Minneapolis/St. Paul, Minnesota

# Metropolitan Airports Commission

## Comprehensive Annual Financial Report

Year Ended December 31, 2004

Minneapolis/St. Paul, Minnesota

# Metropolitan Airports Commission
# Comprehensive Annual Financial Report

Year Ended December 31, 2004

Prepared by


**The Finance Department**

**Stephen L. Busch**

Director of Finance

**METROPOLITAN AIRPORTS COMMISSION 2004**

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|---|---|
| ***Chair:*** | Vicki Tigwell |
| ***Commissioners:*** | |
| District A | Tammy McGee |
| District B | Molly Sigel |
| District C | Kari Berman |
| District D | John Williams |
| District E | Sherry Stenerson |
| District F | John Lanners |
| District G | Tom Foley |
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| 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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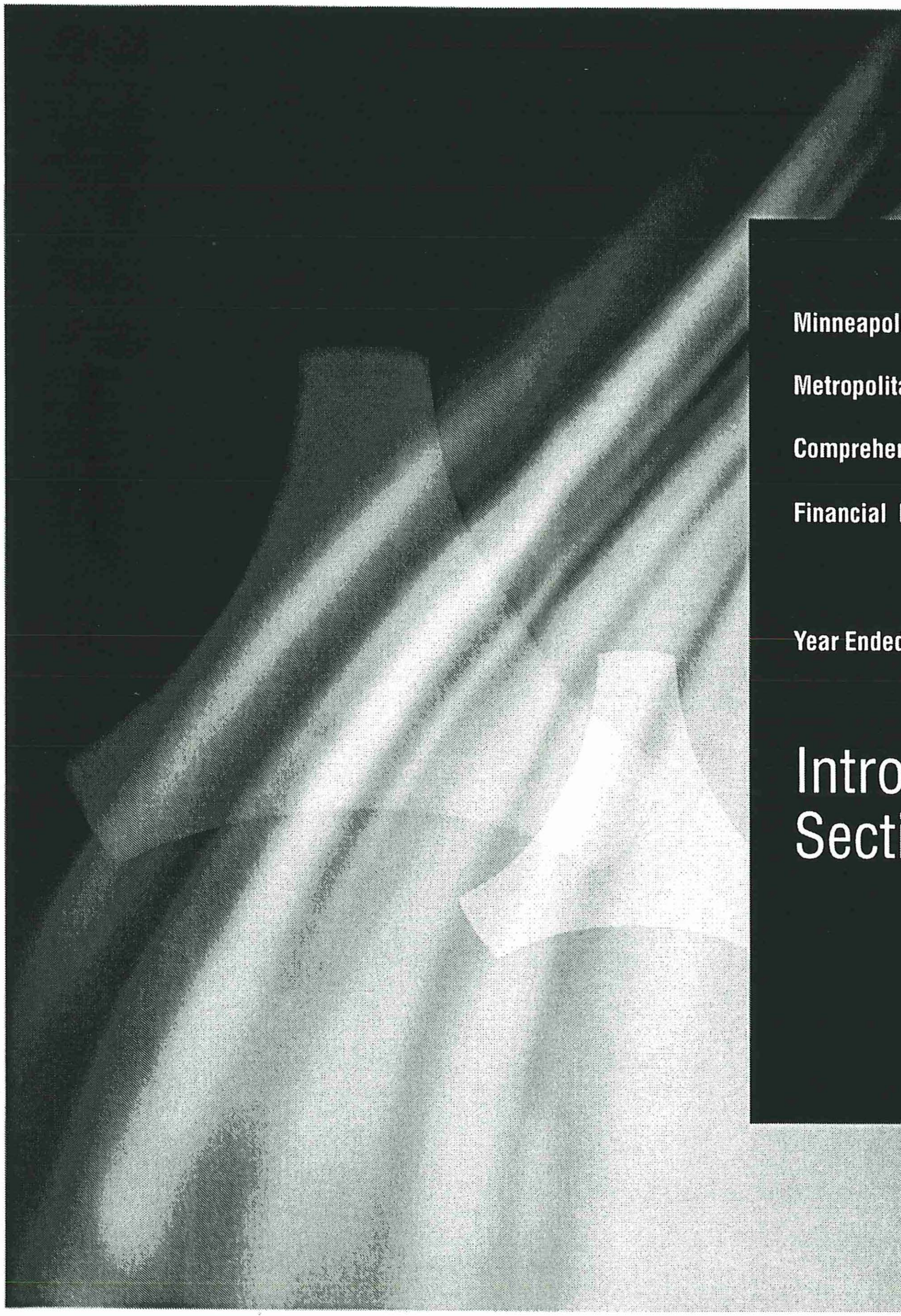

Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual

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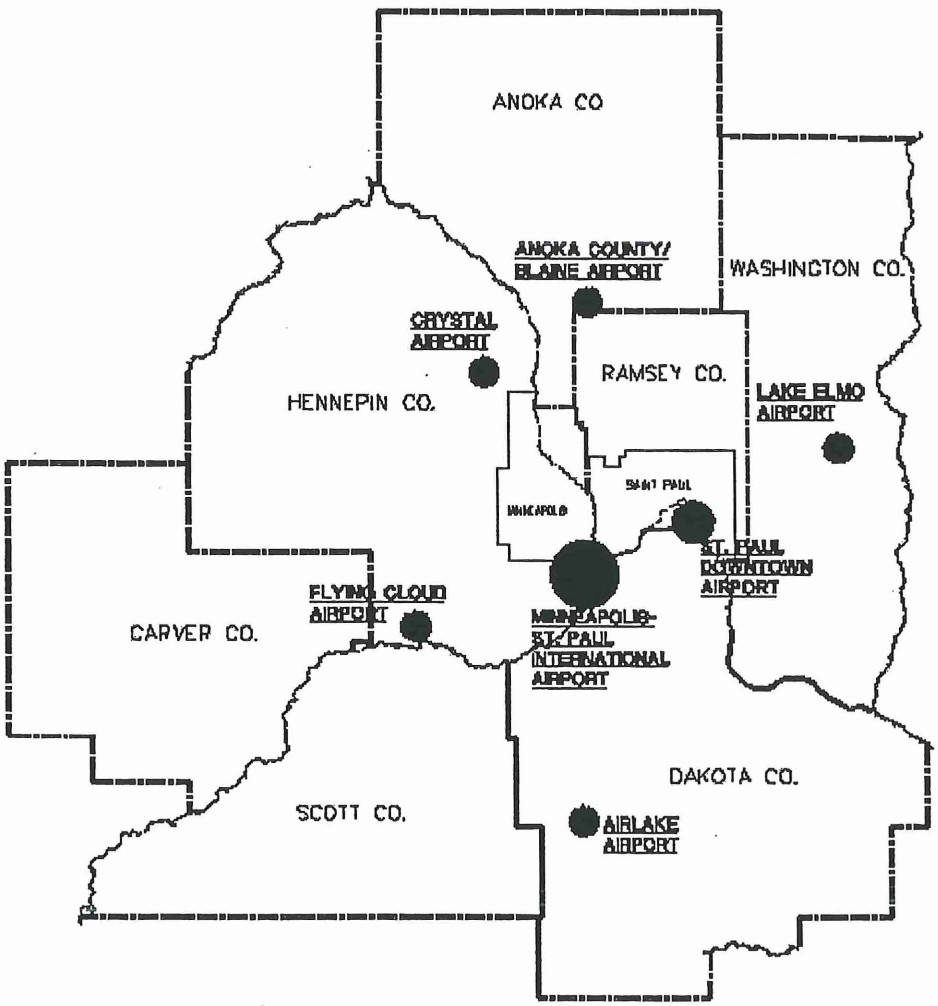
# Introductory Section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Financial Report
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December 31, 2003

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President

Executive Director

**METROPOLITAN AIRPORTS COMMISSION**
Minneapolis–Saint Paul International Airport
6040 - 28th Avenue South • Minneapolis, MN 55450-2799
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OFFICE OF EXECUTIVE DIRECTOR

May 17, 2005

To The Public:

The Comprehensive Annual Financial Report of the Metropolitan Airports Commission, Minneapolis-St. Paul, Minnesota, for the fiscal year ended December 31, 2004, 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 Expenditures of Federal Awards, schedule of findings and questioned costs, and independent auditors' reports on the internal control structure, compliance with applicable laws and regulations and on the schedule of expenditures of federal awards. 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 potential of the metropolitan area as an aviation center. It has the responsibility to assure residents of the metropolitan area the minimum environmental impact from air navigation and transportation, 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 October 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. In the event the Department of Homeland Security raises the national threat level to "Level Red", the Commission is 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 10 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 (as amended by GASB 39), 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 seven years ago. In subsequent years, the MAC has utilized its strategic goals to drive department and individual performance plans throughout the organization.

In 2004, the organization focused on its two strategic primary goals of providing a safe and secure airport system and maintaining the economic viability of the airport system as the aviation and airport industry continued to recover from the events of 9/11 and the recent economic slump. The chart on the following pages depicts MAC's organizational goals with results accomplished for each goal.

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**2004 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.

| ✓ Goal | ✓ Objective | ✓ Activities | Results |
|---|---|---|---|
| **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. | • US VISIT system for inbound travelers is in place and operating. Implementation of the outbound portion of the system has been delayed by Transportation Security Administration (TSA) until 2006. Staff is preparing a design plan to react to that requirement when that time comes. |
| | | Implement long term "EDS" (Explosive Detection System) installation plan. | • MAC's application for TSA funding has been deferred because of unavailability of TSA funds and the lowered federal share (75% federal instead of 90% federal). Discussions continuing with airlines regarding most appropriate design and location.<br>• Studies are currently underway to evaluate the closed EDS location in the Lindbergh Terminal proposed in the 2020 Vision. EDS installation is part of the Humphrey Terminal expansion and will be implemented with the project. |
| | | Create cargo security program in concert with airlines and TSA guidance. | • Staff provided input to TSA's Notice of Proposed Rule Making (NRPM) and is awaiting TSA Rule Dissemination to provide guidance in creating MSP specific procedures. |
| | | Test and implement as applicable new security technology to include biometric identification opportunities. | • Staff has provided input to TSA for their development of biometrics standards and is waiting for subsequent TSA guidance. Several biometrics and technology pilot studies are underway at MSP, to include Registered Traveler. |
| | | Deploy and test newly created General Aviation Security Program throughout the Reliever Airport System. | • Security plans have been created and deployed to all Reliever Airports. |

| ✓ Goal | ✓ Objective | ✓ Activities | Results |
|---|---|---|---|
| **Provide a Safe and Secure Airport System** (continued) | Enhance Airfield Safety Program | Expand training and evaluation of Airport Emergency Plan (AEP) to include focused tabletops. | • Staff concentrated on incident command system (ICS) scenarios with all AEP "first responders" to ensure effective response and to conform our system with Minnesota and National Incident Management Systems protocols (M.I.M.S./N.I.M.S.) |
| | | Expand runway incursion prevention training program | • Worked with FAA to meet requirements and expectations on the six Reliever Airports.<br>• Implemented Revised ORD#100 (AOA Drivers Ordinance), and mandated AOA drivers training for all airport employees who access the airport operations area. |
| | | Create emergency evacuation plan for Communication Department. | • A plan has been developed to relocate the Communication Center to a backup facility in the new Fire Station, which is under construction. |
| | | Develop and implement 800 mHz communication plan for public safety departments. Create plan for the rest of the organization (i.e. field maintenance etc.) | • Public Safety (Police, Fire, Communications) 800 mHz system in place and functioning effectively. Plan has been created and money budgeted to expand the system into non-public safety (maintenance/operations) in 2005. |
| | | Create Airport Operations Center (AOC) plan for consolidating 24 hour operations | • Work put on hold until 2005 due to lack of facility available for an AOC. |

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| ✓ Goal | ✓ Objective | ✓ Activities | Results |
|---|---|---|---|
| **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. | • Non-airline revenue exceeded the target by $11,241,747 or 10.1%.<br>• A four-month reserve in the Operating Fund was maintained. |
| | | Manage operating expenses, excluding depreciation, so they are at or below the target of $97,241,425. | • Actual expenses, excluding depreciation, exceeded the budget target by $3,712,143 or 3.8%. |
| | | Maintain a coverage ratio of 1.4. | • AA- Bond Rating was maintained on the Senior General Airport Revenue Bonds. |
| | | Secure funding for airport safety, security and other capital improvement projects. | • $22,743,797 in Federal Aid was received in 2004.<br>• $1,580,953 in State Aid was received in 2004. |
| - | | Implement new concession contracts awards resulting from the concession RFP process. | • The new concession contracts were awarded in June 2004. Concept finalization, design work, construction and final contract negotiations are underway. Conversion to the new concessions program will be complete in November 2005. |
| | | Implement revised reliever airport rates and charges structure. | • A new rate structure for the reliever airports was approved in January 2005. |
| | Maintain a competitive airline cost structure. | Hold airline costs at $71,577,878. | • MAC's airline cost/enplanement is within the lower ½ 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 was in place by April 2004 to fund prioritized projects during 2004.<br>• A plan was in place by July 2004 to fund prioritized projects in 2005. |
| | | Develop 2006 - 2011 Capital Improvement Program (CIP). | • Plan was in place by December 31.<br>• Reporting requirements were met. |

In 2005, the organization changed its strategic planning process from a one-year focus to a five-year plan. Six five-year strategies were identified and supported by organizational goals. Listed below are the five-year strategies, organizational goals, and 2005 objectives.

