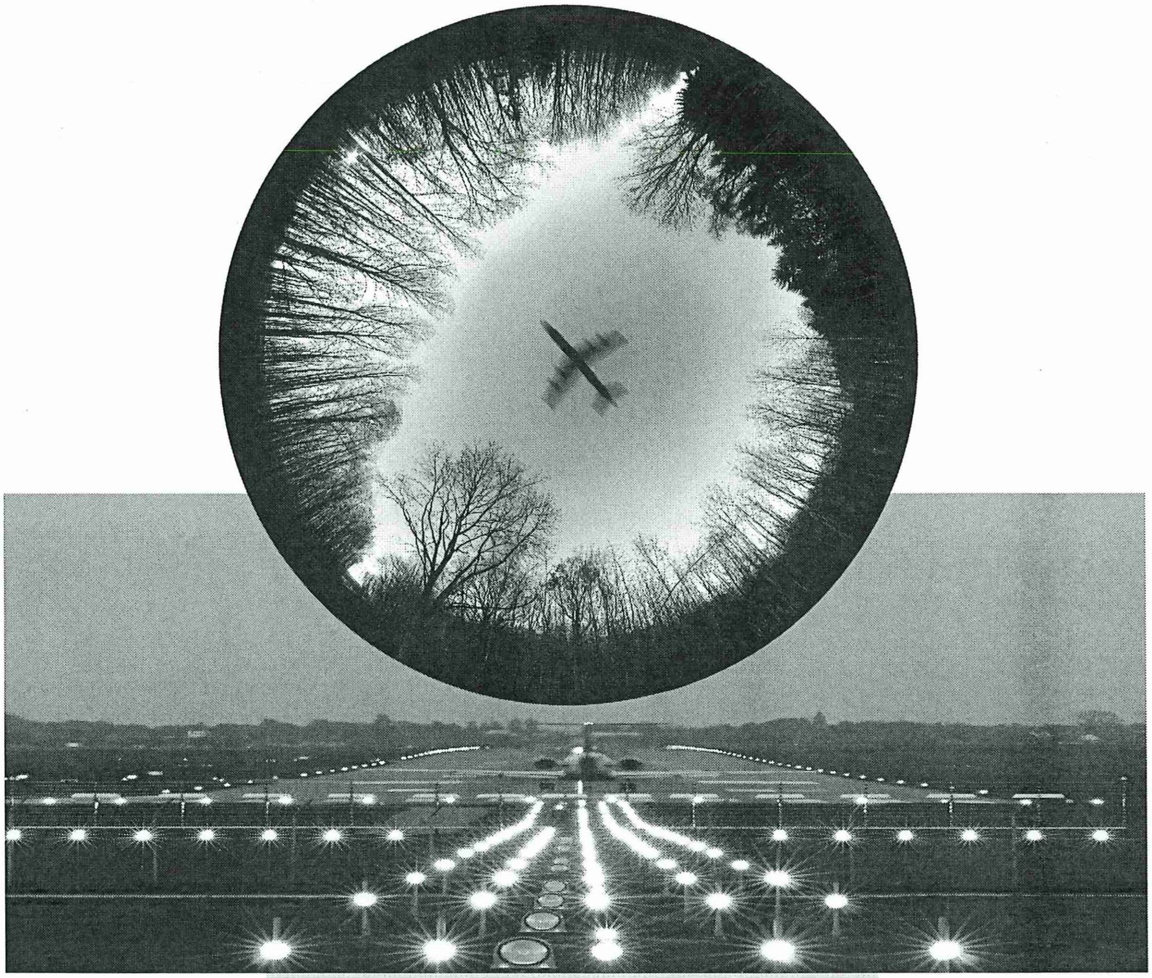
MAC 2007

Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2007



Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2007

Prepared by
The Finance Department

Stephen L. Busch
Director of Finance

MINNEAPOLIS-ST. PAUL, MINNESOTA

METROPOLITAN AIRPORTS COMMISSION-2007

***Chair*:**	John Lanners
***Commissioners*:**	
District A	Sherry Stenerson
District B	Molly Sigel
District C	Lisa Peilen
District D	John Williams
District E	Andy Westerberg
District F	Robert Nelson
District G	Tom Foley
District H	Bert McKasy
City of Minneapolis	Daniel Boivin
City of Saint Paul	Pat Harris
Representing Greater Minnesota Area:	Timothy Geisler
	Mike Landy
	Robert Mars
	Paul Rehkamp
Executive Director:	Jeffrey Hamiel

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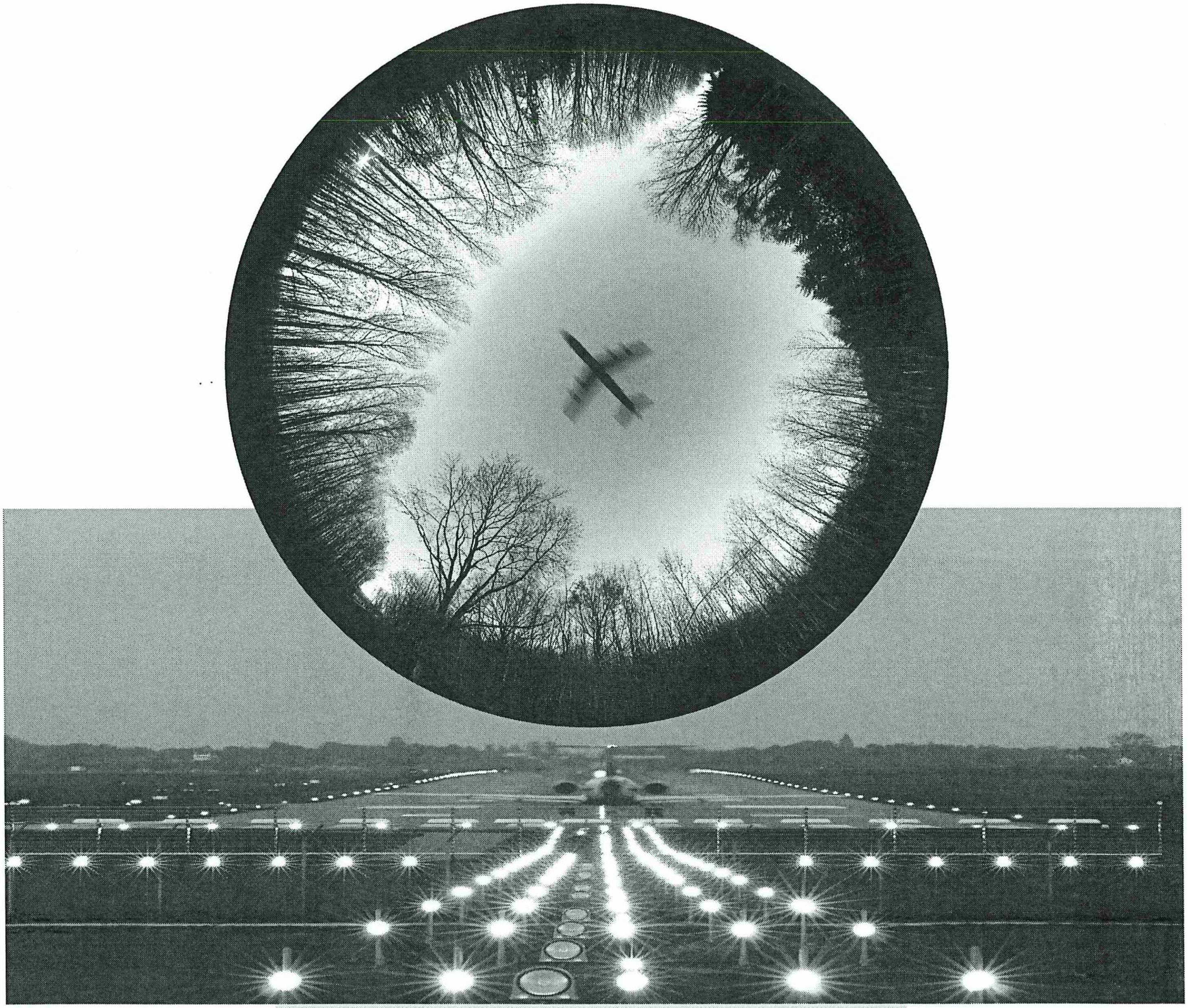
INTRODUCTORY SECTION



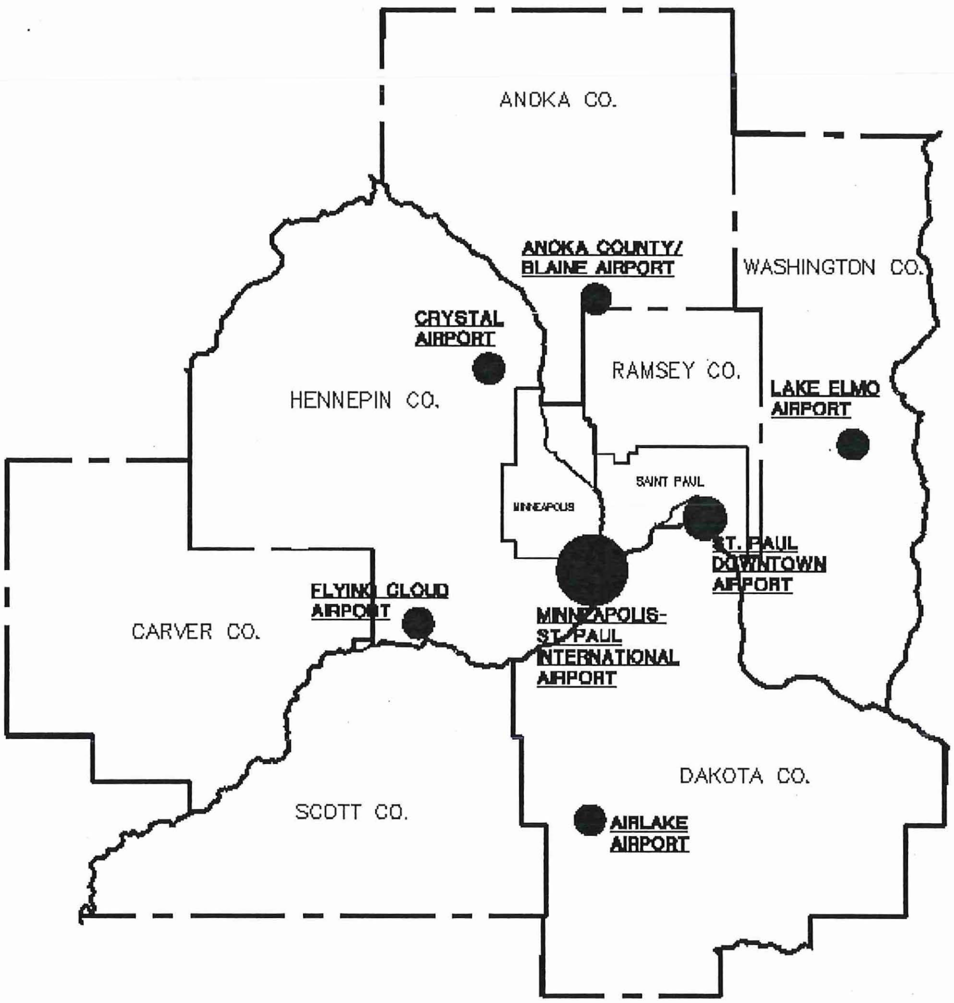
Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2007

AIRPORT LOCATIONS



Commission Jurisdiction 35 Mile Radius

CERTIFICATE OF ACHIEVEMENT

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Minneapolis-St. Paul Metropolitan Airports Commission Minnesota

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2006

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

METROPOLITAN AIRPORTS COMMISSION
Minneapolis–Saint Paul International Airport
6040 - 28th Avenue South • Minneapolis, MN 55450-2799
Phone (612) 726-8100 • Fax (612) 725-6353

OFFICE OF EXECUTIVE DIRECTOR

May 23, 2008

To The Public:

The Comprehensive Annual Financial Report of the Metropolitan Airports Commission, Minneapolis-St. Paul, Minnesota, for the fiscal year ended December 31, 2007, 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 Metropolitan Airports Commission (Commission or MAC). 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 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 includes 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 Commission was created by an act of the Minnesota State Legislature in 1943 as a public corporation. Its purpose is to promote air navigation and transportation (international, national, and local) in and through the State of Minnesota, promote the efficient, safe, and economical handling of air commerce, assure the inclusion of the state in national and international programs of air transportation, and to those ends develop the full potential of the metropolitan area as an aviation center. It has the responsibility to assure residents of the metropolitan area the minimum environmental impact from air navigation and transportation, 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.

Metropolitan Airports Commission 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.

The Commission 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 Commission 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) No.14 (as amended by GASB No. 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.

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

Runways

MSP maintains four air-transport-type runways of concrete and bituminous concrete construction, including two northwest-southeast runways, a north-south runway 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. In October 2005, the Commission opened a new 8,000 foot long north/south runway known as Runway 17/35. Runway 17/35 was constructed in order to meet future growth in passenger and aircraft activity at MSP.

Terminal Facilities

Passenger terminal facilities at MSP are located in two separate buildings: the Lindbergh Terminal and the Humphrey Terminal. International arrival facilities (IAF) at MSP are located in both of the passenger terminal facilities. As part of the Light Rail System, passengers may take the light rail free of charge between the Lindbergh Terminal and the Humphrey Terminal. During peak travel times during the year, a shuttle bus also provides transportation between the Lindbergh Terminal and Humphrey Terminal, which are approximately 3.5 miles apart.

The Lindbergh Terminal is a three-story structure consisting of approximately 2.8 million square feet of space, of which approximately 1.3 million square feet are considered rentable. The Lindbergh Terminal currently consists of one terminal and seven concourses designated as the A, B, C, D, E, F and G Concourses. The Lindbergh Terminal also includes the principal IAF; the ground transportation center; and a parking garage, which is located beneath the Lindbergh Terminal. As of December 31, 2007, the seven concourses provided a total of 117 aircraft loading positions. These aircraft loading positions consist of passenger loading bridges and immediately adjacent ramp areas which are utilized by regional airline aircraft that may or may not utilize the passenger loading bridges. Concourses A and B are comprised of 14 and 16 gates, respectively, and are leased to Northwest Airlines which utilizes them for regional airline operations.

Within the Lindbergh Terminal are ticketing facilities on the second level; security checkpoints locations on the second level and at the entrance to the G Concourse from the parking ramp skyway; passenger boarding facilities on the second level in each of the seven courses; baggage claim and international arrivals waiting area on the ground or first level; and the ground transportation center, which contains covered space for shuttle and taxi pickup on the ground level. Concessions are located throughout the Lindbergh Terminal, the majority of which are located past the security checkpoints. The Commission is currently constructing limited concessions and is reviewing plans to construct a full-service restaurant that will be located outside the secured areas of the Lindbergh Terminal and will be available to all visitors to MSP, ticketed passengers and non-ticketed passengers.

The majority of international arrivals and departures at MSP are conducted from the IAF on the G Concourse. The facility contains dual purpose domestic-international gates that provide ten aircraft loading positions (at nine gates) with international arrival capability. The total processing capacity of this IAF is estimated to be approximately 800 passengers per hour.

The Humphrey Terminal is a two-story structure opened in May 2001 consisting of approximately 388,000 square feet of space, providing 10 gates. Four of the ten gates consist of international arrival facility gates. The Commission has designated the Humphrey Terminal as a common use facility. The two main carriers operating out of the Humphrey Terminal are Air Tran and Sun Country. Air Tran and Sun Country have priority use of two and five gates, respectively. Because these two air carriers are the largest users of the facility and operate year-round, the priority gates allow them to operate more efficiently. In the past the Humphrey Terminal was being utilized only six months of the year; and as a result, the Commission closed the non-utilized portions for the six months of each year they were not being fully used. With Air Tran and Sun Country utilizing seven gates at the Humphrey Terminal throughout the year, the Commission no longer closes any part of the terminal during the year. Champion Air and Midwest Airlines also operate from the Humphrey Terminal.

Parking Facilities

Parking facilities located at MSP provide approximately 17,196 public automobile parking spaces. The on-airport parking options include a valet garage, short-term and long-term parking located adjacent to and below the Lindbergh Terminal, and short-term and long-term parking located adjacent to the Humphrey Terminal.

The public parking facilities located at the Lindbergh Terminal provide 12,773 of the 17,196 public parking spaces. The valet garage located beneath the Lindbergh Terminal provides 389 parking spaces, with the remaining 12,384 parking spaces contained in two seven-level parking garages and two nine-level parking garages that are connected to the Lindbergh Terminal and the G Concourse via an enclosed skyway. These parking garages can also be accessed via the ground transportation center. Thirty percent of the two nine-level parking garages are utilized by the six on-airport rental car companies and the remaining 70% is utilized for public parking.

As a result of the FAA security restrictions imposed at MSP following the terrorist attacks on September 11, 2001, the Commission was required to restrict the use of approximately 7,500 parking spaces located adjacent to and below the Lindbergh Terminal. Subsequently, the FAA gave the Commission clearance to use all parking spaces previously restricted. In the event the Department of Homeland Security raises the threat level to "Level Red", the Commission will be required to perform searches on all vehicles entering the parking ramp adjacent to the Humphrey Terminal and the valet garage located beneath the Lindbergh Terminal.

The public parking facilities located adjacent to the Humphrey Terminal provide the remaining 4,423 public parking spaces which are contained in an eight-level parking ramp and surface lots. The Commission is currently constructing a 4,300 parking space expansion to the Humphrey Terminal parking facilities, which is expected to be completed in mid 2008. The Commission is also reviewing plans to increase the size of its current expansion to the Humphrey Terminal parking faciities through the addition of approximately 1,150 more parking spaces and other structural changes. The Commission also provided approximately 1,772 employee parking spaces at several surface lots near the Humphrey Terminal.

Strategic Plan

2007-2011 Organizational Strategies

1. Ensure Long Term Financial Viability
2. Match Employee Talent with Changing Business Needs
3. Enhance Customer Service
4. Leverage Technology
5. Strengthen Partnerships & Alliances

Strategy	*Goal*	*2007 Key Initiatives*	Results
Ensure Long Term Financial Viability	Ensure MAC has the financial resources necessary to operate our airport system and meet all debt service obligations and maintain our AA- bond rating.	Revise financial and operational contingency plans.	• Contingency plans in place for best case, worst case, and most likely financial scenarios.
		Maintain appropriate financial reserves.	• Six-month cash reserve maintained. • Exceeded 1.4x debt service ratio. • Maintained AA- bond rating.
		Implement cost saving measures – process improvement, cost/benefit analysis, assessment and negotiate service levels.	• Savings identified and plans implemented across the organization.
		Expand three-year business planning tied directly to the strategic plan throughout the organization.	• Resources for the development of three-year business plans where made available. This continues to be an on-going effort.

