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State Auditor & Inspector

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Tulsa Municipal Airport Trust

Financial Statements

and

Independent Auditors' Report

For the Years Ended

May 31, 2011 and 2010

Tulsa Municipal Airport Trust

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ACCOUNTANTS AND AUDITORS

Independent Auditors' Report

The Board of Trustees
Tulsa Municipal Airport Trust
Tulsa, OK

We have audited the accompanying financial statements of Tulsa Municipal Airport Trust, an Oklahoma trust, (the Trust) as of and for the years ended May 31, 2011 and 2010 as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tulsa Municipal Airport Trust as of May 31, 2011 and 2010 and changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Trust has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2011 on our consideration of the Tulsa Municipal Airport Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

CROSS AND ROBINSON


Certified Public Accountants
A Professional Corporation

Tulsa, Oklahoma
November 15, 2011

Tulsa Municipal Airport Trust
Statements of Net Assets
May 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and investments:		
General fund	\$ 12,363	\$ 22,574
Restricted	8,461,834	8,642,814
Operating lease payments receivable - Note 5	26,779,475	-
Net investment in direct financing leases - Note 4	4,208,456	3,891,991
Accounts receivable	29,643	343,316
Prepaid expenses	119,888	119,888
Total current assets	<u>39,611,659</u>	<u>13,020,583</u>
Noncurrent assets:		
Capital assets:		
Leased facility	11,408,208	11,408,208
Buildings and improvements, net	83,889,531	91,398,235
Other noncurrent assets:		
Operating lease payments receivable - Note 5	175,948,487	194,663,098
Net investment in direct financing leases - Note 4	69,152,092	73,369,927
Deferred minimum lease payments receivable - Note 4	60,288,159	56,567,553
Bond issue costs, net of amortization - Note 7	455,250	474,063
Total noncurrent assets	<u>401,141,727</u>	<u>427,881,084</u>
Total Assets	<u>440,753,386</u>	<u>440,901,667</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	-	324,434
Current portion of revenue bonds payable (net of unamortized discount) - Notes 6 and 7	27,493,803	-
Accrued interest payable	8,467,819	8,467,819
Total current liabilities	<u>35,961,622</u>	<u>8,792,253</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred loss on early retirement of debt) - Notes 6 and 7	417,649,868	444,595,278
Total Liabilities	<u>453,611,490</u>	<u>453,387,531</u>
 NET ASSETS		
Invested in capital assets, net of related debt	(244,783,649)	(236,815,849)
Restricted for:		
Debt service	231,763,651	224,168,641
Other purposes	161,894	161,344
Total Net Assets	<u>\$ (12,858,104)</u>	<u>\$ (12,485,864)</u>

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

Tulsa Municipal Airport Trust
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended May 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Rent	\$ 20,187,189	\$ 19,878,152
Administrative fees	<u>110,800</u>	<u>111,311</u>
Total Operating Revenues	<u>20,297,989</u>	<u>19,989,463</u>
Operating Expenses		
Administrative expenses	11,087	13,650
Trustee fees	99,164	99,164
Ground rent	179,832	179,832
Amortization	18,813	18,813
Depreciation	<u>7,508,704</u>	<u>7,693,933</u>
Total Operating Expenses	<u>7,817,600</u>	<u>8,005,392</u>
Operating Income	<u>12,480,389</u>	<u>11,984,071</u>
Non-Operating Revenues (Expenses)		
Interest earned	5,093,430	5,453,549
Interest expense	<u>(17,946,060)</u>	<u>(17,967,155)</u>
Net Non-Operating Revenues (Expenses)	<u>(12,852,630)</u>	<u>(12,513,606)</u>
Change in Net Assets	(372,241)	(529,535)
Total Net Assets, Beginning	<u>(12,485,863)</u>	<u>(11,956,329)</u>
Total Net Assets, Ending	<u>\$ (12,858,104)</u>	<u>\$ (12,485,864)</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Administrative fees received	\$ 263,524	\$ 446,969
Cash paid for goods and services	<u>(11,087)</u>	<u>(13,650)</u>
Net Cash Provided by Operating Activities	<u>252,437</u>	<u>433,319</u>
Cash Flows from Noncapital Financing Activities	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities		
Interest received on capital leases	5,264,274	5,272,330
Rents received on operating leases	12,283,275	11,649,802
Interest paid on revenue bonds	(17,397,667)	(17,468,761)
Rent paid on operating lease	(504,266)	(378,546)
Trustee fees paid	<u>(99,164)</u>	<u>(99,164)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(453,548)</u>	<u>(1,024,339)</u>
Cash Flows From Investing Activities		
Interest received on investments	<u>9,920</u>	<u>4,205</u>
Net Cash Provided by Investing Activities	<u>9,920</u>	<u>4,205</u>
Net Decrease in Cash	(191,191)	(586,815)
Cash at Beginning of Year	<u>8,665,388</u>	<u>9,252,203</u>
Cash at End of Year	<u>\$ 8,474,197</u>	<u>\$ 8,665,388</u>

