Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

# Comprehensive Annual Financial Report
## Year Ended December 31, 2012

*Prepared by*
The Finance Department

Bob Schauer
*Director of Finance*

Stephen L. Busch
*Deputy Executive Director*

This page was intentionally left blank.

**Table of Contents**

Table of Contents

Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

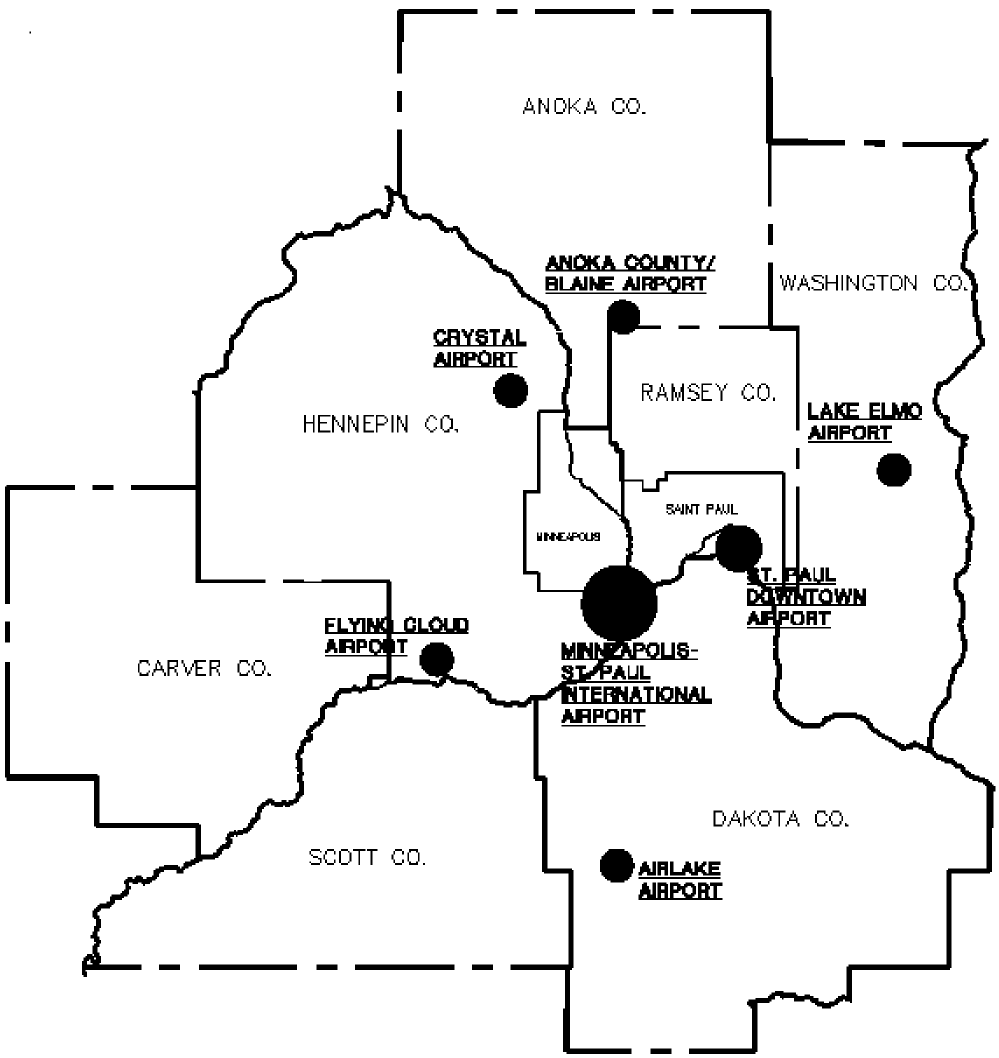
Year Ended December 31, 2012

# Introductory Section

This page was intentionally left blank.

## AIRPORT LOCATIONS






**Commission Jurisdiction 35 Mile Radius**

# METROPOLITAN AIRPORTS COMMISSION - 2011/2012

***Chair*:** Daniel Boivin

***Commissioners*:**

| | |
|---|---|
| District A | Carl Crimmins |
| District B | Rick King |
| District C | Lisa Peilen |
| District D | Steve Cramer |
| District E | James Deal |
| District F | Michael Madigan |
| District G | John McClung |
| District H | Tammy Mencel |
| City of Minneapolis | Greg Foster |
| City of Saint Paul | Pat Harris |
| Representing Greater Minnesota Area | Timothy Geisler<br>Mike Landy<br>Donald Monaco<br>Paul Rehkamp |

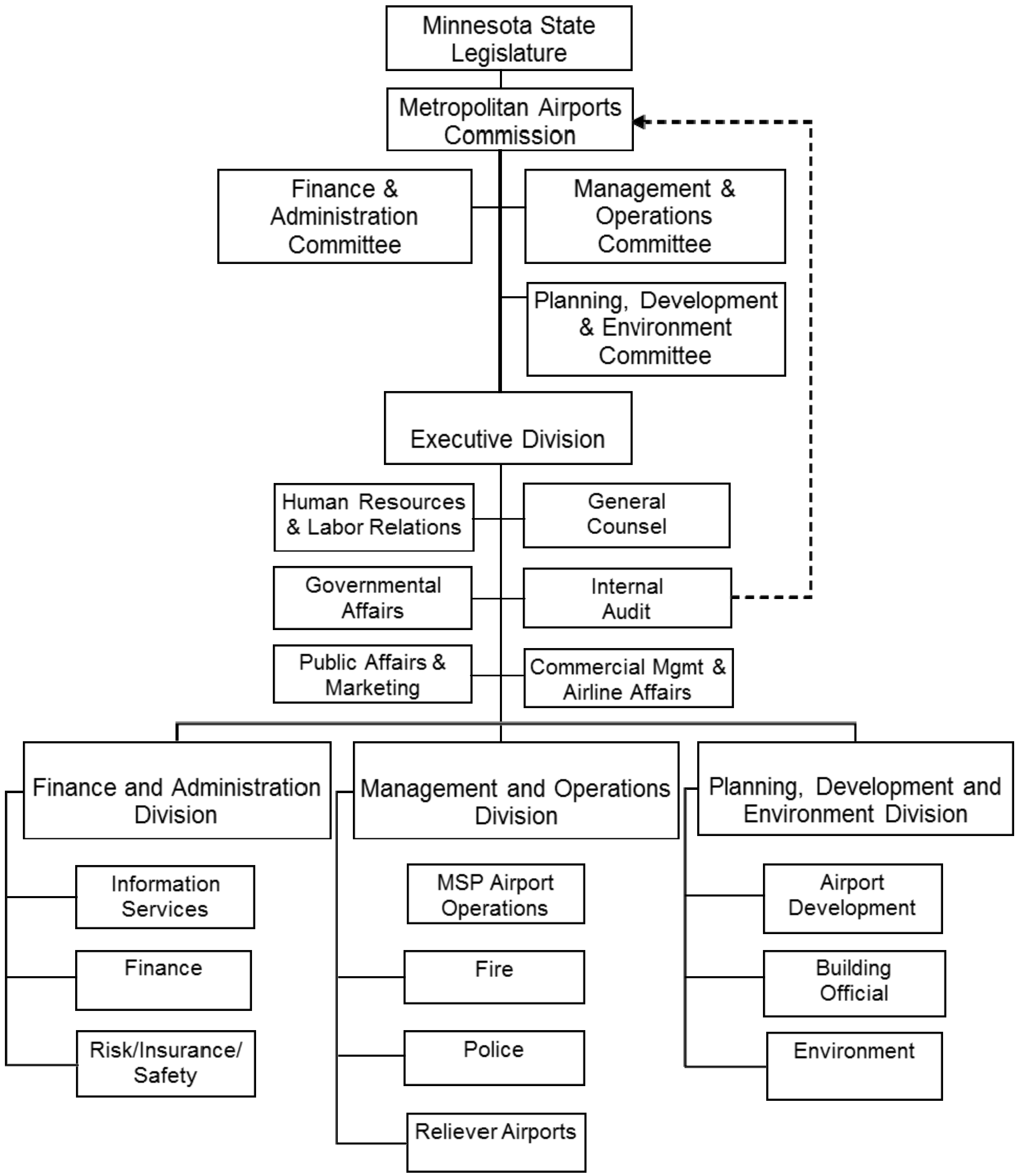
The Chair and Commissioners collectively are an appointed body which governs the Metropolitan Airports Commission. The Commissioners are, in effect, the board of directors for this public corporation.

***Executive Director/CEO:*** Jeffrey Hamiel

The Executive Director/CEO 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.

## ORGANIZATION CHART





# 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 31, 2013

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, 2012.

***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 position 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, 2012 and 2011, 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.

**LETTER OF TRANSMITTAL**



## 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 <u>not</u> 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.

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 Meshbesher & Spence law firm. He served as the Chair of the Minnesota Bar Association Civil Litigation Section.
The board appoints the Executive Director/CEO who serves at the pleasure of the Commission and is the "chief executive" of the MAC. The Executive Director/CEO is accountable for meeting all the Commission's expectations for organizational performance.

Jeffrey W. Hamiel was appointed Executive Director/CEO 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/CEO.

***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 16th 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 St. Paul, 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.

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).

The Commission operates as a self-supporting business. Therefore, the net position reported in the Commissions 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 16th busiest airport in the United States in terms of passenger volume, 12th in terms of takeoffs and landings and 27th in cargo traffic.

In 2012, approximately 33,200,000 passengers passed through MSP; a 0.2% increase in total passengers over 2011 levels. The top five carriers serving MSP in 2012 by enplaned passengers are shown in the accompanying table. Revenue passengers enplaned (including those connecting) at MSP in 2012 totaled 16,020,038. (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 | 7,953,185 | 49.7% |
| 2 | Pinnacle | 1,453,778 | 9.1% |
| 3 | Compass | 1,418,939 | 8.9% |
| 4 | Skywest | 1,181,445 | 7.4% |
| 5 | Southwest | 623,913 | 3.9% |
| | | 12,631,260 | 79.0% |

Compass, Skywest and Pinnacle are all codeshares with Delta.

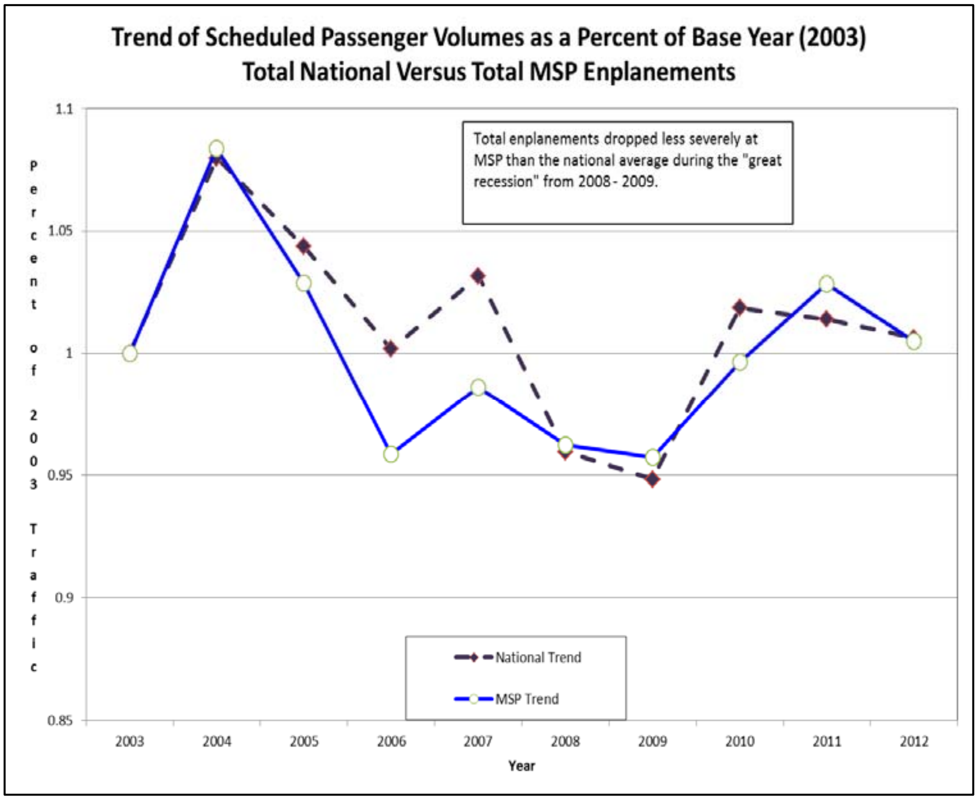
**FACTORS AFFECTING THE MAC’s FINANCIAL CONDITION:**

***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.

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.




<u>Demand for Origination and Destination Traffic (O&D) at MSP</u>***:***

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

- <u>Size:</u> 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.

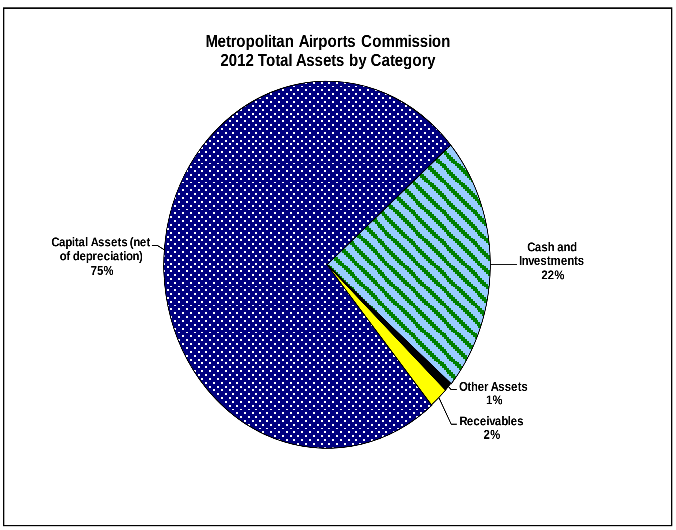
- <u>Economic Strength and Diversity:</u>
  - ✓ Minnesota is headquarters to 19 Fortune 500 companies, which places it first among the 50 States in terms of numbers of Fortune 500 firms headquartered within the State on a per-capita basis.
  - ✓ Minnesota is headquarters to 7 of the 200 largest private 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.

- <u>High per capita income:</u>
  - ✓ The Bureau of Economic Analysis reports that the Twin Cities average per capita is approximately 17% higher than the national average.