Strategy	Goal	2007 Key Initiatives	Results
Match Employee Talent with Changing Business Needs	Ensure that MAC has the right people with the right skills and experience to fulfill its mission.	Design and integrate next phase of leadership development process.	• Senior level leadership development advisory group was formed to explore various leadership development options. Individual development plans were used as opposed to a formal leadership development program. We will continue to use this format in 2008.
		Expand transition planning to mid-level positions.	• Department and/or position specific plans have been initiated for positions with anticipated retirements.
		Ensure employee wages and benefits remain competitive	• MAC remains competitive in the marketplace and is able to attract and retain quality talent.
		Expand employee training programs.	• Training was expanded with emphasis on computer skills and supervisory management.

Strategy	*Goal*	*2007 Key Initiatives*	Results
Enhance Customer Service	Ensure that MAC provides and champions excellent customer service.	Promote MSP to international and domestic airlines in order to increase service levels.	• Increased number of international and domestic airlines serving this market.
		Leverage the MSP customer service culture, along with completion of the 2010 plan and the concessions development program, to market MSP domestically and internationally.	• Customer satisfaction perception of MSP improved from 3.95 to 4.14.
		Review roles and responsibilities for customer service between the airlines and MAC as the airline business model continues to evolve.	• Plan created in concert with tenants identifying respective service responsibilities.
Leverage Technology	Improve performance, increase productivity and deliver cost effective services.	Make strategic investments in new equipment and technology based on current industry standards.	• Upgraded equipment and electronic technology in place that improve productivity.
		Distribute software updates, patches, and new programs electronically.	• Updates and installations completed resulting in greater productivity.
		Develop strategy to replace or upgrade existing financial, HR, payroll, and project accounting systems.	• Decision on direction for various systems completed with choices identified and evaluated.
		Evaluate common use systems and support services at Humphrey Terminal.	• Common use systems upgraded, as required.

Strategy	*Goal*	*2007 Key Initiatives*	Results
Strengthen Partnerships and Alliances	Strengthen our effectiveness through interdepartmental relationships and alliances with regional businesses, public agencies and governmental units.	Enhance internal partnering.	• Improved effectiveness through cross department communication, coordination, and sharing of resources.
		Partner with state agencies and regional businesses to grow cargo operations.	• Interagency strategy in development to increase the percent of air cargo moving through MSP.
		Strengthen partnerships with Federal and State agencies.	• Improved communications and coordination of efforts with Federal and State agencies.
		Strengthen partnerships with the regional business communities.	• Greater shared understanding between MAC and the regional business communities.

2008-2012 Organizational Strategies

1. Enhance Customer Service
2. Match Employee Talent with Changing Business Needs
3. Ensure Long Term Financial Viability
4. Leverage Technology
5. Strengthen Partnerships & Alliances

Strategy	*Goal*	*2008 Key Initiatives*	*Measurable Outcome*
Enhance Customer Service	Ensure that MAC provides and champions excellent customer service.	Increase customer satisfaction at MSP.	• Improved customer satisfaction levels and decreased complaints.
		Improve Reliever Airport System customer service levels.	• Customer service enhancements are developed to address identified needs.
		Promote Reliever Airports to the general aviation community.	• Increased awareness of the facilities available and benefits of using the Reliever System.
		Promote MSP to international and domestic airlines.	• Increased options via non-stop flights to preferred destinations.
Match Employee Talent with Changing Business Needs	Ensure that MAC has the right people with the right skills and experience to fulfill its mission.	Ensure MAC's ability to attract and retain quality talent.	• MAC has the talent available necessary to meet demands and expectations.
		Expand employee training and development programs.	• Employees have the knowledge, skills and abilities to accomplish the mission of the organization.
		Expand transition planning to mid-level positions.	• Process in place to preserve organizational knowledge and performance.
Ensure Long Term Financial Viability	Ensure MAC has the financial resources necessary to operate our airport system and meet all debt service obligations and maintain our AA-bond rating.	Improve effectiveness through cost-saving measures, process improvement, cost/benefit analysis, and assessment.	• The highest and best use of available resources.
		Initiate three-year business planning and budgeting linked to the strategic plan.	• The majority of key business units have three-year business plans in place.
		Increase non-aeronautical revenue and funding.	• Non-aeronautical revenue as a percent of total revenue increased and new revenue streams identified.

Strategy	Goal	2008 Key Initiatives	Measurable Outcome
Leverage Technology	Improve performance, increase productivity and deliver cost effective services.	Upgrade financial, human resources, payroll and project accounting systems.	• Complete initial phases of changeover to new systems.
		Install new automated learning management systems.	• Software is installed and necessary functionality delivered.
		Identify future opportunities for leveraging resources and technology.	• Plans developed for strategic investment in resources and technology.
Strengthen Partnerships and Alliances	Strengthen our effectiveness through interdepartmental relationships and alliances with regional businesses, public agencies and governmental units.	Implement the 60-65 DNL noise abatement program.	• Initial phases of the program implemented.
		Proactively build public support for MAC policies and initiatives through outreach activities.	• Enhanced understanding of MAC's positions and activities resulting in broader public support.
		Expand relationships with the regional business communities.	• Greater shared understanding between MAC and the regional business communities.

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.

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).

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.

Commission staff has developed a set of project priority categories to use as a guide in determining the projects to be included in the CIP. Commission approval authorizes staff to proceed with plans and specifications and to obtain bids for contract award by the Commission. These priority categories in order of importance include (a) projects which the Commission has made a commitment to complete; (b) projects that enhance or ensure continued safety at each of the airports; (c) projects that cannot be accomplished by Commission maintenance crews, but are essential for reasons of economics or continued operation; (d) projects that are necessitated by regulatory requirements, such as FAA regulations and local, state or federal laws; (e) projects which address various environmental issues ranging from asbestos abatement to wetland mitigation; (f) projects constituting preventative maintenance; (g) projects which improve customer service and/or convenience; and (h) projects which have been identified as improving various operational aspects of the airport system, whether applicable to aircraft, tenants, Commission staff or off-airport service providers.

Anticipated projects planned for 2008, 2009 and 2010, as well as the extended period 2011-2014, 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)

	2008	2009	2010	2011-2014	Total 2008-2014
Minneapolis/St. Paul International - 2010 Program					
Runway 4/22 Development	$ -	$ 4,300	$ -	$ -	$ 4,300
Noise Mitigation	7,300	31,400	28,450	56,050	123,200
Taxiway C/D Complex Construction	2,200	6,000	6,000	-	14,200
Airfield Rehabilitation	1,000	1,000	2,800	2,900	7,700
Runway Rehabilitation	10,900	23,700	-	-	34,600
Lindbergh Terminal Rehabilitation & Development	500	-	-	-	500
Landside Rehabilitation	5,400	5,400	5,400	-	16,200
Miscellaneous Field & Runway	550	400	400	-	1,350
Miscellaneous Landside	800	-	-	5,500	6,300
Total Minneapolis/St. Paul International - 2010 Program	28,650	72,200	43,050	64,450	208,350
Minneaplis/St. Paul International – Post 2010 Program					
Lindbergh Terminal	47,025	77,775	11,200	247,400	383,400
Energy Management Center	5,800	1,000	1,000	1,000	8,800
Field and Runway	9,970	14,700	10,750	16,600	52,020
Control Tower	-	-	-	59,800	59,800
Terminal Roads-Landside	100	100	100	800	1,100
Parking	3,380	26,400	-	78,100	107,880
Humphrey Terminal	700	4,000	13,700	126,400	144,800
Public Areas-Roads	650	2,800	800	1,600	5,850
Police	4,450	350	31,300	-	36,100
Fire	300	-	-	-	300
Environment	500	3,000	-	-	3,500
Total Minneapolis/St. Paul International – Post 2010	72,875	130,125	68,850	531,700	803,550
Reliever Airports					
Reliever Airports	15,320	27,275	11,750	9,950	64,295
Reliever Airports Utility Extension	4,300	200	-	500	5,000
Total Reliever Airports	19,620	27,475	11,750	10,450	69,295
Total All Facilities	$121,145	$229,800	$123,650	$606,600	$1,081,195

The CIP itself is only "firm" for the first year of the program. The 2009-2014 project work scopes/costs will be developed further through additional studies and plans and specifications will be prepared for consideration in the 2009 CIP process.

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.

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 as of December 31, 2007, 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, 2007 and 2006 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 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, 2006. For the twenty-second 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 twentieth consecutive year the GFOA Award for Distinguished Budget Presentation for its Annual Operating Budget for 2007. In order to qualify for the Distinguished Budget Presentation, the Commission's budget document was judged to be proficient in several categories, including policy documentation, financial planning and organization.

ACKNOWLEDGEMENTS

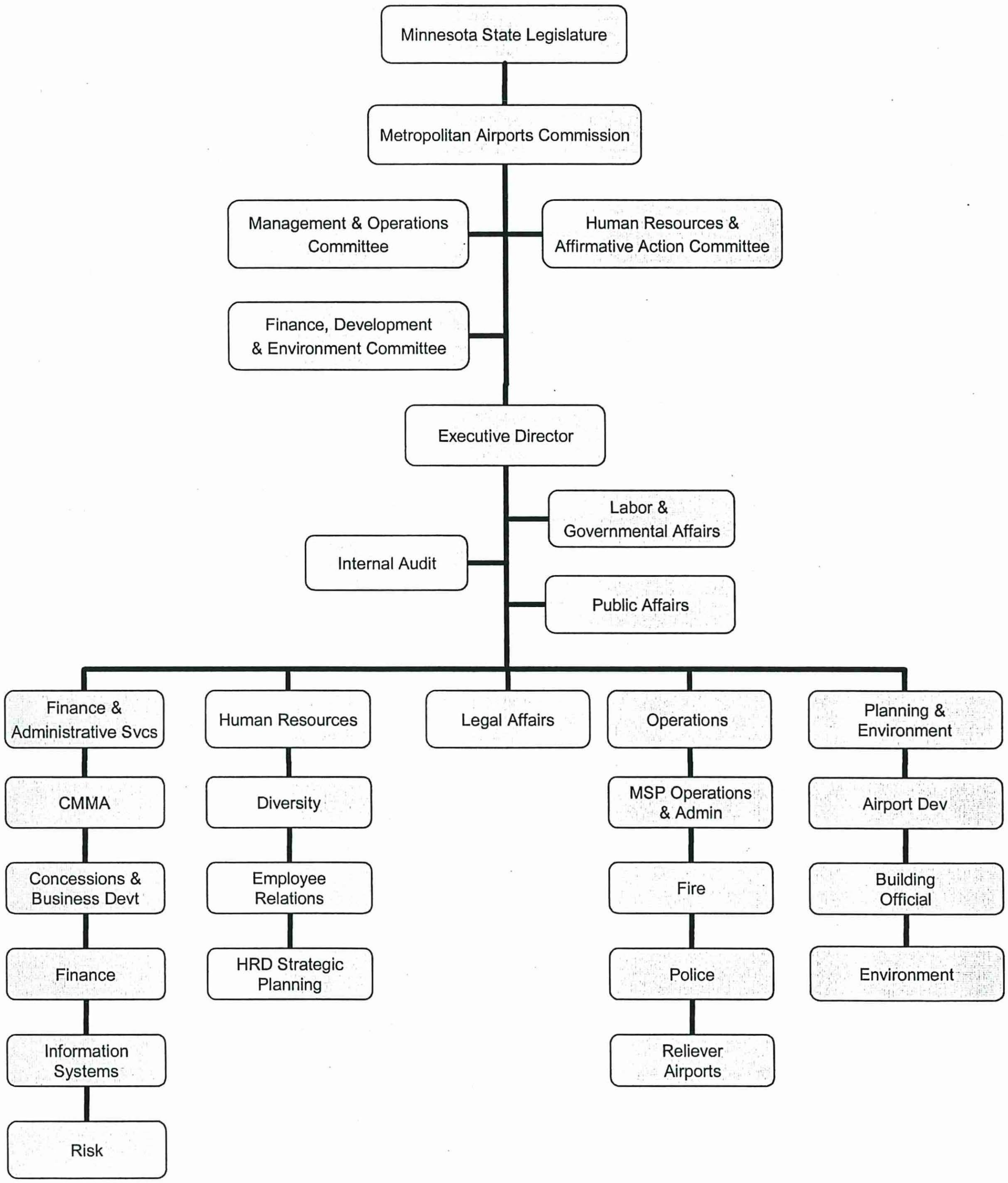
The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contribution made in preparation of this report.

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	Susan Warner-Dooley Deputy Executive Director- Finance & Administration	Stephen L. Busch Director of Finance

ORGANIZATION CHART



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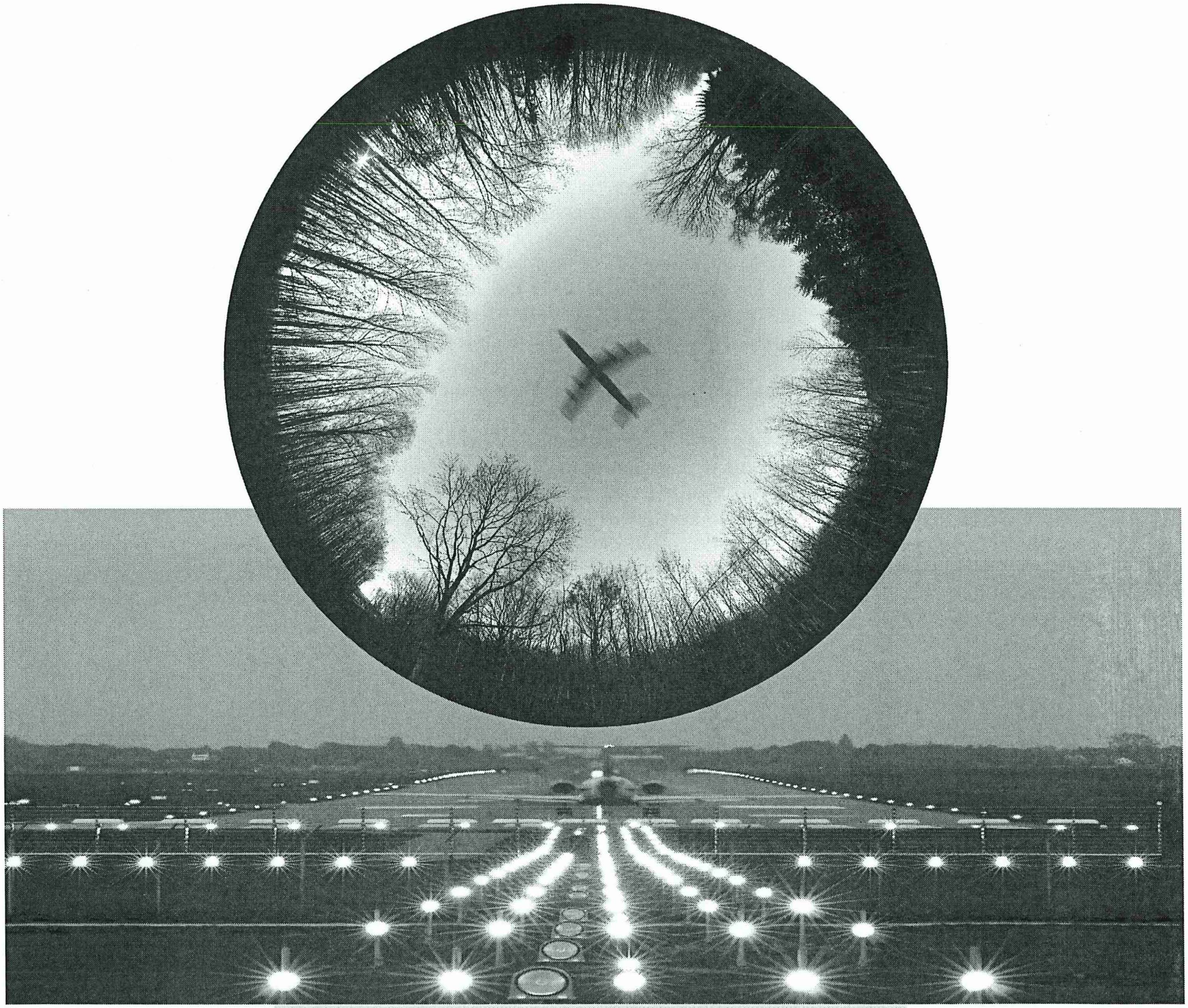
FINANCIAL SECTION



Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2007

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Members of the Commission of
Minneapolis-Saint Paul Metropolitan Airports Commission:

We have audited the accompanying balance sheets of the Minneapolis-Saint Paul Metropolitan Airports Commission (the "Commission") as of December 31, 2007 and 2006, and the related statements of revenues and expenses and changes in net assets and cash flows for the years then ended, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on the respective 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 respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission at December 31, 2007 and 2006, and the results of its operations 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. This supplementary information is the responsibility of the Commission's management. 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 such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Commission's respective financial statements that collectively comprise the Commission's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of 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 7, 2008, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Deloitte + Touche LLP

May 7, 2008

Financial Section

The following discussion and analysis of the financial performance and activity of the Minneapolis-St. Paul Metropolitan Airports Commission (the Commission or MAC) is to provide an introduction and understanding of the basic financial statements of the Commission for the year ended December 31, 2007 with selected comparative information for the years ended December 31, 2006 and 2005. 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 these 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

Minneapolis-St. Paul International Airport (the airport or MSP) is classified by the FAA to be one of the large hub airports in the United States. According to Airports Council International statistics, in calendar year 2006, MSP was the 12th busiest airport in the United States in terms of passenger volume, 12th in terms of takeoffs and landings and 27th in cargo traffic.

Passengers

In 2007, MSP carried approximately 34.1 million passengers, which represented a decrease of 1.4% over 2006 levels. The majority of the decrease was for passengers carried by major airlines and charter carriers. However, regional carrier passengers increased over 2006 levels. The top five carriers (including Delta Airlines) in 2007 by enplaned passengers serving MSP are shown below. The total enplaned passengers for 2007, including connecting, was 16,969,084. The figures may differ from the passengers statistics reported by the air carriers to the Department of Transportation.