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

	<u>2011</u>	<u>2010</u>
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Net income (loss)	\$ (372,241)	(529,535)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	7,508,704	7,693,933
Amortization	567,206	567,206
Financing activities:		
Interest income	(5,083,510)	(5,449,344)
Rental income	(20,187,189)	(19,878,151)
Interest expense	17,397,667	17,418,762
Rent expense	179,832	179,832
Trustee fees	99,164	99,164
Income and expense from investing activities:		
Interest income	(9,920)	(4,205)
Decrease in accounts receivable	152,724	335,657
	<u>624,678</u>	<u>962,854</u>
Net Cash Provided by Operating Activities	<u>\$ 252,437</u>	<u>\$ 433,319</u>

Tulsa Municipal Airport Trust

Notes to Financial Statements

May 31, 2011

Note 1 - 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. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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 assets (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 assets.

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.

Tulsa Municipal Airport Trust

Notes to Financial Statements

May 31, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

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 indenture are not subject to the aforementioned requirements.

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, 2011 and 2010 are the following:

	<u>2011</u>	<u>2010</u>
Bond trustee accounts:		
Bond and interest funds	\$ 8,419,168	\$ 8,599,197
Bond retirement funds	2,846	3,765
Replacement funds	<u>39,820</u>	<u>39,852</u>
	<u>\$ 8,461,834</u>	<u>\$ 8,642,814</u>

Equity

The financial statements utilize a net asset presentation. Net assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

Invested in capital assets, net of related debt 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.

Tulsa Municipal Airport Trust

Notes to Financial Statements

May 31, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

Equity (continued)

Restricted net assets consist of net assets 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 assets consists of all other net assets that do not meet the definition of "Invested in capital assets, net of related debt" or "Restricted net assets."

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

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.

Note 2 - Capital Assets

Capital assets are stated at historical cost. Depreciation is computed on the straight-line method for buildings and improvements over the estimated useful lives of the assets, which range from 9 to 35 years. Depreciation for the year ended May 1, 2011 was \$7,508,704 and \$7,693,933 in 2010.

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.

Tulsa Municipal Airport Trust

Notes to Financial Statements

May 31, 2011

Note 2 - Capital Assets (continued)

The following table provides a summary of changes in capital assets for the fiscal year ended May 31, 2011:

	<u>Balance at June 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at May 31, 2011</u>
Leased facility	11,408,208	\$ -	\$ -	\$ 11,408,208
Buildings and improvements	<u>349,849,371</u>	<u>-</u>	<u>-</u>	<u>349,849,371</u>
Totals at historical cost	361,257,579	-	-	361,257,579
Less accumulated depreciation				
Buildings and improvements	<u>258,451,136</u>	<u>7,508,704</u>	<u>-</u>	<u>265,959,840</u>
Capital assets, net	<u>\$ 102,806,443</u>	<u>\$(7,508,704)</u>	<u>\$ -</u>	<u>\$ 95,297,739</u>

Note 3 - 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 five separate components; the Base ground lease; 1992 improvements, 1995 improvements, 2000 improvements and 2001 improvements. Each component, except for the base ground lease, corresponds to the separate bond indentures described in Note 6. The subleases have been classified as operating leases for facilities and direct-financing leases for equipment. The lease agreements are designed to provide revenues to the Trust sufficient to pay principal and interest as required by the bond indentures.