- 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 $2,500,000,000 (net of depreciation), represent more than two-thirds of the Commission's total assets. Constructing, maintaining, and improving our capital assets is critical to meeting the demand of our customers. Through the end of 2012, the MAC completed virtually its entire $2,800,000,000 long-range capital improvement plan.

During 2012, the Commission expended $141,000,000 on its on-going capital improvement program. Approximately $11,000,000 was associated with various airfield and runway projects. Approximately $61,000,000 was related to Terminal 1-Lindbergh projects. Projects at Terminal 1-Lindbergh include jet bridge replacements, roofing rehabilitation, restroom rehabilitations as well as a checked baggage screening system project. Approximately $35,000,000 was spent on various Terminal 2 - Humphrey projects, landside/parking and miscellaneous building projects with the largest projects being a new security checkpoint at Terminal 2-Humphrey and a data center located on the MSP campus. Approximately $14,000,000 was spent on the Commission's ongoing residential sound insulation program. Approximately $4,000,000 was spent on the Commission's reliever airport system. The remaining $16,000,000 was spent for equipment purchases and various technology and miscellaneous improvements. Average monthly capital spending in 2012 was approximately $12,000,000.

The 2013 -14 CIP includes approximately $161,000,000 of planned projects, as set forth in the accompanying table. CIPs are revised from time to time and additional projects could be added to the 2013 -14 CIP including, but not limited to, one or more of the Demand Driven CIP Projects.

| Projects 2013 - 2014 | 2013 planned construction | 2014 planned construction |
|---|---|---|
| Noise Mitigation Program | 1,300,000 | 3,420,000 |
| Terminal-1 Rehabilitation & Repair | 33,325,000 | 21,535,000 |
| Environmental | 2,600,000 | 410,000 |
| Parking Facilities | 2,500,000 | 2,500,000 |
| Airfield and Runway Rehabilitation Program | 3,725,000 | 1,550,000 |
| Terminal-2 Rehabilitation & Repair | 62,000,000 | - |
| Police & Fire | 4,000,000 | 2,300,000 |
| Reliever Airports Program | 4,350,000 | 3,600,000 |
| Other | 9,400,000 | 2,130,000 |
| Total | 123,200,000 | 37,445,000 |

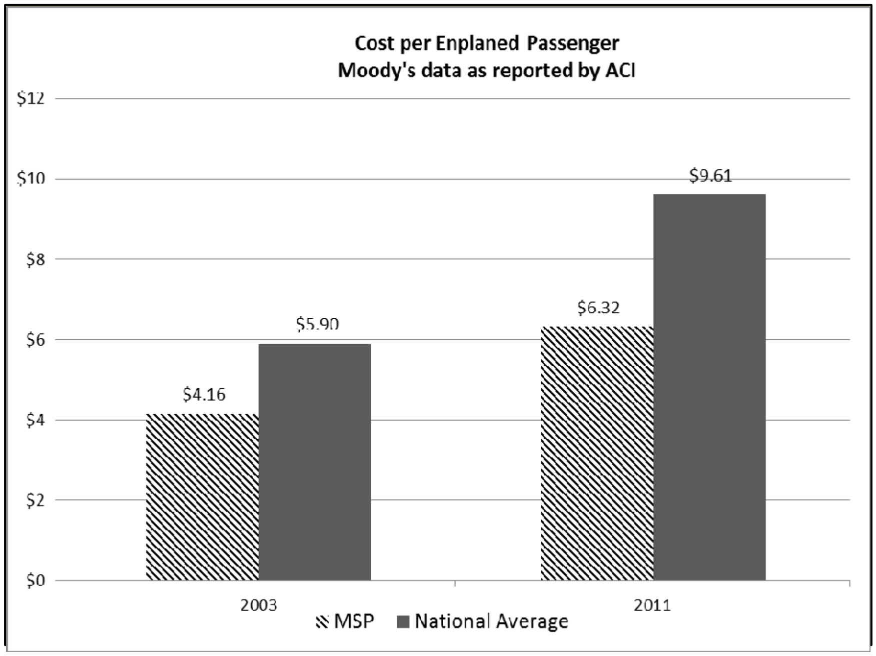
***Financing the Supply***

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 F to the financial statements). The MAC exceeded the July requirement. As of December 31, 2012, projected debt coverage on Senior Debt obligations is approximately 3.1 times scheduled payments.

At year-end 2012, the MAC had long-term debt (including the currently payable portion) of approximately $1,500,000,000 supporting approximately $2,500,000,000 of capital assets as discussed above (also see notes E and F to the financial statements). Despite its significant debt, the MAC is highly liquid. Also at year-end 2012, MAC had cash and investments totaling more than $751,000,000 and has continued to maintain strong debt service coverage ratios (currently at 3.1). 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.

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 auditor's 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, 2011. The Commission has received this prestigious GFOA award for twenty-seven 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.

The Commission also received for the twenty-fourth consecutive year the GFOA Award for Distinguished Budget Presentation for its Annual Operating Budget for 2012. 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/CEO

Stephen L. Busch
Vice President, Finance
& Administration

Robert C. Schauer
Director of Finance

**CERTIFICATE OF ACHIEVEMENT**



# 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, 2011

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.

Government Finance Officers Association of the United States and Canada Corporation Seal Chicago

President

Executive Director

This page was intentionally left blank.

Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2012

# Financial Section

This page was intentionally left blank.

BKD LLP
CPAs & Advisors

201 N. Illinois Street, Suite 700
P.O. Box 44998
Indianapolis, IN 46244-0998
317.383.4000 Fax 317.383.4200 www.bkd.com

# Independent Auditor's Report on Financial Statements and Supplementary Information

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

## Report on the Financial Statements

We have audited the accompanying basic financial statements of Minneapolis/St. Paul Metropolitan Airports Commission (Commission), which are comprised of balance sheets as of December 31, 2012 and 2011, and statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minneapolis/St. Paul Metropolitan Airports Commission as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

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 audit 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.

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The 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

Indianapolis, Indiana
May 8, 2013

## 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, 2012 with selected comparative information for the years ended December 31, 2012 and 2011. 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 Position 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 2012.

*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.

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 $41,006,883 | 25% up to $41,006,883 and 50% for amounts above $41,006,883 |
| $31,739,074 to $41,006,082 | 25% |
| $30,469,511 to $31,739,073 | 20% |
| $29,199,948 to $30,469,510 | 15% |
| $27,930,385 to $29,199,947 | 10% |
| $26,660,822 to $27,930,384 | 5% |

[1] Selected Concession Revenues were $38,389,809 for fiscal year 2012, resulting in shared concession revenue of $9,597,452. 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, 2012 and 2011, the aggregate rentals earned by the Commission pursuant to the airline lease agreements were approximately $88,622,000 and $87,571,000, 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, 2012 and 2011, the aggregate annual rentals under these leases were approximately $25,293,000 and $24,944,000, respectively.

*Specific Project Leases*

The Commission has constructed various buildings and facilities for specific tenants. 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, on the other hand, 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, 2012 and 2011, the aggregate lease rentals paid to the Commission under specific project leases was approximately $11,667,000 and $37,973,000, 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, 2012 and 2011, the aggregate fees earned by the Commission under the existing concession agreements were approximately $26,983,000 and $26,222,000, 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, 2012 and 2011, the aggregate fees earned by the Commission under the existing rental car agreements and parking lot management contract were approximately $96,898,000 and $89,530,000, respectively. Of this amount, parking revenue was approximately $72,621,000 for 2012 and $66,612,000 for 2011. Auto rental revenue for both on and off airport auto rentals for December 31, 2012 and 2011 was approximately $24,278,000 and $22,918,000, 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, 2012 and 2011, revenues from these agreements were approximately $5,661,000 and $5,461,000, 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, 2012 and 2011, the Commission earned $9,000,000 and $8,829,000, 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, 2012 and 2011, the revenues from these agreements were approximately $13,960,000 and $12,994,000, respectively.

*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 Position:

| | | |
|---|---|---|
| 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, 2012 and 2011, the top ten operating revenue sources for the MAC were as follows:

**Top Ten Operating Revenue Sources:**

| | **Source** | **2012 Revenue** | |
|---|---|---|---|
| 1. | Parking | $ 72,620,733 | |
| 2. | Landing fees | 52,710,030 | |
| 3. | Terminal rent - airlines | 37,121,208 | |
| 4. | Other building rent | 19,471,516 | |
| 5. | Auto rental (off- and on-airport) | 17,795,456 | * |
| 6. | Food and beverage | 13,862,578 | |
| 7. | Ground rent | 8,751,929 | |
| 8. | Merchandise | 8,552,586 | |
| 9. | Ramp fees | 6,091,980 | |
| 10. | Passenger services | 4,778,653 | |

| | **Source** | **2011 Revenue** | |
|---|---|---|---|
| 1. | Parking | $ 66,612,000 | |
| 2. | Landing fees | 51,781,000 | |
| 3. | Terminal rent - airlines | 35,996,000 | |
| 4. | Other building rent | 18,505,000 | |
| 5. | Auto rental (off- and on-airport) | 17,129,226 | * |
| 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.

The top ten revenue providers for 2012 for the MAC were as follows:

**Top Ten Operating Revenue Providers**

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

### Statements of Revenues, Expenses and Changes in Net Position

During 2012, MAC total revenues and capital contributions decreased by 2.0% to $355,598,000 from $362,937,000 in 2011. Changes in major categories follow (dollars in thousands):

| | 2012 | % of Total | 2011 | % of Total | Dollar Change | Percent Change |
|---|---|---|---|---|---|---|
| **Operating revenues** | | | | | | |
| Airline rates and charges | $ 98,437 | 27.7% | $ 96,422 | 26.6% | $ 2,015 | 2.1% |
| Concessions | 126,399 | 35.5% | 118,792 | 32.7% | 7,607 | 6.4% |
| Rentals/fees | 27,999 | 7.9% | 27,575 | 7.7% | 424 | 1.5% |
| Utilities and other revenues | 13,582 | 3.8% | 13,759 | 3.7% | (177) | -1.3% |
| Total operating revenues | 266,417 | | 256,548 | | 9,869 | |
| **Nonoperating revenues** | | | | | | |
| Investment income | 8,182 | 2.3% | 21,496 | 5.9% | (13,314) | -61.9% |
| Gain (loss) on sale of assets/other | (1,172) | -0.3% | 14 | 0.0% | (1,186) | -8471.4% |
| Passenger facility charges (PFC) | 62,231 | 17.5% | 62,244 | 17.2% | (13) | 0.0% |
| Total nonoperating revenues | 69,241 | | 83,754 | | (14,513) | |
| **Capital contributions and grants** | 19,940 | 5.6% | 22,635 | 6.2% | (2,695) | -11.9% |
| **Total revenues and capital contributions** | $ 355,598 | 100.0% | $ 362,937 | 100.0% | $ (7,339) | -2.0% |

Airline rates and charges increased $2,015,000 or 2.1% from 2011 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. Higher debt service allocations coupled with an increase in activity in Terminal 2-Humphrey (Southwest, Spirit and Sun Country) accounted for the majority of the increase in airline rates and charges

Concessions increased by 6.4% or $7,607,000. An increase in the general parking rate coupled with an increase in the number of employee parkers accounted for the majority of the increase ($6.4 million) in the concession category. Also in 2012, Delta started a program of installing a new concession concept in the G concourse. Delta retains a majority of the concession revenue earned in the G concourse. As the existing concessions on the G concourse were closed due to construction, the passengers diverted to other areas in Terminal 1-Lindbergh where the Commission was able to generate additional concession revenue. The remaining increase in the concessions category is due to higher activity levels from on-airport auto rentals and other miscellaneous concessions.

Rental fees increased $424,000 or 1.5%. This is primarily a result of higher auto rental customer facility charge (CFC) revenue. The current CFC for 2011-2012 is $2 per rental car transaction day. The increase in CFC's is due to a higher number of transactions in 2012.

Other revenues decreased by $177,000 or 1.3% as a result of lower utility charges due to a mild winter in 2012.

Investment income decreased $13,314,000 or 61.9% 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 in 2012.

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 2012 comes primarily from a decrease in grant eligible projects.

During 2011, MAC total revenues and capital contributions decreased by 0.1% 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 | 256,548 | | 245,043 | | 11,505 | |
| **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 operating revenues | 83,754 | | 93,505 | | (9,751) | |
| **Capital contributions and grants** | 22,635 | 6.2% | 24,723 | 6.8% | (2,088) | -8.4% |
| **Total revenues and capital contributions** | $ 362,937 | 100.0% | $ 363,271 | 100.0% | $ (334) | -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.

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.

*Expenses*
In 2012, MAC total expenses decreased by 3.7% to $320,990,000 from $333,473,000 in 2011. Changes in major categories are summarized below (dollars in thousands):

| | 2012 | % of Total | 2011 | % of Total | Dollar Change | Percent Change |
|---|---|---|---|---|---|---|
| **Operating expenses** | | | | | | |
| Personnel | $ 68,145 | 21.2% | $ 66,297 | 19.9% | $ 1,848 | 2.8% |
| Administrative | 1,561 | 0.5% | 1,532 | 0.5% | 29 | 1.9% |
| Professional services | 4,536 | 1.4% | 4,167 | 1.2% | 369 | 8.9% |
| Utilities | 16,288 | 5.1% | 16,568 | 5.0% | (280) | -1.7% |
| Operating services | 17,379 | 5.4% | 17,151 | 5.1% | 228 | 1.3% |
| Maintenance | 26,052 | 8.1% | 27,057 | 8.1% | (1,005) | -3.7% |
| Depreciation | 120,201 | 37.5% | 118,985 | 35.7% | 1,216 | 1.0% |
| Other | 2,631 | 0.8% | 3,530 | 1.1% | (899) | -25.5% |
| Operating expenses | 256,793 | | 255,287 | | 1,506 | |
| **Nonoperating expenses** | | | | | | |
| Interest expense | 64,197 | 20.0% | 78,186 | 23.4% | (13,989) | -17.9% |
| Total nonoperating expenses | 64,197 | | 78,186 | | (13,989) | |
| **Total expenses** | $ 320,990 | 100.0% | $ 333,473 | 100.0% | $ (12,483) | -3.7% |

Personnel increased by 2.8% or $1,848,000. The majority of the increase is related to annual wage adjustments coupled with an increase in employee health insurance.

