Tulsa Municipal Airport Trust

Financial Statements
And
Independent Auditor's Report

May 31, 2014 and 2013

Contents

Stanfield & O'Dell PC
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CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

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 years ended May 31, 2014 and 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 audits. We conducted our audits 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, 2014 and 2013, 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 Matter

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 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.

Tulsa, Oklahoma
December 5, 2014

Stanfield & O'Dell P.C.

Tulsa Municipal Airport Trust

Statements of Net Position

May 31,

		2014		2013
Assets				
Current Assets				
Cash - general fund	$	75,838	$	5,696
Cash - restricted		13,382,110		7,518,925
Net investment in direct financing leases		4,757,128		4,941,787
Accounts receivable		29,855		29,162
Prepaid expenses		119,888		119,888
Total current assets		18,364,819		12,615,458
Noncurrent Assets				
Leased facility		11,408,208		11,408,208
Building and improvements, net		61,738,794		69,080,688
Operating lease payments receivable		195,783,968		189,178,135
Net investment in direct financing leases		55,478,532		59,612,634
Deferred minimum lease payments receivable		71,449,983		67,729,383
Total noncurrent assets		395,859,485		397,009,048
Total assets		414,224,304		409,624,506
Deferred Outflows of Resources				
Refundings of debt		4,997,442		5,407,737
Total assets and deferred outflows of resources	$	419,221,746	$	415,032,243
Liabilities				
Current Liabilities				
Accrued interest payable	$	13,339,083	$	7,452,194
Noncurrent Liabilities				
Revenue bonds payable (net of unamortized discounts)		424,255,312		424,129,606
Total liabilities		437,594,395		431,581,800
Net Position				
Net investment in capital assets		(241,138,749)		(233,367,046)
Restricted for debt service		222,540,520		216,662,743
Restricted for other purposes		225,580		154,746
Total net position		(18,372,649)		(16,549,557)
Total liabilities and net position	$	419,221,746	$	415,032,243

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,

	2014	2013
Operating revenues		
Rent	$ 26,532,563	$ 16,789,717
Administrative fees	119,983	616,907
Total operating revenues	26,652,546	17,406,624
Operating expenses		
Administrative expenses	15,813	20,150
Trustee fees	93,576	118,367
Ground rent	197,816	197,816
Depreciation	7,341,894	7,372,932
Legal fees	-	428,465
Other fees	-	46,979
Total operating expenses	7,649,099	8,184,709
Operating income	19,003,447	9,221,915
Non-operating revenues (expenses)		
Interest earned	5,986,757	4,431,942
Interest expense	(26,873,538)	(15,783,577)
Miscellaneous income	60,242	-
Net non-operating revenues (expenses)	(20,826,539)	(11,351,635)
Change in net position	(1,823,092)	(2,129,720)
Net position, beginning of year	(16,549,557)	(14,419,837)
Net position, end of year	$ (18,372,649)	$ (16,549,557)

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

Tulsa Municipal Airport Trust

Statements of Cash Flows

Years Ended May 31,

	2014	2013
Cash Flows from Operating Activities		
Administrative fees received	$ 25,714	$ 616,979
Cash paid for goods and services	(15,813)	(495,594)
Net cash provided by (used in) operating activities	9,901	121,385
Cash Flows from Capital and Related Financing Activities		
Interest received on capital leases	6,578,684	5,236,572
Rents received on operating leases	19,926,731	10,183,885
Interest paid on revenue bonds	(20,450,648)	(23,858,549)
Rent paid on operating lease	(197,816)	(197,816)
Principal payments on revenue bonds	-	(27,500,000)
Trustee fees paid	-	(118,367)
Miscellaneous income	60,242	-
Net cash provided by (used in) capital and related financing activities	5,917,193	(36,254,275)
Cash Flows from Investing Activities		
Interest received on investments	6,233	45,810
Net increase (decrease) in cash	5,933,327	(36,087,080)
Cash and cash equivalents, beginning of year	7,524,621	43,611,701
Cash and cash equivalents, end of year	$ 13,457,948	$ 7,524,621

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

Statements of Cash Flows - Continued

Years Ended May 31,

	2014	2013
Reconciliation of change in net position to net cash provided by (used in) operating activities		
Change in net position	$ (1,823,092)	$ (2,129,720)
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:		
Depreciation	7,341,894	7,372,932
Amortization	536,001	536,001
Financing activities:		
Interest income	(5,980,524)	(4,386,132)
Rental income	(26,532,563)	(16,789,717)
Interest expense	26,337,537	15,247,576
Rent expense	197,816	197,816
Trustee fees	-	118,367
Miscellaneous income	(60,242)	
Income and expense from investing activities:		
Interest income	(6,233)	(45,810)
Change in accounts receivable	(693)	72
Net cash provided by (used in) operating activities	$ 9,901	$ 121,385
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Current assets:		
Cash - general fund	$ 75,838	$ 5,696
Cash - restricted	13,382,110	7,518,925
Total cash and cash equivalents	$ 13,457,948	$ 7,524,621

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.

