

Minneapolis/St. Paul, Minnesota • Metropolitan Airports Commission



Comprehensive Annual Financial Report • Year Ended December 31

2011

Prepared by
The Finance Department

Bob Schauer
Director of Finance

Stephen L. Busch
Deputy Executive Director

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MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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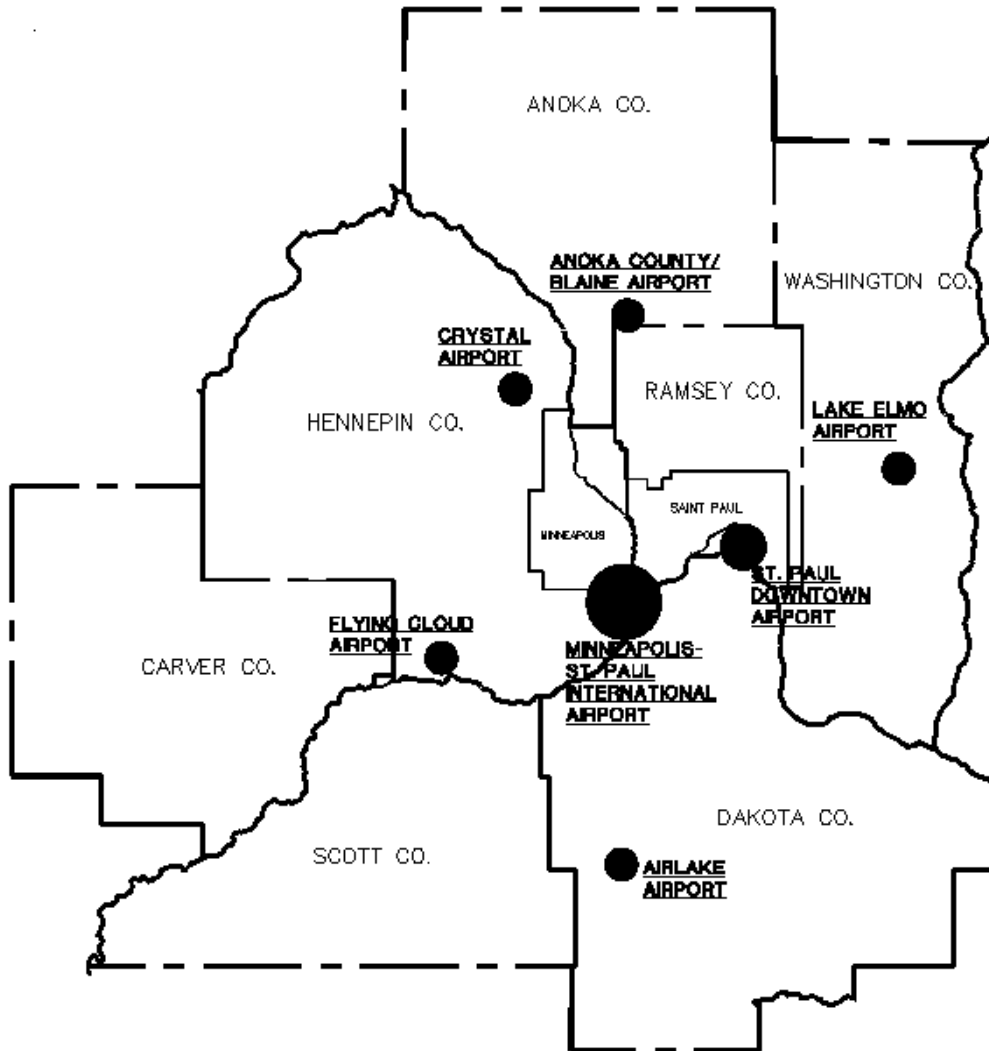
2011

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MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

AIRPORT LOCATIONS

Introductory Section



Commission Jurisdiction 35 Mile Radius

Introductory Section

METROPOLITAN AIRPORTS COMMISSION - 2010/2011

Chair: Daniel Boivin

Commissioners:

District A Carl Crimmins

District B Rick King

District C Lisa Peilen

District D John Williams

District E James Deal

District F Michael Madigan

District G John McClung

District H Tammy Mencil

City of Minneapolis Greg Foster

City of Saint Paul Pat Harris

Representing Greater
Minnesota Area
Timothy Geisler
Mike Landy
Donald Monaco
Paul Rehkamp

The Chair and Commissioners collectively are an appointed body which governs the Metropolitan Airports Commission. The Commissioners are, in effect, the board of directors for this public corporation.

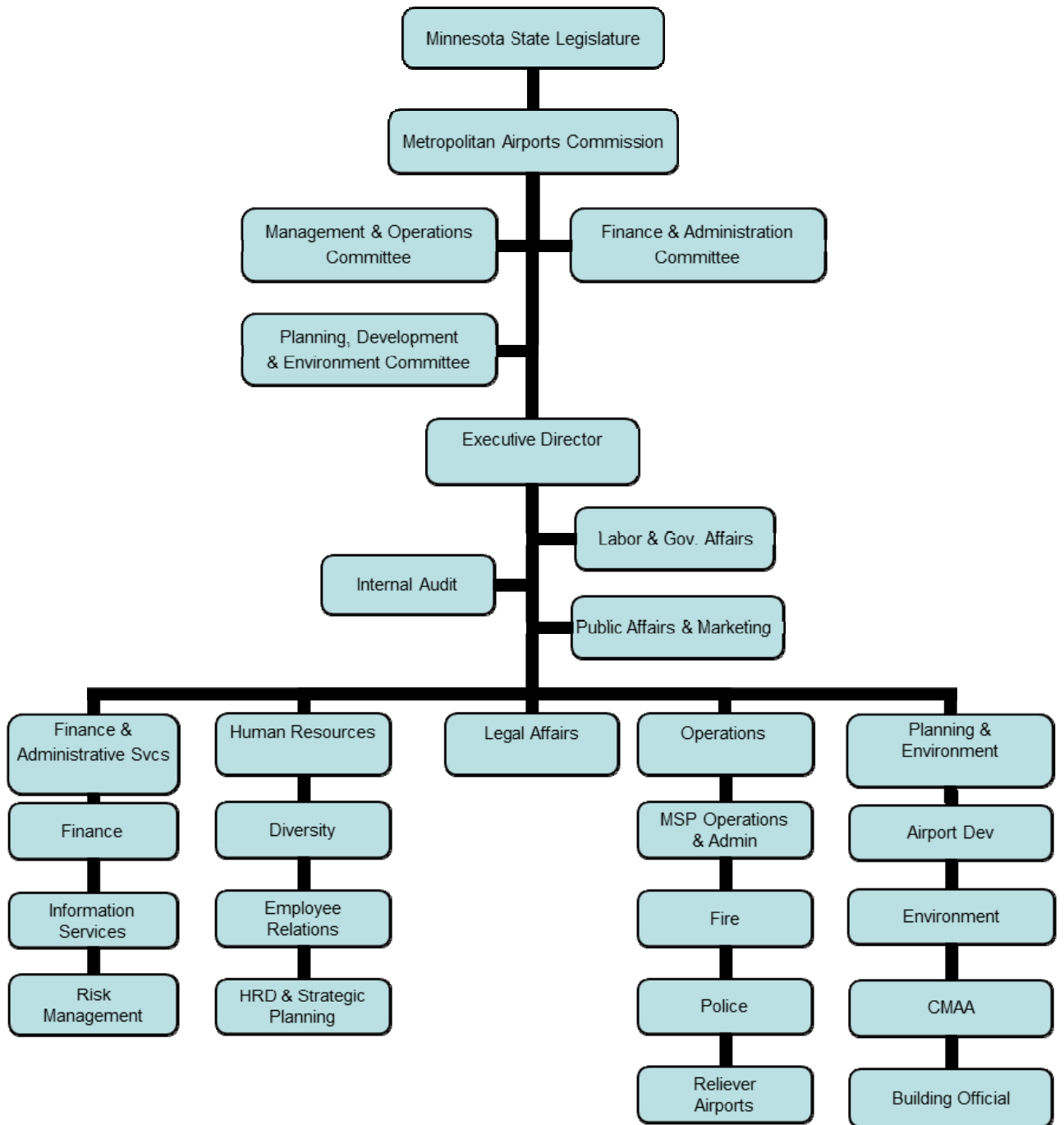
Executive Director: Jeffrey Hamiel

The Executive Director is appointed by and responsible to the Commissioners. He is responsible for transforming Commissioners' policy guidance into practical results that benefit airport users, specifically, and the citizens of Minnesota, generally. The Executive Director is, in effect, the CEO of the Metropolitan Airport Commission.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

ORGANIZATION CHART

Introductory Section



METROPOLITAN AIRPORTS COMMISSION

Minneapolis–Saint Paul International Airport

6040 - 28th Avenue South • Minneapolis, MN 55450-2799
Phone (612) 726-8100 • Fax (612) 725-6353

OFFICE OF EXECUTIVE DIRECTOR

May 30, 2012

To The Commissioners
of the Metropolitan Airports Commission
and to its Stakeholders:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Metropolitan Airports Commission, Minneapolis-St. Paul, Minnesota, for the fiscal year ended December 31, 2011.

Management's Responsibility:

We, the management of the Metropolitan Airports Commission (Commission or MAC), are responsible for the accuracy of the reported data, for its completeness, and for the fairness of its presentation. To the best of our knowledge and belief, the data in the enclosed report are accurate in all material respects. We believe the report presents fairly the financial position, results of operations, and changes in net assets and cash flows of the Commission in accordance with Generally Accepted Accounting Principles (GAAP). All disclosures necessary to help the reader understand the Commission's financial activities are included in the report.

To provide a reasonable basis to make the representations (above), we have established a comprehensive system of internal controls to ensure:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with all applicable laws, regulations, contracts and grants

Because the cost of internal controls should not exceed their benefits, internal controls can provide only reasonable—not absolute—assurance that the MAC is achieving its objectives.

Independent Audit:

In accordance with Minnesota State Law, the State's Legislative Auditor may conduct a financial audit of the MAC or allow this service to be contracted. In addition, the Legislative Auditor periodically conducts a separate audit to examine the Commission's compliance with applicable laws, policies and procedures.

For the years ended December 31, 2011 and 2010, the annual financial statement of the MAC has been audited by BKD, LLP, a firm of independent Certified Public Accountants. BKD's opinion on the financial statements is presented in this report.

Also, as part of the annual audit, BKD performs procedures in accordance with the Single Audit Act (The Act), OMB Circular A-133 and the provisions of grant award agreements between the MAC and the Federal Aviation Administration (FAA) and other federal agencies. Finally, the auditors perform procedures to help ensure the MAC's compliance with the FAA regulations to implement the Aviation Safety and Capacity Expansion Act of 1990 in relation to Passenger Facility Charge (PFC) revenues and expenses. The resulting reports are intended for the use of the MAC and the FAA and have not been included in this report.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

LETTER OF TRANSMITTAL

Introductory Section

THE COMMISSION:

Purpose:

The Minnesota State Legislature created the MAC in 1943 as an independent public corporation. Its legislative Statute (Minnesota Laws, 1943, Chapter 500) charges the Commission to:

- Promote the public welfare and national security;
- Serve the public interest, convenience and necessity;
- Promote air navigation and transportation, (international, national and local);
- Increase air commerce and promote the efficient, safe and economical handling of such commerce; and,
- Develop the full potentialities of the metropolitan area as an aviation center.

With the growth of air commerce since 1943, the MAC has also assumed responsibilities to:

- Minimize the environmental impact from air navigation and transportation;
- Promote the overall goals of the state's environmental policies; and
- Minimize the public's exposure to noise and safety hazards around airports.

Powers:

As a *corporation*, the MAC has all the normal business rights and powers necessary to fulfill its mission to acquire, build and operate a system of airports. For example, the Commission can:

- Acquire and hold title to real estate;
- Enter into contracts and hire employees;
- Sue and be sued.

As a *public* corporation, the MAC has powers beyond those of a normal business. For example, the Commission can:

- Issue tax-exempt debt;
- Adopt ordinances, enforce them through its police powers, and acquire property through eminent domain;

and, most important the MAC *may*

- Levy taxes on real property in the Metropolitan Area for debt service or to meet operations and maintenance costs of airport facilities.

Notably, the Commission has not levied a local tax since 1969. Currently, the MAC has no need or intention to levy taxes. Rather, the Commission operates as an entirely self-funding organization similar to a private business.

Governance:

The MAC's governing board (Commission) consists of fifteen Commissioners who are appointed for fixed terms of office. The mayors of St. Paul and Minneapolis have permanent seats on the Commission but can appoint delegates to fill the positions. The Governor appoints the Chairperson and twelve Commissioners: eight from designated districts within the Metropolitan Area and four Commissioners to represent the Greater Minnesota Area (i.e., outside the Metropolitan Area). As the "board of directors" of the public corporation, the Commissioners represent the interests of the "owners" of the Commission, which is to say the Commissioners represent "the public's interest".

The Chairperson may be from anywhere in the State. Only the Chairperson can be removed before his or her term expires. Mr. Daniel Boivin was appointed to Chair the Commission in 2011 by Governor Mark Dayton.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

LETTER OF TRANSMITTAL

Introductory Section

Mr. Boivin has served on the Commission since May, 2002. Boivin is the Executive Vice President, and General Counsel for See Change Health, a health insurance and technology company. Previously, Boivin served as attorney and partner with the Meshbesh & Spence law firm. He served as the Chair of the Minnesota Bar Association Civil Litigation Section. The Board appoints the Executive Director who serves at the pleasure of the Commission and is the "chief executive" of the MAC. The Executive Director is accountable for meeting all the Commission's expectations for organizational performance.

Jeffrey W. Hamiel was appointed Executive Director of the Commission in 1985. He holds a doctorate in Public Administration from Hamline University. Hamiel began his career with the Commission in 1977, becoming its first Manager of Noise Abatement and Environmental Affairs. In 1980 he was promoted to Assistant Director of Operations and to Director of Operations in 1983. Between 1984 and 1985 he served as Airport Director and was promoted to Deputy Executive Director before becoming Executive Director.

Jurisdiction and Facilities:

The Commission's geographic jurisdiction extends throughout the Minneapolis-St. Paul Metropolitan Area radiating 35 miles from Minneapolis' and St. Paul's city halls. It encompasses Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties.

The Commission owns and operates seven airports in the Metropolitan Area. Minneapolis-St. Paul International Airport (MSP) serves as the primary air carrier facility. MSP is one of the highest activity airports in the United States: it is the 12th largest among U.S. airports based on the number of operations (takeoffs or landings) and 15th largest based on passenger volume.

The following reliever airports complement MSP to serve general aviation needs:

St. Paul Downtown Airport	Airlake Airport	Anoka County/Blaine Airport
Crystal Airport	Flying Cloud Airport	Lake Elmo Airport

- Airlake, Anoka County/Blaine, Crystal, Flying Cloud, and Lake Elmo are classified as minor use airports.
- Control towers are operational at Crystal, Anoka County/Blaine and Flying Cloud Airports.
- The St. Paul Downtown Airport serves as the primary corporate reliever and is classified as an intermediate airport.

Together MSP and its relievers form the third largest aviation system in the nation.

The Commission provides a variety of services at each of its airports. At MSP, the Commission is responsible for providing buildings and facilities for air carrier activity as well as police, fire protection, maintenance, administrative and planning services, and other related services and facilities that are deemed to be necessary.

SIGNIFICANT ACCOUNTING AND BUDGETING CONVENTIONS:

The MAC and the State of Minnesota have agreed that under Governmental Accounting Standards Board (GASB) Statements No. 14 and No. 39, the Commission is not financially accountable to any other organization; it is a stand-alone government unit (corporation).

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

LETTER OF TRANSMITTAL

Introductory Section

The Commission operates as a self-supporting business. Therefore, the net assets reported in the Commission's financial statements measure "total economic resources" (as opposed to the "current financial resources" focus employed by purely governmental entities). Consistent with its measurement focus, MAC accounts for transactions on the full accrual basis in which revenues and expenses are recognized when they are incurred regardless of the timing of related cash receipts or disbursements. All of the Commission's financial activities are organized and accounted for within one "Enterprise Fund", which includes "accounts" for operations, debt service and capital investment.

As is the case at most governments and businesses, the budget is a critically important management tool for the MAC. The process of identifying and funding priorities begins in April of each year and concludes in December with formal adoption of the budget by the Commissioners. Managers review their budgets continuously and adjust for changing business conditions. The board of Commissioners reviews budget variance reports monthly throughout the year.

Because it is a public entity and has the authority to levy taxes (even though it does not exercise this authority), the MAC is required by State Statute (Ch. 275) to publicly adopt its budget. However, MAC's budget is not legally appropriated. Because the budget is not legally appropriated, budgetary data are not included in the MAC's basic financial statements.

ACTIVITY HIGHLIGHTS

Minneapolis-St. Paul International Airport (the airport or MSP) is classified by the FAA to be one of the large hub airports in the United States. According to Airports Council International statistics, in calendar year 2011 MSP was the 15th busiest airport in the United States in terms of passenger volume, 12th in terms of takeoffs and landings and 26th in cargo traffic.

In 2011, approximately 33.1 million passengers passed through MSP; a 1.7% increase in total passengers over 2010 levels. The top five carriers serving MSP in 2011 by enplaned passengers are shown in the accompanying table.

Revenue
Passengers
enplaned (including those connecting) at MSP in 2011 totaled 15,972,189. (Totals may differ from the passenger statistics reported by the air carriers to the Department of Transportation).

Carrier	Total Enplaned Revenue Passengers	% of Total Enplaned Revenue Passengers
1 Delta	8,041,859	50.3%
2 Compass	1,270,728	8.0%
3 Mesaba	1,200,611	7.5%
4 Skywest	836,730	5.2%
5 Pinnacle	727,037	4.6%
	<u>12,076,965</u>	<u>75.6%</u>

Mesaba is a wholly owned subsidiary of Pinnacle Airlines.
Compass, Mesaba, Skywest and Pinnacle are all codeshares with Delta.

FACTORS AFFECTING THE MAC's FINANCIAL CONDITION:

Demand for Air Transportation

The Aircraft Aerodynamics and Design Group at Stanford University note that the role of air transport "... is central to the globalization taking place in many other industries." Air transport is riding the long-term trend of globalization because it facilitates economic growth, world trade, investment and tourism.

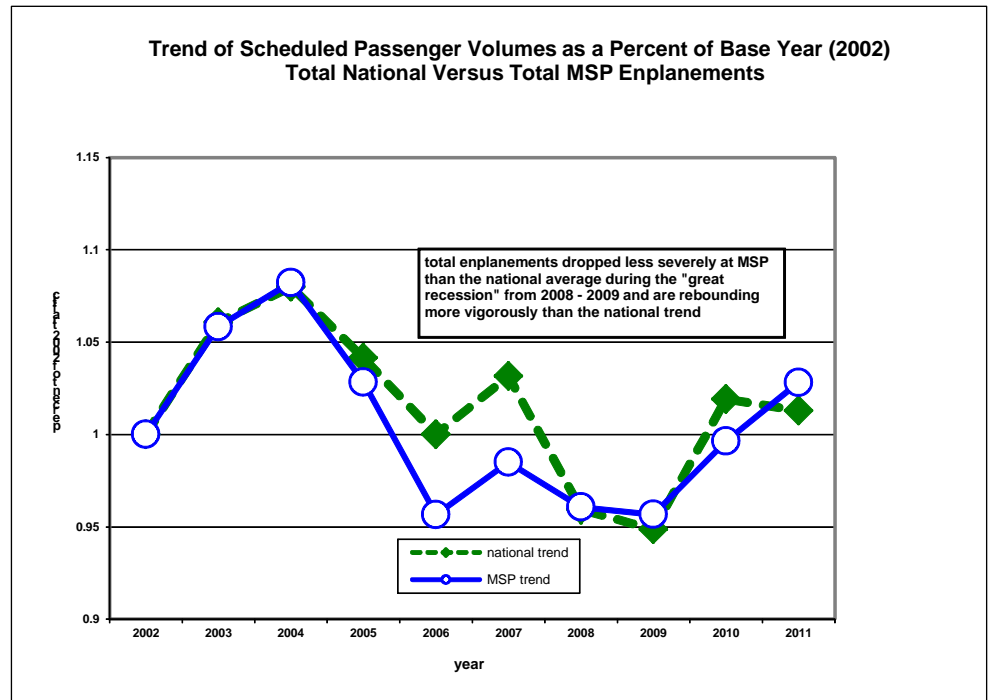
MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

LETTER OF TRANSMITTAL

Introductory Section

However, the air transportation industry and, specifically the air travel segment of the industry, are highly sensitive to the general level of economic output. Demand for air travel is highly elastic primarily due to its vulnerability to substitutes like bus, train, or automobile travel—or, the choice not to travel at all.

External events can significantly affect the supply and demand for airline services; events such as the 9/11 terror attacks and the large increase in petroleum (and, therefore, jet fuel) prices between 2005 and mid-2008 and the “great recession” that began in 2008. The accompanying chart of Bureau of Transportation Statistics (BTS) data on airline passengers paints a picture of the of the industry’s volatility.



Demand for Origination and Destination Traffic (O&D) at MSP:

A number of regional economic factors create strong demand for travel air traffic to and from the Twin Cities metropolitan area.

- Size: Minnesota is the 21st most populous State in the U.S. The Twin Cities metropolitan area is the 16th most populous metropolitan area in the nation.
- Economic Strength and Diversity:
 - ✓ Minnesota is headquarters to 20 Fortune 500 companies, which places it first among the 50 States in terms of numbers of Fortune 500 firms headquartered within the State on a per-capita basis.
 - ✓ Minnesota is headquarters to 7 of the 200 largest private companies including the largest privately held company in the United States: the Cargill Corporation.
 - ✓ Minneapolis has the fourth largest concentration of Fortune 500 company headquarters among cities in the United States.
- High per capita income:
 - ✓ The Bureau of Economic Analysis reports that the Twin Cities average per capita is approximately 16% higher than the national average.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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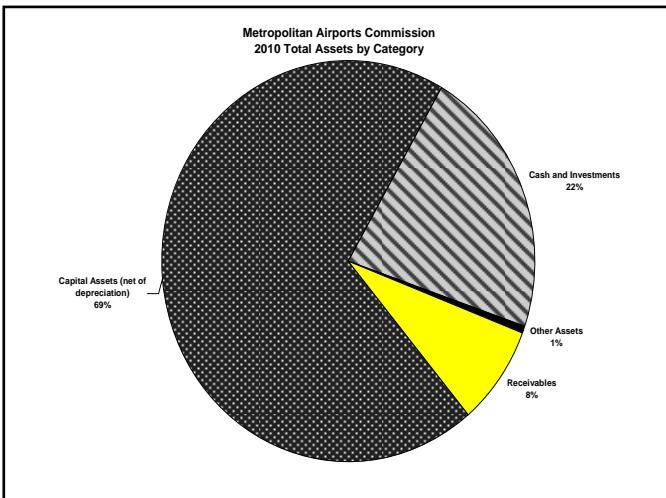
Introductory Section

- Stronger than National Average Growth in Population and Employment:
 - ✓ The Metropolitan Council, a regional planning organization for the eleven-county area including the Twin Cities, projects average annual population growth of 1.3% through 2020 versus the Census Bureau's projected national population growth rate of 0.8%.
 - ✓ The Metropolitan Council foresees a 1.2% annual average growth rate for Twin Cities area employment growth through 2020 versus the Bureau of Labor Statistics' projected growth in national employment of 1.0%.