Professional services increased $369,000 or 8.9%. This increase is due to expense incurred in area navigation (RNAV) departure modeling at MSP, as well as expensing projects that were in the capital improvement program and will not be completed.

Utilities decreased $280,000 or 1.7% due to lower natural gas prices and lower consumption, resulting from a mild winter offset partially by higher electricity rates.

Operating services increased $228,000 or 1.3% due to a higher amount of spending on technology related service agreements offset partially by lower storm water monitoring, resulting from a mild winter in 2012.

Maintenance decreased $1,005,000 or 3.7%. The decrease is attributable to a mild winter.

Depreciation increased $1,216,000 or 1.0%. The increase is attributable to new projects placed into service during 2011-2012.

Other expenses decreased $899,000 or 25.5% due to an airline incentive payment made in 2011 coupled with lower airport liability claims and premiums.

Interest expense decreased $13,989,000 or 17.9%. This is primarily a result of lower interest payments due to the refunding or retirement of debt and an increase in capitalized interest.

In 2011, MAC total expenses increased 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 | 255,287 | | 252,944 | | 2,343 | |
| **Nonoperating expenses** | | | | | | |
| Interest expense | 78,186 | 23.3% | 85,141 | 25.1% | (6,955) | -8.2% |
| Total nonoperating expenses | 78,186 | | 85,141 | | (6,955) | |
| **Total expenses** | $ 333,473 | 100.0% | $ 338,085 | 100.0% | $ (4,612) | -1.4% |

Personnel increased by 4.5% or $2,885,000. The majority of the increase ($1,900,000) 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.

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.

*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 Position:

(in thousands)

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Operating revenues | $ 266,417 | $ 256,548 | $ 245,043 |
| Operating expenses | (256,793) | (255,287) | (252,944) |
| Operating income (loss) | 9,624 | 1,261 | (7,901) |
| Nonoperating revenues | 69,241 | 83,754 | 93,505 |
| Nonoperating expenses | (64,197) | (78,186) | (85,141) |
| Capital contributions | 19,940 | 22,635 | 24,723 |
| Increase in net position | $ 34,608 | $ 29,464 | $ 25,186 |

The Commission shows an increase in the total change in its net position in 2012 from 2011. This is primarily a result of increased concession revenues (parking) offset partially by lower capital contributions and interest income.

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

Occasionally, the Commission shows an operating loss as a result of its methodology of assessing airline rates and charges and the reporting requirements for Passenger Facility Charges (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 and state 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 (PFCs) item or a capital contribution (federal and state grants).

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 net position of the MAC at the end of the fiscal year. Net position is the difference between total assets plus deferred outflows of resources and total liabilities and deferred inflows of resources and is an indicator of the current financial health of the MAC. A summarized comparison of the MAC’s assets, liabilities and net position at December 31, 2012, 2011 and 2010 is as follows (in thousands):

| | December 31, | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| **Assets** | | | |
| Current assets - unrestricted | $ 250,088 | $ 261,565 | $ 256,376 |
| Restricted assets - current | 72,234 | 70,983 | 106,802 |
| Noncurrent assets: | | | |
| Other noncurrent assets | 518,132 | 490,422 | 716,588 |
| Capital assets - net | 2,490,651 | 2,464,393 | 2,457,011 |
| Total assets | $ 3,331,105 | $ 3,287,363 | $ 3,536,777 |
| **Liabilities** | | | |
| Current liabilities - unrestricted | $ 52,303 | $ 48,644 | $ 39,569 |
| Payable from restricted current assets | 88,501 | 85,246 | 99,569 |
| Noncurrent liabilities: | | | |
| Bonds payable | 1,469,004 | 1,480,535 | 1,744,673 |
| Other noncurrent liabilities | 73,096 | 59,345 | 68,837 |
| Total liabilities | 1,682,904 | 1,673,770 | 1,952,648 |
| **Net Position** | | | |
| Net investment in capital assets | 1,133,909 | 1,144,522 | 1,140,449 |
| Restricted | 369,234 | 306,528 | 273,540 |
| Unrestricted | 145,058 | 162,543 | 170,140 |
| Total net position | 1,648,201 | 1,613,593 | 1,584,129 |
| Total liabilities and net position | $ 3,331,105 | $ 3,287,363 | $ 3,536,777 |

Overall, the majority of the increase is due to an increase in net position resulting from an increase in operating income from 2011.

## CASH AND INVESTMENT MANAGEMENT

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

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Cash received from operating activities | $ 267,813 | $ 255,800 | $ 245,689 |
| Cash expended from operating activities | (128,365) | (141,243) | (133,924) |
| Net cash provided by operating activities | 139,448 | 114,557 | 111,765 |
| Net cash used in capital and related financing activities | (116,208) | (174,424) | (14,595) |
| Net cash provided by (used in) investing activities | (21,434) | 39,607 | (86,031) |
| Net increase (decrease) in cash and cash equivalents | 1,806 | (20,260) | 11,139 |
| Cash and cash equivalents, beginning of year | 7,060 | 27,320 | 16,181 |
| Cash and cash equivalents, end of year | $ 8,866 | $ 7,060 | $ 27,320 |

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 2012, the MAC's average portfolio balance was $728,532,000 and total investment earnings were $4,044,000 for an average yield on investments during the year of 0.56%. This compares to an average portfolio balance of $730,462,000; investment earnings of $5,306,000 and average yield of 0.73% in fiscal year 2011.

The Commission currently has a policy of keeping a six-month working capital reserve in its operating fund. At the end of 2012, the Commission has in its operating fund approximately $43,000,000 over and above its 2012 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 2012, the Commission expended $141,000,000 on its on-going capital improvement program. Approximately $11,000,000 was associated with various airfield and runway projects. Approximately $61,000,000 was related to Terminal 1-Lindbergh projects. Projects at Terminal 1-Lindbergh include jet bridge replacements, roofing rehabilitation, restroom rehabilitations as well as a checked baggage screening system project. Approximately $35,000,000 was spent on various Terminal 2-Humphrey projects, landside/parking and miscellaneous building projects with the largest projects being a new security checkpoint at Terminal 2-Humphrey and a data center located on the MSP campus. Approximately $14,000,000 was spent on the Commission's ongoing residential sound insulation program. Approximately $4,000,000 was spent on the Commission's reliever airport system. The remaining $16,000,000 was spent for equipment purchases and various technology and miscellaneous improvements. Average monthly capital spending in 2012 was approximately $12,000,000.

During 2011, the MAC expended $128,000,000 on its on-going capital improvement program. Approximately $15,000,000 was associated with various airfield and runway projects. Approximately $48,000,000 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 $20,000,000 was spent on various Terminal 2 projects, landside/parking and miscellaneous building projects. Approximately $35,000,000 was spent on the Commission's ongoing residential sound insulation program. The remaining $10,000,000 was spent for equipment purchases and various technology improvements. Average monthly capital spending in 2011 was approximately $11,000,000.

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 two years is as follows (in thousands):

| | | |
|---|---|---|
| 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, 2012, permits the issuance of an additional $55,000,000 of General Obligation Revenue Bonds.

On November 20, 2012, the Commission issued two new series of General Airport Revenue Bonds. The first series labeled 2012 Series A General Airport Revenue Bonds was issued for $39,770,000 and the proceeds will be used to construct facilities at Terminal 2 for the auto rental industry. The second series labeled 2012 Series B General Airport Revenue Bonds was issued for $42,015,000. The Series B bonds were used to advance refund $48,255,000 the remaining principal outstanding of the Series 2003A General Airport Revenue Bonds. The $48,255,000 will be called on January 1, 2013.

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 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 was 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.

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.

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

## 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.mspairport.com/mac/organization/financial/default.aspx.

## BALANCE SHEETS

(Dollars in Thousands)

| | December 31 2012 | December 31 2011 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 8,866 | $ 7,060 |
| Investments | 217,767 | 226,704 |
| Accounts receivable (net of allowances for uncollectibles of $296 and $160, respectively) | 8,340 | 9,736 |
| Receivable - government grants in aid of construction | 11,087 | 14,642 |
| Other | 4,028 | 3,423 |
| Restricted assets: | | |
| Investments | 60,516 | 59,155 |
| Leases receivable | 4,591 | 4,362 |
| Passenger facility charge receivable | 7,127 | 7,466 |
| Total current assets | 322,322 | 332,548 |
| Noncurrent Assets: | | |
| Investments, restricted | 464,206 | 428,714 |
| Leases receivable, restricted | 40,357 | 48,183 |
| Other receivable, restricted | 1,750 | 1,750 |
| Other | 11,819 | 11,775 |
| Capital assets: | | |
| Land | 402,625 | 402,625 |
| Airport improvements and buildings | 3,483,320 | 3,380,978 |
| Moveable equipment | 116,814 | 112,732 |
| Construction in progress | 190,583 | 151,016 |
| Less accumulated depreciation | (1,702,691) | (1,582,958) |
| Total capital assets (net of accumulated depreciation) | 2,490,651 | 2,464,393 |
| Total noncurrent assets | 3,008,783 | 2,954,815 |
| **TOTAL ASSETS** | **$ 3,331,105** | **$ 3,287,363** |

## BALANCE SHEETS

(Dollars in Thousands)

| | December 31 2012 | December 31 2011 |
|---|---|---|
| **LIABILITIES AND NET POSITION** | | |
| Current liabilities: | | |
| Accounts payable | $ 34,664 | $ 34,735 |
| Accounts payable due to airlines | 9,770 | 6,459 |
| Notes payable | 1,685 | 1,895 |
| Employee compensation, payroll taxes and other | 6,184 | 5,555 |
| Payable from restricted current assets: | | |
| Current portion of long-term debt | 48,035 | 44,780 |
| Construction and other | 3,644 | 2,558 |
| Deferred revenue | 2,007 | 2,085 |
| Interest payable | 34,815 | 35,823 |
| Total current liabilities | 140,804 | 133,890 |
| Noncurrent liabilities: | | |
| Employee compensation, payroll taxes and other | 2,088 | 2,088 |
| Deferred revenue, restricted | 1,543 | 2,175 |
| Notes payable | 16,283 | 4,897 |
| Postemployment medical | 53,182 | 50,185 |
| Bonds payable | 1,469,004 | 1,480,535 |
| Total noncurrent liabilities | 1,542,100 | 1,539,880 |
| **TOTAL LIABILITIES** | **1,682,904** | **1,673,770** |
| **Net Position** | | |
| Net investment in capital assets | 1,133,909 | 1,144,522 |
| Restricted | | |
| Debt service | 142,817 | 108,207 |
| Construction | 223,847 | 195,717 |
| Other | 2,570 | 2,604 |
| Unrestricted | 145,058 | 162,543 |
| **TOTAL NET POSITION** | **1,648,201** | **1,613,593** |
| **TOTAL LIABILITIES AND NET POSITION** | **$ 3,331,105** | **$ 3,287,363** |

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(Dollars in Thousands)

| | Fiscal Years Ended December 31 2012 | 2011 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Airline rates and charges | $ 98,437 | $ 96,422 |
| Concessions | 126,399 | 118,792 |
| Rentals/fees | 27,999 | 27,575 |
| Utilities and other revenues | 13,582 | 13,759 |
| **TOTAL OPERATING REVENUES** | **266,417** | **256,548** |
| **OPERATING EXPENSES** | | |
| Personnel | 68,145 | 66,297 |
| Administrative | 1,561 | 1,532 |
| Professional services | 4,536 | 4,167 |
| Utilities | 16,288 | 16,568 |
| Operating services | 17,379 | 17,151 |
| Maintenance | 26,052 | 27,057 |
| Depreciation | 120,201 | 118,985 |
| Other | 2,631 | 3,530 |
| **TOTAL OPERATING EXPENSES** | **256,793** | **255,287** |
| **OPERATING INCOME** | **9,624** | **1,261** |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Investment income | 8,182 | 21,496 |
| Passenger facility charges | 62,231 | 62,244 |
| Gain (loss) on disposal of assets | (1,172) | 14 |
| Interest expense | (64,197) | (78,186) |
| **TOTAL NONOPERATING REVENUES (EXPENSES)** | **5,044** | **5,568** |
| **INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS** | **14,668** | **6,829** |
| **Capital Contributions and Grants** | 19,940 | 22,635 |
| **CHANGE IN NET POSITION** | **34,608** | **29,464** |
| **NET POSITION - BEGINNING OF YEAR** | 1,613,593 | 1,584,129 |
| **NET POSITION - END OF YEAR** | **$ 1,648,201** | **$ 1,613,593** |

## STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

| | Fiscal Years Ended December 31 2012 | 2011 |
|---|---|---|
| Cash received from customers and users | $ 267,813 | $ 255,800 |
| Cash paid to employees and benefit providers | (64,519) | (61,007) |
| Cash paid to suppliers | (63,846) | (80,236) |
| **NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES** | 139,448 | 114,557 |
| Payments for airport improvements and facilities | (148,511) | (110,330) |
| Proceeds from bond/note issuance | 46,422 | 1,582 |
| Receipt of lease payments | 8,587 | 195,868 |
| Receipt of passenger facility charges | 62,570 | 62,432 |
| Payment on bonds/notes | (47,029) | (251,248) |
| Interest paid on bonds | (61,742) | (90,005) |
| Receipt of government grants | 23,495 | 17,277 |
| **NET CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES** | (116,208) | (174,424) |
| Purchase of investment securities | (842,081) | (828,459) |
| Proceeds from maturities of investment securities | 814,099 | 859,747 |
| Investment income | 6,548 | 8,319 |
| **NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES** | (21,434) | 39,607 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 1,806 | (20,260) |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** | 7,060 | 27,320 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 8,866 | $ 7,060 |
| **Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:** | | |
| Operating income | $ 9,624 | $ 1,261 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 120,201 | 118,985 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 1,396 | (853) |
| Other assets | (605) | (265) |
| Accounts payable and accrued expenses | 5,206 | (9,966) |
| Postretirement medical | 2,997 | 3,688 |
| Employee compensation and payroll taxes | 629 | 1,602 |
| Deferred revenue | - | 105 |
| **NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES** | $ 139,448 | $ 114,557 |
| **Noncash investing, capital and related financing activities:** | | |
| Changes in fair value of investments | $ (66) | $ (490) |
| Additions to capital assets included in construction and accounts payable | 18,779 | 19,659 |
| Bond payments funded from escrow account | (48,255) | (57,176) |
| Refunding bond proceeds deposited to escrow account | 48,791 | 57,901 |

Fiscal years ended December 31, 2012 and 2011

## 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.

Fiscal years ended December 31, 2012 and 2011

During 2012, the Commission adopted GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This Statement has been applied retrospectively and had no impact on the Commission's net position, changes in net position or financial reporting disclosures. Upon adoption of GASB 63, the Commission currently has no deferred outflows of resources or deferred inflows of resources to report.