2005-2009 Organizational Strategies

3. Ensure a Safe and Secure System of Airports
4. Ensure Long Term Financial Viability
5. Address On-going Development and Increased Maintenance & Operations Needs
6. Match Employee Talent with Changing Business Needs
7. Lead the Aviation Industry in Environmental Stewardship
8. Enhance Customer Service & Expand Consumer Choice

| ✓ Strategy | ✓ Goal | ✓ 2005 Objectives | Measurable Outcome |
|---|---|---|---|
| **Ensure a Safe and Secure System of Airports** | Reduce runway incursions and airfield violations. | Complete runway incursion and airfield violation education and training programs. | • Comprehensive training program for all persons that access the Movement and Safety Areas at MSP in place. |
| | | Implement 800 MHz communication system. | • All MAC departments that use radio communications will be part of the 800 MHz system by the end of 2005. |
| | Reduce employee accidents and incidents | Develop an accountability program for employee safety. | • Department supervisors responsible for the accountability program for employees. |
| | Reduce airport user accidents and incidents. | Develop database to track and identify primary causes of accidents and incidents. | • Identify causes and implement action to reduce these accidents. |
| | Reduce security violations | Improve access point security. | • Reductions in the number of access points and improved security in place. |
| **Ensure Long Term Financial Viability** | Generate revenue necessary to pay operating costs, meet debt service requirements and fund an operational reserve. | Implement Concessions Program | • Implementation of Concessions Program on schedule in 2005. |
| | | Implement revised Reliever Airports rates and charges. | • Reliever Airports rates and charges revised and change implemented. |
| | | Implement revised land rental rates at MSP. | • Based on the preliminary review the ground rental rates should increase on average about 25%. |
| | Evaluate capital funding alternatives | Identify financing options for proposed airport expansion and development plan. | • Funding Plan developed for the 2005 CIP and remainder of the 2010 Plan. |
| | | Identify post 2010 financing options and development plan. | • Funding Plan developed for initial requirement of the 2020 Plan. |
| | Maintain an industry competitive airline cost structure | Define MAC's competitive airline cost strategy. | • MAC's airline cost strategy defined. |
| | | Establish cost structure to achieve MAC's strategy. | • Cost structure achieves MAC's strategy. |
| | Maintain AA- rating. | Maintain 1.4x debt service ratio. | • 1.4x debt service ratio maintained |
| | | Maintain four-month cash reserve. | • Four-month cash reserve maintained in 2005. |

| ✓ Strategy | ✓ Goal | ✓ 2005 Objectives | Measurable Outcome |
|---|---|---|---|
| **Address On-going Development and Increase Maintenance & Operations Needs** | Complete 2010 Capital Improvement Plan | Develop annual Capital Improvement Plan (CIP). | • Annual Capital Improvement Plan developed and approved by the Commission. |
| | Strengthen link between CIP and Maintenance & Operations budget, plans and service levels | Review existing projects for appropriate budgeting levels. | • Appropriated budget levels set for existing projects. |
| | | Integrate maintenance and operations personnel into planning and design phase of CIP. | • All design/planning meetings for capital projects have appropriate maintenance and operation staff in attendance and participating in design decisions. |
| | | Begin to develop a multi-year operating plan. | • Multi-year operating plans developed in a minimum of three operating departments. |
| | Develop and integrate expanded preventive maintenance programs. | Implement centralized warranty tracking and communication process. | • Single source for all warranty information that is updated automatically at the completion of capital projects & easily accessible |
| | | Develop and implement preventive maintenance schedule for existing assets. | • Replacement software for the near obsolete computerized maintenance management software (CMMS). |
| | | Integrate life cycle costs with CIP project development process. | • Life cycle analyses is incorporated into the decision making process for various construction options. |
| | Create objective measures for service needs. | Establish and maintain MAC's customer service standards, review for effectiveness. | • A customer service index for the entire airport community exists to measure and compare progress in all customer service efforts. |
| **Match Employee Talent with Changing Business Needs** | Develop succession plan. | Adopt succession plan model for implementation. | • Succession plan model adopted. |
| | | Plan for anticipated turnover at executive levels and develop recruitment strategies. | • Executive level succession plan and recruitment strategies identified. |
| | Develop 3-year workforce strategy | Identify changing business needs for employee talent. | • Changing business needs for employee talent assessment identified. |
| | | Identify, evaluate and implement alternatives for meeting work demands. | • Work accomplished through the most efficient means – process improvement, job redesign, use of technology and/or additional headcount. |
| | | Develop 3 year staffing forecast. | • 3-Year staffing forecast in place. |
| | Develop and implement recruitment and retention plan. | Identify and make appropriate adjustments for negatively impacted recruitment areas. | • Policy and programs in place that address negatively impacted areas. |
| | | Maintain competitive benefits package and wage structure. | • MAC able to attract and retain a high quality professional workforce. |
| | | Reinstate supervisory and leadership training. | • Supervisory management and leadership development programs implemented. |

| ✓ Strategy | ✓ Goal | ✓ 2005 Objectives | Measurable Outcome |
|---|---|---|---|
| **Lead the Aviation Industry in Environmental Stewardship** | Continue Part 150 Program implementation. | Compete 2007 65 DNL Noise Mitigation Program. | • Develop mitigation priority scheme and provide analytical support for noise mitigation effort in the 2007 65 DNL contour. |
| | Minimize negative environmental impacts. | Evaluate ways to minimize environmental impacts on air, noise and water. | • Conduct a baseline assessment of a sample air impact project in accordance with VALE methodology to determine applicability for other projects. |
| | Continue implementation of environmental management system (EMS). | Identify, evaluate and prioritize elements of an EMS. | • Identify elements of an EMS for MAC through a thorough scooping process. |
| | Implement MAC-wide tenant environmental compliance plan (ECP). | Develop conceptual ECP for MSP. | • Create outline of ECP elements applicable to MSP tenants. Draft potential program scope, goals, implementation schedule and MAC and tenant requirements. |
| **Enhance Customer Service & Expand Consumer Choice** | Clarify and establish customer service standards. | Identify and prioritize service needs and quality standards for MSP and Reliever Airports. | • Customer service standards identified and measurement implemented in all operational areas. |
| | | Develop Business Partner Index to measure partner satisfaction. | • Measurement of data to allow partner satisfaction. |
| | Partner with tenants to ensure integration of customer service standards. | Develop and implement a communication strategy. | • Customer service standards communication strategy implemented. |
| | | Incorporate customer service standards into lease and contract agreements. | • Customer service standards incorporated into all leases and contract agreements. |
| | | Create airport-wide customer service index at MSP. | • Airport-wide customer service index in place. |
| | Develop and implement concessions marketing plan. | Integrate concessions marketing program with MAC's budgeting process. | • Effectiveness of program to increase sales and raise awareness of Northstar Crossing. |
| | | Review and revise marketing program to reflect the new concessions infrastructure. | • Marketing plan revised as new concessions come on-line. |

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| ✓ Strategy | ✓ Goal | ✓ 2005 Objectives | Measurable Outcome |
|---|---|---|---|
| **Enhance Customer Service & Expand Consumer Choice (cont.)** | Promote Customer Options and Services at Reliever Airports. | Identify appropriate infrastructure. | • A Commission decision on the future development strategy for each of the Reliever Airports. |
| | | Identify marketing strategies. | • Marketing strategies developed. |
| | Identify and expand air cargo opportunities. | Develop plan to increase cargo operations at MSP. | • Plan in place to increase cargo operations at MSP. |
| | Expand competitive air service options. | Determine political and business community support for expanded air service options. | • Survey conducted to determine community support for expanded air service options. |
| | | MSP economic impact study completed and distributed to commission and the public. | • Study completed and distributed. |

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## 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).

In June of 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 by August, 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.

During August, 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 2005, 2006 and 2007, as well as the extended period 2008-2011, 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)** | **2005** | **2006** | **2007** | **2008-2011** | **Total 2005-2011** |
|---|---|---|---|---|---|
| Minneapolis/St. Paul International | | | | | |
| Runway 17/35 | $66,100 | $0 | $0 | $0 | $66,100 |
| Runway 4/22 Development | 3,400 | 0 | 0 | 0 | 3,400 |
| Noise Mitigation | 12,425 | 19,700 | 19,700 | 16,200 | 68,025 |
| Taxiway C/D Complex Construction | 7,000 | 13,000 | 10,000 | 0 | 30,000 |
| Airfield Rehabilitation | 13,100 | 4,300 | 4,000 | 4,000 | 25,400 |
| Runway Rehabilitation | 0 | 0 | 15,000 | 20,000 | 35,000 |
| Lindbergh Terminal Rehabilitation & Development | 1,300 | 1,900 | 1,200 | 0 | 4,400 |
| Humphrey Terminal Development | 0 | 2,000 | 0 | 0 | 2,000 |
| Landside Rehabilitation & Repair | 10,900 | 3,100 | 3,100 | 12,400 | 29,500 |
| Miscellaneous Field & Runway | 400 | 900 | 900 | 1,600 | 3,800 |
| Miscellaneous Landside | 700 | 57,560 | 7,440 | 0 | 65,700 |
| New Projects | 103,225 | 10,800 | 33,300 | 54,500 | 201,825 |
| Total Minneapolis/St.Paul International | 218,550 | 113,260 | 94,640 | 108,700 | 535,150 |
| Reliever Airports | | | | | |
| Reliever Airports | 22,500 | 62,580 | 8,000 | 37,300 | 130,380 |
| Reliever Airports Utility Extension | 0 | 5,350 | 500 | 0 | 5,850 |
| Total Reliever Airports | 22,500 | 67,930 | 8,500 | 37,300 | 136,230 |
| Total All Facilities | $241,050 | $181,190 | $103,140 | $146,000 | $671,380 |

During the 4th Quarter of 2004 a 2020 expansion plan/vision (which is not part of the 2005 Capital Improvement Plan), was presented to the Commission for evaluation. This expansion was presented in three phases with various estimated completion dates between 2007 and 2017. The total cost of this plan ranges from $750 million to $800 million including $136 million already incorporated in the current 2010 Plan. Phase I essentially expands the current Humphrey Terminal to either 18 gates or 22 gates (there are currently 10 gates). Phase II and Phase III deal primarily with expansion of the G Concourse. The plan was developed so that each distinct phase can be constructed at the most opportune time (that is the phases do not impact each other).
Staff will approach the Commission late 1st quarter or early second quarter 2005 with its analysis and recommendation.

**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 to the financial statements.

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 2004, 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, 2004, 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, 2004 and 2003 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 performs 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 2004, 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, 2003. For the nineteenth 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 seventeenth consecutive year the GFOA Award for Distinguished Budget Presentation for its Annual Operating Budget for 2004. 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.

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## 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.

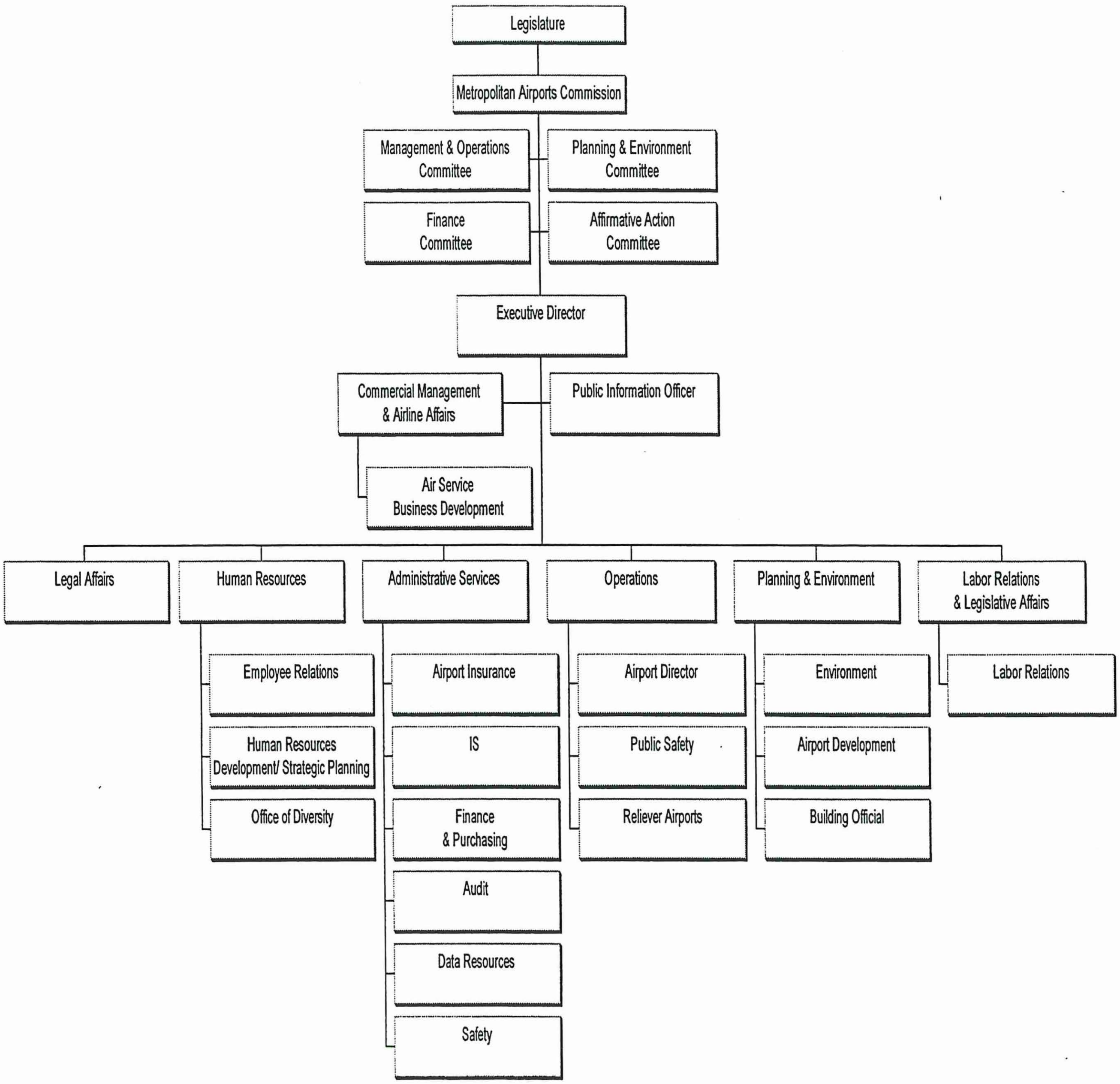
In closing, without the leadership and support of the governing body of the Metropolitan Airports Commission, preparation of this report would not have been possible.

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, 2004

# Financial Section

Deloitte.

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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, 2004 and 2003, 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, 2004 and 2003, 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. 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. This additional information is the responsibility of the Commission's management. 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 May 9, 2005, 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. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

May 9, 2005

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, 2004 with selected comparative information for the years ended December 31, 2003 and 2002. 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 *Governmental Accounting Standards Board* (GASB) principles. 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.* The objective of the GASB in developing these new reporting standards is to enhance the understandability and usefulness of the basic external financial reports of state and local governments to the citizenry, legislative and oversight bodies and investors and creditors.

## 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 2003, MSP was the 9th busiest airport in the United States in terms of passenger volume and 6th in terms of take offs and landings.

Passengers

In 2004, MSP carried a record 35.8 million passengers, (exceeding the previous high set in 2000), which represented an increase of 10.77% over 2003 levels. Major airlines and regional carriers represented the majority of this increase while charter airline passengers decreased slightly in 2004. The top five carriers in 2004 by enplaned passengers, serving MSP are shown below. The total enplaned passengers for 2004, including connecting was 17,597,639. The figures may differ from the passengers statistics reported by the air carriers to the Department of Transportation.

| Carrier | Enplaned Passengers | % of Total |
|---|---|---|
| Northwest | 12,560,285 | 71.4% |
| Pinnacle | 970,567 | 5.5 |
| Mesaba | 551,521 | 3.1 |
| Sun Country | 508,405 | 2.9 |
| United | 507,724 | 2.9 |
| | 15,098,502 | 85.8% |

Operations

Aircraft operations represent the total number of takeoffs and landings at the airport.
Aircraft operations at MSP increased in 2004 to 541,093 from 512,588 the previous year, up 5.6%.

At the Reliever airports, operations remained about the same from 2003 levels.

**FACTORS AFFECTING FINANCIAL CONDITION**

Over the last several 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 on September 11, 2001, 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 bankruptcy of several airlines, the outbreak and rapid spread of severe acute respiratory syndrome ("SARS") in early 2003, and the significant fluctuations in fuel prices.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability or losses of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks on September 11, 2001.

