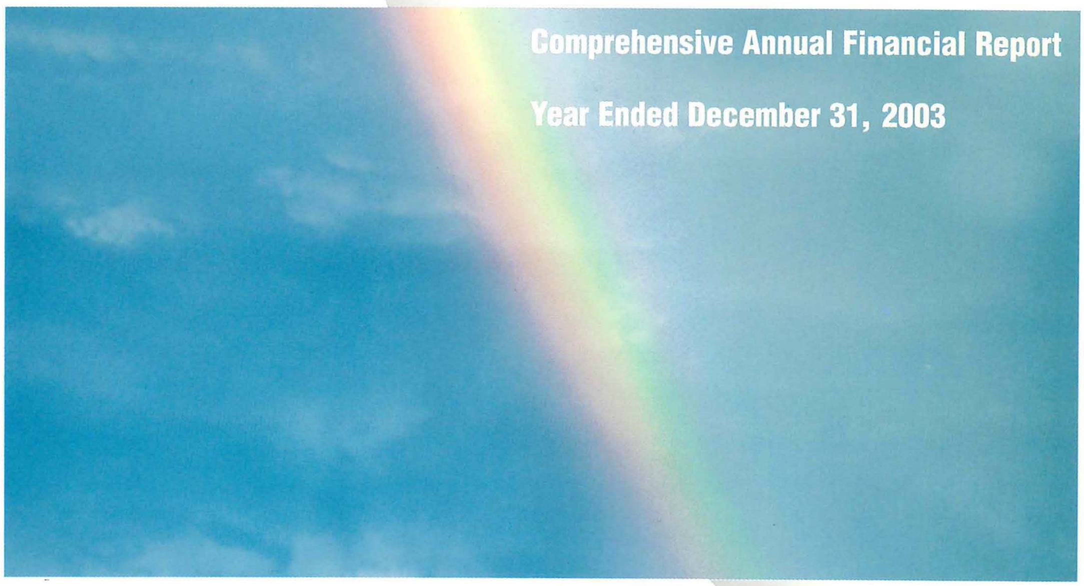
Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2003



Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2003

Prepared by

The Finance Department

Stephen L. Busch

Director of Finance

MINNEAPOLIS/ST. PAUL, MINNESOTA

METROPOLITAN AIRPORTS COMMISSION 2003

Chair:	Vicki Grunseth
Commissioners:	
District A	Tammy McGee
District B	Kari Berman
District C	Coral Houle
District D	John Williams
District E	Lonni McCauley
District F	John Lanners
District G	Tom Foley
District H	Bert McKasy
City of Minneapolis	Daniel Boivin
City of Saint Paul	Dick Long
Representing Greater Minnesota Area:	Mike Landy
	Robert Mars
	Paul Rehkamp
	Greg Warner
Executive Director:	Jeffrey Hamiel

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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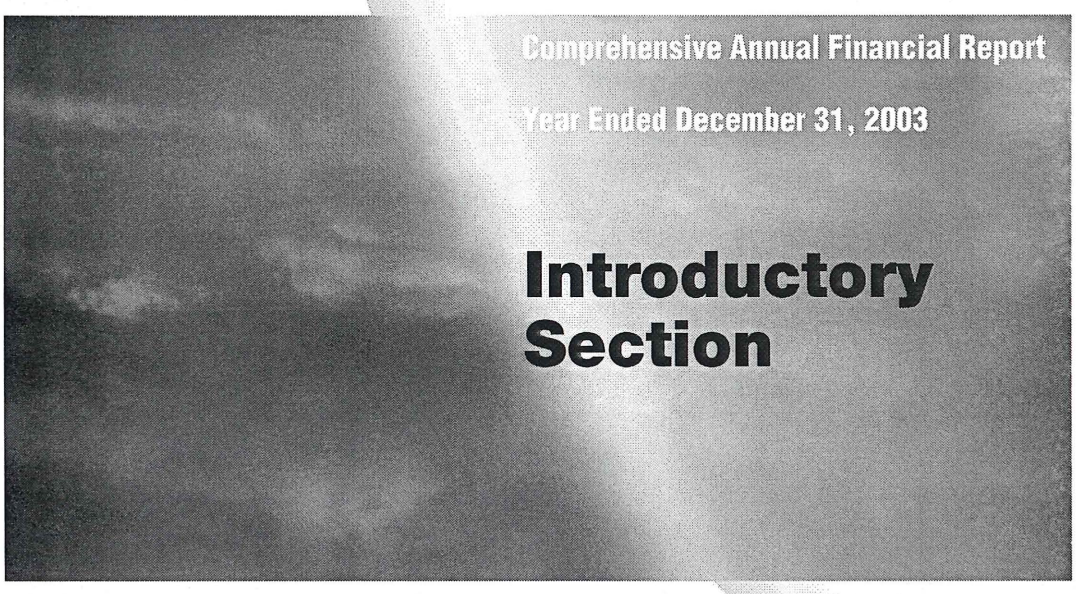
Minneapolis/St. Paul, Minnesota

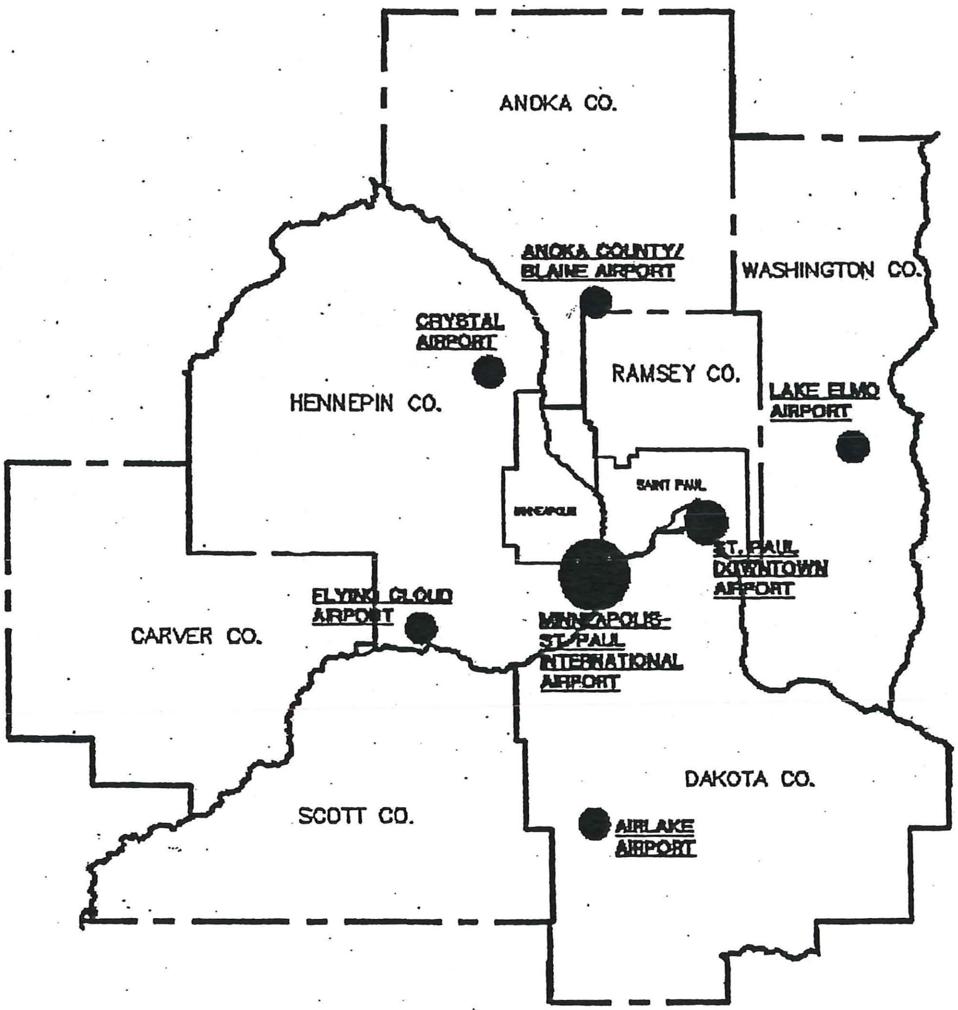
Metropolitan Airports Commission



Comprehensive Annual Financial Report

Year Ended December 31, 2003

Introductory Section



Commission Jurisdiction 35 Mile Radius

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, 2002

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

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

April 19, 2004

To The Public:

The Comprehensive Annual Financial Report of the Metropolitan Airports Commission, Minneapolis-St. Paul, Minnesota, for the fiscal year ended December 31, 2003, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Commission. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations and changes in net assets and cash flows of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections - Introductory, Financial and Statistical. The Introductory Section includes this Transmittal Letter, the Commission's organization chart, and a list of principal officials. The Financial Section begins with the Report of Independent Auditors' and is followed by Management's Discussion and Analysis (MD&A) and ending with the Minneapolis-St. Paul Metropolitan Airports Commission's (MAC) Financial Statements and the Notes to the Financial Statements. The Statistical Section includes selected financial and activity information generally presented on a multi-year basis.

The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget, Circular A-133, *Audits of States and Local Governments*. Information related to this single audit include the Schedule of Federal Financial Assistance, schedule of findings and questioned costs, and independent auditors' report on the internal control structure and compliance with applicable laws and regulations. The Commission is also required to undergo an audit on the Commission's compliance with the regulations issued by the Federal Aviation Administration of the U.S. Department of Transportation to implement Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990 in relation to Passenger Facility Charge revenues and expenses. These reports are issued separately.

The MAC 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 potentialities 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, to promote the overall goals of the state's environmental policies and to minimize the public's exposure to noise and safety hazards around airports.

MAC jurisdiction is throughout the Minneapolis-St. Paul Metropolitan Area radiating 35 miles from the Minneapolis and St. Paul city halls, and including Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties.

The Commission owns and operates seven airports in the Metropolitan Area including Minneapolis-St. Paul International Airport (MSP) serving as the primary air carrier facility and the following Reliever Airports serving general aviation:

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

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

MSP maintains three air-transport-type runways of concrete and bituminous concrete construction, including two northwest-southeast runways and a northeast-southwest runway. The runways provide operational facilities to cover varying wind conditions and are connected by a system of taxiways and aprons. In addition, the runways are equipped with high intensity runway lighting and instrument landing systems which permit continuous operation under almost all weather conditions. The northerly northwest-southeast runway is 8,200 feet long and 150 feet wide. The parallel northwest-southeast runway is 10,000 feet long and 200 feet wide. The northeast-southwest runway, which is provided to cover other wind conditions, is 11,000 feet long and 150 feet wide. The runways, in the opinion of the Commission engineers, have sufficient capacity and are of sufficient strength to permit the operation of the largest existing commercial aircraft. The boundaries of the airport provide sufficient clear area for runway approaches to meet the requirements of the FAA. As part of the 2010 Plan, the Commission is constructing a new 8,000 foot long north/south runway known as runway 17/35. Runway 17/35 is being constructed in order to meet future growth in passenger and aircraft activity at MSP and is scheduled to be completed in November 2005.

The airport complex at MSP consists of the Lindbergh Terminal building, the Hubert H. Humphrey Terminal (Humphrey Terminal), an underground parking garage, parking structures and access roads. The Lindbergh Terminal building was opened for operation in 1962. Major renovations have occurred since then.

Parking facilities located at the airport provide approximately 17,196 public automobile parking spaces. The on-airport parking options include short-term and long-term parking located at the Lindbergh Terminal, and short-term and long-term parking at a parking ramp located adjacent to the Humphrey Terminal. After the events of September 11, 2001, the FAA instituted a number of security measures for U.S. airports, including, but not limited to, restricting the parking of vehicles under or within 300 feet of the terminals. After initially losing some of its parking spaces because of these FAA restrictions, during 2002, the MAC received clearance from the FAA to put back into service all of the previously restricted parking spaces. Additionally, in the event the Department of Homeland Security raises the national threat level to “Level Red”, the Commission will be required to perform searches on all vehicles entering the parking ramp located adjacent to the Humphrey Terminal and the valet garage located beneath the Lindbergh Terminal.

The Lindbergh Terminal building at MSP is a three-story structure consisting of approximately 2.6 million square feet of space, of which approximately 1.3 million are considered rentable. The Lindbergh Terminal consists of one terminal consisting of 117 aircraft loading positions. These aircraft loading positions consist of passenger loading bridges and immediately adjacent ramp areas that are utilized by regional airline aircraft that do not utilize the passenger loading bridges.

The Humphrey Terminal is a two-story structure consisting of approximately 389,000 square feet of space, providing 9 gates. Four of the nine gates consist of international arrival facility gates. The Humphrey Terminal was opened May 2, 2001. The Humphrey Terminal replaced a one-story structure consisting of approximately 87,000 square feet.

The MAC may, under the Airport Law (Minn. Stat. §473.667), borrow money and issue General Obligation Bonds for the purpose of acquiring property, constructing and equipping new airports, acquiring and equipping existing airports and making capital improvements to any airport constructed or acquired by the Commission. The MAC may also issue under the Airport Law (Minn. Stat. §473.608) Airport Revenue Bonds. The Airport Revenue Bonds are not general obligations, but are limited obligations of the MAC payable solely from and secured by a pledge of net revenues on parity with the General Obligation Revenue Bonds. Other powers delegated to the Commission include power to levy taxes against property of the Metropolitan Area in order to pay debt service on bonds issued by the Commission. In addition, the Commission can levy taxes, not in excess of .00806 percent in each year, upon the valuation of all taxable property in the Metropolitan Area to meet operation and maintenance costs of airport facilities. The Commission is governed by fifteen Commissioners. Eight Commissioners are appointed by the Governor of the State of Minnesota from designated districts within the Metropolitan Area. The mayors of St. Paul and Minneapolis also have seats on the Commission with the option to appoint a surrogate to serve in their place. The Governor also appoints four Commissioners representing the Greater Minnesota Area (i.e. outside the Metropolitan Area). The Chairperson of the Commission is appointed by the Governor and may be from anywhere in the state. Only the Chairperson can be removed before their term expires. In applying Governmental Accounting Standards Board (GASB) 14, the MAC and the State of Minnesota have agreed that the MAC is not financially accountable to any other organization and is considered a stand-alone government unit.

MAC provides a variety of services at each of its airports. At MSP, MAC 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.

The Metropolitan Airports Commission completed its first Strategic Plan over six years ago. In subsequent years, the MAC has utilized its strategic goals to drive department and individual performance plans throughout the organization.

In 2003, the organization focused on two primary goals as the aviation and airport industry continued to recover from the events of 9/11 and the recent economic slump. The chart below depicts MAC's organizational goals with results accomplished for each goal. This progress report was prepared by obtaining input from senior staff and their work areas.

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2003 Strategic Goals

1. **Provide a Safe and Secure Airport System**
2. **Maintain the Economic Viability of the Airport System**

Given the nation's aviation security concerns and the industry's overwhelming financial challenges, it was important to direct MAC's resources towards the most vital and demanding issues. However, customer service, air service competition and environmental stewardship programs continued on a more limited basis.

2003 Strategic Plan Results

✓ Goal	✓ Objective	Results
Provide a Safe and Secure Airport System	Meet security mandates	✈ Memorandum of Agreement signed with Transportation Security Administration (TSA) to obtain reimbursement for 6 law enforcement officers at the Lindbergh and Humphrey Terminal checkpoints, providing a combined total of 48 hours of coverage per day. The Memorandum of Agreement is renewable though September 30, 2007. ✈ Twenty-two temporary airport police officers continue to provide checkpoint coverage and mandatory law enforcement presence at the gate for flights departing to Reagan International Airport.
	Develop coordinated response plans to security events	✈ Mutual Aid Agreements signed with Hennepin and Dakota Counties. ✈ Bomb Incident Prevention Plan submitted to TSA in April. ✈ Bloomington Police Department bomb squad response agreement renewed for an additional 5 years. ✈ Memorandum of Procedures for Threat Containment Unit submitted to TSA. ✈ Airport Security Program rewritten and submitted to TSA in September. ✈ Plan developed to use several MAC departments during heightened security events. ✈ Airport Emergency Plan for terminal evacuation developed and disseminated December 30, 2003. ✈ Airport Police Department representation on the FBI Joint Terrorism Task Force to better disseminate critical information from federal officials.
	Ensure existence of appropriate facility and infrastructure	✈ Commission approval for purchase of 800 MHz radios for Public Safety in 2004. Recommended that other MAC departments be converted to the system in 2005. ✈ Perimeter fencing and field gates reviewed. Plan developed to remove approximately 40 field gates and bring the entire perimeter up to MAC standards in 2004. ✈ Harden security along the front of the Lindbergh and Humphrey Terminals and create plan to harden security at the fuel farm facilities. ✈ SIDA Incursion Program test site developed that includes several cameras, lighting at locations, and microwave alarm technology. ✈ Biometrics reader test site installed adjacent to Checkpoint 2. ✈ Card readers have been installed on the rear loading dock elevators. ✈ Letter of Intent (LOI) submitted to TSA for (Explosive Detection Systems (EDS) installation.

✓ Goal	✓ Objective	Results
Maintain the Economic Viability of the Airport System	Maintain sufficient liquidity to meet operating and debt service requirements.	✈ Projected non-airline revenue for 2003 is $103,320,000. Results are $732,000 above the target of $102,588,000. ✈ Projected operating expense, excluding depreciation, is $94,050,000. Results exceed the target of $91,930,954 by $2.1M. ✈ The projected coverage ratio is 1.52. This exceeds the target of 1.4. ✈ A four-month reserve was maintained in the Operating Fund. ✈ The RFP for the new concessions program was issued. ✈ New parking rates were approved that will generate an additional $3.1M on an annual basis. ✈ Expense reductions totaling $986,244 were identified. ✈ Continued work between Legal, Commercial Management and Airline Affairs and Finance Departments on tenant collection matters and bankruptcy issues.
	Maintain a competitive airline cost structure.	✈ Total Airline Rates & Charges are $13.0M below the target as a result of the one-time credit to the airlines. ✈ The Airline Cost Per Enplanement is in the lower 1/2 of large hub airports.
	Continue implementation of the 2010 Plan within the limits of available funding.	✈ Awarded 51 contracts at a value of $51.6 million. ✈ Received $33.2 million in Federal aid for projects at MSP. ✈ Received $1.2 million in Federal aid for projects at the reliever airports. ✈ Received $1.6 million of State aid. ✈ Received a $1.0 million commitment from the City of St. Paul toward the cost of the dike at St. Paul Downtown Airport.
	Ensure public input into the budgeting process.	✈ A Budget Policy was adopted that required a 90-day public review and input process. This requirement was met.

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The 2004 Strategic Plan provided here was approved by the Commission in January 2004. For the past two years, MAC's strategic plan has remained constant with a focus on top priorities as the aviation and airport industry recover from the events of 9/11 and the recent economic downturn. The rapid pace and increasingly complex issues of this industry continue to demand high performance from the organization and its workforce.

