

**Tulsa Municipal Airport Trust**

*Financial Statements  
With Independent Auditor's Report*

**For the Years Ended  
May 31, 2022 and 2021**



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**Tulsa Municipal Airport Trust  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Tulsa Municipal Airport Trust

Tulsa, Oklahoma

### **Opinion**

We have audited the accompanying financial statements of Tulsa Municipal Airport Trust (an Oklahoma trust) (the Trust) as of and for the years ended May 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

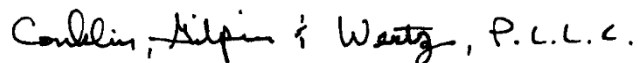
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Management has omitted 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 our report dated December 6, 2022, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.



**CONKLIN, GILPIN & WERTZ, P.L.L.C.**  
Certified Public Accountants

Tulsa, Oklahoma  
December 6, 2022

**Tulsa Municipal Airport Trust**  
**Statements of Net Position**  
**May 31, 2022 and 2021**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
<i>Current Assets:</i>		
Cash and cash equivalents:		
General fund	\$ 20,694	\$ 196,984
Restricted	8,580,978	8,579,947
Net investment in direct financing leases	984,231	909,115
Accounts receivable	395,906	185,243
<i>Total Current Assets</i>	<u>9,981,809</u>	<u>9,871,289</u>
<i>Noncurrent Assets:</i>		
Capital assets:		
Leased facility	11,408,208	11,408,208
Buildings and improvements, net	12,383,084	15,497,720
Other Noncurrent Assets:		
Operating lease payments receivable	216,790,591	211,562,181
Net investment in direct financing leases	21,855,833	22,839,614
Deferred minimum lease payments receivable	20,281,492	19,264,516
<i>Total Noncurrent Assets</i>	<u>282,719,208</u>	<u>280,572,239</u>
<b>Total Assets</b>	<u>292,701,017</u>	<u>290,443,528</u>
Deferred Outflows of Resources:		
Refundings of debt	2,052,690	2,294,182
<b>Total Assets and Deferred Outflows of Resources</b>	<u><b>\$ 294,753,707</b></u>	<u><b>\$ 292,737,710</b></u>
 <b>LIABILITIES</b>		
<i>Current Liabilities:</i>		
Accounts payable & accrued expenses	\$ 133,565	\$ 99,190
Accrued interest payable	8,537,513	8,537,513
<i>Total Current Liabilities</i>	<u>8,671,078</u>	<u>8,636,703</u>
<i>Noncurrent Liabilities:</i>		
Revenue bonds payable, net	324,398,303	324,742,913
<i>Total Noncurrent Liabilities</i>	<u>324,398,303</u>	<u>324,742,913</u>
<b>Total Liabilities</b>	<u>333,069,381</u>	<u>333,379,616</u>
 <b>NET POSITION</b>		
Net investment in capital assets	(264,684,929)	(261,677,112)
Restricted for:		
Debt service	226,086,220	220,752,169
Other purposes	283,035	283,037
<b>Total Net Position</b>	<u>(38,315,674)</u>	<u>(40,641,906)</u>
<b>Total Liabilities and Net Position</b>	<u><b>\$ 294,753,707</b></u>	<u><b>\$ 292,737,710</b></u>

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

**Tulsa Municipal Airport Trust**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended May 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues</b>		
Rent	\$ 20,746,069	\$ 20,744,650
Administrative fees	-	1,816
<b>Total Operating Revenues</b>	<u>20,746,069</u>	<u>20,746,466</u>
<b>Operating Expenses</b>		
Administrative expenses	40,060	38,631
Trustee fees	75,000	75,000
Other fees	-	34,874
Legal fees	75,703	101,281
Ground rent	217,597	217,597
Depreciation	3,114,636	3,130,704
<b>Total Operating Expenses</b>	<u>3,522,996</u>	<u>3,598,087</u>
<b>Operating Income</b>	17,223,073	17,148,379
<b>Non-Operating Revenues (Expenses)</b>		
Interest earned	1,924,365	1,993,322
Miscellaneous income	150,703	202,332
Interest expense	(16,971,909)	(16,971,909)
<b>Net Non-Operating Revenues (Expenses)</b>	<u>(14,896,841)</u>	<u>(14,776,255)</u>
<b>Change in Net Position</b>	2,326,232	2,372,124
<b>Net Position, Beginning of Year</b>	(40,641,906)	(43,014,030)
<b>Net Position, End of Year</b>	<u>\$ (38,315,674)</u>	<u>\$ (40,641,906)</u>