Demand for Connecting Traffic:

Traffic at MSP is split almost 50/50 between O&D and connecting traffic. The strong demand for O&D traffic from MSP can be leveraged by tenant airlines to fill their planes by scheduling connecting flights through the airport. Historically, MSP was the "home-town" hub for the former Northwest Airlines, which had its headquarters in Eagan, Minnesota. After the merger of Northwest and Delta, the headquarters of the combined company was located in Atlanta. Although no longer the home town company, Delta has made significant commitments to MSP. For example, Delta elected to extend its airline lease agreement with the MAC through December 31, 2020. In addition, Delta made a significant commitment to the airport in signing a "hub covenant". In its hub covenant, Delta agreed to maintain an annual average of 400 daily departing flights from MSP, at

least 250 of which must be aircraft with greater than 70 seats and that a minimum of 30% of enplaned passengers must be connecting.



Supplying the Demand:

Airports are "landlords"—they build, own, maintain, and rent facilities and related services. Because an airport's main job is to provide runways, terminals, etc., it is a capital-intensive business. The MAC's balance sheet is dominated by capital assets which, at \$2.5 billion (net of depreciation), represent more than two-thirds of the Agency's total assets. Constructing,

maintaining, and improving our capital assets is critical to meeting the demand of our customers.

Through the end of 2011, the MAC completed virtually its entire \$2.8 Billion long-range capital improvement plan.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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Introductory Section

During 2011, the Commission spent \$128 million on its on-going capital improvement program. Approximately \$15 million was associated with various airfield and runway projects. Approximately \$48 million was related to Terminal 1 projects primarily a new sprinkler system on Concourses C & D, jet bridge replacements as well as a checked baggage screening system project. Approximately \$20 million was spent on various Terminal 2, landside/parking and miscellaneous building projects. Approximately \$35 million dollars was spent on the Commission's ongoing residential sound insulation program. And, the remaining \$10 million was spent for equipment purchases and various technology improvements.

Average monthly capital spending in 2011 was approximately \$11 million.

The 2012 -13 CIP includes approximately \$181 million of planned projects, as set forth in the accompanying table. CIPs are

Projects 2012 - 2013	2012 planned construction	2013 planned construction
Noise Mitigation Program	3,600,000	1,300,000
Terminal-1 Rehabilitation & Repair	55,850,000	43,675,000
Energy Management Center	4,000,000	3,500,000
Landside Rehabilitation & Repair	5,100,000	2,600,000
Airfield and Runway Rehabilitation Program	10,250,000	10,950,000
Terminal-2 Rehabilitation & Repair	18,500,000	-
Police & Fire	4,600,000	7,300,000
Reliever Airports Program	3,600,000	1,500,000
Other	4,700,000	-
Total	110,200,000	70,825,000

revised from time to time and additional projects could be added to the 2012 -13 CIP including, but not limited to, one or more of the Demand Driven CIP Projects.

Financing the Supply

Capital grants and long-term debt are the principal sources of funding of the Capital Improvement Program. Like a home mortgage, long-term debt bridges the difference between the time when cash is needed (up front) to pay for large capital outlays and the time the Commission collects its revenues. The MAC repays its debts over time through annual revenues. The Commission's principal revenues include use charges to the airlines, concession fees from vendors in the terminal buildings, facility rentals, and the sale of utilities.

Under its Master Indenture, the MAC has promised to maintain a debt service coverage ratio of 1.25 times the following year's scheduled payments. In July 2008, the board of Commissioners directed that the MAC increase its debt service coverage above the contractual obligation to 1.4 times annual debt service for its Senior General Obligation Revenue Bonds (GORBs) and Senior General Airport Revenue Bonds (GARBs)—(see Note G to the financial statements). The MAC exceeded the July requirement. As of December 31, 2011, projected debt coverage on Senior Debt obligations is approximately 2.3 times scheduled payments.

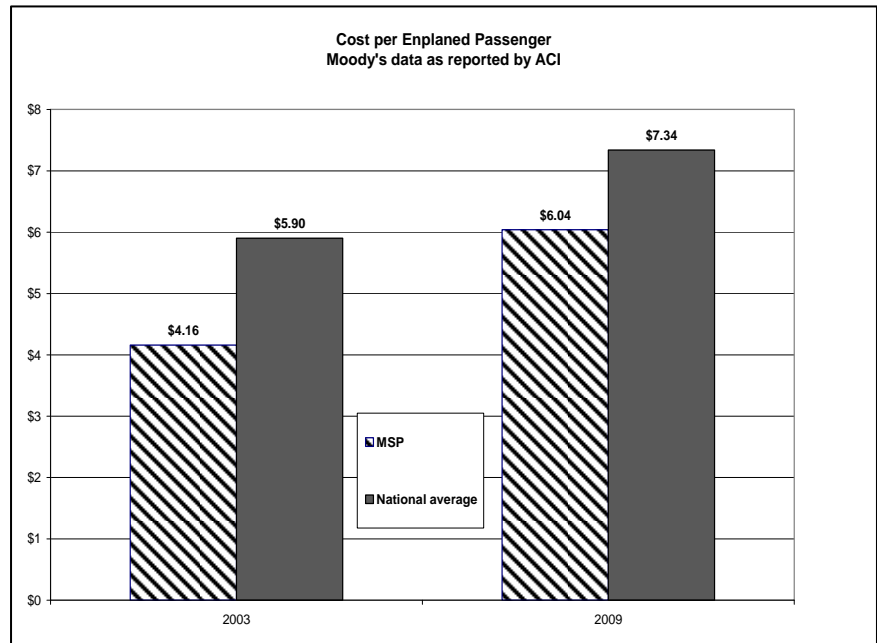
At year-end 2011, the MAC had long-term debt (including the currently payable portion) of approximately \$1.5 billion supporting approximately \$2.5 billion of capital assets as discussed above (also see notes E and G to the financial statements). Despite its significant debt, the MAC is highly liquid. Also at year-end 2011, MAC had cash and investments totaling more than \$722 million or more than 3 times total bonded debt service projected for 2012. The MAC's conservative financial practices have been rewarded with AA- debt rating on its senior debt (the second highest rating given to any airport debt) by both the Standard and Poor's and Fitch rating agencies. High bond ratings reduce borrowing costs to the MAC and, therefore, help moderate the cost per enplaned passenger incurred by the airlines operating at MSP. In addition, high bond ratings ensure access to capital markets. Access to capital ensures that customers can depend on finding the high quality runways, terminals and other capital assets at MAC airports in good repair.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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Introductory Section

Because of the Commission's conservative financial practices, the cost to airlines of enplaning passengers at MSP is significantly lower than the national average. Because of inconsistencies in methods of calculating the cost per enplanement, it is difficult to have fully comparable statistics. However, recently reported comparative data from an Airports Council International (ACI) study shows the cost to airlines of enplaning passengers at MSP to be significantly cheaper than the national average. Nationally reported data from both Moody's and Standard and Poor's show MSP to have consistently lower costs of enplanement irrespective of how the data are calculated. This makes MSP a profitable venue for client airlines.



The MAC board, management and employees are guided by our Strategic Plan to provide the highest quality facilities at the lowest life-cycle cost for the benefit of our customers. The MAC and its airports are well positioned to meet the demands of airlines and air-travelers for safe, efficient and reliable facilities for years to come.

MANAGEMENT'S DISCUSSION AND ANALYSIS:

Management is required by GAAP to provide a narrative introductory overview and analysis in the form of a "Management's Discussion and Analysis (MD&A) letter to accompany the financial statements. The MD&A follows the independent auditors report. The MD&A has greater scope, more detail, and is a more substantive discussion of issues mentioned in this transmittal. Users of the financial statements should read the MD&A in conjunction with this letter.

AWARDS:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the MAC for its Comprehensive Annual Financial Report for the year ended December 31, 2010. The Commission has received this prestigious GFOA award for the twenty-six consecutive years.

In order to be awarded a Certificate, which is valid for one year, a governmental unit must publish an easily readable and efficiently organized report, the contents of which conform to the program's standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

LETTER OF TRANSMITTAL

Introductory Section

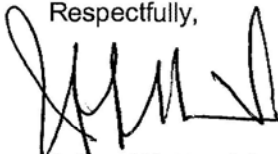
The Commission also received for the twenty-third consecutive year the GFOA Award for Distinguished Budget Presentation for its Annual Operating Budget for 2011. In order to qualify for the Distinguished Budget Presentation, the Commission's budget document was judged to be proficient in several categories, including policy documentation, financial planning and organization.

ACKNOWLEDGEMENTS:

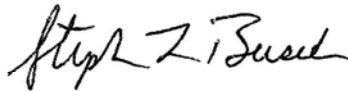
We wish to convey our sincere appreciation to the many MAC employees from all of its departments who participate in the Agency's fiscal management on a daily basis and have contributed to the financial results reported in the following financial statements.

In addition, we would like to express our appreciation for the leadership and support of the governing body of the Metropolitan Airports Commission and for their sincere interest in operating the Metropolitan Airports Commission in a sound financial manner.

Respectfully,



Jeffrey W. Hamiel
Executive Director



Stephen L. Busch
Deputy Executive Director-
Finance & Administrative Services



Robert C. Schauer
Director of Finance

CERTIFICATE OF ACHIEVEMENT

Introductory Section

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Minneapolis-St. Paul
Metropolitan Airports Commission
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dawson

President

Jeffrey R. Enos

Executive Director

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Minneapolis/St. Paul, Minnesota • Metropolitan Airports Commission



Comprehensive Annual Financial Report • Year Ended December 31

2011

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Independent Accountants' Report on Financial Statements and Supplementary Information

To the Members of the Board of
Minneapolis/St. Paul Metropolitan Airports Commission
Minneapolis, Minnesota

We have audited the accompanying basic financial statements of Minneapolis/St. Paul Metropolitan Airports Commission (Commission) as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Commission'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. Those standards require that we plan and perform the audit 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 Minneapolis/St. Paul Metropolitan Airports Commission as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefits information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were performed for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Introductory and Statistical Sections listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

May 16, 2012

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

The following discussion and analysis of the financial performance and activity of the Minneapolis/St. Paul Metropolitan Airports Commission (the Commission or MAC) is to provide an introduction and understanding of the basic financial statements of the Commission for the year ended December 31, 2011 with selected comparative information for the years ended December 31, 2010 and 2009. This discussion has been prepared by management and should be read in conjunction with the audited financial statements and the notes thereto, which follow this section.

USING THE FINANCIAL STATEMENTS

The MAC's financial report includes three financial statements: the Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB).

FINANCIAL HIGHLIGHTS

General

The Commission has entered into, and receives payment under, agreements with various air carriers and other parties, including the airline lease agreements relating to landing fees and the leasing of space in terminal buildings, other building leases regarding the leasing of cargo and miscellaneous hangar facilities, concession agreements relating to sale of goods and services at the airport and specific project leases relating to the construction of buildings and facilities for specific tenants. Below is a brief description of each agreement along with the revenue generated in 2011.

Airline Lease Agreements

The airline lease agreements relate to the use of the airport for air carrier operations, the leasing of space within the terminal buildings of the airport, ramp fees for parking aircraft at the Lindbergh Terminal and the establishment of landing fees. Except for rental amounts based primarily upon the square feet rented, the terms, conditions and provisions of each airline lease agreement are substantially the same.

In the airline lease agreements, the Commission has leased to each particular air carrier a certain specified square footage portion of the terminal area in the airport. Annual rents are computed on the basis of various charges per square foot for various types of space within the existing terminal area and, in certain cases, the costs of certain improvements of the existing terminal area. The airline lease agreements also provide that each air carrier is required to pay a basic landing fee. The landing fee is calculated by dividing the cost of operations, maintenance and debt service at the airfield by total landed weight of aircraft utilizing the airport. The airline lease agreements also require each air carrier leasing gate space at Lindbergh Terminal (Terminal 1) to pay an aircraft parking ramp fee that is computed on a lineal foot basis. The ramp fee includes the cost of operations, maintenance and debt service to the ramp area surrounding the terminal building gates.

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The airline lease agreement also provides that food and beverage, merchandise and auto-rental annual gross concession revenues to the Commission ("Selected Concession Revenues") will be shared with the Passenger Signatory Airlines (allocated among the Passenger Signatory Airlines based upon their proportionate share of enplanements at the Airport for the applicable fiscal year) under the following schedule (the "Shared Concession Revenues"):

Selected Concession Revenues ¹	Percent Shared with Passenger Signatory Airlines
Greater than \$39,154,858	25% up to \$39,154,858 and 50% for amounts above \$39,154,858
\$30,305,618 to \$39,154,858	25%
\$29,093,393 to \$30,305,617	20%
\$27,881,169 to \$29,093,392	15%
\$26,668,944 to \$27,881,168	10%
\$25,456,719 to \$26,668,943	5%

¹ Selected Concession Revenues were \$37,297,220 for fiscal year 2011, resulting in shared concession revenue of \$9,324,305. The selected concession revenues thresholds are subject to change annually.

The total amount of Shared Concession Revenues will be structured as a credit against the rates and charges in the current year, payable to the Passenger Signatory Airlines in the subsequent fiscal year. Notwithstanding the above schedule, the amount of Shared Selected Concession Revenues will be reduced to the extent necessary so that Net Revenues, after subtracting the Shared Concession Revenues, will not be less than 1.25 times the total annual debt service on Senior Bonds, Subordinate Obligations, and other debt obligations of the Commission. In the event that the Shared Concession Revenues are reduced in any year, such reduction will be deferred until the next fiscal year and will be credited against the rates and charges payable by the Passenger Signatory Airlines in the next fiscal year to the extent that Net Revenues, after subtracting the applicable Shared Concession Revenues, are not less than 1.25 times the total annual debt service on Senior Bonds, Subordinate Obligations, and other debt obligations of the Commission.

For the years ended December 31, 2011 and 2010, the aggregate rentals earned by the Commission pursuant to the airline lease agreements were approximately \$87,571,000 and \$82,665,000, respectively. The annual rentals due under each lease may be adjusted each year to reflect actual costs of the airport.

Other Building and Miscellaneous Leases

The other building and miscellaneous leases relate to rentals and other fees associated with the Hubert H. Humphrey Terminal (Terminal 2), miscellaneous hangar facilities, and office rentals for non-airline tenants in Terminal 1. For the years ended December 31, 2011 and 2010, the aggregate annual rentals under these leases were approximately \$24,944,000 and \$22,269,000, respectively.

Specific Project Leases

The Commission has constructed various buildings and facilities for specific tenants.

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If bonds were issued by the Commission to finance the construction of a facility, the lessee is required to pay annual lease payments equal to the debt service requirements on the bonds issued to construct the facility, due in the following year. The lease remains in effect until the total debt service on the bonds has been paid.

If the construction of a facility is financed from funds the Commission has on hand, the lessee is required to make lease payments equal to the debt service requirements, which would have been required, if bond funds were used.

For the years ended December 31, 2011 and 2010, the aggregate lease rentals paid to the Commission under specific project leases was approximately \$37,973,000 and \$37,676,000, respectively.

Concession Agreements

The Commission has entered into concession agreements with various firms to operate concessions inside the terminal building at the airport including, among others, food and beverage services, newsstands, advertising, amusements/games, insurance, personal service shops, and telephones. For the years ended December 31, 2011 and 2010, the aggregate fees earned by the Commission under the existing concession agreements were approximately \$26,222,000 and \$25,572,000, respectively. Such fees are computed on the basis of different percentages of gross sales for the various types of concessions, with the larger concessions guaranteeing a minimum payment each year.

Concession agreements for rental car agencies require such concessionaires to pay fees based on a percentage of their gross revenues and special charges such as parking fees and a per-square-foot land rental. The Commission also has a management contract with a firm for the operation of the airport parking lot and garage facilities. For the years ended December 31, 2011 and 2010, the aggregate fees earned by the Commission under the existing rental car agreements and parking lot management contract were approximately \$89,530,000 and \$88,867,000, respectively. Of this amount, parking revenue was approximately \$66,612,000 for 2011 and \$63,684,000 for 2010. Auto rental revenue for both on and off airport auto rentals for December 31, 2011 and 2010 was approximately \$22,918,000 and \$25,184,000, respectively.

Reliever Airports

The Commission has entered into various other leases and agreements with tenants at its reliever airport system. These reliever airport tenant leases include fuel flowage fees, hangar rentals, storage lots, commercial fees and other miscellaneous amounts. For the years ended December 31, 2011 and 2010, revenues from these agreements were approximately \$5,461,000 and \$5,089,000, respectively.

Miscellaneous Off-Airport Concession Leases and Ground Transportation Fees

The Commission has entered into certain leases with off-airport concessionaires that provide off-airport advertising and auto services. Additionally, the Commission charges fees for employee parking, permits and licenses to operate shuttles, vans, buses and taxis at the airport. Such fees are set by Commission ordinances. For the years ended December 31, 2011 and 2010, the Commission earned \$8,829,000 and \$7,576,000, respectively.

Miscellaneous Revenues

In addition to the above agreements, the Commission enters into various other leases and agreements. These include utility charges, ground space rentals, office rentals for commuter airlines and concessionaires, commuter and general aviation fees, and other miscellaneous amounts. For the years ended December 31, 2011 and 2010, the revenues from these agreements were approximately \$13,991,000 and \$12,994,000, respectively.

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Operating Revenues

Operating revenues for the MAC are derived entirely from user fees that are established for various services and facilities that are provided at Commission airports. While the Commission has the power to levy taxes to support its operations, it has adopted policies to provide adequate revenues for the system to operate since 1969 without general tax support. Revenue sources have been grouped into the following categories in the Statements of Revenues, Expenses and Changes in Net Assets:

- Airline Rates & Charges - Revenue from landing and ramp fees and terminal building rates
- Concessions - Revenue from food and beverage sales, merchandise sales, auto parking, etc.
- Other Revenues:
 - Rentals/fees - Fees for building rentals
 - Utilities and other revenues - Charges for tenants use of ground power, water and sewer, and other services provided by MAC

For the fiscal years ended December 31, 2011 and 2010, the top ten operating revenue sources for the MAC were as follows:

Top Ten Operating Revenue Sources:

Source	2010 Revenue
1. Parking	\$ 63,682,000
2. Landing fees	49,037,000
3. Terminal rent - airlines	34,064,000
4. Other building rent	16,437,000
5. Auto rental (off- and on-airport)	15,673,000 *
6. Food and beverage	12,957,000
7. Ground rent	9,125,000
8. Merchandise	8,027,000
9. Ramp fees	5,901,000
10. Passenger services	4,359,000

Source	2011 Revenue
1. Parking	\$ 66,612,000
2. Landing fees	51,781,000
3. Terminal rent - airlines	35,996,000
4. Auto rental (off- and on-airport)	22,918,000 *
5. Other building rent	18,505,000
6. Food and beverage	13,453,000
7. Ground rent	9,860,000
8. Merchandise	8,318,000
9. Ramp fees	6,328,000
10. Passenger services	4,449,000

*Excludes customer facility charges.

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The top ten revenue providers for 2011 for the MAC were as follows:

Top Ten Operating Revenue Providers

1. Delta Airlines
2. HMS Host
3. Enterprise
4. Hertz
5. Minnesota Retail Partners
6. Sun Country
7. Avis
8. United Airlines
9. American Airlines
10. Southwest Airlines

Statements of Revenues, Expenses and Changes in Net Assets

During 2011, MAC total revenues and capital contributions decreased by .1% to \$362,937,000 from \$363,271,000 in 2010. Changes in major categories are summarized below (dollars in thousands):

	2011	% of Total	2010	% of Total	Dollar Change	Percent Change
Operating revenues						
Airline rates and charges	\$ 96,422	26.6%	\$ 90,376	24.9%	\$ 6,046	6.7%
Concessions	118,792	32.7%	112,503	30.9%	6,289	5.6%
Rentals/fees	27,575	7.7%	29,609	8.2%	(2,034)	-6.9%
Utilities and other revenues	13,759	3.7%	12,555	3.5%	1,204	9.6%
Total operating revenues	<u>256,548</u>		<u>245,043</u>		<u>11,505</u>	
Nonoperating revenues						
Investment income	21,496	5.9%	33,933	9.3%	(12,437)	-36.7%
Gain on sale of assets/other	14	0.0%	119	0.0%	(105)	-88.2%
Passenger facility charges (PFC)	62,244	17.2%	59,453	16.4%	2,791	4.7%
Total nonoperating revenues	<u>83,754</u>		<u>93,505</u>		<u>(9,751)</u>	
Capital contributions and grants	<u>22,635</u>	6.2%	<u>24,723</u>	6.8%	<u>(2,088)</u>	-8.4%
Total revenues and capital contributions	<u>\$ 362,937</u>	100.0%	<u>\$ 363,271</u>	100.0%	<u>\$ (334)</u>	-0.1%

Airline rates and charges increased \$6,046,000 or 6.7% from 2010 levels. A majority of the revenue derived from the airline rates and charges category is based on the amount of expenses incurred in certain cost centers. Above average snowfall in early 2011 resulting in larger snow removal costs combined with increases in debt service allocations accounted for the majority of the increase in airline rates and charges.

Concessions increased by 5.6% or \$6,289,000, primarily as a result of public parking and on-airport auto rentals. An increase in parking transactions as well as longer length of stays account for the increase in parking. For on-airport auto rentals, a new lease agreement was signed in 2011, which has a higher concession recovery fee.

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Rental fees decreased \$2,034,000 or 6.9%. This is primarily a result of a lower auto rental customer facility charge (CFC). In 1999, the Commission started collecting a CFC for the construction of an auto rental ramp located at Terminal 1. At the end of 2010, the Commission recovered all of its debt service associated with this auto rental ramp.