The information listed here outlines the organization's two primary goals and the objectives that continue to be worked on to achieve these goals.

2004 Strategic Goals

1. **Provide a Safe and Secure Airport System**
2. **Maintain the Economic Viability of the Airport System**

✓ Goal	✓ Objective	✓ Activities	Outcomes
Provide a Safe and Secure Airport System	Institute necessary security measures as identified nationally and locally	Develop response plan to "US Visit" (Visitor Immigrant Status Indicator Technology) program.	• Agreement in place with TSA for implementation. • Written plan in place. • Required capital projects defined and executed.
		Implement long term EDS installation plan.	• EDS installation underway.
		Create cargo security program in concert with airlines and TSA guidance.	• Program identified and implementation plan in place.
		Test and implement as applicable new security technology to include biometric identification opportunities.	• Development of Plan for incorporation of TSA approved technologies.
		Deploy and test newly created General Aviation Security Program throughout the Reliever Airport System.	• Program deployed and tested at all six Reliever Airports.
	Enhance Airfield Safety Program	Expand training and evaluation of Airport Emergency Plan (AEP) to include focused tabletops.	• Table top exercises conducted for all critical AEP response elements.
		Expand runway incursion prevention training program.	• Ensure new ordinance is effectively promulgated. • Study potential for licensing phase to move forward and create licensing plan.
		Create emergency evacuation plan for Communication Department.	• Emergency evacuation/relocation plan in place and tested.

		Develop and implement 800 mHz communication plan for public safety departments. Create plan for the rest of the organization (i.e. field maintenance etc).	• Implementation plan in place and public safety radio transition accomplished. • Phase II 800 MHz plan developed.
		Create Airport Operations Center (AOC) plan for consolidating 24 hour operations.	• AOC plan in place.
Maintain the Economic Viability of the Airport System	Maintain sufficient liquidity to meet operating and debt service requirements.	Manage non-airline revenue so it is equal to or greater than the target of $111,620,253.	• Actual revenue meets or exceeds the budget target. • A four-month reserve is maintained in the Operating Fund. • Additional revenue opportunities are identified.
		Manage operating expenses, excluding depreciation, so they are at or below the target of $97,241,425.	• Actual expenses, excluding depreciation, do not exceed the budget target. • A four-month reserve is maintained in the Operating Fund.
		Maintain a coverage ratio of 1.4.	• AA- Bond Rating is maintained.
		Secure funding for airport safety, security and other capital improvement projects.	• Funding is identified, with an emphasis on external sources.
		Implement new concession contracts awards resulting from the concession RFP process.	• Increased concessions sales and revenue to MAC on an enplaned passenger basis.
		Implement revised reliever airport rates and charges structure.	• Reduce deficit for the entire reliever airport system.
	Maintain a competitive airline cost structure.	Hold airline costs at $71,577,878.	• MAC's airline cost/enplanement is within the lower 1/2 of large hub airports in the United States.
	Continue implementation of the 2010 Plan within the limits of available funding.	Determine available funding.	• A plan is in place by April 2004 to fund prioritized projects during 2004. • A plan is in place by July 2004 to fund prioritized projects in 2005.
		Develop 2006 - 2011 CIP.	• Plan is in place by December 31. • Reporting requirements are met.

CAPITAL PROJECTS

Each year the Commission approves capital projects that are planned to start within the next 12 months and a Capital Improvement Program that covers all projects which are to be started during the second calendar year. In addition, a Capital Improvement Plan which covers an additional five years is adopted. These serve as a basis for determining funding requirements and other operational planning decisions. Certain projects which have metropolitan significance are also submitted to the Metropolitan Council for review and approval.

As a result of the deteriorating financial condition of the aviation industry, the MAC undertook a comprehensive evaluation of its capital improvement program. As a result of this evaluation, the MAC determined to defer, subject to future review, and reduce in scope approximately $177 million of capital projects from its 2003 capital improvement plan.

Funds required for the completion of all capital projects come from five sources: a) General Obligation Revenue Bonds, b) Airport Revenue Bonds, c) state or federal grants, d) internally generated funds from operations, and e) Passenger Facility Charges (PFCs).

On June 1, 1992 the Commission received FAA approval to begin collecting PFCs at MSP. In its first PFC application, the Commission received approval for a $3.00 PFC on each enplaning passenger to finance projects at the MSP totaling approximately $92,714,000. PFCs for the first PFC application were fully collected on August 1, 1994. Included among the projects in the first PFC application is the automated people mover system which was constructed as part of the auto rental/public parking facility.

On August 1, 1994, the Commission received approval to collect a $3.00 PFC on each enplaning passenger pursuant to a second PFC application to finance certain projects at MSP totaling $140,779,000. The second PFC application was fully funded in April 1999. Included among the projects in the second PFC application is approximately $73 million to be utilized for noise mitigation projects, primarily the Part 150 Home Insulation Program.

During 1995, the Commission received approval to collect a $3.00 PFC on each enplaning passenger pursuant to a third PFC application to finance certain projects at MSP totaling $36,377,000. The third PFC application was fully funded in 1997.

In December 1998, the Commission received approval to collect a $3.00 PFC on each enplaning passenger pursuant to a fourth PFC application to finance certain projects at MSP totaling $55,472,000. The fourth PFC application was fully funded in 2000.

In January 2000, the Commission received approval to collect a $3.00 PFC on each enplaning passenger pursuant to a fifth PFC application to finance certain projects at MSP totaling $122,874,000. As a result of the enactment of AIR 21, the Commission amended the fifth PFC application, to raise PFC collections from $3.00 to $4.50 per enplaning passenger. Authorization to collect PFCs under the fifth PFC application began in April 2001 and was fully funded by April 2003. Included among the projects in the fifth PFC application was approximately $44,000,000 to be utilized for the replacement of the Humphrey Terminal.

The Commission has received approval for a sixth PFC application in late 2002 to collect a $4.50 PFC on each enplaning passenger to finance certain projects at MSP totaling approximately $1,161,479,000. Among the projects to be financed by the PFCs collected under the sixth PFC application are portions of the Runway 17/35 project and the Concourse C expansion. The Commission has leveraged a portion of the anticipated receipt of such PFCs from the sixth PFC application by issuing the PFC Bonds in 2003 (Series 2003A) which will be payable from the receipt of the PFCs irrevocably committed thereto.

The Commission may issue revenue bonds to fund airports and airport navigation facilities, other capital improvements at airports managed by the Commission, noise abatement and natural resource protection measures, transportation and parking improvements related to airports and to refund any outstanding obligations of the Commission. These bonds will be secured with available revenue in accordance with generally accepted public finance practices under a resolution of the Commission or trust indenture for the bonds. They will not be secured by the full faith and credit of the Commission or a pledge of the taxing authority of the Commission.

Anticipated projects planned for 2004, 2005 and 2006, as well as the extended period 2007-2010, are summarized as follows. (The amounts shown represent the estimated total cost for projects planned to be initiated, but not necessarily completed during that period.)

CAPITAL IMPROVEMENT PLAN SUMMARY (CIP) ($ = 000)	**2004**	**2005**	**2006**	**2007-2010**	**Total 2004-2010**
Minneapolis/St. Paul International					
Runway Deicing/Holding Pad	$2,300	$0	$0	$0	$2,300
Runway 17/35	142,000	41,000	0	0	183,000
Runway 4/22 Development	0	4,500	0	0	4,500
Noise Mitigation	18,300	1,900	0	0	20,200
Taxiway C/D Complex Construction	0	0	30,000	0	30,000
Airfield Rehabilitation	4,600	7,100	10,900	2,500	25,100
Runway Rehabilitation	0	0	20,000	15,000	35,000
Environmental Remediation	0	0	0	0	0
Public Parking/Auto Rental Expansion	0	0	0	0	0
Green Concourse Extension	0	0	0	0	0
Concourse Expansion & Rehabilitation	0	0	0	0	0
Lindbergh Terminal Rehabilitation & Development	30,700	3,000	2,800	0	36,500
Humphrey Terminal Development	0	0	2,000	0	2,000
Landside Rehabilitation & Repair	4,150	13,100	2,850	11,400	31,500
Miscellaneous Field & Runway	900	900	900	1,600	4,300
Miscellaneous Landside	19,000	10,600	48,560	7,440	85,600
New Projects	81,150	26,100	20,000	88,000	215,250
Total Minneapolis/St.Paul International	303,100	108,200	138,010	125,940	675,250
Reliever Airports					
Reliever Airports	3,755	36,930	20,660	24,300	85,645
Reliever Airports Utility Extension	200	6,350	0	0	6,550
Total Reliever Airports	3,955	43,280	20,660	24,300	92,195
Total All Facilities	$307,055	$151,480	$158,670	$150,240	$767,445

CASH MANAGEMENT

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 restricted to various United States government securities, certificates of deposits, commercial paper and repurchase agreements. All securities must mature within three years from the date of purchase.

In addition to the legal requirements, the MAC has an investment policy to further enhance the safety of its investments. In accordance with this policy, securities are safekept at one institution and purchases can be made only from broker/dealers located in the State of Minnesota. To ensure competitive prices on all purchases, the policy requires bids to be taken from several different broker/dealers. State statutes and Commission policies permit the Commission to use its investments to enter into securities lending transactions–loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Commission's securities custodian serves as an agent in lending the Commission's securities for cash collateral of 100 percent plus accrued interest. Contracts with the lending agents require them to indemnify the Commission if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Commission for income distributions by the securities' issuers while the securities are on loan. (Also see Note B.)

The Governmental Accounting Standards Board requires disclosure of types of investments and safekeeping arrangement in the notes to the financial statements. Custodial agreements are disclosed as three levels of risk. At year-end 2003, a third party agent of the Commission was holding all of the MAC's investments.

RISK MANAGEMENT

The MAC Risk Department is responsible for administrating the purchase and maintenance of all insurance coverages and related programs. Coverages included are: Airport Liability, including automobile and equipment; Property; Health and Dental; Workers' Compensation; and other miscellaneous coverages.

The Risk Department coordinates claims payment, major claims management, and early intervention where needed in order to promote cost containment and overall claims handling efficiency. The MAC or its tenants, within limits and with deductibles approved by the MAC, maintain fire insurance coverage on all buildings at the airport. Contractors and lessees are required to carry certain amounts of insurance. A schedule of insurance in force at December 31, 2003, can be found in the Statistical section of this report. Loss Prevention and Wellness Committees, composed of MAC staff and airport community representatives with the Risk Department advisor, endeavor to identify exposures, make recommendations to MAC management and promote wellness and awareness among employees and all MAC facilities. Also, the Risk Department maintains open communication and positive relationships with other departments, brokers, and insurance companies to ensure good working relationships and access to competent professional advice. The Risk Department serves as an advisor to public needs, airport tenants, other MAC departments and special action committees.

INDEPENDENT AUDIT

The financial statements of the MAC are audited annually by a firm of independent certified public accountants. The audits for the years ended December 31, 2003 and 2002 were performed by Deloitte & Touche LLP. Their opinion on the financial statements is presented in this report.

In conjunction with the annual audit, Deloitte & Touche LLP perform procedures consistent with the Single Audit Act of 1996 (The Act), OMB Circular A-133 and guidelines in relation to grant award agreements between the MAC and FAA in progress during the year.

Deloitte & Touche LLP also performs procedures for the purposes of the MAC's compliance with the regulations issued by the FAA to implement Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990 in relation to PFC revenues and expenses. The reports issued are intended for the use of MAC and the FAA, and have not been included in this report.

In accordance with Minnesota State Law, the Legislative Auditor may conduct a financial audit of the MAC or allow this service to be contracted. In 2003, the financial audit has been performed by the firm Deloitte & Touche LLP. In addition, the Legislative Auditor periodically conducts a separate audit to examine the Commission's compliance with applicable laws, policies, and procedures.

Further financial information can be found in Management's Discussion and Analysis found in the Financial Section of this report.

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, 2002. For the eighteenth consecutive year, the Commission has received the prestigious award.

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 sixteenth consecutive year the GFOA Award for Distinguished Budget Presentation for its Annual Operating Budget for 2003. 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.

In 1996, the MAC was awarded the Certification of Excellence Award by the Municipal Treasurers' Association of the United States and Canada (MTA US&C) for the MAC's investment policy. The MAC met MTA US&C criteria deemed as necessary components of an investment policy.

ACKNOWLEDGMENTS

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contribution made in preparation of this report.

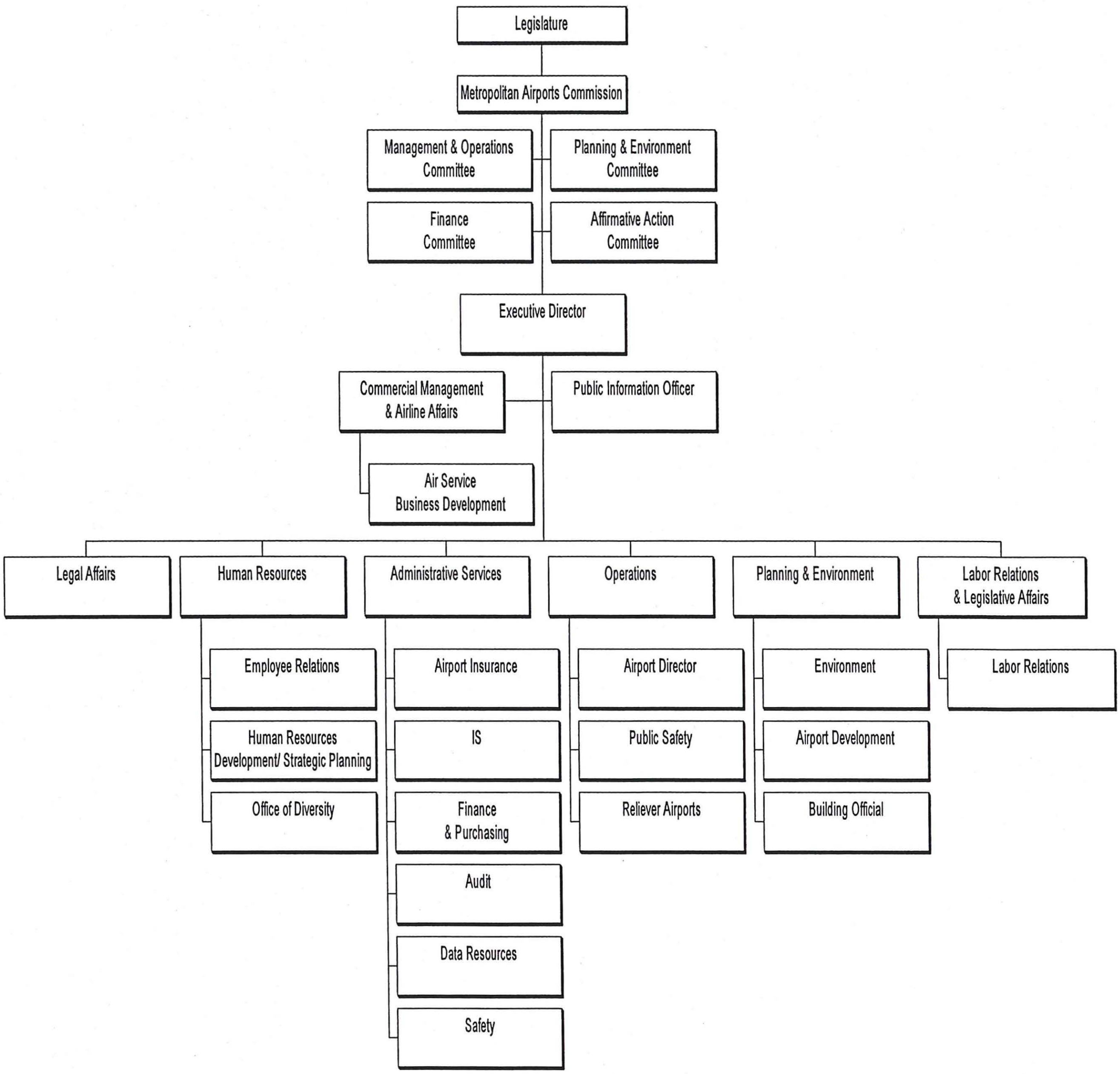
In closing, without the leadership and support of the governing body of the Metropolitan Airports Commission, preparation of this report would not have been possible.

Respectfully submitted,

Jeffrey W. Hamiel
Executive Director

Stephen L. Busch
Director of Finance

ORGANIZATION CHART



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Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2003

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INDEPENDENT AUDITORS' REPORT

Members of the Commission
Minneapolis-Saint Paul Metropolitan
Airports Commission

We have audited the accompanying balance sheets of Minneapolis-Saint Paul Metropolitan Airports Commission (the "Commission") as of December 31, 2003 and 2002 and the related statements of revenues and expenses and changes in net assets and of cash flows for the years then ended, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the management of the Commission. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such basic financial statements present fairly, in all material respects, the financial position of the Commission at December 31, 2003 and 2002 and the results of its operation and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory and statistical sections are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Commission. Such additional information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2004 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

April 6, 2004

The following discussion and analysis of the financial performance and activity of the Minneapolis-St. Paul Metropolitan Airports Commission (MAC) is to provide an introduction and understanding of the basic financial statements of the MAC for the year ended December 31, 2003 with selected comparative information for the years ended December 31, 2002 and 2001. This discussion has been prepared by management and should be read in conjunction with the 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 and Expenses and Changes in Net Assets and the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the *Government Account Standards Board* (GASB) principles. For the fiscal year ended December 31, 2001, the MAC adopted GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* (GASB 33) as amended by GASB Statement No. 36. Effective January 1, 2002, the MAC has also adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34) as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statements Note Disclosures* and has applied those statements on a retroactive basis. The objective of the GASB in developing the new reporting standards is to enhance the understandability and usefulness of the general purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies and investors and creditors.

Significant changes to the financial statements are as follows:

- With the implementation of GASB 34, the Balance Sheets report assets, liabilities and the difference between them. The entire equity section is combined to report total net assets and displayed in three broad components – invested in capital assets, net of related debt; restricted assets and unrestricted assets. The net asset component – invested in capital assets, net of related debts, consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any outstanding debt that is attributable to the acquisition, construction and improvements of those assets.

- GASB 33 requires that non-exchange transactions (such as federal grants) and exchange-like transactions (such as PFCs) be recognized as non-operating revenue. This eliminated the direct reporting of grants to the Balance Sheets. GASB 33 eliminated the net reporting of contributed capital as a separate category in the fund equity section of the Balance Sheet.

- The Statements of Revenues and Expenses and Changes in Net Assets replace the Comparative Statements of Revenues and Expenses and Changes in Retained Earnings. Revenues and expenses are now categorized as either operating or non-operating based upon definitions provided by GASB's 33 and 34. Significant recurring sources of the MAC's revenues, including PFCs, federal and state grants, are reported as non-operating revenues.