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

**Tulsa Municipal Airport Trust**  
**Statements of Cash Flows**  
**For the Years Ended May 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash Flows From Operating Activities</b>		
Administrative fees received	\$ -	\$ 1,816
Cash paid for goods and services	(216,348)	(147,426)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(216,348)</b>	<b>(145,610)</b>
<b>Cash Flows from Capital &amp; Related Financing Activities</b>		
Interest received on capital leases	1,814,567	1,784,410
Rents received on operating leases	15,517,659	15,516,239
Interest paid on revenue bonds	(17,075,025)	(17,075,025)
Rent paid on operating lease	(217,597)	-
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>	<b>39,604</b>	<b>225,624</b>
<b>Cash Flows From Investing Activities</b>		
Interest received on investments	1,485	1,437
<b>Net Cash Provided by Investing Activities</b>	<b>1,485</b>	<b>1,437</b>
<b>Net Increase (Decrease) in Cash</b>	(175,259)	81,451
<b>Cash at Beginning of Year</b>	8,776,931	8,695,480
<b>Cash at End of Year</b>	<b>\$ 8,601,672</b>	<b>\$ 8,776,931</b>
<b>Reconciliation of Change in Net Position to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income	\$ 17,223,073	\$ 17,148,379
<i>Adjustments to reconcile change in net position to net cash provided (used) by operating activities:</i>		
Depreciation	3,114,636	3,130,704
Miscellaneous income	150,703	202,332
Rental income	(20,746,069)	(20,744,650)
Ground rental payment made (capital & related financing activity)	217,597	-
(Increase) decrease in accounts receivable	(210,663)	(105,908)
(Increase) decrease in prepaid expenses	-	145,075
Increase (decrease) in accounts payable & accrued expenses	34,375	78,458
<i>Total Adjustments</i>	<i>(17,439,421)</i>	<i>(17,293,989)</i>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (216,348)</b>	<b>\$ (145,610)</b>

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

**Tulsa Municipal Airport Trust**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

**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, 2022 and 2021**

**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, 2022 and 2021 are the following:

	<u>May 31, 2022</u>		<u>May 31, 2021</u>
Bond trustee accounts:			
Bond and interest funds	\$ 8,537,513	\$	8,537,715
Bond retirement funds	1,223		-
Replacement funds	42,242		42,232
	<u>\$ 8,580,978</u>	<u>\$</u>	<u>8,579,947</u>

**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.

**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.

**Reclassifications**

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations.

**Subsequent Events**

The Trust has reviewed subsequent events through December 6, 2022, the date at which the financial statements were available to be issued.

**Tulsa Municipal Airport Trust**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

**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 years ended May 31, 2022 and 2021, was \$3,114,636 and \$3,130,704, 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 years ended May 31, 2022 and 2021:

	<b>Balance at May 31, 2021</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at May 31, 2022</b>
Leased facility	\$ 11,408,208	\$ -	\$ -	\$ 11,408,208
Buildings and improvements	347,727,230	-	-	347,727,230
Less accumulated depreciation	(332,229,510)	(3,114,636)	-	(335,344,146)
<b>Buildings and improvements, net</b>	<b>\$ 15,497,720</b>	<b>\$ (3,114,636)</b>	<b>\$ -</b>	<b>\$ 12,383,084</b>

	<b>Balance at May 31, 2020</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at May 31, 2021</b>
Leased facility	\$ 11,408,208	\$ -	\$ -	\$ 11,408,208
Buildings and improvements	347,727,230	-	-	347,727,230
Less accumulated depreciation	(329,098,806)	(3,130,704)	-	(332,229,510)
<b>Buildings and improvements, net</b>	<b>\$ 18,628,424</b>	<b>\$ (3,130,704)</b>	<b>\$ -</b>	<b>\$ 15,497,720</b>

**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 had subsequently been amended eighteen times resulting in seven separate components; the base ground lease, 1988 improvements, 1992 improvements, 1995 improvements, 2000 improvements, 2001 improvements, and 2015 improvements. Each component, except for the base ground lease, corresponds to the separate bond indentures described in the Lease Commitment - Related party footnote. 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. On May 5, 2022, the original sublease and the eighteen amendments were incorporated into a new Amended and Restated Sublease discussed below.

**Tulsa Municipal Airport Trust**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

**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 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, 2022 and 2021, future minimum lease payments under the terms of this lease totaled \$109,777,500 and \$111,510,000 respectively.

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, 2022 and 2021, future minimum lease payments under the terms of this lease totaled \$270,287,864 and \$274,487,253, respectively.