### 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 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 resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources 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/CEO 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.

Fiscal years ended December 31, 2012 and 2011

The Executive Director/CEO 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/CEO'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/CEO 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/CEO 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 position.

### 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.

Fiscal years ended December 31, 2012 and 2011

### 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 (dollars in thousands):

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

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 approximately $62,231,000 and $62,244,000 for 2012 and 2011, respectively.

Fiscal years ended December 31, 2012 and 2011

**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 $11,265,000 and $10,295,000 for the years ended December 31, 2012 and 2011, respectively. This amortization expense is included as a component of depreciation expense on the statements of revenues, expenses and changes in net position. The unamortized costs included in airport improvements and buildings at December 31, 2012 and 2011 was approximately $73,284,000 and $39,885,000, respectively.

**Airports and Facilities**

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

Additions to capital assets are recorded at cost, unless contributed, in which case such additions are recorded at fair value.

It is the Commission's policy to amortize the carrying amount of its capital assets, 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 capital 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.

Fiscal years ended December 31, 2012 and 2011

**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 expense was approximately $64,197,000 and $78,186,000 for the years ended December 31, 2012 and 2011, respectively, while interest capitalized as part of the cost of constructed assets was approximately $5,654,000 and $4,536,000, 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 on 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.

Fiscal years ended December 31, 2012 and 2011

**Net Position**

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:

- Net investment in capital assets: 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, as well as any associated deferred outflows/inflows of resources.
- Restricted: represent assets that are subject to external restrictions on how they may be used, reduced by liabilities and deferred inflows of resources related to those assets.
- 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 resources 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. Currently, the fee is $2.00 per rental car transaction per day changing to $3.25 in 2013.

**Reclassifications**

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net position.

Fiscal years ended December 31, 2012 and 2011

## 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.

The Commission's interest-bearing deposit accounts are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). Additionally, through December 31, 2012, all noninterest-bearing accounts were fully guaranteed by the FDIC for the entire amount in the accounts.

For 2012 and 2011, 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.

Fiscal years ended December 31, 2012 and 2011

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, 2012 (dollars in thousands):

| | | Maturing in Years (Dollars in thousands) | | | |
|---|---|---|---|---|---|
| **Security Type** | **Ratings** | **0 - 1** | **1 - 2** | **2 - 3** | **Total** |
| Government-Sponsored Enterprises | | | | | |
| Federal Home Loan Mortgage Corporation | Aa+ / AAA | $ 40,495 | $ 59,010 | $ 5,026 | $ 104,531 |
| Federal National Mortgage Association | Aa+ / AAA | 53,570 | 62,146 | 30,059 | 145,775 |
| Federal Home Loan Bank | Aa+ / AAA | 98,878 | 53,780 | 13,490 | 166,148 |
| Commercial Paper | A1 / P1 | 4,999 | - | - | 4,999 |
| Municipal Bonds | Aa / AA2 | 5,087 | 20,433 | 6,090 | 31,610 |
| Money Market Mutual Funds | - | 289,426 | - | - | 289,426 |
| | Totals | $ 492,455 | $ 195,369 | $ 54,665 | $ 742,489 |

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.

Fiscal years ended December 31, 2012 and 2011

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, 2012 and 2011, 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):

| | 2012 | 2011 |
|---|---|---|
| Cash and cash equivalents - unrestricted | $ 8,866 | $ 7,060 |
| Investments - unrestricted | 217,767 | 226,704 |
| Investments, current - restricted | 60,516 | 59,155 |
| Investments, noncurrent - restricted | 464,206 | 428,714 |
| Total cash, cash equivalents and investments | $ 751,355 | $ 721,633 |

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

| | 2012 | 2011 |
|---|---|---|
| Investment income from leases | $ 4,140 | $ 16,133 |
| Investment income from investments | 4,108 | 5,853 |
| Net decrease in fair value of investments | (66) | (490) |
| | $ 8,182 | $ 21,496 |

Fiscal years ended December 31, 2012 and 2011

## NOTE C: RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

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

| | 2012 | 2011 |
|---|---|---|
| General Obligation Revenue Bond Fund | $ 6,915 | $ 7,369 |
| Coverage Account | 17,013 | 17,013 |
| Police Federal Forfeiture Fund | 235 | 299 |
| Police State Forfeiture Fund | 113 | 117 |
| Passenger Facility Charge Fund | 220,364 | 190,809 |
| 911 Emergency Communications Fund | 472 | 438 |
| Revenue Bond Interest and Principal Fund | 83,257 | 80,910 |
| Revenue Bond Reserve Fund | 126,041 | 123,251 |
| Revenue Bonds Construction Fund | 70,290 | 67,645 |
| Revenue Bond Cost of Issuance Fund | 22 | 18 |
| | $ 524,722 | $ 487,869 |

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, 2012 and 2011 consist of (dollars in thousands):

| | 2012 | 2011 |
|---|---|---|
| Federal Aviation Administration | $ 5,860 | $ 6,276 |
| Transportation Security Administration | 3,979 | 8,366 |
| State of Minnesota | 1,248 | - |
| | $ 11,087 | $ 14,642 |

Fiscal years ended December 31, 2012 and 2011

## NOTE E: CAPITAL ASSETS

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

| | Balance January 1, 2012 | Additions | Transfers In (Out) | Retirements or Disposals | Balance December 31, 2012 |
|---|---|---|---|---|---|
| Capital assets - not depreciated: | | | | | |
| Land | $ 402,625 | $ - | $ - | $ - | $ 402,625 |
| Projects-in-progress | 151,016 | 142,998 | (103,431) | - | 190,583 |
| Total capital assets - not depreciated | 553,641 | 142,998 | (103,431) | - | 593,208 |
| Capital assets - depreciated: | | | | | |
| Airport improvements and buildings | 3,380,978 | 23 | 102,319 | - | 3,483,320 |
| Less: accumulated depreciation | (1,504,285) | (113,145) | - | - | (1,617,430) |
| Net airport improvements and buildings | 1,876,693 | (113,122) | 102,319 | - | 1,865,890 |
| Movable equipment | 112,732 | 3,448 | 1,112 | (478) | 116,814 |
| Less: accumulated depreciation | (78,673) | (7,056) | - | 468 | (85,261) |
| Net movable equipment | 34,059 | (3,608) | 1,112 | - | 31,553 |
| Total capital assets - depreciated | 1,910,752 | (116,730) | 103,431 | (10) | 1,897,443 |
| Net capital assets | $ 2,464,393 | $ 26,268 | $ - | $ (10) | $ 2,490,651 |

| | 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 |

Fiscal years ended December 31, 2012 and 2011

## NOTE F: 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, 2012 | 2011 |
|---|---|---|---|---|---|---|
| **General Airport Revenue Bonds** | | | | | | |
| **Series 2003A **** | 7/9/2003 | - | - | - | $ - | $ 48,255 |
| Original amount - $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% | 2013 - 2026 | 86,695 | 86,695 | 97,845 |
| Original amount - $113,155 | | | | | | |
| **Series 2005C **** | 5/26/2005 | 3.750% | 2013 | 385 | | |
| Original amount - $123,750 | | 4.000% | 2014 - 2021 | 3,675 | | |
| | | 5.000% | 2022 - 2031 | 104,150 | | |
| | | 4.500% | 2032 | 13,490 | 121,700 | 122,070 |
| **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 - 2026 | 108,150 | | |
| Original amount - $197,360 | | 4.500% | 2027 - 2032 | 89,210 | 197,360 | 197,360 |
| **Series 2008A *** | 1/15/2008 | 5.000% | 2013 - 2016 | 39,355 | 39,355 | 48,075 |
| Original amount - $72,035 | | | | | | |
| **Series 2009A *** | 11/10/2009 | 3.000% | 2013 - 2014 | 3,770 | | |
| Original amount - $23,075 | | 4.000% | 2015 - 2019 | 10,700 | | |
| | | 5.000% | 2020 - 2021 | 4,920 | | |
| | | 4.125% | 2022 | 205 | 19,595 | 21,415 |
| **Series 2009B *** | 11/10/2009 | 5.000% | 2013 - 2017 | 53,960 | | |
| 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 | 111,455 | 120,755 |

Fiscal years ended December 31, 2012 and 2011

| Type of Issue | Issue Date | Interest Rates | Maturing on January 1 | Maturity Amounts | Outstanding at December 31, 2012 | 2011 |
|---|---|---|---|---|---|---|
| **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% | 2031 - 2035 | 43,045 | $ 62,210 | $ 62,210 |
| **Series 2010B *** | 7/28/2010 | 3.000% | 2013 - 2014 | 5,040 | | |
| Original amount - $73,475 | | 4.000% | 2015 - 2016 | 7,640 | | |
| | | 5.000% | 2017 - 2026 | 50,980 | | |
| | | 4.000% | 2027 - 2028 | 8,915 | 72,575 | 73,475 |
| **Series 2010C **** | 10/01/2010 | | | | | |
| Original amount - $21,600 | | 4.000% | 2013 - 2016 | 13,105 | | |
| | | 3.000% | 2017 | 635 | | |
| | | 3.500% | 2018 | 655 | | |
| | | 5.000% | 2019 - 2021 | 2,145 | | |
| | | 3.250% | 2022 - 2023 | 1,595 | | |
| | | 3.500% | 2024 | 55 | 18,190 | 21,600 |
| **Series 2010D ** (AMT)** | 10/01/2010 | 5.000% | 2013 - 2022 | 55,945 | | |
| Original amount - $68,790 | | 4.000% | 2023 | 5,690 | | |
| | | 4.125% | 2024 | 1,010 | 62,645 | 68,790 |
| **Series 2011A **** | 10/04/2011 | 5.000% | 2016 - 2023 | 39,570 | | |
| Original amount - $52,015 | | 3.500% | 2024 | 6,115 | | |
| | | 5.000% | 2025 | 6,330 | 52,015 | 52,015 |
| **Series 2012A **** | 11/20/2012 | 0.486% | 2014 | 5,395 | | |
| Original amount - $39,770 | | 1.151% | 2015 | 5,500 | | |
| | | 1.499% | 2016 | 5,565 | | |
| | | 1.849% | 2017 | 5,650 | | |
| | | 2.238% | 2018 | 5,755 | | |
| | | 2.438% | 2019 | 5,880 | | |
| | | 2.755% | 2020 | 6,025 | 39,770 | - |
| **Series 2012B ** (Taxable)** | 11/20/2012 | 5.000% | 2026-2031 | 42,015 | 42,015 | - |
| Original amount - $42,015 | | | | | | |
| **Total General Airport Revenue Bonds** | | | | | 1,502,675 | 1,510,960 |
| **General Obligation Revenue Bonds** | | | | | | |
| **Series 16** | 10/28/2010 | 4.000% | 2013 - 2015 | 9,240 | 9,240 | 12,205 |
| Original amount - $12,205 | | | | | | |
| **Notes Payable** | | | | | 17,968 | 6,792 |
| | | | | | 1,529,883 | 1,529,957 |
| Unamortized premium, net | | | | | 49,031 | 49,710 |
| Net deferred losses on refundings | | | | | (43,907) | (47,560) |
| Current portion of long-term debt | | | | | (49,720) | (46,675) |
| **Total Long-Term Bonds and Notes Payable** | | | | | $ 1,485,287 | $ 1,485,432 |

* Senior General Airport Revenue Bonds
** Subordinate General Airport Revenue Bonds

Fiscal years ended December 31, 2012 and 2011

Future debt service requirements as of December 31, 2012 are as follows (dollars in thousands):

| | Notes Payable | General Airport Revenue Bonds | General Obligation Revenue Bonds | Total Debt Outstanding | Interest | Total Principal and Interest |
|---|---|---|---|---|---|---|
| 2013 | $ 1,685 | $ 44,870 | $ 3,165 | $ 49,720 | $ 70,809 | $ 120,529 |
| 2014 | 12,066 | 54,600 | 3,235 | 69,901 | 68,298 | 138,199 |
| 2015 | 714 | 57,015 | 2,840 | 60,569 | 65,714 | 126,283 |
| 2016 | 692 | 59,560 | - | 60,252 | 63,012 | 123,264 |
| 2017 | 716 | 62,760 | - | 63,476 | 60,176 | 123,652 |
| 2018 - 2022 | 2,095 | 329,015 | - | 331,110 | 254,297 | 585,407 |
| 2023 - 2027 | - | 397,655 | - | 397,655 | 166,829 | 564,484 |
| 2028 - 2032 | - | 432,295 | - | 432,295 | 63,292 | 495,587 |
| 2033 - 2035 | - | 64,905 | - | 64,905 | 4,973 | 69,878 |
| | $ 17,968 | $1,502,675 | $ 9,240 | $ 1,529,883 | $ 817,400 | $ 2,347,283 |

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 October 23, 2012, the Commission issued $39,770,000 of Series 2012A Subordinate Airport Revenue Bonds (Taxable) and $42,015,000 of Series 2012B Subordinate Airport Revenue Refunding Bonds to finance certain capital improvements at the airport and to current refund the remaining $48,255,000 of Series 2003A Subordinate Airport Revenue Bonds, respectively.

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

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.

Fiscal years ended December 31, 2012 and 2011

The Commission has statutory authority to issue General Obligation Revenue Bonds. The Commission currently has $9,240,000 outstanding in General Obligation Revenue Bonds. The present statutory general obligation bonding limit as of December 31, 2012, would permit the issuance of an additional $55,000,000 of General Obligation Revenue Bonds.

The Commission has a $75,000,000 revolving line of credit to fund certain capital improvement program projects. The revolving line of credit is secured by a subordinate pledge of the Commission's net revenues and expires on November 3, 2014. Interest is payable monthly and varies with the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index plus 0.70%, which was 0.83% on December 31, 2012.