During 2014, American Airlines, Inc. paid trustee fees of $93,576 on-behalf of the Trust.

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 are the following:

	2014	2013
Bond and interest funds	$ 13,339,084	$ 7,475,680
Bond retirement funds	3,044	3,300
Replacement funds	39,982	39,945
	$ 13,382,110	$ 7,518,925

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 December 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, 2014 and 2013 was $7,341,894 and $7,372,932, 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 tables provide a summary of changes in capital assets for the fiscal year ended May 31, 2014 and 2013:

	Balance at June 1, 2013	Additions	Disposals	Balance at May 31, 2014
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	(280,768,683)	(7,341,894)	-	(288,110,577)
Capital assets, net	$ 80,488,896	$ (7,341,894)	$ -	$ 73,147,002

	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

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, 2014 and 2013, future minimum lease payments under the terms of this lease totaled $5,624,809 and $5,840,609, 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, 2014 and 2013, future minimum lease payments under the terms of this lease totaled $137,404,694 and $140,458,132, 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, 2014 and 2013, future minimum lease payments under the terms of this lease totaled $437,064,008 and $369,026,984, 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, 2014 and 2013, future minimum lease payments under the terms of this lease totaled $337,478,072 and $129,458,850, 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, 2014:

Year ended May 31	
2015	$ 10,299,284
2016	10,299,284
2017	10,299,284
2018	10,299,284
2019	10,299,284
Thereafter	54,693,084
Total minimum lease payments	106,189,504
Less unearned income	(45,953,844)
Net investment in direct financing leases	$ 60,235,660

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, 2014 and 2013, the cost of assets leased is $361,257,579 with accumulated depreciation of $288,110,577 and $280,768,683, respectively.

Note E - Operating Leases - Continued

The following lists the future minimum rentals for operating leases as of May 31, 2014:

Year ended May 31	
2015	$ 20,297,296
2016	20,297,296
2017	20,297,296
2018	20,303,890
2019	20,317,077
Thereafter	625,230,020
Total future minimum rentals	$ 726,742,875

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, 2014 and 2013 is detailed as follows:

Revenue Bonds	Balance 5/31/2013	Additions	Deductions	Balance 5/31/2014	Due within one year
Series 1992	$ -	$ -	$ -	$ -	$ -
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	(1,640,394)	125,706	-	(1,514,688)	125,706
	$ 424,129,606	$ 125,706	$ -	$ 424,255,312	$ 125,706

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

Note F - Revenue Bonds Payable - Continued

The annual debt service requirements to maturity, including principal and interest, for revenue bonds as of May 31, 2014 are as follows:

Year ended May 31	Principal	Interest
2015	$ -	$ 26,678,164
2016	-	26,678,164
2017	-	26,678,164
2018	-	26,678,164
2019	-	26,678,164
2020 - 2024	97,710,000	112,016,754
2025 - 2029	-	102,856,440
2030 - 2034	-	102,856,440
2035 - 2039	328,060,000	35,056,320
Total	$ 425,770,000	$ 486,176,774

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, 2014 are detailed as follows:

	Interest Rate	Issue Amount	Maturity	Balance 5/31/2014
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	5.500%	63,000,000	6/1/2035	63,000,000
Series 2001A	5.500%	27,500,000	12/1/2035	27,500,000
Series 2001B	5.500%	125,205,000	12/1/2035	125,205,000
Total Revenue Bonds				$ 425,770,000

In June 2013, the Trust successfully remarketed its Series 2000B, 2001A, and 2001B bonds. The remarketed series bonds will bear interest at 5.50% and are payable semiannually on June 1 and December 1. The remarketed 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.

Note F - Revenue Bonds Payable - Continued

Prior to the remarketing of the Series 2000B, 2001A, and 2001B bonds, interest was calculated using a variable interest rate 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 $26,337,537 and $15,247,577 for the years ended May 31, 2014 and 2013, 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, 2014 and 2013 is detailed as follows:

May 31, 2014

	Unamortized Discounts	Unamortized Debt Refundings
Series 1995	$ 454,703	$ -
Series 2000	560,374	1,012,811
Series 2001	499,611	3,984,631
	$ 1,514,688	$ 4,997,442

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

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, 2014:

Year ended May 31	
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	$ 5,774,670

Total rent expense was $197,816 for the years ended May 31, 2014 and 2013.

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 – Subsequent Events

In December of 2014, the Trust successfully remarketed its Series 2000A bonds. The remarketed series 2000A bonds will bear interest at 4.125% for the term rate period commencing on December 1, 2014 and ending on November 30, 2024. The refunded series will maintain its original maturity date of June 1, 2035.

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, 2014, 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 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
December 5, 2014