

Tulsa Municipal Airport Trust

Financial Statements

and

**Independent Auditors' Report
For the Years Ended
May 31, 2015 and 2014**

Tulsa Municipal Airport Trust

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Independent Auditors' Report

The Board of Trustees
Tulsa Municipal Airport Trust
Tulsa, OK

We have audited the accompanying financial statements of Tulsa Municipal Airport Trust (an Oklahoma trust) as of and for the year ended May 31, 2015 and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tulsa Municipal Airport Trust as of May 31, 2015 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Trust has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2016 on our consideration of the Trust's internal control over financial reporting and 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 on 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.

Prior Period Financial Statements

The financial statements of the Tulsa Municipal Airport Trust for the year ended May 31, 2014, were audited by another auditor whose report dated December 5, 2014 expressed an unmodified opinion on those statements.

Regier Carr & Monroe LLP

Tulsa, Oklahoma
January 20, 2016

Tulsa Municipal Airport Trust
Statements of Net Position
May 31, 2015 and 2014

ASSETS	2015	2014
<i>Current Assets:</i>		
Cash and cash equivalents:		
General fund	\$ 260,165	\$ 75,838
Restricted	5,977,266	13,382,110
Net investment in direct financing leases	589,623	4,757,128
Accounts receivable	48,723	29,855
Prepaid expenses	119,888	119,888
<i>Total Current Assets</i>	6,995,665	18,364,819
<i>Noncurrent Assets:</i>		
Capital assets:		
Leased facility	11,408,208	11,408,208
Buildings and improvements, net	54,423,251	61,738,794
Other Noncurrent Assets:		
Operating lease payments receivable	180,925,737	195,783,968
Net investment in direct financing leases	27,760,069	55,478,532
Deferred minimum lease payments receivable	13,162,654	71,449,983
<i>Total Noncurrent Assets</i>	287,679,919	395,859,485
Total Assets	294,675,584	414,224,304
<i>Deferred Outflows of Resources:</i>		
Refundings of debt	7,655,406	4,997,442
Total Assets and Deferred Outflows of Resources	\$ 302,330,990	\$ 419,221,746
 LIABILITIES		
<i>Current Liabilities:</i>		
Accounts payable	\$ 216,666	\$ -
Accrued interest payable	5,931,888	13,339,083
<i>Total Current Liabilities</i>	6,148,554	13,339,083
<i>Noncurrent Liabilities:</i>		
Revenue bonds payable, net	326,810,570	424,255,312
<i>Total Noncurrent Liabilities</i>	326,810,570	424,255,312
Total Liabilities	332,959,124	437,594,395
 NET POSITION		
Net investment in capital assets	(219,806,505)	(241,138,749)
Restricted for:		
Debt service	188,966,261	222,540,520
Other purposes	212,110	225,580
Total Net Position	(30,628,134)	(18,372,649)
Total Liabilities and Net Position	\$ 302,330,990	\$ 419,221,746

Tulsa Municipal Airport Trust
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Rent	\$ 14,066,037	\$ 26,532,563
Administrative fees	107,864	119,981
Total Operating Revenues	<u>14,173,901</u>	<u>26,652,544</u>
Operating Expenses		
Administrative expenses	44,347	15,813
Trustee fees	95,836	93,576
Legal fees	42,693	-
Bond issuance fees	549,940	-
Ground rent	197,816	197,816
Depreciation	7,315,543	7,341,894
Total Operating Expenses	<u>8,246,175</u>	<u>7,649,099</u>
Operating Income	5,927,726	19,003,445
Non-Operating Revenues (Expenses)		
Interest earned	1,799,901	5,986,758
Miscellaneous income	605,292	60,243
Interest expense	(19,774,653)	(26,873,538)
Gain (loss) on retirement of debt	(813,751)	-
Net Non-Operating Revenues (Expenses)	<u>(18,183,211)</u>	<u>(20,826,537)</u>
Change in Net Position	(12,255,485)	(1,823,092)
Net Position, Beginning of Year	(18,372,649)	(16,549,557)
Net Position, End of Year	<u>\$ (30,628,134)</u>	<u>\$ (18,372,649)</u>