Since the terrorist attacks of September 11, 2001, most airlines have reported substantial operating losses, including Northwest Airlines ("Northwest Airlines or Northwest"), the dominant Air Carrier at the Airport, Several airlines, including four airlines operating at the Airport (US Airways, ATA, Air Canada and United Air Lines ("United")), filed for bankruptcy protection and are in various stages of their workouts. Additionally, Northwest Airlines, the dominant Air Carrier at the Airport, has reported significant losses from operations and negative working capital during 2002, 2003 and 2004. In response to the terrorist attacks of September 11, 2001, the economic slowdown, the ongoing hostilities in Iraq and elsewhere in the Middle East and the SARS outbreak in 2003 and in an effort to stem mounting financial losses, most major airlines reduced flight schedules and instituted significant employee layoffs. Most airlines, including Northwest, have also retired old, less efficient aircraft and replaced larger aircraft with small, regional jet aircraft on selected routes, resulting in an additional reduction in scheduled seat capacity. The Commission cannot predict with any certainty what the impact is likely to be on any of the airlines operating at the Airport, or the potential that these incidents or the reduction in activity may cause airlines to file for bankruptcy protection or cease operations. Further, the Commission cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Commission or the airlines operating at the Airport from such incidents or disruptions.

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 revenues 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 2004.

### 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, 2004, the aggregate rentals earned by the Commission pursuant to the airline lease agreement were approximately $68,848,000. 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, and office rentals for non-airline tenants in the Lindbergh Terminal. For the year ended December 31, 2004, the aggregate annual rentals under these leases were approximately $20,819,000.

### 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, Champion and Mesaba Airlines. The specific project leases relate to the use of these buildings and facilities by Signature Flight Services, Northwest, Federal Express, Champion and Mesaba Airlines.

If bonds were issued by the Commission to finance the construction of a facility, the lessee is required to pay annual lease payments equal to the debt service requirements on the bonds issued to construct the facility, due in the following year. The lease remains in effect until the total debt service on the bonds has been paid. 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, Champion and Mesaba Airlines and certain facilities for Northwest Airlines including the extension of the "G" Concourse.

For the year ended December 31, 2004, the aggregate lease rentals paid to the Commission under specific project leases was approximately $35,739,000.

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, 2004, the aggregate fees earned by the Commission under the existing inside concession agreements were approximately $16,415,000. 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, 2004, the aggregate fees earned by the Commission under the existing rental car agreements and parking lot management contract was approximately $71,509,000. Of this amount, parking revenue was approximately $50,466,000 and auto rental revenue for both on and off Airport Auto Rentals was approximately $21,043,000.

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, 2004, revenues from these agreements were approximately $3,045,000.

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, 2004, the Commission earned $4,360,000.

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 parking/shuttle bus fees, and other miscellaneous amounts. For the year ended December 31, 2004, the revenues from these agreements were approximately $11,145,000.

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, 2004 and 2003, the top ten operating revenue sources for the MAC are as follows:

**Top Ten Operating Revenue Sources:**

| Source | 2004 Revenue |
|---|---|
| 1. Parking | $50,466,000 |
| 2. Landing Fees | 38,365,000 |
| 3. Terminal Rent-Airlines | 26,195,000 |
| 4. Other Building Rent | 15,045,000 |
| 5. Auto Rental (Off and on-Airport) | 14,730,000* |
| 6. Food and Beverage | 7,311,000 |
| 7. Ramp Fees | 5,608,000 |
| 8. Merchandise | 5,572,000 |
| 9. Ground Rent | 4,404,000 |
| 10. Ground Transportation Fee | 3,227,000 |

*Excludes Customer Facility charge

| 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

The top ten revenue providers for 2004 for the MAC are as follows:

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

During 2004 MAC revenues increased by 9.2% to $325,790,000 from $298,424,000 in 2003. Changes in major categories are summarized below (dollars in thousands):

| Operating Revenues | 2004 | % of Total | 2003 | % of Total | Dollar Change | Percent Change |
|---|---|---|---|---|---|---|
| Airline Rates & Charges | $73,206 | 22.5% | $60,326 | 20.2% | $12,880 | 21.4% |
| Concessions | 85,971 | 26.3% | 72,337 | 24.3% | 13,634 | 18.8% |
| Utilities | 1,705 | 0.5% | 2,151 | 0.7% | (446) | -20.7% |
| Other | 35,259 | 10.8% | 33,368 | 11.2% | 1,891 | 5.7% |
| | 196,141 | | 168,182 | | 27,959 | |
| **Non-Operating Revenues** | | | | | | |
| Investment Income | 32,257 | 9.9% | 29,854 | 10.0% | 2,403 | 8.0% |
| Passenger Facility Charges (PFC) | 69,557 | 21.4% | 63,681 | 21.3% | 5,876 | 9.2% |
| Total Non-Operating Revenues | 101,814 | | 93,535 | | 8,279 | |
| **Capital Contributions** | 27,835 | 8.6% | 36,707 | 12.3% | (8,872) | -24.2% |
| **Total Revenues** | $325,790 | 100.0% | $298,424 | 100.0% | $27,366 | 9.2% |

Airline rates and charges increased $12,880,000 or 21.4%. This increase results from a rate relief package the MAC approved for the airlines operating at MSP during 2003. 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.

Concessions increased $13,634,000 or 18.8%. A large amount ($9.1 million) of this increase came in the area of public parking. Increases in passenger activity and advertising coupled with a rate increase in November 2003 resulted in increased revenues. The remaining increase in the concession area was in the food, beverage and merchandise concessions, which was a result of passenger growth.

Utilities decreased $446,000. In 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.

Other revenues increased by 5.7%. The increases in this category were for the new Federal Express and United Parcel Service buildings/facilities that were open for a full year in 2004 as well as rate increases in the Humphrey Terminal and other building rentals. The increases in the above mentioned areas were partially offset by lower reimbursements from the Federal Government for security costs.

Investment income increased due to larger cash balances in construction funds along with higher 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 2004 comes primarily from a decrease in construction activity in the MAC's Part 150 program as well as a lower amount received from the federal government's letter of intent for the construction of Runway 17/35.

PFC revenue increased 9.2% from 2003 levels as a result of an increase in passenger levels.

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 | $60,326 | 20.2% | $71,846 | 22.4% | $(11,520) | -16.0% |
| 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% |
| Other | 33,368 | 11.2% | 29,617 | 9.2% | 3,751 | 12.7% |
| | 168,182 | | 170,611 | | (2,429) | |
| **Non-Operating Revenues** | | | | | | |
| Investment Income | 29,854 | 10.0% | 45,454 | 14.2% | (15,600) | -34.3% |
| Gain on asset disposal | - | 0.0% | 17 | 0.0% | (17) | - |
| Passenger Facility Charges (PFC) | 63,681 | 21.3% | 61,492 | 19.3% | 2,189 | 3.6% |
| Total Non-Operating Revenues | 93,535 | | 106,963 | | (13,428) | |
| **Capital Contributions** | 36,707 | 12.3% | 42,919 | 13.4% | (6,212) | -14.5% |
| **Total Revenues** | $298,424 | 100.0% | $320,493 | 100.0% | ($22,069) | -6.9% |

Airline rates and charges decreased $11,520,000 or 16.0%. 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 year' 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.

Other revenues increased by 12.7%. 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.

Investment 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.

Expenses

In 2004, MAC total expenses increased by 6.4% to $266,981,000 from $250,955,000 in 2003. Changes in major categories are summarized below (dollars in thousands):

| Operating Expenses | 2004 | % of Total | 2003 | % of Total | Dollar Change | Percent Change |
|---|---|---|---|---|---|---|
| Personnel | $50,429 | 18.9% | $48,273 | 19.2% | $2,156 | 4.5% |
| Administrative | 1,089 | 0.4% | 844 | 0.3% | 245 | 29.0% |
| Professional Services | 3,745 | 1.4% | 2,821 | 1.1% | 924 | 32.8% |
| Utilities | 12,684 | 4.7% | 11,779 | 4.7% | 905 | 7.7% |
| Operating Services | 13,394 | 5.0% | 13,928 | 5.5% | (534) | -3.8% |
| Maintenance | 17,249 | 6.5% | 16,453 | 6.6% | 796 | 4.8% |
| Depreciation | 83,273 | 31.2% | 79,399 | 31.6% | 3.874 | 4.9% |
| Other | 3,206 | 1.2% | 2,743 | 1.1% | 463 | 16.9% |
| Operating Expenses | 185,069 | | 176,240 | | 8,829 | |
| **Non-Operating Expense** | | | | | | |
| Interest Expense | 67,247 | 25.2% | 59,105 | 23.6% | 8,142 | 13.8% |
| Part 150 Program Expenses | 13,134 | 4.9% | 13,063 | 5.2% | 71 | .5% |
| Loss on Asset Disposal | 1,531 | .6% | 2,547 | 1.1% | (1,016) | -39.9% |
| Total Non-Operating Expense | 81,912 | | 74,715 | | 7,197 | |
| **Total Expenses** | $266,981 | 100.0% | $250,955 | 100.0% | $16,026 | 6.4% |

Personnel increased $2,156,000 or 4.5%. The increases in this area were in the salaries, wages and employee insurance areas. For salaries and wages, the increases can be attributed to a general wage adjustment for MAC employees plus additional overtime incurred by the Public Safety department for various security related items. The remaining increase represented an increase in the cost of health insurance claims incurred by MAC employees' and retirees.

Administrative expenses increased by $245,000. The increases can be attributed to an increase in travel as well as computer software upgrades. For years prior to 2004, travel budgets were eliminated in several departments and computer software upgrades were put on hold.

Professional Services increased $924,000 from 2003 levels. Areas specifically increased in professional services are the use of consultants in legal, public information, environmental and engineering fees.

Utilities increased 7.7% or $905,000 from 2003 levels. The result of this increase is attributed to an increase in rates in electricity and natural gas coupled with an increase in consumption as a result of new facilities that were brought on-line during 2003-2004.

Operating Services decreased $534,000 or 3.8%. The majority of the decrease is in parking management fees. During 2004, the MAC implemented automatic payment function that makes exiting the parking ramp easier without the need of a cashier. In addition the MAC awarded a new parking management agreement that realized savings over the previous contract.

Maintenance increased 4.8%, primarily in the area of building maintenance. During 2004, the MAC opened an automated people mover running along Concourses A-D. The cost of maintaining this people mover contributed to the increase in maintenance.

Depreciation increased by 4.9% as a result of approximately $390 million of airports and facilities completed in 2003-2004.

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

Interest expense increased by 13.8% 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 2004.

Part 150 expenses remained relatively constant from 2003 levels.

The reduction in loss on asset disposals consists of two 2003 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, 2003 was approximately $1.2 million. The remaining loss recorded resulted from the sale of land at Flying Cloud Airport.

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 Services | 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 | ---- |
| 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 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:

| | 2004 | 2003 |
|---|---|---|
| Operating Revenue | $196,141 | $168,182 |
| Operating Expense | (185,069) | (176,240) |
| Operating Income (Loss) | 11,072 | (8,058) |
| Non-Operating Revenue | 101,814 | 93,535 |
| Non-Operating Expense | (81,912) | (74,715) |
| Capital Contributions | 27,835 | 36,707 |
| Increase in Net Assets | $58,809 | $47,469 |

The Commission showed an improvement in increasing its net assets from 2003 levels. The primary cause were the airline rate relief credit ($13 million) the Commission gave the airlines in 2003.

## BALANCE SHEETS

The Balance Sheets present 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 financial health of the MAC. A summarized comparison of the MAC's assets, liabilities and net assets at December 31, 2004 and 2003 is as follows (Also see Note C in the notes to the financial statements):

| | 2004 | 2003 |
|---|---|---|
| **Assets** | | |
| Current Assets | $173,556 | $131,486 |
| Restricted Assets-Current | 724,885 | 586,155 |
| Non-Current Assets | | |
| Capital Assets-Net | 2,283,016 | 2,225,176 |
| Other non-current assets | 326,598 | 335,654 |
| Total Assets | $3,508,055 | $3,278,471 |
| **Liabilities** | | |
| Current Liabilities | 90,265 | 77,198 |
| Payable from restricted current assets | 423,410 | 348,881 |
| Non-Current Liabilities | | |
| Bonds Payable | 1,722,092 | 1,647,220 |
| Other non-current liabilities | 47,633 | 39,326 |
| Total Liabilities | 2,283,400 | 2,112,625 |
| **Net Assets** | | |
| Invested in capital assets, net of debt | 1,055,827 | 1,051,448 |
| Restricted | 92,723 | 63,081 |
| Unrestricted | 76,105 | 51,497 |
| Total Net Assets | 1,224,655 | 1,165,846 |
| Total Liabilities and Net Assets | $3,508,055 | $3,278,471 |

## CASH AND INVESTMENT MANAGEMENT

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

| | 2004 | 2003 |
|---|---|---|
| Cash received from operations | $203,909 | $161,236 |
| Cash expended from operations | (103,908) | (92,073) |
| Net cash provided by operations | 100,001 | 69,163 |
| Net cash used in capital and related financing activities | (2,369) | (88,975) |
| Net cash (used in) provided by investing activities | (94,912) | 19,090 |
| Net increase (decrease) in cash and cash equivalents | 2,720 | (722) |
| Cash and cash equivalents, beginning of year | 8,715 | 9,437 |
| Cash and cash equivalents, end of year | $11,435 | $8,715 |

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 2004, the MAC's average portfolio balance was $487,928,000 and total investment earnings were $8,559,000 for an average yield on investments during the year of 1.75%.

The Commission currently has a policy of keeping a four-month working capital reserve in its operating fund. At the end of 2004, the Commission has in its operating fund approximately $23.0 million over and above its 2005 four-month working capital requirement and a carryover of approximately $8.9 million from the end of 2003. The Commission is currently considering how to apply or use some or all of these excess operating funds. The actions taken by the Commission so far allows for the transfer of $19.8 million to MAC construction fund and $3.2 million applied to pay the unfunded liability for the Minneapolis Employees Retirement Fund (MERF) pension plan.

## CAPITAL CONSTRUCTION

During 2004, the MAC expended $117 million in its on-going capital improvement program. Major projects that were completed in 2004 were a light rail transit tunnel and center, an automated people mover along Concourse A-C and a deicing pad for Runway 12R. Projects that began or continued construction during 2004 were the construction of new Runway 17/35 (due to open in October 2005), construction of an addition to the north end of the Lindbergh terminal, a new fire station and a tunnel under Runway 4/22. Average monthly capital construction spending in 2004 was approximately $9.8 million. Also, see Notes D and O in the notes to the financial statements for additional information.

## 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, 2005 | $65,110 |
| October 10, 2006 | $64,063 |
| October 10, 2007 | $64,440 |
| October 10, 2008 | $64,820 |
| October 10, 2009 | $65,342 |

Statutory authority for issuing bonds is obtained from the Minnesota State Legislature. Authorization as of December 31, 2004 permits the issuance of an additional $55 million of General Obligation Revenue Bonds.

| Capital Financing Activity | Balance 12/31/2003 | Issued | Retired | Balance 12/31/2004 |
|---|---|---|---|---|
| Notes Payable | $67,826 | $40,350 | ($7,000) | $101,176 |
| General Obligation Revenue Bonds | 344,130 | - | (13,160) | 330,970 |
| General Airport Revenue Bonds | 1,339,695 | 109,950 | (19,540) | 1,430,105 |
| | $1,751,651 | $150,300 | ($39,700) | $1,862,251 |

During January, 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 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 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 totaled $95 million with the balance 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.

In May 2004, the MAC issued $109,950,000 Series 2004 A General Airport Revenue Bonds. The net proceeds to be used for construction financing totaled $100 million with the balance 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 2004 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.