Other revenues increased by \$1,204,000 or 9.6% as a result of increases in various one-time reimbursements, such as energy rebates, along with higher utilities and reliever airport revenues.

Investment income decreased \$12,437,000 or 36.7% due to lower interest rates earned by the Commission. Also, in November 2011, Delta paid their lease obligations under GO Revenue Bond Series 15. As a result of this payment, the Commission earned less interest income. Finally, as a result of terminating an investment agreement associated with a 2010 bond refunding, 2010 interest income was higher than normal.

PFCs increased as a result of an increase in passengers.

Capital contributions and grants represent grants received from both federal and state governments for various construction projects at both MSP and the reliever airports. The decrease in 2011 comes primarily from a decrease in grant eligible projects.

During 2010, MAC total revenues and capital contributions decreased by 0.8% to \$363,271,000 from \$366,104,000 in 2009. Changes in major categories are summarized below (dollars in thousands):

	2010	% of Total	2009	% of Total	Dollar Change	Percent Change
Operating revenues						
Airline rates and charges	\$ 90,376	24.9%	\$ 89,867	24.5%	\$ 509	0.6%
Concessions	112,503	30.9%	109,636	29.9%	2,867	2.6%
Rentals/fees	29,609	8.2%	28,435	7.8%	1,174	4.1%
Utilities and other revenues	12,555	3.5%	12,937	3.5%	(382)	-3.0%
Total operating revenues	<u>245,043</u>		<u>240,875</u>		<u>4,168</u>	
Nonoperating revenues						
Investment income	33,933	9.3%	30,625	8.4%	3,308	10.8%
Gain on sale of assets/other	119	0.0%	205	0.1%	(86)	-42.0%
Passenger facility charges (PFC)	59,453	16.4%	67,481	18.4%	(8,028)	-11.9%
Total operating revenues	<u>93,505</u>		<u>98,311</u>		<u>(4,806)</u>	
Capital contributions and grants	<u>24,723</u>	6.8%	<u>26,918</u>	7.4%	<u>(2,195)</u>	-8.2%
Total revenues and capital contributions	<u>\$ 363,271</u>	100.0%	<u>\$ 366,104</u>	100.0%	<u>\$ (2,833)</u>	-0.8%

Airline rates and charges increased \$509,000 or 0.6% from 2009 levels. A majority of the revenue derived from the airline rates and charges category is based on the amount of expenses incurred in certain cost centers. Above average snowfall in 2010 resulting in larger snow removal costs combined with increases in debt service allocations accounted for the majority of the increase in airline rates and charges.

Concessions increased by 2.6% or \$2,867,000, primarily as a result of public parking and passenger services. An increase in parking transactions as well as longer length of stays account for the increase in parking. For passenger services, the increase is due to new lease agreements (ATM lease) as well as increased revenue in indoor advertising.

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Rental fees increased \$1,174,000 or 4.1%. Increases in non-terminal building rentals as a result of new building leases as well as increased auto rental customer facility charge (CFC) transactions accounted for the majority of the increase in this category.

Other revenues decreased by \$382,000 or 3.0% as a result of a decrease in various one-time reimbursements, such as energy rebates, and lower Police K9 expense reimbursements.

Investment income increased \$3,308,000 or 10.8% due to the following: (1) a new capital lease was entered into with Delta Airlines for improvements constructed at Delta's Building C; and (2) a new general airport revenue bond (GARB) issue occurred during 2010, which resulted in higher investment balances. As a result of refinancing certain GARBs and terminating the investment agreement associated with these bonds during 2010, additional interest income was earned.

PFCs decreased as a result of the decrease in deferred revenue that occurred in 2009.

Capital contributions and grants represent grants received from both federal and state governments for various construction projects at both MSP and the reliever airports. The decrease in 2010 comes primarily from a decrease in grant eligible projects.

Expenses

In 2011, MAC total expenses decreased by 1.4% to \$333,473,000 from \$338,085,000 in 2010. Changes in major categories are summarized below (dollars in thousands):

	2011	% of Total	2010	% of Total	Dollar Change	Percent Change
Operating expenses						
Personnel	\$ 66,297	19.9%	\$ 63,412	18.8%	\$ 2,885	4.5%
Administrative	1,532	0.5%	1,271	0.4%	261	20.5%
Professional services	4,167	1.2%	3,519	1.0%	648	18.4%
Utilities	16,568	5.0%	16,238	4.8%	330	2.0%
Operating services	17,151	5.1%	17,278	5.1%	(127)	-0.7%
Maintenance	27,057	8.1%	27,088	8.0%	(31)	-0.1%
Depreciation	118,985	35.7%	121,555	36.0%	(2,570)	-2.1%
Other	3,530	1.2%	2,583	0.8%	947	36.7%
Operating expenses	<u>255,287</u>		<u>252,944</u>		<u>2,343</u>	
Nonoperating expenses						
Interest expense	<u>78,186</u>	23.3%	<u>85,141</u>	25.1%	<u>(6,955)</u>	-8.2%
Total nonoperating expenses	<u>78,186</u>		<u>85,141</u>		<u>(6,955)</u>	
Total expenses	<u>\$ 333,473</u>	100.0%	<u>\$ 338,085</u>	100.0%	<u>\$ (4,612)</u>	-1.4%

Personnel increased by 4.5% or \$2,885,000. The majority of the increase (\$1.9 million) is due to pension expense. In 2010, the Minnesota State Legislature passed a pension bill that increases the Commission's annual contribution for employees covered under the Minneapolis Employees Retirement Fund (MERF) pension program. The remaining increases in Personnel are due to wage adjustments and increases in employee insurance.

Administrative expenses increased by \$261,000 primarily due to an increase in computer supplies.

Professional services increased \$648,000 or 18.4%. This increase is due to higher legal activity, as well as expensing projects that were in the capital improvement program and will not be completed.

Utilities increased \$330,000 or 2.0%. Higher electricity prices partially offset by lower natural gas prices were the major changes in this category.

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Operating services decreased \$127,000 or 0.7%. Lower amounts of spending on the parking management contract along with a new service contract, at a lower rate for the loading dock contributed to the decrease in the operating services category.

Depreciation decreased \$2,570,000 or 2.1%. The decrease is attributed to assets that became fully depreciated in 2010-2011, offset partially by new projects placed into service during 2010-2011.

Interest expense decreased \$6,955,000 or 8.2%. This is primarily a result of lower interest payments due to the refunding or retirement of debt and an increase in capitalized interest.

In 2010, MAC total expenses increased by 2.2% to \$338,085,000 from \$330,691,000 in 2009. Changes in major categories are summarized below (dollars in thousands):

	2010	% of Total	2009	% of Total	Dollar Change	Percent Change
Operating expenses						
Personnel	\$ 63,412	18.8%	\$ 59,304	17.9%	\$ 4,108	6.9%
Administrative	1,271	0.4%	1,301	0.4%	(30)	-2.3%
Professional services	3,519	1.0%	4,004	1.2%	(485)	-12.1%
Utilities	16,238	4.8%	16,553	5.0%	(315)	-1.9%
Operating services	17,278	5.1%	16,043	4.9%	1,235	7.7%
Maintenance	27,088	8.0%	23,718	7.2%	3,370	14.2%
Depreciation	121,555	36.0%	123,060	37.2%	(1,505)	-1.2%
Other	2,583	0.8%	2,510	0.8%	73	2.9%
Operating expenses	<u>252,944</u>		<u>246,493</u>		<u>6,451</u>	
Nonoperating expenses						
Interest expense	<u>85,141</u>	25.1%	<u>84,198</u>	25.4%	<u>943</u>	1.1%
Total nonoperating expenses	<u>85,141</u>		<u>84,198</u>		<u>943</u>	
Total expenses	<u>\$ 338,085</u>	100.0%	<u>\$ 330,691</u>	100.0%	<u>\$ 7,394</u>	2.2%

Personnel increased by 6.9% or \$4,108,000. In November and December 2010, the MAC experienced a larger than average amount of snow, which resulted in higher labor and benefit costs. In addition, in 2010, the MAC updated its actuarial study on postretirement healthcare benefits and as a result MAC increased the healthcare trend rate, which increased the amount of expense incurred in 2010.

Professional services decreased \$485,000 or 12.1%. This decrease is due to lower legal activity, as well as lower MSP airport planning expense.

Utilities decreased \$315,000 or 1.9%. Lower natural gas prices partially offset by higher electricity prices were the major changes in this category.

Operating services increased \$1,235,000 or 7.7%. The categories of parking management, service agreements and storm water monitoring had the largest increases. Parking management increased due to more parking activity and higher labor costs. Service agreements increased due to new contracts for ground transportation equipment, parking equipment and computers. Computer service agreements had the largest increase in the service agreement category primarily in the support of the MUFIDS (Multiple Users Flight Information Displays) that were installed in the terminals in 2009-2010. Storm water monitoring relates to the amount of snow received, as described in the personnel section above; higher than average snow amounts required a larger amount of monitoring and capture of chemicals used in snow removal operations.

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Maintenance increased \$3,370,000 or 14.2%. The increase in maintenance can be attributed to increases in snow removal and building mechanical systems. As described above, the large amount of snow the MAC received in November-December 2010 contributed to the majority of the increase in this category. The largest increase in the snow removal maintenance category is the cost of the liquid deicer that is used on MAC's runways and taxiways. The increase in mechanical systems can be attributed to new contracts for the maintaining of MAC's moving sidewalks and automated people movement systems.

Depreciation decreased \$1,505,000 or 1.2%. The decrease is attributed to assets that became fully depreciated in 2009-2010, offset partially by new projects placed into service during 2009-2010.

Interest expense increased \$943,000 or 1.1%. Increases in deferred bond expense and deferred amounts on bond refundings accounted for the largest increase. These increases were partially offset by an increase in capitalized interest.

Net Revenues

In order to promote and encourage the efficient use of facilities at all MAC airports, as well as minimize the environmental impact of MSP on the surrounding community, MAC has implemented a policy of subsidizing its reliever airports by establishing relatively low user charges as an incentive for pilots to use these facilities rather than MSP. In order to maintain this subsidy, MAC sets its rates and charges to assure that total system revenues will be sufficient to pay total system expenses.

Net revenues generated by the Commission are designated for construction and debt service payments. These net revenues provide the Commission with a portion of the money to meet the funding requirements of its capital improvement program. This reduces the need to issue bonds and, therefore, allows the Commission to avoid the interest expense of additional debt.

Following is a summary of the Statements of Revenues, Expenses and Changes in Net Assets:

(in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 256,548	\$ 245,043	\$ 240,875
Operating expenses	<u>(255,287)</u>	<u>(252,944)</u>	<u>(246,493)</u>
Operating income (loss)	1,261	(7,901)	(5,618)
Nonoperating revenues	83,754	93,505	98,311
Nonoperating expenses	(78,186)	(85,141)	(84,198)
Capital contributions	<u>22,635</u>	<u>24,723</u>	<u>26,918</u>
Increase in net assets	<u>\$ 29,464</u>	<u>\$ 25,186</u>	<u>\$ 35,413</u>

The Commission shows an increase in the total change in its net assets in 2011 from 2010. This is primarily a result of increased concession revenues offset partially by lower capital contributions.

The primary cause for the fiscal year 2010 decrease in net asset change from 2009 is due to a decrease in PFC deferred revenue, which resulted in higher PFC revenues in 2009. Also contributing to the decrease in net asset change in 2010, is a lower amount of capital contributions, which is a result of having fewer grant eligible projects.

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Occasionally, the Commission shows an operating loss as a result of its methodology of assessing airline rates and charges and the revenue recognition of PFCs. For its airline rates and charges model, the Commission uses debt service instead of depreciation as a basis of recovering capital costs. Therefore, projects constructed with internally generated funds are not recoverable under the airline agreement. Further contributing to operating losses is the accounting treatment of PFCs and federal grants. The Commission cannot charge the users of the airport for any of its capital costs that were funded by PFCs and/or capital contributions. Therefore, under operating expenses the full cost of the capital project is depreciated over its useful life; however, the corresponding revenue from that particular project shows below the operating loss line item as a nonoperating revenue (PFC) item or a capital contribution.

We believe we are well positioned to increase the long-term financial stability and air service competitiveness of MSP. In addition, our 10-year history of airline rates and charges is very competitive and, as one of the few airports with an AA- rating from both Fitch Investor Services and Standard & Poors, we feel we are positioned well for growth in the future.

BALANCE SHEETS

The Balance Sheets present the financial position of the MAC at the end of the fiscal year and include all assets and liabilities of the MAC. Net assets are the difference between total assets and total liabilities and are an indicator of the current financial health of the MAC. A summarized comparison of the MAC's assets, liabilities and net assets at December 31, 2011, 2010 and 2009 is as follows (in thousands):

	2011	December 31, 2010	2009
Assets			
Current assets - unrestricted	\$ 261,565	\$ 256,376	\$ 264,232
Restricted assets - current	70,983	106,802	95,069
Noncurrent assets:			
Other noncurrent assets	490,422	716,588	622,228
Capital assets - net	<u>2,464,393</u>	<u>2,457,011</u>	<u>2,475,603</u>
 Total assets	 <u>\$ 3,287,363</u>	 <u>\$ 3,536,777</u>	 <u>\$ 3,457,132</u>
Liabilities			
Current liabilities - unrestricted	\$ 48,644	\$ 39,569	\$ 46,829
Payable from restricted current assets	85,246	99,569	129,511
Noncurrent liabilities:			
Bonds payable	1,480,535	1,744,673	1,657,546
Other noncurrent liabilities	<u>59,345</u>	<u>68,837</u>	<u>64,303</u>
Total liabilities	<u>1,673,770</u>	<u>1,952,648</u>	<u>1,898,189</u>
Net Assets			
Invested in capital assets, net of debt	1,144,522	1,140,449	1,145,797
Restricted	306,528	273,540	253,811
Unrestricted	<u>162,543</u>	<u>170,140</u>	<u>159,335</u>
Total net assets	<u>1,613,593</u>	<u>1,584,129</u>	<u>1,558,943</u>
 Total liabilities and net assets	 <u>\$ 3,287,363</u>	 <u>\$ 3,536,777</u>	 <u>\$ 3,457,132</u>

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Overall, the majority of the decrease in total assets and total liabilities is the result of the repayment of a lease receivable by Delta and the subsequent retirement of the bonds associated with the lease receivable (General Obligation Revenue Bond Series 15).

CASH AND INVESTMENT MANAGEMENT

The following summary shows the major sources and uses of cash (in thousands):

	2011	2010	2009
Cash received from operating activities	\$ 255,800	\$ 245,689	\$ 240,962
Cash expended from operating activities	(141,243)	(133,924)	(125,479)
Net cash provided by operating activities	<u>114,557</u>	<u>111,765</u>	<u>115,483</u>
Net cash used in capital and related financing activities	(174,424)	(14,595)	(180,757)
Net cash provided by (used in) investing activities	<u>39,607</u>	<u>(86,031)</u>	<u>69,167</u>
Net increase (decrease) in cash and cash equivalents	(20,260)	11,139	3,893
Cash and cash equivalents, beginning of year	<u>27,320</u>	<u>16,181</u>	<u>12,288</u>
Cash and cash equivalents, end of year	<u>\$ 7,060</u>	<u>\$ 27,320</u>	<u>\$ 16,181</u>

Cash temporarily idle during the year is invested according to legal requirements established by the Legislature of the State of Minnesota. In accordance with state law, investments are generally restricted to various United States government securities, certificates of deposits, mutual funds, state and local obligations, commercial paper and repurchase agreements. All securities must mature within three years from the date of purchase. During 2011, the MAC's average portfolio balance was \$719,778,000 and total investment earnings were \$13,328,000 for an average yield on investments during the year of 1.85%. This compares to an average portfolio balance of \$668,634,000; investment earnings of \$13,398,000 and average yield of 2.00% in fiscal year 2010.

The Commission currently has a policy of keeping a six-month working capital reserve in its operating fund. At the end of 2011, the Commission has in its operating fund approximately \$43 million over and above its 2011 six-month working capital requirement. The Commission is currently considering how to apply or use some or all of these excess-operating funds.

CAPITAL CONSTRUCTION

During 2011, the Commission expended \$128 million on its on-going capital improvement program. Approximately \$15 million was associated with various airfield and runway projects. Approximately \$48 million was related to Terminal 1 projects, primarily a new sprinkler system on Concourses C and D, jet bridge replacements as well as a checked baggage screening system project. Approximately \$20 million were spent on various Terminal 2 projects, landside/parking and miscellaneous building projects. Approximately \$35 million dollars was spent on the Commission's ongoing residential sound insulation program. The remaining \$10 million was spent for equipment purchases and various technology improvements. Average monthly capital spending in 2011 was approximately \$11 million.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

During 2010, the MAC expended \$111 million on its on-going capital improvement program. Major projects that were completed in 2010 were projects associated with the construction of a skyway from the parking structure at Terminal 2, Taxiway C-D complex-Phase 6, the installation of MUFIDS at MSP, multiple projects to update and improve the MSP terminal buildings and the ongoing implementation of the residential sound insulation program. Average monthly capital construction spending in 2010 was approximately \$9 million.

Further information can be found in Note E.

CAPITAL FINANCING AND DEBT MANAGEMENT

The MAC has issued three forms of indebtedness: Notes Payable, General Airport Revenue Bonds and General Obligation Revenue Bonds. General Obligation Revenue Bonds are backed by Commission revenues and the authority to levy any required taxes on the assessed valuation of the seven county Metropolitan Area. General Airport Revenue Bonds are not backed by the MAC's taxing authority.

The MAC is required by law to maintain Debt Service funds sufficient to bring the balance on hand in the Debt Service Account on October 10th of each year to an amount equal to all principal and interest to become due on all General Obligation Revenue Bonds payable from October 10th to the end of the second following year. The required balance as of October 10th in the Debt Service Account for the General Obligation Revenue Bonds for the next three years is as follows (in thousands):

October 10, 2012	\$	6,885
October 10, 2013		6,310
October 10, 2014		2,897

Statutory authority for issuing bonds is obtained from the Minnesota State Legislature. Authorization as of December 31, 2011, permits the issuance of an additional \$55 million of General Obligation Revenue Bonds.

On October 26, 2011, Delta prepaid all of the lease payments due under the General Obligation Revenue Bond (Series 15) Series 15 lease agreements by depositing \$175,049,336 with the Commission. On October 26, 2011, the Commission irrevocably deposited the \$175,049,336 received from Delta, along with \$52,500,000 on deposit in the Series 15 Bond Account of the Commission's debt service fund, to the Series 15 Escrow Fund. The amounts deposited to the Series 15 Escrow Fund will be used on January 1, 2012 to: (a) pay the principal of the Series 15 bonds maturing on January 1, 2012, (b) redeem all of the outstanding Series 15 bonds maturing after January 1, 2012 at a redemption price of 103% of principal thereof, and (c) pay the interest due on such date on all outstanding Series 15 bonds.

On November 2, 2011, the Commission issued \$52,105,000 of Series 2011A General Airport Revenue Bonds, to advance refund \$54,435,000 of the total \$102,690,000 of Series 2003A General Airport Revenue Bonds. The \$54,435,000 in Series 2003A will be called on January 1, 2013.

The MAC is financing its construction program through a combination of the MAC's revenues, entitlement and discretionary grants received from the FAA, state grants, PFCs and revenue bonds. Long-term debt is the principal source of funding of the capital improvement program. The MAC, through its Master Indenture, has covenanted to maintain a debt service coverage ratio of 1.25. Debt service coverage is calculated based on a formula included in the Master Indenture and the airport use agreement.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

For further information on capital financing activity see Notes F, G, H, I and J.