Tulsa Municipal Airport Trust
Statements of Cash Flows
For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Administrative fees received	\$ 88,996	\$ 25,714
Cash paid for goods and services	(713,966)	(15,813)
Net Cash Provided (Used) by Operating Activities	<u>(624,970)</u>	<u>9,901</u>
Cash Flows from Noncapital Financing Activities		
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>
Cash Flows from Capital & Related Financing Activities		
Proceeds from revenue bonds, net of discounts	104,505,827	-
Proceeds from American Airlines to retire debt	97,545,848	-
Principal payments on revenue bonds	(210,065,000)	-
Premium on refunding of revenue bonds	8,081,606	-
Deferred loss on debt retirement	(3,508,765)	-
Interest received on capital leases	4,583,194	6,578,684
Rents received on operating leases	18,390,300	19,926,731
Interest paid on revenue bonds	(26,738,729)	(20,450,648)
Rent paid on operating lease	-	(197,816)
Miscellaneous income	605,292	60,242
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(6,600,427)</u>	<u>5,917,193</u>
Cash Flows From Investing Activities		
Interest received on investments	4,880	6,233
Net Cash Provided by Investing Activities	<u>4,880</u>	<u>6,233</u>
Net Increase (Decrease) in Cash	(7,220,517)	5,933,327
Cash at Beginning of Year	13,457,948	7,524,621
Cash at End of Year	<u>\$ 6,237,431</u>	<u>\$ 13,457,948</u>

Tulsa Municipal Airport Trust
Statements of Cash Flows
For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of Change in Net Position to Net Cash		
Provided by (Used in) Operating Activities		
Change in Net Position	\$ (12,255,485)	\$ (1,823,094)
Adjustments to reconcile change in net position to net cash provided (used) by operating activities:		
Depreciation	7,315,543	7,341,894
Amortization	443,118	536,001
Interest income	(1,795,024)	(5,980,522)
Rental income	(14,066,037)	(26,532,563)
Deferred loss on debt retirement	(3,508,765)	-
Interest expense	23,654,050	26,337,537
Rent expense	-	197,816
Miscellaneous income	(605,292)	(60,242)
<i>Income and expense from investing activities:</i>		
Interest income	(4,877)	(6,233)
Decrease in accounts receivable	(18,867)	(693)
Increase in requisitions payable	216,667	-
<i>Total Adjustments</i>	<u>11,630,515</u>	<u>1,832,995</u>
Net Cash Provided by Operating Activities	<u>\$ (624,970)</u>	<u>\$ 9,901</u>

Tulsa Municipal Airport Trust
Notes to Financial Statements
May 31, 2015

Summary of Significant Accounting Policies

Creation of Trust

The Tulsa Municipal Airport Trust is a public trust created August 5, 1957 for the benefit of the City of Tulsa, Oklahoma. The purpose of the Trust is to alter and modify any and all airport improvements, buildings and structures located on any leasehold estate, whether within or without the territorial boundaries of the City of Tulsa, Oklahoma, acquired by the Trustees and to erect, construct and install additional buildings, structures, fixtures, equipment and facilities therefore; to incur indebtedness to cover the cost thereof; to lease or sublease said premises with or without such improvements, and to secure the payment of such indebtedness by that which may be derived thereunder, with full power and authority to enforce all terms and conditions of each and every such lease or other agreement and to modify and cancel or otherwise terminate the same.

Basis of Presentation

The financial statements of the Trust are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The financial statements are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

The Trust’s financial statements are presented using the accrual basis of accounting, which recognizes revenues when earned and expenses are recorded when the liability is incurred or an economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Cash and Cash Equivalents

The Trust considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and investments consist of deposits with financial institutions and investments in a mutual fund, American AAdvantage Fund, which is managed by a subsidiary of AMR Corporation, parent of American Airlines, Inc. These investments are short-term and are valued at cost.

The Trust's investment policies are governed by state statutes and city ordinance. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts. Collateral is required for demand deposits and certificates of deposit at 110% of all amounts not covered by federal deposit insurance. Revenue bond issue accounts covered by an indenture are not subject to the aforementioned requirements.

**Tulsa Municipal Airport Trust
Notes to Financial Statements
May 31, 2015**

Summary of Significant Accounting Policies (continued)

Restricted Assets

Restricted assets reported in the financial statements include current assets that are legally restricted as to their use. The primary restricted assets are related to revenue bond trustee accounts restricted for debt service. Included in restricted assets as of May 31, 2015 and 2014 are the following:

	2015	2014
Bond trustee accounts:		
Bond and interest funds	\$ 5,935,727	\$ 13,339,084
Bond retirement funds	1,523	3,044
Replacement funds	40,016	39,981
	\$ 5,977,266	\$ 13,382,109

Net Position

The financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of those components of the Trust’s net position with constraints placed on the use either by external groups (such as creditors, grantors, contributors, or laws or regulations of other governments) or law through constitutional provisions or enabling legislation.

