Managers, Inc.	Up to \$75,000,000 for any one accident, or occurrence with \$25,000 deductible each loss, and \$100,000 annual aggregate deductible.	None	November 20, 2010	\$ 85,096
Property damage (including boilers and machinery and scheduled automotive equipment) fire and extended coverage.	Great American Insurance Co.	Real and personal property damage not to exceed \$358,238,900 with \$100,000 deductible.	None	July 1, 2011	\$ 150,459
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, 2010	\$ 37,127

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Sources and Uses of Funds (Unaudited)
Year Ended June 30, 2010

	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 Accounts	
Balances at June 30, 2009, at cost	\$ 2,603,496	\$ 3,130,491	\$ 491,940	\$ 541,665	\$ 2,300,788	\$ 4,881,099	\$ 7,319,506	\$ 1,200,000	\$ 1,114,022	\$ -	\$ 23,583,007
Sources											
Income on invested funds	6,375	4,971	1,957	203,494	116,572	25,719	16,799	1,662	3,278	-	380,827
Proceeds from federal capital grants	4,302,316	-	-	-	-	-	4,852,986	-	-	-	9,155,302
Proceeds from bond activity	-	-	-	32,496,242	38,902,254	-	-	-	-	-	71,398,496
Gross revenues from operations	35,397,233	-	-	-	-	32,650	153,544	-	5,788	-	35,589,216
	<u>42,309,420</u>	<u>3,135,462</u>	<u>493,897</u>	<u>33,241,401</u>	<u>41,319,614</u>	<u>4,939,468</u>	<u>12,342,835</u>	<u>1,201,662</u>	<u>1,123,088</u>	<u>-</u>	<u>140,106,848</u>
Transfers to (from) other trust funds											
Interest income transferred to Revenue Fund	(103,275)	-	1,763	69,195	100	25,920	4,818	1,662	3,280	-	3,463
Transfers to bond fund	11,917,707	-	(4,238,377)	(12,654,060)	-	-	-	-	-	-	(4,974,730)
Transfers to City of Tulsa-special trust fund	18,556,755	-	-	-	-	-	-	-	-	-	18,556,755
Transfer to (from) other	4,260,164	694	(441,784)	1,081,120	12,747,839	(1,200,083)	(18,440,756)	1,200,000	1,119,808	-	327,003
	<u>34,631,351</u>	<u>694</u>	<u>(4,678,398)</u>	<u>(11,503,745)</u>	<u>12,747,939</u>	<u>(1,174,163)</u>	<u>(18,435,938)</u>	<u>1,201,662</u>	<u>1,123,088</u>	<u>-</u>	<u>13,912,491</u>
Applications											
Operating expenses											
Disbursements during the year	3,206,838	200	-	1,425,651	719,312	-	1,506,757	-	-	-	6,858,758
Interest expense	-	-	3,084,954	4,256,977	-	-	-	-	-	-	7,341,932
Construction and land acquisition	-	-	-	-	956	-	22,942,405	-	-	-	22,943,360
Other	-	-	-	-	-	-	-	-	-	-	-
Principal payments on bonds	-	-	1,901,783	20,565,000	-	-	-	-	-	-	22,466,783
	<u>3,206,838</u>	<u>200</u>	<u>4,986,737</u>	<u>26,247,628</u>	<u>720,268</u>	<u>-</u>	<u>24,449,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,610,833</u>
Balances before year-end transfers	4,471,231	3,134,568	185,558	18,497,518	27,851,407	6,113,631	6,329,611	-	-	-	66,583,524
Transfers required by the bond indenture											
Transfers to general account	-	-	-	-	-	-	-	-	-	-	-
Transfers from general fund	3,709,866	-	-	-	-	-	(3,709,866)	-	-	-	-
Transfers to Customer Facility Fund	(1,753,313)	1,753,313	-	-	-	-	-	-	-	-	-
Transfers from Customer Facility Fund	1,220,123	(1,221,723)	-	-	-	-	1,600	-	-	-	-
Operating reserve	345,737	-	-	-	-	(345,737)	-	-	-	-	-
Transfers from Revenue Fund	(17,333)	-	-	-	-	-	-	-	-	17,333	0
Transfers to Revenue Fund	-	-	-	-	-	-	-	-	-	-	-
Transfers from Airport Fund	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 7,976,311</u>	<u>\$ 3,666,158</u>	<u>\$ 185,558</u>	<u>\$ 18,497,518</u>	<u>\$ 27,851,407</u>	<u>\$ 5,767,894</u>	<u>\$ 2,621,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,333</u>	<u>\$ 66,583,524</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Schedule of Net Revenue Available For Debt Service and Debt Coverage
(Unaudited)
Year Ended June 30, 2010