**NOTE G: BOND REFUNDINGS AND BOND EXTINGUISHMENT**

During 2012, the Commission issued Series 2012B Subordinate Airport Revenue Refunding Bonds to current refund the remaining $48,255,000 of Series 2003A Subordinate Airport Revenue Bonds. As a result of this refunding, the Commission reduced its total debt service requirements by $8,652,748, 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 $5,271,997. The Commission recognized an accounting gain of $425,907 in connection with this refunding that has been deferred and will be amortized to interest expense on a straight-line basis through January 1, 2031.

During 2011, the Commission issued $52,105,000 of Series 2011A Subordinate Airport Revenue Bonds to advance refund $54,435,000 of the total $102,690,000 of Series 2003A Subordinate 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 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.

On October 26, 2011, Delta prepaid all of the lease payments due under a self-liquidating lease with the Commission for the Series 15 General Obligation Revenue Bonds 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 were 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.

At December 31, 2012, a total of $304,895,000 in defeased bonds remain outstanding from previous refundings.

Fiscal years ended December 31, 2012 and 2011

## NOTE H: CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the years ended December 31, 2012 and 2011 was as follows (dollars in thousands):

| | Balance January 1, 2012 | Additions | Retirements and Other | Balance December 31, 2012 | Current Portion |
|---|---|---|---|---|---|
| Deferred revenue | $ 4,260 | $ 3,708 | $ (4,418) | $ 3,550 | $ 2,007 |
| Employee compensation and other | 7,643 | 64,611 | (63,982) | 8,272 | 6,184 |
| Notes payable | 6,792 | 13,425 | (2,249) | 17,968 | 1,685 |
| Bonds payable | 1,525,315 | 88,562 | (96,838) | 1,517,039 | 48,035 |
| | $1,544,010 | $ 170,306 | $ (167,487) | $ 1,546,829 | $ 57,911 |

| | 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 |
| | $1,826,078 | $ 151,158 | $ (433,226) | $ 1,544,010 | $ 54,315 |

## NOTE I: 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):

| | 2012 | 2011 |
|---|---|---|
| Total minimum lease payments to be received | $ 77,363 | $ 88,869 |
| Less: Unearned income | (29,180) | (33,159) |
| Net investment in leases | 48,183 | 55,710 |
| Less: Prepaid principal | (3,235) | (3,165) |
| Leases receivable - current and noncurrent | $ 44,948 | $ 52,545 |

Fiscal years ended December 31, 2012 and 2011

As of December 31, 2012, future minimum lease payments are as follows (dollars in thousands):

| | December 31 |
|---|---|
| 2013 | $ 11,504 |
| 2014 | 11,037 |
| 2015 | 7,568 |
| 2016 | 5,984 |
| 2017 | 6,045 |
| 2018 - 2022 | 28,412 |
| 2023 - 2027 | 5,419 |
| 2028 - 2030 | 1,394 |
| | $ 77,363 |

## NOTE J: PENSION AND RETIREMENT PLANS

All full-time and certain part-time employees of the Commission participate in the Public Employees Retirement Association of Minnesota (PERA) or the Minneapolis Employees Retirement Fund (MERF) (participation is restricted to employees hired prior to July 1, 1978). 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 highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Fiscal years ended December 31, 2012 and 2011

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 6.25% of their annual covered salary. PEPFF members are required to contribute 9.60% of their annual covered salary. The Commission is required to contribute the following percentages of annual covered payroll: 7.25% for Coordinated Plan PERF members and 14.40% for PEPFF members. The Commission’s required contributions to the Public Employees Retirement Fund for the years ended December 31, 2012, 2011 and 2010 were $2,321,000, $2,284,000 and $2,174,000, respectively. The Commission’s required contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2012, 2011 and 2009 were $1,581,000, $1,526,000 and $1,490,000, respectively. The Commission’s contributions were equal to the contractually required contributions for each year as set by state statute.

Fiscal years ended December 31, 2012 and 2011

## 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.

Fiscal years ended December 31, 2012 and 2011

**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 $3,900,000, 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 $3,900,000 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:

| | Employee | Employer | Additional Employer |
|---|---|---|---|
| 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 (dollars in thousands):

| Contributions | 2012 | 2011 | 2010 |
|---|---|---|---|
| Employer (100% of required) | $ 2,006 | $ 2,010 | $ 120 |

## NOTE K: 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.

Fiscal years ended December 31, 2012 and 2011

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. For employees hired prior to January 1, 1991, 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 organized 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, 2012, there were 245 retired employees and 536 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 $2,899,262 to the plan in fiscal year 2012, $2,562,072 to the plan in fiscal year 2011 and $1,888,435 in fiscal year 2010. Retirees contributed $124,576 for fiscal year 2012, $159,589 for fiscal year 2011 and $237,084 for fiscal year 2010. Monthly contributions for retirees under 65 for 2012 are shown below:

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

Fiscal years ended December 31, 2012 and 2011

### 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 2012, 2011 and 2010, the amount actually contributed to the plan, and changes in the Commission's net OPEB obligation (dollars in thousands):

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Annual required contribution (ARC) | $ 6,502 | $ 7,088 | $ 6,334 |
| Interest on net OPEB obligation | 2,019 | 1,878 | 1,745 |
| Adjustment to ARC | (2,919) | (2,715) | (2,523) |
| Annual OPEB cost | 5,602 | 6,251 | 5,556 |
| Contributions during the year | (2,605) | (2,563) | (1,888) |
| Increase in net OPEB obligation | 2,997 | 3,688 | 3,668 |
| Net OPEB - beginning of year | 50,185 | 46,497 | 42,829 |
| Net OPEB - end of year | $ 53,182 | $ 50,185 | $ 46,497 |

The percentage of the Commission's annual OPEB cost contributed to the plan was: 46.50% for 2012; 40.99% for 2011; and 33.99% for 2010.

### Funding Status

The Commission has set aside cash and investments to pay for future health benefits of $54,676,971, $51,873,000 and $48,297,000 in 2012, 2011 and 2010, respectively. However, since such designated cash has not been irrevocably deposited in trust for future health benefits, the actuarial value of assets is $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.

### 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.

Fiscal years ended December 31, 2012 and 2011

## NOTE L: 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 2012 and 2011 were $6,096,975 and $5,942,023, respectively. Claims paid for health and dental coverage for 2012 and 2011 were $3,005,464 and $3,062,360, respectively. The unpaid claims for workers compensation at December 31, 2012 and 2011 were approximately $1,174,000 and $983,000, respectively. The health and dental unpaid claims at December 31, 2012 and 2011 were approximately $408,000 and $530,000, 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, 2012 and 2011, as well as an estimate of claims incurred but not reported. The entire liability is included in the current liabilities section of the balance sheet, since any amounts considered to be noncurrent are believed to not be material. Changes in the balances of claim liabilities during the past two years are as follows (dollars in thousands):

| | 2012 | 2011 |
|---|---|---|
| Unpaid claims - beginning of year | $ 1,513 | $ 1,796 |
| Incurred claims and changes in estimates | 9,171 | 8,721 |
| Claims paid | (9,102) | (9,004) |
| Unpaid claims - end of year | $ 1,582 | $ 1,513 |

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 a deductible of $50,000. Settled claims have not exceeded this commercial coverage in any of the past three years. 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.

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 $1,000,000 of coverage and names the Commission as an additional insured on the general liability policy, leaving the Commission minimally exposed.

Fiscal years ended December 31, 2012 and 2011

## NOTE M: 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 $29,424,000 at December 31, 2012.

### 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 $96,000,000. 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.

## NOTE N: 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 73% of total revenues from major airlines. Approximately 76% of total 2012 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.

Fiscal years ended December 31, 2012 and 2011

## NOTE O: 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:

| | December 31 |
|---|---|
| 2013 | $ 87,741 |
| 2014 | 71,561 |
| 2015 | 71,480 |
| 2016 | 64,049 |
| 2017 | 63,924 |
| Thereafter | 75,058 |

Contingent rentals and fees aggregated approximately $88,400,000 and $87,100,000 in 2012 and 2011, respectively.

# Required Supplementary Information

This page was intentionally left blank.

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



Fiscal years ended December 31, 2012 and 2011

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability Projected Unit Credit (in thousands) | Unfunded Actuarial Accrued Liability (UAAL) (in thousands) | Funded Ratio | Covered Payroll (in thousands) | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 01/01/2012 | $ - | $ 85,989 | $ 85,989 | 0.0% | $ 40,231 | 213.7% |
| 01/01/2011 | - | 92,693 | 92,693 | 0.0% | 39,104 | 237.0% |
| 01/01/2010 | - | 81,786 | 81,786 | 0.0% | 38,859 | 210.5% |

| Actuarial Valuation Date | Participant Summary | | |
|---|---|---|---|
| | Active Employees | Retirees and Beneficiaries | Total |
| 01/01/2012 | 536 | 245 | 781 |
| 01/01/2011 | 542 | 242 | 784 |
| 01/01/2010 | 523 | 243 | 766 |

**January 1, 2012 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 | 8.5% to 5% in 5 years |

This page was intentionally left blank.

Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2012

# Statistical Section

## Statistical Section (Unaudited)

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



**Sources:**

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

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

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | | | | | | |
| Airline rates and charges | $ 64,499 | $ 77,368 | $ 89,540 | $ 78,270 | $ 85,475 | $ 87,244 | $ 89,867 | $ 90,376 | $ 96,422 | $ 98,437 |
| Concessions | 73,533 | 87,544 | 101,273 | 110,139 | 115,857 | 112,365 | 109,636 | 112,503 | 118,792 | 126,399 |
| Rentals/fees | 19,101 | 21,321 | 23,489 | 19,777 | 20,560 | 28,632 | 28,435 | 29,609 | 27,575 | 27,999 |
| Utilities and other revenues | 11,049 | 9,908 | 14,174 | 15,941 | 16,359 | 13,313 | 12,937 | 12,555 | 13,758 | 13,582 |
| **TOTAL OPERATING REVENUES** | 168,182 | 196,141 | 228,476 | 224,127 | 238,251 | 241,554 | 240,875 | 245,043 | 256,547 | 266,417 |
| **OPERATING EXPENSES** | | | | | | | | | | |
| Personnel | 48,273 | 50,429 | 59,049 | 54,258 | 56,278 | 59,811 | 59,304 | 63,412 | 66,297 | 68,145 |
| Administrative | 844 | 1,089 | 1,179 | 1,240 | 1,538 | 1,298 | 1,301 | 1,271 | 1,532 | 1,561 |
| Professional services | 2,821 | 3,745 | 3,359 | 4,091 | 4,474 | 4,161 | 4,004 | 3,519 | 4,167 | 4,536 |
| Utilities | 11,779 | 12,684 | 14,444 | 14,820 | 16,466 | 18,089 | 16,553 | 16,238 | 16,568 | 16,288 |
| Operating services | 13,928 | 13,394 | 12,492 | 14,485 | 15,437 | 17,540 | 16,043 | 17,278 | 17,151 | 17,379 |
| Maintenance | 16,453 | 17,249 | 18,944 | 19,417 | 21,527 | 22,140 | 23,718 | 27,088 | 27,057 | 26,052 |
| Depreciation | 79,399 | 83,273 | 93,566 | 111,429 | 115,329 | 117,999 | 123,060 | 121,555 | 118,985 | 120,201 |
| Other | 2,743 | 3,206 | 3,758 | 3,323 | 8,922 | 3,696 | 2,510 | 2,583 | 3,531 | 2,631 |
| **TOTAL OPERATING EXPENSES** | 176,240 | 185,069 | 206,791 | 223,063 | 239,971 | 244,734 | 246,493 | 252,944 | 255,288 | 256,793 |
| **OPERATING INCOME (LOSS)** | (8,058) | 11,072 | 21,685 | 1,064 | (1,720) | (3,180) | (5,618) | (7,901) | 1,259 | 9,624 |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | | | | | | |
| Investment income | 29,854 | 32,257 | 40,646 | 52,895 | 62,271 | 49,938 | 30,625 | 33,933 | 21,440 | 8,182 |
| Passenger facility charges | 63,681 | 69,557 | 69,944 | 67,573 | 66,662 | 54,682 | 67,481 | 59,453 | 62,244 | 62,231 |
| Gain (loss) on disposal of assets | (2,547) | (1,531) | (209) | (828) | (70) | 5,178 | 205 | 119 | 14 | (1,172) |
| Interest expense | (59,105) | (67,247) | (76,777) | (94,069) | (95,556) | (88,722) | (84,198) | (85,141) | (78,186) | (64,197) |
| Part 150 home insulation expenses [1] | (13,063) | (13,134) | (8,419) | (5,395) | (2,308) | - | - | - | 58 | - |
| **TOTAL NONOPERATING REVENUES (EXPENSES)** | 18,820 | 19,902 | 25,185 | 20,176 | 30,999 | 21,076 | 14,113 | 8,364 | 5,570 | 5,044 |
| **INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS** | 10,762 | 30,974 | 46,870 | 21,240 | 29,279 | 17,896 | 8,495 | 463 | 6,829 | 14,668 |
| **Capital Contributions and Grants** | 36,707 | 27,835 | 25,137 | 34,276 | 22,805 | 30,149 | 26,918 | 24,723 | 22,635 | 19,940 |
| **CHANGE IN NET POSITION** | 47,469 | 58,809 | 72,007 | 55,516 | 52,084 | 48,045 | 35,413 | 25,186 | 29,464 | 34,608 |
| **NET POSITION - BEGINNING 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 |
| **CHANGES IN ACCOUNTING PRINCIPLE/PRIOR PERIOD ADJUSTMENT** | - | - | - | - | 8,312 | 62,911 | - | - | - | - |
| **NET ASSETS - BEGINNING OF YEAR, AS RESTATED** | 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 | 1,613,593 |
| **NET POSITION - END OF YEAR** | $ 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 | $ 1,648,201 |

1 - For the years ended December 31, 2003-2007, the amounts shown do not reflect the change in accounting principle adopted January 1, 2008.