ACTIVITY HIGHLIGHTS

MSP (the airport) 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 2002, MSP was the 9th busiest airport in the United States in terms of passenger volume and 24th in terms of total cargo.

Passengers

In 2003, there was continued downward pressure on the demand for air travel nationwide, particularly in the first half of the year due to the ongoing weakness in the U.S. economy, the war in Iraq and the outbreak of Severe Acute Respiratory Syndrome ("SARS") in Asia and Toronto, Canada. Traffic at MSP was less affected than at many other U.S. hub airports however, and enplanements increased 2.47% in 2003. Total MSP passengers for 2003 were 31.5 million. The top five air carriers in 2003, by enplaned passengers, serving MSP are shown below. The total enplaned passengers for 2003, including connecting, was 16,102,194. The figures may differ from the passengers statistics reported by the air carriers to the Department of Transportation.

Carrier	Enplaned Passengers	% of Total
Northwest	11,778,861	73.2%
Pinnacle	585,202	3.6
Mesaba	572,557	3.6
United	516,389	3.2
American	410,688	2.6
	13,863,697	86.2%

Operations

Aircraft operations represents the total number of takeoffs and landings at the airport.
Aircraft operations at MSP increased slightly in 2003 to 510,382 from 507,669 the previous year, up .53%.

At the Reliever airports, operations decreased 15.7% from 2002 levels.

FACTORS AFFECTING FINANCIAL CONDITION

During the past two and a half years, several incidents and general trends, some of which are continuing, have had an adverse impact on air travel and the airline industry which, in turn, have had an adverse effect on the Airport. Among these are the economic downturn in the latter half of 2000 that developed into a recession in March of 2001, the terrorist acts in the United States using commercial aircraft on September 11, 2001 (the "September 11 Events"), a heightened concern over security in air transportation, the war and continuing military action in Iraq, the hostilities elsewhere in the Middle East, the financial difficulties of most domestic airlines, including the bankruptcies of several airlines, the outbreak and rapid spread of "SARS" in early 2003, and the significant fluctuations in fuel prices.

The Airport has incurred significantly increased operating costs since 2001, due in large part to compliance with enhanced federal and management-mandated security and other operating requirements stemming primarily from the September 11 Events. During this period, aviation activity and enplaned passenger traffic has declined as the major airlines have reduced service levels to control costs in response to decreased passenger demand and financial loss. Several airlines, including four airlines operating at the Airport (Sun Country Airlines ("Sun Country"), US Airways, Air Canada and United Air Lines ("United")), filed for bankruptcy protection and are in various stages of their workouts. Additionally, Northwest Airlines, Inc. ("Northwest Airlines"), the dominant Air Carrier at the Airport, has reported significant losses from operations, negative working capital during 2001, 2002 and 2003.

Although operating levels at the Airport increased in 2003 as compared to 2002, operating levels at the Airport have not returned to peak levels of 2000. The future levels of aviation activity and enplaned passenger traffic at the Airport will depend upon several factors, many of which cannot be controlled by the Commission, including, among others, the financial condition of individual airlines and the viability of continued service, as well as local, regional, national and international economic and political conditions, international hostilities, world health concerns, airline service and route networks, availability and price of aviation fuel, airline economics (including labor relations), airline bankruptcies, competition, airfares, airline industry consolidation and capacity of both the national air traffic control system and the Airport, among others.

The Commission cannot predict the duration or extent of the reduction in air travel or the extent of the adverse impact on net revenues, PFC revenues, passenger enplanements, operations or the financial condition of the Airport. The Commission cannot predict the likelihood of future incidents similar to the events of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines from such incidents or disruptions. However, in the event that the Commission's tenants would default on their lease obligations, the Commission has the authority to levy property taxes to support its general obligation revenue debt. As a result of the current environment, the Commission continues to actively pursue opportunities to achieve greater cost effectiveness in the deliveries of its services while meeting the mandates for greater security.

FINANCIAL HIGHLIGHTS

General

The Commission has entered into, and receives payment under, different agreements with various air carriers and other parties, including the airline lease agreement 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 2003.

Airline Lease Agreement

The airline lease agreement relates to the use of the airport for air carrier operations, the leasing of space within the terminal buildings of the airport 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 agreement, 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 agreement also provides 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 improvements at the air field by total landed weight of aircraft utilizing the airport. The airline lease agreement also requires each air carrier leasing gate space at Lindbergh Terminal 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 improvements to the ramp area surrounding the terminal building gates.

For the year ended December 31, 2003, the aggregate rentals earned by the Commission pursuant to the airline lease agreement were approximately $55,848,000. 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, miscellaneous hangar facilities, office rentals for tenants located in the West Terminal area, and non-airline tenants in the Lindbergh Terminal. For the year ended December 31, 2003, the aggregate annual rentals under these leases were approximately $18,237,000.

Specific Project Leases

The Commission has constructed various buildings and facilities for specific tenants including a fueling facility for Signature Flight Services, and hangars and office buildings for Northwest, Federal Express and Mesaba Airlines. The specific project leases relate to the use of these buildings and facilities by Signature Flight Services, Northwest, Federal Express and Mesaba Airlines.

If bonds were issued by the Commission 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. Bond funds were used to finance certain facilities for Northwest Airlines and Federal Express.

If the construction of a facility is financed from funds the Commission has on hand, the lessee is required to make lease payments equal to the debt service requirements, which would have been required, if bond funds were used. Commission funds were used to finance facilities for Signature Flight Services, Mesaba Airlines and certain facilities for Northwest Airlines including the extension of the "G" Concourse.

For the year ended December 31, 2003, the aggregate lease rentals paid to the Commission under specific project leases was approximately $34,899,000.

Concession Agreements

The Commission has entered into separate 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 year ended December 31, 2003, the aggregate fees earned by the Commission under the existing inside concession agreements were approximately $13,382,000. 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 year ended December 31, 2003, the aggregate fees earned by the Commission under the existing rental car agreements and parking lot management contract was approximately $63,110,000. Of this amount, parking revenue was approximately $41,330,000 and auto rental revenue for both on and off Airport Auto Rentals was approximately $21,780,000.

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 year ended December 31, 2003, revenues from these agreements were approximately $2,781,000.

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 permits and licenses to operate shuttles, vans, buses and taxis at the airport. Such fees are set by Commission ordinances. For the year ended December 31, 2003, the Commission earned $2,399,000.

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, employee shuttle bus fees, and other miscellaneous amounts. For the year ended December 31, 2003, the revenues from these agreements were approximately $12,424,000.

Operating Revenue
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 Statement of Revenues and Expenses:

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

For the fiscal years ended December 31, 2003 and 2002, the top ten operating revenue sources for the MAC are as follows:

Top Ten Operating Revenue Sources:

Source	2003 Revenue
1. Parking	$41,330,000
2. Landing Fees	40,529,000
3. Terminal Rent-Airlines	24,151,000
4. Auto Rental (Off and on-Airport)	15,227,000*
5. Other Building Rent	14,126,000
6. Ramp Fees	5,699,000
7. Food and Beverage	4,864,000
8. Merchandise	4,690,000
9. Ground Rent	2,660,000
10. Ground Transportation Fee	1,643,000

*Excludes Customer Facility charge

Source	2002 Revenue
1. Landing Fees	$41,573,000
2. Parking	36,755,000
3. Terminal Rent-Airlines	21,236,000
4. Auto Rental (Off and on-Airport)	14,162,000*
5. Other Building Rent	13,491,000
6. Ramp Fees	5,944,000
7. Merchandise	4,836,000
8. Food and Beverage	4,340,000
9. Ground Transportation Fee	2,839,000
10. Ground Rent	2,196,000

*Excludes Customer Facility charge

The top ten revenue providers for 2003 for the MAC are as follows:

Top Ten Operating Revenue Providers:

1. Northwest Airlines
2. Host International
3. Hertz
4. ANC Corporation (formerly National and Alamo Rent-A-Car)
5. Avis Rent A Car
6. Signature Flight Support
7. Budget Rent A Car
8. American Airlines
9. United Airlines
10. Sun Country Airlines

During 2003 MAC revenues decreased by 6.9% to $298,424,000 from $320,493,000 in 2002. Changes in major categories are summarized below (dollars in thousands):

Operating Revenues	2003	% of Total	2002	% of Total	Dollar Change	Percent Change
Airline Rates & Charges	$60,977	20.4%	$71,846	22.4%	$(10,869)	-15.1%
Concessions	72,337	24.3%	67,416	21.0%	4,921	7.3%
Utilities	2,151	0.7%	1,732	0.5%	419	24.2%
Miscellaneous	32,717	11.0%	29,617	9.2%	3,100	10.5%
	168,182		170,611		(2,429)	
Non-Operating Revenues						
Interest Income	29,854	10.0%	45,454	14.2%	(15,600)	-34.3%
Gain on asset disposal	-	0.0%	17	0.0%	(17)	-
Capital Contributions	36,707	12.3%	42,919	13.4%	(6,212)	-14.5%
Passenger Facility Charge (PFC)	63,681	21.3%	61,492	19.3%	2,189	3.6%
Total Non-Operating Revenues	130,242		149,882		(19,640)	
Total Revenues	$298,424	100.0%	$320,493	100.0%	($22,069)	-6.9%

Airline rates and charges decreased $10,869,000 or 15.1%. This decrease results from a rate relief package the MAC approved for the airlines operating at MSP. The Commission currently has a policy of keeping a four-month working capital reserve in its operating fund. At the end of 2002, the Commission had in its operating fund approximately $13.7 million over and above its 2003 four-month working capital requirement. In July of 2003, the Commission voted to allocate $13 million of its 2002 surplus operating funds to provide one-time rate relief credit to the airlines that operate at MSP. This $13 million decrease in revenue was partially offset by an increase in building rentals as a result of a full years' rental income received from new facilities that opened in 2002.

Concessions increased $4,921,000 or 7.3%. This increase came primarily in the area of parking. Increases in passenger activity and advertising coupled with a rate increase in November 2003 resulted in increased revenues.

Utilities increased $419,000. During 2003, the MAC discovered that during 2002 an incorrect reading was being used in determining steam and chilled water usage. As a result a revised billing was sent to tenants to collect the amount that was undercharged during this period.

Miscellaneous revenues increased by 10.5%. During 2003, the MAC received reimbursement from the Federal Government for increased 2002-2003 security (personnel) costs incurred by MAC as a result of complying with additional FAA security requirements.

Interest income decreased due to lower cash balances in construction funds along with lower interest rates earned on investments.

Capital contributions represent grants received from both federal and state governments for various construction projects at both MSP and the reliever airports. The decrease in 2003 comes primarily from a decrease in construction activity in the MAC's Part 150 program.

PFC revenue increased 3.6% from 2002 levels as a result of an increase in passenger levels.

During 2002 MAC revenues decreased by 1.3% to $320,493,000 from $324,767,000 in 2001. Changes in major categories are summarized below (dollars in thousands):

Operating Revenues	2002	% of Total	2001	% of Total	Dollar Change	Percent Change
Airline Rates & Charges	$71,846	22.4%	$72,669	22.4%	$(823)	-1.1%
Concessions	67,416	21.0%	69,707	21.5%	(2,291)	-3.3%
Utilities	1,732	0.5%	2,440	0.8%	(708)	-29.0%
Miscellaneous	29,617	9.2%	26,979	8.3%	2,638	9.8%
	170,611		171,795		(1,184)	
Non-Operating Revenues						
Interest Income	45,454	14.2%	57,712	17.8%	(12,258)	-21.2%
Gain on asset disposal	17	0.0%	-	0.0%	17	-
Capital Contributions	42,919	13.4%	38,069	11.7%	4,850	12.7%
Passenger Facility Charge	61,492	19.3%	57,191	17.5%	4,301	7.5%
Total Non-Operating Revenues	149,882		152,972		(3,090)	
Total Revenues	$320,493	100.0%	$324,767	100.0%	($4,274)	-1.3%

Airline rates and charges decreased $823,000 or 1.1% primarily because of landing fees, ramp fees and building rentals. In accordance with the airline agreement, expenses from the police, fire, maintenance labor, equipment maintenance and administrative service centers are allocated to the field and runway, ramp and terminal building service centers. Therefore, total direct costs plus the above mentioned allocations are used to determine airline rates and charges. As a result of cost cutting by the Commission in a number of allocated service centers, allocated costs decreased from 2001 levels which resulted in lower revenue derived in airline rates and charges.

Concessions decreased $2,291,000 or 3.3%. The majority of the decrease from 2001 levels is in auto parking. Due to the events of September 11, 2001, the FAA instituted a number of security measures for U.S. airports, including, but not limited to, restricting the parking of vehicles under or within 300 feet of the terminals. As a result of such security measures the FAA initially required the Commission to restrict the use of approximately 7,500 parking spaces adjacent to and below the Lindbergh Terminal. Subsequent to this initial action, during 2002 the Commission received approval from the FAA to put back into service all of the previous restricted parking spaces. Also contributing to the decrease in parking revenue is a decrease in passenger levels from 2001.

Utilities decreased $708,000 primarily as a result of a price decrease combined with less usage of steam and chilled water to heat and cool the terminal building.

Miscellaneous revenues increased in part of the result of receiving a full years' rentals from the new HHH terminal that opened in May of 2001. The remaining increase was for reimbursements received from the Federal

Emergency Management Administration (FEMA) and the MAC's insurance carrier for costs incurred as a result of flooding at St. Paul Downtown Airport in 2001.

Interest income decreased due to lower cash balances for capital improvements and debt service payments along with lower interest rates earned on investments. In addition, the refunding of General Obligation Revenue Bond Series 9, lowered the lease interest payments made to MAC by NWA.

Capital contributions represent grants received from both federal and state governments for various construction projects at both MSP and the reliever airports. The increase in 2002 comes primarily from an increased contribution from the federal government for the construction of Runway 17/35.

PFC revenue increased 7.5% from 2001 levels as a result of an increase in the PFC rate of $3.00 to $4.50. This increase in rate occurred in April 2001 and 2002 was the first full year of collections at the $4.50 rate.

Expenses

In 2003, MAC total expenses increased by 9.1% to $250,955,000 from $230,111,000 in 2002. Changes in major categories are summarized below (dollars in thousands):

Operating Expenses	**2003**	**% of Total**	**2002**	**% of Total**	**Dollar Change**	**Percent Change**
Personnel	$48,273	19.2%	$43,074	18.7%	$5,199	12.1%
Administrative	844	0.3%	880	0.4%	(36)	-4.1%
Professional Service	2,821	1.1%	3,386	1.5%	(565)	-16.7%
Utilities	11,779	4.7%	8,882	3.8%	2,897	32.6%
Operating Services	13,928	5.5%	12,147	5.3%	1,781	14.7%
Maintenance	16,453	6.6%	13,501	5.9%	2,952	21.9%
Depreciation	79,399	31.6%	72,871	31.7%	6,528	9.0%
Other	2,743	1.1%	2,455	1.1%	288	11.7%
Operating Expenses	176,240		157,196		19,044	
Non-Operating Expense						
Interest Expense	59,105	23.6%	50,707	22.0%	8,398	16.6%
Part 150 Program Expenses	13,063	5.2%	22,208	9.6%	(9,145)	-41.2%
Loss on Asset Disposal	2,547	1.1%	0	0.0%	2,547	N/M
Total Non-Operating Expense	74,715		72,915		1,800	
Total Expenses	$250,955	100.0%	$230,111	100.0%	$20,844	9.1%

Personnel increased $5,199,000 or 12.1%. The majority of the increase is in pension and post-retirement health care expense. During 2003, the MAC completed an actuarial study of its post retirement health care plan. As of result of this actuarial study the MAC accrued an additional $2.6 million in post-retirement medical expense. The majority of the remaining increase is in pension expense. In December 2003, the MAC was notified by the Minneapolis Employees' Retirement Fund (MERF) that based upon an actuarial study, the MAC's unfunded liability as of June 30, 2003 had increased by $2.4 million.

Administrative expenses decreased by $36,000 primarily due to cuts in organizational spending. Specifically, limits were put in place for the amount of supplies to be purchased.

Professional Services decreased 16.7% primarily due to cuts in organizational spending. Areas specifically decreased in professional services are the use of consultants in Legal and Engineering fees.

Utilities increased 32.6% or $2,897,000 from 2002 levels. During 2002, MAC's internal audit department determined that a tenant at MSP was not paying its share of electrical usage for a number of years. The resulting payment received in 2002 significantly reduced MAC's electrical expense for 2002. The remaining portion of the increase in utilities is in natural gas. An increase in consumption as well as price increases contributed to the increase in utilities.

Operating services increased $1,781,000 or 14.7%. The majority of the increase is in parking management fees. The Department of Homeland Security issued an "orange" alert status four times during 2003. As a result of this heightened security, vehicles entering the HHH parking ramp must be searched. The cost for these searches was paid through the parking management contract.

Maintenance increased 21.9%, primarily as a result of new or expanded facilities. In the summer of 2002, the MAC opened the A, B and C concourses and in 2003 a new parking ramp at the HHH terminal opened. As a result of these new facilities, the MAC experienced additional cleaning and mechanical expenses.

Depreciation increased by 9.0% as a result of approximately $409 million of airports and facilities completed in 2002-2003.

Other expenses increased as a result of higher premiums for airport liability and property insurance.

Interest expense increased by 16.6% primarily as a result of a decrease in capitalized interest on capital improvement program projects in progress throughout the year and additional interest expense as a result of additional debt that was issued in 2003.

Part 150 expenses decreased by $9,145,000 as a result of the MAC's decision to slow down or reduce its funding for the Part 150 program during 2003.

The loss on asset disposals consists of two items. In May 2003, the MAC closed a building called the West Terminal Area. The building is currently being demolished and the loss recorded at December 31 was approximately $1.7 million. The remaining loss recorded resulted from the sale of land at Flying Cloud Airport.

In 2002, MAC total expenses decreased by 3.4% to $230,111,000 from $238,242,000 in 2001. Changes in major categories are summarized below (dollars in thousands):

Operating Expenses	2002	% of Total	2001	% of Total	Dollar Change	Percent Change
Personnel	$43,074	18.7%	$42,627	17.9%	$447	1.1%
Administrative	880	0.4%	1,708	0.7%	(828)	-48.5%
Professional Service	3,386	1.5%	5,177	2.2%	(1,791)	-34.6%
Utilities	8,882	3.8%	11,208	4.7%	(2,326)	-20.8%
Operating Services	12,147	5.3%	14,113	5.9%	(1,966)	-13.9%
Maintenance	13,501	5.9%	15,250	6.4%	(1,749)	-11.5%
Depreciation	72,871	31.7%	65,647	27.6%	7,224	11.0%
Other	2,455	1.1%	2,250	0.9%	205	-9.1%
Operating Expenses	157,196		157,980		(784)	
Non-Operating Expense						
Interest Expense	50,707	22.0%	55,549	23.3%	(4,842)	-8.7%
Part 150 Program Expenses	22,208	9.6%	20,517	8.6%	1,691	8.2%
Loss on Asset Disposal	0	0.0%	4,196	1.8%	(4,196)	-100.0%
Total Non-Operating Expense	72,915		80,262		(7,347)	
Total Expenses	$230,111	100.0%	$238,242	100.0%	($8,131)	-3.4%

Personnel increased 1.1% due to an increase in costs to comply with the additional security requirements established by the FAA. As a result MAC had to hire additional law enforcement and community service officers to increase the public safety presence at the airport.