CONTACTING THE MAC'S FINANCIAL MANAGEMENT

This financial report is designed to provide the MAC's Commissioners, management, investors, creditors and customers with a general view of the MAC's finances and to demonstrate the MAC's accountability for the funds it receives and expends. For further information about this report, or if you need additional financial information, please contact Director of Finance, 6040 28th Avenue South, Minneapolis, MN 55450 or access the Commission's website – <http://www.msairport.com/mac/organization/financial/default.aspx>.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Financial Section

BALANCE SHEETS

(Dollars in Thousands)

	December 31	
	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,060	\$ 27,320
Investments	226,704	207,731
Accounts receivable (net of allowances for uncollectibles of \$160 and \$71, respectively)	9,736	8,883
Receivable - government grants in aid of construction	14,642	9,284
Other	3,423	3,158
Restricted assets:		
Investments	59,155	95,001
Leases receivable	4,362	4,147
Passenger facility charge receivable	7,466	7,654
Total current assets	<u>332,548</u>	<u>363,178</u>
Noncurrent Assets:		
Investments, restricted	428,714	443,619
Leases receivable, restricted	48,183	257,874
Other receivable, restricted	1,750	1,649
Bond and commercial paper issue costs, net	11,775	13,446
Capital assets:		
Land	402,625	398,625
Airport improvements and buildings	3,380,978	3,305,261
Moveable equipment	112,732	106,487
Construction in progress	151,016	110,893
Less accumulated depreciation	<u>(1,582,958)</u>	<u>(1,464,255)</u>
Total capital assets (net of accumulated depreciation)	<u>2,464,393</u>	<u>2,457,011</u>
Total noncurrent assets	<u>2,954,815</u>	<u>3,173,599</u>
TOTAL ASSETS	<u>\$ 3,287,363</u>	<u>\$ 3,536,777</u>

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Financial Section

BALANCE SHEETS

(Dollars in Thousands)

	December 31	
	2011	2010
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 34,735	\$ 30,035
Accounts payable due to airlines	6,459	3,663
Notes payable	1,895	1,675
Employee compensation, payroll taxes and other	5,555	4,196
Payable from restricted current assets:		
Current portion of long-term debt	44,780	37,150
Construction and other	2,558	3,997
Deferred revenue	2,085	16,044
Interest payable	35,823	42,378
Total current liabilities	<u>133,890</u>	<u>139,138</u>
Noncurrent liabilities:		
Employee compensation, payroll taxes and other	2,088	1,845
Deferred revenue, restricted	2,175	15,285
Notes payable	4,897	5,210
Postemployment medical	50,185	46,497
Bonds payable	1,480,535	1,744,673
Total noncurrent liabilities	<u>1,539,880</u>	<u>1,813,510</u>
TOTAL LIABILITIES	<u>1,673,770</u>	<u>1,952,648</u>
Net Assets		
Invested in capital assets, net of related debt	1,144,522	1,140,449
Restricted		
Debt service	108,207	93,590
Construction	195,717	177,277
Other	2,604	2,673
Unrestricted	162,543	170,140
TOTAL NET ASSETS	<u>1,613,593</u>	<u>1,584,129</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,287,363</u>	<u>\$ 3,536,777</u>

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Financial Section

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

(Dollars in Thousands)

	Fiscal Years Ended December 31	
	2011	2010
OPERATING REVENUES		
Airline rates and charges	\$ 96,422	\$ 90,376
Concessions	118,792	112,503
Rentals/fees	27,575	29,609
Utilities and other revenues	13,759	12,555
TOTAL OPERATING REVENUES	256,548	245,043
OPERATING EXPENSES		
Personnel	66,297	63,412
Administrative	1,532	1,271
Professional services	4,167	3,519
Utilities	16,568	16,238
Operating services	17,151	17,278
Maintenance	27,057	27,088
Depreciation	118,985	121,555
Other	3,530	2,583
TOTAL OPERATING EXPENSES	255,287	252,944
OPERATING INCOME (LOSS)	1,261	(7,901)
NONOPERATING REVENUES (EXPENSES)		
Investment income	21,496	33,933
Passenger facility charges	62,244	59,453
Gain on disposal of assets	14	119
Interest expense	(78,186)	(85,141)
TOTAL NONOPERATING REVENUES (EXPENSES)	5,568	8,364
INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	6,829	463
Capital contributions and grants	22,635	24,723
CHANGE IN NET ASSETS	29,464	25,186
NET ASSETS - BEGINNING OF YEAR	1,584,129	1,558,943
NET ASSETS - END OF YEAR	\$ 1,613,593	\$ 1,584,129

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Financial Section

STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

	Fiscal Years Ended December 31	
	2011	2010
Cash received from customers and users	\$ 255,800	\$ 245,689
Cash paid to employees and benefit providers	(61,007)	(60,039)
Cash paid to suppliers	(80,236)	(73,885)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	114,557	111,765
Payments for airport improvements and facilities	(110,330)	(111,046)
Proceeds from bond/note issuance	59,483	256,086
Receipt of lease payments	195,868	36,337
Receipt of passenger facility charges	62,432	57,262
Payment on bonds/notes	(309,149)	(197,510)
Interest paid on bonds	(90,005)	(87,646)
Receipt of government grants	17,277	31,922
NET CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(174,424)	(14,595)
Purchase of investment securities	(828,459)	(1,027,742)
Proceeds from maturities of investment securities	859,747	921,700
Investment income	8,319	20,011
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	39,607	(86,031)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,260)	11,139
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	27,320	16,181
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,060	\$ 27,320
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:		
Operating income (loss)	\$ 1,261	\$ (7,901)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	118,985	121,555
Changes in assets and liabilities:		
Accounts receivable	(853)	(521)
Other assets	(265)	(357)
Accounts payable and accrued expenses	(9,966)	(5,551)
Postretirement medical	3,688	3,668
Other restricted liabilities	-	-
Employee compensation and payroll taxes	1,602	(295)
Deferred revenue	105	1,167
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 114,557	\$ 111,765
Noncash investing, capital and related financing activities:		
Changes in fair value of investments	\$ (490)	\$ (2,222)
Additions to capital assets included in construction and accounts payable	19,659	3,636

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal years ended December 31, 2011 and 2010

NOTE A: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Minneapolis/St. Paul Metropolitan Airports Commission (the Commission) was created by an act of the Minnesota State Legislature in 1943 as a public corporation. Its purpose is to promote air navigation and transportation (international, national, and local) in and through the State of Minnesota; promote the efficient, safe, and economical handling of air commerce; assure the inclusion of the state in national and international programs of air transportation; and, to those ends, develop the full potential of the metropolitan area as an aviation center. It has the responsibility to assure residents of the metropolitan area the minimum environmental impact from air navigation and transportation, promote the overall goals of the state's environmental policies, and minimize the public's exposure to noise and safety hazards around airports.

The area over which the Commission exercises its jurisdiction is the Minneapolis/St. Paul metropolitan area, which includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. The Commission controls and operates seven airports within the metropolitan area, including the Minneapolis/St. Paul International Airport, which services scheduled air carriers and six reliever airports serving general aviation.

The Commission is governed independently by a 15-member Board of Commissioners. The governor of the State of Minnesota appoints 13 commissioners. The mayors of Minneapolis and St. Paul also have seats on the Commission with the option to appoint a surrogate to serve on their behalf. Certain large capital improvement projects having metropolitan significance must be reviewed by the Metropolitan Council, which is a public agency established by law with powers of regulation over the development of the metropolitan area.

In applying Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (as amended by GASB No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*), the State of Minnesota and the Commission have agreed that the Commission is not financially accountable to any other organization and is considered a stand-alone governmental unit.

Basis of Accounting

Under GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments*, the Commission is considered to be a special-purpose government engaged primarily in business type activities (BTA). As a BTA, the Commission prepares its financial statements using the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when they are earned or when services are provided, and expenses are recognized when they are incurred.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal years ended December 31, 2011 and 2010

Effective January 1, 2010, the Commission adopted Statement of Governmental Accounting Standards Board (GASB) No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in Paragraph 7 of that Statement for business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. This Statement has been applied retrospectively and had no impact on the Commission's net assets, changes in net assets or financial reporting disclosures.

Use of Estimates

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

Revenue and Expense and Net Assets Recognition

The Commission considers revenues and expenses carried out in the operation and the maintenance of the Commission's system of airports to be operating in nature. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions and grants.

When both restricted and unrestricted net assets are available for use, it is the Commission's policy to use restricted net assets first, and then unrestricted net assets as they are needed.

Budgeting Process

As required by Minnesota Statutes, the Commission adopts an annual operating and capital expenditures budget for purposes of determining required taxes, if any, to be levied by counties in its jurisdiction. Budgets are established on a departmental basis using the accrual method of accounting.

The process to amend the budget is set forth in the Commission bylaws, Article III, Section 8(a), and presented below:

"8(a) Establishment of the annual budget setting out anticipated expenditures by type of expenditure and/or upward or downward revision of that budget in the course of the corporation's fiscal year shall constitute prior approval of each type of expenditure. Authorization by vote of the Commission is required for transfer of budgeted amounts between or among line items or to appropriate additional funds for each line item. The Executive Director is directed to provide for the daily operation and management of the Commission within the expenditure guidelines of the annual budget. Commission approval of a contract shall constitute prior approval of disbursements made pursuant to terms of the contract within the constraints of the budget for all contract payments, except final construction contract payments, which shall require Commission approval.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal years ended December 31, 2011 and 2010

The Executive Director shall have the responsibility of securing adequate quantities of office, janitorial, maintenance and repair materials and supplies, and the rent of sufficient equipment necessary for the smooth, continuous operation of the Commission's system of airports and all facilities associated with the system of airports. The Executive Director's authority to secure these items shall be subject to the Commission's purchasing procedures and be subject to the line-item budget constraints of the annual budget.

At any time during the fiscal year, the Executive Director may recommend to the full Commission that all or any unencumbered appropriation balances of individual line-items be transferred to those line-items that require additional budgeted funds. In addition, the Executive Director may recommend to the full Commission the appropriation of additional funds above and beyond those approved at the time of budget adoption."

The Commission is not required to demonstrate statutory compliance with its annual operating budget. Accordingly, budgetary data are not included in the basic financial statements. All budgets are prepared in accordance with airport lease and use agreements. Unexpended appropriations lapse at year-end.

Cash and Cash Equivalents

In accordance with Minnesota Statutes, the Commission maintains deposits at those depository banks which are members of the Federal Reserve System, as authorized by the Commission.

For purposes of the statements of cash flows, the Commission considers cash on hand plus overnight investments to be cash and cash equivalents.

Investments

The Commission's investments are reported at fair value as determined by quoted market prices in the balance sheets and changes in the fair value of investments are reported as investment income in the statements of revenues, expenses and changes in net assets.

Inventory

Inventories, primarily fuel, are valued at cost on a first-in, first-out basis (FIFO). The cost of the Commission's inventories included in other assets is recorded as an expense when consumed rather than purchased.

Leases

Substantially all airport improvements and buildings are leased or charged to users under various agreements. Certain facilities are leased under self-liquidating lease agreements, which require the lessee to pay annual payments equal to the debt service requirements of the bonds issued to construct the facilities or the debt service requirements which would have been required if bond funds were used. Other facilities at Minneapolis/St. Paul International Airport are charged to user airlines under lease agreements which provide for compensatory rental rates designed to recover agreed-upon portions of costs incurred, including debt service, in the terminal building, ramp, and runway areas. Other facilities, to the extent they are leased, are leased under conventional agreements, primarily percentage leases.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal years ended December 31, 2011 and 2010

Federal and State Grants

Outlays for airport capital improvements and certain airport operating expenses, primarily those relating to airport security, are subject to reimbursement from federal grant programs. Funds are also received for airport development from the State of Minnesota. The Commission records government grants in aid of construction as capital contributions.

Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

Passenger Facility Charges

In June 1992, the Commission began collecting Passenger Facility Charges (PFCs). PFCs are fees imposed on enplaned passengers by airport authorities for the purpose of generating revenue for airport projects that increase capacity, increase safety, or mitigate noise impacts.

The following table sets forth a summary of the Commission's approved PFC applications.

PFC Application	Approval Date	Initial Approval Amount	Amended Approval Amount
1	June, 1992	\$ 66,356,000	\$ 92,714,000
2	August, 1994	113,064,000	140,717,000
3	June, 1998	32,700,000	36,377,000
4	April, 1999	55,460,000	47,801,000
5	August, 1999	106,874,000	112,533,000
6	April, 2003	1,161,479,000	779,146,000
7	April, 2003	-	14,109,000
8	August, 2005	191,380,000	191,380,000
9	February, 2006	7,316,000	8,659,000
10	May, 2008	128,448,000	128,448,000
		<u>\$ 1,863,077,000</u>	<u>\$ 1,551,884,000</u>

Applications one through five were originally approved for the collection of a \$3.00 PFC on each enplaning passenger. However, as a result of the AIR 21, the Commission amended its fifth PFC application, which was subsequently approved by the FAA, authorizing the Commission to collect an additional \$1.50 PFC per enplaning passenger. The collection of a \$4.50 PFC was approved by the FAA for PFC applications six, eight, nine and ten. PFC applications one through five are fully funded and have been closed out.

PFC's, which are recognized as earned, are included in nonoperating revenues and amounted to \$62,244,000 and \$59,453,000 for 2011 and 2010, respectively.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal years ended December 31, 2011 and 2010

Debt Issuance Costs

Bond issue costs are deferred and amortized over the life of the respective bond issue using the straight-line method.

Intangible Assets

The Commission has incurred, and continues to incur, substantial costs in relation to its ongoing Part 150 Sound Insulation Program. The Sound Insulation Program pays for a home within the airport's impacted noise area to be sound insulated with respect to doors, window treatments, etc., with no further cash outlay required by the Commission. Because the Commission receives an aviation release from each affected homeowner in return for providing sound insulation improvements, the associated costs are being recorded as an intangible asset and amortized to expense over a ten-year period, which approximates the estimated useful lives of such improvements. Amortization expense for capitalized Part 150 Sound Insulation expenses was \$10,295,000 and \$13,369,000 for the years ended December 31, 2011 and 2010, respectively. This amortization expense is included as a component of depreciation expense on the statements of revenues, expenses and changes in net assets. The unamortized costs included in airport improvements and buildings at December 31, 2011 and 2010 was \$39,885,000 and \$30,009,000, respectively.

Airports and Facilities

As required under Chapter 500, Laws of Minnesota 1943—the law under which the Commission was created—certain properties, classified as airports and facilities, were contributed by the cities of Minneapolis and St. Paul. Fee title to the land and improvements remain with the two cities.

Land contributed to the Commission from the cities has been recorded at the cost reported by the cities. The fair market value of the land when it was contributed was not determinable. However, it is the Commission's belief that the difference between the cost and the fair market value in 1943 is immaterial. Additions to the property accounts have been recorded at cost since 1943, unless contributed, in which case such additions are recorded at fair value.

It is the Commission's policy to amortize the carrying amount of the properties, including those acquired using government grants in aid of construction and passenger facility charges, over their estimated useful lives on a straight-line basis by annual depreciation charges to income. Estimated useful lives on depreciable assets are as follows:

Airport improvements and buildings	10-40 years
Moveable equipment	3-15 years

Costs incurred for major improvements are carried in construction in progress until disposition or completion of the related projects. Costs relating to projects not pursued are expensed, while costs relating to completed projects are capitalized. The capitalization threshold for capital assets is \$10,000.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal years ended December 31, 2011 and 2010

Capitalized Interest

Interest capitalized on projects funded by internally generated funds is based on the weighted-average borrowing rate of the Commission and actual project expenditures during the period of construction. Interest capitalized on projects funded from bond proceeds is based on the interest cost of the specific borrowing, less interest earned on undisbursed invested funds during the construction period. Interest is not capitalized on project costs that are reimbursed by government grants in aid of construction or PFCs.

Total interest paid during 2011 and 2010 was \$90,005,000 and \$87,646,000, respectively. Total interest expense was \$78,186,000 and \$85,141,000 for the years ended December 31, 2011 and 2010, respectively, while interest capitalized as part of the cost of constructed assets was \$4,536,000 and \$3,043,000, respectively.

Compensated Absences

In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated vacation and personal time is accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

Substantially all employees receive compensation for vacations, holidays, illness and certain other qualifying absences. Liabilities relating to these absences are recognized as incurred and included in employee compensation, payroll taxes and other in the balance sheets.

Deferred Revenue

Deferred revenue represents advance interest payments on direct financing leases received from certain airlines, which will be recognized as investment income over the term of the lease agreement as well as rental payments received in advance of billing.

Original Issue Discounts/Premiums

Original issue discounts/premiums on bonds are generally being amortized using the effective interest method over the lives of the bonds to which they relate.

Deferred Loss on Refundings

The Commission defers recognition of losses incurred with refundings according to GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. The losses incurred in refundings are amortized on a straight-line basis over the lesser of the remaining life of the original bonds or the life of the new bonds.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal years ended December 31, 2011 and 2010

Net Assets

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- Invested in capital assets, net of related debt: reflects the Commission's investment in capital assets, net of accumulated depreciation and outstanding balances of debt attributable to the acquisition, construction or improvements of those assets.
- Restricted: represent resources that are subject to external restrictions on how they may be used.
- Unrestricted: represent resources that are not subject to externally imposed stipulations that may be used to meet the Commission's ongoing obligations to the public and creditors. Unrestricted net assets may be designated for specific purposes by action of the management or the governing board of the Commission.

Rental Income

Rental income is generally recognized as it becomes receivable over the respective lease terms. The Commission may, from time to time, have leases which provide for waived rent during the initial period of the lease term and/or rental escalations throughout the lease term. In accordance with GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, the related rental income for leases in which the rental income stream is not systematic, if significant, is reported using the straight-line method rather than using the terms of the lease agreements.

Customer Facility Charges

With respect to on-airport rental car companies, the Commission is assessing a customer facility charge (CFC) per transaction day to recover the rental car portion of capital costs associated with the construction of the auto rental/public parking garage located adjacent to Terminal 1 (formerly the Lindbergh Terminal), as well as to recover certain maintenance costs relating to the auto rental facilities. Through 2009, the CFC was \$3 per rental car transaction per day. In 2010, the CFC rate was \$3.25 per rental car transaction per day. Beginning in 2011, the fee was \$2.00 per rental car transaction per day.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. These reclassifications had no effect on the change in net assets.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal years ended December 31, 2011 and 2010

NOTE B: DEPOSITS AND INVESTMENTS

Cash Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. Minnesota Statutes require that all Commission deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% for mortgage notes pledged). Authorized collateral includes allowable investments as discussed below, certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Commission or in a financial institution other than that furnishing the collateral.

Certain financial institutions holding the Commission's deposit accounts are participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under that program, all noninterest-bearing accounts are fully guaranteed by the FDIC for the entire amount in the accounts. Effective July 21, 2010, the FDIC's insurance limits increased to \$250,000 for all interest-bearing accounts.

For 2011 and 2010, cash deposits were entirely insured or collateralized by securities held in the Commission's name by a financial institution (Commission's agent) other than that furnishing the collateral.

Investments

The Commission may invest idle funds as authorized by Minnesota Statute, Section 118A, and the Commission's internal investment policy in the following:

- a) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statute, Section 118A.04 subd. 6;
- b) Mutual funds through shares of registered investment companies, provided the mutual fund receives certain ratings depending on its investments;
- c) General obligations of the State of Minnesota and its municipalities and certain state agency and local obligations of Minnesota and other states, provided such obligations have certain specified bond ratings by a national bond rating service;
- d) Bankers' acceptances of United States banks;
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two national rating agencies and matures in 270 days or less; and
- f) With certain restrictions, in repurchase agreements, security lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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The Commission addresses certain investment-related risks to which it is currently exposed as follows:

Interest rate risk - the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Commission has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. The Commission may not invest in securities maturing more than three years from the date of purchase. The Commission manages interest rate risk by maintaining sufficient liquidity to enable the Commission to meet anticipated cash requirements. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Below is a table of segmented time distribution for the Commission's debt investments at December 31, 2011:

Security Type	Ratings	Maturing in Years (Dollars in thousands)			Total
		0 - 1	1 - 2	2 - 3	
Government-Sponsored Enterprises					
Federal Home Loan Mortgage Corporation	Aa+ / AAA	\$ 41,975	\$ 36,304	\$ -	\$ 78,279
Federal National Mortgage Association	Aa+ / AAA	24,655	50,886	19,918	95,459
Federal Home Loan Bank	Aa+ / AAA	139,597	84,201	-	223,798
Federal Farm Credit Bank	Aa+ / AAA	9,024	-	-	9,024
U.S. Treasury Securities	Aa+ / AAA	28,154	-	-	28,154
Municipal Bonds	Aa / AA2	81	3,982	4,828	8,891
Money Market Mutual Funds	-	270,968	-	-	270,968
Totals		<u>\$ 514,454</u>	<u>\$ 175,373</u>	<u>\$ 24,746</u>	<u>\$ 714,573</u>

Ratings: Aa+ Moody's; AAA Standard & Poors

Credit risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statute 118A (as referenced on the previous page) limits the types of investment instruments that may be purchased by the Commission. The ratings of the Commission's debt investments are shown in the table above.

Concentration of credit risk - the Commission requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer, or class of securities.

In respect to U.S. government agency obligations and government-sponsored enterprises, the Commission places no limit on the amount that may be invested in any one issuer. For commercial paper securities, the Commission cannot hold more than 30% of its portfolio in commercial paper and further cannot hold more than 4% in any one corporation. The U.S. government-sponsored enterprise securities held by the Commission are not explicitly guaranteed by the U.S. Government and are subject to concentration of credit risk.

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Custodial credit risk - the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At December 31, 2011 and 2010, none of the Commission's investments were exposed to custodial credit risk.

Foreign currency risk - the risk of adverse effects on the fair value of an investment from changes in exchange rates. The Commission's investment policy does not allow investments in foreign investments, thus the Commission has no foreign currency risk with respect to its deposits or investments.

The Commission's cash, cash equivalents and investments are reported as follows in the balance sheets at December 31 (dollars in thousands):

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents - unrestricted	\$ 7,060	\$ 27,320
Investments - unrestricted	226,704	207,731
Investments, current - restricted	59,155	95,001
Investments, noncurrent - restricted	<u>428,714</u>	<u>443,619</u>
Total cash, cash equivalents and investments	<u>\$ 721,633</u>	<u>\$ 773,671</u>

Investment income for the Commission for the years ended December 31, consisted of the following (dollars in thousands):

	<u>2011</u>	<u>2010</u>
Investment income from leases	\$ 16,133	\$ 19,720
Investment income from investments	5,853	16,435
Net decrease in fair value of investments	<u>(490)</u>	<u>(2,222)</u>
	<u>\$ 21,496</u>	<u>\$ 33,933</u>

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NOTE C: RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments are restricted as follows (dollars in thousands):

	<u>2011</u>	<u>2010</u>
General Obligation Revenue Bond Fund	\$ 7,369	\$ 62,091
Coverage Account	17,013	17,047
Police Federal Forfeiture Fund	299	502
Police State Forfeiture Fund	117	98
Passenger Facility Charge Fund	190,809	173,620
911 Emergency Communications Fund	438	424
Revenue Bond Interest and Principal Fund	80,910	64,602
Revenue Bond Reserve Fund	123,251	129,215
Revenue Bonds Construction Fund	67,645	90,972
Revenue Bond Cost of Issuance Fund	18	49
	<u>\$ 487,869</u>	<u>\$ 538,620</u>

Minnesota Statutes require the Commission to have a balance on hand in a debt service account on October 10th of every year equal to the total amount of principal and interest due on all general obligation revenue bonds outstanding to the end of the second following year. Cash and investments to meet this requirement, plus interest earned thereon, are restricted.

NOTE D: GRANTS RECEIVABLE

Grants receivable from government agencies represent reimbursements due from the federal government and/or the State of Minnesota for allowable costs incurred on federal and state award programs. Grants receivable at December 31, 2011 and 2010 consist of (dollars in thousands):

	<u>2011</u>	<u>2010</u>
Federal Aviation Administration	\$ 6,276	\$ 5,230
Transportation Security Administration	8,366	4,054
	<u>\$ 14,642</u>	<u>\$ 9,284</u>

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NOTE E: CAPITAL ASSETS

Changes in capital assets by major classification are as follows (dollars in thousands):

	Balance January 1, 2011	Additions	Transfers In (Out)	Retirements or Disposals	Balance December 31, 2011
Capital assets - not depreciated:					
Land	\$ 398,625	\$ 4,000	\$ -	\$ -	\$ 402,625
Projects-in-progress	110,893	119,136	(79,013)	-	151,016
Total capital assets - not depreciated	509,518	123,136	(79,013)	-	553,641
Capital assets - depreciated:					
Airport improvements and buildings	3,305,261	84	75,633	-	3,380,978
Less: accumulated depreciation	(1,392,475)	(111,810)	-	-	(1,504,285)
Net airport improvements and buildings	1,912,786	(111,726)	75,633	-	1,876,693
Movable equipment	106,487	3,146	3,380	(281)	112,732
Less: accumulated depreciation	(71,780)	(7,174)	-	281	(78,673)
Net movable equipment	34,707	(4,028)	3,380	-	34,059
Total capital assets - depreciated	1,947,493	(115,754)	79,013	-	1,910,752
Net capital assets	\$ 2,457,011	\$ 7,382	\$ -	\$ -	\$ 2,464,393

	Balance January 1, 2010	Additions	Transfers In (Out)	Retirements or Disposals	Balance December 31, 2010
Capital assets - not depreciated:					
Land	\$ 397,767	\$ -	\$ 858	\$ -	\$ 398,625
Projects-in-progress	103,827	99,678	(92,612)	-	110,893
Total capital assets - not depreciated	501,594	99,678	(91,754)	-	509,518
Capital assets - depreciated:					
Airport improvements and buildings	3,223,703	297	81,261	-	3,305,261
Less: accumulated depreciation	(1,278,175)	(114,300)	-	-	(1,392,475)
Net airport improvements and buildings	1,945,528	(114,003)	81,261	-	1,912,786
Movable equipment	94,337	2,999	10,493	(1,342)	106,487
Less: accumulated depreciation	(65,856)	(7,256)	-	1,332	(71,780)
Net movable equipment	28,481	(4,257)	10,493	(10)	34,707
Total capital assets - depreciated	1,974,009	(118,260)	91,754	(10)	1,947,493
Net capital assets	\$ 2,475,603	\$ (18,582)	\$ -	\$ (10)	\$ 2,457,011

NOTE F: SHORT-TERM DEBT

The Commission has previously issued commercial paper, for which the proceeds were used to finance various capital projects under the Commission's long-term capital improvement program. The commercial paper is a short-term promissory note that is sold in tranches with maturities ranging from 1 to 270 days. At maturity, interest is paid to the investor and the commercial paper is resold. On April 29, 2010, the Commission retired all of its then outstanding commercial paper.