The sixteenth amendment dated April 1, 2015 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 2015 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 2015 Revenue Bonds. At May 31, 2022 and 2021, future minimum lease payments under the terms of this lease totaled \$174,576,875 and \$177,182,500, respectively.

The Amended and Restated Sublease dated May 5, 2022 included a provision to extend the Base Ground Lease rentals. The Base Ground Lease expires December 15, 2048 and is accounted for as an operating lease. At May 31, 2022 and 2021, future minimum lease payments under the terms of the lease totaled \$10,214,062 and \$4,324,021, respectively. The new Amended and Restated Sublease also includes provisions for the continued rental of the 2000, 2001, and 2015 improvements, which expire in either June or December 2035 as stated above.

**Tulsa Municipal Airport Trust**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

**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, 2022:

	<b>Year ended May 31</b>
2023	\$ 1,815,018
2024	1,815,018
2025	1,815,018
2026	1,815,018
2027	1,815,018
Thereafter	48,856,745
Total minimum lease payments	57,931,835
Less deferred minimum lease payments receivable	(20,281,492)
Less unearned interest income	(14,810,279)
<b>Net investment in direct financing leases</b>	<b>\$ 22,840,064</b>
Current portion	984,231
Noncurrent portion	<b>\$ 21,855,833</b>

**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, 2022 and 2021, the cost of assets leased is \$359,135,438 and \$359,135,438, respectively, and accumulated depreciation totaled \$335,344,146 and \$332,229,510, respectively.

The following lists the future minimum rentals for operating leases as of May 31, 2022 and 2021:

	<b>Year ended May 31</b>
2023	\$ 15,483,045
2024	15,488,621
2025	15,494,336
2026	15,500,194
2027	15,506,199
Thereafter	420,914,500
<b>Total future minimum rentals</b>	<b>\$ 498,386,895</b>

**Tulsa Municipal Airport Trust**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

**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 May 31, 2021	Additions	Deductions	Balance May 31, 2022	Due within one year
Series 2000	\$ 63,000,000	\$ -	\$ -	\$ 63,000,000	\$ -
Series 2001	152,705,000	-	-	152,705,000	-
Series 2015	104,225,000	-	-	104,225,000	-
Unamortized premium	5,657,124	-	(404,080)	5,253,044	-
Unamortized discount	(844,211)	-	59,470	(784,741)	-
	<b>\$ 324,742,913</b>	<b>\$ -</b>	<b>\$ (344,610)</b>	<b>\$ 324,398,303</b>	<b>\$ -</b>

Revenue Bonds	Balance May 31, 2020	Additions	Deductions	Balance May 31, 2021	Due within one year
Series 2000	\$ 63,000,000	\$ -	\$ -	\$ 63,000,000	\$ -
Series 2001	152,705,000	-	-	152,705,000	-
Series 2015	104,225,000	-	-	104,225,000	-
Unamortized premium	6,061,204	-	(404,080)	5,657,124	-
Unamortized discount	(903,682)	-	59,471	(844,211)	-
	<b>\$ 325,087,522</b>	<b>\$ -</b>	<b>\$ (344,609)</b>	<b>\$ 324,742,913</b>	<b>\$ -</b>

The annual debt service requirements to maturity, including principal and interest, for revenue bonds as of May 31, 2022, are as follows:

Year ended May 31,	Principal	Interest
2023	\$ -	\$ 17,075,026
2024	-	17,075,026
2025	-	17,075,026
2026	-	17,075,026
2027	-	17,075,026
2028-2032	-	85,375,130
2033-2036	319,930,000	63,961,979
<b>Total</b>	<b>\$ 319,930,000</b>	<b>\$ 234,712,239</b>

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, 2022, are detailed as follows:

	Interest Rate	Issue Amount	Maturity	Balance May 31, 2022
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
<b>Total Revenue Bonds</b>				<b>319,930,000</b>
Current portion				-
<b>Noncurrent portion</b>				<b>\$ 319,930,000</b>

**Tulsa Municipal Airport Trust**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

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

Bond discount 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, 2022 and 2021, is detailed as follows:

<b>May 31, 2022</b>					
	<b>Face Amount</b>	<b>Unamortized Premiums</b>	<b>Unamortized Discounts</b>	<b>Unamortized Debt Refundings</b>	<b>Net Carrying Value</b>
Series 2000	\$ 63,000,000	\$ -	\$ 124,631	\$ -	\$ 62,875,369
Series 2001	152,705,000	-	313,710	2,052,690	150,338,600
Series 2015	104,225,000	5,253,044	346,400	-	109,131,644
	<b>\$ 319,930,000</b>	<b>\$ 5,253,044</b>	<b>\$ 784,741</b>	<b>\$ 2,052,690</b>	<b>\$ 322,345,613</b>