Carrier	Enplaned Passengers	% of Total Enplaned Passengers
1. Northwest	11,321,919	66.7%
2. Pinnacle	1,271,310	7.5
3. Sun Country	752,691	4.4
4. American	589,989	3.5
5. United	555,520	3.3
	14,491,429	85.4%
11. Delta	167,793	1.0%

Operations

Aircraft operations represent the total number of takeoffs and landings at the airport. Aircraft operations at MSP decreased in 2007 to 452,972 from 474,998 the previous year, down 4.6%. This is a result primarily of Northwest Airlines reducing its domestic capacity. Operations at the reliever airports decreased 14.0% from 2006 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.

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, which was 72% of 2007 total revenues from major carriers (see Note Q). Several airlines, including seven airlines operating at the airport (US Airways, ATA, Air Canada, Delta, Mesaba Airlines ("Mesaba"), Northwest and United Air Lines ("United")), filed for bankruptcy protection. On September 14, 2005, Northwest Airlines, filed for protection under Chapter 11 of the Bankruptcy Code. 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 how long any airline in bankruptcy protection will continue operations at the airport or whether any of these airlines will liquidate in the future. 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.

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, Passenger Facility Charges (PFC) revenues, passenger enplanements, operations or the financial condition of the airport. 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.

Effect of Airline Bankruptcy

Since September 2005, numerous airlines have filed for bankruptcy protection including, among others, Northwest Airlines (filed for bankruptcy protection on September 14, 2005 and emerged from bankruptcy protection on May 31, 2007); Mesaba Airlines (filed for bankruptcy protection on October 13, 2005 and emerged from bankruptcy protection on April 24, 2007, at which time Mesaba was acquired by Northwest Airlines and now operates as a wholly-owned subsidiary of Northwest Airlines); Delta, including its subsidiary Comair (filed for bankruptcy protection on September 14, 2005 and emerged from bankruptcy protection on April 30, 2007).

Assumption or Rejection of Agreements

In the event an airline that has executed an airline lease agreement or other agreement with the Commission seeks protection under the bankruptcy laws, such airline or its bankruptcy trustee, must determine whether to assume or reject its agreements with the Commission (a) within 60 days (or later if ordered by the court) with respect to its airline lease agreement or leases of non-residential real property, or (b) prior to confirmation of a plan of reorganization with respect to any other agreement. However, bankruptcy courts are courts of equity and can, and often do, grant exceptions to these statutory limitations. In the event of assumption and/or assignment of any agreement to a third party, the airline would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable airline lease agreement or other agreements.

Rejection of an airline lease agreement or other agreement or executory contract will give rise to an unsecured claim of the Commission for damages, the amount of which in the case of an airline lease agreement or other agreement is limited by the U.S. Bankruptcy Code generally to the amounts unpaid prior to bankruptcy plus the greater of (i) one year of rent or (ii) 15% of the total remaining lease payments, not to exceed three years. However, the amount ultimately received in the event of a rejection of an airline lease agreement or other agreement could be considerably less than the maximum amounts allowed under the U.S. Bankruptcy Code. Certain amounts unpaid as a result of a rejection of an airline lease agreement or other agreement in connection with an airline in bankruptcy, such as airfield, terminal, concourse and ramp costs, would be passed on to the remaining airlines under their respective airline lease agreements, thereby increasing such airlines' cost per enplanement, although there can be no assurance that such other airlines would be financially able to absorb the additional costs.

TWA, Sun Country, US Airways, Delta, Comair, Mesaba, Northwest, United, Air Canada and ATA were each operating at the airport under an airline lease agreement at the time of their respective filings for bankruptcy protection. TWA's Airline Lease Agreement was assigned over and assumed by American. While Sun Country rejected its airline lease agreement, the new airline, also known as Sun Country, which was created by an investor group that purchased the assets of the defunct Sun Country, has signed an airline lease agreement. US Airways, which emerged from its second bankruptcy filing on September 27, 2005, assumed its airline lease agreement. Air Canada assumed its airline lease agreement. United, which emerged from bankruptcy protection on February 1, 2006, assumed its airline lease agreement. ATA rejected its airline lease agreement. Delta and Comair, which emerged from bankruptcy protection on April 30, 2007, assumed their respective airline lease agreements. Mesaba, which emerged from bankruptcy on April 24, 2007, assumed its airline lease agreement. Northwest Airlines, which emerged from bankruptcy protection on May 31, 2007, assumed its airline lease agreement.

On May 1, 2007, Mesaba rejected an aircraft hangar facility lease. The Commission took possession of the hangar and subsequently signed a 10 year lease with an option of another 10 years with Petters Aviation to occupy that facility.

With respect to an airline in bankruptcy proceedings in a foreign country, the Commission is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States.

Pre-Petition Obligations

During the pendency of a bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments to the Commission on account of goods and services provided prior to the bankruptcy. Thus, the Commission's stream of payments from a debtor airline would be interrupted to the extent of pre-petition goods and services, including accrued rent and landing fees. All of the pre-petition obligations of TWA, United, Air Canada, ATA, Northwest Airlines, Mesaba, Delta and Comair have been paid in full. A portion of Mesaba's prepetition obligations were paid from Mesaba's security deposit made to the Commission. Sun Country owed the Commission approximately $570,000 in pre-petition obligations at the time of its liquidation; approximately $72,000 of such obligations was recovered from the other Air Carriers operating at the airport through increased landing fees, approximately $46,000 of such obligations was recovered from an Air Carrier which leased a hangar previously leased by Sun Country, and $451,392 of such obligations was written off in 2001 as bad debt and was not recoverable.

PFCs

Pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508) (the "1990 PFC Act"), the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) ("AIR 21") and the Vision 100 – Century of Aviation Reauthorization Act (P.L. 108-176) ("Vision 100," and collectively with the 1990 PFC Act and AIR 21, the "PFC Acts"), the FAA has approved the Commission's applications to require the airlines to collect and remit to the Commission a $4.50 PFC on each enplaning revenue passenger at the airport.

The PFC Acts provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Commission) imposing the PFCs, except for any handling fee (which currently is $0.11 per PFC) or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Commission cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at the airport. The PFC Act, require an airline in bankruptcy protection to segregate PFC collections from all of its other revenues.

It is possible that the Commission could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the Commission cannot predict whether an airline operating at the airport that files for bankruptcy protection would have properly accounted for the PFCs owed to the Commission or whether the bankruptcy estate would have sufficient moneys to pay the Commission in full for the PFCs owed by such airline. All of the airlines that were operating at the airport at the time of their respective filings for bankruptcy protection and during the time they operated at the airport while under bankruptcy protection submitted to the Commission all of the PFC's collected by them.

Amendments to Airline Lease Agreement

In 2007, the Commission agreed to amend its airline lease agreements. The amendments include the following changes to the airline rates and charges methodology set forth in the Airline Lease Agreements:

(a) Recoverable Costs allocated to each of the costs centers will include annual debt service costs, plus reasonable amortization of commercial paper for rate-based related projects (including capital equipment), rather than direct and indirect depreciation and imputed interest (the "Rate Changes").

(b) PFCs will be applied, to the fullest extent of eligibility, to the debt service on Senior Bonds and Subordinate Obligations issued to finance airfield projects, including Runway 17/35 (the Commission will be required to amend certain of its PFC applications in order to implement this provision of the amendment).

(c) Eliminate certain deferred charges previously agreed to in the airline lease agreement.

(d) Prorate annually among the cost centers $15 million in 2006 dollars (escalated by 3% per year) to be deposited to a repair and replacement subaccount within the Commission Construction Fund for major maintenance and minor capital projects.

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

Selected Concession Revenues[1]	Percent Shared with Passenger Signatory Airlines
Greater than $32,871,709	25% up to $32,871,709 and 50% for amounts above $32,871,709
$25,442,500 to $32,871,709	25
$24,424,800 to $25,442,499	20
$23,407,100 to $24,424,799	15
$22,389,400 to $23,407,099	10
$21,371,700 to $22,389,399	5

[1] Selected Concession Revenues were $36,755,709 for fiscal year 2007, resulting in shared concession revenues of $10,159,927. The selected concession revenues thresholds are subject to change annually.

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

The amendments to the Airline Lease Agreements provide that, in the event any Signatory Airline is not in compliance with its payment obligations under any agreement with the Commission, during the period following any applicable notice and cure period under such agreement and continuing until payment of any such amounts (the "Payment Default Period"), the Commission will have the right, upon written notice to such Signatory Airline (provided that if such Signatory Airline is in bankruptcy, no notice will be required for the effectiveness of the following although invoices will reference the additional amounts due and the applicable rate that applies), to: (i) have such Signatory Airline's payment obligations under their applicable Airline Lease Agreement during the Payment Default Period revert to the Existing Rate Structure, and (ii) apply the amount of any Rate Differential for such Signatory Airline during such period and the amount of any accrued and unpaid Shared Concession Revenues credits, if any, due to such Signatory Airline for such period (collectively, "Application") against any amounts owed by such Signatory Airline to the Commission to the extent necessary to cure such payment defaults.

In addition to the amendments to the Airline Lease Agreements discussed above, the Northwest Airline Lease Agreement is further amended to include the following terms:

(i) Northwest Airlines will covenant to maintain its headquarters in the Minneapolis-St. Paul metropolitan area (the "Headquarters Covenant"). Headquarters is defined as the office which constitutes (A) the principal office of Northwest Airlines or any assignee holding substantially (90% or more) all of the assets of Northwest Airlines from which its business is conducted and (B) the principal office of Northwest Airlines' or such other entity's chief executive officer, chief financial officer and a majority of its other senior management team members.
(ii) Northwest Airlines would covenant that an aggregate annual average of 227 daily departing flights from the airport would be maintained by Northwest Airlines and its regional affiliate airlines (a scheduled flight of jet aircraft with not less than 70 passenger seats) and that at least 30% of Northwest Airlines and its code-sharing partners' enplaned passengers at the Airport would be connecting passengers (the "Hub Covenant"). The Commission also included these covenants in an amendment to the Northwest Airlines Building C hangar and office Lease Agreement.
(iii) In the event Northwest Airlines breaches either the Headquarters Covenant or the Hubbing Covenant (subject to the force majeure exception set forth below), Northwest Airlines' credit from the Shared Concession Revenues will be eliminated for such year it violates either of the covenants and if violation continues for three consecutive years, or if either of the covenants is determined to be unenforceable, Northwest Airlines' credit from the Shared Concession Revenues will be eliminated permanently.
Force majeure: Northwest Airlines will not be deemed to be in default of the Hub Covenant if it is prevented from performing any of its obligations contained in the Hub Covenant by reason of strikes, boycotts, labor disputes, embargoes, shortages of energy or materials, acts of the public enemy, prolonged unseasonable weather conditions and results of acts of nature, riots, rebellion, or sabotage, despite Northwest Airlines' best efforts to comply. No force majeure provision will apply to the Headquarters Covenant.
(iv) The term of the Northwest Airline Lease Agreement is extended to 2020.
(v) The provision of the Northwest Airline Lease Agreement which allows the Commission to establish a Contingency Fund in the amount of $50 million per year beginning in 2010 to be funded from excess revenues and used for capital projects, including projects in the airfield cost center, to be determined by the Commission, is extended to 2020.
(vi) Northwest Airlines agreed to move its short-term gates to Concourse D.
(vii) In the event Northwest Airlines breaches either the headquarters or hub covenants, Building C rent reverts to its previous level.
(viii) Similar but not identical hub and headquarters covenants are contained in the public policy covenants which are part of various agreements with the Series 15 bonds.

On April 14, 2008, Delta Airlines and Northwest Airlines announced an agreement in which the two carriers will combine in an all-stock transaction. Delta stated that the new airline will be called Delta with world headquarters in Atlanta and that a hub would be maintained at MSP. The merger is subject to the approvals of Delta and Northwest shareholders and regulatory approvals. The Commission is currently evaluating the potential impacts of the proposed merger. See notes Q and R for additional information.

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 2007.

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, ramp fees for parking aircraft at the Lindbergh terminal and the establishment of landing fees. Except for rental amounts based primarily upon the square feet rented, the terms, conditions and provisions of each airline lease agreement are substantially the same. Also see Amendments to Airline Lease Agreement.

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 airfield 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, 2007, the aggregate rentals earned by the Commission pursuant to the airline lease agreement were approximately $74,722,000. 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 (Humphrey Terminal), miscellaneous hangar facilities, and office rentals for non-airline tenants in the Lindbergh Terminal. For the year ended December 31, 2007, the aggregate annual rentals under these leases were approximately $23,786,000.

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. On May 1, 2007, Mesaba rejected an aircraft hangar facility lease. The Commission recognized an impairment charge of $813,000 for the fiscal year ended December 31, 2006 associated with the Mesaba hangar. The Commission took possession of the hangar on that date. In September 2007, the Commission was able to lease the hangar to Petters Aviation. Also in March 2008, the Commission was notified by Champion Airlines that they will cease operations on May 31, 2008. The Commission recognized an impairment charge associated with the Champion hangar of $308,000 for the fiscal year ended December 31, 2007. See Note J.

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, Mesaba 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 Airlines and certain facilities for Northwest Airlines including the extension of the "G" Concourse.

For the year ended December 31, 2007, the aggregate lease rentals paid to the Commission under specific project leases was approximately $36,246,000.

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, 2007, the aggregate fees earned by the Commission under the existing concession agreements were approximately $24,495,000. 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, 2007, the aggregate fees earned by the Commission under the existing rental car agreements and parking lot management contract was approximately $91,239,000. Of this amount, parking revenue was approximately $66,765,000 and auto rental revenue for both on and off airport auto rentals was approximately $24,474,000.

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, 2007, revenues from these agreements were approximately $5,310,000.

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, 2007, the Commission earned $4,684,000.

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, 2007, the revenues from these agreements were approximately $14,015,000.

Operating Revenues

Operating revenues for the MAC are derived entirely from user fees that are established for various services and facilities that are provided at Commission airports. While the Commission has the power to levy taxes to support its operations, it has adopted policies to provide adequate revenues for the system to operate since 1969 without general tax support. Revenue sources have been grouped into the following categories in the 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:	
Other Building Rentals	- Fees for building rentals

Utilities	- Charges for tenants use of ground power, water and sewer
Other	- Charges for other services provided by MAC

For the fiscal years ended December 31, 2007 and 2006, the top ten operating revenue sources for the MAC are as follows:

Top Ten Operating Revenue Sources:

Source	2007 Revenue
1. Parking	$ 66,765,000
2. Landing Fees	49,626,000
3. Terminal Rent-Airlines	29,158,000
4. Auto Rental (Off and On-Airport)	17,850,000*
5. Other Building Rent	15,780,000
6. Food and Beverage	12,645,000
7. Merchandise	8,538,000
8. Ground Rent	7,090,000
9. Ramp Fees	5,238,000
10. Ground Transportation Fee	3,522,000

*Excludes Customer Facility Charge

Source	2006 Revenue
1. Parking	$ 64,266,000
2. Landing Fees	38,245,000
3. Terminal Rent-Airlines	33,920,000
4. Auto Rental (Off and On-Airport)	16,499,000*
5. Other Building Rent	13,677,000
6. Food and Beverage	11,552,000
7. Merchandise	8,515,000
8. Ground Rent	7,184,000
9. Ramp Fees	4,611,000
10. Ground Transportation Fee	3,757,000

*Excludes Customer Facility Charge

The top ten revenue providers for 2007 for the MAC are as follows:

Top Ten Operating Revenue Providers:

1. Northwest Airlines
2. Minnesota Retail Partners
3. HMS Host
4. Anton Airfoods, Inc.
5. Sun Country Airlines
6. Hertz
7. Vanguard (formerly National and Alamo Rent-a-Car)
8. Avis
9. Pinnacle Airlines
10. United Airlines

During 2007, MAC total revenues and capital contributions increased by 2.9% to $389,989,000 from $378,871,000 in 2006. Changes in major categories are summarized below (dollars in thousands):

Operating Revenues	2007	% of Total	2006	% of Total	Dollar Change	Percent Change
Airline Rates & Charges	$77,187	19.8%	$71,181	18.8%	$ 6,006	8.4%
Concessions	113,794	29.2%	108,381	28.6%	5,413	5.0%
Utilities	2,473	0.6%	2,350	0.6%	123	5.2%
Other	44,797	11.5%	42,215	11.2%	2,582	6.1%
Total Operating Revenues	238,251		224,127		14,124	
Non Operating Revenues						
Investment Income	62,271	16.0%	52,895	14.0%	9,376	17.7%
Passenger Facility Charges (PFC)	66,662	17.1%	67,573	17.8%	(911)	(1.3)%
Total Non Operating Revenues	128,933		120,468		8,465	
Capital Contributions	22,805	5.8%	34,276	9.0%	(11,471)	(33.5)%
Total Revenues and Capital Contributions	$389,989	100.0%	$378,871	100.0%	$11,118	2.9%

Airline rates and charges increased 8.4%. The increase is mainly attributed to an increase in landing fees. Landing fees are calculated on a breakeven basis with revenue and expense being equal, an increase in revenue, therefore, is a result of increased costs in the airfield cost centers. The increase in the airfield cost centers is a result snow removal costs that occurred in late 2007 as well as higher debt service costs

Concessions increased $5,413,000 or 5.0%. The majority of this increase occurred in auto parking, food, beverage and merchandise rent and auto rental fees. $2.5 million of this increase came in the area of public parking. This increase is due to a continued increase in utilization by the traveling public even with declining passenger traffic. $1.2 million of this increase came from food, beverage and merchandise concessions which were due to a new lease agreement. Auto rental increased $1.3 million due to higher minimum rent as well as increased activity.

Utilities increased $123,000 or 5.2%. The main increase in this category was a slight increase in consumption and rates.

Other revenues increased by 6.1%. Increases occurred in rentals/gate fees for the Humphrey Terminal, which had increases in both activity (primarily Sun Country Airlines) as well as a general rental rate increase. Increases in customer facility charges collected by the auto rental firms increased due to higher activity.

Investment income increased due to larger cash balances along with higher interest rates earned and market value increases on investments.

PFC revenue decreased slightly from 2006 levels as a result of a decrease in passenger levels.

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 2007 comes primarily from a decrease in federal grants for a checked baggage screening and Taxiway C-D Complex construction projects.