Financial Section

## BALANCE SHEETS

(Dollars in Thousands)

| | December 31 2004 | December 31 2003 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 11,430 | $ 8,706 |
| Investments | 76,784 | 55,154 |
| Security lending agreement | 69,832 | 45,255 |
| Accounts receivable (net of allowances for uncollectibles of $39) | 6,073 | 14,610 |
| Leases receivable | 7,744 | 7,371 |
| Other | 1,693 | 390 |
| Total Current Assets | 173,556 | 131,486 |
| | | |
| Restricted Assets: Current | | |
| Cash and cash equivalents | 5 | 9 |
| Investments: | | |
| Debt service | 256,684 | 247,807 |
| Construction and other | 231,457 | 134,794 |
| Securities lending agreement | 196,361 | 165,690 |
| Government grants in aid of construction receivable-Note A | 6,436 | 2,926 |
| Leases receivable | 28,281 | 28,151 |
| Other receivables | 580 | 1,507 |
| Passenger facility charge receivable-Note A | 5,081 | 5,271 |
| Total Restricted Assets-Current | 724,885 | 586,155 |
| | | |
| Leases receivable-Notes A, I and P | 326,598 | 335,654 |
| | | |
| Capital Assets:--Notes A, D, E and J | | |
| Land | 110,619 | 110,904 |
| Airport improvements and buildings | 2,163,778 | 1,971,036 |
| Moveable equipment | 64,762 | 57,899 |
| Construction in progress | 703,188 | 761,423 |
| Less Accumulated Depreciation | (759,331) | (676,086) |
| Total Capital Assets (net of accumulated depreciation) | 2,283,016 | 2,225,176 |
| **TOTAL ASSETS** | **$ 3,508,055** | **$ 3,278,471** |

See notes to the financial statements

## MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

**Financial Section** BALANCE SHEETS

(Dollars in Thousands)

| | December 31 2004 | 2003 |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 13,780 | $ 16,702 |
| Capital Lease | 679 | 182 |
| Notes payable | - | 7,000 |
| Security lending agreement | 69,832 | 45,255 |
| Deferred revenue-Note A | 696 | 777 |
| Employee compensation and payroll taxes | 5,278 | 7,282 |
| Total Current Liabilities | 90,265 | 77,198 |
| Payable from restricted current assets: | | |
| Current portion long-term debt-Note E | 34,410 | 32,700 |
| Construction | 26,057 | 23,408 |
| Interest payable | 45,581 | 46,077 |
| Deferred revenue-Note A | 18,778 | 19,179 |
| Notes payable-Note E | 101,176 | 60,826 |
| Other | 1,047 | 1,001 |
| Security lending agreement | 196,361 | 165,690 |
| Total payable from restricted current assets: | 423,410 | 348,881 |
| Deferred revenue-unrestricted Note A | 2,096 | 2,224 |
| Deferred revenue-restricted Note A | 14,831 | 14,990 |
| Capital lease | 5,090 | 567 |
| Post Retirement Medical | 25,616 | 21,545 |
| Bonds Payable-Note E | 1,722,092 | 1,647,220 |
| **TOTAL LIABILITIES** | **2,283,400** | **2,112,625** |
| Commitments and contingencies-Notes O and P | | |
| **NET ASSETS-Note A and C** | | |
| Invested in capital assets, net of related debt | 1,055,827 | 1,051,268 |
| Restricted for debt service and other | 92,723 | 63,081 |
| Unrestricted | 76,105 | 51,497 |
| **TOTAL NET ASSETS** | **1,224,655** | **1,165,846** |
| **TOTAL LIABILITIES AND NET ASSETS** | **$ 3,508,055** | **$ 3,278,471** |

See notes to the financial statements

## STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

| (Dollars in Thousands) | Fiscal Years Ended December 31, 2004 | Fiscal Years Ended December 31, 2003 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Airline rates and charges-gross | $ 73,206 | $ 73,326 |
| Airline rates and charges rebate | - | (13,000) |
| Airline rates and charges-net | 73,206 | 60,326 |
| Concessions | 85,971 | 72,337 |
| Other revenues: | | |
| Utilities | 1,705 | 2,151 |
| Other building rentals | 13,295 | 12,363 |
| Other | 21,964 | 21,005 |
| **TOTAL OPERATING REVENUES** | **196,141** | **168,182** |
| **OPERATING EXPENSES** | | |
| Personnel | 50,429 | 48,273 |
| Administrative expenses | 1,089 | 844 |
| Professional services | 3,745 | 2,821 |
| Utilities | 12,684 | 11,779 |
| Operating services | 13,394 | 13,928 |
| Maintenance | 17,249 | 16,453 |
| Depreciation | 83,273 | 79,399 |
| Other | 3,206 | 2,743 |
| **TOTAL OPERATING EXPENSES** | **185,069** | **176,240** |
| **OPERATING INCOME (LOSS)** | **11,072** | **(8,058)** |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Investment income | 32,257 | 29,854 |
| Passenger Facility Charges | 69,557 | 63,681 |
| Loss on disposal of assets | (1,531) | (2,547) |
| Bond interest expense | (67,247) | (59,105) |
| Part 150 home insulation expenses | (13,134) | (13,063) |
| **TOTAL NONOPERATING REVENUES** | **19,902** | **18,820** |
| **INCOME BEFORE CONTRIBUTIONS** | **30,974** | **10,762** |
| Capital contributions | 27,835 | 36,707 |
| **CHANGE IN NET ASSETS** | **58,809** | **47,469** |
| Net Assets-Beginning of Year | 1,165,846 | 1,118,377 |
| **NET ASSETS–END OF YEAR** | **$1,224,655** | **$1,165,846** |

See notes to financial statements.

## STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

| | Fiscal Years Ended December 31, 2004 | 2003 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash received from customers and users | $ 203,909 | $ 161,236 |
| Cash paid to employees and benefit providers | (48,362) | (41,472) |
| Cash paid to suppliers | (55,546) | (50,601) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | **100,001** | **69,163** |
| Cash flows from capital and related financing activities: | | |
| Payments for airports and facilities | (117,484) | (123,555) |
| Payments for Part 150 Program | (13,134) | (13,063) |
| Proceeds from bond/note issuance | 149,713 | 106,755 |
| Receipt of lease payments | 12,592 | 11,961 |
| Proceeds from capital lease | 5,020 | 521 |
| Receipt of passenger facility charges | 69,747 | 63,202 |
| Payment on bonds/notes | (39,700) | (94,149) |
| Interest paid on bonds | (93,448) | (89,133) |
| Receipts of government grants in aid of construction | 24,325 | 48,486 |
| **NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES** | **(2,369)** | **(88,975)** |
| Cash flows from investing activities: | | |
| Purchase of investment securities | (1,108,469) | (1,156,545) |
| Proceeds from maturities of investment securities | 979,879 | 1,145,394 |
| Investment Income | 33,678 | 30,241 |
| **NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES** | **(94,912)** | **19,090** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **2,720** | **(722)** |
| Cash and cash equivalents-Beginning of year | 8,715 | 9,437 |
| **CASH AND CASH EQUIVALENTS-END OF YEAR** | **$11,435** | **$8,715** |
| **Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities:** | | |
| Operating Income (loss) | $ 11,072 | $ (8,058) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | 83,273 | 79,399 |
| Changes in assets and liabilities | | |
| Accounts receivable | 8,537 | (7,180) |
| Other assets | (1,303) | (310) |
| Accounts payable and accrued expenses | (2,922) | (1,522) |
| Post retirement medical and other | 4,071 | 4,165 |
| Other restricted liabilities | 46 | (201) |
| Employee compensation and payroll taxes | (2,004) | 2,636 |
| Deferred revenue | (769) | 234 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | **$ 100,001** | **$ 69,163** |
| Noncash investing, capital and financing activities: | | |
| Changes in fair value of investments | $(1,421) | $(387) |

See notes to financial statements.

Fiscal years ended December 31, 2004 and 2003

## 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 (as amended by GASB No. 39), the State of Minnesota and the Commission have agreed that the Commission is not financially accountable to any other organization and is considered a stand-alone governmental unit.

### Basis of Accounting

Under GASB Statement No. 34, 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. Capital contributions, financing or investing related transactions are reported as non-operating revenues. Interest expense, PFC's, Part 150 sound insulation program and financing costs are reported as non-operating.

**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 as investment income 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

In June 1992, the Commission began collecting Passenger Facility Charges (PFCs). PFCs are fees imposed on enplaned passengers by airport authorities for the purpose of generating revenue for airport projects that increase capacity, increase safety, or mitigate noise impacts. 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 in August 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 in April 1999. During 1995, the Commission received authority to collect a $3.00 PFC under a third application beginning June 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 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, 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 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 P 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.

**Net Assets**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following 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, 2004 and 2003, 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 2004, the Commission adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units.* This statement, which amends GASB Statement No. 14, *The Financial Reporting Entity* had no 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.

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* This statement is effective for the Commission for the year ending December 31, 2005. The effect that GASB Statement No. 42 will have on the fiscal year 2005 financial statements has not yet been determined.

In May 2004, the GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1.* This statement, which the Commission will be required to adopt in fiscal 2006, establishes and modifies requirements related to supplementary information presented by the Commission in the statistical section that accompanies the financial statements. The Commission will fully comply with the provisions of the statement upon its adoption in fiscal 2006.

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans other than Pension Plans.* This statement, which the commission will be required to adopt in fiscal 2008, provides that postemployment benefits offered to employees are to be measured and recognized on the full accrual basis of accounting over a period that approximates an employee's years of service. The Commission presently accrues the estimated cost of retiree benefits over the years in which the employee earns the benefit (see Note L). The Commission is assessing what additional impact, if any, the adoption of the new standard will have on amounts presently recorded in the financial statements.

In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Legislation, an amendment of GASB Statement No. 34.* This statement, which the Commission will be required to adopt in fiscal 2006 clarifies the meaning of the phrase legally enforceable as it applies to restrictions imposed on net asset use by enabling legislation and requires that governments disclose the portion of total net assets that are restricted by enabling legislation. The Commission has not yet determined the impact of GASB No. 46 on its financial statements.

### Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation. This includes the reclassification of $35,463,000 of bonds payable previously reported within the net asset category of net assets invested in capital assets, net of related debt in 2003 to restricted net assets. These 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):

| | 12/31/04 | 12/31/03 |
|---|---|---|
| Cash on hand | $ 104 | $113 |
| Bank balances | $2,283 | $1,976 |

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 income for the year-ended December 31, consists of the following:

| | 2004 | 2003 |
|---|---|---|
| Investment income from leases | $23,698,000 | $23,554,000 |
| Investment income from investments | 9,980,000 | 6,687,000 |
| Net decrease in fair value of investments | (1,421,000) | (387,000) |
| | $32,257,000 | $29,854,000 |

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, 2004 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, 2004 were classified as Category 1.

| (In Thousands) | Fair Value Credit Risk Category | | | |
|---|---|---|---|---|
| **Type of Security** | **1** | **2** | **3** | **Total** |
| **December 31, 2004** | | | | |
| U.S. Government and Agencies | $355,363 | $ 0 | $ 0 | $355,363 |
| Repurchase Agreements | 234,052 | 0 | 0 | 234,052 |
| Commercial Paper | 52,115 | 0 | 0 | 52,115 |
| | $641,530 | $ 0 | $ 0 | 641,530 |
| Investments – Not Categorized | | | | |
| Cash on Hand | | | | 104 |
| Mutual Funds | | | | 200,919 |
| Total Cash and Investments | | | | $842,553 |

| Reported As: | |
|---|---|
| Cash and cash equivalents-unrestricted | $11,430 |
| Investments-unrestricted | 76,784 |
| Security lending agreement-unrestricted | 69,832 |
| Cash and cash equivalents-restricted | 5 |
| Investments and security lending agreement-restricted | 684,502 |
| Total cash and investments per balance sheet | $842,553 |

## 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 at December 31 (in thousands):

| **Net Assets**<br>**Invested in capital assets, net of related debt** | **2004** | **2003** |
|---|---|---|
| Restricted Assets: | | |
| Cash and cash equivalents | $5 | $9 |
| Investments: | | |
| Debt service | 256,684 | 247,807 |
| Leases receivable-current | 28,281 | 28,151 |
| Leases receivable-non-current | 326,598 | 335,654 |
| Capital Assets: | | |
| Land | 110,619 | 110,904 |
| Airport improvements and buildings | 2,163,778 | 1,971,036 |
| Moveable equipment | 64,762 | 57,899 |
| Construction in progress | 703,188 | 761,423 |
| Less: accumulated depreciation | (759,331) | (676,086) |
| Total Capital Assets | 2,894,584 | 2,836,797 |
| Less related liabilities: | | |
| Payable from restricted assets: | | |
| Current portion of long-term debt | 34,410 | 32,700 |
| Interest payable | 45,581 | 46,077 |
| Deferred revenue-current and non current | 33,609 | 34,169 |
| Notes payable | 101,176 | 60,826 |
| Bonds payable | 1,623,981 | 1,611,757 |
| Total Liabilities | 1,838,757 | 1,785,529 |
| **Invested in capital assets, net of related debt** | **$1,055,827** | **$1,051,268** |
| **Restricted Net Assets** | | |
| Restricted Assets: | | |
| Investments: | | |
| Construction and other and securities lending | $427,818 | $300,484 |
| Government grants in aid receivable | 6,436 | 2,926 |
| Other receivables | 580 | 1,507 |
| Passenger facility charge receivable | 5,081 | 5,271 |
| Total Restricted Assets | 439,915 | 310,188 |

**Restricted Net Assets-continued**

| | | |
|---|---|---|
| Less: Payables from restricted assets: | | |
| Construction | 26,057 | 23,408 |
| Post retirement medical | 25,616 | 21,545 |
| Bonds payable | 98,111 | 35,463 |
| Other | 1,047 | 1,001 |
| Security lending agreement | 196,361 | 165,690 |
| Total Liabilities | 347,192 | 247,107 |
| **Restricted Net Assets** | **$92,723** | **$63,081** |
| **Unrestricted Net Assets** | | |
| Current Assets | $173,556 | $131,486 |
| Less: Current liabilities | 90,265 | 77,198 |
| Capital leases | 5,090 | 567 |
| Deferred revenue-non-current | 2,096 | 2,224 |
| Total liabilities | 97,451 | 79,989 |
| **Unrestricted Net Assets** | **$76,105** | **$51,497** |

## NOTE D
## CAPITAL ASSETS

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

| 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** |

| Capital Assets | Balance January 1, 2004 | Additions | Transfers In (Out) | Deductions | Balance December 31, 2004 |
|---|---|---|---|---|---|
| Capital Assets-Not Depreciated: | | | | | |
| Land | $ 110,904 | $ - | $ 77 | $ (362) | $ 110,619 |
| Projects-in-progress | 761,423 | 135,909 | (194,144) | - | 703,188 |
| Total Capital Assets-Not Depreciated | 872,327 | 135,909 | (194,067) | (362) | 813,807 |

| Capital Assets | Balance January 1, 2004 | Additions | Transfers In (Out) | Deductions | Balance December 31, 2004 |
|---|---|---|---|---|---|
| Capital Assets-Depreciated | | | | | |
| Airport improvements and buildings | 1,971,036 | 66 | 192,683 | (7) | 2,163,778 |
| Less Accumulated Depreciation | (635,845) | (78,897) | - | - | (714,742) |
| Net Airport Improvements and buildings | 1,335,191 | (78,831) | 192,683 | (7) | 1,449,036 |
| Moveable Equipment | 57,899 | 5,514 | 1,384 | (35) | 64,762 |
| Less Accumulated Depreciation | (40,241) | (4,376) | - | 28 | (44,589) |
| Net Moveable Equipment | 17,658 | 1,138 | 1,384 | (7) | 20,173 |
| Total Capital Assets-Depreciated | 1,352,849 | (77,693) | 194,067 | (14) | 1,469,209 |
| **Net Capital Assets** | $ 2,225,176 | $ 58,216 | - | $ (376) | $ 2,283,016 |

## NOTE E
## SHORT AND LONG-TERM DEBT

In 2003, the Commission retired commercial paper issued to acquire the Doubletree hotel in connection with the new runway 17/35 expansion from proceeds from a new bond issue the Commission issued during 2003.