<b>May 31, 2021</b>					
	<b>Face Amount</b>	<b>Unamortized Premiums</b>	<b>Unamortized Discounts</b>	<b>Unamortized Debt Refundings</b>	<b>Net Carrying Value</b>
Series 2000	\$ 63,000,000	\$ -	\$ 134,217	\$ -	\$ 62,865,783
Series 2001	152,705,000	-	336,947	2,294,182	150,073,871
Series 2015	104,225,000	5,657,124	373,047	-	109,509,077
	<b>\$ 319,930,000</b>	<b>\$ 5,657,124</b>	<b>\$ 844,211</b>	<b>\$ 2,294,182</b>	<b>\$ 322,448,731</b>

**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.

**Tulsa Municipal Airport Trust**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

**Lease Commitment - Related Party**

The Trust is leasing land from the Tulsa Airports Improvements Trust 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, 2022:

<u>Year ended May 31,</u>	<u>Total Future Minimum Rentals</u>
2023	\$ 223,037
2024	228,613
2025	234,328
2026	240,186
2027	246,191
Thereafter	9,041,707
<b>Total future minimum rentals</b>	<b>\$ 10,214,062</b>

Total rent expense was \$217,597 for the year ended May 31, 2022, and \$217,597 for the year ended May 31, 2021.

**Impact of Coronavirus (COVID 19)**

COVID-19 has been declared a global health pandemic by the World Health Organization. COVID-19 has surfaced in nearly all regions of the world, which has driven the implementation of significant, government-imposed measures to prevent or reduce its spread. Ongoing global vaccination efforts and the corresponding lifting of government restrictions in and between many markets resulted in a significant and rapid recovery in demand for air travel which continued into the third quarter of 2022. The continued impact of the COVID-19 pandemic, including any increases in infection rates, new variants and renewed governmental action to slow the spread of COVID-19 cannot be estimated.

*Liquidity*

As of September 30, 2022, American had \$14.3 billion in total available liquidity, consisting of \$11.2 billion in unrestricted cash and short-term investments, \$2.8 billion in undrawn capacity under revolving credit facilities and a total of \$220 million in undrawn short-term revolving and other facilities.

During the first nine months of 2022, American completed the following transactions:

- Received \$699 million in proceeds from enhanced equipment trust certificates (EETCs); and;
- Repurchased \$349 million of unsecured notes on the open market.

A significant portion of their debt financing agreements contain covenants requiring them to maintain an aggregate of at least \$2.0 billion of unrestricted cash and cash equivalents and amounts available to be drawn under revolving credit facilities and/or contain covenants requiring us to meet certain loan to value, collateral coverage and/or peak debt service coverage ratios.

Given their current assumptions about the future impact of the COVID-19 pandemic on travel demand, which could be materially different due to the inherent uncertainties of the current operating environment, they expect to meet their cash obligations as well as remain in compliance with the debt covenants in their existing financing agreements for the next 12 months based on their current level of unrestricted cash and short-term investments, their anticipated access to liquidity (including via proceeds from financings) and projected cash flows from operations.

**Tulsa Municipal Airport Trust**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

**Upcoming Changes in Accounting Standards**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement 87 – Leases. This statement will be effective for the Trust beginning with its fiscal year ending May 31, 2023. This statement increases the usefulness of the Trust’s financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, the Trust, as a lessee, is required to recognize a lease liability and an intangible right-to-use lease asset, and as a lessor, is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the Trust’s leasing activities. GASB Statement 87 has the potential to have a significant impact on the Trust’s financial statements.



**OTHER REPORT IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**



Neil D. Gilpin, CPA  
Shaun B. Wertz, CPA  
Taylor D. Gilpin, CPA  
Seth P. Carr, CPA  
D. Brent Allison, CPA

INDEPENDENT AUDITOR'S 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*

To the Board of Trustees  
Tulsa Municipal Airport Trust

Tulsa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Tulsa Municipal Airport Trust (the Trust) as of and for the years ended May 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated December 6, 2022.

### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Conklin, Gilpin & Wertz, P.L.L.C.*

**CONKLIN, GILPIN & WERTZ, P.L.L.C.**

Certified Public Accountants

Tulsa, Oklahoma

December 6, 2022