During 2006, MAC revenues increased by 4.0% to $378,871,000 from $364,203,000 in 2005. Changes in major categories are summarized below (dollars in thousands):

Operating Revenues	2006	% of Total	2005	% of Total	Dollar Change	Percent Change
Airline Rates & Charges	$71,181	18.8%	$83,856	23.0%	$(12,675)	(15.1)%
Concessions	108,381	28.6%	99,582	27.3%	8,799	8.8%
Utilities	2,350	0.6%	2,515	0.7%	(165)	(6.6)%
Other	42,215	11.2%	42,523	11.7%	(308)	(.7)%
Total Operating Revenues	224,127		228,476		(4,349)	
Non Operating Revenues						
Investment Income	52,895	14.0%	40,646	11.2%	12,249	30.1%
Passenger Facility Charges (PFC)	67,573	17.8%	69,944	19.2%	(2,371)	(3.4)%
Total Non Operating Revenues	120,468		110,590		9,878	
Capital Contributions	34,276	9.0%	25,137	6.9%	9,139	36.4%
Total Revenues and Capital Contributions	$378,871	100.0%	$364,203	100.0%	$14,668	4.0%

Airline rates and charges decreased $12,675,000 or 15.1%. As discussed previously in this section, the Commission amended the airline lease agreement with the air carriers serving MSP. The three largest components of the decrease are the sharing of selected concession revenues, elimination of deferred airfield costs along with using debt service rather than depreciation and imputed interest in determining rates and charges. These three reductions are partially offset by the establishment of a $15 million repair and replacement account.

Concessions increased $8,799,000 or 8.8%. $4.0 million of this increase came in the area of public parking. In May 2005, the Commission increased parking rates. The increase recognizes a full years' impact of the 2005 rate increase. The remaining increase in the concession area was in the food, beverage and merchandise concessions, which was a result of the implementation of a new concessions agreement that gave the Commission additional revenue.

Utilities decreased $165,000 or 6.6%. The main decrease in this category is the lower rates charged for sewer in 2006.

Other revenues decreased by .7%. Increases occurred in rentals/gate fees for the Humphrey Terminal, which had increases in both activity (primarily Sun Country Airlines) as well as a general rental rate increase. This increase was offset by rental decreases for Northwest Airlines' leasing of Buildings B and C.

Investment income increased due to larger cash balances in construction and operating funds along with higher interest rates earned on investments.

PFC revenue decreased slightly from 2005 levels as a result of a decrease in passenger levels.

Capital contributions represent grants received from both federal and state governments for various construction projects at both MSP and the reliever airports. The increase in 2006 comes primarily from an increase in federal grants for a checked baggage screening construction project.

Expenses

In 2007, MAC total expenses increased by 4.5% to $337,905,000 from $323,355,000 in 2006. Changes in major categories are summarized below (dollars in thousands):

Operating Expenses	2007	% of Total	2006	% of Total	Dollar Change	Percent Change
Personnel	$56,278	16.7%	$54,258	16.8%	$2,020	3.7%
Administrative	1,538	0.4%	1,240	0.4%	298	24.0%
Professional services	4,474	1.3%	4,091	1.3%	383	9.4%
Utilities	16,466	4.9%	14,820	4.6%	1,646	11.1%
Operating services	15,437	4.6%	14,485	4.5%	952	6.6%
Maintenance	21,527	6.4%	19,417	6.0%	2,110	10.9%
Depreciation	115,329	34.1%	111,429	34.4%	3,900	3.5%
Other	8,922	2.6%	3,323	1.0%	5,599	168.5%
Operating Expenses	239,971		223,063		16,908	
Non Operating Expenses						
Interest Expense	95,556	28.3%	94,069	29.1%	1,487	1.6%
Part 150 Program Expenses	2,308	.7%	5,395	1.7%	(3,087)	(57.2)%
Loss on disposal of assets	70	-	828	0.2%	(758)	(91.5)%
Total Non Operating Expenses	97,934		100,292		(2,358)	
Total Expenses	$337,905	100.0%	$323,355	100.0%	$14,550	4.5%

Personnel expenses increased $2,020,000 or 3.7%. This is a primarily a result of a general wage adjustments for the Commission's employees as well as overtime costs associated with snow events in 2007.

Administrative expenses increased by $298,000. This increase can be attributed to an increase in the ordering of security badge supplies, printing brochures attributed to the Runway 12R/30L reconstruction project as well as minor increases in other administrative areas.

Professional services increased $383,000 from 2006 levels. Increases in engineering services relating to bridge and tunnel inspections and groundwater monitoring were the primary cause of this category increase.

Utilities increased 11.1% from 2006 levels. The result of this increase is attributed to an increase in rates in electricity coupled with an increase in consumption as a result of new facilities that were put into service during 2006-2007.

Operating services increased $952,000 or 6.6%. The increases in this category were in advertising, security services and shuttle bus. Increases in advertising for parking, additional security personnel as a result of a level orange security alert and an increase in the need to shuttle passengers to and from the HHH and Lindbergh terminals as a result of construction of a new parking ramp accounted for the majority of the increase in this category.

Maintenance increased 10.9% from 2006 levels. The majority of the increases were in the contract cleaning, snow removal and mechanical areas. Contract cleaning increased as a result of additional areas that needed to be cleaned as well as a general rate increase. Snow removal expenses increased as a result of the late 2007 snow events as well as an increase use of short-term leasing of snow removal equipment. Mechanical areas increased as increased prices on the automated people mover maintenance contracts.

Depreciation increased by 3.5% as a result of approximately $271 million of airports and facilities were placed into service in 2006-2007.

Other expenses increased due to a write-off of approximately $5.7 million of receivables as a result of the amendment of the Building B lease with Northwest Airlines.

Part 150 expenses decreased as a result of lower levels of spending from the previous year.

In March 2008 Champion Airlines announced that they will be ceasing operations on May 31, 2008. As a result, a hangar that Champion leases from the Commission has been partially impaired and the Commission recognized an impairment charge of $308,000. The remaining difference results from the gain on the sale of equipment.

In 2006, MAC total expenses increased by 10.7% to $323,355,000 from $292,196,000 in 2005. Changes in major categories are summarized below (dollars in thousands):

Operating Expenses	2006	% of Total	2005	% of Total	Dollar Change	Percent Change
Personnel	$54,258	16.8%	$59,049	20.2%	$(4,791)	(8.1)%
Administrative	1,240	0.4%	1,179	0.4%	61	5.2%
Professional services	4,091	1.3%	3,359	1.2%	732	21.8%
Utilities	14,820	4.6%	14,444	4.9%	376	2.6%
Operating services	14,485	4.5%	12,492	4.3%	1,993	16.0%
Maintenance	19,417	6.0%	18,944	6.4%	473	2.5%
Depreciation	111,429	34.4%	93,566	32.0%	17,863	19.1%
Other	3,323	1.0%	3,758	1.3%	(435)	(11.6)%
Operating Expenses	223,063		206,791		16,272	
Non Operating Expenses						
Interest Expense	94,069	29.1%	76,777	26.3%	17,292	22.5%
Part 150 Program Expenses	5,395	1.7%	8,419	2.9%	(3,024)	(35.9)%
Loss on disposal of assets	828	0.2%	209	0.1%	619	296.2%
Total Non Operating Expenses	100,292		85,405		14,887	
Total Expenses	$323,355	100.0%	$292,196	100.0%	$31,159	10.7%

Personnel expenses decreased $4,791,000 or 8.1%. The largest decrease ($6.6 million) represented a decrease in employee pension, primarily employees who are covered by the Minneapolis Employees Retirement Fund (MERF). In 2005, the Commission had a greater number of the Commission's employees retiring sooner than what the pension plan estimated as a result, expenses incurred in 2005 were extraordinarily higher than in 2006. Currently there are only eight employees remaining in the MERF pension plan. The decrease in employee pensions were partially offset by 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 headcount that was added in 2005 in anticipation of the opening of Runway 17/35. For employee insurance the increase is attributed to additional head count added in 2005 and an increase in claims paid during 2006.

Administrative expenses increased by $61,000. This increase can be attributed to an increase in the ordering of security badge supplies.

Professional services increased $732,000 from 2005 levels. Areas specifically increased are legal fees associated with the filing of bankruptcy of Northwest Airlines and other litigation that arose during the year and airport planning fees at the reliever airports.

Utilities increased 2.6% from 2005 levels. The result of this increase is attributed to an increase in rates in electricity coupled with an increase in consumption as a result of new facilities that were put into service during 2005-2006.

Operating services increased $1,993,000 or 16.0%. The increases in this area were in the concessions marketing and loading dock operations. In 2006, with the new terminal concessions agreement, the Commission started to expense the advertising and promoting of terminal concessions and services. In the past, these expenses were borne by the individual concessionaires. The Commission started a loading dock management program that became operational in May 2005, and with 2006 being the first full years' expense to the Commission.

Maintenance increased 2.5%, primarily in the area of building maintenance-cleaning. During 2006, the Commission opened some additional areas that needed to be cleaned as a result of new construction activity as well as a general rate increase for cleaning.

Depreciation increased by 19.1% as a result of approximately $871 million of airports and facilities completed in 2005-2006 with the largest project being the new Runway 17/35 that opened in October 2005.

Other expenses decreased as a result of savings on property insurance as well as a recovery of some bad debts that were previously written off.

Interest expense increased by 22.5% 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 2005.

Part 150 expenses decreased as a result of lower levels of spending from the previous year.

In 2006, the Commission was notified by Mesaba Airlines that they were rejecting an aircraft hangar lease. As a result Mesaba Airlines will no longer occupy the hangar as of May 1, 2007. The Commission determined that the asset had been partially impaired and recognized an impairment charge of $813,000.

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:

(in thousands)

	2007	2006	2005
Operating revenues	$ 238,251	$ 224,127	$ 228,476
Operating expenses	(239,971)	(223,063)	(206,791)
Operating (loss) income	(1,720)	1,064	21,685
Non-operating revenues	128,933	120,468	110,590
Non-operating expenses	(97,934)	(100,292)	(85,405)
Capital contributions	22,805	34,276	25,137
Increase in Net Assets	$ 52,084	$ 55,516	$ 72,007

Financial Section

The Commission showed a decrease in the change in its net assets in 2007 from 2005-2006 levels. The primary cause for the fiscal year 2007 decrease is the changes in the amended airline lease agreement as well as the impact of the Building B lease amendment with Northwest Airlines. While the Commission experienced this decrease in the change in its net assets, we believe we will continue to increase the long-term financial stability and air service competitiveness of MSP. In addition, our 10 year history of airline rates and charges as shown in the statistical section is very competitive.

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, 2007, 2006 and 2005 is as follows (in thousands): Also see Note C.

	12/31/07	12/31/06	12/31/05
Assets			
Current assets-unrestricted	$ 438,528	$ 366,590	$ 243,493
Restricted assets-current	890,031	889,780	853,534
Non-current assets:			
Other non-current assets	306,956	294,454	348,857
Capital assets-net	2,414,899	2,394,832	2,369,992
Total assets	$ 4,050,414	$ 3,945,656	$ 3,815,876
Liabilities			
Current liabilities-unrestricted	$ 260,088	$ 217,443	$ 152,923
Payable from restricted current assets	470,299	412,853	365,510
Non-current liabilities:			
Bonds payable	1,859,945	1,909,161	1,948,797
Other non-current liabilities	55,820	54,021	51,984
Total liabilities	2,646,152	2,593,478	2,519,214
Net Assets			
Invested in capital assets, net of debt	1,083,959	1,077,822	1,078,276
Restricted	189,224	146,742	109,022
Unrestricted	131,079	127,614	109,364
Total net assets	1,404,262	1,352,178	1,296,662
Total liabilities and net assets	$ 4,050,414	$ 3,945,656	$ 3,815,876

CASH AND INVESTMENT MANAGEMENT

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

	2007	2006	2005
Cash received from operations	$ 237,679	$ 226,572	$ 222,100
Cash expended from operations	(95,591)	(89,588)	(94,941)
Net cash provided by operations	142,088	136,984	127,159
Net cash (used in) provided by capital and related financing activities	(199,409)	(149,797)	16,101
Net cash (used in) provided by investing activities	70,367	12,978	(141,669)
Net increase in cash and cash equivalents	13,046	165	1,591
Cash and cash equivalents, beginning of year	13,191	13,026	11,435
Cash and cash equivalents, end of year	$ 26,237	$ 13,191	$ 13,026

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 2007, the MAC's average portfolio balance was $743,274,000 and total investment earnings were $39,701,000 for an average yield on investments during the year of 5.34%. This compares to an average portfolio balance of $727,365,000; investment earnings of $30,080,000 and average yield of 4.14% in fiscal year 2006.

The Commission currently has a policy of keeping a six-month working capital reserve in its operating fund. At the end of 2007, the Commission has in its operating fund approximately $53 million over and above its 2007 six-month working capital requirement. The Commission is currently considering how to apply or use some or all of these excess-operating funds.

CAPITAL CONSTRUCTION

During 2007, the MAC expended $151 million in its on-going capital improvement program. Major projects that were completed in 2007 were projects associated with the reconstruction of Runway 12R/30R, construction of an in-line baggage screening system in the Lindbergh Terminal, and the reconstruction of Taxiway C-D-Phase 3. Projects that began or continued construction during 2007 were the construction of an additional parking ramp adjacent to the Humphrey Terminal, and a dike at St. Paul Downtown Airport. Average monthly capital construction spending in 2007 was approximately $12.6 million.

During 2006, the MAC expended $120 million in its on-going capital improvement program. Major projects that were completed in 2006 were projects associated with Runway 17/35, an addition to the north end of the Lindbergh Terminal and the reconstruction of Taxiway C-D-Phase 2. Projects that began or continued construction during 2006 were the construction of an additional parking ramp adjacent to the Humphrey Terminal, construction of an in-line baggage screening system in the Lindbergh Terminal and a dike at St. Paul Downtown Airport. Average monthly capital construction spending in 2006 was approximately $10 million. Further information can be found in the letter of transmittal.

CAPITAL FINANCING AND DEBT MANAGEMENT

The MAC has issued three forms of indebtedness: Notes Payable, General Airport Revenue Bonds and General Obligation Revenue Bonds. General Obligation Revenue Bonds are backed by

Commission revenues and the authority to levy any required taxes on the assessed valuation of the seven county Metropolitan Area. In 1998-2007, 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, 2008	$64,820
October 10, 2009	$64,342
October 10, 2010	$65,330
October 10, 2011	$59,444
October 10, 2012	$60,110

Statutory authority for issuing bonds is obtained from the Minnesota State Legislature. Authorization as of December 31, 2007 permits the issuance of an additional $55 million of General Obligation Revenue Bonds.

The following table summarizes the Commission's capital financing activity from December 31, 2006 to December 31, 2007 (in thousands):

Capital Financing Activity	**Balance 12/31/2006**	**Issued**	**Retired**	**Balance 12/31/2007**
Notes Payable	$50,374	$ -	($624)	$49,750
General Obligation Revenue Bonds	303,340	-	(13,185)	290,155
General Airport Revenue Bonds	1,641,200	638,345	(665,595)	1,613,950
	$1,994,914	$638,345	($679,404)	$1,953,855

On January 9, 2007, the Commission issued $638,345,000 General Airport Revenue Bond Series 2007 A and B to advance refund General Airport Revenue Bond Series 1998A, 1999A, 2001A and 2001C. General Airport Revenue Bond Series 1998A matures on January 1, 2030, and will be called on January 1, 2008. General Airport Revenue Bond Series 1999A matures on January 1, 2031, and will be called on January 1, 2009. General Airport Revenue Bond Series 2001A matures on January 1, 2032, and will be called on January 1, 2011. General Airport Revenue Bond Series 2001C matures on January 1, 2032, and will be called on January 1, 2011.

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

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 further information about this report, or if you need additional financial information, please contact Director of Finance, 6040 28th Avenue South, Minneapolis, MN 55450 or access the Commission's website – http://www.mspairport.com/mac/organization/financial/default.aspx.