Unrestricted net position consists of all other components of net position that do not meet the definition of “Net investment in capital assets” or “Restricted net position”.

It is the Trust’s policy to first use restricted components of net position prior to the use of unrestricted components of net position when an expense is incurred for purposes for which both components of restricted and unrestricted net position are available.

Income Taxes

The Trust qualifies as an organization exempt from income taxes under Section 115(a) of the Internal Revenue Code. As such, no provision has been made for federal or state income taxes. However, the Trust is subject to federal income tax on any unrelated business taxable income

Tulsa Municipal Airport Trust
Notes to Financial Statements
May 31, 2015

Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Subsequent Events

The Trust has reviewed subsequent events through January 20, 2016, the date at which the financial statements were available to be issued and determined that there are no subsequent events that require disclosure.

Tulsa Municipal Airport Trust
Notes to Financial Statements
May 31, 2015

Capital Assets

Capital assets are stated at historical cost. Depreciation is computed on the straight-line method for buildings and improvements over the estimated useful lives of the assets, which range from 9 to 35 years. Depreciation for the year ended May 31, 2015 and 2014 was \$7,315,543 and \$7,341,894, respectively.

In addition, the City of Tulsa acquired certain facilities from the Federal Government in 1946. At January 31, 1958, these facilities were appraised at \$11,408,208 which was the estimated replacement cost, less accumulated depreciation at that time.

The following table provides a summary of changes in capital assets for the fiscal year ended May 31, 2015:

	Balance at June 1, 2014	Additions	Disposals	Balance at May 31, 2015
Leased facility	\$ 11,408,208	\$ -	\$ -	\$ 11,408,208
Buildings and improvements	349,849,371	-	-	349,849,371
Totals at historical cost	361,257,579	-	-	361,257,579
Less accumulated depreciation				
Buildings and improvements	(288,110,577)	(7,315,543)	-	(295,426,120)
Capital assets, net	\$ 73,147,002	\$ (7,315,543)	\$ -	\$ 65,831,459

Leasing Arrangements

On August 6, 1957, the City of Tulsa executed a lease of certain lands and facilities constituting a portion of the Tulsa Municipal Airport to the Trustees of the Tulsa Municipal Airport Trust. Terms of the lease provide for the Trust to sublease the property and to use the proceeds from rents received to retire any debt and expenses incurred by the Trust.

On June 24, 1958 the Trust executed a sublease with American Airlines (Lessee). Property leased to Lessor consists of the existing facilities owned by the City of Tulsa, Oklahoma and leased by the City to the Trust, all buildings, improvements and fixtures to be constructed by Lessor and those to be altered and modified by Lessor, all equipment acquired by Lessor at its expense or to be acquired by Lessor and installed on the Base Premises. The sublease also includes all equipment acquired by Lessee at its expense as a substitution for, or in renewal or replacement of, any equipment acquired and installed at the expense of Lessor.

The original sublease referred to above has subsequently been amended fourteen times resulting in five separate components; the Base ground lease; 1992 improvements, 1995 improvements, 2000 improvements and 2001 improvements. Each component, except for the base ground lease, corresponds to the separate bond indentures described in Note 6. The subleases have been classified as operating leases for facilities and direct-financing leases for equipment. The lease agreements are designed to provide revenues to the Trust sufficient to pay principal and interest as required by the bond indentures.

Tulsa Municipal Airport Trust
Notes to Financial Statements
May 31, 2015

Leasing Arrangements (continued)

Under the terms of the lease agreements, American Airlines must bear all costs related to the operations of the Trust such as commissions, trustee and professional fees. Any income from investment of administration fees earned can be used to defray such costs, as well as to reduce future lease payments. In addition, any interest received from investment of a construction fund shall be credited to the construction fund from which made and be a part thereof.

The eighth amendment dated November 15, 1985 included an amendment to extend the Base Ground Lease rentals. The base ground lease expires January 31, 2038 and is accounted for as an operating lease. At May 31, 2015 and 2014, future minimum lease payments under the terms of this lease totaled \$5,444,977 and \$5,624,809, respectively.

The twelfth amendment dated November 1, 1995 expires June 1, 2020 and Lessee has the option to renew the sublease for a term not to exceed 80% of the reasonably expected economic life of the 1995 improvements. Because this lease involves buildings, improvements and equipment, 26.774% of the rents are accounted for as an operating lease and 73.226% as a direct financing lease. Under the terms of the sublease, Lessee's obligation to pay rentals includes sufficient amounts to pay principal and interest on the 1995 Revenue Bonds. At May 31, 2015 and 2014, future minimum lease payments under the terms of this lease totaled \$137,404,694. The 1995 Revenue Bonds were paid off in July 2014, which in turn considered the related leases paid in full.