Administrative expenses decreased by $828,000 primarily due to cuts in organizational spending. Specifically, all travel has been significantly reduced and limits were put in place for general supplies purchased.

Professional Services decreased 34.6% primarily due to cuts in organizational spending. Areas specifically decreased in professional services are the use of consultants in Public Affairs, Engineering, MSP Planning, Air Service Development and Noise Abatement.

Utilities decreased 20.8% or $2,326,000 from 2001 levels. During 2002, MAC's internal audit department determined that a tenant at MSP was not paying its share of electrical usage for a number of years. The resulting payment received in 2002 significantly reduced MAC's electrical expense for 2002. In addition, MAC installed a new phone system in 2002, which realized savings in both long distance and monthly phone expense.

Operating services decreased by $1,966,000 or 13.9%. The majority of the decrease was due to spending decreases in advertising, parking management fees, copy agreement and the elimination of shuttle bus service between the main terminal and the auto rental facility.

Maintenance decreased by 11.5%, primarily the result of spending decreases. Among the major areas decreased were a reduction in parts used in the repair of vehicles and parts used by MAC maintenance. In addition, snow deicing materials deliveries were delayed until early 2003.

Depreciation increased by 11.0% as a result of approximately $473 million of airports and facilities completed in 2001-2002.

Other expenses increased as a result of higher premiums for airport liability and property insurance.

Interest expense decreased by 8.7% primarily as a result of an increase in capitalized interest on capital improvement program projects in progress throughout the year.

Part 150 program expenses increased by 8.2%. In 2002, MAC began expensing all Part 150 expenditures that are either reimbursed through federal grants and/or PFC's. In previous years', the MAC only expensed Part 150 expenses reimbursed through PFC's.

In order to promote and encourage the efficient use of facilities at all MAC airports as well as attempting to 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.

The following is a summary of the Statements of Revenues and Expenses and Changes in Net Assets:

	2003	2002
Operating Revenue	$168,182	$170,611
Operating Expense	(176,240)	(157,196)
Operating (Loss) Income	(8,058)	13,415
Non-Operating Revenue	93,535	106,963
Non-Operating Expense	(74,715)	(72,915)
Capital Contributions	36,707	42,919
Increase in Net Assets	$47,469	$90,382

The Commission while still generating an increase in net assets for 2003, the Commission experienced a reduction in the increase in net assets from 2002. The primary causes were the airline rate relief credit, increases in operating expenses; lower interest earned on investments and reductions in capital grants received.

BALANCE SHEETS

The Balance Sheets presents the financial position of the MAC at the end of the fiscal year. The Statements include all assets and liabilities of the MAC. Net assets are the difference between total assets and total liabilities and are an indicator of the current health of the MAC. A summarized comparison of the MAC's assets, liabilities and net assets at December 31, 2003 and 2002 is as follows: (Also see Note C in the notes to the financial statements.

	2003	2002
Assets		
Current Assets	$131,486	$102,638
Restricted Assets-Current	586,155	557,177
Non-Current Assets		
Capital Assets-Net	2,225,176	2,169,142
Other non-current assets	335,654	339,490
Total Assets	3,278,471	3,168,447
Liabilities		
Current Liabilities	77,765	56,346
Payable from restricted current assets	384,926	419,999
Non-Current Liabilities		
Bonds Payable	1,647,220	1,573,186
Other non-current liabilities	2,714	539
Total Liabilities	2,112,625	2,050,070
Net Assets		
Invested in capital assets, net of debt	1,016,295	959,936
Restricted	98,544	112,688
Unrestricted	51,007	45,753
Total Net Assets	$1,165,846	$1,118,377

CASH AND INVESTMENT MANAGEMENT

The following summary shows the major sources and uses of cash:

	2003	2002
Cash received from operations	$161,236	$167,191
Cash expended from operations	(91,552)	(81,030)
Net cash provided by operations	69,684	86,161
Net cash used in capital and related financing activities	(89,496)	(503,183)
Net cash provided by investing activities	19,090	406,208
Net decrease in cash and cash equivalents	(722)	(10,814)
Cash and cash equivalents, beginning of year	9,437	20,251
Cash and cash equivalents, end of year	$8,715	$9,437

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 restricted to various United States government securities, certificates of deposits, commercial paper and repurchase agreements. All securities must mature within three years from the date of purchase. During 2003, the MAC's average portfolio balance was $398,801,000 and total investment earnings were $6,300,000 for an average yield on investments during the year of 1.58%.

The Commission currently has a policy of keeping a four-month working capital reserve in its operating fund. At the end of 2003, the Commission has in its operating fund approximately $9.0 million over and above its 2004 four-month working capital requirement. The Commission is currently considering how to apply or use some or all of these excess operating funds. Among the alternatives being considered are: transfer to the construction fund; increase the working capital reserve in the operating fund; pay the unfunded MERF pension liability; retire outstanding commercial paper; and provide rates and charges relief for airport tenants.

CAPITAL CONSTRUCTION

During 2003, the MAC expended $123.6 million in its on-going capital improvement program. Major projects that were completed in 2003 were the HHH parking structure, a facility for the Naval Reserve and a chiller addition for the Energy Management Center. Projects that began or continued construction during 2003 were the construction of new Runway 17/35, light rail transit tunnel and an automated people mover for the C Concourse. Average monthly capital construction spending in 2003 was approximately $10 million.

CAPITAL FINANCING AND DEBT MANAGEMENT

The MAC has issued three forms of indebtedness: Commercial Paper, 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. In 1998-2001, the MAC issued General Airport Revenue Bonds which 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 10 of each year to an amount equal to all principal and interest to become due on all General Obligation Revenue Bonds payable from October 10 to the end of the second following year. The required balance as of October 10 in the Debt Service Account for the General Obligation Revenue Bonds for the next five years is as follows (in thousands):

October 10, 2004	$67,111
October 10, 2005	$65,110
October 10, 2006	$64,063
October 10, 2007	$64,440
October 10, 2008	$64,820

Statutory authority for issuing bonds is obtained from the Minnesota State Legislature. Authorization as of December 31, 2003 permits the issuance of an additional $55 million of General Obligation Revenue Bonds.

Capital Financing Activity	Balance 12/31/2002	Issued	Retired	Balance 12/31/2003
Notes Payable	$131,000	-	($63,174)	$67,826
General Obligation Revenue Bonds	356,525	-	(12,395)	344,130
General Airport Revenue Bonds	1,255,585	$102,690	(18,580)	1,339,695
	$1,743,110	$102,690	($94,149)	$1,751,651

On January 29, 2002, the Commission issued $287,825,000 General Obligation Revenue Bond Series 15 to advance refund General Obligation Revenue Bond Series 9. As a result of the refunding, the Commission reduced its total debt service requirements by $53,068,282, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and the new debt) in the amount of $37,108,917.

Also during 2002, the Commission issued $56,000,000 in Commercial Paper. In September 2002, the Commission issued $7,000,000 in commercial paper for the construction of a new cargo facility for United Parcel Service (UPS) to replace one that is to be torn down in connection with construction of Runway 17/35. UPS will be reimbursing the Commission for the full cost of this facility in 2004. In December 2002, the Commission issued $49,000,000 in commercial paper in order to purchase the hotel formerly known as Doubletree Hotel in Bloomington, Minnesota. This hotel needed to be acquired because it is located in a clear zone for the new Runway 17/35. The commercial paper was paid off with a new bond issue the Commission issued during 2003.

In June 2003, the MAC issued $102,690,000 Series 2003 A General Airport Revenue Bonds. The net proceeds to be used for construction financing total $95 million with the balance to be used to pay for cost of issuance and the reserve fund. The Series A bonds were issued on a subordinated basis. Subordinated bonds have a secondary lien on revenues and have a lower coverage ratio. One reserve fund was established, one for the Series A bonds. The reserve requirement is the maximum annual aggregate debt service of the Series 2003 A bonds. These bonds were rated AAA/AAA by Standard & Poor's and Fitch respectively, based on the Municipal Bond Insurance Policy. Without taking into account the Municipal Bond Insurance Policy, the bonds were rated A by Standard & Poors and A by Fitch.

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, PFC's 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. See note E in the notes to the financial statements for more information.

CONTACTING THE MAC'S FINANCIAL MANAGEMENT

The 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 additional information about this report, or if you need additional financial information, please contact Director of Finance, 6040 28th Avenue South, Minneapolis, MN 55450.

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Financial Section

BALANCE SHEETS

(Dollars in Thousands)

	December 31 2003	2002
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 8,706	$ 9,425
Investments	55,154	46,285
Security lending agreement	45,255	32,531
Accounts receivable (net of allowance for uncollectibles of $39 and $87, respectively)	14,610	7,430
Leases receivable	7,371	6,887
Other	390	80
Total Current Assets	131,486	102,638
Restricted Assets: Current		
Cash and cash equivalents	9	12
Investments:		
Debt service	247,807	238,746
Construction and other	134,794	141,954
Securities lending agreement	165,690	116,121
Government grants in aid of construction receivable-Note A	2,926	14,705
Leases receivable	28,151	27,868
Other receivables	1,507	12,979
Passenger facility charge receivable-Note A	5,271	4,792
Total Restricted Assets-Current	586,155	557,177
Leases receivable-Notes A, J and Q	335,654	339,490
Capital Assets:--Notes A, D, E and K		
Land	110,904	111,749
Airport improvements and buildings	1,971,036	1,776,401
Moveable equipment	57,899	56,664
Construction in progress	761,423	822,840
Less Accumulated Depreciation	(676,086)	(598,512)
Total Capital Assets (net of accumulated depreciation)	2,225,176	2,169,142
TOTAL ASSETS	**$ 3,278,471**	**$ 3,168,447**

See notes to the financial statements

Financial Section BALANCE SHEETS

(Dollars in Thousands)

	December 31 2003	December 31 2002
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 17,451	$ 18,452
Notes payable	7,000	-
Security lending agreement	45,255	32,531
Deferred revenue-Note A	777	717
Employee compensation and payroll taxes	7,282	4,646
Total Current Liabilities	77,765	56,346
Payable from restricted current assets:		
Current portion long-term debt-Note E	32,700	30,975
Construction	23,408	43,160
Interest payable	46,077	44,481
Post Retirement Medical	21,545	17,380
Deferred revenue-Note A	33,679	35,680
Notes payable	60,826	131,000
Other	1,001	1,202
Security lending agreement	165,690	116,121
Total payable from restricted current assets:	384,926	419,999
Deferred revenue-Note A	2,714	539
Bonds Payable-Note E	1,647,220	1,573,186
TOTAL LIABILITIES	**2,112,625**	**2,050,070**
Commitments and contingencies-Notes P and Q		
NET ASSETS-Note C		
Invested in capital assets, net of related debt	1,016,295	959,936
Restricted for debt service and other	98,544	112,688
Unrestricted	51,007	45,753
TOTAL NET ASSETS	**1,165,846**	**1,118,377**
TOTAL LIABILITIES AND NET ASSETS	**$ 3,278,471**	**$ 3,168,447**

See notes to the financial statements

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

(Dollars in Thousands)

	Fiscal Years Ended December 31, 2003	2002
OPERATING REVENUES		
Airline rates and charges-gross	$ 73,977	$ 71,846
Airline rates and charges rebate	(13,000)	-
Airline rates and charges-net	60,977	71,846
Concessions	72,337	67,416
Other revenues:		
Utilities	2,151	1,732
Other building rentals	11,712	11,552
Miscellaneous	21,005	18,065
TOTAL OPERATING REVENUES	**168,182**	**170,611**
OPERATING EXPENSES		
Personnel	48,273	43,074
Administrative expenses	844	880
Professional services	2,821	3,386
Utilities	11,779	8,882
Operating services	13,928	12,147
Maintenance	16,453	13,501
Depreciation	79,399	72,871
Other	2,743	2,455
TOTAL OPERATING EXPENSES	**176,240**	**157,196**
OPERATING (LOSS) INCOME	**(8,058)**	**13,415**
NONOPERATING REVENUES (EXPENSES)		
Interest income	29,854	45,454
Passenger Facility Charges	63,681	61,492
(Loss) Gain on disposal of assets	(2,547)	17
Bond interest expense	(59,105)	(50,707)
Part 150 home insulation expenses	(13,063)	(22,208)
TOTAL NONOPERATING REVENUES (EXPENSES)	**18,820**	**34,048**
INCOME BEFORE CONTRIBUTIONS	**10,762**	**47,463**
Capital contributions	36,707	42,919
CHANGE IN NET ASSETS	**47,469**	**90,382**
Net Assets-Beginning of Year	1,118,377	1,027,995
NET ASSETS–END OF YEAR	**$1,165,846**	**$1,118,377**

See notes to financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

	Fiscal Years Ended December 31, 2003	2002
Cash flows from operating activities:		
Cash received from customers and users	$ 161,236	$ 167,191
Cash paid to employees and benefit providers	(41,472)	(40,768)
Cash paid to suppliers	(50,080)	(40,262)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**69,684**	**86,161**
Cash flows from capital and related financing activities:		
Payments for airports and facilities	(123,555)	(404,938)
Proceeds from disposal of airports and facilities	-	78
Payments for Part 150 Program	(13,063)	(22,208)
Proceeds from bond/note issuance	106,755	341,726
Receipt of lease payments	11,961	8,187
Receipt of passenger facility charges	63,202	64,679
Payment on bonds	(94,149)	(423,410)
Interest paid on bonds	(89,133)	(101,950)
Receipts of government grants in aid of construction	48,486	34,653
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	**(89,496)**	**(503,183)**
Cash flows from investing activities:		
Purchase of investment securities	(1,156,545)	(1,020,229)
Proceeds from maturities of investment securities	1,145,394	1,384,419
Interest Income	30,241	42,018
NET CASH PROVIDED BY INVESTING ACTIVITIES	**19,090**	**406,208**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(722)**	**(10,814)**
Cash and cash equivalents-Beginning of year	9,437	20,251
CASH AND CASH EQUIVALENTS-END OF YEAR	**$8,715**	**$9,437**

Reconciliation of Operating (loss) Income to Net Cash Provided by Operating Activities:

	2003	2002
Operating (loss) Income	$ (8,058)	$ 13,415
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	79,399	72,871
Changes in assets and liabilities		
Accounts receivable	(7,180)	4,538
Other assets	(310)	(38)
Accounts payable and accrued expenses	(1,001)	1,829
Post retirement medical and other	4,165	2,310
Other restricted liabilities	(201)	(802)
Employee compensation and payroll taxes	2,636	(4)
Deferred revenue	234	(7,958)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 69,684**	**$ 86,161**
Noncash transactions for changes in fair value of investments	$(387)	$(140)

See notes to financial statements.

Fiscal years ended December 31, 2003 and 2002

NOTE A
SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Minneapolis-Saint 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 potentialities 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-Saint 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-Saint 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 Saint Paul also have seats on the Commission with the option to appoint a surrogate to serve in their place. 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 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

Effective January 1, 2002, the Commission adopted GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis for State and Local Governments*, Statement No. 37, *Basic Financial Statements—Management's Discussion and Analysis for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Disclosures (GASB Statement No. 34)*. These statements establish comprehensive, new financial reporting requirements for governmental units. Under GASB Statement No. 34, 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. Grants are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met. Passenger Facility Charges (PFC's) are recorded as revenue at the time of ticket sale as reported to the Commission by the airlines. The Commission has applied GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.* Under GASB Statement No. 20, the Commission applies all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations and Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

The Commission considers revenues and expenses carried out in the operation and the maintenance of the Commission's systems of airports to be operating in nature. Non-operating revenues and expenses are considered outside the Commission's primary business of operating and maintaining airports.

Budgeting Process

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

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

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

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

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

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

Compensated Absences

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 as employee compensation and payroll taxes.

Cash

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.

Cash Equivalents

The Commission considers cash on hand plus overnight investments to be cash equivalents.

Deferred Revenue

Deferred revenue primarily represents advance interest payments received from the airlines which will be recognized as interest income over the term of the lease agreement.

Government Grants in Aid of Construction

Government grants in aid of construction represent the estimated portion of construction costs incurred for which airport aid grants are expected to be paid to the Commission by the United States Government and the State of Minnesota. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Commission records government grants in aid of construction as capital contributions.

Investments

The Commission's investments are reported at fair value in the balance sheets and changes in the fair value of investments are reported in the statements of revenues, and expenses and changes in net assets.

Airports and Facilities

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

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

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

Airport improvements and buildings	10-40 years
Moveable equipment	3-10 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 as properties. The capitalization threshold for capital assets is $5,000.

Passenger Facility Charges

On June 1, 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. In the first application, the Commission received approval for a $3.00 PFC to finance projects totaling approximately $92,714,000. Collection for the first application expired on August 1, 1994. The Commission received authority to collect a $3.00 PFC under a second application beginning that same day to finance projects totaling $140,779,000 with an expiration date of April 1, 1999. During 1995, the Commission received authority to collect a $3.00 PFC under a third application beginning June 1, 1996 to finance projects totaling $32,700,000. This application was amended in March 1997 to increase the amount collected to $36,377,000. The third application was fully funded in 1997 and collections have ended. During 1998, the Commission received authority to collect a $3.00 PFC under a fourth application beginning April 1, 1999 to finance projects totaling $55,472,000. During January 2000, the Commission received authority to collect a $3.00 PFC under a fifth application beginning April 1, 2000 to finance projects totaling $122,874,000. During 2001, as a result of AIR 21, the Commission amended the fifth PFC application, to raise collections from $3.00 to $4.50 per enplaning passenger. PFC applications one through five are fully funded. In January 2003, the Commission received authority to collect a $4.50 PFC under a sixth application to finance projects totaling approximately $1,161,479,000. Effective January 1, 1997, the Commission began to expense costs associated with the Part 150 Sound Insulation Program that are funded by PFCs.

PFCs are recorded as nonoperating revenue at the time of ticket sale as reported to the Commission by the airlines.

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-Saint 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 depreciation and interest, in the terminal building, ramp, and runway areas. Other facilities, to the extent they are leased, are leased under conventional agreements, primarily percentage leases. Revenues above costs recovered are used to defray the costs of maintaining reliever airports and public areas at Minneapolis-Saint Paul International Airport. See Note Q for additional information regarding transactions with Northwest Airlines, Inc.