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BALANCE SHEETS

(Dollars in Thousands)

	December 31 2007	December 31 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 26,231	$ 13,183
Investments	235,576	159,572
Security lending agreement-Note B	162,265	146,018
Accounts receivable (net of allowances for uncollectibles of $20 and $256, respectively)	9,552	9,692
Leases receivable	3,353	36,485
Other	1,551	1,640
Restricted Assets:		
Cash and cash equivalents	6	8
Investments:		
Debt service	283,930	283,876
Construction and other	259,554	343,709
Securities lending agreement-Note B	326,600	251,785
Government grants in aid of construction receivable-Note A	14,877	2,662
Other receivables	-	2,473
Passenger facility charge receivable-Note A	5,064	5,267
Total Current Assets	1,328,559	1,256,370
Non-Current Assets:		
Leases receivable-Notes A, J and Q	304,206	291,704
Other receivable-restricted	2,750	2,750
Capital Assets:--Notes A, D and E		
Land	116,548	116,557
Airport improvements and buildings	3,138,414	3,043,615
Moveable equipment	82,330	77,406
Construction in progress	155,323	120,715
Less accumulated depreciation	(1,077,716)	(963,461)
Total Capital Assets (net of accumulated depreciation)	2,414,899	2,394,832
Total non-current assets	2,721,855	2,689,286
TOTAL ASSETS	**$ 4,050,414**	**$ 3,945,656**

See notes to the financial statements

BALANCE SHEETS

(Dollars in Thousands)

	December 31 2007	December 31 2006
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 48,152	$ 26,948
Accounts payable due to airlines	22,767	18,442
Notes payable-Note E	943	624
Security lending agreement-Note B	162,265	146,018
Deferred revenue-Note A	18,559	18,816
Employee compensation, payroll taxes and other	7,402	6,595
Payable from restricted current assets:		
Current portion long-term debt-Note E	44,630	38,690
Construction	5,262	25,748
Interest payable	47,363	49,615
Notes payable-Note E	45,887	45,887
Other	557	1,128
Security lending agreement-Note B	326,600	251,785
Total Current Liabilities	730,387	630,296
Non-Current Liabilities:		
Deferred revenue-Note A	16,818	17,273
Notes payable-Notes E	2,920	3,863
Post retirement medical	36,082	32,885
Bonds payable-Note E	1,859,945	1,909,161
Total non-current liabilities	1,915,765	1,963,182
TOTAL LIABILITIES	**2,646,152**	**2,593,478**
Commitments and contingencies-Notes P and Q		
NET ASSETS-Notes A and C		
Invested in capital assets, net of related debt	1,083,959	1,077,822
Restricted for debt service and other	189,224	146,742
Unrestricted	131,079	127,614
TOTAL NET ASSETS	**1,404,262**	**1,352,178**
TOTAL LIABILITIES AND NET ASSETS	**$ 4,050,414**	**$ 3,945,656**

See notes to the financial statements

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

(Dollars in Thousands)

	Fiscal Years Ended December 31 2007	2006
OPERATING REVENUES		
Airline rates and charges	$ 77,187	$ 71,181
Concessions	113,794	108,381
Other revenues:		
Utilities	2,473	2,350
Other building rentals	12,927	11,526
Other	31,870	30,689
TOTAL OPERATING REVENUES	**238,251**	**224,127**
OPERATING EXPENSES		
Personnel	56,278	54,258
Administrative	1,538	1,240
Professional services	4,474	4,091
Utilities	16,466	14,820
Operating services	15,437	14,485
Maintenance	21,527	19,417
Depreciation	115,329	111,429
Other	8,922	3,323
TOTAL OPERATING EXPENSES	**239,971**	**223,063**
OPERATING (LOSS) INCOME	**(1,720)**	**1,064**
NON OPERATING REVENUES (EXPENSES)		
Investment income	62,271	52,895
Passenger facility charges	66,662	67,573
Loss on disposal of assets	(70)	(828)
Bond interest expense	(95,556)	(94,069)
Part 150 home insulation expense	(2,308)	(5,395)
TOTAL NON OPERATING REVENUES-NET	**30,999**	**20,176**
INCOME BEFORE CONTRIBUTIONS	**29,279**	**21,240**
Capital contributions	22,805	34,276
CHANGE IN NET ASSETS	**52,084**	**55,516**
Net assets-Beginning of year	1,352,178	1,296,662
NET ASSETS-END OF YEAR	**$ 1,404,262**	**$ 1,352,178**

See notes to the financial statements

Financial Section

STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

	Fiscal Years Ended December 31 2007	2006
Cash flows from operating activities:		
Cash received from customers and users	$ 237,679	$ 226,572
Cash paid to employees and benefit providers	(52,274)	(55,028)
Cash paid to suppliers	(43,317)	(34,560)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	**142,088**	**136,984**
Cash flows provided by (used in) capital and related financing activities:		
Payments for airport improvements and facilities	(150,827)	(119,993)
Payments for Part 150 home insulation program	(2,308)	(5,395)
Proceeds from bond/note issuance	658,483	6,900
Receipt of lease payments	20,912	15,040
Receipt of passenger facility charges	66,865	67,535
Payment on bonds/notes	(700,928)	(45,318)
Interest paid on bonds	(102,196)	(106,872)
Receipt of government grants	10,590	38,306
NET CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	**(199,409)**	**(149,797)**
Cash flows provided by (used in) investing activities:		
Purchase of investment securities	(1,883,193)	(1,169,298)
Proceeds from maturities of investment securities	1,898,166	1,130,285
Investment income	55,394	51,991
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	**70,367**	**12,978**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**13,046**	**165**
Cash and cash equivalents-Beginning of year	13,191	13,026
CASH AND CASH EQUIVALENTS-END OF YEAR	**$ 26,237**	**$ 13,191**

Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:

	2007	2006
Operating (loss) income	$ (1,720)	$ 1,064
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	115,329	111,429
Changes in assets and liabilities:		
Accounts receivable	140	3,828
Other assets	89	41
Accounts payable and accrued expenses	25,529	23,960
Post retirement medical	3,197	3,617
Other restricted liabilities	(571)	(1,185)
Employee compensation and payroll taxes	807	(4,387)
Deferred revenue	(712)	(1,383)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	**$ 142,088**	**$ 136,984**

	2007	2006
Noncash investing, capital and related financing activities:		
Changes in fair value of investments	$ 6,114	$ 1,492
Transfer of capital lease to airport improvements and buildings	-	8,890
Additions to capital assets included in construction and accounts payables	14,252	25,748

See notes to financial statements.

Fiscal years ended December 31, 2007 and 2006

NOTE A
SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Basis of Accounting

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

Inventory

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

Investments

The Commission's investments are reported at fair value as determined by quoted market prices in the balance sheets and changes in the fair value of investments are reported as investment income in the statements of revenues 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	3-15 years

Costs incurred for major improvements are carried in construction in progress until disposition or completion of the related projects. Costs relating to projects not pursued are expensed, while costs relating to completed projects are capitalized 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.

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

PFC Application	Approval Date	Initial Approval Amount	Amended Approval Amount
1	June 1992	$ 66,356,000	$ 92,714,000
2	August 1994	113,064,000	140,779,000
3	December 1995	32,700,000	36,377,000
4	December 1998	55,460,000	55,472,000
5	January 2000	106,874,000	122,874,000
6	January 2003	1,161,479,000	1,161,479,000
8	May 2005	191,380,000	191,380,000
9	November 2005	7,316,000	7,316,000
		$ 1,734,629,000	$ 1,808,391,000

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

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. See Note Q for additional information regarding transactions with Northwest Airlines, Inc.

Capitalized Interest

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

Deferred Loss on Refundings

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

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 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 years ended December 31, 2007 and 2006, 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.

- 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.

Part 150 Sound Insulation Program Expenses

The Commission only expenses costs associated with the Part 150 Sound Insulation program that are reimbursable through federal/state grants and/or PFC's. For Part 150 Sound Insulation program costs that are not reimbursable through federal/state grants and/or PFC's are capitalized and depreciated over ten years. Amortization expense for capitalized Part 150 Sound Insulation expenses were $7,773,000 and $9,563,000 for 2007 and 2006 respectively. The unamortized amount included in airport improvements and buildings at December 31, 2007 and 2006 were $21,931,000 and $29,704,000 respectively.

NOTE B
DEPOSITS AND INVESTMENTS

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):

	12/31/07	12/31/06
Cash on hand	$ 32	$63
Bank balances	$4,970	$119

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. At year-end, the Commission has limited 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 with a weighted average maturity of six days. At December 31, 2007, the fair value of collateral pledged was $488,865,000.

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 sheets 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 years ended December 31, consists of the following:

	2007	2006
Investment income from leases	$22,570,000	$22,815,000
Investment income from investments	33,587,000	28,588,000
Net increase in fair value of investments	6,114,000	1,492,000
	$62,271,000	$52,895,000

The Commission may invest idle funds as authorized by Minnesota Statute, Section 118A, and the Commission's internal investment policy as set forth below.

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

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

Interest rate risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Commission manages its exposure to declines in fair value by maintaining sufficient liquidity to enable the Commission to meet anticipated cash requirements without the occurrence of significant investment losses.

Below is a table of segmented time distribution for the Commission's debt investments at December 31, 2007:

(Dollars in thousands)

Security Type	Rating	0-6	Maturing in Months 7-12	13-18	18-24	25-30	25-36	Total
U.S. Treasury Securities								
Treasury Bill		$30,888	$ -	$ -	$ -	$ -	$ -	$ 30,888
U.S. Agency Securities								
Federal Home Loan Mtg Corp	Aaa/AAA	19,565	10,054	2,492	4,609	3,549	-	40,269
Federal National Mtg Assn	Aaa/AAA	70,499	16,326	21,970	27,196	19,379	-	155,370
Federal Home Loan Bank	Aaa/AAA	56,279	91,251	61,496	75,256	14,005	2,037	300,324
Federal Farm Credit	Aaa/AAA	3,001	15,134	1,014	5,087	4,970	-	29,206
Commercial Paper								
Alianz Finance	A1+ P1	9,390	-	-	-	-	-	9,390
Govco	A1+ P1	8,265	-	-	-	-	-	8,265
Market Street Funding	A1+ P1	9,492	-	-	-	-	-	9,492
Morgan Stanley	A1+ P1	24,352	-	-	-	-	-	24,352
Rams Funding	A1+ P1	19,207	-	-	-	-	-	19,207
Societe Gen	A1+ P1	24,631	-	-	-	-	-	24,631
Thames Asset	A1+ P1	9,418	-	-	-	-	-	9,418
	Totals	**$284,987**	**$132,765**	**$86,972**	**$112,148**	**$41,903**	**$2,037**	**$660,812**

Ratings: A1 and AAA-Standard & Poors; Aaa and P1-Moody's

The Commission's cash and investments including the debt investments reported in the table above are reported as follows in the balance sheets at December 31(dollars in thousands):

	2007	2006
Cash and cash equivalents-unrestricted	$ 26,231	$ 13,183
Investments-unrestricted	235,576	159,572
Securities lending agreement-unrestricted	162,265	146,018
Cash and cash equivalents-restricted	6	8
Investments-restricted	541,484	627,585
Securities lending agreement-restricted	326,600	251,785
Total cash and investments	$1,294,162	$1,198,151

Credit risk of debt security investments. Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. Minnesota Statute 118A (as shown above) limits investment instruments purchased by the Commission. The ratings of the Commission's debt investments are shown in the above table. In the securities lending program, the Commission has limited credit risk exposure to borrowers because the amounts the Commission owes borrowers exceed amounts borrowers owe the Commission.

Concentration of credit risk. The Commission requires a diversified investment portfolio to avoid risk of losses resulting from an over concentration of assets in a specific maturity, issuer, or class of securities. The Commission diversifies its investment security types as shown below:

Investment Type	Maximum
U.S. Treasury Obligations	100%
U.S. Government Agency Security	100%
Commercial Paper	30%

Custodial credit risk- investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. According to Commission policy, all securities purchased by the Commission are held by a third party safekeeping agent appointed as custodian.

Foreign currency risk. The Commission has no foreign currency risk with respect to its deposits or investments.

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 general obligation revenue bonds outstanding to the end of the second following year. Cash and investments to meet this requirement plus interest earned thereon are restricted.

Cash and investments segregated as regular construction funds include amounts received from issuance of 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 reports the amount received from Passenger Facility Charges for the approved airport improvement projects as discussed in Note A, as externally restricted.

Net Assets consists of the following at December 31 (in thousands):

Net Assets **Invested in capital assets, net of related debt-(a)**	**2007**	**2006**
Capital Assets:		
Land	$ 116,548	$ 116,557
Airport improvements and buildings	3,138,414	3,043,615
Moveable equipment	82,330	77,406
Construction in progress	155,323	120,715
Less accumulated depreciation	(1,077,716)	(963,461)
Total Capital Assets-Net	2,414,899	2,394,832
Less related liabilities:		
Notes payable-current	943	624
Payable from restricted assets:		
Current portion of long-term debt	44,630	38,690
Interest payable	47,363	49,615
Notes payable	45,887	45,887
Notes payable non-current	2,920	3,863
Bonds payable	1,189,197	1,178,331
Total Liabilities	1,330,940	1,317,010
Invested in capital assets, net of related debt-(a)	**$1,083,959**	**$1,077,822**
Restricted Net Assets-(a)		
Restricted Assets:		
Cash and cash equivalents	$6	$8
Investments:		
Debt service	283,930	283,876
Construction and other	259,554	343,709
Securities lending agreement	326,600	251,785
Government grants in aid receivable	14,877	2,662
Other receivables-current and non-current	2,750	5,223
Passenger facility charge receivable	5,064	5,267
Total Restricted Assets	892,781	892,530
Less:		
Payables from restricted assets:		
Construction	5,262	25,748
Bonds payable	371,138	434,242
Other	557	34,013
Security lending agreement	326,600	251,785
Total Liabilities	703,557	745,788
Restricted Net Assets-(a)	**$189,224**	**$146,742**

Unrestricted Net Assets-(a)	2007	2006
Current Assets		
Cash and cash equivalents	$ 26,231	$ 13,183
Investments and securities lending agreement	397,841	305,590
Accounts receivable	9,552	9,692
Leases receivable-current and non-current	307,559	328,189
Other	1,551	1,640
Total unrestricted assets	742,734	658,294
Less:		
Current liabilities:		
Accounts payable and accrued expenses	70,919	45,390
Security lending agreement	162,265	146,018
Deferred revenue and post-retirement medical	71,459	36,089
Employee compensation, payroll taxes and other	7,402	6,595
Bonds payable	299,610	296,588
Total liabilities	611,655	530,680
Unrestricted Net Assets-(a)	**$131,079**	**$127,614**

(a)-The 2006 balances reflect a change in classification adopted in 2007 for lease receivables that are attributable to capital assets and related debt from "Invested in Capital Assets, Net of Related Debt" and "Restricted Net Assets" to "Unrestricted Net Assets". The reclassification did not have an effect on the 2006 reported totals for invested in capital assets, net of related debt or restricted net assets or unrestricted net assets.

NOTE D
CAPITAL ASSETS

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

Capital Assets	Balance January 1, 2007	Additions	Transfers In (Out)	Retirements Or Disposals	Balance December 31, 2007
Capital Assets-Not Depreciated:					
Land	$ 116,557	$ -	$ (9)	$ -	$ 116,548
Projects-in-Progress	120,715	131,036	(96,428)	-	155,323
Total Capital Assets-Not Depreciated	237,272	131,036	(96,437)	-	271,871
Capital Assets-Depreciated:					
Airport Improvements and Buildings	3,043,615	790	94,009	-	3,138,414
Less Accumulated Depreciation	(909,064)	(109,519)	-	-	(1,018,583)
Net Airport Improvements and Buildings	2,134,551	(108,729)	94,009	-	2,119,831
Moveable Equipment	77,406	3,573	2,428	(1,077)	82,330
Less Accumulated Depreciation	(54,397)	(5,810)	-	1,074	(59,133)
Net Moveable Equipment	23,009	(2,237)	2,428	(3)	23,197
Total Capital Assets-Depreciated	2,157,560	(110,966)	96,437	(3)	2,143,028
Net Capital Assets	**$2,394,832**	**$20,070**	**$ -**	**$ (3)**	**$2,414,899**

Capital Assets	Balance January 1, 2006	Additions	Transfers In (Out)	Retirements or Disposals	Balance December 31, 2006
Capital Assets-Not Depreciated:					
Land	$ 110,649	$ -	$ 5,909	$ -	$ 116,557
Projects-in-Progress	183,388	123,070	(185,743)	-	120,715
Total Capital Assets-Not Depreciated	294,037	123,070	(179,834)	-	237,272
Capital Assets-Depreciated					
Airport Improvements and Buildings	2,858,844	9,302	175,469	-	3,043,615
Less Accumulated Depreciation	(803,154)	(105,909)	-	-	(909,063)
Net Airport Improvements and Buildings	2,055,689	(96,607)	175,469	-	2,134,551
Moveable Equipment	69,290	3,899	4,365	(148)	77,406
Less Accumulated Depreciation	(49,024)	(5,520)	-	147	(54,397)
Net Moveable Equipment	20,266	(1,621)	4,365	(1)	23,009
Total Capital Assets-Depreciated	2,075,955	(98,228)	179,834	(1)	2,157,560
Net Capital Assets	$ 2,369,992	$24,842	$ -	$ (1)	$ 2,394,832

NOTE E
NOTES PAYABLE AND LONG-TERM DEBT

Notes payable consist of commercial paper ranging in maturities up to 270 days and other notes related to equipment financing transactions.

In 2006, the Commission issued commercial paper totaling $6,900,000. The project financed with these proceeds funded the relocation of Trinity School in Bloomington, Minnesota. Trinity School was located in an area that was eligible for sound insulation, however, the school chose to relocate to Inver Grove Heights, Minnesota. In addition, the Commission retired $7,000,000 of commercial paper net using excess cash. The remaining retired amount of $603,000 was principal payments made on equipment financing transactions. In 2007, $624,000 was retired on notes payable which were for equipment financing transactions.

The interest rate and maturities for the outstanding notes payable are as follows (dollars in thousands):

Notes Payable	Maturity Year	Amount
3.02% to 3.43%	2008	$46,830
	2009	2,920
		$49,750

The following are the changes in notes payable during 2007 and 2006 (dollars in thousands):

	Balance 12/31/2005	Issued	Retired	Balance 12/31/2006
Notes Payable	$51,077	$ 6,900	($7,603)	$50,374

	Balance 12/31/2006	Issued	Retired	Balance 12/31/2007
Notes Payable	$50,374	$ -	($624)	$49,750

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, 2007	2006
General Airport Revenue Bonds						
Series 1998A	06/01/1998					
Original amount-$225,885					$ -	$225,885
Series 1998B	06/01/1998	5.500%	2008-2009	14,855		
Original amount-$84,000		5.375%	2010	8,045		
		5.250%	2011-2015	47,070		
		5.000%	2016	10,840	80,810	84,000
Series 1998C	06/01/1998				-	3,635
Original amount-$37,040						
Series 1999A	07/01/1999				-	132,415
Original amount-$132,415						
Series 1999B	07/01/1999	5.000%	2008	5,175		
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	108,785	113,710
Series 2000B	05/16/2000	5.375%	2008	3,540		
Original amount-$88,745		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	73,555	76,915

Type of issue:	Issue Date	Interest Rates	Maturing On January 1	Amount	Outstanding December 31, 2007	2006
Series 2001A	05/30/2001				$ -	$ 85,190
Original amount-$85,190						
Series 2001B	05/30/2001	5.250%	2008	3,325		
Original amount-$98,815		5.500%	2009-2011	11,085		
		5.750%	2012-2017	28,485		
		5.625%	2018	5,745		
		5.250%	2019-2024	35,850	84,490	87,650
Series 2001C	05/30/2001					
Original amount-$196,600						
					-	196,600
Series 2001D	05/30/2001	5.250%	2008-2011	21,045		
Original amount-$70,210		5.750%	2012-2016	28,180	49,225	53,845
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)	2008-2031	103,350	103,350	105,650
Original Amount-$109,950						
Series 2005A	05/26/2005	5.000%	2013-2018	34,665		
Original Amount-$136,110		4.250%	2026	2,700		
		5.000%	2027-2035	98,745	136,110	136,110
Series 2005B	05/26/2005	5.000%	2008-2026	113,155	113,155	113,155
Original Amount-$113,155						
Series 2005C	05/26/2005	3.000%	2008	325		
Original Amount-$123,750		3.500%	2009-2011	1,040		
		3.625%	2012	370		
		3.750%	2013	385		
		4.000%	2014-2021	3,675		
		5.000%	2022-2031	104,150		
		4.500%	2032	13,490	123,435	123,750
Series 2007A	01/09/2007	5.000%	2017-2026	223,090		
Original Amount-$440,985		4.500%	2027-2032	217,895	440,985	-
Series 2007B	01/09/2007	5.000%	2016-2025	108,150		
Original Amount-$197,360		4.500%	2027-2032	89,210	197,360	-
Total General Airport Revenue Bonds					**1,613,950**	**1,641,200**

Type of issue:	Issue Date	Interest Rates	Maturing On January 1	Amount	Outstanding December 31 2007	2006
General Obligation Revenue Bonds						
Series 13	11/01/1998	5.000%	2008-2010	7,775		
Original amount-$38,750		5.250%	2011-2013	8,980		
		4.500%	2014-2015	6,655	$ 23,410	$ 25,740
Series 14	10/31/2001	5.000%	2008	3,005		
Original amount-$25,690		5.500%	2009-2011	9,875	12,880	$15,745
Series 15	01/29/2002	5.500%	2008	8,700		
Original amount-$287,825		6.000%	2009-2011	30,780		
		6.050%	2012	12,180		
		6.150%	2013	13,320		
		6.250%	2014	14,520		
		6.350%	2015	15,830		
		6.450%	2016	18,185		
		6.550%	2017	19,770		
		6.850%	2018-2022	120,580	253,865	261,855
Total General Obligation Revenue Bonds					**290,155**	**303,340**
Total Long-Term Debt Outstanding					**1,904,105**	**1,944,540**
Unamortized premium -net					46,569	17,544
Deferred loss on refundings					(46,099)	(14,233)
Current portion of long-term debt					(44,630)	(38,690)
Total Long Term Bonds Payable					**$ 1,859,945**	**$ 1,909,161**

(1) The variable rate obligation rate changes every 7 days. The interest rates at December 31, 2007 for the 7 day maturities was 4.05 and 4.50%.