The thirteenth amendment dated October 1, 2000 expires June 1, 2035 and Lessee has the option to renew the sublease for a term not to exceed 80% of the reasonably expected economic life of the 2000 improvements. Because this lease involves buildings, improvements and equipment, 91.652% of the rents are accounted for as an operating lease and 8.348% as a direct financing lease. Under the terms of the sublease, Lessee's obligation to pay rentals includes sufficient amounts to pay principal and interest on the 2000 Revenue Bonds. At May 31, 2015 and 2014, future minimum lease payments under the terms of this lease totaled \$453,105,000 and \$437,064,008.

The fourteenth amendment dated April 1, 2001 expires December 1, 2035 and Lessee has the option to renew the sublease for a term not to exceed 80% of the reasonably expected economic life of the 2001 improvements. Because this lease involves buildings, improvements and equipment, 87.013% of the rents are accounted for as an operating lease and 12.987% as a direct financing lease. Under the terms of the sublease, Lessee's obligation to pay rentals includes sufficient amounts to pay principal and interest on the 2001 Revenue Bonds. At May 31, 2015 and 2014 future minimum lease payments under the terms of this lease totaled \$324,879,908 and \$337,475,072, respectively.

Tulsa Municipal Airport Trust
Notes to Financial Statements
May 31, 2015

Net Investment in Direct Financing Leases

Trust equipment owned and leased meets the criteria for direct financing leases and is carried at the gross investment in the lease less unearned income. Unearned income is recognized in such a manner as to produce a constant periodic rate of return on the net investment in the direct financing lease. This differs from the actual periodic minimum lease payments being received giving rise to a receivable that will be collected in the final year of the leases.

The following is a schedule by years of future minimum lease payments together with the present value of the net minimum lease payments as of May 31, 2015:

<u>Year ended May 31</u>	
2016	\$ 2,831,993
2017	2,831,993
2018	2,831,993
2019	2,831,993
2020	2,831,993
Thereafter	<u>43,314,330</u>
Total minimum lease payments	57,474,295
Less unearned interest income	<u>(29,124,603)</u>
Net investment in direct financing leases	\$ 28,349,692
Current portion	<u>589,623</u>
Noncurrent portion	<u>\$ 27,760,069</u>

Operating Leases

Trust land, buildings and improvements owned and leased meet the criteria for operating leases. Rental income is recognized in such a manner as to produce a constant periodic rate of return over the life of the respective lease. This differs from the actual periodic cash rentals being received giving rise to a receivable that will be collected in the final year of the leases. As of May 31, 2015 and 2014 the cost of assets leased is \$361,257,579 and accumulated depreciation of \$295,426,120 and \$288,110,577, respectively.

The following lists the future minimum rentals for operating leases as of May 31, 2015:

<u>Year ended May 31</u>	
2016	\$ 20,679,817
2017	20,679,817
2018	20,679,817
2019	20,679,817
2020	20,679,817
Thereafter	<u>315,749,139</u>
Total future minimum rentals	\$ 419,148,224

Tulsa Municipal Airport Trust
Notes to Financial Statements
May 31, 2015

Revenue Bonds Payable

Revenue bonds outstanding consist of debt issued by the Trust. A summary of debt activity for these revenue bonds is detailed as follows:

Revenue Bonds	Balance 05/31/14	Additions	Deductions	Balance 05/31/15	Due within one year
Series 1995	\$ 97,710,000	\$ -	\$ 97,710,000	\$ -	\$ -
Series 2000	175,355,000	-	112,355,000	63,000,000	-
Series 2001	152,705,000	-	-	152,705,000	-
Series 2015	-	104,225,000	-	104,225,000	-
Unamortized premium	-	8,081,606	-	8,081,606	-
Unamortized discount	(1,514,688)	(500,099)	(813,751)	(1,201,036)	-
	\$ 424,255,312	\$ 111,806,507	\$ 209,251,249	\$ 326,810,570	\$ -

The annual debt service requirements to maturity, including principal and interest, for revenue bonds as of May 31, 2015 are as follows:

Year ended May 31,	Principal	Interest
2016	\$ -	\$ 17,075,026
2017	-	17,075,026
2018	-	17,075,026
2019	-	17,075,026
2020	-	17,075,026
2021 - 2025	-	85,375,130
2026 - 2030	-	85,375,130
2031 - 2035	167,225,000	85,375,130
2036 - 2040	152,705,000	38,349,440
Total	\$ 319,930,000	\$ 379,849,960

