Tulsa Municipal Airport Trust

Financial Statements
And
Independent Auditor's Report

May 31, 2013 and 2012

Contents

Independent Auditor's Report

The Board of Trustees
Tulsa Municipal Airport Trust
Tulsa, Oklahoma

We have audited the accompanying financial statements of the Tulsa Municipal Airport Trust (an Oklahoma Trust) as of and for the year ended May 31, 2013, 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tulsa Municipal Airport Trust as of May 31, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted 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

The financial statements of the Tulsa Municipal Airport Trust for the year ended May 31, 2012, were audited by another auditor who expressed an opinion on those statements on November 27, 2012. As discussed in Note J, the Trust has implemented GASB Statement 65, which requires bond issuance costs be expensed. GASB Statement 65 requires retroactive restatement of beginning of year net position for 2012. Additionally, as discussed in Note J, the Trust has restated its 2012 financial statements to correct an error in the previously reported net investment in direct financing leases and interest earned as of May 31, 2012. As part of our audit of the May 31, 2013 financial statements, we audited these adjustments.

In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of the Trust other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014 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.

Stanfield & O'Dell P.C.

Tulsa, Oklahoma
February 5, 2014

Tulsa Municipal Airport Trust

Statements of Net Position

May 31,

	2013	2012
Assets		
Current Assets		
Cash - general fund	$ 5,696	$ 13,265
Cash - restricted	7,518,925	43,598,436
Net investment in direct financing leases	4,941,787	4,571,051
Accounts receivable	29,162	29,234
Prepaid expenses	119,888	119,888
Total current assets	12,615,458	48,331,874
Noncurrent Assets		
Leased facility	11,408,208	11,408,208
Building and improvements, net	69,080,688	76,453,620
Operating lease payments receivable	189,178,135	182,572,303
Net investment in direct financing leases	59,612,634	64,554,422
Deferred minimum lease payments receivable	67,729,383	64,008,771
Total noncurrent assets	397,009,048	398,997,324
Total assets	409,624,506	447,329,198
Deferred Outflows of Resources		
Refundings of debt	5,407,737	5,818,032
Total assets and deferred outflows of resources	$ 415,032,243	$ 453,147,230
Liabilities		
Current Liabilities		
Current portion of revenue bonds payable	$ -	$ 27,500,000
Accrued interest payable	7,452,194	16,063,167
Total current liabilities	7,452,194	43,563,167
Noncurrent Liabilities		
Revenue bonds payable (net of unamortized discounts)	424,129,606	424,003,900
Total liabilities	431,581,800	467,567,067
Net Position		
Net investment in capital assets	(233,367,046)	(253,064,305)
Restricted for debt service	216,662,743	238,482,080
Restricted for other purposes	154,746	162,388
Total net position	(16,549,557)	(14,419,837)
Total liabilities and net position	$ 415,032,243	$ 453,147,230

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

Tulsa Municipal Airport Trust

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended May 31,

	2013	2012
Operating revenues		
Rent	$ 16,789,717	$ 18,436,055
Administrative fees	616,907	111,395
Total operating revenues	17,406,624	18,547,450
Operating expenses		
Administrative expenses	20,150	11,738
Trustee fees	118,367	99,164
Ground rent	197,816	179,832
Depreciation	7,372,932	7,435,911
Legal fees	428,465	-
Other fees	46,979	-
Total operating expenses	8,184,709	7,726,645
Operating income	9,221,915	10,820,805
Non-operating revenues (expenses)		
Interest earned	4,431,942	4,765,972
Interest expense	(15,783,577)	(16,693,260)
Net non-operating revenues (expenses)	(11,351,635)	(11,927,288)
Change in net position	(2,129,720)	(1,106,483)
Net position, beginning of year (restated)	(14,419,837)	(13,313,354)
Net position, end of year	$ (16,549,557)	$ (14,419,837)