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The following is a summary of commercial paper transactions for the Commission for the year ended December 31, 2010 (dollars in thousands):

	Balance January 1, 2010	Issued	Retired	Balance December 31, 2010
Commercial paper	\$ 30,587	\$ -	\$ (30,587)	\$ -

In November 2011, the Commission closed on a \$75 million revolving line of credit. The intent of this line of credit is to fund certain capital improvement program projects. On April 6, 2012, the Commission accessed \$11.3 million, primarily to fund certain projects associated with the G Concourse, Building F demolition and Runway 30R subdrain.

NOTE G: LONG-TERM DEBT

The Commission's long-term bonds issued and outstanding were as follows:

(Dollars in thousands)						
Type of Issue	Issue Date	Interest Rates	Maturing on January 1	Maturity Amounts	Outstanding at December 31, 2011 2010	
General Airport Revenue Bonds						
Series 2003A **	7/9/2003	5.000%	2018 - 2028	\$ 22,235		
Original amount - \$102,690		4.500%	2029 - 2031	26,020	\$ 48,255	\$ 102,690
Series 2005A **	5/26/2005	5.000%	2013 - 2018	34,665		
Original amount - \$136,110		4.250%	2026	2,700		
		5.000%	2027 - 2035	98,745	136,110	136,110
Series 2005B **	5/26/2005	5.000%	2012 - 2026	97,845	97,845	101,955
Original amount - \$113,155						
Series 2005C **	5/26/2005	3.625%	2012	370		
Original amount - \$123,750		3.750%	2013	385		
		4.000%	2014 - 2021	3,675		
		5.000%	2022 - 2031	104,150		
		4.500%	2032	13,490	122,070	122,430
Series 2007A *	1/9/2007	5.000%	2017 - 2026	223,090		
Original amount - \$440,985		4.500%	2027 - 2032	217,895	440,985	440,985
Series 2007B **	1/9/2007	5.000%	2016 - 2025	108,150		
Original amount - \$197,360		4.500%	2027 - 2032	89,210	197,360	197,360
Series 2008A *	1/15/2008	5.000%	2011 - 2016	48,075	48,075	56,380
Original amount - \$72,035						
Series 2009A *	11/10/2009	2.000%	2012	1,820		
Original amount - \$23,075		3.000%	2013 - 2014	3,770		
		4.000%	2015 - 2019	10,700		
		5.000%	2020 - 2021	4,920		
		4.125%	2022	205	21,415	23,075
Series 2009B *	11/10/2009	5.000%	2012 - 2017	63,260		
Original amount - \$128,835		4.500%	2018	2,000		
		5.000%	2018	10,465		
		4.700%	2019	2,000		
		5.000%	2019	11,075		
		4.800%	2020	2,000		
		5.000%	2020 - 2022	29,955	120,755	128,835

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(Dollars in thousands)						
Type of Issue	Issue Date	Interest Rates	Maturing on January 1	Maturity Amounts	Outstanding at December 31,	
					2011	2010
Series 2010A *	7/28/2010	5.000%	2028	\$ 1,460		
Original amount - \$62,210		4.000%	2028	3,090		
		5.000%	2029	2,000		
		4.000%	2029	5,155		
		5.000%	2030	2,325		
		4.125%	2030	5,135		
		5.000%	2035	43,045	\$ 62,210	\$ 62,210
Series 2010B *	7/28/2010	3.000%	2012 - 2014	5,940		
Original amount - \$73,475		4.000%	2015 - 2016	7,640		
		5.000%	2017 - 2026	50,980		
		4.000%	2027 - 2028	8,915	73,475	73,475
Series 2010C **	10/01/2010					
Original amount - \$21,600		4.000%	2012 - 2016	16,515		
		3.000%	2017	635		
		3.500%	2018	655		
		5.000%	2019 - 2021	2,145		
		3.250%	2022 - 2023	1,595		
		3.500%	2024	55	21,600	21,600
Series 2010D ** (AMT)	10/01/2010	5.000%	2012 - 2022	62,090		
Original amount - \$68,790		4.000%	2023	5,690		
		4.125%	2024	1,010	68,790	68,790
Series 2011A **	10/04/2011	5.000%	2016 - 2025	39,570		
Original amount - \$52,015		3.500%	2024	6,115		
		5.000%	2025	6,330	52,015	-
Total General Airport Revenue Bonds					<u>1,510,960</u>	<u>1,535,895</u>
General Obligation Revenue Bonds						
Series 14	10/31/2001	5.500%	2011	3,465	-	3,465
Original amount - \$25,690						
Series 15	1/29/2002	6.000%	2011	11,170		
Original amount - \$287,825		6.050%	2012	12,180		
		6.150%	2013	13,320		
		6.250%	2014	14,520		
		6.350%	2015	15,830		
		6.450%	2016	18,185		
		6.550%	2017	19,770		
		6.850%	2018 - 2022	120,580	-	225,555
Series 16	10/28/2010	4.000%	2012 - 2015	12,205	12,205	12,205
Original amount - \$12,205						
Total General Obligation Revenue Bonds					<u>12,205</u>	<u>241,225</u>
Notes Payable					<u>6,792</u>	<u>6,885</u>
Unamortized premium, net					1,529,957	1,784,005
Deferred loss on refundings					49,710	52,444
Current portion of long-term debt					(47,560)	(47,741)
					<u>(46,675)</u>	<u>(38,825)</u>
Total Long-Term Bonds and Notes Payable					<u>\$ 1,485,432</u>	<u>\$ 1,749,883</u>

* Senior General Airport Revenue Bonds

** Subordinated General Airport Revenue Bonds

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Future debt service requirements as of December 31, 2011 are as follows (in thousands):

	Notes Payable	General Airport Revenue Bonds	General Obligation Revenue Bonds	Total Debt Outstanding	Interest	Total Principal and Interest
2012	\$ 1,895	\$ 41,815	\$ 2,965	\$ 46,675	\$ 72,215	\$ 118,890
2013	1,447	44,870	3,165	49,482	69,963	119,445
2014	559	49,205	3,235	52,999	67,613	120,612
2015	535	51,515	2,840	54,890	65,100	119,990
2016	510	53,995	-	54,505	62,496	117,001
2017 - 2021	1,846	300,570	-	302,416	269,565	571,981
2022 - 2026	-	378,930	-	378,930	186,735	565,665
2027 - 2031	-	463,855	-	463,855	84,238	548,093
2032 - 2036	-	126,205	-	126,205	9,647	135,852
	<u>\$ 6,792</u>	<u>\$1,510,960</u>	<u>\$ 12,205</u>	<u>\$ 1,529,957</u>	<u>\$ 887,572</u>	<u>\$ 2,417,529</u>

The Commission's General Airport Revenue Bonds are not general obligations, but are limited obligations of the Commission payable solely from and secured by a pledge of net revenues. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State, or any political subdivision or public agency of the State, other than the Commission, to the extent of net revenues, is pledged to the payment of the General Airport Revenue Bonds.

The proceeds of these issues have been used to finance a portion of the Commission's long-term capital improvement program. The long-term capital improvement program details the expansion of the airport system, which includes the construction of a new runway at the airport, the construction of two new public/car rental garages at the airport, the expansion and upgrading of the passenger terminal facilities at the airport and certain other projects at the reliever airports.

On November 2, 2011, the Commission issued \$52,105,000 of Series 2011A General Airport Revenue Bonds, to advance refund \$54,435,000 of the total \$102,690,000 of Series 2003A General Airport Revenue Bonds. The \$54,435,000 in Series 2003A will be called on January 1, 2013.

On November 10, 2010, the Commission issued \$90,390,000 of Series 2010C and 2010D General Airport Revenue Bonds to current refund and defease \$73,975,000 of Series 2001B General Airport Revenue Bonds and \$33,850,000 of Series 2001D General Airport Revenue Bonds, with the balance to be used to pay for costs of issuance.

On August 10, 2010, the Commission issued \$135,685,000 of Series 2010A and 2010B General Airport Revenue Bonds to finance certain improvements at the airport; to reimburse the Commission for its previous purchase of commercial paper notes; to make a deposit to the Reserve Fund and to pay costs of issuance.

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The Commission's General Obligation Revenue Bonds are general obligations of the Commission, payments of which are secured by the pledge of all operating revenues of the Commission. The Commission also has the power to levy property taxes upon all taxable property in the seven-county metropolitan area in order to pay debt service on outstanding General Obligation Revenue Bonds. The Commission has not levied taxes for the payment of debt service since 1969. Since then, Commission revenues have been sufficient to pay principal and interest due on General Obligation Revenue Bonds.

On November 17, 2010, the Commission issued \$12,205,000 of Series 16 General Obligation Revenue Bonds to current refund and defease \$15,635,000 of Series 13 General Obligation Revenue Bonds, with the balance to pay for costs of issuance. The Series 13 Bonds were used to retire the Series 7 Bonds that were issued in 1998 to fund construction of a 747-400 hangar for Delta Airlines.

The Series 15 General Obligation Revenue Bonds were issued by the Commission in order to finance facilities for Delta Airlines (formerly Northwest Airlines) and to retire the Series 9 Bonds that were issued in 1992. Lease agreements underlying the Series 15 and Series 16 General Obligation Revenue Bonds require Delta Airlines to make annual payments equal to the debt service requirements of the bonds.

The Commission's Series 14 General Obligation Revenue Bonds were used to retire the Series 8 Bonds that were issued in 1992. The Series 8 Bonds were used primarily to finance the construction of improvements to the terminal building, runways, taxiways and public roadways. The Series 14 General Obligation Revenue Bonds were paid off during 2011.

The Commission has statutory authority to issue General Obligation Revenue Bonds. The Commission currently has \$12,205,000 outstanding in General Obligation Revenue Bonds. The present statutory general obligation bonding limit as of December 31, 2011, would permit the issuance of an additional \$55 million of General Obligation Revenue Bonds.

NOTE H: BOND REFUNDINGS AND BOND EXTINGUISHMENT

During 2011 and as noted previously, the Commission issued \$52,105,000 of Series 2011A General Airport Revenue Bonds to advance refund \$54,435,000 of the total \$102,690,000 of Series 2003A General Airport Revenue Bonds. As a result of this refunding, the Commission reduced its total debt service requirements by \$4,771,597, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) in the amount of \$3,317,860. The Commission recognized an accounting loss of \$2,624,844 in connection with this refunding that has been deferred and will be amortized to interest expense on a straight-line basis through January 1, 2025.

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On October 26, 2011, Delta prepaid all of the lease payments due under the Series 15 lease agreements by depositing \$175,049,336 with the Commission. On October 26, 2011, the Commission irrevocably deposited the \$175,049,336 received from Delta, along with \$52,500,000 on deposit in the Series 15 Bond Account of the Commission's debt service fund, to the Series 15 Escrow Fund. The amounts deposited to the Series 15 Escrow Fund will be used on January 1, 2012 to: (a) pay the principal of the Series 15 bonds maturing on January 1, 2012, (b) redeem all of the outstanding Series 15 bonds maturing after January 1, 2012 at a redemption price of 103% of principal thereof, and (c) pay the interest due on such date on all outstanding Series 15 bonds. As of October 26, 2011, the Series 15 bonds were considered defeased for purposes of the Subordinate Indenture, the Senior Indenture and the General Obligation Revenue Bond Resolutions.

During 2010 and as noted previously, the Commission issued \$12,205,000 of Series 16 General Obligation Revenue Bonds to current refund and defease \$15,635,000 of Series 13 General Obligation Revenue Bonds. As a result of this refunding, the Commission reduced its total debt service requirements by \$4,080,619, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) in the amount of \$633,411. The Commission recognized an accounting loss of \$619,000 in connection with this refunding that has been deferred and will be amortized to interest expense on a straight-line basis through January 1, 2015.

During 2010 and as noted previously, the Commission issued \$90,390,000 of Series 2010C and 2010D General Airport Revenue Bonds to current refund and defease \$73,975,000 of Series 2001B General Airport Revenue Bonds and \$33,850,000 of Series 2001D General Airport Revenue Bonds. As a result of this refunding, the Commission reduced its total debt service requirements by \$15,735,123, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) in the amount of \$9,640,331. The Commission recognized an accounting loss of \$724,411 in connection with this refunding that has been deferred and will be amortized to interest expense on a straight-line basis through January 1, 2024.

At December 31, 2011, a total of \$268,820,000 in defeased bonds remain outstanding from previous refundings.

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NOTE I: CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the years ended December 31, 2011 and 2010 was as follows (dollars in thousands):

	Balance January 1, 2011	Additions	Retirements and Other	Balance December 31, 2011	Current Portion
Deferred revenue	\$ 31,329	\$ 26,621	\$ (53,690)	\$ 4,260	\$ 2,085
Employee compensation and other	6,041	65,054	(63,452)	7,643	5,555
Notes payable	6,885	1,841	(1,934)	6,792	1,895
Bonds payable	1,781,823	57,642	(314,150)	1,525,315	44,780
	<u>\$1,826,078</u>	<u>\$ 151,158</u>	<u>\$ (433,226)</u>	<u>\$ 1,544,010</u>	<u>\$ 54,315</u>
	Balance January 1, 2010	Additions	Retirements and Other	Balance December 31, 2010	Current Portion
Deferred revenue	\$ 33,127	\$ 26,679	\$ (28,477)	\$ 31,329	\$ 16,044
Employee compensation and other	6,336	62,558	(62,853)	6,041	4,196
Notes payable	6,337	2,508	(1,960)	6,885	1,675
Bonds payable	1,695,046	259,054	(172,277)	1,781,823	37,150
	<u>\$1,740,846</u>	<u>\$ 350,799</u>	<u>\$ (265,567)</u>	<u>\$ 1,826,078</u>	<u>\$ 59,065</u>

NOTE J: DIRECT FINANCING LEASES

The Commission leases certain facilities to tenants under self-liquidating lease agreements. Self-liquidating lease agreements require the lessee to pay annual rentals equal to the debt service requirements of the bonds issued to construct the facilities, or the debt service requirements that would have been required if bond financing was used. These leases are classified as direct financing leases and expire in various years through 2030. The Commission records the interest portion of the lease payments as investment income. The following lists the components of the Commission's direct financing leases as of December 31 (dollars in thousands):

	2011	2010
Total minimum lease payments to be received	\$ 88,869	\$ 412,782
Less: Unearned income	<u>(33,159)</u>	<u>(135,616)</u>
Net investment in leases	55,710	277,166
Less: Prepaid principal	<u>(3,165)</u>	<u>(15,145)</u>
Leases receivable - current and noncurrent	<u>\$ 52,545</u>	<u>\$ 262,021</u>

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As of December 31, 2011, future minimum lease payments are as follows (in thousands):

	<u>December 31</u>
2012	\$ 11,506
2013	11,505
2014	11,037
2015	7,568
2016	5,984
2017 - 2021	30,405
2022 - 2026	8,386
2027 - 2030	<u>2,478</u>
	<u>\$ 88,869</u>

NOTE K: PENSION AND RETIREMENT PLANS

All full-time and certain part-time employees of the Commission participate in the Minneapolis Employees Retirement Fund (MERF) (participation is restricted to employees hired prior to July 1, 1978) or the Public Employees Retirement Association of Minnesota (PERA). In 2010, legislation was passed that consolidated MERF as a separate plan administered by PERA effective June 30, 2010.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

All full-time and certain part-time employees of the Commission (hired after June 30, 1978) are covered by defined-benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security. All police officers, fire fighters, and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's average salary for any five successive years of allowable service, age, and years of credit at termination of service.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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Fiscal years ended December 31, 2011 and 2010

Two methods are used to compute benefits for Coordinated Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Using Method 2, the annuity accrual rate is 1.7% of average salary for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For PERF members and for all PEPFF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equals at least 90.

Normal retirement age is 55 for PEPFF and 65 for Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits and is capped at 66 for Coordinated Plan members hired after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement. There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contribution in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes set the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The Commission makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Coordinated Plan members are required to contribute 6.00% of their annual covered salary. PEPFF members are required to contribute 9.40% of their annual covered salary. The Commission is required to contribute the following percentages of annual covered payroll: 6.75% for Coordinated Plan PERF members and 12.90% for PEPFF members. Employer contribution rates for the Coordinated Plan increased to 7.00% effective January 1, 2010. The Commission's required contributions to the Public Employees Retirement Fund for the years ended December 31, 2011, 2010 and 2009 were \$2,284,000, \$2,174,000 and \$1,989,000, respectively. The Commission's required contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2011, 2010 and 2009 were \$1,526,000, \$1,490,000 and \$1,421,000, respectively. The Commission's contributions were equal to the contractually required contributions for each year as set by state statute.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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Fiscal years ended December 31, 2011 and 2010

MINNEAPOLIS EMPLOYEES RETIREMENT FUND

Plan Description

All full-time and certain part-time employees of the Commission (hired before July 1, 1978) are covered by a defined-benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). MERF is a cost-sharing, multiple-employer retirement plan.

MERF provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after ten years of credited service. Members are eligible for service retirement either:

- 1) With 30 or more years of service at any age; or
- 2) At age 60 with three or more years of service; or
- 3) At age 65 with one year of service; or
- 4) With 20 or more years of service at age 55, if a MERF member prior to June 28, 1973.

The defined retirement benefits are based on the average of the highest five years' salary within the last ten years of employment. The member will receive a benefit amount of 2% of that average salary for each of the first ten years of service and 2.5% of that salary for each year over ten years of service. The formulas used in calculating pension benefit increases are contained in Minnesota State Law. Increases may only be paid from investment earnings which exceed the actuarial assumption of a 5% return set for Minnesota public employment retirement funds. The annual increase for MERF is calculated from information supplied by the consulting actuary who determines the reserves required to maintain MERF as an actuarially and financially sound pension fund. Increases in pension benefits are permanent and guaranteed because they are fully funded, that is, the amount necessary to sustain the increase has been set aside.

There are different types of annuities available to members upon retirement. A normal annuity is a lifetime annuity that ceases upon the death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members leaving public service any time before retirement and before age 60 may receive a refund of all personal contributions, with interest, except for the survivor benefit contribution which is the equivalent of a nonrefundable term insurance premium. Employees who leave public service after age 60 may not withdraw personal contributions with interest unless they have worked less than three years and do not qualify for monthly retirement benefits. The survivor benefits contribution is nonrefundable.

MERF issues a publicly available financial report that includes financial statements and required supplementary information for MERF. That report may be obtained by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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Fiscal years ended December 31, 2011 and 2010

Contributions Required and Contributions Made

Minnesota Statutes require members to contribute 9.75% of their earnings to MERF, which includes .5% for survivor benefits. Required employer contributions are also established by Minnesota Statutes and include the normal cost, as reported in the annual actuarial valuation, plus an amount to cover administrative costs. Employers also contribute an additional 2.68% of covered employees' payroll and an annual total of \$3.9 million, which is required by Minnesota Statutes to be applied against the unfunded liability. Commencing in 1986, the Commission is required to make additional contributions toward the unfunded liability. This contribution was previously made by the State of Minnesota. Minnesota Laws of 1991 provide for a maximum annual contribution of \$9,000,000 by the State of Minnesota to MERF for the purpose of amortizing the unfunded liability by June 30, 2020. The consulting actuary for the fund determines the unfunded liability at the end of the fiscal year. By using a 6% interest assumption rate, an annual contribution to provide full funding by June 30, 2020 is determined. That amount is reduced by the employer's 2.68% of covered payroll and is further reduced by the aforementioned \$3.9 million and any additional contributions made by the Commission and others. If the balance exceeds the amount of the state maximum contribution, the excess is contributed by the employers.

Current required contribution rates are as follows:

	<u>Employee</u>	<u>Employer</u>	<u>Additional Employer</u>
Retirement contribution	9.25%	13.80%	2.68%
Survivor benefits	0.50%	0.00%	0.00%

Total required contributions made by the Commission for the fiscal year ended December 31 are as follows (in thousands):

<u>Contributions</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Employer (100% of required)	\$ 2,010	\$ 122	\$ 393

NOTE L: POSTEMPLOYMENT BENEFITS

In accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Commission recognizes postemployment benefits on the full accrual basis of accounting over a period that approximates an employee's years of service.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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The Commission provides health insurance benefits for certain retired employees under a single employer self-insured plan. Active employees who retire from the Commission and who have become vested in either the Minneapolis Employees Retirement Fund (MERF) or the Public Employees Retirement Association (PERA), and who do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the Commission's health benefits program.

The contribution requirements of employees and retirees are established and may be amended by the Commission. The required contribution is based upon projected pay-as-you-go financing requirements and funding for future benefits. The Commission will make contributions (as specified in union agreements or the Commission's personnel policy) toward required premiums at the same percentages applicable to active employees and their eligible dependent(s) until becoming eligible for Medicare Part A or B, or both. The Commission will then pay 100% of the premium for the retired employee, spouse over age 65, and legal dependents, provided that the retired employee is receiving benefits from either MERF or PERA, and is enrolled in Medicare Part A and B as their primary health insurance. As of January 1, 1991, all employees hired by the Commission will only be able to participate in the Commission medical plan up to age 65. During 2004, the Commission approved that non-organized employees hired after October 1, 2004 will be able to participate in the Commission medical plan provided that the retiree pay 100% of the total premium cost plus a 2% administrative fee. During 2006 and 2007, the Commission was successful in getting language in all eligible labor agreements that provides that employees hired after the date of the signed contract will be able to participate in the Commission medical plan provided that the retiree pay 100% of the total premium cost plus a 2% administrative fee. As of December 31, 2011, there were 250 retired employees and 540 active employees receiving health benefits from the Commission's health plan. The Commission does not issue a stand-alone financial report for its retiree health plan.