The revenue bonds are payable from rents derived under the sublease, as amended, described in the leasing arrangements note. AMR Corporation, the parent corporation of American Airlines, Inc, unconditionally guarantees payment of the principal and interest on the bonds. A summary of revenue bonds outstanding, maturity dates and interest rates as of May 31, 2015 are detailed as follows:

	Interest Rate	Issue Amount	Maturity	Balance 05/31/15
Series 2000B	5.500%	\$ 63,000,000	Jun-35	\$ 63,000,000
Series 2001A	5.500%	\$ 27,500,000	Dec-35	27,500,000
Series 2001B	5.500%	\$ 125,205,000	Dec-35	125,205,000
Series 2015	5.000%	\$ 104,225,000	Jun-35	104,225,000
Total Revenue Bonds				319,930,000
Current portion				0
Noncurrent portion				\$319,930,000

Tulsa Municipal Airport Trust
Notes to Financial Statements
May 31, 2015

Bond Discounts, Issuance Costs and Deferred Gain/Loss on Early Retirement of Debt

Bond discounts costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of the revenue bonds payable whereas issuance costs are expensed when incurred.

The difference between the net carrying value of the old debt and the reacquisition price of the new debt is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. Deferred losses on early retirement of debt are presented as a deferred outflow of resources in the statements of net position.

Gains resulting from the changes in the terms of leases resulting from the refunding of tax-exempt debt are applied to the deferred losses on early retirement of debt described above.

A summary of the unamortized discounts and refundings of the revenue bonds as of May 31, 2015 and 2014 is detailed as follows:

May 31, 2015					
	Face Amount	Unamortized Premiums	Unamortized Discounts	Unamortized Debt Refundings	Net Carrying Value
Series 2000	\$63,000,000	\$ -	\$191,739	\$303,228	\$62,505,033
Series 2001	152,705,000	-	476,373	3,743,138	148,485,489
Series 2015	104,225,000	8,081,606	532,924	3,609,040	108,164,642
	\$ 319,930,000	\$ 8,081,606	\$ 1,201,036	\$ 7,655,406	\$ 319,155,164
May 31, 2014					
	Face Amount	Unamortized Premiums	Unamortized Discounts	Unamortized Debt Refundings	Net Carrying Value
Series 1995	\$ 97,710,000	\$ -	\$ 454,703	\$ -	\$ 97,255,297
Series 2000	175,355,000	-	560,375	1,012,812	173,781,813
Series 2001	152,705,000	-	499,611	3,984,630	148,220,759
	\$ 425,770,000	\$ -	\$ 1,514,689	\$ 4,997,442	\$ 419,257,869

Tulsa Municipal Airport Trust
Notes to Financial Statements
May 31, 2015

Concentration of Credit Risk

The Trust's sources of revenue are dependent upon the operating and direct financing leases with American Airlines. Termination, default or cancellation of these leases before retirement of revenue bonds could result in an adverse effect upon the Trust.

Lease Commitment - Related Party

The Trust is leasing land from the Tulsa Airport Authority under a noncancellable lease expiring in 2038. The lease has scheduled rent increases of 10% every five years.

The following is a schedule of future minimum rental payments required under the above operating lease as of May 31, 2015:

<u>Year ended May 31,</u>	
2016	\$ 197,816
2017	197,816
2018	217,597
2019	217,597
2020	217,597
2021 - 2025	1,153,265
2026 - 2030	1,268,593
2031 - 2035	1,395,452
2036 - 2040	<u>579,244</u>
Total future minimum rentals	<u>\$ 5,444,977</u>

Total rent expense was \$197,816 for the years ended May 31, 2015 and 2014.

REPORTS IN ACCORDANCE
WITH
GOVERNMENT AUDITING STANDARDS

**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***

The Board of Trustees
Tulsa Municipal Airport Trust
Tulsa, Oklahoma

We have audited, 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, the financial statements of the Tulsa Municipal Airport Trust as of and for the years ended May 31, 2015, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated January 20, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weakness:

We observed that the accounting records required material adjustments in order for them to accurately present the financial statements of the Trust in accordance with generally accepted accounting principles. Management should consider the implementation of procedures to identify potential future misstatements.

Compliance and Other Matters

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

Purpose of this Report

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

Regier Carr & Monroe LLP

Tulsa, Oklahoma
January 20, 2016