Source: Audited financial statements for the last ten years

## Historical Revenues 2003 - 2012
## Pursuant to the Commission's Master Trust Indenture
## (Dollars in Thousands)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Airline Rates & Charges** | | | | | | | | | | |
| Landing fees [3] | $ 27,529 | $ 38,365 | $ 45,683 | $ 38,245 | $ 49,626 | $ 47,163 | $ 48,736 | $ 48,223 | $ 50,957 | $ 51,964 |
| Ramp fees | 5,700 | 5,608 | 6,105 | 4,611 | 5,238 | 5,619 | 6,531 | 5,901 | 6,328 | 6,092 |
| Lindbergh Terminal building rents | 24,151 | 26,195 | 28,834 | 33,920 | 29,378 | 34,196 | 33,003 | 34,296 | 36,244 | 37,423 |
| Other Lindbergh Terminal charges | 3,597 | 3,038 | 3,234 | 3,475 | 3,105 | 3,496 | 3,410 | 3,714 | 3,841 | 3,351 |
| Concessions rebate | - | - | - | (9,070) | (10,160) | (9,886) | (8,739) | (8,817) | (9,324) | (9,597) |
| Humphrey Building Rentals | 3,522 | 4,162 | 5,684 | 7,089 | 8,288 | 6,583 | 6,729 | 6,815 | 8,148 | 8,991 |
| Apron Fees - Non-Signatory | - | - | - | - | - | 73 | 197 | 244 | 228 | 213 |
| Total Airline Rates & Charges | 64,499 | 77,368 | 89,540 | 78,270 | 85,475 | 87,244 | 89,867 | 90,376 | 96,422 | 98,437 |
| **Concessions** | | | | | | | | | | |
| Auto parking | 41,330 | 50,466 | 60,213 | 64,266 | 66,765 | 62,748 | 61,546 | 63,682 | 66,612 | 72,621 |
| Rental car | 14,742 | 14,220 | 14,693 | 15,699 | 17,043 | 17,011 | 15,357 | 15,364 | 17,112 | 17,324 |
| Food and beverage | 4,864 | 7,311 | 9,790 | 11,552 | 12,645 | 12,808 | 13,052 | 12,957 | 13,398 | 13,808 |
| Merchandise | 4,689 | 5,572 | 6,120 | 8,515 | 8,537 | 8,689 | 8,082 | 8,027 | 8,373 | 8,607 |
| Employee parking | 1,196 | 1,573 | 1,691 | 1,758 | 2,063 | 2,423 | 2,254 | 2,473 | 2,578 | 2,929 |
| Other | 6,712 | 8,402 | 8,766 | 8,349 | 8,804 | 8,686 | 9,345 | 10,000 | 10,719 | 11,110 |
| Total Concessions Revenue | 73,533 | 87,544 | 101,273 | 110,139 | 115,857 | 112,365 | 109,636 | 112,503 | 118,792 | 126,399 |
| **Other Revenues** | | | | | | | | | | |
| Utilities | 2,152 | 1,705 | 2,515 | 2,350 | 2,473 | 2,528 | 2,315 | 2,591 | 3,006 | 2,784 |
| Other building and land rent | 17,086 | 20,196 | 22,101 | 18,434 | 18,821 | 23,445 | 23,547 | 24,544 | 25,299 | 26,199 |
| Other | 8,131 | 6,282 | 8,160 | 10,111 | 10,315 | 10,785 | 10,605 | 9,940 | 7,567 | 6,937 |
| Total Other Revenues | 27,369 | 28,183 | 32,776 | 30,895 | 31,609 | 36,758 | 36,467 | 37,075 | 35,872 | 35,920 |
| Total MSP Revenue | 165,401 | 193,095 | 223,589 | 219,304 | 232,941 | 236,367 | 235,970 | 239,954 | 251,086 | 260,756 |
| **Total Reliever Airports** | 2,781 | 3,046 | 4,887 | 4,823 | 5,310 | 5,187 | 4,905 | 5,089 | 5,461 | 5,661 |
| **Total Operating Revenues** | 168,182 | 196,141 | 228,476 | 224,127 | 238,251 | 241,554 | 240,875 | 245,043 | 256,547 | 266,417 |
| **Investment income** | | | | | | | | | | |
| Capital lease interest | 23,554 | 23,698 | 22,820 | 22,815 | 22,570 | 20,896 | 20,017 | 19,720 | 16,133 | 4,140 |
| Other [2] | 3,976 | 7,512 | 9,532 | 14,509 | 18,957 | 15,281 | 10,620 | 13,402 | 3,948 | 2,926 |
| Total Investment Income | 27,530 | 31,210 | 32,352 | 37,324 | 41,527 | 36,177 | 30,637 | 33,122 | 20,081 | 7,066 |
| Capital lease principal payments | 11,345 | 12,046 | 12,475 | 14,199 | 14,442 | 15,345 | 18,413 | 17,956 | 19,294 | 7,805 |
| **Total Revenues [1]** | $ 207,057 | $ 239,397 | $ 273,303 | $ 275,650 | $ 294,220 | $ 293,076 | $ 289,925 | $ 296,121 | $ 295,922 | $ 281,288 |

[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

## Percentage Distribution of Operating Revenues 2003 - 2012

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Airline Rates & Charges** | | | | | | | | | | |
| Landing fees [1] | 16.2% | 19.6% | 20.0% | 16.9% | 20.9% | 19.6% | 20.1% | 19.5% | 19.8% | 19.6% |
| Ramp fees | 3.4% | 2.9% | 2.7% | 2.1% | 2.2% | 2.3% | 2.7% | 2.4% | 2.5% | 2.3% |
| Lindbergh Terminal building rents | 14.4% | 13.4% | 12.6% | 15.1% | 12.3% | 14.2% | 13.7% | 14.0% | 14.1% | 14.0% |
| Other Lindbergh Terminal charges | 2.1% | 1.5% | 1.4% | 1.6% | 1.3% | 1.4% | 1.4% | 1.5% | 1.5% | 1.3% |
| Concessions rebate | 0.0% | 0.0% | 0.0% | -4.0% | -4.3% | -4.1% | -3.6% | -3.6% | -3.6% | -3.6% |
| Humphrey Building Rentals | 2.1% | 2.1% | 2.5% | 3.2% | 3.5% | 2.8% | 2.9% | 2.9% | 3.2% | 3.4% |
| Total Airline Rates & Charges | 38.2% | 39.5% | 39.2% | 34.9% | 35.9% | 36.2% | 37.2% | 36.7% | 37.5% | 37.0% |
| **Concessions** | | | | | | | | | | |
| Auto parking | 24.6% | 25.7% | 26.4% | 28.7% | 28.0% | 26.0% | 25.6% | 26.0% | 26.0% | 27.3% |
| Rental car | 8.8% | 7.2% | 6.4% | 7.0% | 7.2% | 7.0% | 6.4% | 6.3% | 6.7% | 6.5% |
| Food and beverage | 2.9% | 3.7% | 4.3% | 5.2% | 5.3% | 5.3% | 5.4% | 5.3% | 5.2% | 5.2% |
| Merchandise | 2.8% | 2.8% | 2.7% | 3.8% | 3.6% | 3.6% | 3.4% | 3.3% | 3.3% | 3.2% |
| Employee parking | 0.7% | 0.8% | 0.7% | 0.8% | 0.9% | 1.0% | 0.9% | 1.0% | 1.0% | 1.1% |
| Other | 4.0% | 4.3% | 3.8% | 3.7% | 3.7% | 3.6% | 3.9% | 4.1% | 4.2% | 4.2% |
| Total Concessions Revenue | 43.8% | 44.5% | 44.3% | 49.2% | 48.7% | 46.5% | 45.6% | 46.0% | 46.4% | 47.5% |
| **Other Revenues** | | | | | | | | | | |
| Utilities | 1.3% | 0.9% | 1.1% | 1.0% | 1.0% | 1.0% | 1.0% | 1.1% | 1.2% | 1.0% |
| Other building and land rent | 10.2% | 10.3% | 9.7% | 8.2% | 7.9% | 9.7% | 9.8% | 10.0% | 9.9% | 9.8% |
| Other | 4.8% | 3.2% | 3.6% | 4.5% | 4.3% | 4.5% | 4.4% | 4.1% | 2.9% | 2.6% |
| Total Other Revenues | 16.3% | 14.4% | 14.4% | 13.7% | 13.2% | 15.2% | 15.2% | 15.2% | 14.0% | 13.4% |
| **Total MSP Revenue** | 98.3% | 98.4% | 97.9% | 97.8% | 97.8% | 97.9% | 98.0% | 97.9% | 97.9% | 97.9% |
| **Total Reliever Airports** | 1.7% | 1.6% | 2.1% | 2.2% | 2.2% | 2.1% | 2.0% | 2.1% | 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

## Net Position by Business-Type Activities 2003 - 2012
## (Dollars in Thousands)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Business Type Activities | | | | | | | | | | |
| Net investment in capital assets | $ 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 | $ 1,133,909 |
| Restricted | 63,081 | 92,723 | 109,022 | 146,742 | 189,224 | 272,695 | 253,811 | 273,540 | 306,528 | 369,234 |
| Unrestricted | 51,497 | 76,105 | 109,364 | 127,614 | 131,079 | 153,418 | 159,335 | 170,140 | 162,543 | 145,058 |
| Total business type activities | $ 1,165,846 | $ 1,224,655 | $ 1,296,662 | $ 1,352,178 | $ 1,404,262 | $ 1,523,530 | $ 1,558,943 | $ 1,584,129 | $ 1,613,593 | $ 1,648,201 |

Source: Audited financial statements for the last ten years

# Delta Airlines Revenue Summary

## 2003 - 2012
## (Dollars in Thousands)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 [3] | 2009 [3] | 2010 [3] | 2011 [3] | 2012 [3] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Delta Revenue as a Percentage of Total Adjusted MAC Operating Revenues** | | | | | | | | | | |
| Total MAC Operating Revenues | $ 168,182 | $ 196,141 | $ 228,476 | $ 224,127 | $ 238,251 | $ 241,554 | $ 240,875 | $ 245,043 | $ 256,547 | $ 266,418 |
| Lease Principal/Interest Payments | 34,899 | 35,744 | 35,319 | 37,014 | 36,246 | 36,277 | 38,430 | 37,676 | 37,973 | 11,945 |
| Interest Income-MAC Funds [1] | 5,524 | 7,116 | 14,426 | 24,474 | 31,628 | 21,318 | 5,193 | 11,183 | 3,467 | 2,862 |
| Total Adjusted MAC Operating Revenues | 208,605 | 239,001 | 278,221 | 285,615 | 306,125 | 299,149 | 284,498 | 293,902 | 297,987 | 281,225 |
| Delta Portion of Operating Revenues [2] | 44,391 | 52,892 | 60,004 | 52,265 | 55,080 | 62,970 | 66,503 | 66,711 | 70,910 | 71,144 |
| Delta Portion of Lease Payments | 30,477 | 30,760 | 30,890 | 31,301 | 31,605 | 31,875 | 32,127 | 33,336 | 33,736 | 7,655 |
| Total Delta Revenue | 74,868 | 83,652 | 90,894 | 83,566 | 86,685 | 94,845 | 98,630 | 100,047 | 104,646 | 78,799 |
| **Delta % of Total Adjusted MAC Operating Revenues** | **35.89%** | **35.00%** | **32.67%** | **29.26%** | **28.32%** | **31.70%** | **34.67%** | **34.04%** | **35.12%** | **28.02%** |
| Total Adjusted MAC Operating Revenues | $ 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 [4] | (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 | 184,587 | 214,653 | 253,573 | 260,684 | 280,903 | 273,736 | 258,777 | 267,865 | 271,611 | - |
| Total Delta Revenue | 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 [4] | (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 | 50,850 | 59,304 | 66,246 | 58,635 | 61,463 | 69,432 | 72,909 | 74,010 | 78,270 | - |
| **Delta % of Total Adjusted MAC Operating Revenues, Net of GO 9/15 Financing** | **27.55%** | **27.63%** | **26.13%** | **22.49%** | **21.88%** | **25.36%** | **28.17%** | **27.63%** | **28.82%** | **0.00%** |
| **Delta Revenue as a Percentage of Total Airline Rates & Charges** | | | | | | | | | | |
| Total Airline Rates & Charges Revenue | $ 64,499 | $ 77,368 | $ 89,540 | $ 78,270 | $ 85,475 | $ 87,244 | $ 89,867 | $ 90,376 | $ 96,422 | $ 98,536 |
| Air Carrier Lease Payments | 32,875 | 33,587 | 33,678 | 34,364 | 34,231 | 34,262 | 36,188 | 35,658 | 35,960 | 9,933 |
| Total Air Carrier Revenue | 97,374 | 110,955 | 123,218 | 112,634 | 119,706 | 121,506 | 126,055 | 126,034 | 132,382 | 108,469 |
| Total Delta Revenue | 74,868 | 83,652 | 90,894 | 83,566 | 86,685 | 94,845 | 98,630 | 100,047 | 104,646 | 78,799 |
| **Delta % of Total Air Carrier Revenue** | **76.89%** | **75.39%** | **73.77%** | **74.19%** | **72.41%** | **78.06%** | **78.24%** | **79.38%** | **79.05%** | **72.65%** |
| Total Air Carrier Revenue | $ 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 [4] | (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 | 73,356 | 86,607 | 98,570 | 87,703 | 94,484 | 96,093 | 100,334 | 99,997 | 106,006 | - |
| Total Delta Revenue | 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 [4] | (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 | 50,850 | 59,304 | 66,246 | 58,635 | 61,463 | 69,432 | 72,909 | 74,010 | 78,270 | - |
| **Delta % of Total Air Carrier Revenue, Net of GO 9/15 Financing** | **69.32%** | **68.47%** | **67.21%** | **66.86%** | **65.05%** | **72.26%** | **72.67%** | **74.01%** | **73.84%** | **0.00%** |

[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.

[4] In 2011, Delta paid off the remaining debt associated with GO 9/15.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

**Top Ten Revenue Providers 2012 and 2003**
**(Dollars in Thousands)**

| | 2012 | | 2003 | |
|---|---|---|---|---|
| **Company** | **Rank** | **Revenue** | **Rank** | **Revenue** |
| Northwest/Delta Airlines | 1 | $ 71,047 | 1 | $ 47,648 |
| HMS Host | 2 | 11,082 | 2 | 9,553 |
| Enterprise Rent A Car[2] | 3 | 10,209 | | - |
| Minnesota Retail Partners | 4 | 6,979 | | - |
| Hertz | 5 | 6,765 | 3 | 6,501 |
| Sun Country Airlines | 6 | 6,714 | 10 | 2,188 |
| Avis | 7 | 4,684 | 5 | 4,905 |
| United Airlines | 8 | 3,295 | 9 | 2,498 |
| Southwest Airlines | 9 | 3,269 | | - |
| American Airlines | 10 | 3,073 | 8 | 2,508 |
| Signature Flight Support | ----- | - | 6 | 2,660 |
| National/Alamo Car Rental[1] | ----- | - | 4 | 5,016 |
| Budget Rent A Car | ----- | - | 7 | 2,518 |

1 - In 2003, Alamo and National Car Rental were separate companies.