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 the interest cost of the 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 Passenger Facility Charges.

Deferred Loss on Refundings

The Commission defers recognition of losses incurred with refundings according to GASB Statement No. 23. 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.

GASB Statement No. 34 Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments

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 four net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvements of those assets.
- Restricted:
  - Nonexpendable-Net assets subject to externally imposed stipulations that the Commission maintain them permanently. For the fiscal year-ended December 31, 2003 and 2002, the Commission does not have nonexpendable net assets.
  - Expendable-Net assets whose use by the Commission is subject to externally imposed stipulations that can be fulfilled by actions of the Commission pursuant to those stipulations or that expire by the passage of time. Such assets include the Commission's bond construction funds on hand.
- Unrestricted:
  - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the management or the governing board of the Commission or may otherwise be limited by contractual agreements with outside parties.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units.* This statement, which amends GASB Statement No. 14, *The Financial Reporting Entity* is effective for the Commission for the year ending December 31, 2004. The Commission feels that the adoption of GASB Statement No. 39 will not impact or change how the Commission currently presents its financial statements.

In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures.* This statement, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements* is effective for the Commission for the year ending December 31, 2005. The Commission will be required to address common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. This statement also requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The Commission is also required to disclose its deposit and investment policies. The Commission has not yet determined the full impact of GASB Statement No. 40 on its financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation. Such reclassifications did not have an effect on changes in net assets or total net assets as previously reported.

NOTE B
CASH, DEPOSITS, INVESTMENTS, AND SECURITIES LENDING

Cash Deposits

Cash deposits which are insured or collateralized by securities held in the Commission's name by a financial institution (Commission's agent) other than that furnishing the collateral are as follows (in thousands):

	12/31/03	12/31/02
Cash on hand	$ 113	$104
Bank balances	$1,976	$2,168

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.

Securities Lending Transactions

State statutes and Commission policies permit the Commission to use its investments to enter into securities lending transactions–loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Commission's securities custodian acts as the Commission's agent in lending the Commission's securities for cash collateral of 100% plus accrued interest. Securities on loan at year-end are classified in the following schedule of custodial credit risk. At year-end, the Commission has no credit risk exposure to borrowers because the amounts the Commission owes the borrowers exceed the amounts the borrowers owe the Commission. Contracts with the lending agents require them to indemnify the Commission if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Commission for income distributions by the securities' issuers while the securities are on loan.

All securities loans can be terminated on demand by either the Commission or the borrower, although the average term of the loans is one week. The Commission does not have the authority to pledge or sell collateral without borrower default. In lending securities, cash collateral is invested in securities authorized by Minnesota Statutes, generally with maturities between one week and three months.

Investments

In accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Commission's investments are reported at fair value in the balance sheet and changes in the fair value of investments are reported in the statements of revenues, and expenses and changes in net assets.

Investment interest income as of December 31, consists of the following:

	2003	2002
Interest income from leases	$23,554,000	$25,364,000
Interest income from investments	6,687,000	20,230,000
Net decrease in fair value of investments	(387,000)	(140,000)
	$29,854,000	$45,454,000

The Commission invests funds as authorized by Minnesota Statutes in direct obligations or obligations guaranteed by the United States or its agencies, general obligations of the State of Minnesota or any other state or any of its municipalities, commercial paper rated in the highest category by at least two nationally recognized rating agencies, bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System, certificates of deposit issued by official depositories of the Commission, shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in direct obligations or obligations guaranteed by the United States or its agencies, and repurchase agreements with financial institutions.

The Commission's investments at December 31, 2003 are categorized below to give an indication of the level of credit risk assumed. Category 1 includes investments that are insured or registered or for which the securities are held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Commission's name. The Commission's investments at December 31, 2002 were classified as Category 1.

(In Thousands)	Fair Value Credit Risk Category			
Type of Security	**1**	**2**	**3**	**Total**
December 31, 2003				
U.S. Government and Agencies	$311,457	$ 0	$ 0	$311,457
Repurchase Agreements	168,826	0	0	168,826
Commercial Paper	62,100	0	0	62,100
	$542,383	$ 0	$ 0	542,383
Investments – Not Categorized				
Cash on Hand				113
Mutual Funds				114,919
Total Cash and Investments				$657,415

NOTE C
RESTRICTED ASSETS AND RESTRICTED NET ASSETS FOR FUTURE DEBT SERVICE AND CONSTRUCTION

Minnesota Statutes require the Commission to have a balance on hand in a Debt Service Account on October 10 of every year equal to the total amount of principal and interest due on all outstanding bonds to the end of the second following year. Cash and investments to meet this requirement plus interest earned thereon are restricted.

Cash and investments segregated as regular construction funds include amounts received from issuance of commission bonds, government grants in aid of construction, Passenger Facility Charges, rental receipts on assets purchased with grants in aid not utilized for aviation, and cumulative interest earned from the investment of such funds. These amounts are to be used principally for construction at Minneapolis-Saint Paul International Airport.

The Commission also segregates certain amounts from operating cash flows which it designates as restricted in special construction funds for use at secondary airports or additional Minneapolis-Saint Paul International Airport projects that are not funded by bond issues. All restricted net assets are to be used for construction purposes.

The Commission also restricts the amount received from Passenger Facility Charges for the approved airport improvement projects as discussed in Note A.

Net Assets consists of the following (in Thousands):

Net Assets		
Invested in capital assets, net of related debt	**2003**	**2002**
Restricted Assets:		
Cash and cash equivalents	$9	$12
Investments:		
Debt service	247,807	238,746
Leases receivable-current	28,151	27,868
Leases receivable-non-current	335,654	339,490
Capital Assets:		
Land	110,904	111,749
Airport improvements and buildings	1,971,036	1,776,401
Moveable equipment	57,899	56,664
Construction in progress	761,423	822,840
Less: accumulated depreciation	(676,086)	(598,512)
Total Capital Assets	2,836,797	2.775.258
Less related liabilities:		
Payable from restricted assets:		
Current portion of long-term debt	32,700	30,975
Interest payable	46,077	44,481
Deferred revenue-current	33,679	35,680
Notes payable	60,826	131,000
Bonds payable	1,647,220	1,573,186
Total Liabilities	1,820,502	1,815,322
Invested in capital assets, net of related debt	**$1,016,295**	**$959,936**
Restricted Net Assets		
Restricted Assets:		
Investments:		
Construction and other and securities lending	$300,484	$258,075
Government grants in aid receivable	2,926	14,705
Other receivables	1,507	12,979
Passenger facility charge receivable	5,271	4,792
Total Restricted Assets	310,188	290,551
Less: Payables from restricted assets:		
Construction	23,408	43,160
Post retirement medical	21,545	17,380
Other	1,001	1,202
Security lending agreement	165,690	116,121
Total Liabilities	211,644	177,863
Restricted Net Assets	**$98,544**	**$112,688**
Unrestricted Net Assets		
Current Assets	$131,486	$102,638
Less: Current liabilities	77,765	56,346
Deferred revenue-non-current	2,714	539
Total liabilities	80,479	56,885
Unrestricted Net Assets	**$51,007**	**$45,753**

NOTE D
CAPITAL ASSETS

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

Capital Assets	Balance January 1, 2002	Additions	Transfers In (Out)	Deductions	Balance December 31, 2002
Capital Assets-Not Depreciated:					
Land	$ 107,075	$ -	$ 4,674	$ -	$ 111,749
Projects-in-progress	693,680	347,631	(218,471)	-	822,840
Total Capital Assets-Not Depreciated	800,755	347,631	(213,797)	-	934,589
Capital Assets-Depreciated:					
Airport improvements and buildings	1,564,308	-	212,120	(27)	1,776,401
Less Accumulated Depreciation	(494,173)	(68,404)	-	-	(562,577)
Net Airport Improvements and buildings	1,070,135	(68,404)	212,120	(27)	1,213,824
Moveable equipment	54,659	422	1,677	(94)	56,664
Less Accumulated Depreciation	(31,528)	(4,467)	-	60	(35,935)
Net Moveable Equipment	23,131	(4,045)	1,677	(34)	20,729
Total Capital Assets-Depreciated	1,093,266	(72,449)	213,797	(61)	1,234,553
Net Capital Assets	**$1,894,021**	**$275,182**	**$ -**	**$ (61)**	**$2,169,142**

Capital Assets	Balance January 1, 2003	Additions	Transfers In (Out)	Deductions	Balance December 31, 2003
Capital Assets-Not Depreciated:					
Land	$ 111,749	$ -	$ (4)	$ (841)	$ 110,904
Projects-in-progress	822,840	136,548	(197,965)	-	761,423
Total Capital Assets-Not Depreciated	934,589	136,548	(197,969)	(841)	872,327
Capital Assets-Depreciated					
Airport improvements and buildings	1,776,401	-	197,704	(3,069)	1,971,036
Less Accumulated Depreciation	(562,577)	(75,030)	-	1,762	(635,845)
Net Airport Improvements and buildings	1,213,824	(75,030)	197,704	(1,307)	1,335,191
Moveable Equipment	56,664	1,033	265	(63)	57,899
Less Accumulated Depreciation	(35,935)	(4,369)	-	63	(40,241)
Net Moveable Equipment	20,729	(3,336)	265	-	$ 17,658
Total Capital Assets-Depreciated	1,234,553	(78,365)	197,969	(1,308)	1,352,849
Net Capital Assets	**$ 2,169,142**	**$ 58,182**	**-**	**$ (2,148)**	**$ 2,225,176**

NOTE E
SHORT AND LONG-TERM DEBT

In 2002, the Commission issued commercial paper totaling $56,000,000. In September 2002, the Commission issued $7,000,000 in commercial paper for the construction of a new cargo facility for United Parcel Service (UPS) to replace one that is to be torn down in connection with the construction of Runway 17/35. UPS reimbursed the Commission for the full cost of this facility in 2004. In December 2002, the Commission issued $49,000,000 in commercial paper in order to purchase a hotel formerly known as the Doubletree Hotel in Bloomington, Minnesota. This hotel needed to be acquired because it is located in a clear zone for the new Runway 17/35. This issuance of commercial paper for the Doubletree hotel was retired with a new bond issue the Commission issued during 2003.

The interest rate and maturities for the outstanding commercial paper are as follows:

Series A .98 to 1.05% $25,826,000 matures in 2004.
Series B 1.01 to 1.20% $42,000,000 matures in 2004.

The following are the changes in short-term debt during 2003 and 2002. (dollars in thousands)

Short-term Financing Activity	Balance 12/31/2002	Issued	Retired	Balance 12/31/2003
Notes Payable	$131,000	$ -	($63,174)	$67,826

Short-term Financing Activity	Balance 12/31/2001	Issued	Retired	Balance 12/31/2002
Notes Payable	$ 75,000	$ 56,000	-	$131,000
Bond Anticipation Note	125,000	-	(125,000)	-
	$200,000	$ 56,000	($125,000)	$131,000

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

Long Term Debt-(dollars in thousands)

Type of issue:	Issue Date	Interest Rates	Maturing On January 1	Amount	Outstanding December 31 2003	Outstanding December 31 2002
Airport Revenue Bonds						
Series 1998A	06/01/1998	5.000%	2016-2022	$78,310		
Original amount-$225,885		5.200%	2023-2024	31,610		
		5.000%	2025-2030	115,965	$225,885	$225,885
Series 1998B	06/01/1998	5.500%	2007-2009	18,045		
Original amount-$84,000		5.375%	2010	8,045		
		5.250%	2011-2015	47,070		
		5.000%	2016	10,840	84,000	84,000
Series 1998C	06/01/1998	6.120%	2004	5,700		
Original amount-$37,040		6.200%	2005	6,050		
		6.250%	2006	6,425		
		6.270%	2007	3,635	21,810	27,185
Series 1999A	07/01/1999	5.130%	2022-2031	132,415	132,415	132,415
Original amount-$132,415						
Series 1999B	07/01/1999	4.750%	2004	4,265		
Original amount-$135,095		5.000%	2005-2008	19,265		
		5.250%	2009	5,430		
		5.500%	2010-2011	11,750		
		5.630%	2012-2016	35,605		
		5.250%	2017-2022	50,825	127,140	131,215
Series 2000A	05/16/2000	5.950%	2022-2025	33,815		
Original amount-$115,325		5.900%	2026-2029	42,575		
		5.750%	2030-2032	38,935	115,325	115,325

Type of issue:	Issue Date	Interest Rates	Maturing On January 1	Amount	Outstanding December 31 2003	2002
Series 2000B	05/16/2000	5.500%	2004	2,875		
Original amount-$88,745		5.250%	2005-2006	6,230		
		5.300%	2007	3,360		
		5.375%	2008	3,540		
		5.400%	2009	3,730		
		5.750%	2010	3,930		
		6.000%	2011-2014	18,180		
		6.125%	2015-2016	10,815		
		6.200%	2017	5,910		
		6.000%	2018-2021	27,450	86,020	88,745
Series 2001A	05/30/2001	5.250%	2024-2032	85,190	85,190	85,190
Original amount-$85,190						
Series 2001B	05/30/2001	5.000%	2004-2005	5,575		
Original amount-$98,815		5.250%	2006-2008	9,485		
		5.500%	2009-2011	11,085		
		5.750%	2012-2017	28,485		
		5.625%	2018	5,745		
		5.250%	2019-2024	35,850	96,225	98,815
Series 2001C	05/30/2001	5.500%	2016-2019	30,265		
Original amount-$196,600		5.125%	2020	9,255		
		5.250%	2021-2032	157,080	196,600	196,600
Series 2001D	05/30/2001	5.000%	2004-2005	8,160		
Original amount-$70,210		5.250%	2006-2011	30,055		
		5.750%	2012-2016	28,180	66,395	70,210
Series 2003A	07/09/2003	5.250%	2016-2017	8,845		
Original amount-$102,690		5.000%	2018-2028	67,825		
		4.500%	2029-2031	26,020	102,690	-
Total Airport Revenue Bonds					**1,339,695**	**1,255,585**
General Obligation Revenue Bonds						
Series 10	05/01/1993	5.000%	2004-2006	6,060	6,060	8,360
Original amount-$29,025						
Series 13	11/01/1998	5.000%	2004-2010	16,885		
Original amount-$38,750		5.250%	2011-2013	8,980		
		4.500%	2014-2015	6,655	32,520	34,650

Type of issue:	Issue Date	Interest Rates	Maturing On January 1	Amount	Outstanding December 31 2003	2002
Series 14	10/31/2001	5.500%	2004-2006	7,650		
Original amount-$25,690		5.000%	2007-2008	5,870		
		5.500%	2009-2011	9,875	23,395	25,690
Series 15	01/29/2002	3.550%	2004	6,200		
Original amount-$287,825		4.450%	2005	6,750		
		4.850%	2006	7,350		
		5.250%	2007	7,990		
		5.500%	2008	8,700		
		6.000%	2009-2011	30,780		
		6.050%	2012	12,180		
		6.150%	2013	13,320		
		6.250%	2014	14,520		
		6.350%	2015	15,830		
		6.450%	2016	18,185		
		6.550%	2017	19,770		
		6.850%	2018-2022	120,580	282,155	287,825
Total General Obligation Revenue Bonds					**344,130**	**356,525**
Total Long-Term Debt Outstanding					**1,683,825**	**1,612,110**
Net unamortized discount					(2,907)	(6,760)
Deferred loss on refundings					(998)	(1,189)
Current portion of long-term debt					(32,700)	(30,975)
			Total Long Term Bonds Payable		**$ 1,647,220**	**$ 1,573,186**

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Future debt service requirements after December 31, 2003 are as follows (in thousands):

Year/s	Notes Payable	Airport Revenue Bonds	General Obligation Revenue Bonds	Total Debt Outstanding	Interest	Total Principal & Interest
2004	$67,826	$19,540	$13,160	$100,526	$91,431	$191,957
2005	-	20,590	13,820	34,410	89,715	124,125
2006	-	21,705	13,810	35,515	87,884	123,399
2007	-	22,890	13,185	36,075	85,984	122,059
2008		24,135	14,165	38,300	84,012	122,312
2009-2013	-	141,610	80,450	222,060	384,997	607,057
2014-2018	-	199,230	96,030	295,260	312,438	607,698
2019-2023	-	268,780	99,510	368,290	213,407	581,697
2024-2028	-	346,620	-	346,620	118,801	465,421
2029-2032	-	274,595	-	274,595	25,379	299,974
	$67,826	$ 1,339,695	$ 344,130	$ 1,751,651	$ 1,494,048	$ 3,245,699

Of the future debt service requirements listed above, $314,675,000 of principal and $232,216,000 of interest are leased under agreements with Northwest Airlines, Inc. The General Obligation Revenue Bond Series 15 represents $282,155,000 of principal and $221,826,000 of interest of the Northwest Airlines debt service requirements. These lease agreements require the lessee to make annual payments equal to the debt service requirements of the bonds.

The Commission's airport revenue bonds were first issued in 1998 and subsequently in 1999-2001 and 2003. The 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 Saint 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 Airport Revenue Bonds.

The proceeds of these issues were 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 including 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.

In June 2003, the MAC issued $102,690,000 Series 2003 A General Airport Revenue Bonds. The net proceeds to be used for construction financing total $95 million with the balance to be used to pay for cost of issuance and the reserve fund. The Series A bonds were issued on a subordinated basis. Subordinated bonds have a secondary lien on revenues and have a lower coverage ratio. One reserve fund was established for the Series A bonds. The reserve requirement is the maximum annual aggregate debt service of the Series 2003 A bonds. These bonds were rated AAA/AAA by Standard & Poor's and Fitch respectively, based on the Municipal Bond Insurance Policy. Without taking into account the Municipal Bond Insurance Policy, the bonds were rated A by Standard & Poors and A by Fitch.

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 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. (Also see Note Q.) 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.

The Commission currently has $344,130,000 outstanding in general obligation revenue bonds. The series 10 bonds were used to retire the series 1 and 6 bonds that were issued in 1975 and 1986 respectively. The series 1 and 6 bonds proceeds were used primarily for the construction of a public parking structure and associated improvements. The series 14 bonds were used to retire the series 8 bonds that were issued in 1992 (also see Note G). The series 8 bond proceeds were used primarily for the construction of improvements in the terminal building, runways, taxiways and public roadways.

The series 13 and 15 bonds were issued by the Commission for facilities for Northwest Airlines, Inc (NWA). The series 13 bonds were used to retire the series 7 bonds that were issued in 1988. The proceeds were used to construct a 747-400 hangar for NWA. The series 15 bonds were used to retire the series 9 bonds (see note G) that were issued in 1992. Further information on the Series 9/15 bonds can be found in Note Q.