In 2004, the Commission issued commercial paper totaling $40,350,000. The projects financed with these proceeds funded various projects including those associated with the new Runway 17/35, a hangar for Champion Airlines and the North Terminal Expansion. In addition, the Commission retired $7,000,000 of commercial paper upon receipt from United Parcel Service of the full cost of a cargo facility constructed in 2003.

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

Series A 1.74 to 1.88% $42,076,000 matures in 2005.
Series B 1.75 to 1.90% $59,100,000 matures in 2005.

The following are the changes in short-term debt during 2004 and 2003 (dollars in thousands):

| Short-term Financing Activity | Balance 12/31/2003 | Issued | Retired | Balance 12/31/2004 |
|---|---|---|---|---|
| Notes Payable | $67,826 | $ 40,350 | ($7,000) | $101,176 |

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

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, 2004 | 2003 |
|---|---|---|---|---|---|---|
| **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 | 6.200% | 2005 | 6,050 | | |
| Original amount-$37,040 | | 6.250% | 2006 | 6,425 | | |
| | | 6.270% | 2007 | 3,635 | 16,110 | 21,810 |
| Series 1999A | 07/01/1999 | 5.130% | 2022-2031 | 132,415 | 132,415 | 132,415 |
| Original amount-$132,415 | | | | | | |
| Series 1999B | 07/01/1999 | 5.000% | 2005-2008 | 19,265 | | |
| Original amount-$135,095 | | 5.250% | 2009 | 5,430 | | |
| | | 5.500% | 2010-2011 | 11,750 | | |
| | | 5.630% | 2012-2016 | 35,605 | | |
| | | 5.250% | 2017-2022 | 50,825 | 122,875 | 127,140 |
| 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, 2004 | 2003 |
|---|---|---|---|---|---|---|
| Series 2000B | 05/16/2000 | 5.250% | 2005-2006 | 6,230 | | |
| Original amount-$88,745 | | 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 | 83,145 | 86,020 |
| 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% | 2005 | 2,855 | | |
| 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 | 93,505 | 96,225 |
| 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% | 2005 | 4,180 | | |
| Original amount-$70,210 | | 5.250% | 2006-2011 | 30,055 | | |
| | | 5.750% | 2012-2016 | 28,180 | 62,415 | 66,395 |
| 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 | 102,690 |
| Series 2004A | 05/11/2004 | Variable-(1) | 2006-2031 | 109,950 | 109,950 | - |
| Original Amount-$109,950 | | | | | | |
| **Total Airport Revenue Bonds** | | | | | **1,430,105** | **1,339,695** |
| **General Obligation Revenue Bonds** | | | | | | |
| Series 10 | 05/01/1993 | 5.000% | 2005-2006 | 3,750 | 3,750 | 6,060 |
| Original amount-$29,025 | | | | | | |
| Series 13 | 11/01/1998 | 5.000% | 2005-2010 | 14,650 | | |
| Original amount-$38,750 | | 5.250% | 2011-2013 | 8,980 | | |
| | | 4.500% | 2014-2015 | 6,655 | 30,285 | 32,520 |

| Type of issue: | Issue Date | Interest Rates | Maturing On January 1 | Amount | Outstanding December 31, 2004 | 2003 |
|---|---|---|---|---|---|---|
| Series 14 | 10/31/2001 | 5.500% | 2005-2006 | 5,235 | | |
| Original amount-$25,690 | | 5.000% | 2007-2008 | 5,870 | | |
| | | 5.500% | 2009-2011 | 9,875 | 20,980 | 23,395 |
| Series 15 | 01/29/2002 | 4.450% | 2005 | 6,750 | | |
| Original amount-$287,825 | | 4.850% | 2006 | 7,350 | | |
| | | 5.250% | 2007 | 7,990 | | |
| | | 5.500% | 2008 | 8,700 | | |
| | | 6.000% | 2009-2011 | 30,780 | | |
| | | 6.050% | 2012 | 12,180 | | |
| | | 6.150% | 2013 | 13,320 | | |
| | | 6.250% | 2014 | 14,520 | | |
| | | 6.350% | 2015 | 15,830 | | |
| | | 6.450% | 2016 | 18,185 | | |
| | | 6.550% | 2017 | 19,770 | | |
| | | 6.850% | 2018-2022 | 120,580 | 275,955 | 282,155 |
| **Total General Obligation Revenue Bonds** | | | | | 330,970 | 344,130 |
| **Total Long-Term Debt Outstanding** | | | | | **1,761,075** | **1,683,825** |
| Net unamortized discount | | | | | (3,767) | (2,907) |
| Deferred loss on refundings | | | | | (806) | (998) |
| Current portion of long-term debt | | | | | (34,410) | (32,700) |
| | | | | **Total Long Term Bonds Payable** | **$ 1,722,092** | **$ 1,647,220** |

(1) The variable rate obligation rate changes either every 7 days or 35 days. The interest rate at December 31, 2004 for the 7 day maturity was 2.0% and for the 35 day maturity was 2.15%.

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Future debt service requirements as of December 31, 2004 are as follows (in thousands):

| Year/s | Notes Payable | Airport Revenue Bonds | General Obligation Revenue Bonds | Total Debt Outstanding | Interest | Total Principal & Interest |
|---|---|---|---|---|---|---|
| 2005 | $101,176 | $20,590 | $13,820 | $135,586 | $92,188 | $227,774 |
| 2006 | - | 23,805 | 13,810 | 37,615 | 90,122 | 127,737 |
| 2007 | - | 25,090 | 13,185 | 38,275 | 88,176 | 126,451 |
| 2008 | - | 26,435 | 14,165 | 40,600 | 86,157 | 126,757 |
| 2009 | | 27,855 | 15,085 | 42,940 | 83,976 | 126,916 |
| 2010-2014 | - | 163,635 | 83,150 | 246,785 | 381,786 | 628,571 |
| 2015-2019 | - | 232,775 | 100,740 | 333,515 | 302,675 | 636,190 |
| 2020-2024 | - | 306,295 | 77,015 | 383,310 | 198,520 | 581,830 |
| 2025-2029 | - | 395,260 | - | 395,260 | 103,025 | 498,285 |
| 2030-2032 | - | 208,365 | - | 208,365 | 13,298 | 221,663 |
| | $101,176 | $ 1,430,105 | $ 330,970 | $ 1,862,251 | $ 1,439,924 | $ 3,302,175 |

Of the future debt service requirements listed above, $306,240,000 of principal and $212,949,000 of interest are leased under agreements with Northwest Airlines, Inc. The General Obligation Revenue Bond Series 15 represents $275,955,000 of principal and $204,118,000 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 2003-2004. 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 May 2004, the MAC issued $109,950,000 Series 2004 A General Airport Revenue Bonds. The net proceeds to be used for construction financing total $100 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 2004 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.

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 P. 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 $330,970,000 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. 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 that were issued in 1992. Further information on the Series 9/15 bonds can be found in Note P.

As mentioned in Note P, 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, 2004, 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, 2004, Special Facility Revenue Bonds outstanding are $136,355,000.

**NOTE G**
**CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2004 was as follows (in thousands):

| | Balance 12/31/2003 | Additions | Retirements and other | Balance 12/31/2004 | Amounts due in One year |
|---|---|---|---|---|---|
| Deferred Revenue | $ 37,170 | $ 28,185 | ($ 28,954) | $ 36,401 | $19,474 |
| Capital Lease | 749 | 5,105 | (85) | 5,769 | 679 |
| Bonds Payable | 1,679,920 | 109,950 | (33,368) | 1,756,502 | 34,410 |
| | $1,717,839 | $ 143,240 | ($ 62,407) | $1,798,672 | $ 54,563 |

**NOTE H**
**CAPITALIZATION OF INTEREST**

Total interest costs expensed were $67,247,000 and $59,105,000 in 2004 and 2003, respectively. Interest costs excluded from interest expense and capitalized as part of the costs of constructed assets were $25,625,000 and $31,604,000 in 2004 and 2003, respectively. Total interest paid was $93,448,000 and $89,133,000 in 2004 and 2003, respectively.

**NOTE I**
**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 2029. The commission records the interest portion of the lease payments as investment income. The following lists the components of the Commission's leases as of December 31 (in thousands):

| | 2004 | 2003 |
|---|---|---|
| Total minimum lease payments to be received | $636,283 | $663,722 |
| Less: Unearned income | 264,065 | 283,496 |
| Net investment in leases | 372,218 | 380,226 |
| Less: Prepaid principal | 9,595 | 9,050 |
| **Leases receivable-current and non-current** | **$362,623** | **$371,176** |

As of December 31, 2004, future minimum lease payments are as follows (in thousands):

| Year | Amount |
|---|---|
| 2005 | $ 36,025 |
| 2006 | 36,330 |
| 2007 | 36,684 |
| 2008 | 37,924 |
| 2009 | 38,311 |
| 2010-2014 | 195,254 |
| 2015-2019 | 175,451 |
| 2020-2024 | 75,502 |
| 2025-2029 | 4,802 |

## NOTE J
## CAPITAL LEASE

The Commission is obligated under certain leases for equipment accounted for as capital leases. Assets under capital leases totaled $6,632,000 and $1,551,000 at December 31, 2004 and 2003, respectively, and accumulated amortization on those assets totaled $1,382,000 and $904,000 at December 31, 2004 and 2003, 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, 2004:

(In Thousands)

| Year Ending December 31 | Minimum Lease Payments |
|---|---|
| 2005 | $783 |
| 2006 | 783 |
| 2007 | 783 |
| 2008 | 1,074 |
| 2009 | 3,062 |
| Minimum lease payments for all capital leases | 6,501 |
| Less: Amount representing interest at the Commission's incremental borrowing rate of interest | 732 |
| Present value of minimum lease payments | $5,769 |

## NOTE K
## PENSION AND RETIREMENT PLANS

All full-time and certain part-time employees of the Commission participate in the Minneapolis Employees Retirement Fund (MERF) (participation 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, 2004, 2003, and 2002 were $1,216,000, $1,135,000, and $1,128,000, respectively. The Commission's required contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2004, 2003, and 2002 were $722,000, $660,000, and $607,000, 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 three or more years of service; or
C) At age 65 with one year 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 three years and do not qualify for monthly retirement benefits. The survivor benefits contribution is nonrefundable.

MERF issues a publicly available financial report that includes financial statements and required supplementary information. 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 amortizing the unfunded liability by June 30, 2020. The consulting actuary for the fund determines the unfunded liability at the end of the fiscal year. By using a 6% interest assumption rate, an annual contribution to provide full funding by June 30, 2020 is determined. That amount is reduced by the employer's 2.68% of 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% | 10.69% | 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 | 2004 | 2003 | 2002 |
|---|---|---|---|
| Employer (100% of required) | $ 2,226 | $2,709 | $ 323 |

## NOTE L
## 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. During 2004, the Commission approved that non-organized employees hired after October 1, 2004 will be able to participate in the Commission medical plan provided that the retiree pay 100% of the total premium cost plus a 2% administrative fee.

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 restricts cash and investments to pay for future health benefits. 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 2004 and 2003:

| | 2004 | 2003 |
|---|---|---|
| Benefit Obligation, January 1 | $47,556,802 | $45,021,718 |
| Service Cost | 1,102,208 | 1,101,871 |
| Interest Cost | 3,037,787 | 2,879,410 |
| Actuarial Losses | 280,804 | 206,777 |
| Benefits paid by the Commission | (1,924,018) | (1,652,974) |
| Benefits Obligation, December 31 | $50,053,583 | $47,556,802 |

| The funding status of the plan at December 31 is: | 2004 | 2003 |
|---|---|---|
| Accumulated postretirement benefit obligation | $50,053,583 | $47,556,802 |
| Less: | | |
| Fair value of plan assets | 0 | 0 |
| Unrecognized prior service cost | 1,369,806 | 1,483,706 |
| Unrecognized net loss | 11,352,327 | 11,837,731 |
| Unrecognized transition obligation | 11,715,000 | 12,691,000 |
| Postretirement liability recognized in balance sheets | $25,616,450 | $21,544,365 |

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

| | 2004 | 2003 |
|---|---|---|
| Service Cost – benefits earned during the year | $1,102,208 | $1,101,871 |
| Interest cost on accumulated postretirement benefit obligation | 3,037,787 | 2,879,410 |
| Amortization of transition obligation | 976,000 | 976,000 |
| Amortization of prior service cost | 113,900 | 113,900 |
| Unrecognized net loss | 484,404 | 539,776 |
| Net postretirement benefit cost | $5,714,299 | $5,610,957 |
| | | |
| Benefit Payments Net of Retiree Contributions | $1,924,018 | $1,652,974 |

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation as of December 31, 2004 and 2003 was 10% and 12% respectively. The assumed discount rate used in determining the accumulated postretirement benefit obligation as of December 31, 2004 and 2003 was 6.5%. As of December 31, 2004 and 2003, 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 the service and interest cost components of the net postretirement health care cost in 2004 and 2003 by approximately 16.3%.

## NOTE M
## 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, 2004 and 2003 of $531,294 and $4,468,564 respectively.

## NOTE N
## 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 2004 or 2003. 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, 2004 and 2003, as well as an estimate of claims incurred. Changes in the balances of claim liabilities during the past two years are as follows:

| | 2004 | 2003 |
|---|---|---|
| Unpaid Claims – Beginning of Year | $1,386,854 | $ 1,118,193 |
| Incurred Claims and Changes in Estimates | 5,512,363 | 4,309,841 |
| Claims Paid | (5,114,694) | (4,041,180) |
| Unpaid Claims – End of Year | $ 1,784,523 | $ 1,386,854 |

## NOTE O
## 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.

The Commission has an agreement with a concessionaire that provides payment to the concessionaire in the event that the concessionaire can not recover its investment for capital expenditures during the term of the lease.

Contractual obligations for construction were approximately $80,008,000 at December 31, 2004.