The Commission contributed \$2,562,072 to the plan in fiscal year 2011, \$1,888,435 to the plan in fiscal year 2010 and \$2,547,140 in fiscal year 2009. Plan participants contributed \$159,589 for fiscal year 2011, \$237,084 for fiscal year 2010 and \$245,511 for fiscal year 2009. Monthly contributions for retirees under 65 for 2011 are shown below:

Plan	Retiree Only	Family
Blue Plan	\$ 27.00	\$ 167.00
HRA/HSA	14.00	105.00

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal years ended December 31, 2011 and 2010

Annual OPEB Cost and Net OPEB Obligation

The Commission's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Commission's annual OPEB cost for 2011, 2010 and 2009, the amount actually contributed to the plan, and changes in the Commission's net OPEB obligation:

	2011	2010	2009
Annual required contribution (ARC)	\$ 7,088,041	\$ 6,333,672	\$ 6,269,416
Interest on net OPEB obligation	1,878,090	1,745,016	1,603,292
Adjustment to ARC	<u>(2,715,253)</u>	<u>(2,522,861)</u>	<u>(2,317,964)</u>
Annual OPEB cost	6,250,878	5,555,827	5,554,744
Contributions during the year	<u>(2,562,072)</u>	<u>(1,888,435)</u>	<u>(2,547,140)</u>
Increase in net OPEB obligation	3,688,806	3,667,392	3,007,604
Net OPEB - beginning of year	<u>46,496,519</u>	<u>42,829,127</u>	<u>39,821,523</u>
Net OPEB - end of year	<u>\$ 50,185,325</u>	<u>\$ 46,496,519</u>	<u>\$ 42,829,127</u>

The percentage of the Commission's annual OPEB cost contributed to the plan was: 40.99% for 2011; 33.99% for 2010; and 45.86% for 2009.

Funding Status

The Commission has set aside cash and investments to pay for future health benefits of \$51,873,000, \$48,297,000 and \$45,229,000 in 2011, 2010 and 2009, respectively. However, since such designated cash has not been irrevocably deposited in trust for future health benefits, the actuarial value of assets is zero.

The schedule of funding progress for the plan follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Projected Unit Credit	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2009	-	\$ 80,406,333	\$ 80,406,333	0.0%	\$ 37,735,411	213.1%
01/01/2010	-	81,785,746	81,785,746	0.0%	38,859,182	210.5%
01/01/2011	-	92,692,830	92,692,830	0.0%	39,104,031	237.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal years ended December 31, 2011 and 2010

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the most recent actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions in 2011 included a 4% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. Additionally, the valuation assumes an annual healthcare cost trend rate of 7.5% (revised from 8.0% in 2010), reduced by decrements to an ultimate rate of 5% after five years. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level dollar amount over 30 years on an open basis.

NOTE M: RISK MANAGEMENT

Risk management is the responsibility of the Commission. The Commission is self-insured for workers' compensation and health/dental claims. Claims paid for workers compensation for 2011 and 2010 were \$268,000 and \$531,000, respectively. Claims paid for health and dental coverage for 2011 and 2010 were \$6,297,000 and \$6,240,000, respectively. The unpaid claims for workers compensation at December 31, 2011 and 2010 were \$983,000 and \$1,286,000, respectively. The health and dental unpaid claims at December 31, 2011 and 2010 were \$530,000 and \$509,000, respectively. The liability recorded under employee compensation and payroll taxes by the Commission includes estimated settlements for claims reported but not settled as of December 31, 2011 and 2010, as well as an estimate of claims incurred but not reported. Changes in the balances of claim liabilities during the past two years are as follows:

	<u>2011</u>	<u>2010</u>
Unpaid claims - beginning of year	\$ 1,795,808	\$ 2,005,237
Incurred claims and changes in estimates	8,721,506	7,636,334
Claims paid	<u>(9,004,383)</u>	<u>(7,845,763)</u>
Unpaid claims - end of year	<u>\$ 1,512,931</u>	<u>\$ 1,795,808</u>

Operationally, the Commission is exposed to various risks of loss relating to theft, damage and destruction of assets, as well as natural disasters and certain tort liabilities for which commercial insurance is carried. The commercial insurance policies carry deductibles ranging from \$50,000 to \$250,000. Insurance policies procured, including commercial general liability and commercial property damage, are inclusive of coverage for certain war casualty and acts of terrorism. Coverage terms, limits, and deductibles have each been benchmarked in comparison with those maintained at other large-size airports and found to be within the range of our peers. Although coverage limits are significant, no assurance can be given that such coverage will continue to be available at such amounts and/or at a reasonable cost.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

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Casualty loss involving damage to or destruction of physical property in the course of construction is covered under the Commission's property insurance policy. This policy does not apply to the Commission contractors. This policy contains a deductible of \$250,000 per occurrence applicable to all covered causes of loss, including flood and earth movement.

The Commission requires entities providing professional services to the Commission to obtain an owner's protective professional indemnity policy. Contracted professional service firms participating in this project are required to provide evidence of at least \$1.0 million of coverage and names the Commission as an additional insured on the general liability policy, leaving the Commission minimally exposed.

NOTE N: CONTINGENT LIABILITIES AND COMMITMENTS

The nature of the business of the airport generates certain litigation against the Commission arising in the ordinary course of business. The Commission believes that existing and pending lawsuits and claims are either billable to airport users or would not materially affect the financial statements of the Commission.

Contractual obligations for construction were approximately \$59,933,000 at December 31, 2011.

Noise Abatement

On October 19, 2007, the Minnesota State District Court, Fourth Judicial District (the District Court) approved a Consent Decree negotiated by the City of Minneapolis, the Minneapolis Public Housing Authority in and for the City of Minneapolis, the City of Eagan and the City of Richfield (collectively, the "Noise Plaintiffs") and the Commission to settle noise abatement lawsuits.

Under the Consent Decree, the Commission must provide noise mitigation to homes and apartments in the 60 to 64 DNL contours. Noise mitigation activities vary based on noise contours, with homes in the most noise-impacted contours eligible for more extensive mitigation than those in less impacted areas. Multi-family dwellings (those with more than three living units) receive less extensive mitigation than single-family homes. The total cost to the Commission is uncertain until the program is completed in 2014 and is dependent upon submission of applications by homeowners to receive noise mitigation and subsequent approval by the Commission; however, it is estimated the program may cost as much as \$127 million. Estimated program costs are in 2007 dollars and will be adjusted annually for inflation according to the Consumer Price Index. As discussed previously in the notes, noise mitigation costs are being capitalized as incurred and amortized over ten years.

The costs related to the noise abatement settlements will be funded from internally generated funds of the Commission and rates and charges paid by air carriers operating at the Airport.

Runway 17/35 Land Acquisition

Certain remaining property acquisitions in association with Runway 17/35 may result in damage awards of an indeterminate amount. Any damage awards associated with these acquisitions would be capitalized as a cost of the project and may be recovered through airline rates and charges.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal years ended December 31, 2011 and 2010

NOTE O: MAJOR CUSTOMER

Delta Airlines, Inc. (Delta) is in the business of transporting air passengers, mail and property. Delta operates both domestic and international air route systems. Minneapolis/St. Paul International Airport (MSP) is one of Delta's major hubs. Airport revenues from Delta account for approximately 28% of operating revenues and 78% of total revenues from major airlines. Approximately 77% of total 2011 enplanements are attributable to Delta's operation. In the event that Delta discontinues its operations, there are no assurances that another airline would replace its hub activities.

It is reasonable to assume that any financial or operational difficulties incurred by Delta, the predominant airline servicing MSP, could have a material adverse effect on the Commission.

NOTE P: RENTAL INCOME FROM OPERATING LEASES

The Commission leases space at the airport terminal buildings as well as other land and building leases on a fixed fee as well as a contingent rental basis. Many of the leases provide for a periodic review and adjustment of the rental amounts. Substantially all capital assets are held by the Commission for the purpose of rental or related use. Minimum future rentals scheduled to be received on operating leases that have initial or remaining noncancelable terms in excess of one year are:

	<u>December 31</u>
2012	\$ 71,818
2013	71,852
2014	61,274
2015	61,064
2016	46,275
Thereafter	106,155

Contingent rentals and fees aggregated approximately \$81,900,000 and \$82,000,000 in 2011 and 2010, respectively.

Required Supplementary Information

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION
Schedule of OPEB Funding Progress
(Unaudited)

Financial Section

Fiscal years ended December 31, 2011 and 2010

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Projected Unit Credit	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2009	\$ -	\$ 80,406,333	\$ 80,406,333	0.0%	\$ 37,735,411	213.1%
01/01/2010	-	81,785,746	81,785,746	0.0%	38,859,182	210.5%
01/01/2011	-	92,692,830	92,692,830	0.0%	39,104,031	237.0%

Actuarial Valuation Date	Participant Summary		
	Active Employees	Retirees and Beneficiaries	Total
01/01/2009	523	250	773
01/01/2010	523	243	766
01/01/2011	542	242	784

January 1, 2011 Actuarial Assumptions:

Actuarial cost method	Projected unit credit
UAAL amortization method	Level dollar amount
UAAL amortization period	30-years, open
Discount rate	4%
Healthcare cost trend rate	7.5% to 5% in 5 years

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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Minneapolis/St. Paul, Minnesota • Metropolitan Airports Commission



Comprehensive Annual Financial Report • Year Ended December 31

2011

This part of the Commission's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures say about the Commission's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time. (Pages 49 - 52)

Revenue Capacity

These schedules are intended to assist the reader in understanding and assessing the factors that affect the Commission's ability to generate its own revenues. (Pages 53 - 60)

Debt Capacity

These schedules present information to help the reader assess the affordability of the Commission's current levels of outstanding debt and the Commission's ability to issue additional debt in the future. (Pages 61 - 63)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place. (Pages 64 - 67)

Operating information

These schedules are intended to provide contextual information about the Commission's operations and resources in order for readers to understand and assess its economic condition. (Pages 68 - 76)

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Historical Operating Statements For the Years Ending December 31 (Dollars in Thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
OPERATING REVENUES										
Airline rates and charges	\$ 75,223	\$ 64,499	\$ 77,368	\$ 89,540	\$ 78,270	\$ 85,475	\$ 87,244	\$ 89,867	\$ 90,376	\$ 96,422
Concessions	68,369	73,533	87,544	101,273	110,139	115,857	112,365	109,636	112,503	118,792
Rentals/fees	18,236	19,101	21,321	23,489	19,777	20,560	28,632	28,435	29,609	27,575
Utilities and other revenues	8,783	11,049	9,908	14,174	15,941	16,359	13,313	12,937	12,555	13,758
TOTAL OPERATING REVENUES	170,611	168,182	196,141	228,476	224,127	238,251	241,554	240,875	245,043	256,547
OPERATING EXPENSES										
Personnel	43,074	48,273	50,429	59,049	54,258	56,278	59,811	59,304	63,412	66,297
Administrative	880	844	1,089	1,179	1,240	1,538	1,298	1,301	1,271	1,532
Professional services	3,386	2,821	3,745	3,359	4,091	4,474	4,161	4,004	3,519	4,167
Utilities	8,882	11,779	12,684	14,444	14,820	16,466	18,089	16,553	16,238	16,568
Operating services	12,147	13,928	13,394	12,492	14,485	15,437	17,540	16,043	17,278	17,151
Maintenance	13,501	16,453	17,249	18,944	19,417	21,527	22,140	23,718	27,088	27,057
Depreciation	72,871	79,399	83,273	93,566	111,429	115,329	117,999	123,060	121,555	118,985
Other	2,455	2,743	3,206	3,758	3,323	8,922	3,696	2,510	2,583	3,531
TOTAL OPERATING EXPENSES	157,196	176,240	185,069	206,791	223,063	239,971	244,734	246,493	252,944	255,288
OPERATING INCOME (LOSS)	13,415	(8,058)	11,072	21,685	1,064	(1,720)	(3,180)	(5,618)	(7,901)	1,259
NONOPERATING REVENUES (EXPENSES)										
Investment income	45,454	29,854	32,257	40,646	52,895	62,271	49,938	30,625	33,933	21,440
Passenger facility charges	61,492	63,681	69,557	69,944	67,573	66,662	54,682	67,481	59,453	62,244
Gain (loss) on disposal of assets	17	(2,547)	(1,531)	(209)	(828)	(70)	5,178	205	119	14
Interest expense	(50,707)	(59,105)	(67,247)	(76,777)	(94,069)	(95,556)	(88,722)	(84,198)	(85,141)	(78,186)
Part 150 home insulation expenses ¹	(22,208)	(13,063)	(13,134)	(8,419)	(5,395)	(2,308)	-	-	-	58
TOTAL NONOPERATING REVENUES (EXPENSES)	34,048	18,820	19,902	25,185	20,176	30,999	21,076	14,113	8,364	5,570
INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	47,463	10,762	30,974	46,870	21,240	29,279	17,896	8,495	463	6,829
Capital contributions and grants	42,919	36,707	27,835	25,137	34,276	22,805	30,149	26,918	24,723	22,635
CHANGE IN NET ASSETS	90,382	47,469	58,809	72,007	55,516	52,084	48,045	35,413	25,186	29,464
NET ASSETS - BEGINNING OF YEAR	1,027,995	1,118,377	1,165,846	1,224,655	1,296,662	1,352,178	1,412,574	1,523,530	1,558,943	1,584,129
CHANGES IN ACCOUNTING PRINCIPLE/PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	8,312	62,911	-	-	-
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	1,027,995	1,118,377	1,165,846	1,224,655	1,296,662	1,360,490	1,475,485	1,523,530	1,558,943	1,584,129
NET ASSETS - END OF YEAR	\$ 1,118,377	\$ 1,165,846	\$ 1,224,655	\$ 1,296,662	\$ 1,352,178	\$ 1,412,574	\$ 1,523,530	\$ 1,558,943	\$ 1,584,129	\$ 1,613,593

1 - For the years ended December 31, 2002-2007, the amounts shown do not reflect the change in accounting principle adopted January 1, 2008.

Source: Audited financial statements for the last ten years

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Historical Revenues 2002 - 2011 Pursuant to the Commission's Master Trust Indenture (Dollars in Thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Airline Rates & Charges										
Landing fees ³	\$ 41,573	\$ 27,529	\$ 38,365	\$ 45,683	\$ 38,245	\$ 49,626	\$ 47,163	\$ 48,736	\$ 48,223	\$ 50,957
Ramp fees	5,944	5,700	5,608	6,105	4,611	5,238	5,619	6,531	5,901	6,328
Lindbergh Terminal building rents	21,236	24,151	26,195	28,834	33,920	29,378	34,196	33,003	34,296	36,244
Other Lindbergh Terminal charges	3,093	3,597	3,038	3,234	3,475	3,105	3,496	3,410	3,714	3,841
Concessions rebate	-	-	-	-	(9,070)	(10,160)	(9,886)	(8,739)	(8,817)	(9,324)
Humphrey Building Rentals	3,377	3,522	4,162	5,684	7,089	8,288	6,583	6,729	6,815	8,148
Apron Fees - Non-Signatory	-	-	-	-	-	-	73	197	244	228
Total Airline Rates & Charges	75,223	64,499	77,368	89,540	78,270	85,475	87,244	89,867	90,376	96,422
Concessions										
Auto parking	36,755	41,330	50,466	60,213	64,266	66,765	62,748	61,546	63,682	66,612
Rental car	13,359	14,742	14,220	14,693	15,699	17,043	17,011	15,357	15,364	17,112
Food & beverage	4,340	4,864	7,311	9,790	11,552	12,645	12,808	13,052	12,957	13,398
Merchandise	4,836	4,689	5,572	6,120	8,515	8,537	8,689	8,082	8,027	8,373
Employee parking	953	1,196	1,573	1,691	1,758	2,063	2,423	2,254	2,473	2,578
Other	8,126	6,712	8,402	8,766	8,349	8,804	8,686	9,345	10,000	10,719
Total Concessions Revenue	68,369	73,533	87,544	101,273	110,139	115,857	112,365	109,636	112,503	118,792
Other Revenues										
Utilities	1,732	2,152	1,705	2,515	2,350	2,473	2,528	2,315	2,591	3,006
Other building and land rent	16,444	17,086	20,196	22,101	18,434	18,821	23,445	23,547	24,544	25,299
Other	6,226	8,131	6,282	8,160	10,111	10,315	10,785	10,605	9,940	7,567
Total Other Revenues	24,402	27,369	28,183	32,776	30,895	31,609	36,758	36,467	37,075	35,872
Total MSP Revenue	167,994	165,401	193,095	223,589	219,304	232,941	236,367	235,970	239,954	251,086
Total Reliever Airports	2,617	2,781	3,046	4,887	4,823	5,310	5,187	4,905	5,089	5,461
Total Operating Revenues	170,611	168,182	196,141	228,476	224,127	238,251	241,554	240,875	245,043	256,547
Investment income										
Capital lease interest	25,300	23,554	23,698	22,820	22,815	22,570	20,896	20,017	19,720	16,133
Other ²	6,220	3,976	7,512	9,532	14,509	18,957	15,281	10,620	13,402	3,948
Total Investment Income	31,520	27,530	31,210	32,352	37,324	41,527	36,177	30,637	33,122	20,081
Capital lease principal payments	9,321	11,345	12,046	12,475	14,199	14,442	15,345	18,413	17,956	19,294
Total Revenues ¹	\$ 211,452	\$ 207,057	\$ 239,397	\$ 273,303	\$ 275,650	\$ 294,220	\$ 293,076	\$ 289,925	\$ 296,121	\$ 295,922

¹ Total Revenues do not include any PFC's as defined by the master trust indenture.

² Interest income on PFC's and Bond Series 1998-2005 Construction Funds are not included as defined by the master trust indenture.

³ In 2003, includes a one-time \$13 million rent rebate, which is a reduction of revenue as defined by the master trust indenture.

Source: Audited financial statements for the last ten years

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Percentage Distribution of Operating Revenues 2002 - 2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Airline Rates & Charges										
Landing fees ¹	24.6%	16.2%	19.6%	20.0%	16.9%	20.9%	19.6%	20.1%	19.5%	19.8%
Ramp fees	3.5%	3.4%	2.9%	2.7%	2.1%	2.2%	2.3%	2.7%	2.4%	2.5%
Lindbergh Terminal building rents	12.4%	14.4%	13.4%	12.6%	15.1%	12.3%	14.2%	13.7%	14.0%	14.1%
Other Lindbergh Terminal charges	1.8%	2.1%	1.5%	1.4%	1.6%	1.3%	1.4%	1.4%	1.5%	1.5%
Concessions rebate	0.0%	0.0%	0.0%	0.0%	-4.0%	-4.3%	-4.1%	-3.6%	-3.6%	-3.6%
Humphrey Building Rentals	2.0%	2.1%	2.1%	2.5%	3.2%	3.5%	2.8%	2.9%	2.9%	3.2%
Total Airline Rates & Charges	44.3%	38.2%	39.5%	39.2%	34.9%	35.9%	36.2%	37.2%	36.7%	37.5%
Concessions										
Auto parking	21.5%	24.6%	25.7%	26.4%	28.7%	28.0%	26.0%	25.6%	26.0%	26.0%
Rental car	7.8%	8.8%	7.2%	6.4%	7.0%	7.2%	7.0%	6.4%	6.3%	6.7%
Food & beverage	2.5%	2.9%	3.7%	4.3%	5.2%	5.3%	5.3%	5.4%	5.3%	5.2%
Merchandise	2.8%	2.8%	2.8%	2.7%	3.8%	3.6%	3.6%	3.4%	3.3%	3.3%
Employee parking	0.6%	0.7%	0.8%	0.7%	0.8%	0.9%	1.0%	0.9%	1.0%	1.0%
Other	4.8%	4.0%	4.3%	3.8%	3.7%	3.7%	3.6%	3.9%	4.1%	4.2%
Total Concessions Revenue	40.0%	43.8%	44.5%	44.3%	49.2%	48.7%	46.5%	45.6%	46.0%	46.4%
Other Revenues										
Utilities	1.0%	1.3%	0.9%	1.1%	1.0%	1.0%	1.0%	1.0%	1.1%	1.2%
Other building and land rent	9.6%	10.2%	10.3%	9.7%	8.2%	7.9%	9.7%	9.8%	10.0%	9.9%
Other	3.6%	4.8%	3.2%	3.6%	4.5%	4.3%	4.5%	4.4%	4.1%	2.9%
Total Other Revenues	14.2%	16.3%	14.4%	14.4%	13.7%	13.2%	15.2%	15.2%	15.2%	14.0%
Total MSP Revenue	98.5%	98.3%	98.4%	97.9%	97.8%	97.8%	97.9%	98.0%	97.9%	97.9%
Total Reliever Airports	1.5%	1.7%	1.6%	2.1%	2.2%	2.2%	2.1%	2.0%	2.1%	2.1%
Total Operating Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

¹ Includes a one-time rental airline rebate of \$13 million in 2003.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Net Assets by Business-Type Activities 2002 - 2011 (Dollars in Thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business Type Activities										
Invested in capital assets, net of related debt	\$ 965,567	\$ 1,051,268	\$ 1,055,827	\$ 1,078,276	\$ 1,077,822	\$ 1,083,959	\$ 1,097,417	\$ 1,145,797	\$ 1,140,449	\$ 1,144,522
Restricted	112,688	63,081	92,723	109,022	146,742	189,224	272,695	253,811	273,540	306,528
Unrestricted	40,122	51,497	76,105	109,364	127,614	131,079	153,418	159,335	170,140	162,543
Total business type activities	<u>\$ 1,118,377</u>	<u>\$ 1,165,846</u>	<u>\$ 1,224,655</u>	<u>\$ 1,296,662</u>	<u>\$ 1,352,178</u>	<u>\$ 1,404,262</u>	<u>\$ 1,523,530</u>	<u>\$ 1,558,943</u>	<u>\$ 1,584,129</u>	<u>\$ 1,613,593</u>

Source: Audited financial statements for the last ten years

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Delta Airlines Revenue Summary 2002 - 2011 (Dollars in Thousands)