Gross revenues as defined by the 1984 Bond Indenture as supplemented

Operating revenue	\$ 31,266,666
Nonoperating revenues (1)	506,000
General fund transfer (2)	345,737
Airport coverage account transfers (2)	1,342,156
PFC funds available for debt service	7,381,625
CFC funds committed for debt service	917,723
CFC funds available for debt coverage	841,055
Total gross revenues	42,600,962

Gross expenses as defined by the 1984 Bond Indenture as supplemented

Combined operating expenses	19,624,909
Capitalized expenditures classified as operating expenses in accordance with the 1984 Bond Indenture as supplemental	95,652
Total operating expenses	19,720,561
Net revenue available for debt service	\$ 22,880,401

Debt service 16,926,219

Debt coverage 1.35

- (1) Nonoperating revenues including interest earned on invested funds, net of construction fund interest earnings and certain other nonoperating revenues and expenses, as defined by the Bond Indenture.
- (2) The Bond Indenture provides that transfers from the Airport 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 (Unaudited)
Year Ended June 30, 2010

Description	Due Date	Interest Rate	Yield at Market	Par Value	Investment Cost	Market Value
Revenue Fund						
Cash		0.00%	0.00%	\$ 19,017	\$ 19,017	\$ 19,017
BOK Short-Term Cash Fund 1	On Demand	0.14%	0.14%	7,844,717	7,844,717	7,844,717
DDA cash accounts				150,966	150,966	150,966
CFC Fund						
BOK Short-Term Cash Fund 1	On Demand	0.14%	0.14%	1,999,012	1,999,012	1,999,012
Certificate of Deposit	01/14/2013	0.80%	0.80%	1,667,146	1,667,146	1,667,146
Interest Accounts						
BOK Short-Term Cash Fund 1	On Demand	0.14%	0.14%	185,557	185,557	185,557
Special Bond Principal Account						
BOK Short-Term Cash Fund 1	On Demand	0.14%	0.14%	1,189,111	1,189,111	1,189,111
Construction Fund						
BOK Short-Term Cash Fund 1	On Demand	0.14%	0.14%	475,875	475,875	475,875
Certificate of Deposit	01/14/2013	0.80%	0.80%	27,371,951	27,371,951	27,371,951
Operating Fund - Operating Reserve Account						
BOK Short-Term Cash Fund 1	On Demand	0.14%	0.14%	927,138	927,138	927,138
FHLMC	10/15/2019	5.30%	2.98%	830,000	830,000	836,864
FHLMC	02/15/2018	2.50%	2.47%	4,000,000	4,000,000	4,042,400
FNMA Arms	05/01/2024	4.60%	4.84%	10,073	10,756	10,315
Total Fund Operating Reserve Account					5,767,894	5,816,717
Airport Special Reserve Funds - Terminal Project Account Fund						
BOK Short-Term Cash Fund 1	On Demand	0.14%	0.14%	1,984,205	1,984,205	1,984,205
Airport Special Reserve Funds - General Fund						
BOK Short-Term Cash Fund 1	On Demand	0.14%	0.14%	84,887	84,887	84,887
FNMA ARMS #20086	07/01/2024	4.70%	4.85%	7,027	7,507	7,196
DDA cash account				990	990	990
Total Airport Special Reserve Funds - General Fund					93,384	93,073
Other Accounts						
DDA cash account and petty cash				278,598	278,598	278,598
Pooled Investments with City Treasurer				4,996,018	4,996,018	4,950,587
BOK Short-Term Cash Fund 1	On Demand	0.14%	0.14%	11,516,967	11,516,967	11,516,967
Certificate of Deposit	03/31/2010	0.80%	0.80%	620,000	620,000	620,000
FHLMC	09/15/2014	2.00%	1.99%	4,595,000	4,595,000	4,616,229
FHLMC	12/29/2017	2.00%	2.05%	10,000,000	10,000,000	10,101,900
FHLMC	04/15/2018	0.00%	2.46%	2,000,000	2,000,000	2,035,440
Treasury Money Fund	On Demand	0.06%	0.01%	43,099	43,099	43,099
Slug	10/01/2023	5.15%	5.15%	690,074	690,074	690,074
Total Other Accounts					34,739,756	34,852,894
Total Funds on Deposit and Invested					\$ 83,488,591	\$ 83,650,241