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

Tulsa Municipal Airport Trust

Statements of Cash Flows

Years Ended May 31,

	2013	2012
Cash Flows from Operating Activities		
Administrative fees received	$ 616,979	$ 280,409
Cash paid for goods and services	(495,594)	(11,738)
Net cash provided by operating activities	121,385	268,671
Cash Flows from Capital and Related Financing Activities		
Interest received on capital leases	5,236,572	4,907,016
Rents received on operating leases	10,183,885	38,752,664
Interest paid on revenue bonds	(23,858,549)	(8,555,715)
Rent paid on operating lease	(197,816)	(179,832)
Principal payments on revenue bonds	(27,500,000)	-
Trustee fees paid	(118,367)	(99,164)
Net cash provided by (used in) capital and related financing activities	(36,254,275)	34,824,969
Cash Flows from Investing Activities		
Interest received on investments	45,810	43,864
Net increase (decrease) in cash	(36,087,080)	35,137,504
Cash and cash equivalents, beginning of year	43,611,701	8,474,197
Cash and cash equivalents, end of year	$ 7,524,621	$ 43,611,701

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

Tulsa Municipal Airport Trust

Statements of Cash Flows - Continued

Years Ended May 31,

		2013		2012
Reconciliation of change in net position to net cash provided by (used in) operating activities				
Change in net position	$	(2,129,720)	$	(1,106,483)
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:				
Depreciation		7,372,932		7,435,911
Amortization		536,001		542,196
Financing activities:				
Interest income		(4,386,132)		(4,722,109)
Rental income		(16,789,717)		(18,436,055)
Interest expense		15,247,576		16,151,063
Rent expense		197,816		179,832
Trustee fees		118,367		99,164
Income and expense from investing activities:				
Interest income		(45,810)		(43,863)
Change in accounts receivable		72		169,015
Net cash provided by operating activities	$	121,385	$	268,671
Reconciliation of cash and cash equivalents to the Statements of Net Position				
Current assets:				
Cash - general fund	$	5,696	$	13,265
Cash - restricted		7,518,925		43,598,436
Total cash and cash equivalents	$	7,524,621	$	43,611,701

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

Note A - Summary of Significant Accounting Policies

1. Description of Trust

The Tulsa Municipal Airport Trust (the 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.

2. 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.

3. 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), financial 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.

4. 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.

Note A - Summary of Significant Accounting Policies - Continued

4. Cash and Cash Equivalents - Continued

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 indenture are not subject to the aforementioned requirements.

5. 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, 2013 and 2012 are the following:

	2013	2012
Bond and interest funds	$ 7,475,680	$ 43,527,877
Bond retirement funds	3,300	30,681
Replacement funds	39,945	39,878
	$ 7,518,925	$ 43,598,436

6. 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 net position when an expense is incurred for purposes for which both components of restricted and unrestricted net position are available.

7. 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.

Note A - Summary of Significant Accounting Policies - Continued

8. 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 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.

9. Subsequent Events

The Trust has reviewed subsequent events through February 5, 2014, the date at which the financial statements were available to be issued.

Note B - 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, 2013 and 2012 was $7,372,932 and $7,435,911, 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, 2013 and 2012:

	Balance at June 1, 2012	Additions	Disposals	Balance at May 31, 2013
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	(273,395,751)	(7,372,932)	-	(280,768,683)
Capital assets, net	$ 87,861,828	$ (7,372,932)	$ -	$ 80,488,896

	Balance at June 1, 2011	Additions	Disposals	Balance at May 31, 2012
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	(265,959,840)	(7,435,911)	-	(273,395,751)
Capital assets, net	$ 95,297,739	$ (7,435,911)	$ -	$ 87,861,828

Note C - 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. 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 four separate components; the Base ground lease; 1995 improvements, 2000 improvements and 2001 improvements. Each component, except for the base ground lease, corresponds to the separate bond indentures described in Note F. 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.