	2002	2003	2004	2005	2006	2007	2008 ³	2009 ³	2010 ³	2011 ³
Delta Revenue as a Percentage of Total Adjusted MAC Operating Revenues										
Total MAC Operating Revenues	\$ 170,611	\$ 168,182	\$ 196,141	\$ 228,476	\$ 224,127	\$ 238,251	\$ 241,554	\$ 240,875	\$ 245,043	\$ 256,547
Lease Principal/Interest Payments	35,290	34,899	35,744	35,319	37,014	36,246	36,277	38,430	37,676	37,973
Interest Income-MAC Funds ¹	19,589	5,524	7,116	14,426	24,474	31,628	21,318	5,193	11,183	3,467
Total Adjusted MAC Operating Revenues	<u>225,490</u>	<u>208,605</u>	<u>239,001</u>	<u>278,221</u>	<u>285,615</u>	<u>306,125</u>	<u>299,149</u>	<u>284,498</u>	<u>293,902</u>	<u>297,987</u>
Delta Portion of Operating Revenues ²	51,858	44,391	52,892	60,004	52,265	55,080	62,970	66,503	66,711	70,910
Delta Portion of Lease Payments	32,692	30,477	30,760	30,890	31,301	31,605	31,875	32,127	33,336	33,736
Total Delta Revenue	<u>84,550</u>	<u>74,868</u>	<u>83,652</u>	<u>90,894</u>	<u>83,566</u>	<u>86,685</u>	<u>94,845</u>	<u>98,630</u>	<u>100,047</u>	<u>104,646</u>
Delta % of Total Adjusted MAC Operating Revenues	<u>37.50%</u>	<u>35.89%</u>	<u>35.00%</u>	<u>32.67%</u>	<u>29.26%</u>	<u>28.32%</u>	<u>31.70%</u>	<u>34.67%</u>	<u>34.04%</u>	<u>35.12%</u>
Total Adjusted MAC Operating Revenues	\$ 225,490	\$ 208,605	\$ 239,001	\$ 278,221	\$ 285,615	\$ 306,125	\$ 299,149	\$ 284,498	\$ 293,902	\$ 297,987
Less: Delta GO 9/15 Lease Payments	(26,252)	(24,018)	(24,348)	(24,648)	(24,931)	(25,222)	(25,413)	(25,721)	(26,037)	(26,376)
Total Adjusted MAC Operating Revenues, Net of GO 9/15 Financing	<u>199,238</u>	<u>184,587</u>	<u>214,653</u>	<u>253,573</u>	<u>260,684</u>	<u>280,903</u>	<u>273,736</u>	<u>258,777</u>	<u>267,865</u>	<u>271,611</u>
Total Delta Revenue	84,550	74,868	83,652	90,894	83,566	86,685	94,845	98,630	100,047	104,646
Less: Delta GO 9/15 Lease Payments	(26,252)	(24,018)	(24,348)	(24,648)	(24,931)	(25,222)	(25,413)	(25,721)	(26,037)	(26,376)
Total Delta Revenue, Net of GO 9/15 Financing	<u>58,298</u>	<u>50,850</u>	<u>59,304</u>	<u>66,246</u>	<u>58,635</u>	<u>61,463</u>	<u>69,432</u>	<u>72,909</u>	<u>74,010</u>	<u>78,270</u>
Delta % of Total Adjusted MAC Operating Revenues, Net of GO 9/15 Financing	<u>29.26%</u>	<u>27.55%</u>	<u>27.63%</u>	<u>26.13%</u>	<u>22.49%</u>	<u>21.88%</u>	<u>25.36%</u>	<u>28.17%</u>	<u>27.63%</u>	<u>28.82%</u>
Delta Revenue as a Percentage of Total Airline Rates & Charges										
Total Airline Rates & Charges Revenue	\$ 75,223	\$ 64,499	\$ 77,368	\$ 89,540	\$ 78,270	\$ 85,475	\$ 87,244	\$ 89,867	\$ 90,376	\$ 96,422
Air Carrier Lease Payments	33,609	32,875	33,587	33,678	34,364	34,231	34,262	36,188	35,658	35,960
Total Air Carrier Revenue	<u>108,832</u>	<u>97,374</u>	<u>110,955</u>	<u>123,218</u>	<u>112,634</u>	<u>119,706</u>	<u>121,506</u>	<u>126,055</u>	<u>126,034</u>	<u>132,382</u>
Total Delta Revenue	84,550	74,868	83,652	90,894	83,566	86,685	94,845	98,630	100,047	104,646
Delta % of Total Air Carrier Revenue	<u>77.69%</u>	<u>76.89%</u>	<u>75.39%</u>	<u>73.77%</u>	<u>74.19%</u>	<u>72.41%</u>	<u>78.06%</u>	<u>78.24%</u>	<u>79.38%</u>	<u>79.05%</u>
Total Air Carrier Revenue	\$ 108,832	\$ 97,374	\$ 110,955	\$ 123,218	\$ 112,634	\$ 119,706	\$ 121,506	\$ 126,055	\$ 126,034	\$ 132,382
Less: Delta GO 9/15 Lease Payments	(26,252)	(24,018)	(24,348)	(24,648)	(24,931)	(25,222)	(25,413)	(25,721)	(26,037)	(26,376)
Total Air Carrier Revenue, Net of GO 9/15 Financing	<u>82,580</u>	<u>73,356</u>	<u>86,607</u>	<u>98,570</u>	<u>87,703</u>	<u>94,484</u>	<u>96,093</u>	<u>100,334</u>	<u>99,997</u>	<u>106,006</u>
Total Delta Revenue	84,550	74,868	83,652	90,894	83,566	86,685	94,845	98,630	100,047	104,646
Less: Delta GO 9/15 Lease Payments	(26,252)	(24,018)	(24,348)	(24,648)	(24,931)	(25,222)	(25,413)	(25,721)	(26,037)	(26,376)
Total Delta Revenue, Net of GO 9/15 Financing	<u>58,298</u>	<u>50,850</u>	<u>59,304</u>	<u>66,246</u>	<u>58,635</u>	<u>61,463</u>	<u>69,432</u>	<u>72,909</u>	<u>74,010</u>	<u>78,270</u>
Delta % of Total Air Carrier Revenue, Net of GO 9/15 Financing	<u>70.60%</u>	<u>69.32%</u>	<u>68.47%</u>	<u>67.21%</u>	<u>66.86%</u>	<u>65.05%</u>	<u>72.26%</u>	<u>72.67%</u>	<u>74.01%</u>	<u>73.84%</u>

¹ Does not include interest income earned on PFC's, which are not available to pay debt service on Delta obligations.

² In 2003, revenues are net of Delta's portion of \$13 million rebate.

³ In 2008, Northwest Airlines merged with Delta.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Top Ten Revenue Providers 2011 and 2002

Company	2011		2002	
	Rank	Revenue	Rank	Revenue
Northwest/Delta Airlines	1	\$ 70,910	1	\$ 51,858
HMS Host	2	10,891	2	9,176
Enterprise Rent A Car ²	3	9,181	-----	-
Hertz	4	6,451	3	5,920
Minnesota Retail Partners	5	6,540	-----	-
Sun Country Airlines	6	6,239	8	-
Avis	7	4,773	4	5,066
United Airlines	8	3,468	9	2,440
American Airlines	9	3,033	7	2,690
Southwest Airlines	10	3,003	-----	-
Signature Flight Support	-----	-	5	4,053
National/Alamo Car Rental ¹	-----	-	6,10	4,704
Budget Rent A Car	-----	-	8	2,475

1 - In 2002, Alamo and National Car Rental were separate companies.

2 - Enterprise Rent a Car owns National Car Rental and Alamo.

Source: Comprehensive Annual Financial Report 2002 and 2011

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Air Carrier Market Share - Total Enplaned Passengers For the Years Ended December 31 Ranked on Year 2011 Results

2011 Ranking	Air Carrier	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011 % of Total
1	NWA/Delta	12,047,456	12,098,750	12,904,363	12,780,697	11,946,378	11,489,712	10,274,202	8,967,602	8,453,914	8,041,859	50.3%
2	Compass ²	-	-	-	-	-	68,174	620,165	905,487	1,078,771	1,270,728	8.0%
3	Mesaba Aviation ²	591,396	572,557	551,521	539,388	431,668	547,608	1,303,619	1,577,271	1,249,049	1,200,611	7.5%
4	Skywest ²	-	-	-	-	-	113,853	98,574	26,549	529,568	836,730	5.2%
5	Pinnacle ²	384,480	585,202	970,567	1,187,110	1,223,597	1,271,310	865,941	722,510	707,641	727,037	4.6%
6	Southwest	-	-	-	-	-	-	-	283,986	500,493	609,692	3.8%
7	Sun Country	138,220	377,604	508,405	728,513	726,359	752,691	640,902	496,622	470,474	554,434	3.5%
8	US Airways	219,948	161,198	131,951	57,764	21,625	174,910	389,052	455,163	430,890	465,967	2.9%
9	American	463,331	410,688	347,618	462,914	476,228	589,989	571,930	508,470	445,125	374,080	2.3%
10	United	508,578	516,389	507,724	489,899	559,618	555,520	488,566	470,403	396,060	340,920	2.1%
11	Air Tran Airways	-	-	168,227	149,844	290,390	316,667	256,310	247,834	261,709	295,675	1.9%
12	Frontier	-	-	126,434	120,962	123,056	132,633	164,798	183,393	188,438	260,492	1.6%
13	Shuttle America ⁴	-	-	-	-	-	-	-	-	-	191,296	1.2%
14	Comair ²	-	-	-	-	-	-	-	-	298,339	124,125	0.8%
15	Alaska Airlines	-	-	-	-	-	-	-	91,064	94,491	95,269	0.6%
16	Continental Express	-	-	-	-	-	-	-	130,794	159,781	94,753	0.6%
17	Atlantic Southeast	-	-	-	-	129,609	47,472	22,269	1,799	6,314	89,688	0.6%
18	Republic ⁵	-	-	-	-	-	-	-	-	-	63,092	0.4%
19	Continental	253,562	235,088	222,114	240,622	250,502	169,853	119,994	83,999	32,278	25,689	0.2%
	Midwest	-	-	-	-	-	66,215	67,032	79,803	61,165	-	0.0%
	Champion	-	-	-	-	113,849	73,790	25,898	-	-	-	0.0%
	America West	198,307	228,452	244,176	279,965	298,126	193,185	-	-	-	-	0.0%
	Ryan Int'l	-	-	-	-	32,607	7,768	-	-	-	-	0.0%
	American Trans Air	198,855	217,689	238,073	207,414	-	-	-	-	-	-	0.0%
	Omni Air Express	107,222	-	-	-	-	-	-	-	-	-	0.0%
	KLM Royal Dutch ³	-	-	-	-	-	-	-	-	-	-	0.0%
	Other	653,417	698,577	676,466	739,219	554,695	397,734	475,020	318,385	350,309	310,052	1.9%
		<u>15,764,772</u>	<u>16,102,194</u>	<u>17,597,639</u>	<u>17,984,311</u>	<u>17,178,307</u>	<u>16,969,084</u>	<u>16,384,272</u>	<u>15,551,134</u>	<u>15,714,809</u>	<u>15,972,189</u>	<u>100.0%</u>

¹ The figures may differ from the passenger statistics reported by the Air Carriers to the Airport.

² Codeshare with Northwest/Delta.

³ Codeshare with NWA/Delta. No activity at MSP International Airport since 2002.

⁴ Codeshare with United.

⁵ Codeshare with US Airways.

Source: Department of Transportation, T-3, T-100 and 298C T-1; Minneapolis/St. Paul Metropolitan Airports Commission and John F. Brown Company, Inc.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Enplaned Passenger Trends For the Years Ended December 31

	Originating		Connecting		Total	% Change From Previous Year
	Enplaned Passengers ¹	% of Total	Enplaned Passengers ¹	% of Total		
2002	7,503,690	47.6%	8,261,082	52.4%	15,764,772	-6.84%
2003	7,533,434	46.8%	8,568,760	53.2%	16,102,194	2.14%
2004	7,954,133	45.2%	9,643,506	54.8%	17,597,639	9.29%
2005	8,193,652	45.6%	9,790,659	54.4%	17,984,311	2.20%
2006	10,066,488	58.6%	7,111,819	41.4%	17,178,307	-4.48%
2007	9,943,883	58.6%	7,025,201	41.4%	16,969,084	-1.22%
2008	8,355,979	51.0%	8,028,293	49.0%	16,384,272	-3.45%
2009	8,318,949	53.5%	7,232,185	46.5%	15,551,134	-5.08%
2010	9,147,140	58.2%	6,567,669	41.8%	15,714,809	1.05%
2011	8,676,764	54.3%	7,295,425	45.7%	15,972,189	1.64%

Average Annual Compound Growth

2002 - 2011	1.46%	-1.24%	0.13%
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¹ Includes passengers who connected to domestic flights at MSP but were bound for international destinations via other U.S. gateway airports. Includes domestic-to-domestic, domestic-to-international, and international-to-domestic connections.

The above figures may differ from the passenger statistics reported by the airlines to the MSP.

Sources: DOT, Schedules T-100 and T-3, DOT, Air Passenger Origin - Destination Survey, reconciled to Schedules T-100 and 298C T-1; John F. Brown Company, Inc.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Air Carrier Market Share - Total Enplaned Cargo (in tons) For the Years Ended December 31 Ranked on Year 2011 Results

2011 Ranking	Air Carrier	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011 % of Total
1	Federal Express	71,564.1	87,380.5	84,255.1	77,531.7	74,311.2	72,391.0	65,700.1	52,480.1	49,154.0	47,830.9	42.4%
2	UPS	26,373.7	26,038.9	29,408.3	30,884.8	31,048.6	31,933.9	28,495.6	26,514.7	30,038.6	31,154.8	27.7%
3	Northwest/Delta	47,982.0	30,462.7	19,537.4	21,673.7	20,379.9	20,120.6	18,119.2	14,041.5	18,275.6	20,959.3	18.6%
4	ATI/BAX Global	-	-	4,179.8	5,263.9	4,994.2	4,235.1	2,193.9	4,222.7	8,846.5	6,188.8	5.5%
5	US Airways	1,288.5	781.1	418.7	108.1	108.1	242.5	1,127.5	1,114.7	1,410.5	1,433.5	1.3%
6	DHL	2,446.2	6,117.7	4,507.1	4,161.6	7,654.9	5,668.8	4,057.3	17.6	-	1,196.4	1.1%
7	Airborne	7,427.9	7,168.2	6,810.0	4,915.5	114.8	857.1	1,853.2	506.6	1,949.0	785.2	0.7%
8	United	946.9	1,198.0	1,282.2	1,209.1	571.5	173.8	459.1	877.2	972.3	741.9	0.7%
9	Mountain Air Cargo	-	-	-	-	-	-	-	-	-	679.4	0.6%
10	Sun Country	134.1	465.6	415.4	2,199.6	2,372.9	2,402.8	1,721.7	946.5	425.2	531.7	0.5%
11	Southwest	-	-	-	-	-	-	-	204.9	350.1	489.7	0.4%
12	American	1,150.6	997.6	1,543.9	934.9	985.1	946.3	1,052.4	440.2	210.0	175.2	0.2%
13	Other	5,693.3	5,956.0	1,413.2	1,499.0	640.0	310.0	725.1	419.5	54.7	126.2	0.1%
14	Continental	677.4	469.6	662.0	373.4	431.0	346.4	519.4	289.7	131.2	100.6	0.1%
15	Frontier	-	-	-	-	-	-	-	-	114.4	92.0	0.1%
16	Alaska Airlines	-	-	-	-	-	-	-	-	-	41.5	0.0%
	Mesaba	-	-	-	-	-	-	422.4	661.7	-	-	0.0%
	Kitty Hawk/AIA*	2,265.1	2,659.5	2,697.4	3,665.6	2,730.8	970.6	-	-	-	-	0.0%
	America West	-	-	-	-	411.1	257.0	-	-	-	-	0.0%
	Emery Worldwide ²	4,913.2	4,886.9	4,358.2	4,196.5	1,757.2	-	-	-	-	-	0.0%
	KLM Royal Dutch	-	-	480.0	-	-	-	-	-	-	-	0.0%
	Midwest	-	-	-	-	-	326.4	239.9	8.9	0.6	-	0.0%
	Trans World ¹	-	-	-	-	-	-	-	-	-	-	0.0%
		<u>172,863.0</u>	<u>174,582.3</u>	<u>161,968.7</u>	<u>158,617.4</u>	<u>148,511.3</u>	<u>141,182.3</u>	<u>126,686.8</u>	<u>102,746.5</u>	<u>111,932.7</u>	<u>112,527.1</u>	<u>100.0%</u>

¹ Filed for bankruptcy protection on January 9, 2001 and merged with American Airlines on December 2, 2001.

² New name: UPS Supply Chain Solutions.

* American International Airways

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Enplaned Cargo Trends For the Years Ended December 31

Air Carrier	(Freight and mail in thousands of tons)										Average Annual Growth Compound
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Passenger	53.3	35.8	25.4	28.0	25.9	25.1	24.2	19.0	21.9	24.6	-7.4%
All Cargo	<u>119.6</u>	<u>138.8</u>	<u>136.6</u>	<u>130.6</u>	<u>122.6</u>	<u>116.1</u>	<u>102.5</u>	<u>83.7</u>	<u>90.0</u>	<u>87.9</u>	-3.0%
Total	<u>172.9</u>	<u>174.6</u>	<u>162.0</u>	<u>158.6</u>	<u>148.5</u>	<u>141.2</u>	<u>126.7</u>	<u>102.7</u>	<u>111.9</u>	<u>112.5</u>	-4.2%

AAG - Average annual compound growth

Source: Minneapolis/St. Paul Metropolitan Airports Commission

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Trends in Enplaned Cargo by Type of Carrier For the Years Ended December 31

	<u>Passenger Carriers</u>		<u>All Cargo Carriers</u>		<u>Total Cargo</u>
	<u>Tons</u>	<u>% of Total</u>	<u>Tons</u>	<u>% of Total</u>	
2002	53,292	30.8%	119,571	69.2%	172,863
2003	35,754	20.5%	138,829	79.5%	174,583
2004	25,353	15.7%	136,616	84.3%	161,969
2005	27,992	17.6%	130,625	82.4%	158,617
2006	25,900	17.4%	122,611	82.6%	148,511
2007	25,124	17.8%	116,058	82.2%	141,182
2008	24,179	19.1%	102,508	80.9%	126,687
2009	19,004	18.5%	83,742	81.5%	102,746
2010	21,942	19.6%	89,990	80.4%	111,932
2011	24,595	21.9%	87,932	78.1%	112,527

Average Annual Compound Growth

2002 - 2011	-7.44%	-3.03%	-4.20%
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Source: Minneapolis/St. Paul Metropolitan Airports Commission

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Trends in Enplaned Cargo by Freight & Mail For the Years Ended December 31

	Freight/Express		Mail		Total Cargo
	Tons	% of Total	Tons	% of Total	
2002	138,515	80.1%	34,348	19.9%	172,863
2003	153,630	88.0%	20,952	12.0%	174,582
2004	156,795	96.8%	5,174	3.2%	161,969
2005	153,548	96.8%	5,069	3.2%	158,617
2006	143,753	96.8%	4,758	3.2%	148,511
2007	136,511	96.7%	4,671	3.3%	141,182
2008	121,037	95.5%	5,650	4.5%	126,687
2009	98,493	95.9%	4,253	4.1%	102,746
2010	105,919	94.6%	6,013	5.4%	111,932
2011	104,455	92.8%	8,072	7.2%	112,527

Average Annual Compound Growth

2002 - 2011	-2.78%	-13.48%	-4.20%
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Source: Minneapolis/St. Paul Metropolitan Airports Commission

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Rate Covenant for Senior Debt For the Years Ended December 31 (Dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues per Master Trust Indenture	\$ 211,452	\$ 207,057	\$ 239,397	\$ 273,303	\$ 275,650	\$ 294,220	\$ 293,076	\$ 289,926	\$ 296,110	\$ 295,923
Expenses										
Operating expenses	157,196	176,240	185,069	206,791	223,063	239,971	244,330	246,493	252,944	255,287
Less: Depreciation expense	(72,871)	(79,399)	(83,273)	(93,566)	(111,429)	(115,329)	(117,595)	(123,060)	(121,555)	(118,985)
Amount paid from non-revenue sources	-	(13,000)	-	-	-	-	-	-	-	-
Total operating expenses, excluding depreciation expense	84,325	83,841	101,796	113,225	111,634	124,642	126,735	123,433	131,389	136,302
Net Revenues	127,127	123,216	137,601	160,078	164,016	169,578	166,341	166,493	164,721	159,621
Annual debt service - Senior Airport Revenue Bonds	(59,965)	(56,364)	(54,851)	(50,384)	(48,212)	(46,685)	(46,321)	(45,887)	(44,540)	(41,525)
Annual debt service - General Obligation Revenue Bonds	(33,866)	(33,901)	(33,211)	(31,899)	(32,165)	(32,276)	(32,542)	(32,797)	(29,532)	(29,843)
Principal and interest on other indebtedness ¹	-	(1,904)	(15,636)	(9,468)	(17,452)	(16,299)	(30,335)	(32,356)	(31,118)	(42,285)
Must not be less than zero	33,296	31,047	33,903	68,327	66,187	74,318	57,143	55,453	59,531	45,968
Requirement Section										
Net revenues	127,127	123,216	137,601	160,078	164,016	169,578	166,341	166,493	164,721	159,621
Transfer - Coverage Fund ²	6,350	14,091	13,713	12,596	12,053	11,671	11,580	11,472	11,579	10,381
Total available	133,477	137,307	151,314	172,674	176,069	181,249	177,921	177,965	176,300	170,002
Senior Debt Service times 125% ³	(74,956)	(70,455)	(68,564)	(62,980)	(60,265)	(58,356)	(57,901)	(57,359)	(57,896)	(51,906)
Must not be less than zero	58,521	66,852	82,750	109,694	115,804	122,893	120,020	120,606	118,404	118,096
Pro Forma Coverage on Senior Lien Debt										
Net revenues	127,127	123,216	137,601	160,078	164,016	169,578	166,341	166,493	164,721	159,621
Transfer - Coverage Fund ²	6,350	14,091	13,713	12,596	12,053	11,671	11,580	11,472	11,579	10,381
Total available	133,477	137,307	151,314	172,674	176,069	181,249	177,921	177,965	176,300	170,002
Annual debt service - Senior Airport Revenue Bonds	(59,965)	(56,364)	(54,851)	(50,384)	(48,212)	(46,685)	(46,321)	(45,887)	(44,540)	(41,525)
Annual debt service - General Obligation Revenue Bonds	(33,866)	(33,901)	(33,211)	(31,899)	(32,165)	(32,276)	(32,542)	(32,797)	(29,532)	(29,843)
Total Debt Service - Senior Lien Debt	(93,831)	(90,265)	(88,062)	(82,283)	(80,377)	(78,961)	(78,863)	(78,684)	(74,072)	(71,368)
Coverage with Transfer	142%	152%	172%	210%	219%	230%	226%	226%	238%	238%
Coverage without Transfer	135%	137%	156%	195%	204%	215%	211%	212%	222%	224%

¹ Excludes General Obligation Revenue Bonds and Senior Airport Revenue Bonds.