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statistical Information (Unaudited)
Year Ended June 30, 2010

Five Year Construction In Progress – The Airport’s total estimated cost for the years ending 2011 through 2015 (in thousands):

	<u>Total</u>	<u>Federal</u>	<u>Local</u>
Terminal Building	\$ 46,000	\$ -	\$ 46,000
Noise	5,000	4,750	250
Airfield	79,375	72,556	6,819
RVS	8,728	7,741	987
Roadway	<u>33,650</u>	<u>950</u>	<u>32,700</u>
Total Estimated Cost	<u>\$ 172,753</u>	<u>\$ 85,997</u>	<u>\$ 86,756</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
July	155,160	149,753	157,183	157,103	139,217
August	129,784	135,129	145,077	136,059	120,473
September	125,956	126,243	132,117	115,400	114,709
October	135,900	137,185	146,807	136,485	125,028
November	134,528	131,339	130,265	116,154	113,907
December	126,934	128,580	121,232	123,894	113,353
January	109,403	103,027	115,447	100,386	91,651
February	105,731	105,564	114,980	96,939	90,192
March	137,736	134,435	136,795	110,121	113,874
April	125,463	127,063	130,977	114,171	110,876
May	149,085	149,167	158,118	126,304	127,395
June	<u>150,896</u>	<u>156,646</u>	<u>150,291</u>	<u>133,070</u>	<u>133,625</u>
	<u>1,586,576</u>	<u>1,584,131</u>	<u>1,639,289</u>	<u>1,466,086</u>	<u>1,394,300</u>

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
Statistical Information (Unaudited)
Year Ended June 30, 2010

Average Daily Scheduled Flights:

Airline	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010	
	Daily Arrivals & Departures	% of Total	Daily Arrivals & Departures	% of Total	Daily Arrivals & Departures	% of Total	Daily Arrivals & Departures	% of Total	Daily Arrivals & Departures	% of Total
American	32	20.50%	20	12.70%	29	19.20%	28	21.21%	24	19.05%
Continental	22	14.10%	18	11.40%	23	15.20%	19	14.39%	19	15.08%
Delta	24	15.40%	22	13.90%	22	14.60%	19	14.39%	29	23.02%
ExpressJets	-	N/A	20	12.70%	8	5.30%	-	N/A	-	N/A
Frontier	4	2.60%	6	3.80%	-	N/A	-	N/A	-	N/A
Northwest Airlink / Pinnacle	14	9.00%	14	8.90%	14	9.30%	14	10.61%	-	N/A
Southwest	40	25.60%	40	25.30%	38	25.20%	33	25.00%	34	26.98%
United	20	12.80%	18	11.40%	17	11.30%	19	14.39%	20	15.87%
	<u>156</u>	100.00%	<u>158</u>	100.00%	<u>151</u>	100.00%	<u>132</u>	100.00%	<u>126</u>	100.00%

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
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Year Ended June 30, 2010

Airline Enplaned Passengers:

Airline	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
American	278,035	17.50%	281,151	17.70%	312,303	19.09%	318,121	21.70%	307,032	22.01%
American Connection / Transtates	16,999	1.10%	29,300	1.80%	38,231	2.30%	24,920	1.70%	-	N/A
American Connection / Chautauqua	-	N/A	-	N/A	-	N/A	-	N/A	3,916	0.28%
American Eagle	106,082	6.69%	95,013	6.00%	79,936	4.90%	54,424	3.71%	48,810	3.50%
Casino Express	82	0.01%	49	N/A	189	0.01%	-	N/A	-	N/A
Charters	24,306	1.50%	26,827	1.70%	18,437	1.10%	9,154	0.62%	2,077	0.15%
Continental	57,752	3.60%	60,654	3.80%	95,723	5.80%	58,868	4.02%	25,519	1.83%
Continental Express	102,922	6.50%	100,449	6.30%	21,570	1.30%	79,626	5.43%	111,811	8.02%
Continental Express/Chautauqua	-	N/A	7,970	0.50%	51,887	3.20%	17,891	1.22%	8,004	0.57%
Delta	11,417	0.70%	-	N/A	-	N/A	-	N/A	-	N/A
Delta Connection / ASA	96,451	6.10%	82,905	5.20%	77,308	4.70%	89,778	6.12%	74,909	5.37%
Delta Connection / Comair	26,557	1.70%	36,491	2.30%	32,752	2.00%	8,037	0.55%	7,661	0.55%
Delta Connection / SkyWest	42,855	2.70%	35,315	2.20%	31,677	1.90%	26,168	1.78%	32,376	2.32%
Delta Connection / ACA/ ExpressJet	-	N/A	-	N/A	-	N/A	-	N/A	1,223	0.09%
ExpressJets	-	N/A	7,260	0.50%	63,069	3.80%	9,113	0.62%	1,978	0.14%
Frontier	33,272	2.10%	39,834	2.50%	42,168	2.60%	-	N/A	23,074	1.65%
Northwest Airlink / Pinnacle	95,039	6.00%	98,734	6.20%	97,799	6.00%	100,643	6.86%	93,860	6.73%
Southwest	506,058	31.90%	499,252	31.50%	504,064	30.80%	494,170	33.71%	471,514	33.81%
United	71,911	4.50%	90,817	5.70%	91,579	5.60%	89,629	6.11%	69,395	4.98%
United Express / Air Wisconsin	7,221	0.50%	-	N/A	-	N/A	-	N/A	-	N/A
United Express / Express Jet	-	N/A	-	N/A	-	N/A	-	N/A	2,542	0.18%
United Express / GoJet	29,980	1.90%	14,365	0.90%	-	N/A	-	N/A	-	N/A
United Express / Mesa	-	N/A	-	N/A	-	N/A	-	N/A	3,086	0.22%
United Express / SkyWest	76,745	4.80%	65,257	4.10%	58,477	3.60%	48,884	3.33%	72,822	5.22%
United Express / Trans State	2,892	0.20%	12,488	0.80%	22,052	1.30%	36,660	2.50%	33,050	2.37%
	<u>1,586,576</u>	100.00%	<u>1,584,131</u>	100.00%	<u>1,639,221</u>	100.00%	<u>1,466,086</u>	100.00%	<u>1,394,659</u>	100.00%

Tulsa Airports Improvement Trust
(A Component Unit of the City of Tulsa, Oklahoma)
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Airline – Air Cargo Landed Weight (in pounds):

Airline and Air Cargo Landed Weight
(in Pounds)