*Noise Abatement*
In 2004, the Commission proposed a $48 million noise mitigation program for the DNL 60 Noise Contour, whereby the Commission would spend $28 million (down from $150 million commitment) and the homeowners would spend $20 million of their own money. Recently, three bills have been introduced at the Minnesota State Legislature that address noise mitigation in the 60 DNL Noise Contour. Two of the bills, if adopted in their current forms, would require the Commission to provide five-decibel reduction package to all homes within the DNL 62 through 64 Noise Contours and a sound insulation package not to exceed $13,500 to all homes within the DNL 60 and 61 Noise Contours. The cost of such a program would be approximately $132.6 million. If such bills are adopted the Commission would fund such program from one or more of the following sources: PFC's, internally generated funds of the Commission and rates and charges paid by the air carriers operating at the Airport. The third bill, if adopted in its current form, would require, among other things, a sales tax to be collected on certain concessions provided at the airport and the use of such sales tax to fund noise mitigation programs for communities surrounding the airport. The Commission cannot predict if any of the current proposed bills will be adopted by the Minnesota State Legislature, what final provisions such bills might contain or if additional bills will be introduced and adopted by the Minnesota State Legislature addressing noise mitigation programs for the DNL 60 Noise Contour.

On April 6, 2005, the City of Minneapolis, the Minneapolis Public Housing Authority in and for the City of Minneapolis, the City of Eagan and the City of Richfield filed a lawsuit in Minnesota State District Court, Fourth Judicial District, requesting the court, among other things, to order the Commission to provide a five decibel reduction package to all homes within the DNL 60 Noise Contour, at no cost to the homeowners. The cost to the Commission from such a program would be approximately $331.5 million and would be funded from one or more of the following sources: PFC's, internally generated funds of the Commission and rates and charges paid by the air carriers operating at the Airport. The Commission cannot predict the ultimate outcome of this litigation.

*Construction Litigation.*
In connection with the construction of Runway 17/35, the Commission entered into two separate contracts with Lunda Construction Company ("Lunda"). One contract was for the construction of the main tunnel under Runway 17/35 (the "Runway 17/35 Tunnel Contract") and the other contract was for two vehicle tunnels built at the Airport (the "Vehicle Tunnel Contract"). In connection with the Runway 17/35 Tunnel Contract, Lunda has filed a claim against the Commission seeking approximately $4.6 million in damages allegedly caused by a delay in obtaining a dewatering permit. The Commission and Lunda are currently in negotiations in an attempt to resolve this dispute. In connection with the Vehicle Tunnel Contract, Lunda has filed a claim against the Commission seeking $4.5 million in damages. This claim includes a demand for payment of $3.3 million of liquidated damages withheld by the Commission pursuant to the terms of the Vehicle Tunnel Contract. The Commission and Lunda are also currently in negotiations in an attempt to resolve this dispute. The Commission cannot predict the ultimate outcome of either of these claims.

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

## NOTE P
## 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 73% 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. In May 2005, the Commission and NWA Corp., entered into a forbearance agreement that until April 1, 2008, the required value of the collateral will be reduced to 125% of the sum of the principal amount of outstanding Series 9 (refinanced as Series 15) bonds. 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 9% of the Commission's total assets at December 31, 2004.

For the years ended December 31, 2004, and 2003, the Northwest entities and NWA Corp. had audited consolidated net (loss) income of approximately $(891) million and $236 million, respectively. On December 31, 2004, the Northwest entities' and NWA Corp.'s audited total consolidated assets were $14.042 billion and their total audited consolidated liabilities were $17.129 billion, resulting in the Northwest entities' and NWA Corp.'s audited consolidated net deficit of $3.087 billion. These audited numbers were derived from the audited financial statements of NWA. 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.

## NOTE Q
## SUBSEQUENT EVENT

In January 2005, the Commission issued $26,500,000 of its Special Facility Revenue Refunding Bonds (See Note F), to refund a portion of Special Facility Revenue Bonds that were originally issued in June 2001. 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.

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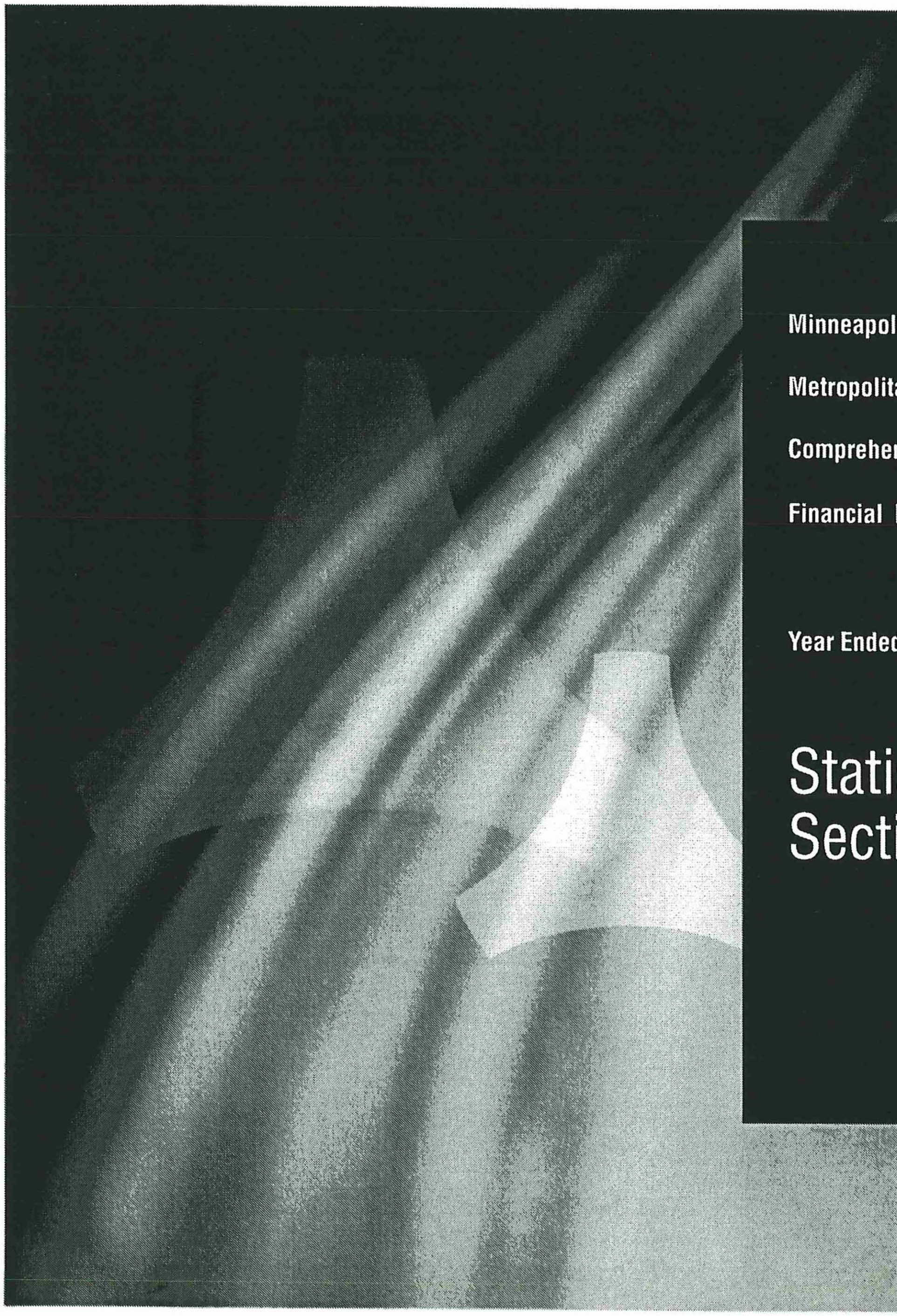

Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual

Financial Report

Year Ended December 31, 2004

# Statistical Section

## MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section

**HISTORICAL OPERATING STATEMENTS 1995-2004**
(Dollars in Thousands)-Unaudited

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating Revenues | | | | | | | | | | |
| Airline Rates and Charges | $35,193 | $35,647 | $41,838 | $46,832 | $55,401 | $68,133 | $72,669 | $71,846 | $60,977 | $73,206 |
| Concessions | 41,838 | 47,872 | 52,279 | 56,832 | 62,131 | 70,760 | 69,707 | 67,416 | 72,337 | 85,971 |
| Other Revenues | | | | | | | | | | |
| Rentals-(Ground and Building) | 6,962 | 8,884 | 8,135 | 8,653 | 15,078 | 17,875 | 20,588 | 21,613 | 22,623 | 25,483 |
| Operating Lease Settlement | 0 | 9,326 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Utilities | 1,271 | 1,584 | 1,516 | 2,077 | 1,716 | 1,852 | 2,440 | 1,732 | 2,151 | 1,705 |
| Other | 1,992 | 1,919 | 2,293 | 2,554 | 3,658 | 4,794 | 6,391 | 8,004 | 10,094 | 9,776 |
| Total Operating Revenues | 87,256 | 105,232 | 106,061 | 116,948 | 137,984 | 163,414 | 171,795 | 170,611 | 168,182 | 196,141 |
| Operating Expenses | | | | | | | | | | |
| Personnel | 24,360 | 26,341 | 30,653 | 32,433 | 34,497 | 39,814 | 42,627 | 43,074 | 48,273 | 50,429 |
| Administrative Expenses | 1,003 | 1,028 | 1,108 | 1,113 | 1,555 | 1,686 | 1,708 | 880 | 844 | 1,089 |
| Professional Services | 5,705 | 4,040 | 4,069 | 4,006 | 5,231 | 6,357 | 5,177 | 3,386 | 2,821 | 3,745 |
| Utilities | 5,354 | 6,106 | 5,889 | 6,466 | 7,318 | 8,678 | 11,208 | 8,882 | 11,779 | 12,684 |
| Operating Services | 8,276 | 8,705 | 9,935 | 10,414 | 11,199 | 11,971 | 14,113 | 12,147 | 13,928 | 13,394 |
| Maintenance | 7,236 | 8,007 | 8,809 | 9,302 | 10,498 | 12,238 | 15,250 | 13,501 | 16,453 | 17,249 |
| Depreciation | 22,656 | 26,528 | 33,304 | 36,756 | 42,875 | 51,028 | 65,647 | 72,871 | 79,399 | 83,273 |
| Other | 327 | 477 | 170 | 119 | 619 | 278 | 2,250 | 2,455 | 2,743 | 3,206 |
| Total Operating Expenses | 74,917 | 81,232 | 93,937 | 100,609 | 113,792 | 132,050 | 157,980 | 157,196 | 176,240 | 185,069 |
| Operating Income (Loss) | 12,339 | 24,000 | 12,124 | 16,339 | 24,192 | 31,364 | 13,815 | 13,415 | (8,058) | 11,072 |
| Other Revenues (Expenses) | | | | | | | | | | |
| Investment Income - 1 | 44,946 | 45,308 | 43,952 | 47,444 | 50,039 | 55,661 | 57,712 | 45,454 | 29,854 | 32,257 |
| Passenger Facility Charges | 32,286 | 35,892 | 37,162 | 37,389 | 40,474 | 43,567 | 57,191 | 61,492 | 63,681 | 69,557 |
| Gain (Loss) on Sale/Disposal of Assets | 0 | 418 | 6 | 0 | 2 | 0 | (4,196) | 17 | (2,547) | (1,531) |
| Interest Expense | (32,945) | (31,788) | (30,957) | (37,549) | (35,103) | (42,023) | (55,549) | (50,707) | (59,105) | (67,247) |
| Part 150 Home Insulation Expenses | - | - | (8,482) | (14,976) | (18,475) | (20,707) | (20,517) | (22,208) | (13,063) | (13,134) |
| Concession Development Expenses | - | - | (1,358) | (1,792) | (5,319) | (416) | - | - | - | - |
| Total Other Revenues (Expenses) | 44,287 | 49,830 | 40,323 | 30,516 | 31,618 | 36,082 | 34,641 | 34,048 | 18,820 | 19,902 |
| Net Income | 56,626 | 73,830 | 52,447 | 46,855 | 55,810 | 67,446 | | | | |
| Capital Contributions-2 | | | | | | | 38,069 | 42,919 | 36,707 | 27,835 |
| Change in Net Assets | | | | | | | 86,525 | 90,382 | 47,469 | 58,809 |
| Net Assets Beginning of Year | | | | | | | 941,470 | 1,027,995 | 1,118,377 | 1,165,846 |
| Net Assets End of Year | | | | | | | $ 1,027,995 | $ 1,118,377 | $ 1,165,846 | $ 1,224,655 |
| Add: Depreciation of Facilities Provided by Government Grants | 6,559 | 7,882 | 8,941 | 9,691 | 10,295 | 12,725 | | | | |
| Increase in Retained Earnings | 63,185 | 81,712 | 61,388 | 56,546 | 66,105 | 80,171 | | | | |
| Retained Earnings Beginning of Year | 345,955 | 409,140 | 490,852 | 552,240 | 608,786 | 674,891 | | | | |
| Retained Earnings End of Year | $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, 1996-2004, 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, 2001-2004, 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 1995-2004

### Pursuant to MAC's Master Trust Indenture

(Dollars in Thousands)-Unaudited

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| Airline Rates & Charges | | | | | | | | | | |
| Landing Fees-3 | $ 21,414 | $ 21,918 | $ 24,372 | $ 27,358 | $ 29,923 | $ 39,472 | $ 40,378 | $ 41,573 | $ 27,529 | $ 38,365 |
| Ramp Fees | 3,542 | 3,724 | 4,203 | 4,754 | 5,243 | 6,444 | 6,243 | 5,944 | 5,700 | 5,608 |
| Lindbergh Terminal Building Rents | 9,050 | 8,760 | 10,491 | 11,604 | 17,011 | 19,430 | 22,405 | 21,236 | 24,151 | 26,195 |
| Other Lindbergh Terminal Charges | 559 | 790 | 2,116 | 2,431 | 2,667 | 2,787 | 3,643 | 3,093 | 3,596 | 3,038 |
| Noise Surcharge | 628 | 455 | 656 | 685 | 557 | 0 | 0 | 0 | 0 | 0 |
| **Total Airline Rates & Charges** | **35,193** | **35,647** | **41,838** | **46,832** | **55,401** | **68,133** | **72,669** | **71,846** | **60,976** | **73,206** |
| Concessions | | | | | | | | | | |
| Auto Parking | 26,158 | 30,292 | 31,675 | 35,052 | 36,670 | 42,951 | 39,339 | 36,755 | 41,330 | 50,466 |
| Rental Car | 7,919 | 8,465 | 9,469 | 10,335 | 11,429 | 12,385 | 13,739 | 13,359 | 14,742 | 14,220 |
| Food & Beverage | 1,909 | 2,348 | 2,541 | 2,719 | 3,084 | 3,546 | 4,053 | 4,340 | 4,864 | 7,311 |
| Merchandise | 2,024 | 2,500 | 3,180 | 3,451 | 4,043 | 4,627 | 4,572 | 4,836 | 4,689 | 5,572 |
| Other | 3,816 | 4,255 | 5,405 | 5,273 | 6,894 | 7,263 | 8,004 | 8,126 | 6,712 | 8,402 |
| **Total Concession Revenue** | **41,826** | **47,860** | **52,270** | **56,830** | **62,120** | **70,772** | **69,707** | **67,416** | **72,337** | **85,971** |
| Other Revenue | | | | | | | | | | |
| Humphrey Building Rentals | 1,477 | 1,492 | 862 | 1,207 | 1,768 | 703 | 857 | 3,377 | 3,522 | 4,162 |
| Utilities | 1,271 | 1,584 | 1,516 | 2,077 | 1,716 | 1,852 | 2,440 | 1,732 | 2,152 | 1,705 |
| Other Building and Land Rent | 4,171 | 15,052 | 5,717 | 5,859 | 11,600 | 15,140 | 18,079 | 16,444 | 17,086 | 20,196 |
| Other | 2,412 | 2,662 | 2,916 | 2,973 | 3,712 | 4,890 | 5,812 | 7,179 | 9,328 | 7,855 |
| **Total Other Revenue** | **9,331** | **20,790** | **11,011** | **12,116** | **18,796** | **22,585** | **27,188** | **28,732** | **32,088** | **33,918** |
| **Total MSP Revenue** | **86,350** | **104,297** | **105,119** | **115,778** | **136,317** | **161,490** | **169,564** | **167,994** | **165,401** | **193,095** |
| **Total Reliever Airports** | **906** | **935** | **942** | **1,170** | **1,667** | **1,924** | **502** | **2,617** | **2,781** | **3,046** |
| **Total Operating Revenue** | **87,256** | **105,232** | **106,061** | **116,948** | **137,984** | **163,414** | **170,066** | **170,611** | **168,182** | **196,141** |
| Interest Income | | | | | | | | | | |
| Capital Lease Interest | 36,310 | 35,924 | 35,183 | 31,430 | 29,646 | 28,715 | 28,464 | 25,300 | 23,554 | 23,698 |
| Other-2 | 6,415 | 6,222 | 5,542 | 6,579 | 5,933 | 6,875 | 7,569 | 6,220 | 3,976 | 7,512 |
| **Total Interest Income** | **42,725** | **42,146** | **40,725** | **38,009** | **35,579** | **35,590** | **36,033** | **31,520** | **27,530** | **31,210** |
| Capital Lease Principal Payments | **7,115** | **7,465** | **6,582** | **7,181** | **6,057** | **7,300** | **7,476** | **9,321** | **11,345** | **12,046** |
| **Total Revenues-1** | **$ 137,096** | **$ 154,843** | **$ 153,368** | **$ 162,138** | **$ 179,620** | **$ 206,304** | **$ 213,575** | **$ 211,452** | **$ 207,057** | **$ 239,397** |

Source: Audit Reports for the last ten years.