Future debt service requirements as of December 31, 2007 are as follows (in thousands):

Years	Notes Payable	General Airport Revenue Bonds	General Obligation Revenue Bonds	Total Debt Outstanding	Interest -a	Total Principal & Interest
2008	$46,830	$ 30,465	$ 14,165	$ 91,460	$ 97,958	$ 189,418
2009	2,920	32,020	15,085	50,025	95,147	145,172
2010	-	33,735	16,250	49,985	92,383	142,368
2011	-	35,545	17,475	53,020	89,585	142,605
2012	-	44,265	15,160	59,425	86,513	145,938
2013-2017	-	260,475	91,440	351,915	377,778	729,693
2018-2022	-	317,905	120,580	438,485	268,072	706,557
2023-2027	-	401,370	-	401,370	157,401	558,771
2028-2032	-	420,340	-	420,340	53,846	474,186
2033-2035	-	37,830	-	37,830	2,899	40,729
	$ 49,750	$ 1,613,950	$ 290,155	$ 1,953,855	$ 1,321,582	$ 3,275,437

a-The interest is computed using the variable rate percentage at December 31, 2007.

Of the future debt service requirements listed above, $277,275,000 of principal and $157,654,000 of interest are funded under agreements with Northwest Airlines. The General Obligation Revenue Bond Series 15 represents $253,865,000 of principal and $152,819,000 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 general airport revenue bonds were first issued in 1998 and subsequently in 1999-2001 and 2003-2005 and 2007. The general airport revenue bonds are not general obligations, but are limited obligations of the Commission payable solely from and secured by a pledge of net revenues. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of 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 general 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 January 2007, the MAC issued $638,345,000 Series 2007A-B general airport revenue bonds. The net proceeds were used to advance refund and defease $640,090,000 of General Airport Revenue Bond Series 1998A, 1999A, 2001C and 2001D with the balance to be used to pay for cost of issuance and the reserve funds. The Series A bonds were issued on a senior basis and the Series B bonds were issued on a subordinated basis. Subordinated bonds have a secondary lien on revenues and have a lower coverage ratio. Two reserve funds were established for the Series A-B bonds. The reserve requirement is the maximum annual aggregate debt service of the Series A-B 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 Series A bond were rated AA- by Standard & Poors and

AA- by Fitch, while the Series B bonds were rated A by Standard & Poors and A by Fitch.

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

The Commission currently has $290,155,000 outstanding in general obligation revenue bonds. 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 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 Q.

As mentioned in Note Q, in respect to the general obligation revenue bond Series 15, NWA 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, 2007, 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 Commission is not liable to use its own funds to pay the bondholders should NWA fail to make payments. 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, 2006, Special Facility Revenue Bonds outstanding were $136,355,000. On March 23, 2006, Northwest petitioned the bankruptcy court to re-characterize the Special Facilities Lease as an unsecured loan, rather than as a lease. Subsequently, the holders of the bonds, Northwest Airlines and the Commission agreed to a settlement agreement, dated as of July 18, 2007, as amended (the "Northwest

Special Facilities Bonds Settlement Agreement"), pursuant to which the holders of the Northwest Special Facilities Bonds agreed to release Northwest Airlines from all further claims to pay amounts due under the Northwest Special Facilities Lease with respect to the Northwest Special Facility Bonds; and in exchange, Northwest Airline agreed to (a) release certain moneys held under the indenture for the Northwest Special Facility Bonds to the holders of the Northwest Special Facilities Bonds, and (b) give the holders of the Northwest Special Facilities Bonds shares of stock in Northwest Airlines that were issued upon Northwest Airline's emergence from bankruptcy protection.

NOTE G
BOND REFUNDING

On January 9, 2007, the Commission issued $638,345,000 general airport revenue bond Series 2007 A and B to advance refund general airport revenue bond Series 1998A, 1999A, 2001A and 2001C. General airport revenue bond Series 1998A matures on January 1, 2030, and was called on January 1, 2008. General airport revenue bond Series 1999A matures on January 1, 2031, and will be called on January 1, 2009. General airport revenue bond Series 2001A matures on January 1, 2032, and will be called on January 1, 2011. General airport revenue bond series 2001C matures on January 1, 2032, and will be called on January 1, 2011. As a result of the refunding, the Commission reduced its total debt service requirements by $58,200,492, 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 $36,178,296. The Commission also deferred recognition of a $33,894,281 loss in connection with this refunding according to GASB Statement No. 23. As a result, the loss has been deferred and will be amortized to interest expense on a straight-line basis through January 1, 2032. At December 31, 2007, the unamortized deferred loss netted against bonds payable is $32,538,510.

NOTE H
CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2007 and 2006 was as follows (in thousands):

	Balance 12/31/2005	Additions	Retirements And other	Balance 12/31/2006	Amounts recognized /due in one year
Deferred Revenue	$ 37,472	$ 28,416	$ (29,799)	$ 36,089	$ 18,816
Notes Payable-1	5,090	-	(603)	4,487	624
Bonds Payable-1	1,986,512	-	(38,661)	1,947,851	38,690
	$2,029,074	$ 28,416	$ (69,063)	$1,988,427	$ 58,130

	Balance 12/31/2006	Additions	Retirements and other	Balance 12/31/2007	Amounts recognized /due in one year
Deferred Revenue	$ 36,089	$ 29,016	$ (29,728)	$ 35,377	$ 18,559
Notes Payable-1	4,487	-	(624)	3,863	943
Bonds Payable-1	1,947,851	624,589	(667,865)	1,904,575	44,630
	$1,988,427	$ 653,605	$(698,217)	$1,943,815	$ 64,132

1-Bonds/notes payable balances includes current portion of long-term debt and current portion of notes payable and excludes short-term commercial paper.

NOTE I
CAPITALIZATION OF INTEREST

Total interest expense was $95,556,000 and $94,069,000 in 2007 and 2006, respectively. Interest expense capitalized as part of the costs of constructed assets were $2,933,000 and $9,448,000 in 2007 and 2006, respectively. Total interest paid was $102,196,000 and $106,872,000 in 2007 and 2006, respectively.

NOTE J
LEASES

The Commission leases certain facilities to tenants under self-liquidating lease agreements. Self-liquidating lease agreements require the lessee to pay annual rentals equal to the debt service requirements of the bonds issued to construct the facilities, or the debt service requirements which would have been required if bond funds were used. These leases are classified as direct financing leases and expire at various intervals until the year 2030. 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):

	2007	2006
Total minimum lease payments to be received	$510,319	$551,263
Less: Unearned income	190,810	211,914
Net investment in leases	319,509	339,349
Less: Prepaid principal	(11,950)	(11,160)
Leases receivable-current and non-current	**$307,559**	**$328,189**

As of December 31, 2007, future minimum lease payments are as follows (in thousands):

Year	Amount
2008	$ 36,041
2009	36,425
2010	36,759
2011	37,143
2012	37,623
2013-2017	181,339
2018-2022	141,841
2023-2027	2,403
2028-2030	745
	$510,319

On May, 1, 2007, Mesaba Airlines rejected an aircraft hangar facility lease. The Commission recognized an impairment charge of $813,000 for the fiscal year ended December 31, 2006. Also the Commission took possession of the hangar on that date and as a result transferred $8,900,000 from lease receivable to airports improvements and buildings. In 2007, the Commission wrote off $5.7 million lease receivable in relation to an amended Building B lease. In March 2008, the Commission was notified by Champion Airlines that they will cease operations on May 31, 2008. The Commission recognized an impairment charge associated with the Champion hangar of $308,000 for the fiscal year ended December 31, 2007.

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 each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For PERF members and for all PEPFF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equals at least 90. Normal retirement age is 55 for PEPFF and 65 for Coordinated members hired prior to July 1,1989. 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 will be payable over joint lives. Members may also leave their contribution in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service 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 5.75% of their annual covered salary. Contribution rates will increase in the Coordinated Plan to 6.00% in 2008. PEPFF members are required to contribute 7.80% of their annual covered salary. That rate will increase to 8.60% in 2008. The Commission is required to contribute the following percentages of annual covered payroll: 6.25% for Coordinated Plan PERF members and 11.70% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF increased to 6.50% and 12.90% respectively, effective January 1, 2008. The Commission's required contributions to the Public Employees Retirement Fund for the years ended December 31, 2007, 2006, and 2005 were $1,721,000, $1,533,000, and $1,349,000, respectively. The Commission's required contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2007, 2006, and 2005 were $1,159,000, $998,000, and $813,000, 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%	13.59%	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	2007	2006	2005
Employer (100% of required)	$823	$677	$7,397

NOTE L
POST-RETIREMENT BENEFITS

The Commission implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* in 2006. In accordance with this Statement, the Commission recognizes postemployment benefits on the full accrual basis of accounting over a period that approximates an employee's years of service.

The Commission provides health insurance benefits for certain retired employees under a single employer self-insured plan. Active employees who retire from the Commission and who have become vested in either the Minneapolis Employees Retirement Fund (MERF) or the Public Employees Retirement Association (PERA), and who do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the Commission's health benefits program. The contribution requirements of employees and retirees are established and may be amended by the Commission. The required contribution is based upon projected pay-as-you-go financing requirements and funding for future benefits. The Commission will make contributions (as specified in union agreements or the Commission's personnel policy) toward required premiums at the same percentages applicable to active employees and their eligible dependent(s) until becoming eligible for Medicare, Part A or B, or both. The Commission will then pay 100% of the premium for the retired employee, spouse over age 65, and legal dependents, provided that the retired employee is receiving benefits from either MERF or PERA, and is enrolled in Medicare Part A and B as their primary health insurance. As of January 1, 1991, all employees hired by the Commission will only be able to participate in the Commission medical plan up to age 65. During 2004, the Commission approved that non-organized employees hired after October 1, 2004 will be able to participate in the Commission medical plan provided that the retiree pay 100% of the total premium cost plus a 2% administrative fee. During 2006 and 2007, the Commission was successful in getting language in all eligible labor groups that provides that employees hired after the date of the signed contract will be able to participate in the Commission medical plan provided that the retiree pay 100% of the total premium cost plus a 2% administrative fee. As of December 31, 2007 there were 228 retired employees and 525 active employees receiving health benefits from the Commission's health plan. The Commission does not issue a stand-alone financial report for its health plan.

The Commission contributed $2,479,650 to the plan in fiscal year 2007 and $2,101,749 in fiscal year 2006. Plan participants contributed $184,202 for fiscal year 2007 and $181,015 for fiscal year 2006. Monthly contributions for retirees under 65 for 2007 are shown below:

Plan	Retiree Only	Family
Plan 1	$28.00	$170.00
Plan 2	$21.00	$137.00
HRA/HSA	$11.00	$90.00

Annual OPEB Cost and Net OPEB Obligation

The Commission's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Commission's annual OPEB cost for 2007 and 2006, the amount actually contributed to the plan, and changes in the commission's net OPEB obligation:

	2007	2006
Annual required contribution (ARC)	$ 6,262,502	$ 6,243,005
Interest on net OPEB obligation	1,315,411	1,175,234
Adjustment to ARC	(1,901,758)	(1,699,097)
Annual OPEB cost	5,676,155	5,719,142
Contributions during the year	(2,479,650)	(2,101,749)
Increase in net OPEB obligation	3,196,505	3,617,393
Net OPEB-beginning of year	32,885,265	29,267,872
Net OPEB-End of year	$ 36,081,770	$32,885,265

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2007 and 2006 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	$5,676,155	15.7%	$36,081,770
12/31/2006	$5,719,142	17.4%	$32,885,265

Funding Status
The Commission sets aside cash and investments to pay for future health benefits of $39,525,000 and $35,593,000 in 2007 and 2006 respectively. However, since such restricted cash has not been irrevocably deposited in trust for future health benefits, the actuarial value of assets is zero. The table below shows the funding status for fiscal years 2007 and 2006 based on a January 1, 2006 actuarial date.

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability- Projected Unit Credit	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2007	-	$81,470,615	$81,470,615	-	$35,871,298	227.1%
12/31/2006	-	$78,934,932	$78,934,932	-	$33,507,127	235.6%

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

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

In the January 1, 2006, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions in 2006 and 2007 included a 4% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after seven years. The UAAL is being amortized as a level dollar amount over 30 years on an open basis.

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, 2007 and 2006 of $4,170,025 and $2,233,665, 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 2007 or 2006. 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. Claims paid for workers compensation for 2007 and 2006 were $684,858 and $466,184 respectively. Claims paid for health and dental coverage for 2007 and 2006 were $5,373,385 and $4,978,872 respectively. The unpaid claims for workers compensation at December 31, 2007 and 2006 were $1,593,235 and $1,650,970 respectively. The health and dental unpaid claims at December 31, 2007 and 2006 were $729,225 and $747,149 respectively. The liability recorded under employee compensation and payroll taxes by the Commission includes estimated settlements for claims reported but not settled as of December 31, 2007 and 2006, as well as an estimate of claims incurred. Changes in the balances of claim liabilities during the past two years are as follows:

	2007	2006
Unpaid Claims – Beginning of Year	$2,398,119	$2,031,436
Incurred Claims and Changes in Estimates	5,982,584	5,811,739
Claims Paid	(6,058,243)	(5,445,056)
Unpaid Claims – End of Year	$ 2,322,460	$ 2,398,119

NOTE O
JOINT VENTURE

The Commission is a participant with the City of Bloomington, the City of Eden Prairie and the City of Edina in a joint venture to construct and operate a facility to be used for the training of law enforcement officers and firefighters. The South Metro Public Safety Training Facility Association (PSTF) is governed by a Board consisting of one representative from each member. On dissolution of the Association, the facility shall revert to the City of Edina, and all remaining assets shall be divided among members based on a cost sharing formula. In accordance with the joint venture agreement, each member of the association will share in the cost of construction and operation based on the cost sharing formula. Complete financial statements for the PSTF can be obtained from the City of Edina, 4801 West 50th Street, Edina, MN 55424.

NOTE P
CONTINGENT LIABILITIES AND COMMITMENTS

There are several lawsuits pending in which the Commission is involved. The Commission believes that existing and pending lawsuits and claims are either billable to airport users or would not materially affect the financial statements of the Commission.

Contractual obligations for construction were approximately $147,852,000 at December 31, 2007.

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

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

Impacts on Related Class Action Lawsuit

Subsequent to reaching agreement on the Consent Decree, the Commission and plantiffs' counsel for a related class action lawsuit modified a prior settlement in the class action lawsuit case, making it consistent with the Consent Decree in all respects, but in addition including payment of attorney's fees to the class counsel in the amount of $2.0 million. On January 15, 2008, the District Court granted Approval of the settlement.

Federal Aviation Administration Approval

Under the Consent Decree, the Federal Aviation Administration (FAA) must advise the Commission by November 30, 2007 that the settlement with the Noise Plantiffs and the plantiffs in the related class action lawsuit is an appropriate use of airport revenue and consistent with federal grant obligations, or the settlement is null and void. On November 30, 2007 the FAA issued a determination that the settlement agreements with the Noise Plantiffs and the plantiffs in the related class action lawsuit cities is an appropriate use of airport revenue and consistent with federal grant obligations.

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

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

NOTE Q
MAJOR CUSTOMER

Northwest Airlines, Inc. (NAI) is a Minnesota corporation in the business of transporting 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 23% of operating revenues and 72% of total revenues from major airlines.

On September 14, 2005 NWA Corp. filed for protection under Chapter 11 of the Bankruptcy Code. For Northwest Airlines their pre-petition receivables are $4,144,000. Northwest Airlines, which emerged from bankruptcy protection on May 31, 2007 and paid their pre-petition obligations in full during 2007.

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 (refinanced as Series 15 Bonds). (See Note E) 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 guarantees 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. At the time Northwest Airlines emerged from bankruptcy protection, the Commission and Northwest Airlines amended certain provisions of the leases entered into with respect to the Series 15 Bonds and the Collateral Agreement, including modifying the collateral requirements to 125% of the principal amount of outstanding Series 15 Bonds and certain other amounts described in the Collateral Agreements based upon its "orderly liquidation value" and agreed to accept "aircraft" as an additional collateral category. The collateral was last appraised in April 1, 2008. Northwest Airlines offered to add collateral, which if added to the collateral currently pledged, would reach a value of $307.4 million, which would be in excess of the collateral value requirement of $306.5 million. The valuation of the collateral is currently under review by the Commission. In the event collateral is valued in excess of 125%, the Commission may be required to release collateral (mutually agreeable to both the Commission and Northwest Airlines) so long as the remaining collateral value exceeds 125% of the principal amount of outstanding Series 15 Bonds and certain other amounts described in the Collateral Agreements. Additionally, the Commission and Northwest Airlines agreed that Northwest Airlines can pledge to the Commission its right to receive Shared Concession Revenue credits during the term of the Northwest Airline Lease Agreement to secure its obligations related to the 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 7.0% of the Commission's total assets at December 31, 2007.