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 trustee fees 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, 2013 and 2012, future minimum lease payments under the terms of this lease totaled $5,840,609 and $6,038,425, 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, 2013 and 2012, future minimum lease payments under the terms of this lease totaled $140,458,132 and $146,565,008, respectively.

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, 2013 and 2012, future minimum lease payments under the terms of this lease totaled $369,026,984 and $377,830,256, respectively.

Note C - Leasing Arrangements - Continued

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, 2013 and 2012, future minimum lease payments under the terms of this lease totaled $129,458,850 and $158,110,846, respectively.

Note D - 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, 2013:

Year ended May 31	
2014	$ 8,957,179
2015	8,957,179
2016	8,957,179
2017	8,957,179
2018	8,957,179
Thereafter	41,646,052
Total minimum lease payments	86,431,947
Less unearned income	(21,877,526)
Net investment in direct financing leases	$ 64,554,421

Note E - Operating Leases

Trust land, buildings and improvements owned and leased meet the criteria for operating leases. Rental income is recognized in such 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, 2013 and 2012 the cost of assets leased is $361,257,579 with accumulated depreciation of $280,768,683 and $273,395,751 respectively.

Note E - Operating Leases - Continued

The following lists the future minimum rentals for operating leases as of May 31, 2013:

Year ended May 31	
2014	$ 10,101,428
2015	10,101,428
2016	10,101,428
2017	10,101,428
2018	10,108,022
Thereafter	472,697,582
Total future minimum rentals	$ 523,211,316

Note F - Revenue Bonds Payable

Revenue bonds outstanding consist of debt issued by the Trust. A summary of debt activity for these revenue bonds for the fiscal years ended May 31, 2013 and 2012 is detailed as follows:

Revenue Bonds	Balance 5/31/2012	Additions	Deductions	Balance 5/31/2013	Due within one year
Series 1992	$ 27,500,000	$ -	$ (27,500,000)	$ -	$ -
Series 1995	97,710,000	-	-	97,710,000	-
Series 2000	175,355,000	-	-	175,355,000	-
Series 2001	152,705,000	-	-	152,705,000	-
Unamortized discount	(1,766,100)	125,706	-	(1,640,394)	125,706
	$ 451,503,900	$ 125,706	$ (27,500,000)	$ 424,129,606	$ 125,706

Revenue Bonds	Balance 5/31/2011	Additions	Deductions	Balance 5/31/2012	Due within one year
Series 1992	$ 27,500,000	$ -	$ -	$ 27,500,000	$ 27,500,000
Series 1995	97,710,000	-	-	97,710,000	-
Series 2000	175,355,000	-	-	175,355,000	-
Series 2001	152,705,000	-	-	152,705,000	-
Unamortized discount	(1,898,003)	131,903	-	(1,766,100)	125,706
	$ 451,371,997	$ 131,903	$ -	$ 451,503,900	$ 27,625,706

Note F - Revenue Bonds Payable - Continued

The annual debt service requirements to maturity, including principal and interest, for revenue bonds as of May 31, 2013 are as follows:

Year ended May 31	Principal	Interest
2014	$ -	$ 15,140,184
2015	-	15,140,184
2016	-	15,140,184
2017	-	15,140,184
2018	-	15,140,184
2019 - 2023	97,710,000	54,326,854
2024 - 2028	-	45,166,540
2029 - 2033	-	45,166,540
2034 - 2038	328,060,000	22,698,288
Total	$ 425,770,000	$ 243,059,142

The revenue bonds are payable from rents derived under the sublease, as amended, described in Note C. 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, 2013, are detailed as follows:

	Interest Rate	Issue Amount	Maturity	Balance 5/31/2013
Series 1995	6.250%	$ 97,710,000	6/1/2020	$ 97,710,000
Series 2000A	7.750%	112,355,000	6/1/2035	112,355,000
Series 2000B	Variable	63,000,000	6/1/2035	63,000,000
Series 2001A	Variable	27,500,000	12/1/2035	27,500,000
Series 2001B	Variable	125,205,000	12/1/2035	125,205,000
Total Revenue Bonds				$ 425,770,000

The variable interest rate is calculated on a monthly basis. At May 31, 2013, the rate was calculated at .18% for the series 2000B bonds, .16% for the 2001A series bonds and .18% for the 2001B series bonds.