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

2-Interest income on PFC's and Bond Series 1998-2004 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 1995-2004

(Dollars in Thousands)-Unaudited

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| Airline Rates & Charges | | | | | | | | | | |
| Landing Fees-1 | 24.5% | 20.8% | 23.0% | 23.4% | 21.7% | 24.2% | 23.7% | 24.4% | 16.4% | 19.6% |
| Ramp Fees | 4.1% | 3.5% | 4.0% | 4.1% | 3.8% | 3.9% | 3.7% | 3.5% | 3.4% | 2.9% |
| Lindbergh Terminal Building Rents | 10.4% | 8.3% | 9.9% | 9.9% | 12.3% | 11.9% | 13.2% | 12.4% | 14.4% | 13.4% |
| Other Lindbergh Terminal Charges | 0.6% | 0.8% | 2.0% | 2.1% | 1.9% | 1.7% | 2.1% | 1.8% | 2.1% | 1.5% |
| Noise Surcharge | 0.7% | 0.4% | 0.6% | 0.6% | 0.4% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Total Airline Rates & Charges** | **40.3%** | **33.9%** | **39.4%** | **40.0%** | **40.2%** | **41.7%** | **42.7%** | **42.1%** | **36.3%** | **37.3%** |
| Concessions | | | | | | | | | | |
| Auto Parking | 30.0% | 28.8% | 29.9% | 30.0% | 26.6% | 26.3% | 23.1% | 21.5% | 24.6% | 25.7% |
| Rental Car | 9.1% | 8.0% | 8.9% | 8.8% | 8.3% | 7.6% | 8.1% | 7.8% | 8.8% | 7.2% |
| Food & Beverage | 2.2% | 2.2% | 2.4% | 2.3% | 2.2% | 2.2% | 2.4% | 2.5% | 2.9% | 3.7% |
| Merchandise | 2.3% | 2.4% | 3.0% | 3.0% | 2.9% | 2.8% | 2.7% | 2.8% | 2.8% | 2.8% |
| Other | 4.4% | 4.0% | 5.1% | 4.5% | 5.0% | 4.4% | 4.7% | 4.8% | 4.0% | 4.3% |
| **Total Concession Revenue** | **47.9%** | **45.5%** | **49.3%** | **48.6%** | **45.0%** | **43.3%** | **41.0%** | **39.5%** | **43.0%** | **43.8%** |
| Other Revenue | | | | | | | | | | |
| Humphrey Building Rentals | 1.7% | 1.4% | 0.8% | 1.0% | 1.3% | 0.4% | 0.5% | 2.0% | 2.1% | 2.1% |
| Utilities | 1.5% | 1.5% | 1.4% | 1.8% | 1.2% | 1.1% | 1.4% | 1.0% | 1.3% | 0.9% |
| Other Building and Land Rent | 4.8% | 14.3% | 5.4% | 5.0% | 8.4% | 9.3% | 10.6% | 9.6% | 10.2% | 10.3% |
| Other | 2.8% | 2.5% | 2.7% | 2.5% | 2.7% | 3.0% | 3.4% | 4.2% | 5.5% | 4.0% |
| **Total Other Revenue** | **10.7%** | **19.8%** | **10.4%** | **10.4%** | **13.6%** | **13.8%** | **16.0%** | **16.8%** | **19.1%** | **17.3%** |
| **Total MSP Revenue** | **99.0%** | **99.1%** | **99.1%** | **99.0%** | **98.8%** | **98.8%** | **99.7%** | **98.5%** | **98.3%** | **98.4%** |
| **Total Reliever Airports** | **1.0%** | **0.9%** | **0.9%** | **1.0%** | **1.2%** | **1.2%** | **0.3%** | **1.5%** | **1.7%** | **1.6%** |
| **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**
**1995-2004 (dollars in thousands)-Unaudited**

| | 1995 | 1996-1 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total MAC Operating Revenue | $ 87,256 | $105,232 | $106,061 | $116,948 | $137,984 | $163,414 | $171,795 | $170,611 | $168,182 | $196,141 |
| Lease Principal/Interest Payments | 43,426 | 43,389 | 41,650 | 37,368 | 33,769 | 33,823 | 33,567 | 35,290 | 34,899 | 35,744 |
| Interest Income-MAC Funds-2 | 6,308 | 6,148 | 5,542 | 12,569 | 17,083 | 24,572 | 28,958 | 19,589 | 5,524 | 7,116 |
| Total Revenue | 136,990 | 154,769 | 153,253 | 166,885 | 188,836 | 221,809 | 234,320 | 225,490 | 208,605 | 239,001 |
| NWA Portion of Operating Revenue-3 | 25,907 | 26,477 | 30,477 | 32,504 | 38,442 | 47,516 | 52,316 | 51,858 | 44,391 | 52,892 |
| NWA Portion of Lease Payments | 42,240 | 42,163 | 39,708 | 35,856 | 31,812 | 31,865 | 31,608 | 32,692 | 30,477 | 30,760 |
| Total NWA Revenue | $ 68,147 | $ 68,640 | $ 70,185 | $ 68,360 | $ 70,254 | $ 79,381 | $ 83,924 | $ 84,550 | $ 74,868 | $ 83,652 |
| **NWA % of Total Revenue** | **49.75%** | **44.35%** | **45.80%** | **40.96%** | **37.20%** | **35.79%** | **35.82%** | **37.50%** | **35.89%** | **35.00%** |
| Total Revenue | $136,990 | $154,769 | $153,253 | $166,885 | $188,836 | $221,809 | $234,320 | $225,490 | $208,605 | $239,001 |
| Less: NWA GO 9/15 Lease Payments | 23,960 | 23,960 | 23,960 | 23,960 | 23,960 | 23,960 | 23,960 | 26,252 | 24,018 | 24,348 |
| Total Adjusted Revenue | 113,030 | 130,809 | 129,293 | 142,925 | 164,876 | 197,849 | 210,360 | 199,238 | 184,587 | 214,653 |
| Total NWA Revenue | 68,147 | 68,640 | 70,185 | 68,360 | 70,254 | 79,381 | 83,924 | 84,550 | 74,868 | 83,652 |
| Less: NWA GO 9/15 Lease Payments | 23,960 | 23,960 | 23,960 | 23,960 | 23,960 | 23,960 | 23,960 | 26,252 | 24,018 | 24,348 |
| Total Adjusted NWA Revenue | 44,187 | 44,680 | 46,225 | 44,400 | 46,294 | 55,421 | 59,964 | 58,298 | 50,850 | 59,304 |
| **NWA % of Total Revenue** | **39.09%** | **34.16%** | **35.75%** | **31.07%** | **28.08%** | **28.01%** | **28.51%** | **29.26%** | **27.55%** | **27.63%** |

**NWA Revenue as a Percentage of Total Airline Revenues**
**1995-2004 (dollars in thousands)-Unaudited**

| | 1995 | 1996-1 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Air Carrier Operating Revenue | $ 36,989 | $ 37,788 | $ 43,628 | $ 46,060 | $ 53,818 | $ 66,343 | $ 71,225 | $ 69,518 | $ 59,504 | $ 72,122 |
| Air Carrier Lease Payments | 42,707 | 42,621 | 40,166 | 36,356 | 32,759 | 32,812 | 32,555 | 33,609 | 32,875 | 33,587 |
| Total Air Carrier Revenue | 79,696 | 80,409 | 83,794 | 82,416 | 86,577 | 99,155 | 103,780 | 103,127 | 92,379 | 105,709 |
| Total NWA Revenue | 68,147 | 68,640 | 70,185 | 68,360 | 70,254 | 79,381 | 83,924 | 84,550 | 74,868 | 83,652 |
| **NWA % of Total Air Carrier Revenue** | **85.51%** | **85.36%** | **83.76%** | **82.95%** | **81.15%** | **80.06%** | **80.87%** | **81.99%** | **81.04%** | **79.13%** |
| Total Air Carrier Revenue | 79,696 | 80,409 | 83,794 | 82,416 | 86,577 | 99,155 | 103,780 | 103,127 | 92,379 | 105,709 |
| Less: NWA GO 9/15 Lease Payments | 23,960 | 23,960 | 23,960 | 23,960 | 23,960 | 23,960 | 23,960 | 26,252 | 24,018 | 24,348 |
| Total Adjusted Air Carrier Revenue | 55,736 | 56,449 | 59,834 | 58,456 | 62,617 | 75,195 | 79,820 | 76,875 | 68,361 | 81,361 |
| Total NWA Revenue | 68,147 | 68,640 | 70,185 | 68,360 | 70,254 | 79,381 | 83,924 | 84,550 | 74,868 | 83,652 |
| Less: NWA GO 9/15 Lease Payments | 23,960 | 23,960 | 23,960 | 23,960 | 23,960 | 23,960 | 23,960 | 26,252 | 24,018 | 24,348 |
| Total Adjusted NWA Revenue | 44,187 | 44,680 | 46,225 | 44,400 | 46,294 | 55,421 | 59,964 | 58,298 | 50,850 | 59,304 |
| **NWA % of Total Air Carrier Revenue** | **79.28%** | **79.15%** | **77.26%** | **75.95%** | **73.93%** | **73.70%** | **75.12%** | **75.83%** | **74.38%** | **72.89%** |

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 | 2004 |
|---|---|---|---|---|---|---|---|
| Revenues per Master Trust Indenture | $ 162,138 | $ 179,620 | $ 206,304 | $ 213,575 | $ 211,452 | $ 207,057 | $ 239,397 |
| Expenses: | | | | | | | |
| Operating Expenses | (100,609) | (113,792) | (132,050) | (157,980) | (157,196) | (176,240) | (185,069) |
| Add: Depreciation | 36,756 | 42,875 | 51,028 | 65,647 | 72,871 | 79,399 | 83,273 |
| Amount paid from non-revenue sources | - | - | - | - | - | 13,000 | - |
| Total Operating Expenses-Excluding Depreciation | (63,853) | (70,917) | (81,022) | (92,333) | (84,325) | (83,841) | (101,796) |
| Airport Improvement Bonds-Prior Lien Bonds | (337) | (344) | (660) | - | - | - | - |
| Net Revenues | 97,948 | 108,359 | 124,622 | 121,242 | 127,127 | 123,216 | 137,601 |
| Annual Debt Service-Senior Airport Revenue Bonds | (1,305) | (8,162) | (26,314) | (46,738) | (59,965) | (56,364) | (54,851) |
| Annual Debt Service-General Obligation Revenue Bonds | (37,650) | (38,082) | (37,766) | (39,673) | (33,867) | (33,901) | (33,211) |
| Principal and Interest on other Indebtedness-1 | - | - | (656) | (2,182) | (4,944) | (16,062) | (15,638) |
| **Must not be Less than Zero** | **58,993** | **62,115** | **59,886** | **32,649** | **28,351** | **16,889** | **33,901** |
| Requirement Section | | | | | | | |
| Net Revenues | 97,948 | 108,359 | 124,622 | 121,242 | 127,127 | 123,216 | 137,601 |
| Transfer-Coverage-2 | - | - | - | 4,083 | 6,350 | 14,091 | 13,713 |
| Total Available | 97,948 | 108,359 | 124,622 | 125,325 | 133,477 | 137,307 | 151,314 |
| Senior Debt Service times 125%-3 | (1,631) | (10,203) | (32,893) | (58,423) | (74,956) | (70,455) | (68,564) |
| **Must not be Less than Zero** | **96,317** | **98,157** | **91,730** | **66,903** | **58,521** | **66,852** | **82,750** |
| **Pro Forma Coverage on Senior Lien Debt** | | | | | | | |
| Net Revenues | 97,948 | 108,359 | 124,622 | 121,242 | 127,127 | 123,216 | 137,601 |
| Transfer-Coverage-2 | - | - | - | 4,083 | 6,350 | 14,091 | 13,713 |
| Total Available | 97,948 | 108,359 | 124,622 | 125,325 | 133,477 | 137,307 | 151,314 |
| Annual Debt Service-Senior Airport Revenue Bonds | (1,305) | (8,162) | (26,314) | (46,738) | (59,965) | (56,364) | (54,851) |
| Annual Debt Service-General Obligation Revenue Bonds | (37,650) | (38,082) | (37,766) | (39,673) | (33,867) | (33,901) | (33,211) |
| Total Debt Service-Senior Lien Debt | (38,955) | (46,244) | (64,080) | (86,411) | (93,832) | (90,265) | (88,062) |
| **Coverage with Transfer** | **251%** | **234%** | **194%** | **145%** | **142%** | **152%** | **172%** |
| **Coverage without Transfer** | **251%** | **234%** | **194%** | **140%** | **135%** | **137%** | **156%** |