For the years ended December 31, 2007, and 2006, the Northwest Entities and NWA Corp. had audited consolidated net income (loss) of approximately $342 million and $(2.835) million, respectively. On December 31, 2007, the Northwest Entities' and NWA Corp.'s audited total consolidated assets were $24.517 billion and their total audited consolidated liabilities were $17.140 billion, resulting in the Northwest Entities' and NWA Corp.'s audited consolidated net equity of $7.377 billion. These audited numbers were derived from the audited consolidated 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 R
SUBSEQUENT EVENTS

Bond refunding
On January 10, 2008, the Commission issued $72,035,000 General Airport Revenue Bond Series 2008 A to advance refund General Airport Revenue Bond Series 1998B. General Airport Revenue Bond Series 1998B matures on January 1, 2016, and will be called on January 1, 2009.

Bond retirement
In late February and early March 2008, the Commission retired $103,350,000 of the series 2004A airport revenue bonds. These bonds were retired with PFC funds on hand.

Airline Merger
On April 14, 2008, Delta Airlines and Northwest Airlines announced an agreement in which the two carriers will combine in an all-stock transaction. Delta announced that the new airline will be called Delta with world headquarters in Atlanta and that a hub would be maintained at MSP. The merger is subject to the approvals of Delta and Northwest shareholders and regulatory approvals. See management's discussion and analysis for more information.

Mesaba Airlines Bankruptcy Matter
On May 29, 2007, the Commission filed proof of claim in the amount of $3,249,000 for damages incurred from the rejection of the hangar lease (rejection claim). On March 11, 2008, the Commission successfully moved for summary judgment in regard to the Liquidating Trustee's objection to the Commission's rejection claim. The Commission's rejection claim was allowed in the amount of $3,111,000 and the Liquidating Trustee was ordered to immediately pay the Commission. On March 14, 2008, the Commission received a portion of the rejection claim of $2,274,000. The Liquidating Trustee has filed a notice of appeal and election to have the appeal heard in the U.S. District Court for the District of Minnesota. The outcome of the appeal at this time is uncertain. The Commission will record the gain associated with the rejection claim in the period the claim is settled and all related legal expenses have been expensed as incurred.

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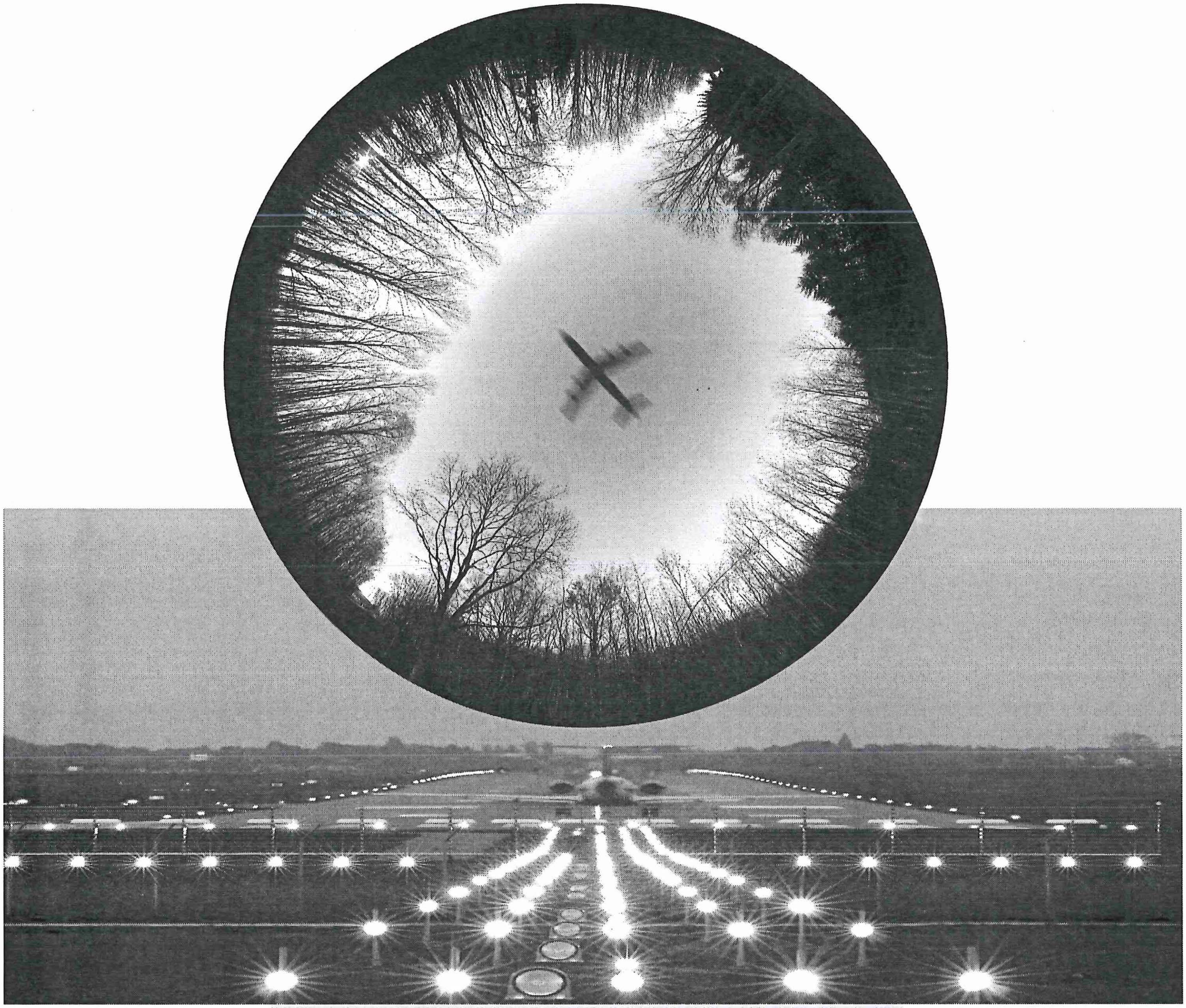
STATISTICAL SECTION



Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2007

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

Contents

Sources:

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

HISTORICAL OPERATING STATEMENTS 1998-2007
(Dollars in Thousands)-Unaudited

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Operating Revenues										
Airline Rates and Charges	$46,832	$55,401	$68,133	$72,669	$71,846	$60,977	$73,206	$83,856	$71,181	$77,187
Concessions	56,832	62,131	70,760	69,707	67,416	72,337	85,971	99,582	108,381	113,794
Other Revenues										
Rentals-(Ground and Building)	8,653	15,078	17,875	20,588	21,613	22,623	25,483	29,173	26,866	28,848
Utilities	2,077	1,716	1,852	2,440	1,732	2,151	1,705	2,515	2,350	2,473
Other	2,554	3,658	4,794	6,391	8,004	10,094	9,776	13,350	15,349	15,949
Total Operating Revenues	116,948	137,984	163,414	171,795	170,611	168,182	196,141	228,476	224,127	238,251
Operating Expenses										
Personnel	32,433	34,497	39,814	42,627	43,074	48,273	50,429	59,049	54,258	56,278
Administrative Expenses	1,113	1,555	1,686	1,708	880	844	1,089	1,179	1,240	1,538
Professional Services	4,006	5,231	6,357	5,177	3,386	2,821	3,745	3,359	4,091	4,474
Utilities	6,466	7,318	8,678	11,208	8,882	11,779	12,684	14,444	14,820	16,466
Operating Services	10,414	11,199	11,971	14,113	12,147	13,928	13,394	12,492	14,485	15,437
Maintenance	9,302	10,498	12,238	15,250	13,501	16,453	17,249	18,944	19,417	21,527
Depreciation	36,756	42,875	51,028	65,647	72,871	79,399	83,273	93,566	111,429	115,329
Other	119	619	278	2,250	2,455	2,743	3,206	3,758	3,323	8,922
Total Operating Expenses	100,609	113,792	132,050	157,980	157,196	176,240	185,069	206,791	223,063	239,971
Operating Income (Loss)	16,339	24,192	31,364	13,815	13,415	(8,058)	11,072	21,685	1,064	(1,720)
Non-Operating Revenues (Expenses)										
Investment Income	47,444	50,039	55,661	57,712	45,454	29,854	32,257	40,646	52,895	62,271
Passenger Facility Charges	37,389	40,474	43,567	57,191	61,492	63,681	69,557	69,944	67,573	66,662
Gain (Loss) on Sale/Disposal of Assets	0	2	0	(4,196)	17	(2,547)	(1,531)	(209)	(828)	(70)
Interest Expense	(37,549)	(35,103)	(42,023)	(55,549)	(50,707)	(59,105)	(67,247)	(76,777)	(94,069)	(95,556)
Part 150 Home Insulation Expenses	(14,976)	(18,475)	(20,707)	(20,517)	(22,208)	(13,063)	(13,134)	(8,419)	(5,395)	(2,308)
Concession Development Expenses	(1,792)	(5,319)	(416)	-	-	-	-	-	-	-
Total Non-Operating Revenues-Net	30,516	31,618	36,082	34,641	34,048	18,820	19,902	25,185	20,176	30,999
Net Income	46,855	55,810	67,446							
Income before Contributions				48,456	47,463	10,762	30,974	46,870	21,240	29,279
Capital Contributions-1				38,069	42,919	36,707	27,835	25,137	34,276	22,805
Change in Net Assets				86,525	90,382	47,469	58,809	72,007	55,516	52,084
Net Assets,Beginning of Year				941,470	1,027,995	1,118,377	1,165,846	1,224,655	1,296,662	1,352,178
Net Assets,End of Year				$ 1,027,995	$ 1,118,377	$ 1,165,846	$ 1,224,655	$ 1,296,662	$ 1,352,178	$ 1,404,262
Add: Depreciation of Facilities Provided by Government Grants	9,691	10,295	12,725							
Increase in Retained Earnings	56,546	66,105	80,171							
Retained Earnings, Beginning of Year	552,240	608,786	674,891							
Retained Earnings, End of Year	$608,786	$674,891	$755,062							

Source: Audit financial statements for the last ten years.

1. For the years ended December 31, 2001-2007, 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".

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section

HISTORICAL REVENUES 1998-2007
Pursuant to MAC's Master Trust Indenture
(Dollars in Thousands)-Unaudited

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Airline Rates & Charges										
Landing Fees-3	$ 27,358	$ 29,923	$ 39,472	$ 40,378	$ 41,573	$ 27,529	$ 38,365	$ 45,683	$ 38,245	$ 49,626
Ramp Fees	4,754	5,243	6,444	6,243	5,944	5,700	5,608	6,105	4,611	5,238
Lindbergh Terminal Building Rents	11,604	17,011	19,430	22,405	21,236	24,151	26,195	28,834	33,920	29,378
Other Lindbergh Terminal Charges	2,431	2,667	2,787	3,643	3,093	3,596	3,038	3,234	3,475	3,105
Concessions Rebate	0	0	0	0	0	0	0	0	(9,070)	(10,160)
Noise Surcharge	685	557	0	0	0	0	0	0	0	0
Total Airline Rates & Charges	**46,832**	**55,401**	**68,133**	**72,669**	**71,846**	**60,976**	**73,206**	**83,856**	**71,181**	**77,187**
Concessions										
Auto Parking	35,052	36,670	42,951	39,339	36,755	41,330	50,466	60,213	64,266	66,765
Rental Car	10,335	11,429	12,385	13,739	13,359	14,742	14,220	14,693	15,699	17,043
Food & Beverage	2,719	3,084	3,546	4,053	4,340	4,864	7,311	9,790	11,552	12,645
Merchandise	3,451	4,043	4,627	4,572	4,836	4,689	5,572	6,120	8,515	8,537
Other	5,273	6,894	7,263	8,004	8,126	6,712	8,402	8,766	8,349	8,804
Total Concessions Revenue	**56,830**	**62,120**	**70,772**	**69,707**	**67,416**	**72,337**	**85,971**	**99,582**	**108,381**	**113,794**
Other Revenues										
Humphrey Building Rentals	1,207	1,768	703	857	3,377	3,522	4,162	5,684	7,089	8,288
Utilities	2,077	1,716	1,852	2,440	1,732	2,152	1,705	2,515	2,350	2,473
Other Building and Land Rent	5,859	11,600	15,140	18,079	16,444	17,086	20,196	22,101	18,434	18,821
Other	2,973	3,712	4,890	5,812	7,179	9,328	7,855	9,851	11,869	12,378
Total Other Revenues	**12,116**	**18,796**	**22,585**	**27,188**	**28,732**	**32,088**	**33,918**	**40,151**	**39,742**	**41,960**
Total MSP Revenue	**115,778**	**136,317**	**161,490**	**169,564**	**167,994**	**165,401**	**193,095**	**223,589**	**219,304**	**232,941**
Total Reliever Airports	**1,170**	**1,667**	**1,924**	**502**	**2,617**	**2,781**	**3,046**	**4,887**	**4,823**	**5,310**
Total Operating Revenues	**116,948**	**137,984**	**163,414**	**170,066**	**170,611**	**168,182**	**196,141**	**228,476**	**224,127**	**238,251**
Investment Income										
Capital Lease Interest	31,430	29,646	28,715	28,464	25,300	23,554	23,698	22,820	22,815	22,570
Other-2	6,579	5,933	6,875	7,569	6,220	3,976	7,512	9,532	14,509	18,957
Total Investment Income	**38,009**	**35,579**	**35,590**	**36,033**	**31,520**	**27,530**	**31,210**	**32,352**	**37,324**	**41,527**
Capital Lease Principal Payments	**7,181**	**6,057**	**7,300**	**7,476**	**9,321**	**11,345**	**12,046**	**12,475**	**14,199**	**14,442**
Total Revenues-1	**$ 162,138**	**$ 179,620**	**$ 206,304**	**$ 213,575**	**$ 211,452**	**$ 207,057**	**$ 239,397**	**$ 273,303**	**$ 275,650**	**$ 294,220**

Source: Audit financial statements for the last ten years.

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

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

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

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section

PERCENTAGE DISTRIBUTION OF OPERATING REVENUES 1998-2007

(Dollars in Thousands)-Unaudited

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Airline Rates & Charges										
Landing Fees-1	23.4%	21.7%	24.2%	23.7%	24.4%	16.4%	19.6%	20.0%	17.1%	20.8%
Ramp Fees	4.1%	3.8%	3.9%	3.7%	3.5%	3.4%	2.9%	2.7%	2.1%	2.2%
Lindbergh Terminal Building Rents	9.9%	12.3%	11.9%	13.2%	12.4%	14.4%	13.4%	12.6%	15.1%	12.3%
Other Lindbergh Terminal Charges	2.1%	1.9%	1.7%	2.1%	1.8%	2.1%	1.5%	1.4%	1.6%	1.3%
Concessions Rebate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-4.0%	-4.3%
Noise Surcharge	0.6%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Airline Rates & Charges	**40.0%**	**40.2%**	**41.7%**	**42.7%**	**42.1%**	**36.3%**	**37.3%**	**36.7%**	**31.8%**	**32.4%**
Concessions										
Auto Parking	30.0%	26.6%	26.3%	23.1%	21.5%	24.6%	25.7%	26.4%	28.7%	28.0%
Rental Car	8.8%	8.3%	7.6%	8.1%	7.8%	8.8%	7.2%	6.4%	7.0%	7.2%
Food & Beverage	2.3%	2.2%	2.2%	2.4%	2.5%	2.9%	3.7%	4.3%	5.2%	5.3%
Merchandise	3.0%	2.9%	2.8%	2.7%	2.8%	2.8%	2.8%	2.7%	3.8%	3.6%
Other	4.5%	5.0%	4.4%	4.7%	4.8%	4.0%	4.3%	3.8%	3.7%	3.7%
Total Concessions Revenue	**48.6%**	**45.0%**	**43.3%**	**41.0%**	**39.5%**	**43.0%**	**43.8%**	**43.6%**	**48.4%**	**47.8%**
Other Revenues										
Humphrey Building Rentals	1.0%	1.3%	0.4%	0.5%	2.0%	2.1%	2.1%	2.5%	3.2%	3.5%
Utilities	1.8%	1.2%	1.1%	1.4%	1.0%	1.3%	0.9%	1.1%	1.0%	1.0%
Other Building and Land Rent	5.0%	8.4%	9.3%	10.6%	9.6%	10.2%	10.3%	9.7%	8.2%	7.9%
Other	2.5%	2.7%	3.0%	3.4%	4.2%	5.5%	4.0%	4.3%	5.3%	5.2%
Total Other Revenues	**10.4%**	**13.6%**	**13.8%**	**16.0%**	**16.8%**	**19.1%**	**17.3%**	**17.6%**	**17.7%**	**17.6%**
Total MSP Revenues	**99.0%**	**98.8%**	**98.8%**	**99.7%**	**98.5%**	**98.3%**	**98.4%**	**97.9%**	**97.8%**	**97.8%**
Total Reliever Airports	**1.0%**	**1.2%**	**1.2%**	**0.3%**	**1.5%**	**1.7%**	**1.6%**	**2.1%**	**2.2%**	**2.2%**
Total Operating Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1.- Includes in 2003 a one-time rent airline rebate of $13 million.
Source: Metropolitan Airports Commission
Note: Totals may not add due to rounding.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Net Assets by Business Type Activities--2001-2007
(Dollars in Thousands)-Unaudited

Business Type Activities	2001	2002	2003	2004	2005	2006	2007
Invested in capital assets, net of related debt	$572,551	$965,567	$1,051,268	$1,055,827	$1,078,276	$1,077,822	$1,083,959
Restricted	408,773	112,688	63,081	92,723	109,022	146,742	189,224
Unrestricted	46,671	40,122	51,497	76,105	109,364	127,614	131,079
Total business type activities	$ 1,027,995	$ 1,118,377	$ 1,165,846	$ 1,224,655	$ 1,296,662	$ 1,352,178	$ 1,404,262

Source: Audit reports for the last seven years
GASB No. 34, "Basic Financial Statements and Management's Discussion and Anlaysis for State and Local Governments" was effective in 2001, therefore years prior to 2001 are not available.