Tulsa Municipal Airport Trust

Notes to Financial Statements

May 31, 2011

Note 3 - 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 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, 2011, future minimum lease payments under the terms of this lease total \$6,218,257 and in 2010 totaled \$6,398,089.

The eleventh amendment dated November 1, 1992, expires December 1, 2011 and Lessee has the option to renew the sublease for a term not to exceed 80% of the reasonably expected economic life of the 1992 improvements. The lease is accounted for as an operating lease. Under the terms of the sublease, Lessee's obligation to pay rentals includes sufficient amounts to pay principal and interest on the 1992 Revenue Bonds. At May 31, 2011, future minimum lease payments under the terms of this lease total \$28,510,625 and in 2010 totaled \$30,531,875.

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, 2011 future minimum lease payments under the terms of this lease total \$152,671,884 and in 2010 totaled \$158,778,760.

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, 2011 future minimum lease payments under the terms of this lease total \$388,190,888 and in 2010 totaled \$397,059,550.

Tulsa Municipal Airport Trust

Notes to Financial Statements

May 31, 2011

Note 3 - 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, 2011 future minimum lease payments under the terms of this lease total \$164,094,779 and in 2010 totaled \$164,094,779.

Note 4 - 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, 2011:

Year ended May 31	
2012	\$ 8,984,880
2013	8,984,880
2014	8,984,880
2015	8,984,880
2016	8,984,880
Thereafter	<u>60,097,860</u>
Total minimum lease payments	105,022,260
Less unearned interest income	<u>31,661,712</u>
Net investment in direct financing leases	<u>\$ 73,360,548</u>

Note 5 - 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, 2011 and 2010, the cost of assets leased is \$361,257,579 and accumulated depreciation of \$265,959,840 and \$258,451,136, respectively.

Tulsa Municipal Airport Trust

Notes to Financial Statements

May 31, 2011

Note 5 - Operating Leases (continued)

The following lists the future minimum rentals for operating leases as of May 31, 2011:

	Year ended May 31
2012	\$ 18,647,210
2013	16,916,061
2014	16,916,061
2015	16,916,061
2016	16,916,061
Thereafter	283,659,557
Total future minimum rentals	\$ 369,971,011

Note 6 - Revenue Bonds Payable

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

Revenue Bonds	Balance 05/31/10	Additions	Deductions	Balance 05/31/11	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	-
	\$ 453,270,000	\$ -	\$ -	\$ 453,270,000	\$ 27,500,000

The annual debt service requirements to maturity, including principal and interest, for revenue bonds as of May 31, 2011 are as follows:

Year ended May 31,	Principal	Interest
2012	\$ 27,500,000	\$ 17,332,188
2013	-	15,310,938
2014	-	15,310,938
2015	-	15,310,938
2016	-	15,310,938
2017 - 2021	97,710,000	73,501,253
2022 - 2026	-	46,020,318
2027 - 2031	-	46,020,320
2032 - 2036	328,060,000	41,597,263
Total	\$ 453,270,000	\$ 285,715,094

Tulsa Municipal Airport Trust

Notes to Financial Statements

May 31, 2011

Note 6 - Revenue Bonds Payable (continued)

The revenue bonds are payable from rents derived under the sublease, as amended, described in Note 3. 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, 2011 are detailed as follows:

	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Maturity</u>	<u>Balance 05/31/11</u>
Series 1992	7.350%	\$ 27,500,000	Dec-11	\$ 27,500,000
Series 1995	6.250%	\$ 97,710,000	Jun-20	97,710,000
Series 2000	7.750%	\$ 112,355,000		
	Variable	\$ 63,000,000	Jun-35	175,355,000
Series 2001	Variable	\$ 27,500,000		
	Variable	\$ 125,205,000	Dec-35	<u>152,705,000</u>
 Total Revenue Bonds				 <u>\$ 453,270,000</u>
 Current portion				 \$ 27,500,000
Noncurrent portion				<u>425,770,000</u>
Total Revenue Bonds				<u>\$ 453,270,000</u>

The variable interest rate is calculated on a monthly basis. At May 31, 2011, the rate was calculated to be .30%.

Total interest incurred on long-term debt was \$17,397,667 and \$17,418,761 for the years ended May 31, 2011 and 2010, respectively.

Note 7 - Bond Discounts, Issuance Costs and Deferred Gain/Loss on Early Retirement of Debt

Bond discounts and issuance 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 recorded as other assets.

Tulsa Municipal Airport Trust

Notes to Financial Statements

May 31, 2011

Note 7 - Bond Discounts, Issuance Costs and Deferred Gain/Loss on Early Retirement of Debt (continued)

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 reduction of the face amount of the revenue bonds payable.

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 net carrying value of the revenue bonds as of May 31, 2011 and 2010 is detailed as follows:

May 31, 2011				
	Face Amount	Unamortized Discounts	Unamortized Deferred (Gain) Loss	Net Carrying Value
Series 1992	\$ 27,500,000	\$ 6,197	\$ -	\$ 27,493,803
Series 1995	97,710,000	682,055	-	97,027,945
Series 2000	175,355,000	640,426	1,519,217	173,195,357
Series 2001	152,705,000	569,324	4,709,110	147,426,566
	<u>\$ 453,270,000</u>	<u>\$ 1,898,002</u>	<u>\$ 6,228,327</u>	<u>\$ 445,143,671</u>
May 31, 2010				
	Face Amount	Unamortized Discounts	Unamortized Deferred (Gain) Loss	Net Carrying Value
Series 1992	\$ 27,500,000	18,590	\$ -	\$ 27,481,410
Series 1995	97,710,000	757,839	-	96,952,161
Series 2000	175,355,000	667,112	1,688,018	172,999,870
Series 2001	152,705,000	592,562	4,950,601	147,161,837
	<u>\$ 453,270,000</u>	<u>\$ 2,036,103</u>	<u>\$ 6,638,619</u>	<u>\$ 444,595,278</u>

Tulsa Municipal Airport Trust

Notes to Financial Statements

May 31, 2011

Note 8 - 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, 2011:

	<u>Year ended May 31,</u>	
2012	\$	179,832
2013		197,816
2014		197,816
2015		197,816
2016		197,816
2017 - 2021		1,068,204
2022 - 2026		1,175,025
2027 - 2031		1,292,529
2032 - 2036		1,421,781
2037 - 2041		<u>289,622</u>
Total future minimum rentals	\$	<u>6,218,257</u>

Total rent expense was \$179,832 and \$179,832 for the years ended May 31, 2011 and 2010, respectively.

Note 9 - 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.

Note 10 - Subsequent Events

We have evaluated all events subsequent to the balance sheet date of May 31, 2011 through the date available for issuance, November 15, 2011. We have determined that there are no subsequent events that require disclosure.

REPORTS IN ACCORDANCE
WITH
GOVERNMENT AUDITING STANDARDS

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Tulsa Municipal Airport Trust, in a separate letter dated November 15, 2011.

This report is intended solely for the information and use of the Board of Trustees, management and designated regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

CROSS AND ROBINSON

Certified Public Accountants
A Professional Corporation

Tulsa, Oklahoma
November 15, 2011