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 Revnue 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 | 2004 |
|---|---|---|---|---|---|---|---|
| Revenues per Master Trust Indenture | $ 162,138 | $ 179,620 | $ 206,304 | $ 2,213,575 | $ 211,452 | $ 207,057 | $ 239,397 |
| Expenses: | | | | | | | |
| Operating Expenses | (100,609) | (113,792) | (132,050) | (157,980) | (157,196) | (176,240) | (185,069) |
| Add: Depreciation | 36,756 | 42,875 | 51,028 | 65,647 | 72,871 | 79,399 | 83,273 |
| Amount paid from non-revenue sources | - | - | - | - | - | 13,000 | - |
| Total Operating Expenses-Excluding Depreciation | (63,853) | (70,917) | (81,022) | (92,333) | (84,325) | (83,841) | (101,796) |
| Annual Debt Service-Senior Airport Revenue Bonds | (1,305) | (8,162) | (26,314) | (46,738) | (59,965) | (56,364) | (54,851) |
| Annual Debt Service-General Obligation Revenue Bonds | (37,650) | (38,082) | (37,766) | (39,673) | (33,867) | (33,901) | (33,211) |
| Airport Improvement Bonds-Prior Lien Bonds | (337) | (344) | (660) | - | - | - | - |
| Subordinate Revenues | 58,993 | 62,115 | 60,542 | 34,831 | 33,295 | 32,951 | 49,539 |
| Principal and Interest on Subordinate Bonds | - | - | (656) | (2,182) | (4,944) | (16,062) | (15,638) |
| **Must not be Less than Zero** | **58,993** | **62,115** | **59,886** | **32,649** | **28,351** | **16,889** | **33,901** |
| **Requirement Section** | | | | | | | |
| Subordinate Revenues | 58,993 | 62,115 | 60,542 | 34,831 | 33,295 | 32,951 | 49,539 |
| Transfer-1 | - | - | 66 | 218 | 494 | 1,606 | 1,564 |
| Total Available | 58,993 | 62,115 | 60,608 | 35,049 | 33,789 | 34,557 | 51,103 |
| Outstanding Subordinate Debt Service Times 110%-2 | - | - | (722) | (2,400) | (5,439) | (17,668) | (17,202) |
| **Must not be Less than Zero** | **58,993** | **62,115** | **59,886** | **32,649** | **28,351** | **16,889** | **33,901** |
| **Pro Forma Coverage on Subordinate Lien Debt** | | | | | | | |
| Subordinate Revenues | 58,993 | 62,115 | 60,542 | 34,831 | 33,295 | 32,951 | 49,539 |
| Principal and Interest on Subordinate Bonds-2 | - | - | 656 | 2,182 | 4,944 | 16,062 | 15,638 |
| **Coverage without Transfer** | **0%** | **0%** | **9229%** | **1596%** | **673%** | **205%** | **317%** |
| **Pro Forma Coverage on Senior and Subordinate Lien Debt** | | | | | | | |
| Net Revenues | 97,948 | 108,359 | 124,622 | 121,242 | 127,127 | 123,216 | 137,601 |
| Total Debt Service-Senior and Subordinate Debt | 38,955 | 46,244 | 64,736 | 88,593 | 98,777 | 106,327 | 103,700 |
| **Coverage without Transfer** | **251%** | **234%** | **193%** | **137%** | **129%** | **116%** | **133%** |

Source: Metropolitan Airports Commission
1. Transfer is limited to no more than 10% of Aggregate Annual Debt Service on Outstanding Subordinate Airport Revnue 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 2004 Results

**Unaudited**

| 2004 Ranking | Air Carrier | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2004 % of Total [2] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Northwest | 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 | 12,560,285 | 71.37% |
| 2 | Pinnacle [3] | - | - | - | - | - | - | 75,105 | 384,480 | 585,202 | 970,567 | 5.52% |
| 3 | Mesaba Aviation [3] | 264,420 | 359,897 | 720,975 | 1,010,129 | 1,154,386 | 1,261,971 | 685,843 | 591,396 | 572,557 | 551,521 | 3.13% |
| 4 | Sun Country | 347,340 | 365,321 | 331,346 | 402,768 | 475,338 | 708,952 | 612,881 | 138,220 | 377,604 | 508,405 | 2.89% |
| 5 | United | 474,695 | 477,159 | 496,159 | 571,032 | 552,721 | 491,166 | 474,913 | 508,578 | 516,389 | 507,724 | 2.89% |
| 6 | American | 338,156 | 344,591 | 363,254 | 425,073 | 384,014 | 365,665 | 369,345 | 463,331 | 410,688 | 347,618 | 1.98% |
| 7 | Delta | 270,519 | 272,505 | 322,649 | 376,461 | 381,779 | 412,283 | 348,369 | 360,029 | 319,889 | 344,078 | 1.96% |
| 8 | America West | 121,754 | 126,889 | 137,246 | 135,066 | 132,456 | 141,591 | 149,416 | 198,307 | 228,452 | 244,176 | 1.39% |
| 9 | American Trans Air | - | - | - | - | - | 179,274 | 153,772 | 198,855 | 217,689 | 238,073 | 1.35% |
| 10 | Continental | 127,860 | 138,488 | 138,954 | 158,507 | 162,036 | 193,224 | 198,313 | 253,562 | 235,088 | 222,114 | 1.26% |
| 11 | Air Tran Airways | | | | | | | | | | 168,227 | 0.96% |
| 12 | US Airways | 174,684 | 171,137 | 185,156 | 204,754 | 173,917 | 236,887 | 204,853 | 219,948 | 161,198 | 131,951 | 0.75% |
| 13 | Frontier | | | | | | | | | | 126,434 | 0.72% |
| 14 | Omni Air Express | - | - | - | - | - | 134,894 | 109,446 | 107,222 | - | - | 0.00% |
| 15 | Trans World [4] | 206,095 | 217,874 | 208,873 | 226,825 | 229,145 | 190,315 | 183,179 | - | - | - | 0.00% |
| 16 | KLM Royal Dutch [a] | 49,220 | 87,424 | 138,248 | 137,040 | 138,513 | 114,853 | 62,212 | - | - | - | 0.00% |
| 17 | Vanguard | 46,193 | 99,976 | 173,324 | 181,546 | 172,559 | 128,121 | 10,141 | - | - | - | 0.00% |
| 18 | Ryan Int'l | - | 9,820 | 32,736 | 93,044 | 131,166 | - | - | - | - | - | 0.00% |
| 19 | Other [5] | 557,573 | 642,911 | 539,085 | 436,182 | 509,770 | 402,031 | 442,692 | 653,417 | 698,577 | 676,466 | 3.84% |
| | | 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 | 17,597,639 | 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 1995-2004 (thousands)

| YEAR | TOTAL POPULATION |
|---|---|
| 1995 | 2,730 |
| 1996 | 2,765 |
| 1997 | 2,792 |
| 1998 | 2,831 |
| 1999 | 2,872 |
| 2000 | 2,969 |
| 2001 | 3,025 est. |
| 2002 | 3,057 est |
| 2003 | 3,084 est |
| 2004 | N/A |

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

## SCHEDULE OF AIRLINE RATES AND CHARGES-UNAUDITED 1995-2004

| Year | Landing Fee/ 1000 lbs. | Ramp Fees/ Lineal Foot | Common Use/ Square Foot | Finished/ Square Foot | Finished Janitored/ Square Foot | Unfinished/ Square Foot |
|---|---|---|---|---|---|---|
| 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 |
| 2004 | 1.40 | 457.30 | 43.54 | 43.54 | 49.35 | 43.54 |

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 | | | |
|---|---|---|---|---|---|---|
| Year | Enplaned Passengers (1) | % of Total | Enplaned Passengers (1) | % of Total | Total | % Change from Previous Year |
| 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] | 7,992,507 | 47.6 | 8,798,475 | 52.4 | 16,790,982 | -0.8 |
| 2002 | 7,503,690 | 46.0 | 8,808,680 | 54.0 | 16,312,370 | -2.9 |
| 2003 | 7,533,434 | 45.5 | 9,023,564 | 54.5 | 16,556,998 | 1.5 |
| 2004[2] | 7,954,133 | 45.2 | 9,643,506 | 54.8 | 17,597,639 | 6.3 |

Average Annual Compound Growth

| | | | |
|---|---|---|---|
| 1995-2004 | 2.84% | 4.83% | 3.88% |

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

## MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION



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

**Unaudited**

| 2004 Ranking | Air Carrier | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2004 % of Total [1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Federal Express | 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 | 84,255.1 | 52.0% |
| 2 | UPS | 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 | 29,408.3 | 18.2% |
| 3 | Northwest | 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 | 18,350.1 | 11.3% |
| 4 | Airborne | 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 | 6,810.0 | 4.2% |
| 5 | DHL | 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 | 4,507.1 | 2.8% |
| 6 | Emery Worldwide | 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 | 4,358.2 | 2.7% |
| 7 | ATI/BAX Global | | | | | | | | | | 4,179.8 | 2.6% |
| 8 | Kitty Hawk/AIA* | 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 | 2,697.4 | 1.7% |
| 9 | American | 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 | 1,543.9 | 1.0% |
| 10 | Other | 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 | 1,413.2 | 0.9% |
| 11 | United | 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 | 1,282.2 | 0.8% |
| 12 | Delta | 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 | 1,187.3 | 0.7% |
| 13 | Continental | 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 | 662.0 | 0.4% |
| 14 | KLM Royal Dutch | 1,471.5 | 2,839.9 | 3,267.4 | 2,582.5 | 2,707.3 | 2,455.9 | 1,029.9 | - | - | 480.0 | 0.3% |
| 15 | US Airways | 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 | 418.7 | 0.3% |
| 16 | Sun Country | - | - | - | - | - | 3,014.0 | 1,692.6 | 134.1 | 465.6 | 415.4 | 0.3% |
| 17 | Trans World [2] | 1,884.4 | 1,718.7 | 1,416.7 | 1,430.3 | 1,406.7 | 1,365.3 | 616.2 | - | - | - | 0.0% |
| | | 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 | 161,968.7 | 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.

**MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION**

Statistical Section

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 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | AAG 1994-03 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Passenger | 112.1 | 105.8 | 111.1 | 85.7 | 89.3 | 93.3 | 79.8 | 53.3 | 35.8 | 25.4 | -11.9% |
| All Cargo | 96.8 | 97.7 | 101.3 | 118.9 | 114.4 | 117.0 | 107.4 | 119.6 | 138.8 | 136.6 | 4.1% |
| Total | 208.88 | 203.55 | 212.37 | 204.52 | 203.71 | 210.32 | 187.26 | 172.86 | 174.58 | 161.97 | -2.0% |

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 |
| 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 |
| 2004 | 25,353 | 15.7 | 136,616 | 84.3 | 161,969 |
| Average Annual Compound Growth | | | | | |
| 1995-2004 | -15.2% | | 3.9% | | -2.8% |

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 |
| 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 |
| 2004 | 156,795 | 96.8 | 5,174 | 3.2 | 161,969 |

Average Annual Compound Growth

| | | | | | |
|---|---|---|---|---|---|
| 1995-2004 | 1.5% | | -25.3% | | -2.8% |

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 |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 2004 | 347,605 | 135,785 | 16,709 | 500,099 | 92.42% | 39,018 | 1,976 | 541,093 |

[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**

| Year | Type of Air Carrier (In thousands of pounds) Passengers | All Cargo | Total Landed Weight |
|---|---|---|---|
| 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 | 24,099,071 | 1,224,669 | 25,323,740 |
| 2004[2] | 25,532,738 | 1,030,214 | 26,562,952 |

[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 2004, Northwest Airlines' activity represented approximately 69.0% of the total landed weight at the Airport.

Source: Metropolitan Airports Commission

**AIRLINE COST PER ENPLANED PASSENGER-Unaudited**
**1995-2004**

| YEAR | TOTAL COST---1 | ENPLANED PASSENGERS---2 | AIRLINE COST PER ENPLANED PASSENGER |
|---|---|---|---|
| 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 |
| 2004 | 80,053 | 17,598 | 4.55 |

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 1995-2004**
**(Unaudited)**

| YEAR | TOTAL PASSENGERS---1 | AIRCRAFT OPERATIONS --- 2 | MAIL AND CARGO VOLUMES (METRIC TONS) |
|---|---|---|---|
| 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 | 512,588 | 317,230 |
| 2004 | 35,786,634 | 541,093 | 252,183 |

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 1995-2004 (Unaudited)

| | YEAR | ST. PAUL DOWNTOWN AIRPORT | FLYING CLOUD AIRPORT | CRYSTAL AIRPORT | ANOKA COUNTY/ BLAINE AIRPORT | LAKE ELMO AIRPORT | AIRLAKE AIRPORT |
|---|---|---|---|---|---|---|---|
| | 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 |
| EST | 2004 | 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

**1995-2004 (Unaudited)**

| YEAR | OPERATING EXPENSES-2 | OPERATING REVENUES-3 | OPERATING RATIO |
|---|---|---|---|
| 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% |
| 2004 | 101,796 | 196,141 | 52% |

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, 2004) (Unaudited)

## U.S. – FLAG CARRIERS

### SCHEDULED SERVICES

AirTran*
America West*
American*
ATA*[7]
Comair*[2]
Trans States[6]
Atlantic Southeast*[2]
Continental*
Delta*
Frontier
Mesa*[6]
Mesaba*[3]
Chautauqua
American Eagle*
Northwest*
Pinnacle*[3]
Midwest Connect*°
SkyWest *[2]
United*[4]
US Airways*[6]
PSA*[6]

### NON-SCHEDULED (CHARTER) SERVICES

Champion Air*
Omni Air International
Ryan International*
Sun Country*
Trans Meridian *

### ALL-CARGO SERVICES

ATI/BAX Global
Airborne
Lightning Transport
Bemidji *
DHL
Emery Menlo, CNF*
FedEx*
UPS*
Evergreen

### FOREIGN-FLAG CARRIERS

Air Canada*[5]
Icelandair*

·Denotes those Air Carriers that are Signatory Airlines to the Airline Lease Agreements.
° Formerly Skyway Airlines.
1Excludes carriers reporting fewer than 1,000 enplaned passengers.
[2]Codeshare with Delta.
[3]Codeshare with Northwest Airlines.
[4]United filed for bankruptcy protection on December 9, 2002 and has continued operating while in bankruptcy proceedings.
[5]Air Canada filed for bankruptcy protection on April 1, 2003 and has continued operating while in bankruptcy proceedings.
[6]Hosted by US Airways.—US Airways filed for bankruptcy protection on September 11, 2004 and has continued operating while in bankruptcy proceedings.
[7]ATA filed for bankruptcy protection on October 26, 2004 and has continued operating while in bankruptcy proceedings.

Sources: Metropolitan Airports Commission; DOT, Schedule T-3.

**INSURANCE COVERAGE (Unaudited)**

**MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION**

**Year ended December 31, 2004**

| Insurer | Expiration | Coverage | Policy Limits (Thousands of Dollars) |
|---|---|---|---|
| ACE/INA[1] | 1-1-06 | General aviation liability including personal injury | $500,000 |
| FM Global Insurance Co. | 1-1-06 | Blanket fire & extended coverage on building and contents. Boiler, machinery | $1,000,000 |
| Self-Insured[2] | Continuous | Statutory workers' compensation | $100/500/100 |
| | | Workers' Compensation Reinsurance Association | $380 |
| Travelers Casualty and Surety Company of America | 6-1-05 | Comprehensive Crime Employee Bond | $1,000 |
| Minnesota Risk Management Fund | 7-1-05 | 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 | 7-1-05 | Non-Aviation General Liability | MN Total Cap Limits |
| Genesis | 1-1-06 | Excess Auto Liability | Excess $300 to $1,000 |

[1]Does not include a "War Risk Endorsement."
[2]Funded from current operating revenues of the Commission.
Property, Workers' Compensation Reinsurance Association and Excess Auto Liability does include a "Terrorism Endorsement"