As mentioned in Note Q, in respect to the General Obligation Revenue Bond Series 15, Northwest Airlines is required to maintain collateral. The value of the collateral is determined by periodic independent appraisals. The value (based upon use of the assets by an airline) of the collateral must be at least 145% (reducible to 135% under certain circumstances) of the principal amount of the General Obligation Revenue Bond Series 15.

The Commission has statutory authority for issuing General Obligation Revenue Bonds. The present statutory general obligation bonding limit as of December 31, 2003, would permit the issuance of an additional $55 million of General Obligation Revenue Bonds.

Rental agreements between the Commission and its tenants, including the compensatory rental agreement, the self-liquidating agreements, and other arrangements, are intended to provide for revenues which allow for the above required principal and interest payments. Other Commission revenue to be received under minimum rental revenue provisions is not significant in the aggregate.

NOTE F
CONDUIT DEBT OBLIGATIONS

To provide funding to finance the acquisition, construction, expansion, installation and equipping of capital improvements at Minneapolis-Saint Paul International Airport, the Commission has issued two series of Special Facility Revenue Bonds. These bonds are special limited obligations of the Commission, payable solely from and secured by a pledge of rentals to be received from lease agreements between the Commission and NWA. The bonds do not constitute a debt or pledge of the faith and credit of the Commission and accordingly have not been reported in the accompanying financial statements.
At December 31, 2003, Special Facility Revenue Bonds outstanding are $136,355,000.

NOTE G
BOND REFUNDING

On January 29, 2002, the Commission issued $287,825,000 General Obligation Revenue Bond Series 15 to advance refund General Obligation Revenue Bond Series 9. General Obligation Revenue Bond Series 9 mature on January 1, 2022, and were called on January 29, 2002. As a result of the refunding, the Commission reduced its total debt service requirements by $53,068,282, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and the new debt) in the amount of $37,108,917. The Commission also deferred recognition of a $227,692 gain in connection with this refunding according to GASB Statement No. 23. As a result the gain has been deferred and will be amortized to interest expense on a straight-line basis through January 1, 2022. At December 31, 2003, the unamortized deferred gain netted against bonds payable is $205,783.

NOTE H
CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2003 was as follows (in thousands):

	Balance 12/31/2002	Additions	Retirements and other	Balance 12/31/2003	Amounts due in one year
Deferred Revenue	$ 34,995	$ 29,497	($ 27,322)	$ 37,170	$34,456
Bonds Payable	1,609,253	102,690	(32,023)	1,679,920	32,700
	$1,644,248	$ 132,187	($59,345)	$1,717,090	$ 67,156

NOTE I
CAPITALIZATION OF INTEREST

Total interest costs incurred were $59,105,000 and $50,707,000 in 2003 and 2002, respectively. Interest costs excluded from interest expense and capitalized as part of the costs of constructed assets were $31,604,000 and $43,731,000 in 2003 and 2002, respectively. Total interest paid was $89,133,000 and $101,950,000 in 2003 and 2002, respectively.

NOTE J
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 which would have been required if bond funds were used. These leases are classified as direct financing leases and expire at various intervals until the year 2022. The following lists the components of the Commission's leases as of December 31 (in thousands):

	2003	2002
Total minimum lease payments to be received	$663,722	$679,292
Less: Unearned income	283,496	296,612
Net investment in leases	380,226	382,680
Less: Prepaid principal	9,050	8,435
Leases receivable-current and non-current	**$371,176**	**$374,245**

As of December 31, 2003, future minimum lease payments are as follows (in thousands):

Year	Amount
2004	$ 35,522
2005	35,699
2006	36,004
2007	36,359
2008	37,599
2009-2013	192,613
2014-2018	178,365
2019-2023	107,472
2024-2028	4,089

NOTE K
CAPITAL LEASE

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled $1,551,000 and $891,000 at December 31, 2003 and 2002 respectively, and accumulated amortization on those assets totaled $904,000 and $738,000 at December 31, 2003 and 2002 respectively. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of December 31, 2003 (in thousands):

(In Thousands)

Year Ending December 31	Minimum Lease Payments
2004	$203
2005	82
2006	82
2007	82
2008	373
Minimum lease payments for all capital leases	822
Less: Amount representing interest at the Commission's incremental borrowing rate of interest	73
Present value of minimum lease payments	$749

NOTE L
PENSION AND RETIREMENT PLANS

All full-time and certain part-time employees of the Commission participate in the Minneapolis Employees Retirement Fund (MERF) (participation restricted to employees hired prior to July 1, 1978) or the Public Employees Retirement Association (PERA). Both are cost-sharing, multiple-employer retirement plans.

1. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

A. 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 members are covered by Social Security. All police officers, fire fighters, and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for Coordinated 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 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 members. 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 members hired prior to July1,1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated 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 is 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 but 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, Saint Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets 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 5.10% of their annual covered salary. PEPFF members are required to contribute 6.20% of their annual covered salary. The Commission is required to contribute the following percentages of annual covered payroll: 5.53% for Coordinated Plan PERF members and 9.30% for PEPFF members. The Commission's required contributions to the Public Employees Retirement Fund for the years ended December 31, 2003, 2002, and 2001 were $1,135,000, $1,128,000, and $1,105,000, respectively. The Commission's required contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2003, 2002, and 2001 were $660,000, $607,000, and $509,000, respectively. The Commission's contributions were equal to the contractually required contributions for each year as set by state statute.

2. MINNEAPOLIS EMPLOYEES RETIREMENT FUND

A. 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 Minneapolis Employees Retirement Fund (MERF). 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:

A) With 30 or more years of service at any age; or
B) At age 60 with ten or more years of service; or
C) At age 65 with less than ten years of service; or
D) 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 ten 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. The report may be obtained by writing to MERF, 800 Baker Building, 706 Second Avenue South, Minneapolis, MN 55402 or by calling (612) 335-5950.

B. Contributions Required and Contributions Made

Employee Contributions: Minnesota Statute Sections 422A.010 and 422A.25 require members to contribute 9.75% of their earnings to MERF which includes .5% for survivor benefits.

Employer Contributions: Required employer contributions are established by Minnesota Statute Section 422A.101 and include the normal cost, as reported in the annual actuarial valuation, plus an amount to cover administrative costs. Employers also contribute an additional 2.68% of covered employees payroll and an annual total of $3.9 million which is required by Minnesota Statutes to be applied against the unfunded liability. Commencing in 1986, the Commission is required to make additional contributions toward the unfunded liability. This contribution was previously made by the State of Minnesota.

State of Minnesota Contributions: Minnesota Laws of 1991 provide for a maximum $9,000,000 annual contribution to MERF for the purpose of eliminating 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 payroll and further reduced by the $3.9 million and the 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%	8.18%	2.68%
Survivor Benefits	.50%		

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

Contributions	2003	2002	2001
Employer (100% of required)	$ 2,709	$ 323	$ 401

NOTE M
POST-RETIREMENT BENEFITS

The Commission provides health insurance benefits for certain retired employees. 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 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.

Effective January 1, 1997, the Commission changed its method of accounting for postretirement health benefits to accrue the estimated cost of retiree benefit payments during the years in which the employee earns the benefit. The Commission previously expensed the costs of these benefits as claims were incurred. The Commission elected to recognize the transition obligation of approximately $19,523,000 over a period of 20 years. The following table summarizes the change in benefit obligation and plan assets during 2003 and 2002:

	2003	2002
Benefit Obligation, January 1	$45,021,718	$42,477,119
Service Cost	1,101,871	1,120,055
Interest Cost	2,879,410	1,806,000
Actuarial Losses	206,777	737,685
Benefits paid by the Commission	(1,652,974)	(1,119,141)
Benefits Obligation, December 31	$47,556,802	$45,021,718

The funding status of the plan at December 31 is:

	2003	2002
Accumulated postretirement benefit obligation	$47,556,802	$45,021,718
Less:		
Fair value of plan assets	0	0
Unrecognized prior service cost	1,483,706	1,597,606
Unrecognized net loss	11,837,731	12,377,507
Unrecognized transition obligation	12,691,000	13,667,000
Postretirement liability recognized in balance sheets	$21,544,365	$17,379,605

Net postretirement benefit cost for the years ended December 31 consisted of the following components:

	2003	2002
Service Cost – benefits earned during the year	$1,101,871	$1,120,055
Interest cost on accumulated postretirement benefit obligation	2,879,410	1,806,000
Expected return on plan assets	0	0
Amortization of transition obligation	976,000	976,000
Amortization of prior service cost	113,900	113,900
Unrecognized net loss	539,776	0
Net postretirement benefit cost	$5,610,957	$4,015,955
Benefit Payments Net of Retiree Contributions	$1,652,974	$1,119,141

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation as of December 31, 2003 and 2002 was 12% and 7.73% respectively. The assumed discount rate used in determining the accumulated postretirement benefit obligation as of December 31, 2003 and 2002 was 6.5%. As of December 31, 2003 and 2002, a one-percentage point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement obligation by approximately 14.9% and 18.71% respectively and the service and interest cost components of the net postretirement health care cost in 2003 and 2002 by approximately 16.3% and 21.5% respectively.

NOTE N
ARBITRAGE

Every five years, the Commission is required to rebate arbitrage profits earned in relation to certain General Obligation Revenue and Airport Improvement Bond issues. Arbitrage profits are earned when investment income relating to these issues exceeds the yield on the bonds. The Commission has recorded a liability in accrued expenses at December 31, 2003 and 2002 of $4,468,564 and $5,356,567 respectively.

NOTE O
RISK MANAGEMENT

The Commission is exposed to various risks of loss related to tort, theft of, damage to, or destruction of assets; errors or omissions, and employer obligations. The Commission manages these risks through purchases of commercial insurance under a claims made policy. The Commission had no significant reduction in its insurance coverage for 2003 or 2002. In addition, no settlements exceeded insurance coverage for the last three fiscal years. The Commission is self-insured for workers' compensation and health/dental claims. 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, 2003 and 2002, as well as an estimate of claims incurred. Changes in the balances of claim liabilities during the past two years are as follows:

	2003	2002
Unpaid Claims - Beginning of Year	$1,118,193	$ 1,217,170
Incurred Claims and Changes in Estimates	4,309,841	4,168,527
Claims Paid	(4,041,180)	(4,267,504)
Unpaid Claims - End of Year	$ 1,386,854	$ 1,118,193

NOTE P
CONTINGENT LIABILITIES AND COMMITMENTS

There are several lawsuits pending in which the Commission is involved. The Commission has indicated 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 $36,558,000 at December 31, 2003.

Lake Elmo Airport Environmental Matter
The Commission is party to a consent agreement relating to groundwater contamination in Baytown Township in the area of the Lake Elmo Airport. First identified in 1988, the Commission, at the request of the Minnesota Pollution Control Agency (MPCA), had conducted extensive investigation to identify a source of the contamination. The compound of concern is trichloroethane, a solvent that once was more commonly used as a parts washer and degreaser. The investigation identified no source for the contamination, but indicated that the area of highest contamination remained below the airport. The MPCA issued an administrative order requiring the Commission to perform response actions which the Commission opposed on the basis that there was no clear evidence that the source was from the airport.

In 1999, the Commission reached an agreement with the MPCA to undertake response actions at the site in exchange for a release from state liability. The selected remedy was to provide point-of-use granular active carbon (GAC) systems to homeowners affected by the contamination. The trigger level for providing GAC systems was the Minnesota Department of Health's (MDH) health risk limit (HRL) of 30 ug/L. The agreement obligated the Commission to provide additional GAC units if the HRL was lowered. Recently, the MDH has indicated it intends to lower the HRL to as low as 5 ug/L based on new Environmental Pollution Agency (EPA) studies, but indicated that it may take up to two years to make the modification. Although the commission is not obligated to provide additional GAC units until the HRL is revised, the MPCA and the EPA requested that the Commission provide the units early. The Commission staff has reached a tentative agreement with the MPCA to undertake this obligation early under an arrangement where the MPCA and the Commission share other costs relating to sampling and other work at the site until 2004. This means that the Commission will incur costs of GAC installation earlier than the order would otherwise require.

The Commission has recorded a liability for $1.5 million for an initial estimate of the costs of the response action. However, given the recent events and the certain tentative agreement to share costs with the MPCA, the ultimate cost to the Commission is not known at this time.

Runway 17/35 Land Acquisition
Certain remaining property acquisitions in association with Runway 17/358 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 recovered through airline rates and charges.

NOTE Q
MAJOR CUSTOMER

Northwest Airlines, Inc. (NAI) is a Minnesota corporation in the business of transporting by air passengers, mail, and property. Northwest Aerospace Training Corporation (NATCO) is a Minnesota corporation in the business of pilot training. Both NAI and NATCO are wholly owned by NWA Inc., a Delaware corporation (NWA). In July 1989, NWA was acquired by Wings Holdings Inc., a Delaware corporation (Wings). In December 1993, Wings changed its corporate name to Northwest Airlines Corporation (NWA Corp.). NAI is the fourth largest airline in the United States and one of the largest employers in the State of Minnesota. NAI operates both domestic and international air route systems. Minneapolis-Saint Paul International Airport is one of NAI's three major hubs. Revenues from NAI account for approximately 28% of operating revenues and 74% of total revenues from major airlines.

On April 23, 1992, the Commission issued $270,000,000 of taxable General Obligation Revenue Bonds, Series 9 (Bonds). In January 2002, the Commission issued $287,825,000 in General Obligation Revenue Bonds to refund General Obligation Revenue Bonds Series 9. (See Notes E and G) The Bonds were used to acquire and lease back (a) a flight training center in Eagan, Minnesota, owned by NATCO, NAI, and NWA (collectively the Northwest entities), consisting of land, a building, flight simulators, and related equipment and (b) certain leasehold interests of the Northwest entities and certain additional properties located at Minneapolis-Saint Paul International Airport (collectively the Leased Facilities). The lease obligations are secured by the Leased Facilities, by guaranties of the Northwest entities and NWA Corp., and by a pledge of certain additional collateral consisting of aircraft engine parts and international route authorities. During the term of the Bonds, the Northwest entities are required to maintain collateral, as determined by periodic independent appraisals, which has a value (based upon use of the assets by an airline) of at least 145% (reducible to 135% under certain circumstances) of the sum of the principal amount of Bonds outstanding. These transactions were accounted for as a capital lease.

The financial condition of NWA Corp. and the Northwest entities on a consolidated basis is material to the ability to perform their rental and other payment obligations to the Commission under various agreements. Leases and accounts receivable from the Northwest entities represent 10% of the Commission's total assets at December 31, 2003.

For the years ended December 31, 2003, and 2002, the Northwest entities and NWA Corp. had audited consolidated net income (loss) of approximately $236 million and $(798) million, respectively. On December 31, 2003, the Northwest entities' and NWA Corp.'s audited total consolidated assets were $14.154 billion and their total audited consolidated liabilities were $16.165 billion, resulting in the Northwest entities' and NWA Corp.'s audited consolidated net deficit of $2.011 billion. In the event that the Northwest entities or NWA Corp. are unable to meet their lease commitments, the Commission has the authority to levy property taxes to support the debt obligations on the Bonds.

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Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2003

Statistical Section

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section

HISTORICAL OPERATING STATEMENTS 1994-2003
(Dollars in Thousands)-Unaudited

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Operating Revenues										
Airline Rates and Charges	$31,960	$35,193	$35,647	$41,838	$46,832	$55,401	$68,133	$72,669	$71,846	$60,977
Concessions	35,579	41,838	47,872	52,279	56,832	62,131	70,760	69,707	67,416	72,337
Other Revenues										
Rentals-(Ground and Building)	5,601	6,962	8,884	8,135	8,653	15,078	17,875	20,588	21,613	22,623
Operating Lease Settlement	0	0	9,326	0	0	0	0	0	0	0
Utilities	1,342	1,271	1,584	1,516	2,077	1,716	1,852	2,440	1,732	2,151
Miscellaneous	1,911	1,992	1,919	2,293	2,554	3,658	4,794	6,391	8,004	10,094
Total Operating Revenues	76,393	87,256	105,232	106,061	116,948	137,984	163,414	171,795	170,611	168,182
Operating Expenses										
Salaries, Wages & Employee Benefits	23,293	24,360	26,341	30,653	32,433	34,497	39,814	42,627	43,074	48,273
Administrative Expenses	839	1,003	1,028	1,108	1,113	1,555	1,686	1,708	880	844
Professional Services	4,681	5,705	4,040	4,069	4,006	5,231	6,357	5,177	3,386	2,821
Utilities	5,287	5,354	6,106	5,889	6,466	7,318	8,678	11,208	8,882	11,779
Operating Services	7,995	8,276	8,705	9,935	10,414	11,199	11,971	14,113	12,147	13,928
Maintenance	6,743	7,236	8,007	8,809	9,302	10,498	12,238	15,250	13,501	16,453
Depreciation	21,048	22,656	26,528	33,304	36,756	42,875	51,028	65,647	72,871	79,399
Other	289	327	477	170	119	619	278	2,250	2,455	2,743
Total Operating Expenses	70,175	74,917	81,232	93,937	100,609	113,792	132,050	157,980	157,196	176,240
Operating Income (Loss)	6,218	12,339	24,000	12,124	16,339	24,192	31,364	13,815	13,415	(8,058)
Other Revenues (Expenses)										
Interest Income - 1	41,776	44,946	45,308	43,952	47,444	50,039	55,661	57,712	45,454	29,854
Passenger Facility Charges	28,472	32,286	35,892	37,162	37,389	40,474	43,567	57,191	61,492	63,681
Federal/State Grants-2								38,069	42,919	36,707
Gain (Loss) on Sale/Disposal of Asset	448	0	418	6	0	2	0	(4,196)	17	(2,547)
Interest Expense	(34,018)	(32,945)	(31,788)	(30,957)	(37,549)	(35,103)	(42,023)	(55,549)	(50,707)	(59,105)
Part 150 Home Insulation Expenses	-	-	-	(8,482)	(14,976)	(18,475)	(20,707)	(20,517)	(22,208)	(13,063)
Concession Development Expenses	-	-	-	(1,358)	(1,792)	(5,319)	(416)	-	-	-
Total Other Revenues (Expenses)	36,678	44,287	49,830	40,323	30,516	31,618	36,082	72,710	76,967	55,527
Net Income	42,896	56,626	73,830	52,447	46,855	55,810	67,446			
Change in Net Assets								86,525	90,382	47,469
Net Assets Beginning of Year								941,470	1,027,995	1,118,377
Net Assets End of Year								1,027,995	1,118,377	1,165,846
Add: Depreciation of Facilities Provided by Government Grants	5,933	6,559	7,882	8,941	9,691	10,295	12,725			
Increase in Retained Earnings	48,829	63,185	81,712	61,388	56,546	66,105	80,171			
Retained Earnings Beginning of Year	297,126	345,955	409,140	490,852	552,240	608,786	674,891			
Retained Earnings End of Year	$345,955	$409,140	$490,852	$552,240	$608,786	$674,891	$755,062			

Source: Audit Reports for the last ten years.