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

Source: Comprehensive Annual Financial Report 2003 and 2012

## Air Carrier Market Share - Total Enplaned Passengers[1]
## For the Years Ended December 31
## Ranked on Year 2012 Results

| 2012 Ranking | Air Carrier | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2012 % of Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | NWA/Delta | 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 | 7,953,185 | 49.8% |
| 2 | Pinnacle [2] | 585,202 | 970,567 | 1,187,110 | 1,223,597 | 1,271,310 | 865,941 | 722,510 | 707,641 | 727,037 | 1,453,778 | 9.1% |
| 3 | Compass [2] | - | - | - | - | 68,174 | 620,165 | 905,487 | 1,078,771 | 1,270,728 | 1,418,939 | 8.9% |
| 4 | Skywest [2] | - | - | - | - | 113,853 | 98,574 | 26,549 | 529,568 | 836,730 | 1,181,445 | 7.4% |
| 5 | Southwest | - | - | - | - | - | - | 283,986 | 500,493 | 609,692 | 623,913 | 3.9% |
| 6 | Sun Country | 377,604 | 508,405 | 728,513 | 726,359 | 752,691 | 640,902 | 496,622 | 470,474 | 554,434 | 616,320 | 3.8% |
| 7 | US Airways | 161,198 | 131,951 | 57,764 | 21,625 | 174,910 | 389,052 | 455,163 | 430,890 | 465,967 | 532,384 | 3.3% |
| 8 | American | 410,688 | 347,618 | 462,914 | 476,228 | 589,989 | 571,930 | 508,470 | 445,125 | 374,080 | 376,370 | 2.3% |
| 9 | Shuttle America[4] | - | - | - | - | - | - | - | - | 191,296 | 308,820 | 1.9% |
| 10 | Air Tran Airways | - | 168,227 | 149,844 | 290,390 | 316,667 | 256,310 | 247,834 | 261,709 | 295,675 | 269,552 | 1.7% |
| 11 | United | 516,389 | 507,724 | 489,899 | 559,618 | 555,520 | 488,566 | 470,403 | 396,060 | 340,920 | 227,392 | 1.4% |
| 12 | Frontier | - | 126,434 | 120,962 | 123,056 | 132,633 | 164,798 | 183,393 | 188,438 | 260,492 | 191,650 | 1.2% |
| 13 | Atlantic Southeast [2] | - | - | - | 129,609 | 47,472 | 22,269 | 1,799 | 6,314 | 89,688 | 132,885 | 0.8% |
| 14 | American Eagle [6] | - | - | - | - | - | - | - | - | - | 128,382 | 0.8% |
| 15 | Spirit Airlines | - | - | - | - | - | - | - | - | - | 108,866 | 0.7% |
| 16 | Continental Express | - | - | - | - | - | - | 130,794 | 159,781 | 94,753 | 96,550 | 0.6% |
| 17 | Comair [2] | - | - | - | - | - | - | - | 298,339 | 124,125 | 94,350 | 0.6% |
| 18 | Alaska Airlines | - | - | - | - | - | - | 91,064 | 94,491 | 95,269 | 84,588 | 0.5% |
| 19 | Republic[5] | - | - | - | - | - | - | - | - | 63,092 | 63,947 | 0.4% |
| 20 | Continental [7] | 235,088 | 222,114 | 240,622 | 250,502 | 169,853 | 119,994 | 83,999 | 32,278 | 25,689 | 48,800 | 0.3% |
| 21 | Mesaba Aviation [3] | 572,557 | 551,521 | 539,388 | 431,668 | 547,608 | 1,303,619 | 1,577,271 | 1,249,049 | 1,200,611 | 6,899 | 0.0% |
| | Midwest | - | - | - | - | 66,215 | 67,032 | 79,803 | 61,165 | - | - | 0.0% |
| | Champion | - | - | - | 113,849 | 73,790 | 25,898 | - | - | - | - | 0.0% |
| | America West | 228,452 | 244,176 | 279,965 | 298,126 | 193,185 | - | - | - | - | - | 0.0% |
| | Ryan Int'l | - | - | - | 32,607 | 7,768 | - | - | - | - | - | 0.0% |
| | American Trans Air | 217,689 | 238,073 | 207,414 | - | - | - | - | - | - | - | 0.0% |
| | Other | 698,577 | 676,466 | 739,219 | 554,695 | 397,734 | 475,020 | 318,385 | 350,309 | 310,052 | 101,023 | 0.6% |
| | | 16,102,194 | 17,597,639 | 17,984,311 | 17,178,307 | 16,969,084 | 16,384,272 | 15,551,134 | 15,714,809 | 15,972,189 | 16,020,038 | 100.0% |

[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 Northwest/Delta. Its decrease was picked up by Northwest Airlines (NWA) and NWA-affiliated carrier, Pinnacle Airlines (formerly Express Airlines I), which commenced its operations at MSP International Airport in July 2001.

[4] Codeshare with United.

[5] Codeshare with US Airways.

[6] Codeshare with American.

[7] Continental and United began operating under a single carrier code in 2012.

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

## Enplaned Passenger Trends
## For the Years Ended December 31

| | Originating | | Connecting | | | |
|---|---|---|---|---|---|---|
| | Enplaned Passengers [1] | % of Total | Enplaned Passengers [1] | % of Total | Total | % Change From Previous Year |
| 2003 | 7,533,434 | 46.8% | 8,568,760 | 53.2% | 16,102,194 | -4.84% |
| 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% |
| 2012 | 8,667,889 | 54.1% | 7,352,149 | 45.9% | 16,020,038 | 0.30% |

**Average Annual Compound Growth**

| | | | |
|---|---|---|---|
| 2003 - 2012 | 1.41% | -1.52% | -0.05% |

[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 2012 Results

| 2012 Ranking | Air Carrier | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2012 % of Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Federal Express | 87,380.4 | 84,255.0 | 77,531.7 | 74,311.2 | 72,391.0 | 65,700.1 | 52,480.1 | 49,154.0 | 47,830.8 | 49,923.0 | 46.4% |
| 2 | UPS | 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 | 27,746.2 | 25.9% |
| 3 | Northwest/Delta | 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 | 22,784.5 | 21.2% |
| 4 | DHL | 6,117.7 | 4,507.1 | 4,161.6 | 7,654.9 | 5,668.8 | 4,057.3 | 17.6 | - | 1,196.4 | 1,943.9 | 1.8% |
| 5 | Sun Country | 465.6 | 415.4 | 2,199.6 | 2,372.9 | 2,402.8 | 1,721.7 | 946.5 | 425.2 | 531.7 | 1,167.0 | 1.1% |
| 6 | US Airways | 781.1 | 418.7 | 108.1 | 108.1 | 242.5 | 1,127.5 | 1,114.7 | 1,410.5 | 1,433.5 | 1,039.0 | 1.0% |
| 7 | United | 1,198.0 | 1,282.2 | 1,209.1 | 571.5 | 173.8 | 459.1 | 877.2 | 972.3 | 741.9 | 975.6 | 0.9% |
| 8 | Mountain Air Cargo | - | - | - | - | - | - | - | - | 679.4 | 643.6 | 0.6% |
| 9 | Southwest | - | - | - | - | - | - | 204.9 | 350.1 | 489.7 | 420.2 | 0.4% |
| 10 | Continental | 469.6 | 662.0 | 373.4 | 431.0 | 346.4 | 519.4 | 289.7 | 131.2 | 100.6 | 283.3 | 0.3% |
| 11 | Airborne | 7,168.2 | 6,810.0 | 4,915.5 | 114.8 | 857.1 | 1,853.2 | 506.6 | 1,949.0 | 785.2 | 81.5 | 0.1% |
| 12 | Frontier | - | - | - | - | - | - | - | 114.4 | 92.0 | 53.9 | 0.1% |
| 13 | Alaska Airlines | - | - | - | - | - | - | - | - | 41.5 | 43.6 | 0.0% |
| 14 | American | 997.6 | 1,543.9 | 934.9 | 985.1 | 946.3 | 1,052.4 | 440.2 | 210.0 | 175.2 | 1.0 | 0.0% |
| | 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 | - | 0.0% |
| | Mesaba | - | - | - | - | - | 422.4 | 661.7 | - | - | - | 0.0% |
| | Kitty Hawk/AIA* | 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 [1] | 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% |
| | Other | 5,956.0 | 1,413.2 | 1,499.0 | 640.0 | 310.0 | 725.1 | 419.5 | 54.7 | 126.2 | 211.6 | 0.2% |
| | | 174,582.2 | 161,968.6 | 158,617.4 | 148,511.3 | 141,182.3 | 126,686.8 | 102,746.5 | 111,932.7 | 112,527.0 | 107,317.9 | 100.0% |

[1] New name: UPS Supply Chain Solutions.

* American International Airways

Source: Minneapolis/St. Paul Metropolitan Airports Commission

## Enplaned Cargo Trends
## For the Years Ended December 31

(Freight and mail in thousands of tons)

| Air Carrier | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Average Annual Growth Compound |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Passenger | 35.8 | 25.4 | 28.0 | 25.9 | 25.1 | 24.2 | 19.0 | 21.9 | 24.6 | 26.9 | -2.8% |
| All Cargo | 138.8 | 136.6 | 130.6 | 122.6 | 116.1 | 102.5 | 83.7 | 90.0 | 87.9 | 80.4 | -5.3% |
| Total | 174.6 | 162.0 | 158.6 | 148.5 | 141.2 | 126.7 | 102.7 | 111.9 | 112.5 | 107.3 | -4.7% |

AAG - Average annual compound growth

Source: Minneapolis/St. Paul Metropolitan Airports Commission

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

| | Passenger Carriers | | All Cargo Carriers | | |
|---|---|---|---|---|---|
| | Tons | % of Total | Tons | % of Total | Total Cargo |
| 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 |
| 2012 | 26,876 | 25.0% | 80,442 | 75.0% | 107,318 |

**Average Annual Compound Growth**

| | | | |
|---|---|---|---|
| 2003 - 2012 | -2.81% | -5.31% | -4.75% |

Source: Minneapolis/St. Paul Metropolitan Airports Commission

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

| | Freight/Express | | Mail | | |
|---|---|---|---|---|---|
| | Tons | % of Total | Tons | % of Total | Total Cargo |
| 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 |
| 2012 | 97,220 | 90.6% | 10,098 | 9.4% | 107,318 |

**Average Annual Compound Growth**

| | | | |
|---|---|---|---|
| 2003 - 2012 | -4.47% | -7.04% | -4.75% |

Source: Minneapolis/St. Paul Metropolitan Airports Commission

## Revenue Bond Debt Service Coverage - Rate Covenant for Senior Debt
### For the Years Ended December 31
### (Dollars in thousands)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues per Master Trust Indenture | $ 207,057 | $ 239,397 | $ 273,303 | $ 275,650 | $ 294,220 | $ 293,076 | $ 289,925 | $ 296,121 | $ 295,922 | $ 281,288 |
| Expenses | | | | | | | | | | |
| Operating expenses | 176,240 | 185,069 | 206,791 | 223,063 | 239,971 | 244,330 | 246,493 | 252,944 | 255,287 | 256,793 |
| Less: Depreciation expense | (79,399) | (83,273) | (93,566) | (111,429) | (115,329) | (117,595) | (123,060) | (121,555) | (118,985) | (120,201) |
| Amount paid from non-revenue sources | (13,000) | - | - | - | - | - | - | - | - | - |
| Total operating expenses, excluding depreciation expense | 83,841 | 101,796 | 113,225 | 111,634 | 124,642 | 126,735 | 123,433 | 131,389 | 136,302 | 136,592 |
| Net Revenues | 123,216 | 137,601 | 160,078 | 164,016 | 169,578 | 166,341 | 166,492 | 164,732 | 159,620 | 144,696 |
| Annual debt service - Senior Airport Revenue Bonds | (56,364) | (54,851) | (50,384) | (48,212) | (46,685) | (46,321) | (45,887) | (44,540) | (41,525) | (43,436) |
| Annual debt service - General Obligation Revenue Bonds | (33,901) | (33,211) | (31,899) | (32,165) | (32,276) | (32,542) | (32,797) | (29,532) | (29,843) | (3,414) |
| 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) | (40,970) |
| Must not be less than zero | 31,047 | 33,903 | 68,327 | 66,187 | 74,318 | 57,143 | 55,452 | 59,542 | 45,967 | 56,876 |
| Requirement Section | | | | | | | | | | |
| Net revenues | 123,216 | 137,601 | 160,078 | 164,016 | 169,578 | 166,341 | 166,492 | 164,732 | 159,620 | 144,696 |
| Transfer - Coverage Fund [2] | 14,091 | 13,713 | 12,596 | 12,053 | 11,671 | 11,580 | 11,472 | 11,579 | 10,381 | 10,859 |
| Total available | 137,307 | 151,314 | 172,674 | 176,069 | 181,249 | 177,921 | 177,964 | 176,311 | 170,001 | 155,555 |
| Senior Debt Service times 125% [3] | (70,455) | (68,564) | (62,980) | (60,265) | (58,356) | (57,901) | (57,359) | (57,896) | (51,906) | (54,295) |
| Must not be less than zero | 66,852 | 82,750 | 109,694 | 115,804 | 122,893 | 120,020 | 120,605 | 118,415 | 118,095 | 101,260 |
| **Pro Forma Coverage on Senior Lien Debt** | | | | | | | | | | |
| Net revenues | 123,216 | 137,601 | 160,078 | 164,016 | 169,578 | 166,341 | 166,492 | 164,732 | 159,620 | 144,696 |
| Transfer - Coverage Fund [2] | 14,091 | 13,713 | 12,596 | 12,053 | 11,671 | 11,580 | 11,472 | 11,579 | 10,381 | 10,859 |
| Total available | 137,307 | 151,314 | 172,674 | 176,069 | 181,249 | 177,921 | 177,964 | 176,311 | 170,001 | 155,555 |
| Annual debt service - Senior Airport Revenue Bonds | (56,364) | (54,851) | (50,384) | (48,212) | (46,685) | (46,321) | (45,887) | (44,540) | (41,525) | (43,436) |
| Annual debt service - General Obligation Revenue Bonds | (33,901) | (33,211) | (31,899) | (32,165) | (32,276) | (32,542) | (32,797) | (29,532) | (29,843) | (3,414) |
| Total Debt Service - Senior Lien Debt | (90,265) | (88,062) | (82,283) | (80,377) | (78,961) | (78,863) | (78,684) | (74,072) | (71,368) | (46,850) |
| Coverage with Transfer | 152% | 172% | 210% | 219% | 230% | 226% | 226% | 238% | 238% | 332% |
| Coverage without Transfer | 137% | 156% | 195% | 204% | 215% | 211% | 212% | 222% | 224% | 309% |