Total interest incurred on long-term debt was $15,247,577 and $16,151,063 for the years ended May 31, 2013 and 2012, respectively.

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

Bond discounts 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 revenue bonds payable.

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, 2013 and 2012 is detailed as follows:

May 31, 2013

	Unamortized Discounts	Unamortized Debt Refundings
Series 1995	$ 530,487	$ -
Series 2000	587,058	1,181,613
Series 2001	522,849	4,226,124
	$ 1,640,394	$ 5,407,737

May 31, 2012

	Unamortized Discounts	Unamortized Debt Refundings
Series 1995	$ 606,271	$ -
Series 2000	613,742	1,350,415
Series 2001	546,087	4,467,617
	$ 1,766,100	$ 5,818,032

Note H - 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, 2013:

Year ended May 31	
2014	$ 197,816
2015	197,816
2016	197,816
2017	197,816
2018	204,410
2019 - 2023	1,095,238
2024 - 2028	1,204,764
2029 - 2033	1,325,241
2034 - 2038	1,351,569
Total future minimum rentals	$ 5,972,486

Total rent expense was $197,816 and $179,832 for the years ended May 31, 2013 and 2012, respectively.

Note I - 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 affect upon the Trust.

On November 29, 2011, AMR Corporation and its principal subsidiary, American Airlines, Inc. and certain of AMR’s other direct and indirect subsidiaries, filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. Due to American Airlines bankruptcy proceedings, debt service payments to bond holders were suspended until October 23, 2012, at which time all payments were made current both to bond holders and to the Trust pertaining to lease revenues.

In 2013, American Airlines, Inc. further agreed to assume the sublease between the Trust and American Airlines on its stated terms with no modifications.

Note J - Restatement of Beginning Net Position

The Trust adopted GASB 65 - *Items Previously Reported as Assets and Liabilities* during the current year. The effect of this adoption was to eliminate the asset deferred bond issuance costs of $455,250 on May 31, 2011 and eliminate amortization expense in 2012 of $18,813. This resulted in a reduction of the net position previously reported at year-end May 31, 2012 by $436,437. This restatement has been recorded in the statements of net position, revenue, expenses and changes in net position and cash flows for the year May 31, 2012.

Note J - Restatement of Beginning Net Position – Continued

The Trust has restated its 2012 financial statements to correct an error in the previously reported net investment in direct financing leases by $329,556 as of May 31, 2012. Therefore, 2012 interest earned and change in net position was increased by $329,556. Additionally, the Trust's net investment in direct financing leases and net position as of May 31, 2012 were increased by $329,556.

Note K - Subsequent Events

In June 2013, the Trust successfully remarketed its Series 2000B, 2001A, and 2001B bonds. The refunded series bonds will bear interest at 5.50% and are payable semiannually on June 1 and December 1. The refunded series 2000B bonds will maintain its original maturity date of June 1, 2035 and the series 2001A and 2001B bonds will maintain their original maturity dates of December 1, 2035. The remarketed bonds of each series are subject to optional redemption, extraordinary optional redemption, and mandatory redemption prior to maturity, in each case at the redemption prices, in the manner and at the times set forth in the Remarketing Circular.

Stanfield & O'Dell PC
Beyond numbers. To solutions.
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

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*

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 the Tulsa Municipal Airport Trust (an Oklahoma Trust) as of and for the year ended May 31, 2013, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated February 5, 2014.

Internal Control Over Financial Reporting

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

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

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

Stanfield & O'Dell P.C.

Tulsa, Oklahoma
February 5, 2014