1. For the years ended December 31, 1996-2003, the amounts shown takes into account the effect of GASB No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".
2. For the years ended December 31, 2001-2003, the amounts shown takes into account the effect of GASB No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments".

HISTORICAL REVENUES 1994-2003

Pursuant to MAC's Master Trust Indenture

(Dollars in Thousands)-Unaudited

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Airline Rates & Charges										
Landing Fees-3	$ 19,077	$ 21,414	$ 21,918	$ 24,372	$ 27,358	$ 29,923	$ 39,472	$ 40,378	$ 41,573	$ 27,529
Ramp Fees	3,242	3,542	3,724	4,203	4,754	5,243	6,444	6,243	5,944	5,700
Lindbergh Terminal Building Rents	8,480	9,050	8,760	10,491	11,604	17,011	19,430	22,405	21,236	24,151
Other Lindbergh Terminal Charges	568	559	790	2,116	2,431	2,667	2,787	3,643	3,093	3,596
Noise Surcharge	593	628	455	656	685	557	0	0	0	0
Total Airline Rates & Charges	**31,960**	**35,193**	**35,647**	**41,838**	**46,832**	**55,401**	**68,133**	**72,669**	**71,846**	**60,976**
Concessions										
Auto Parking	22,070	26,158	30,292	31,675	35,052	36,670	42,951	39,339	36,755	41,330
Rental Car	6,787	7,919	8,465	9,469	10,335	11,429	12,385	13,739	13,359	14,742
Food & Beverage	1,644	1,909	2,348	2,541	2,719	3,084	3,546	4,053	4,340	4,864
Merchandise	1,866	2,024	2,500	3,180	3,451	4,043	4,627	4,572	4,836	4,689
Miscellaneous	3,200	3,816	4,255	5,405	5,273	6,894	7,263	8,004	8,126	6,712
Total Concession Revenue	**35,567**	**41,826**	**47,860**	**52,270**	**56,830**	**62,120**	**70,772**	**69,707**	**67,416**	**72,337**
Other Revenue										
Humphrey Building Rentals	1,312	1,477	1,492	862	1,207	1,768	703	857	3,377	3,522
Utilities	1,342	1,271	1,584	1,516	2,077	1,716	1,852	2,440	1,732	2,152
Other Building and Land Rent	2,965	4,171	15,052	5,717	5,859	11,600	15,140	18,079	16,444	17,086
Miscellaneous	2,341	2,412	2,662	2,916	2,973	3,712	4,890	5,812	7,179	9,328
Total Other Revenue	**7,960**	**9,331**	**20,790**	**11,011**	**12,116**	**18,796**	**22,585**	**27,188**	**28,732**	**32,088**
Total MSP Revenue	**75,487**	**86,350**	**104,297**	**105,119**	**115,778**	**136,317**	**161,490**	**169,564**	**167,994**	**165,401**
Total Reliever Airports	**906**	**906**	**935**	**942**	**1,170**	**1,667**	**1,924**	**502**	**2,617**	**2,781**
Total Operating Revenue	**76,393**	**87,256**	**105,232**	**106,061**	**116,948**	**137,984**	**163,414**	**170,066**	**170,611**	**168,182**
Interest Income										
Capital Lease Interest	36,811	36,310	35,924	35,183	31,430	29,646	28,715	28,464	25,300	23,554
Other-2	3,784	6,415	6,222	5,542	6,579	5,933	6,875	7,569	6,220	3,976
Total Interest Income	**40,595**	**42,725**	**42,146**	**40,725**	**38,009**	**35,579**	**35,590**	**36,033**	**31,520**	**27,530**
Capital Lease Principal Payments	**5,798**	**7,115**	**7,465**	**6,582**	**7,181**	**6,057**	**7,300**	**7,476**	**9,321**	**11,345**
Total Revenues-1	**$ 122,786**	**$ 137,096**	**$ 154,843**	**$ 153,368**	**$ 162,138**	**$ 179,620**	**$ 206,304**	**$ 213,575**	**$ 211,452**	**$ 207,057**

1-Total Revenues do not include any PFC's.

2-Interest income on PFC's and Bond Series 1998-2003 Construction Funds are not included.

3-In 2003, includes a $13 million rent rebate.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

PERCENTAGE DISTRIBUTION OF OPERATING REVENUES 1994-2003

(Dollars in Thousands)-Unaudited

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Airline Rates & Charges										
Landing Fees-1	25.0%	24.5%	20.8%	23.0%	23.4%	21.7%	24.2%	23.7%	24.4%	16.4%
Ramp Fees	4.2%	4.1%	3.5%	4.0%	4.1%	3.8%	3.9%	3.7%	3.5%	3.4%
Lindbergh Terminal Building Rents	11.1%	10.4%	8.3%	9.9%	9.9%	12.3%	11.9%	13.2%	12.4%	14.4%
Other Lindbergh Terminal Charges	0.7%	0.6%	0.8%	2.0%	2.1%	1.9%	1.7%	2.1%	1.8%	2.1%
Noise Surcharge	0.8%	0.7%	0.4%	0.6%	0.6%	0.4%	0.0%	0.0%	0.0%	0.0%
Total Airline Rates & Charges	**41.8%**	**40.3%**	**33.9%**	**39.4%**	**40.0%**	**40.2%**	**41.7%**	**42.7%**	**42.1%**	**36.3%**
Concessions										
Auto Parking	28.9%	30.0%	28.8%	29.9%	30.0%	26.6%	26.3%	23.1%	21.5%	24.6%
Rental Car	8.9%	9.1%	8.0%	8.9%	8.8%	8.3%	7.6%	8.1%	7.8%	8.8%
Food & Beverage	2.2%	2.2%	2.2%	2.4%	2.3%	2.2%	2.2%	2.4%	2.5%	2.9%
Merchandise	2.4%	2.3%	2.4%	3.0%	3.0%	2.9%	2.8%	2.7%	2.8%	2.8%
Miscellaneous	4.2%	4.4%	4.0%	5.1%	4.5%	5.0%	4.4%	4.7%	4.8%	4.0%
Total Concession Revenue	**46.6%**	**47.9%**	**45.5%**	**49.3%**	**48.6%**	**45.0%**	**43.3%**	**41.0%**	**39.5%**	**43.0%**
Other Revenue										
Humphrey Building Rentals	1.7%	1.7%	1.4%	0.8%	1.0%	1.3%	0.4%	0.5%	2.0%	2.1%
Utilities	1.8%	1.5%	1.5%	1.4%	1.8%	1.2%	1.1%	1.4%	1.0%	1.3%
Other Building and Land Rent	3.9%	4.8%	14.3%	5.4%	5.0%	8.4%	9.3%	10.6%	9.6%	10.2%
Miscellaneous	3.1%	2.8%	2.5%	2.7%	2.5%	2.7%	3.0%	3.4%	4.2%	5.5%
Total Other Revenue	**10.4%**	**10.7%**	**19.8%**	**10.4%**	**10.4%**	**13.6%**	**13.8%**	**16.0%**	**16.8%**	**19.1%**
Total MSP Revenue	**98.8%**	**99.0%**	**99.1%**	**99.1%**	**99.0%**	**98.8%**	**98.8%**	**99.7%**	**98.5%**	**98.3%**
Total Reliever Airports	**1.2%**	**1.0%**	**0.9%**	**0.9%**	**1.0%**	**1.2%**	**1.2%**	**0.3%**	**1.5%**	**1.7%**
Total Operating Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1. Includes in 2003 a one-time rent rebate of $13 million.

Source: Metropolitan Airports Commission

Note: Totals may not add due to rounding.

NWA Revenue as a Percentage of Total MAC Operating Revenues
1994-2003 (dollars in thousands)-Unaudited

	1994	1995	1996-1	1997	1998	1999	2000	2001	2002	2003
Total MAC Operating Revenue	$ 76,393	$ 87,256	$105,232	$106,061	$116,948	$137,984	$163,414	$171,795	$170,611	$168,182
Lease Principal/Interest Payments	42,612	43,426	43,389	41,650	37,368	33,769	33,823	33,567	35,290	34,899
Interest Income-MAC Funds-2	3,709	6,308	6,148	5,542	12,569	17,083	24,572	28,958	19,589	5,524
Total Revenue	122,714	136,990	154,769	153,253	166,885	188,836	221,809	234,320	225,490	208,605
NWA Portion of Operating Revenue	23,614	25,907	26,477	30,477	32,504	38,442	47,516	52,316	51,858	44,391
NWA Portion of Lease Payments	41,438	42,240	42,163	39,708	35,856	31,812	31,865	31,608	32,692	30,477
Total NWA Revenue	$ 65,052	$ 68,147	$ 68,640	$ 70,185	$ 68,360	$ 70,254	$ 79,381	$ 83,924	$ 84,550	$ 74,868
NWA % of Total Revenue	**53.01%**	**49.75%**	**44.35%**	**45.80%**	**40.96%**	**37.20%**	**35.79%**	**35.82%**	**37.50%**	**35.89%**
Total Revenue	$122,714	$136,990	$154,769	$153,253	$166,885	$188,836	$221,809	$234,320	$225,490	$208,605
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	23,960	23,960	23,960	23,960	23,960	26,252	24,018
Total Adjusted Revenue	98,754	113,030	130,809	129,293	142,925	164,876	197,849	210,360	199,238	184,587
Total NWA Revenue	65,052	68,147	68,640	70,185	68,360	70,254	79,381	83,924	84,550	74,868
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	23,960	23,960	23,960	23,960	23,960	26,252	24,018
Total Adjusted NWA Revenue	41,092	44,187	44,680	46,225	44,400	46,294	55,421	59,964	58,298	50,850
NWA % of Total Revenue	**41.61%**	**39.09%**	**34.16%**	**35.75%**	**31.07%**	**28.08%**	**28.01%**	**28.51%**	**29.26%**	**27.55%**

NWA Revenue as a Percentage of Total Airline Revenues
1994-2003 (dollars in thousands)-Unaudited

Total Air Carrier Operating Revenue	$ 33,624	$ 36,989	$ 37,788	$ 43,628	$ 46,060	$ 53,818	$ 66,343	$ 71,225	$ 69,518	$ 59,504
Air Carrier Lease Payments	41,893	42,707	42,621	40,166	36,356	32,759	32,812	32,555	33,609	32,875
Total Air Carrier Revenue	75,517	79,696	80,409	83,794	82,416	86,577	99,155	103,780	103,127	92,379
Total NWA Revenue	65,052	68,147	68,640	70,185	68,360	70,254	79,381	83,924	84,550	74,868
NWA % of Total Air Carrier Revenue	**86.14%**	**85.51%**	**85.36%**	**83.76%**	**82.95%**	**81.15%**	**80.06%**	**80.87%**	**81.99%**	**81.04%**
Total Air Carrier Revenue	75,517	79,696	80,409	83,794	82,416	86,577	99,155	103,780	103,127	92,379
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	23,960	23,960	23,960	23,960	23,960	26,252	24,018
Total Adjusted Air Carrier Revenue	51,557	55,736	56,449	59,834	58,456	62,617	75,195	79,820	76,875	68,361
Total NWA Revenue	65,052	68,147	68,640	70,185	68,360	70,254	79,381	83,924	84,550	74,868
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	23,960	23,960	23,960	23,960	23,960	26,252	24,018
Total Adjusted NWA Revenue	41,092	44,187	44,680	46,225	44,400	46,294	55,421	59,964	58,298	50,850
NWA % of Total Air Carrier Revenue	**79.70%**	**79.28%**	**79.15%**	**77.26%**	**75.95%**	**73.93%**	**73.70%**	**75.12%**	**75.83%**	**74.38%**

1. In 1996, Operating Lease Settlement is included.
2. Does not include interest income earned on PFC's.
3. In 2003, revenues include NWA's portion of $13 million rebate.

Source: Metropolitan Airports Commission

Rate Covenant For Senior Debt-4
(Dollars in Thousands)-Unaudited

	1998	1999	2000	2001	2002	2003
Revenues per Master Trust Indenture	$ 162,138	$ 179,620	$ 206,304	$ 213,575	$ 211,452	$ 207,057
Expenses:						
Operating Expenses:	(100,609)	(113,792)	(132,050)	(157,980)	(157,196)	(176,240)
Add: Depreciation	36,756	42,875	51,028	65,647	72,871	79,399
Amount paid from non-revenue source						13,000
Total Operating Expenses-Excluding Depreciation	(63,853)	(70,917)	(81,022)	(92,333)	(84,325)	(83,841)
Airport Improvement Bonds-Prior Lien Bonds	(337)	(344)	(660)	-	-	-
Net Revenues	97,948	108,359	124,622	121,242	127,127	123,216
Annual Debt Service-Senior Airport Revenue Bonds	(1,305)	(8,162)	(26,314)	(46,738)	(59,965)	(56,364)
Annual Debt Service-General Obligation Revenue Bonds	(37,650)	(38,082)	(37,766)	(39,673)	(33,867)	(33,901)
Principal and Interest on other Indebtedness-1	-	-	(656)	(2,182)	(4,944)	(16,062)
Must not be less than Zero	**$ 58,993**	**$ 62,115**	**$ 59,886**	**$ 32,649**	**$28,351**	**$16,889**
Requirement Section						
Net Revenues	$ 97,948	$ 108,359	$ 124,622	$ 121,242	$ 127,127	123,216
Transfer-Coverage-2	-	-	-	4,083	6,350	14,091
Total Available	97,948	108,359	124,622	125,325	133,477	137,307
Senior Debt Service times 125%-3	(1,631)	(10,203)	(32,893)	(58,423)	(74,956)	(70,455)
Must not be less than Zero	**96,317**	**98,157**	**91,730**	**66,903**	**58,521**	**66,852**

<u>Pro Forma Coverage on Senior Lien Debt</u>

	1998	1999	2000	2001	2002	2003
Net Revenues	$ 97,948	$ 108,359	$ 124,622	$ 121,242	$ 127,127	123,216
Transfer-Coverage-2	-	-	-	4,083	6,350	14,091
Total Available	97,948	108,359	124,622	125,325	133,477	137,307
Annual Debt Service-Senior Airport Revenue Bonds	(1,305)	(8,162)	(26,314)	(46,738)	(59,965)	(56,364)
Annual Debt Service-General Obligation Revenue Bonds	(37,650)	(38,082)	(37,766)	(39,673)	(33,867)	(33,901)
Total Debt Service-Senior Lien Debt	(38,955)	(46,244)	(64,080)	(86,411)	(93,832)	(90,265)
Coverage with Transfer	**251%**	**234%**	**194%**	**145%**	**142%**	**152%**
Coverage without Transfer	**251%**	**234%**	**194%**	**140%**	**135%**	**137%**

Source: Metropolitan Airports Commission
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.
4. The Commission first issued Airport Revenue Bonds in 1998.

Rate Covenant for Subordinate Lien Debt-3
(Dollars in Thousands)-Unaudited

	1998	1999	2000	2001	2002	2003
Revenues per Master Trust Indenture	$ 162,138	$179,620	$206,304	$213,575	$211,452	207,057
Expenses:						
Operating Expenses:	(100,609)	(113,792)	(132,050)	(157,980)	(157,196)	(176,240)
Add: Depreciation	36,756	42,875	51,028	65,647	72,871	79,399
Amount paid from non-revenue source	-	-	-	-	-	13,000
Total Operating Expenses-Excluding Depreciation	(63,853)	(70,917)	(81,022)	(92,333)	(84,325)	(83,841)
Annual Debt Service-Senior Airport Revenue Bonds	(1,305)	(8,162)	(26,314)	(46,738)	(59,965)	(56,364)
Annual Debt Service-General Obligation Revenue Bonds	(37,650)	(38,082)	(37,766)	(39,673)	(33,867)	(33,901)
Airport Improvement Bonds-Prior Lien Bonds	(337)	(344)	(660)	-	-	-
Subordinate Revenues	58,993	62,115	60,542	34,831	33,295	32,951
Principal and Interest on Subordinate Bonds	-	-	(656)	(2,182)	(4,944)	(16,062)
Must not be Less than Zero	**58,993**	**62,115**	**59,886**	**32,649**	**28,351**	**16,889**
Requirement Section						
Subordinate Revenues	58,993	62,115	60,542	34,831	33,295	32,951
Transfer-1	-	-	66	218	494	1,606
Total Available	58,993	62,115	60,608	35,049	33,789	34,557
Outstanding Subordinate Debt Service Times 110%-2	-	-	(722)	(2,400)	(5,439)	(17,668)
Must not be Less than Zero	**58,993**	**62,115**	**59,886**	**32,649**	**28,351**	**16,889**
Pro Forma Coverage on Subordinate Lien Debt						
Subordinate Revenues	58,993	62,115	60,542	34,831	33,295	32,951
Principal and Interest on Subordinate Bonds-2	-	-	656	2,182	4,944	16,062
Coverage without transfer	**0%**	**0%**	**9,229%**	**1,596%**	**673%**	**205%**
Pro Forma Coverage on Senior and Subordinate Lien Debt						
Net Revenues	97,948	108,359	124,622	121,242	127,127	123,216
Total Debt Service-Senior and Subordinate Debt	38,955	46,244	64,736	88,593	98,777	106,327
Coverage without transfer	**251%**	**234%**	**193%**	**137%**	**129%**	**116%**

Source: Metropolitan Airports Commission
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.
3. The Commission first issued Airport Revenue Bonds in 1998.