[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

## Revenue Bond Debt Service Coverage - Rate Covenant for Subordinate Lien Debt

### For the Years Ended December 31
### (Dollars in thousands)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues per Master Trust Indenture | $ 207,057 | $ 239,397 | $ 273,303 | $ 275,650 | $ 294,220 | $ 293,076 | $ 289,925 | $ 296,121 | $ 295,922 | $ 281,288 |
| Expenses | | | | | | | | | | |
| Operating expenses | 176,240 | 185,069 | 206,791 | 223,063 | 239,971 | 244,330 | 246,493 | 252,944 | 255,287 | 256,793 |
| Less: Depreciation expense | (79,399) | (83,273) | (93,566) | (111,429) | (115,329) | (117,595) | (123,060) | (121,555) | (118,985) | (120,201) |
| Amount paid from non-revenue sources | (13,000) | - | - | - | - | - | - | - | - | - |
| Total operating expenses, excluding depreciation expense | 83,841 | 101,796 | 113,225 | 111,634 | 124,642 | 126,735 | 123,433 | 131,389 | 136,302 | 136,592 |
| Annual debt service - Senior Airport Revenue Bonds | 56,364 | 54,851 | 50,384 | 48,212 | 46,685 | 46,321 | 45,887 | 44,540 | 41,525 | 43,436 |
| Annual debt service - General Obligation Revenue Bonds | 33,901 | 33,211 | 31,899 | 32,165 | 32,276 | 32,542 | 32,797 | 29,532 | 29,843 | 3,414 |
| Subordinate revenues | 32,951 | 49,539 | 77,795 | 83,639 | 90,617 | 87,478 | 87,808 | 90,660 | 88,252 | 97,846 |
| Principal and interest on Subordinate Bonds | (1,904) | (15,636) | (9,468) | (17,452) | (16,299) | (30,335) | (32,356) | (31,118) | (35,393) | (40,970) |
| Must not be less than zero | $ 31,047 | $ 33,903 | $ 68,327 | $ 66,187 | $ 74,318 | $ 57,143 | $ 55,452 | $ 59,542 | $ 52,859 | $ 56,876 |
| **Requirement Section** | | | | | | | | | | |
| Subordinate revenues | $ 32,951 | $ 49,539 | $ 77,795 | $ 83,639 | $ 90,617 | $ 87,478 | $ 87,808 | $ 90,660 | $ 88,252 | $ 97,846 |
| Transfers [1] | 190 | 1,564 | 947 | 1,745 | 1,630 | 3,034 | 3,236 | 3,112 | 4,229 | 4,097 |
| Total available | 33,141 | 51,103 | 78,742 | 85,384 | 92,247 | 90,512 | 91,044 | 93,772 | 92,481 | 101,943 |
| 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) | (45,583) |
| Must not be less than zero | $ 26,442 | $ 49,113 | $ 61,651 | $ 75,085 | $ 63,008 | $ 67,769 | $ 57,690 | $ 61,414 | $ 57,088 | $ 56,360 |
| **Pro Forma Coverage on Subordinate Lien Debt** | | | | | | | | | | |
| Subordinate revenues | $ 32,951 | $ 49,539 | $ 77,795 | $ 83,639 | $ 90,617 | $ 87,478 | $ 87,808 | $ 90,660 | $ 88,252 | $ 97,846 |
| Principal and interest in Subordinate Bonds [2] | 1,809 | 15,537 | 9,363 | 26,581 | 20,675 | 30,322 | 29,416 | 30,887 | 32,175 | 41,439 |
| Coverage without Transfer | 1822% | 319% | 831% | 315% | 438% | 289% | 299% | 294% | 274% | 236% |
| **Pro Forma Coverage on Senior and Subordinate Lien Debt** | | | | | | | | | | |
| Net Revenues | 123,216 | 137,601 | 160,078 | 164,016 | 169,578 | 166,341 | 166,492 | 164,732 | 159,620 | 144,696 |
| Total Debt Service - Senior and Subordinate Debt | 92,074 | 103,599 | 91,646 | 106,958 | 99,636 | 109,185 | 108,100 | 104,959 | 103,543 | 88,289 |
| Coverage without Transfer | 134% | 133% | 175% | 153% | 170% | 152% | 154% | 157% | 154% | 164% |

[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

## Operating Ratio[1]
### For the Years Ended December 31
### (Dollars in Thousands)

| | Operating Expenses [2] | Operating Revenues | Operating Ratio |
|---|---|---|---|
| 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% |
| 2012 | 136,592 | 266,417 | 51% |

[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

## Debt per Enplaned Passenger
### For the Years Ended December 31

| | General Airport Revenue Bonds Outstanding | General Obligation Revenue Bonds Outstanding | Notes Payable Outstanding | Other Debt | Subtotal | Enplaned Passengers | Debt per Enplaned Passenger |
|---|---|---|---|---|---|---|---|
| 2003 | $1,339,695,000 | $ 344,130,000 | $ 68,575,000 | $ 67,826,000 | $1,820,226,000 | 16,102,194 | $ 113.04 |
| 2004 | 1,430,105,000 | 330,970,000 | 106,945,000 | 101,176,000 | 1,969,196,000 | 17,597,639 | 111.90 |
| 2005 | 1,665,105,000 | 317,150,000 | 51,077,000 | 45,987,000 | 2,079,319,000 | 17,984,311 | 115.62 |
| 2006 | 1,641,200,000 | 303,340,000 | 50,374,000 | 45,887,000 | 2,040,801,000 | 17,178,307 | 118.80 |
| 2007 | 1,613,950,000 | 290,155,000 | 49,750,000 | 45,887,000 | 1,999,742,000 | 16,969,084 | 117.85 |
| 2008 | 1,481,040,000 | 275,990,000 | 39,726,000 | 33,887,000 | 1,830,643,000 | 16,384,272 | 111.73 |
| 2009 | 1,438,895,000 | 260,905,000 | 6,337,000 | 30,587,000 | 1,736,724,000 | 15,551,134 | 111.68 |
| 2010 | 1,535,895,000 | 241,225,000 | 6,885,000 | - | 1,784,005,000 | 15,714,809 | 113.52 |
| 2011 | 1,510,960,000 | 12,205,000 | 6,792,000 | - | 1,529,957,000 | 15,972,189 | 95.79 |
| 2012 | 1,502,675,000 | 9,240,000 | 6,668,000 | 11,300,000 | 1,529,883,000 | 16,020,038 | 95.50 |

Source: Minneapolis/St. Paul Metropolitan Airports Commission

## Population
## For the Years Ended December 31
## (In thousands)

| | Minnesota | MSA [1] | % of Total |
|---|---|---|---|
| 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 | |
| 2012 | 5,379 | 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 |
|---|---|---|---|
| 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% |
| 2012 | 7.8% | 5.5% | 5.1% |

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

## Personal Income
## For the Years Ended December 31

| | (In millions of dollars) Minnesota | MSA [1] | % of Total |
|---|---|---|---|
| 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 | 152,789 | 67% |
| 2011 | 238,768 | 161,468 | 68% |
| 2012 | 248,047 | 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] |
|---|---|---|
| 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 | 46,498 |
| 2011 | 44,560 | 48,657 |
| 2012 | 46,227 | 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

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

| Company | 2012 Employees | Rank | % of Total Employment | 2002 [1] 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 | 274,188 | | | 285,209 | | |
| Total Nonfarm Employment | 2,656,421 | | | 2,689,351 | | |

[1] 2003 Employer data is not available.

Sources:

Minnesota Business Journal Book of Lists

Minnesota Department of Employment and Economic Development

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

| | Minnesota | MSA [1] |
|---|---|---|
| Education and Health Services | 24.9% | 16.2% |
| Trade, Transportation and Utilities | 19.5% | 18.3% |
| Manufacturing | 11.4% | 10.2% |
| Professional and Business Services | 12.7% | 15.6% |
| Leisure and Hospitality | 10.0% | 8.6% |
| Financial Activities | 6.6% | 7.9% |
| Public Administration | 4.6% | 13.8% |
| Construction | 3.9% | 2.9% |
| Other Services | 3.2% | 4.3% |
| Information | 2.2% | 2.2% |
| Natural Resources and Mining | 1.0% | 0.0% |
| | 100.0% | 100.0% |

[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

## Activity Statistics
## For the Years Ended December 31

| | Total Passengers [1] | Aircraft Operations [2] | Mail and Cargo Volume (Metric Tons) |
|---|---|---|---|
| 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 |
| 2012 | 32,070,628 | 425,332 | 198,684 |

[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

## 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 |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 2012 | 184,134 | 203,684 | 11,231 | 399,049 | 93.82% | 24,903 | 1,380 | 425,332 |

[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

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

| | Passengers | Cargo | Total Landed Weight |
|---|---|---|---|
| 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 | 19,945,169 | 897,211 | 20,842,380 |
| 2012 (1) | 19,625,108 | 885,442 | 20,510,550 |

(1) In 2012, Delta's activity represented approximately 73% of the total landed weight at the Airport.

Source: Minneapolis/St. Paul Metropolitan Airports Commission

## Employee Counts [1]
## For the Years Ended December 31

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Minneapolis Employees Retirement Fund | 23 | 21 | 13 | 8 | 6 | 5 | 4 | 4 | 4 | 3 |
| Public Employee Retirement Association | 509 | 521 | 552 | 566 | 558 | 570 | 564 | 578 | 585 | 583 |
| Total [1] | 532 | 542 | 565 | 574 | 564 | 575 | 568 | 582 | 589 | 586 |

[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)

| | 2003 [2] | 2004 | 2005 | 2006 [3] | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total cost [1] | $ 66,741 | $ 80,053 | $ 92,818 | $ 82,242 | $ 88,454 | $ 91,908 | $ 94,003 | $ 94,768 | $ 100,961 | $ 102,789 |
| Enplaned passengers | 16,102 | 17,598 | 17,984 | 17,178 | 16,969 | 16,384 | 15,551 | 15,715 | 15,972 | 16,020 |
| Airline Cost per Enplaned Passenger | $ 4.14 | $ 4.55 | $ 5.16 | $ 4.79 | $ 5.21 | $ 5.61 | $ 6.04 | $ 6.03 | $ 6.32 | $ 6.42 |

[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.

## 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 |
|---|---|---|---|---|---|---|
| 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 |
| 2012 | 2.53 | 536.38 | 58.60 | 58.60 | 65.16 | 58.60 |

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 |
|---|---|---|---|---|---|---|
| 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 |
| 2012 | 79,238 | 88,663 | 43,986 | 79,190 | 33,319 | 34,560 |

Source: Minneapolis/St. Paul Metropolitan Airports Commission

## Air Carriers Serving MSP [A]
## As of December 31, 2012

### U.S. – FLAG CARRIERS

#### SCHEDULED SERVICES

| | | |
|---|---|---|
| AirTran * | Air Wisconsin[1] | Alaska Airlines* [2] |
| American * | Atlantic Southeast * [3] | Chautauqua * |
| Comair * [3, 4] | Continental * | Delta * [5] |
| Frontier * | Mesa * [7] | Midwest Airlines * |
| MN Airlines dba Sun Country * | Northwest * [8] | Pinnacle * [9] |
| Republic Airlines * [6] | Shuttle America [1] | Sky West * [1] |
| Southwest [14] | Transtate [15] | United * [10] |
| US Airways * [6] | Freedom [16] | |

#### 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 * |

* 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**
**Insurance Coverage**
**As of December 31, 2012**

| Insurer | Expiration | Coverage | Policy Limits (Thousands of Dollars) |
|---|---|---|---|
| ACE/USA | 1/1/13 | General aviation liability including personal injury | $ 500,000 |
| Alliant | 7/1/13 | Blanket fire and extended coverage on building and contents. Boiler and machinery | $ 1,050,000 |
| Self-Insured [1] | Continuous | Statutory workers' compensation | |
| | | Workers' Compensation Reinsurance Association | $ 470 |
| Great American | 6/1/13 | Comprehensive Crime Employee/Police Policies | $ 3,000 |
| Minnesota Risk Management Fund | 7/1/13 | 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 | 7/1/13 | Non-Aviation General Liability | MN Total Cap Limits |

[1] Funded from current operating revenues of the Commission.

## Airport Information
## As of December 31, 2012

| | Square Feet | | |
|---|---|---|---|
| | Terminal 1 (Lindbergh) | Terminal 2 (Humphrey) | Total |
| **Terminal Buildings** | | | |
| Airline | 657,466 | 127,066 | 784,532 |
| Concession | 196,403 | 17,270 | 213,673 |
| Garage | 155,119 | - | 155,119 |
| Non-Airline | 169,056 | 15,341 | 184,397 |
| Unoccupied | 40,799 | 18,887 | 59,686 |
| Circulation | 951,743 | 119,825 | 1,071,568 |
| Restrooms | 54,062 | 10,575 | 64,637 |
| MAC/Mechanical | 434,312 | 64,213 | 498,525 |
| International Arrivals | 108,213 | 40,036 | 148,249 |
| Trans Security Agency | 65,568 | 7,937 | 73,505 |
| | 2,832,741 | 421,150 | 3,253,891 |
| **Parking Facilities** | 14,341 | 9,993 | 24,334 |

| | Terminal 1 (Lindbergh) | Terminal 2 (Humphrey) | Total |
|---|---|---|---|
| **Gates (Aircraft loading positions)** | 114 | 10 | 124 |

## Airport Information
## As of December 31, 2012

**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 |
| 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.

## USER NOTES