Airline / Air Cargo Carrier	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
American	413,055,000	16.63%	391,095,000	15.92%	487,602,000	17.40%	431,823,500	18.79%	436,737,500	19.97%
American Connection / Chautauqua	-	N/A	-	N/A	-	N/A	10,381,956	0.45%	4,459,023	0.20%
American Connection / Transtates	18,551,364	0.75%	30,592,731	1.25%	44,506,254	1.59%	20,047,703	0.87%	-	N/A
American Eagle	117,626,454	4.74%	108,958,812	4.44%	85,392,909	3.05%	59,867,428	2.60%	54,803,502	2.51%
Casino Express	214,000	0.01%	-	N/A	-	N/A	-	N/A	-	N/A
Charters	24,640,000	0.99%	27,840,000	1.13%	19,680,000	0.70%	-	N/A	-	N/A
Continental	188,390,000	7.59%	170,503,000	6.94%	146,641,000	5.23%	51,684,000	2.25%	36,482,600	1.67%
Continental Express	-	N/A	8,020,000	0.33%	59,170,500	2.11%	-	N/A	-	N/A
Continental Express/ Chautauqua	-	N/A	-	N/A	-	N/A	20,287,500	0.88%	9,063,500	0.41%
Continental Express/ ExpressJet	-	N/A	-	N/A	-	N/A	104,843,000	4.56%	116,278,000	5.32%
Delta	19,577,000	0.79%	-	N/A	-	N/A	-	N/A	-	N/A
Delta Connection / ASA	117,694,000	4.74%	102,998,000	4.19%	96,121,000	3.43%	102,603,000	4.46%	88,215,500	4.03%
Delta Connection / Chautauqua	-	N/A	3,898,000	0.16%	-	N/A	-	N/A	-	N/A
Delta Connection / Comair	33,652,000	1.36%	44,321,000	1.80%	48,932,000	1.75%	8,554,000	0.37%	11,606,509	0.53%
Delta Connection / Freedom	-	N/A	-	N/A	-	N/A	-	N/A	4,250,000	0.19%
Delta Connection / Pinnacle	-	N/A	-	N/A	-	N/A	116,334,000	5.06%	107,738,516	4.93%
Delta Connection / SkyWest	53,157,000	2.14%	41,595,000	1.69%	43,543,000	1.55%	28,106,000	1.22%	38,512,300	1.76%
ExpressJets	-	N/A	21,358,855	0.87%	117,563,108	4.20%	9,154,629	0.40%	-	N/A
Frontier	48,317,940	1.95%	62,903,000	2.56%	61,971,724	2.21%	-	N/A	29,873,204	1.37%
Northwest Airlink / Pinnacle	123,751,000	4.98%	117,030,000	4.76%	126,336,000	4.51%	-	N/A	-	N/A
Southwest	775,378,000	31.22%	772,284,000	31.43%	858,000,000	30.62%	774,600,000	33.70%	697,318,500	31.89%
United	89,625,797	3.61%	113,970,183	4.64%	130,923,326	4.67%	121,139,043	5.27%	106,037,315	4.85%
United Express / Air Wisconsin	9,306,000	0.37%	13,844,469	0.56%	27,571,752	0.98%	-	N/A	-	N/A
United Express / Express Jet	-	N/A	-	N/A	-	N/A	-	N/A	4,554,941	0.21%
United Express / GoJet	44,153,000	1.78%	20,301,000	0.83%	-	N/A	-	N/A	-	N/A
United Express / SkyWest	103,028,000	4.15%	84,374,000	3.43%	82,258,000	2.94%	56,120,000	2.44%	92,263,000	4.22%
United Express / Transtates	-	N/A	-	N/A	-	N/A	42,038,412	1.83%	36,762,336	1.68%
Other Passenger	-	N/A	-	N/A	-	N/A	16,849,870	0.73%	6,084,084	0.28%
Air Cargo Carriers	2,221,800	0.09%	289,660	0.01%	-	N/A	-	N/A	-	N/A
Airborne	30,653,700	1.23%	31,517,200	1.28%	33,600,700	1.20%	18,431,300	0.80%	-	N/A
FedEx	188,338,950	7.58%	197,577,000	8.04%	231,770,650	8.27%	218,091,900	9.49%	228,157,000	10.43%
Martinaire	8,177,000	0.33%	7,981,500	0.32%	9,256,500	0.33%	6,154,000	0.27%	4,513,500	0.21%
UPS	74,024,500	2.98%	83,970,000	3.42%	91,023,000	3.25%	74,717,240	3.25%	67,848,400	3.10%
Other Cargo	-	N/A	-	N/A	-	N/A	6,739,810	0.29%	5,199,878	0.24%
	<u>2,483,532,505</u>	100.00%	<u>2,457,222,410</u>	100.00%	<u>2,801,863,423</u>	100.00%	<u>2,298,568,291</u>	100.00%	<u>2,186,759,108</u>	100.00%