Air Carrier Market Share
Total Revenue Enplaned Passengers[1]
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
Ranked on Year 2003 Results

Unaudited

2003 Ranking	Air Carrier	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2003 % of Total[2]
1	Northwest	8,634,138	9,513,218	10,132,733	10,667,527	9,813,515	11,056,053	11,922,408	11,938,660	11,687,427	11,778,861	73.15%
2	Pinnacle [3]	-	-	-	-	-	-	-	75,105	384,480	585,202	3.63%
3	Mesaba Aviation [3]	257,754	264,420	359,897	720,975	1,010,129	1,154,386	1,261,971	685,843	591,396	572,557	3.56%
4	United	470,194	474,695	477,159	496,159	571,032	552,721	491,166	474,913	508,578	516,389	3.21%
5	American	314,080	338,156	344,591	363,254	425,073	384,014	365,665	369,345	463,331	410,688	2.55%
6	Sun Country	304,558	347,340	365,321	331,346	402,768	475,338	708,952	612,881	138,220	377,604	2.35%
7	Delta	272,527	270,519	272,505	322,649	376,461	381,779	412,283	348,369	360,029	319,889	1.99%
8	Continental	162,728	127,860	138,488	138,954	158,507	162,036	193,224	198,313	253,562	235,088	1.46%
9	America West	120,238	121,754	126,889	137,246	135,066	132,456	141,591	149,416	198,307	228,452	1.42%
10	American Trans Air	-	-	-	-	-	-	179,274	153,772	198,855	217,689	1.35%
11	US Airways	189,477	174,684	171,137	185,156	204,754	173,917	236,887	204,853	219,948	161,198	1.00%
12	Omni Air Express	-	-	-	-	-	-	134,894	109,446	107,222	-	0.00%
13	Trans World [4]	168,237	206,095	217,874	208,873	226,825	229,145	190,315	183,179	-	-	0.00%
14	KLM Royal Dutch [a]	-	49,220	87,424	138,248	137,040	138,513	114,853	62,212	-	-	0.00%
15	Vanguard	-	46,193	99,976	173,324	181,546	172,559	128,121	10,141	-	-	0.00%
16	Ryan Int'l	-	-	9,820	32,736	93,044	131,166	-	-	-	-	0.00%
	Other [5]	634,702	557,573	642,911	539,085	436,182	509,770	402,031	442,692	653,417	698,577	4.34%
		11,528,633	12,491,727	13,446,725	14,455,532	14,171,942	15,653,853	16,883,635	16,019,140	15,764,772	16,102,194	100.00%

[1] The figures may differ from the passenger statistics reported by the Air Carriers to the Airport.
[2] Percentages may not sum to totals due to rounding.
[3] Codeshare with Northwest. 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.
[a] Codeshare with Northwest. No activity at MSP International Airport since 2002.
[4] Filed for bankruptcy protection on January 9, 2001 and merged with American Airlines on December 2, 2001.
[5] 2001 charter enplanement figure was revised downward; as a result, the year-end total changed to 16,019,140 from 16,027,492.
Sources: DOT, Schedules T-3, T-100 and 298C T-1; and John F. Brown Company, Inc.

POPULATION OF MINNEAPOLIS-ST. PAUL-UNAUDITED METROPOLITAN STATISTICAL AREA 1994-2003 (thousands)

YEAR	TOTAL POPULATION
1994	2,693
1995	2,730
1996	2,765
1997	2,792
1998	2,831
1999	2,872
2000	2,969
2001	3,025 est.
2002	3,055 est
2003	N/A

Source: U.S. Department of Commerce, Bureau of the Census.
N/A=Not Available

SCHEDULE OF AIRLINE RATES AND CHARGES-UNAUDITED 1994-2003

Year	Landing Fee/ 1000 lbs.	Ramp Fees/ Lineal Foot	Common Use/ Square Foot	Finished/ Square Foot	Finished Janitored/ Square Foot	Unfinished/ Square Foot
1994	0.87	344.96	20.39	20.39	25.78	20.39
1995	0.95	366.41	21.61	21.61	26.48	21.61
1996	0.94	399.73	22.51	22.51	26.15	22.51
1997	1.02	462.64	26.64	26.64	30.82	26.64
1998	1.18	517.88	26.34	26.34	31.33	26.34
1999	1.10	516.00	36.32	36.32	40.58	36.32
2000	1.40	588.74	38.48	38.48	42.74	38.48
2001	1.50	581.36	41.88	41.88	47.34	41.88
2002	1.59	453.95	38.06	38.06	42.27	38.06
2003	1.55	460.68	39.87	39.87	45.10	39.87

Source: Compensatory Rental Report

In 1999, the schedule of airline rates and charges reflects a New Airline Agreement calculation.

Enplaned Passenger Trends
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)

Unaudited

	Originating		Connecting			% Change
Year	Enplaned Passengers (1)	% of Total	Enplaned Passengers (1)	% of Total	Total	from Previous Year
1994	5,778,553	50.1	5,750,080	49.9	11,528,633	4.7
1995	6,182,572	49.5	6,309,155	50.5	12,491,727	8.4
1996	6,727,655	50.0	6,719,070	50.0	13,446,725	7.6
1997	7,107,727	49.2	7,347,805	50.8	14,455,532	7.5
1998	7,152,712	50.5	7,019,230	49.5	14,171,942	-2.0
1999	7,737,926	49.5	7,904,750	50.5	15,642,676	10.4
2000	8,388,905	49.6	8,532,690	50.4	16,921,595	8.2
2001[1]	8,328,327	49.6	8,462,655	50.4	16,790,982	-0.8
2002	8,090,936	49.6	8,221,434	50.4	16,312,370	-2.9
2003[2]	8,212,271	49.6	8,344,727	50.4	16,556,998	1.5

Average Annual Compound Growth

1994-2003	3.98%	4.22%	4.10%

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.

Notes: (1) Includes passengers who connected to domestic flights at MSP but who 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 Airport.

The decline in 1998 is the result of the Northwest Airlines strike in late August through early September 1998.

[1] 2001 charter enplanement figure was revised downward; as a result, the year-end total is somewhat different from the figure published last year.

[2] Figures are actual, but the split for connecting is based on the historical trend.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section

Air Carrier Market Share
Total Enplaned Cargo (in tons)
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)

Unaudited

2003 Ranking	Air Carrier	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2003 % of Total [1]
1	Federal Express	40,315.0	46,252.1	44,769.6	45,127.8	50,408.9	49,393.4	50,119.8	49,222.6	71,564.1	87,380.5	50.1%
2	Northwest	96,936.6	90,211.7	82,843.1	89,255.9	65,323.0	71,038.9	74,331.9	67,899.9	46,685.1	29,275.9	16.8%
3	UPS	21,309.8	22,089.7	24,615.8	27,141.5	25,572.4	25,378.2	26,058.0	24,357.7	26,373.7	26,038.9	14.9%
4	Airborne	6,900.4	6,864.5	6,615.3	7,069.6	7,026.0	6,651.1	6,428.9	7,619.4	7,427.9	7,168.2	4.1%
5	DHL	3,105.9	3,406.7	2,463.7	2,544.1	2,649.1	1,731.6	2,430.7	2,014.3	2,446.2	6,117.7	3.5%
6	Other	10,721.0	9,421.3	5,279.4	3,883.0	4,812.9	4,715.8	6,053.3	4,271.8	5,693.3	5,956.0	3.4%
7	Emery Worldwide	8,084.5	7,995.6	13,024.1	14,244.8	26,701.2	29,792.5	26,133.6	17,662.6	4,913.2	4,886.9	2.8%
8	Kitty Hawk/AIA*	63.4	2,307.9	2,977.5	3,338.9	3,782.8	173.9	1,668.6	3,585.6	2,265.1	2,659.5	1.5%
9	United	2,883.1	5,847.1	7,126.3	5,208.7	5,803.1	3,285.4	2,940.0	1,652.8	946.9	1,198.0	0.7%
10	Delta	4,276.4	3,548.9	2,887.5	2,808.2	2,261.6	1,420.7	820.4	956.4	1,296.9	1,186.8	0.7%
11	American	4,284.0	3,917.0	2,394.4	3,178.0	2,906.9	3,233.6	3,198.2	1,518.3	1,150.6	997.6	0.6%
12	US Airways	2,077.2	2,029.5	2,139.1	2,076.3	1,432.0	1,139.0	1,433.8	1,643.3	1,288.5	781.1	0.4%
13	Continental	2,018.5	1,628.9	1,859.4	1,812.9	1,824.3	1,640.8	1,871.1	1,512.1	677.4	469.6	0.3%
14	Sun Country	-	-	-	-	-	-	3,014.0	1,692.6	134.1	465.6	0.3%
15	KLM Royal Dutch	-	1,471.5	2,839.9	3,267.4	2,582.5	2,707.3	2,455.9	1,029.9	-	-	0.0%
16	Trans World [2]	1,566.1	1,884.4	1,718.7	1,416.7	1,430.3	1,406.7	1,365.3	616.2	-	-	0.0%
		204,541.9	208,876.8	203,553.8	212,373.8	204,517.1	203,708.9	210,323.6	187,255.5	172,863.2	174,582.4	100.0%

*American International Airways.

[1] Percentages may not sum to totals due to rounding.

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

Source: Metropolitan Airports Commission.

Enplaned Cargo Trends
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)

Unaudited

(Freight and mail in thousands of tons)

Type of Carrier	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	AAG 1994-03
Passenger	115.8	112.1	105.8	111.1	85.7	89.3	93.3	79.8	53.3	35.8	-12.2%
All Cargo	88.7	96.8	97.7	101.3	118.9	114.4	117.0	107.4	119.6	138.8	5.1%
Total	204.54	208.88	203.55	212.37	204.52	203.71	210.32	187.26	172.86	174.58	-1.7%

Source: Metropolitan Airports Commission.
Note: AAG=Average annual compound growth.

Trends in Enplaned Cargo by Type of Carrier
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)

Unaudited

(Freight and mail in tons)

	Passenger Carriers		All Cargo Carriers		
Year	Tons	% of Total	Tons	% of Total	Total Cargo
1994	115,833	56.6	88,709	43.4	204,542
1995	112,096	53.7	96,781	46.3	208,877
1996	105,805	52.0	97,749	48.0	203,554
1997	111,068	52.3	101,305	47.7	212,373
1998	85,666	41.9	118,851	58.1	204,517
1999	89,289	43.8	114,420	56.2	203,709
2000	93,345	44.4	116,979	55.6	210,324
2001	79,832	42.6	107,423	57.4	187,256
2002	53,292	30.8	119,571	69.2	172,863
2003	35,754	20.5	138,829	79.5	174,582
Average Annual Compound Growth					
1994-2003	-12.2%		5.1%		-1.7%

Source: Metropolitan Airports Commission.

Trends in Enplaned Cargo by Freight & Mail
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)

Unaudited

(Freight and mail in tons)

	Freight/Express		Mail		
Year	Tons	% of Total	Tons	% of Total	Total Cargo
1994	133,641	65.3	70,901	34.7	204,542
1995	137,339	65.8	71,538	34.2	208,877
1996	133,463	65.6	70,091	34.4	203,554
1997	138,276	65.1	74,098	34.9	212,374
1998	130,110	63.6	74,407	36.4	204,517
1999	132,840	65.2	70,869	34.8	203,709
2000	140,760	66.9	69,563	33.1	210,324
2001	123,406	65.9	63,849	34.1	187,256
2002	138,515	80.1	34,348	19.9	172,863
2003	153,630	88.0	20,952	12.0	174,582
Average Annual Compound Growth					
1994-2003	1.6%		-12.7%		-1.7%

Source: Metropolitan Airports Commission.

Historical Aircraft Operations
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)

Unaudited

Year	Air Carrier Operations	Commuter Operations	Cargo Operations	Total Commercial Operations [1]	Percent Commercial Operations [1]	General Aviation Operations	Military Operations	Total Operations
1994	272,100	115,164	14,110	401,374	88.27%	50,898	2,451	454,723
1995	286,727	106,694	15,933	409,354	88.60%	49,769	2,915	462,038
1996	306,782	105,926	20,362	433,070	89.20%	49,786	2,624	485,480
1997	306,391	102,038	15,011	423,440	86.19%	64,209	3,624	491,273
1998	295,468	90,421	15,323	401,212	83.06%	79,757	2,044	483,013
1999	331,519	109,017	17,271	457,807	89.69%	49,256	3,358	510,421
2000	355,269	89,105	18,247	462,621	88.43%	58,076	2,473	523,170
2001	353,661	81,661	17,077	452,399	90.21%	45,943	3,180	501,522
2002	350,625	95,248	14,974	460,847	90.78%	44,279	2,543	507,669
2003	349,709	104,931	16,579	471,219	92.27%	37,594	1,856	510,669

[1] Commercial Operations equal Air Carrier, Commuter, and Cargo Operations.
Source: Metropolitan Airports Commission

Trends in Aircraft Landed Weight of Signatory Airlines
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)

Unaudited

Type of Air Carrier

(In thousands of pounds)

Year	Passengers	All Cargo	Total Landed Weight
1994	20,208,799	665,257	20,874,056
1995	21,086,854	712,105	21,798,959
1996	21,778,018	706,571	22,484,589
1997	22,311,214	740,397	23,051,611
1998[1]	21,900,417	703,245	22,603,663
1999	25,030,878	726,275	25,757,153
2000	26,148,148	996,062	27,144,211
2001	24,997,277	1,013,024	26,010,301
2002	23,976,903	1,142,126	25,119,029
2003[2]	24,099,071	1,224,669	25,323,740

[1] 1998 Passenger category is revised to reflect the additional 60,000 lbs. for TWA and 539,452,900 lbs. for RJ's flown by Mesaba Aviation for NWA.

[2] During 2003, Northwest Airlines' activity represented approximately 71.0% of the total landed weight at the Airport.

Source: Metropolitan Airports Commission

AIRLINE COST PER ENPLANED PASSENGER-Unaudited
1994-2003

YEAR	TOTAL COST---1	ENPLANED PASSENGERS---2	AIRLINE COST PER ENPLANED PASSENGER
1994	37,948	11,498	3.30
1995	41,349	12,666	3.26
1996	42,082	13,622	3.09
1997	47,864	14,336	3.34
1998	53,001	14,620	3.63
1999	60,559	16,457	3.68
2000	72,455	17,527	4.13
2001	77,209	16,027	4.82
2002	76,983	15,765	4.88
2003-3	66,741	16,102	4.15

1. Cost is defined as airline payments made to the Commission for expenses incurred in the airfield, terminal building and charter terminal.
2. The figures may differ from the passenger statistics reported by the air carriers to the DOT.
3. Includes the one-time rent rebate of $13 million.

Source: Metropolitan Airports Commission

ACTIVITY STATISTICS FOR MINNEAPOLIS/ST. PAUL INTERNATIONAL AIRPORT 1994-2003
(Unaudited)

YEAR	TOTAL PASSENGERS---1	AIRCRAFT OPERATIONS --- 2	MAIL AND CARGO VOLUMES (METRIC TONS)
1994	23,095,510	454,723	378,241
1995	25,332,631	465,354	365,203
1996	27,268,562	485,480	361,662
1997	28,766,355	491,273	379,117
1998	28,982,638	483,013	366,347
1999	33,137,448	510,421	366,465
2000	35,065,688	523,170	369,888
2001	32,186,486	501,522	340,027
2002	31,527,760	507,669	320,148
2003	32,306,884	510,382	317,230

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

AIRCRAFT OPERATIONS[1] AT THE RELIEVER AIRPORTS METROPOLITAN AREA 1994-2003 (Unaudited)

YEAR	ST. PAUL DOWNTOWN AIRPORT	FLYING CLOUD AIRPORT	CRYSTAL AIRPORT	ANOKA COUNTY/ BLAINE AIRPORT	LAKE ELMO AIRPORT	AIRLAKE AIRPORT
1994	145,834	238,838	185,991	199,000	71,000	82,500
1995	133,686	216,313	171,478	181,866	64,887	75,397
1996	139,055	217,703	187,957	192,600	68,400	75,397
1997	136,968	198,199	175,728	143,083	65,664	72,382
1998	158,785	210,907	179,186	143,950	69,604	76,725
1999	158,835	192,737	178,342	150,014	70,996	76,725
2000	157,788	186,078	176,554	156,546	70,687	76,418
2001	142,794	185,593	156,801	136,892	64,962	70,229
2002	171,628	176,408	127,095	138,935	64,529	69,176
2003	131,794	155,837	98,612	132,144	54,205	58,108

1. Aircraft operations represents the total number of takeoffs and landings at the airport.

Source: Metropolitan Airports Commission

OPERATING RATIO (IN THOUSANDS OF DOLLARS)-1

1994-2003 **(Unaudited)**

YEAR	OPERATING EXPENSES-2	OPERATING REVENUES-3	OPERATING RATIO
1994	49,127	76,393	64%
1995	52,261	87,256	60%
1996	54,704	95,906	57%
1997	60,633	106,061	57%
1998	63,853	116,948	55%
1999	70,917	137,984	51%
2000	81,022	163,414	50%
2001	92,333	171,795	54%
2002	84,325	170,611	49%
2003	96,841	168,182	58%

1. Operating ratio is operating expenses net of depreciation divided by total operating revenues.
2. Operating expenses exclude depreciation.
3. In 1996, Operating Lease Settlement is not included.

Source: Metropolitan Airports Commission

AIR CARRIERS SERVING THE AIRPORT (1)
MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT
(As of December 31, 2003) (Unaudited)

U.S. – FLAG CARRIERS

SCHEDULED SERVICES

AirTran*	Continental*	Northwest*
America West*	Delta	Pinnacle*[4]
American*	Frontier	Midwest Connect*°
American Trans Air*	Great Lakes*[3]	SkyWest *[2]
Comair*[2]	Mesaba*[4]	United[5]
Trans States[8]	Chautauqua	US Airways

NON-SCHEDULED (CHARTER) SERVICES

Champion Air*	Ryan International*	Trans Meridian *
Omni International	Sun Country*[6]	

ALL-CARGO SERVICES

ATI/BAX Global	Bemidji *	FedEx*
Airborne	DHL	UPS*
American International	Emery Worldwide*	

FOREIGN-FLAG CARRIERS

Air Canada*[7]	Icelandair*

*Denotes those Air Carriers that are Signatory Airlines to the Airline Lease Agreements.
° Formerly Skyway Airlines.
1 Excludes carriers reporting fewer than 1,000 enplaned passengers.
2 Codeshare with Delta.
3 Codeshare with United.
4 Codeshare with Northwest Airlines.
5 United filed for bankruptcy protection on December 9, 2002 and has continued operating while in bankruptcy proceedings.
6 In December 2001, Sun Country ceased its scheduled passenger service at the Airport and filed for bankruptcy protection. On April 15, 2002, a portion of its assets and its name were purchased by an investor group which now operates Sun Country as a charter airline at the Airport.
7 Air Canada filed for bankruptcy protection on April 1, 2003 and has continued operating while in bankruptcy proceedings.
8 Hosted by US Airways.
Sources: Metropolitan Airports Commission; DOT, Schedule T-3.

INSURANCE COVERAGE (Unaudited)

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Year ended December 31, 2003

Insurer	Expiration	Coverage	Policy Limits (Thousands of Dollars)
ACE/INA[1]	1-1-05	General aviation liability including personal injury	$500,000
FM Global Insurance Co.	1-1-05	Blanket fire & extended coverage on building and contents. Boiler, machinery	$1,000,000
Self-Insured[2]	Continuous	Statutory workers' compensation	$100/500/100
Fidelity & Deposit Company of Maryland	6-1-04	Comprehensive Crime Employee Bond	$1,000
Minnesota Risk Management Fund	7-1-04	Auto Liability (licensed vehicles), physical damage (all vehicles) hired automobiles, valet parking, inland marine and garage keepers	MN Tort Cap Limits
Minnesota Risk Management Fund	7-1-04	Non-Aviation General Liability	MN Total Cap limits

[1]Does not include a "War Risk Endorsement."
[2]Funded from current operating revenues of the Commission.
Property does include a "Terrorism Endorsement"