² Transfer is limited to no more than 25% of Aggregate Annual Debt Service on Outstanding Senior Airport Revenue Bonds.

³ Using Annual Debt Service on Senior Airport Revenue Bonds.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Rate Covenant for Subordinate Lien Debt For the Years Ended December 31

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues per Master Trust Indenture	\$ 211,452	\$ 207,057	\$ 239,397	\$ 273,303	\$ 275,650	\$ 294,220	\$ 293,076	\$ 289,926	\$ 296,110	\$ 295,923
Expenses										
Operating expenses	157,980	176,240	185,069	206,791	223,063	239,971	244,330	246,493	252,944	255,287
Less: Depreciation Expense	(65,647)	(79,399)	(83,273)	(93,566)	(111,429)	(115,329)	(117,595)	(123,060)	(121,555)	(118,985)
Amount paid from non-revenue sources	-	(13,000)	-	-	-	-	-	-	-	-
Total operating expenses, excluding depreciation expense	92,333	83,841	101,796	113,225	111,634	124,642	126,735	123,433	131,389	136,302
Annual debt service - Senior Airport Revenue Bonds	59,965	56,364	54,851	50,384	48,212	46,685	46,321	45,887	44,540	41,525
Annual debt service - General Obligation Revenue Bonds	33,866	33,901	33,211	31,899	32,165	32,276	32,542	32,797	29,532	29,843
Subordinate revenues	25,288	32,951	49,539	77,795	83,639	90,617	87,478	87,809	90,649	88,253
Principal and interest on Subordinate Bonds	-	(1,904)	(15,636)	(9,468)	(17,452)	(16,299)	(30,335)	(32,356)	(31,118)	(35,393)
Must not be less than zero	<u>\$ 25,288</u>	<u>\$ 31,047</u>	<u>\$ 33,903</u>	<u>\$ 68,327</u>	<u>\$ 66,187</u>	<u>\$ 74,318</u>	<u>\$ 57,143</u>	<u>\$ 55,453</u>	<u>\$ 59,531</u>	<u>\$ 52,860</u>
Requirement Section										
Subordinate revenues	\$ 33,295	\$ 32,951	\$ 49,539	\$ 77,795	\$ 83,639	\$ 90,617	\$ 87,478	\$ 87,809	\$ 90,649	\$ 88,253
Transfers ¹	-	190	1,564	947	1,745	1,630	3,034	3,236	3,112	4,229
Total available	33,295	33,141	51,103	78,742	85,384	92,247	90,512	91,045	93,761	92,482
Outstanding Subordinate Debt Service Times 110% ²	-	(6,699)	(1,990)	(17,091)	(10,299)	(29,239)	(22,743)	(33,354)	(32,358)	(35,393)
Must not be less than zero	<u>\$ 33,295</u>	<u>\$ 26,442</u>	<u>\$ 49,113</u>	<u>\$ 61,651</u>	<u>\$ 75,085</u>	<u>\$ 63,008</u>	<u>\$ 67,769</u>	<u>\$ 57,691</u>	<u>\$ 61,403</u>	<u>\$ 57,089</u>
Pro Forma Coverage on Subordinate Lien Debt										
Subordinate revenues	\$ 33,295	\$ 32,951	\$ 49,539	\$ 77,795	\$ 83,639	\$ 90,617	\$ 87,478	\$ 87,809	\$ 90,649	\$ 88,253
Principal and interest in Subordinate Bonds ²	6,090	1,809	15,537	9,363	26,581	20,675	30,322	29,416	30,887	32,175
Coverage without Transfer	<u>547%</u>	<u>1822%</u>	<u>319%</u>	<u>831%</u>	<u>315%</u>	<u>438%</u>	<u>289%</u>	<u>299%</u>	<u>293%</u>	<u>274%</u>
Pro Forma Coverage on Senior and Subordinate Lien Debt										
Net Revenues	127,127	123,216	137,601	160,078	164,016	169,578	166,341	166,493	164,721	159,621
Total Debt Service - Senior and Subordinate Debt	99,922	92,074	103,599	91,646	106,958	99,636	109,185	108,100	104,959	103,543
Coverage without Transfer	<u>127%</u>	<u>134%</u>	<u>133%</u>	<u>175%</u>	<u>153%</u>	<u>170%</u>	<u>152%</u>	<u>154%</u>	<u>157%</u>	<u>154%</u>

¹ Transfer is limited to no more than 10% of Aggregate Annual Debt Service on Outstanding Subordinate Airport Revenue Bonds.

² Using Annual Debt Service on Subordinate Airport Revenue Bonds.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Operating Ratio¹ For the Years Ended December 31 (Dollars in Thousands)

	(In thousands of dollars)		Operating Ratio
	Operating Expenses ²	Operating Revenues	
2002	\$ 84,325	\$ 170,611	49%
2003	96,841	168,182	58%
2004	101,796	196,141	52%
2005	113,225	228,476	50%
2006	111,634	224,127	50%
2007	124,642	238,251	52%
2008	126,735	241,554	52%
2009	123,433	240,875	51%
2010	131,389	245,043	54%
2011	136,302	256,548	53%

¹ Operating ratio is operating expenses, net of depreciation divided by total operating revenues.

² Operating expenses exclude depreciation.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

General Airport Revenue Bonded Debt per Enplaned Passenger For the Years Ended December 31

	General Airport Revenue Bonds Outstanding	Enplaned Passengers	Debt per Enplaned Passenger
2002	\$ 1,255,585,000	15,764,772	\$ 79.64
2003	1,339,695,000	16,102,194	83.20
2004	1,430,105,000	17,597,639	81.27
2005	1,665,105,000	17,984,311	92.59
2006	1,641,200,000	17,178,307	95.54
2007	1,613,950,000	16,969,084	95.11
2008	1,481,040,000	16,384,272	90.39
2009	1,438,895,000	15,551,134	92.53
2010	1,535,895,000	15,714,809	97.74
2011	1,510,960,000	15,972,189	94.60

Source: Minneapolis/St. Paul Metropolitan Airports Commission

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Population For the Years Ended December 31 (In thousands)

	Minnesota	MSA ¹	% of Total
2002	5,025	3,055	61%
2003	5,059	3,082	61%
2004	5,094	3,112	61%
2005	5,127	3,141	61%
2006	5,167	3,172	61%
2007	5,198	3,208	62%
2008	5,231	3,238	62%
2009	5,266	3,270	62%
2010	5,310	Not available	
2011	5,345	Not available	

¹ MSA is defined as the Metropolitan Statistical Area of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti Ramsey, Scott, Sherburne, Washington and Wright counties in Minnesota and Pierce and St. Croix counties in Wisconsin.

Civilian Unemployment Rate For the Years Ended December 31

	United States	Minnesota	MSA
2002	5.8%	4.5%	4.4%
2003	6.0%	4.9%	4.6%
2004	5.6%	4.6%	4.3%
2005	5.1%	4.2%	3.8%
2006	4.6%	4.0%	3.7%
2007	4.6%	4.6%	4.3%
2008	7.2%	6.8%	6.4%
2009	9.3%	8.0%	7.2%
2010	9.1%	6.8%	6.6%
2011	8.3%	5.7%	5.5%

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis
Minnesota Department of Unemployment and Economic Development

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Personal Income For the Years Ended December 31

	(In millions of dollars)		% of Total
	Minnesota	MSA ¹	
2002	\$ 166,968	\$ 115,607	69%
2003	173,498	119,628	69%
2004	184,225	127,315	69%
2005	193,938	132,210	68%
2006	205,803	140,158	68%
2007	216,678	150,181	69%
2008	224,671	154,283	69%
2009	220,438	149,594	68%
2010	227,288	Not available	
2011	238,768	Not available	

¹ MSA is defined as the Metropolitan Statistical Area of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti Ramsey, Scott, Sherburne, Washington and Wright counties in Minnesota and Pierce and St. Croix counties in Wisconsin.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Per Capita Personal Income For the Years Ended December 31

	Minnesota	MSA ¹
2002	\$ 33,230	\$ 37,839
2003	34,295	38,815
2004	36,163	40,915
2005	37,991	42,091
2006	40,015	44,295
2007	41,739	46,870
2008	43,238	47,653
2009	41,859	45,750
2010	42,798	Not available
2011	44,672	Not available

¹ MSA is defined as the Metropolitan Statistical Area of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti Ramsey, Scott, Sherburne, Washington and Wright counties in Minnesota and Pierce and St. Croix counties in Wisconsin.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Minnesota's Largest 10 Employers Ranked by In-State Employees For the Years Ended December 31

Company	2011 Employees	Rank	% of Total Employment	2002 Employees	Rank	% of Total Employment
State of Minnesota	40,208	1	1.51%	56,320	1	2.09%
United States Federal Government	34,000	2	1.28%	34,806	2	1.29%
Mayo Foundation	32,893	3	1.24%	24,587	5	0.91%
Target Corporation	30,500	4	1.15%	31,731	3	1.18%
Allina Health System	23,302	5	0.88%	22,261	6	0.83%
Wal-Mart Stores, Inc.	20,434	6	0.77%	14,051	-	
Fairview Health Services	20,178	7	0.76%	18,495	8	0.69%
Wells Fargo & Co.	20,000	8	0.75%	15,259	10	0.57%
University of Minnesota	19,157	9	0.72%	30,823	4	1.15%
MN State Colleges/Universities	18,516	10	0.70%	-----	-	
3M Co.	15,000	11	0.56%	18,606	7	0.69%
Northwest Airlines	-----			18,270	9	0.68%
Total	<u>274,188</u>			<u>285,209</u>		
Total Nonfarm Employment	<u>2,656,421</u>			<u>2,689,351</u>		

Sources:

Minnesota Business Journal Book of Lists

Minnesota Department of Employment and Economic Development

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

**Employment Share by Industry
For the Years Ended December 31**

	<u>Minnesota</u>	<u>MSA ¹</u>
Education and Health Services	17.8%	16.2%
Trade, Transportation and Utilities	18.9%	18.3%
Manufacturing	11.1%	10.2%
Professional and Business Services	12.3%	15.6%
Leisure and Hospitality	8.5%	8.6%
Financial Activities	6.4%	7.8%
Public Administration	15.5%	13.8%
Construction	2.9%	2.9%
Other Services	4.3%	4.3%
Information	2.0%	2.2%
Natural Resources and Mining	0.2%	0.0%
	<u>100.0%</u>	<u>100.0%</u>

¹ MSA is defined as the Metropolitan Statistical Area of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti Ramsey, Scott, Sherburne, Washington and Wright counties in Minnesota and Pierce and St. Croix counties in Wisconsin.

Prior years' information not available

Source: Minnesota Department of Employment and Economic Development

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Activity Statistics For the Years Ended December 31

	Total Passengers ¹	Aircraft Operations ²	Mail and Cargo Volume (Metric Tons)
2002	31,527,760	507,669	320,148
2003	32,306,884	512,588	317,230
2004	35,786,634	541,093	300,969
2005	36,678,868	532,240	283,450
2006	34,580,769	475,668	275,451
2007	34,108,743	452,972	257,691
2008	32,917,480	450,044	253,374
2009	31,273,224	432,395	209,097
2010	31,734,714	436,625	211,778
2011	31,977,163	436,506	208,637

¹ Passengers include on-line connecting. (On-line connecting passengers are passengers that change to another flight on the same carrier.)

² An aircraft operation represents the total number of takeoffs and landings at the airport.

Source: Metropolitan Airports Commission Operations Report

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Historical Aircraft Operations ² For the Years Ended December 31

	Air Carrier Operations ²	Commuter Operations	Cargo Operations	Total Commercial Operations ¹	Percent Commercial Operations	General Aviation Operations	Military Operations	Total Operations
2002	350,625	95,248	14,974	460,847	90.78%	44,279	2,543	507,669
2003	349,709	104,931	16,579	471,219	92.27%	37,594	1,856	510,669
2004	347,605	135,785	16,709	500,099	92.42%	39,018	1,976	541,093
2005	329,956	146,400	17,182	493,538	92.73%	36,472	2,230	532,240
2006	283,844	135,286	16,355	435,485	91.68%	37,473	2,040	474,998
2007	263,816	141,013	15,292	420,121	92.75%	30,562	2,289	452,972
2008	226,646	176,237	14,361	417,244	92.71%	30,685	2,115	450,044
2009	211,085	183,911	11,146	406,142	93.93%	24,361	1,892	432,395
2010	191,341	203,169	12,049	406,559	93.11%	27,921	2,145	436,625
2011	178,896	217,267	12,203	408,366	93.55%	26,157	1,983	436,506

¹ Commercial Operations equal Air Carrier, Commuter and Cargo Operations.

² Aircraft operations represent the total number of takeoffs and landings at the airport.

Source: Metropolitan Airports Commission Operations Report

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Trends in Aircraft Landed Weight of Signatory Airlines For the Years Ended December 31

	Passengers	Cargo	Total Landed Weight
2002	23,976,903	1,142,126	25,119,029
2003	24,099,071	1,224,669	25,323,740
2004	25,532,738	1,030,214	26,562,952
2005	24,663,179	1,217,140	25,880,319
2006	22,266,525	1,174,305	23,440,830
2007	21,846,071	1,152,231	22,998,302
2008	21,047,357	1,095,773	22,143,130
2009	20,352,347	918,453	21,270,800
2010	19,856,212	986,029	20,842,241
2011 (1)	19,945,169	897,211	20,842,380

(1) In 2011, NWA/Delta's activity represented approximately 75% of the total landed weight at the Airport.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Employee Counts ¹ For the Years Ended December 31

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Minneapolis Employees Retirement Fund	30	23	21	13	8	6	5	4	4	4
Public Employee Retirement Association	513	509	521	552	566	558	570	564	578	585
Total ¹	<u>543</u>	<u>532</u>	<u>542</u>	<u>565</u>	<u>574</u>	<u>564</u>	<u>575</u>	<u>568</u>	<u>582</u>	<u>589</u>

¹ Represents employees who were paid on the last payday of the fiscal year and were contributing to a pension plan.

Airline Cost per Enplaned Passenger For the Years Ended December 31

	(Dollars and Passengers in thousands)									
	2002	2003 ²	2004	2005	2006 ³	2007	2008	2009	2010	2011
Total cost ¹	\$ 76,983	\$ 66,741	\$ 80,053	\$ 92,818	\$ 82,242	\$ 88,454	\$ 91,908	\$ 94,003	\$ 94,768	\$ 100,961
Enplaned passengers	<u>15,765</u>	<u>16,102</u>	<u>17,598</u>	<u>17,984</u>	<u>17,178</u>	<u>16,969</u>	<u>16,384</u>	<u>15,551</u>	<u>15,715</u>	<u>15,972</u>
Airline Cost per Enplaned Passenger	<u>\$ 4.88</u>	<u>\$ 4.14</u>	<u>\$ 4.55</u>	<u>\$ 5.16</u>	<u>\$ 4.79</u>	<u>\$ 5.21</u>	<u>\$ 5.61</u>	<u>\$ 6.04</u>	<u>\$ 6.03</u>	<u>\$ 6.32</u>

¹ Cost is defined as airline payments made to the Commission for expenses incurred in the airfield, Lindbergh and HHH Terminals.

² Includes a one-time airline rent rebate of \$13 million.

³ In 2006 and beyond, the figures represent an amended airline use agreement.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Schedule of Airline Rates and Charges For the Years Ended December 31

	Landing Fee Per 1,000 Lbs	Ramp Fees Per Linear Foot	Common Use Per Square Foot	Finished Per Square Foot	Finished Janitored Per Square Foot	Unfinished Per Square Foot
2002	\$ 1.59	\$ 453.95	\$ 38.06	\$ 38.06	\$ 42.27	\$ 38.06
2003	1.55	460.68	39.87	39.87	45.10	39.87
2004	1.40	457.30	43.54	43.54	49.35	43.54
2005	1.71	498.26	48.20	48.20	53.85	48.20
2006	1.65	429.73	47.39	47.39	53.29	47.39
2007	1.94	458.87	50.24	50.24	56.42	50.24
2008	2.11	502.98	52.88	52.88	59.58	52.88
2009	2.27	581.93	50.67	50.67	57.43	50.67
2010	2.31	522.40	52.64	52.64	59.77	52.64
2011	2.46	562.05	56.37	56.37	63.11	56.37

In 2006, the schedule of airline rates and charges reflects a new/amended airline agreement calculation.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

Aircraft Operations at the Reliever Airports For the Years Ended December 31

	St. Paul Downtown Airport	Flying Cloud Airport	Crystal Airport	Anoka County Blaine Airport	Lake Elmo Airport	Airlake Airport
2002	171,628	176,408	127,095	138,935	64,529	69,176
2003	131,794	155,837	98,612	132,144	54,205	58,108
2004	127,478	163,196	75,023	109,853	49,855	53,309
2005	129,814	157,710	72,205	101,267	48,329	51,678
2006	125,669	144,178	65,528	92,947	44,903	48,014
2007	117,535	117,492	53,038	80,508	38,617	41,292
2008	110,846	119,139	48,877	69,406	37,612	39,021
2009	91,507	117,180	42,311	68,534	34,509	35,802
2010	88,995	94,244	44,229	79,589	34,374	35,662
2011	87,229	114,574	43,986	73,292	33,032	34,270

Source: Minneapolis/St. Paul Metropolitan Airports Commission

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Air Carriers Serving MSP ^A As of December 31, 2011

U.S. – FLAG CARRIERS

AirTran *
American *
Comair * ^{3, 4}
Frontier *
MN Airlines dba Sun Country *
Republic Airlines * ⁶
Southwest ¹⁴
US Airways * ⁶

SCHEDULED SERVICES

Air Wisconsin¹
Atlantic Southeast * ³
Continental *
Mesa * ⁷
Northwest * ⁸
Shuttle America ¹
Transtate ¹⁵
Freedom ¹⁶

Alaska Airlines* ²
Chautauqua *
Delta * ⁵
Midwest Airlines *
Pinnacle * ⁹
Sky West * ¹
United * ¹⁰

NON-SCHEDULED (CHARTER) SERVICES

Ryan International * Omni Air International *

ALL-CARGO SERVICES

A Star Air Cargo * ¹¹ ATI * ¹² Bemidji *
DHL Airways * ¹¹ FedEx * Mountain Air Cargo
UPS *

FOREIGN-FLAG CARRIERS

Jazz Air, LP. dba Air Canada * ¹³ Icelandair *

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- * Denotes those Air Carriers that are Signatory Airlines to the Airline Lease Agreements.
- A Excludes carriers reporting fewer than 1,000 enplaned passengers.
1. Flies for United Airlines.
2. Commenced its operations at MSP Airport in October 2008.
3. Codeshare with Delta Air Lines.
4. Filed for bankruptcy on September 14, 2005 along with its parent company, Delta Air Lines. Both carriers exited bankruptcy on April 30, 2007.
5. Filed for bankruptcy protection on September 14, 2005. DAL emerged from bankruptcy on April 30, 2007 along with Comair. DAL's plans to merge with NWA were officially approved by the U.S. Department of Justice on October 29, 2008. Both announced plans to merge in April 2009.
6. Codeshare with US Airways.
7. Wholly owned by Northwest Airlines (NWA) after Mesaba emerged from bankruptcy protection on April 30, 2007. It had filed for bankruptcy on October 13, 2005. Its operations were included in NWA and reported by NWA starting 2008.
8. Filed for bankruptcy on September 14, 2005 and emerged from bankruptcy on May 31, 2007. Also, refer to note 5 above.
9. Wholly owned by Northwest Airlines.
10. United filed for bankruptcy on December 9, 2002. Emerged from bankruptcy on February 1, 2006.
11. ABX Air provides air service to DHL.
12. Provides air service to BAX Global.
13. Air Canada filed for bankruptcy protection on April 1, 2003. Emerged from bankruptcy on September 30, 2004 after 18 months in protection.
14. Commenced its operations at MSP International Airport, Humphrey Terminal on March 8, 2009
15. Operates as a feeder carrier for American Airlines in 2009.
16. A wholly owned subsidiary of Mesa Air Group, Inc. began service for Delta Air Lines as a Delta Connection carrier.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Minneapolis/St. Paul Metropolitan Airports Commission Insurance Coverage As of December 31, 2011

Insurer	Expiration	Coverage	Policy Limits (Thousands of Dollars)
ACE/USA	1/1/13	General aviation liability including personal injury	\$ 500,000
Alliant	7/1/12	Blanket fire and extended coverage on building and contents. Boiler and machinery	\$ 1,025,000
Self-Insured ¹	Continuous	Statutory workers' compensation	
		Workers' Compensation Reinsurance Association	\$ 450
Great American	6/1/12	Comprehensive Crime Employee/Police Policies	\$ 3,000
Minnesota Risk Management Fund	7/1/12	Auto Liability (licensed vehicles), physical damage (all vehicles) hired automobiles, valet parking, inland marine and garage keepers	MN Tort Cap Limits/value
Minnesota Risk Management Fund	7/1/12	Non-Aviation General Liability	MN Total Cap Limits

¹ Funded from current operating revenues of the Commission.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section (Unaudited)

Airport Information As of December 31, 2011

Airport Code: MSP

Runways ¹

Minneapolis-St. Paul:

Runway 4-22	11,000 Ft
Runway 12R-30L	10,000 Ft
Runway 12L-30R	8,200 Ft
Runway 17-35	8,000 Ft

Airlake

Runway 12-30	4,100 Ft
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Anoka County/Blaine

Runway 9-27	5,000 Ft
Runway 18-36	4,900 Ft

Crystal

Runway 14L-32R	3,300 Ft
Runway 14R-32L	3,300 Ft
Runway 6L-24R	2,500 Ft
Runway 6R-24L	2,100 Ft

Flying Cloud

Runway 10R-28L	3,900 Ft
Runway 10L-28R	5,000 Ft
Runway 18-36	2,700 Ft

Lake Elmo

Runway 14-32	2,900 Ft
Runway 4-22	2,500 Ft

St. Paul Downtown

Runway 14-32	6,500 Ft
Runway 13-31	4,000 Ft
Runway 9-27	3,600 Ft

¹ Amounts rounded to the nearest hundred.