Northwest Airlines (NWA) Revenue as a Percentage of Total MAC Operating Revenues
1998-2007 (dollars in thousands)-Unaudited

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total MAC Operating Revenues	$ 116,948	$ 137,984	$ 163,414	$ 171,795	$ 170,611	$168,182	$196,141	$228,476	$224,127	$238,251
Lease Principal/Interest Payments	37,368	33,769	33,823	33,567	35,290	34,899	35,744	35,319	37,014	36,246
Interest Income-MAC Funds-1	12,569	17,083	24,572	28,958	19,589	5,524	7,116	14,426	24,474	31,628
Total Revenue	166,885	188,836	221,809	234,320	225,490	208,605	239,001	278,221	285,615	306,125
NWA Portion of Operating Revenues-2	32,504	38,442	47,516	52,316	51,858	44,391	52,892	60,004	52,265	55,080
NWA Portion of Lease Payments	35,856	31,812	31,865	31,608	32,692	30,477	30,760	30,890	31,301	31,605
Total NWA Revenue	68,360	70,254	79,381	83,924	84,550	74,868	83,652	90,894	83,566	86,685
NWA % of Total Revenue	**40.96%**	**37.20%**	**35.79%**	**35.82%**	**37.50%**	**35.89%**	**35.00%**	**32.67%**	**29.26%**	**28.32%**
Total Revenue	$ 166,885	$ 188,836	$ 221,809	$ 234,320	$ 225,490	$208,605	$239,001	$278,221	$285,615	$306,125
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	23,960	26,252	24,018	24,348	24,648	24,931	25,222
Total Adjusted Revenue	142,925	164,876	197,849	210,360	199,238	184,587	214,653	253,573	260,684	280,903
Total NWA Revenue	68,360	70,254	79,381	83,924	84,550	74,868	83,652	90,894	83,566	86,685
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	23,960	26,252	24,018	24,348	24,648	24,931	25,222
Total Adjusted NWA Revenue	44,400	46,294	55,421	59,964	58,298	50,850	59,304	66,246	58,635	61,463
NWA % of Total Revenue	**31.07%**	**28.08%**	**28.01%**	**28.51%**	**29.26%**	**27.55%**	**27.63%**	**26.13%**	**22.49%**	**21.88%**

NWA Revenue as a Percentage of Total Airline Revenues
1998-2007 (dollars in thousands)-Unaudited

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total Air Carrier Operating Revenue	$ 46,060	$ 53,818	$ 66,343	$ 71,225	$ 69,518	$ 59,504	$ 72,122	$ 82,720	$ 70,544	$ 76,131
Air Carrier Lease Payments	36,356	32,759	32,812	32,555	33,609	32,875	33,587	33,678	34,364	34,231
Total Air Carrier Revenue	82,416	86,577	99,155	103,780	103,127	92,379	105,709	116,398	104,908	110,362
Total NWA Revenue	68,360	70,254	79,381	83,924	84,550	74,868	83,652	90,894	83,566	86,685
NWA % of Total Air Carrier Revenue	**82.95%**	**81.15%**	**80.06%**	**80.87%**	**81.99%**	**81.04%**	**79.13%**	**78.09%**	**79.66%**	**78.55%**
Total Air Carrier Revenue	$ 82,416	$ 86,577	$ 99,155	$ 103,780	$ 103,127	$ 92,379	$105,709	$116,398	$104,908	$110,362
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	23,960	26,252	24,018	24,348	24,648	24,931	25,222
Total Adjusted Air Carrier Revenue	58,456	62,617	75,195	79,820	76,875	68,361	81,361	91,750	79,977	85,140
Total NWA Revenue	68,360	70,254	79,381	83,924	84,550	74,868	83,652	90,894	83,566	86,685
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	23,960	26,252	24,018	24,348	24,648	24,931	25,222
Total Adjusted NWA Revenue	44,400	46,294	55,421	59,964	58,298	50,850	59,304	66,246	58,635	61,463
NWA % of Total Air Carrier Revenue	**75.95%**	**73.93%**	**73.70%**	**75.12%**	**75.83%**	**74.38%**	**72.89%**	**72.20%**	**73.31%**	**72.19%**

1- Does not include interest income earned on PFC's, which are not available to pay debt service on NWA obligations
2- In 2003, revenues are net of NWA's portion of $13 million rebate.

Source: Metropolitan Airports Commission

Top 10 Revenue Providers--unaudited
2007 and 1998

Company	2007 Rank	1998 Rank
Northwest Airlines	1	1
Minnesota Retail Partners	2	
HMS Host	3	2
Anton Airfoods Inc.	4	
Sun Country Airlines	5	8
Hertz	6	3
Vanguard (National and Alamo Rent a Car)	7	4
Avis	8	6
Pinnacle Airlines	9	
United Airlines	10	7
Signature Flight Support		5
Mesaba Aviation		9
Delta Airlines		10

Source:
Comprehensive Annual Financial Report 1998 and 2007

Air Carrier Market Share
Total Revenue Enplaned Passengers[1]
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
Ranked on Year 2007 Results
1998-2007

Unaudited

2007 Ranking	Air Carrier	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2007 % of Total [2]
1	NWA	9,813,515	11,056,053	11,922,408	11,938,660	11,687,427	11,778,861	12,560,285	12,513,738	11,794,709	11,321,919	66.72%
2	Pinnacle [3]				75,105	384,480	585,202	970,567	1,187,110	1,223,597	1,271,310	7.49%
3	Sun Country	402,768	475,338	708,952	612,881	138,220	377,604	508,405	728,513	726,359	752,691	4.44%
4	American	425,073	384,014	365,665	369,345	463,331	410,688	347,618	462,914	476,228	589,989	3.48%
5	United	571,032	552,721	491,166	474,913	508,578	516,389	507,724	489,899	559,618	555,520	3.27%
6	Mesaba Aviation [3]	1,010,129	1,154,386	1,261,971	685,843	591,396	572,557	551,521	539,388	431,668	547,608	3.23%
7	Air Tran Airways							168,227	149,844	290,390	316,667	1.87%
8	America West	135,066	132,456	141,591	149,416	198,307	228,452	244,176	279,965	298,126	193,185	1.14%
9	US Airways	204,754	173,917	236,887	204,853	219,948	161,198	131,951	57,764	21,625	174,910	1.03%
10	Continental	158,507	162,036	193,224	198,313	253,562	235,088	222,114	240,622	250,502	169,853	1.00%
11	Delta	376,461	381,779	412,283	348,369	360,029	319,889	344,078	266,959	151,669	167,793	0.99%
12	Frontier							126,434	120,962	123,056	132,633	0.78%
13	Skywest										113,853	0.67%
14	Champion									113,849	73,790	0.43%
15	Compass [3]										68,174	0.40%
16	Midwest										66,215	0.39%
17	Atlantic Southeast									129,609	47,472	0.28%
18	Ryan Int'l	93,044	131,166							32,607	7,768	0.05%
	American Trans Air			179,274	153,772	198,855	217,689	238,073	207,414			0.00%
	Omni Air Express			134,894	109,446	107,222						0.00%
	KLM Royal Dutch [a]	137,040	138,513	114,853	62,212							0.00%
	Other	617,728	682,329	530,152	636,012	653,417	698,577	676,466	739,219	554,695	397,734	2.34%
		13,945,117	15,424,708	16,693,320	16,019,140	15,764,772	16,102,194	17,597,639	17,984,311	17,178,307	16,969,084	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 NWA. No activity at MSP International Airport since 2002.

Sources: DOT, Schedules T-3, T-100 and 298C T-1; Metropolitan Airports Commission and John F. Brown Company, Inc.

Bankruptcy status

NWA and Delta Air Lines both filed for bankruptcy protection on September 14, 2005. NWA and Delta emerged from bankruptcy on May 31, 2007 and April 30, 2007, respectively.
Mesaba Aviation filed for bankruptcy on October 13, 2005 and emerged from bankruptcy on April 24, 2007.
ATA filed for bankruptcy on October 26, 2004 and emerged from bankruptcy in 2006.
United filed for bankruptcy on December 9, 2002. Expected to emerge from bankruptcy in February 2006.
US Airways filed for bankruptcy on September 12, 2004. Emerged from bankruptcy on September 16, 2005 and merged with America West Airlines on September 27, 2005..

Enplaned Passenger Trends
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
1998-2007

Unaudited

	Originating		Connecting			
Year	Enplaned Passengers (1)	% of Total	Enplaned Passengers (1)	% of Total	Total	% Change from Previous Year
1998	7,152,712	50.5	7,019,230	49.5	14,171,942	(1.96)
1999	7,737,926	49.5	7,904,750	50.5	15,642,676	10.38
2000	8,388,905	49.6	8,532,690	50.4	16,921,595	8.18
2001	7,992,507	47.6	8,798,475	52.4	16,790,982	(0.77)
2002	7,503,690	46.0	8,808,680	54.0	16,312,370	(2.85)
2003	7,533,434	45.2	9,023,564	54.8	16,556,998	1.50
2004	7,954,133	46.0	9,643,506	54.0	17,597,639	6.29
2005	8,193,652	47.8	9,790,659	52.2	17,984,311	2.20
2006	10,066,488	49.9	7,111,819	50.1	17,178,307	(4.48)
2007	9,943,883	52.7	7,025,201	47.3	16,969,084	(1.22)

Average Annual Compound Growth

1998-2007	3.35%	0.01%	1.82%

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 MSP.

Air Carrier Market Share
Total Enplaned Cargo (in tons)
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
1998-2007

Unaudited

2007 Ranking	Air Carrier	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2007 % of Total [1]
1	Federal Express	50,408.9	49,393.4	50,119.8	49,222.6	71,564.1	87,380.5	84,255.1	77,531.7	74,311.2	72,391.0	51.3%
2	UPS	25,572.4	25,378.2	26,058.0	24,357.7	26,373.7	26,038.9	29,408.3	30,884.8	31,048.6	31,933.9	22.6%
3	Northwest	65,323.0	71,038.9	74,331.9	67,899.9	46,685.1	29,275.9	18,350.1	21,202.3	20,047.3	19,979.1	14.2%
4	DHL	2,649.1	1,731.6	2,430.7	2,014.3	2,446.2	6,117.7	4,507.1	4,161.6	7,654.9	5,668.8	4.0%
5	ATI/BAX Global	-	-	-	-	-	-	4,179.8	5,263.9	4,994.2	4,235.1	3.0%
6	Sun Country	-	-	3,014.0	1,692.6	134.1	465.6	415.4	2,199.6	2,372.9	2,402.8	1.7%
7	Kitty Hawk/AIA*	3,782.8	173.9	1,668.6	3,585.6	2,265.1	2,659.5	2,697.4	3,665.6	2,730.8	970.6	0.7%
8	American	2,906.9	3,233.6	3,198.2	1,518.3	1,150.6	997.6	1,543.9	934.9	985.1	946.3	0.7%
9	Airborne	7,026.0	6,651.1	6,428.9	7,619.4	7,427.9	7,168.2	6,810.0	4,915.5	114.8	857.1	0.6%
10	Continental	1,824.3	1,640.8	1,871.1	1,512.1	677.4	469.6	662.0	373.4	431.0	346.4	0.2%
11	Midwest	-	-	-	-	-	-	-	-	-	326.4	0.2%
12	Other	4,812.9	4,715.8	6,053.3	4,271.8	5,693.3	5,956.0	1,413.2	1,499.0	640.0	310.0	0.2%
13	America West									411.1	257.0	0.2%
14	US Airways	1,432.0	1,139.0	1,433.8	1,643.3	1,288.5	781.1	418.7	108.1	108.1	242.5	0.2%
15	United	5,803.1	3,285.4	2,940.0	1,652.8	946.9	1,198.0	1,282.2	1,209.1	571.5	173.8	0.1%
16	Delta	2,261.6	1,420.7	820.4	956.4	1,296.9	1,186.8	1,187.3	471.4	332.6	141.5	0.1%
	Emery Worldwide [3]	26,701.2	29,792.5	26,133.6	17,662.6	4,913.2	4,886.9	4,358.2	4,196.5	1,757.2	-	0.0%
	KLM Royal Dutch	2,582.5	2,707.3	2,455.9	1,029.9	-	-	480.0	-	-	-	0.0%
	Trans World [2]	1,430.3	1,406.7	1,365.3	616.2	-	-	-	-	-	-	0.0%
		204,517.1	203,708.9	210,323.6	187,255.5	172,863.2	174,582.4	161,968.7	158,617.5	148,511.3	141,182.3	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.

[3] New name: UPS Supply Chain Solutions.

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)
1998-2007

Unaudited

(Freight and mail in thousands of tons)

Type of Carrier	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	AAG 1998-07
Passenger	85.7	89.3	93.3	79.8	53.3	35.8	25.4	28.0	25.9	25.1	-11.5%
All Cargo	118.9	114.4	117.0	107.4	119.6	138.8	136.6	130.6	122.6	116.1	-0.2%
Total	204.52	203.71	210.32	187.26	172.86	174.58	161.97	158.62	148.51	141.18	-3.6%

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

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Trends in Enplaned Cargo by Type of Carrier
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
1998-2007

Unaudited

(Freight and mail in tons)

	Passenger Carriers		All Cargo Carriers		
Year	Tons	% of Total	Tons	% of Total	Total Cargo
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
2005	27,992	17.6	130,625	82.4	158,618
2006	25,900	17.4	122,611	82.6	148,511
2007	25,124	17.8	116,058	82.2	141,182
Average Annual Compound Growth					
1998-2007	-11.5%		-0.2%		-3.6%

Source: Metropolitan Airports Commission.

Trends in Enplaned Cargo by Freight & Mail
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
1998-2007

Unaudited

(Freight and mail in tons)

	Freight/Express		Mail		
Year	Tons	% of Total	Tons	% of Total	Total Cargo
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
2005	153,548	96.8	5,070	3.2	158,618
2006	143,753	96.8	4,758	3.2	148,511
2007	136,511	96.7	4,671	3.3	141,182
Average Annual Compound Growth					
1998-2007	0.5%		-24.2%		-3.6%

Source: Metropolitan Airports Commission.

Rate Covenant for Senior Debt 1998-2007
(Dollars in Thousands)-Unaudited

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues per Master Trust Indenture	$ 162,138	$ 179,620	$ 206,304	$ 213,575	$ 211,452	$ 207,057	$ 239,397	$ 273,303	$ 275,650	$ 294,220
Expenses:										
Operating Expenses	(100,609)	(113,792)	(132,050)	(157,980)	(157,196)	(176,240)	(185,069)	(206,791)	(223,063)	(239,971)
Add: Depreciation	36,756	42,875	51,028	65,647	72,871	79,399	83,273	93,566	111,429	115,329
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)	(113,225)	(111,634)	(124,642)
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	160,078	164,016	169,578
Annual Debt Service-Senior Airport Revenue Bonds	(1,305)	(8,162)	(26,314)	(46,738)	(59,965)	(56,364)	(54,851)	(50,384)	(48,212)	(46,685)
Annual Debt Service-General Obligation Revenue Bonds	(37,650)	(38,082)	(37,766)	(39,673)	(33,867)	(33,901)	(33,211)	(31,899)	(32,165)	(32,276)
Principal and Interest on other Indebtedness-1	-	-	(656)	(2,182)	(4,944)	(16,062)	(15,638)	(20,201)	(25,523)	(32,085)
Must not be Less than Zero	**58,993**	**62,115**	**59,886**	**32,649**	**28,351**	**16,889**	**33,901**	**57,594**	**58,116**	**58,532**
Requirement Section										
Net Revenues	97,948	108,359	124,622	121,242	127,127	123,216	137,601	160,078	164,016	169,578
Transfer-Coverage-2	-	-	-	4,083	6,350	14,091	13,713	12,596	12,053	11,671
Total Available	97,948	108,359	124,622	125,325	133,477	137,307	151,314	172,674	176,069	181,249
Senior Debt Service times 125%-3	(1,631)	(10,203)	(32,893)	(58,423)	(74,956)	(70,455)	(68,564)	(62,980)	(60,265)	(58,356)
Must not be Less than Zero	**96,317**	**98,157**	**91,730**	**66,903**	**58,521**	**66,852**	**82,750**	**109,694**	**115,804**	**122,893**
<u>Pro Forma Coverage on Senior Lien Debt</u>										
Net Revenues	97,948	108,359	124,622	121,242	127,127	123,216	137,601	160,078	164,016	169,578
Transfer-Coverage-2	-	-	-	4,083	6,350	14,091	13,713	12,596	12,053	11,671
Total Available	97,948	108,359	124,622	125,325	133,477	137,307	151,314	172,674	176,069	181,249
Annual Debt Service-Senior Airport Revenue Bonds	(1,305)	(8,162)	(26,314)	(46,738)	(59,965)	(56,364)	(54,851)	(50,384)	(48,212)	(46,685)
Annual Debt Service-General Obligation Revenue Bonds	(37,650)	(38,082)	(37,766)	(39,673)	(33,867)	(33,901)	(33,211)	(31,899)	(32,165)	(32,276)
Total Debt Service-Senior Lien Debt	(38,955)	(46,244)	(64,080)	(86,411)	(93,832)	(90,265)	(88,062)	(82,283)	(80,377)	(78,961)
Coverage with Transfer	**251%**	**234%**	**194%**	**145%**	**142%**	**152%**	**172%**	**210%**	**219%**	**230%**
Coverage without Transfer	**251%**	**234%**	**194%**	**140%**	**135%**	**137%**	**156%**	**195%**	**204%**	**215%**

Source: Metropolitan Airports Commission
1. Excludes General Obligation Revenue Bonds and Senior Airport Revenue Bonds.
2. Transfer is limited to no more than 25% of Aggregate Annual Debt Service on Outstanding Senior Airport Revenue Bonds.
3. Using Annual Debt Service on Senior Airport Revenue Bonds.

Rate Covenant for Subordinate Lien Debt 1998-2007
(Dollars in Thousands)-Unaudited

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues per Master Trust Indenture	$ 162,138	$ 179,620	$ 206,304	$ 2,213,575	$ 211,452	$ 207,057	$ 239,397	$ 273,303	$ 275,650	$ 294,220
Expenses:										
Operating Expenses	(100,609)	(113,792)	(132,050)	(157,980)	(157,196)	(176,240)	(185,069)	(206,791)	(223,063)	(239,971)
Add: Depreciation	36,756	42,875	51,028	65,647	72,871	79,399	83,273	93,566	111,429	115,329
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)	(113,225)	(111,634)	(124,642)
Annual Debt Service-Senior Airport Revenue Bonds	(1,305)	(8,162)	(26,314)	(46,738)	(59,965)	(56,364)	(54,851)	(50,384)	(48,212)	(46,685)
Annual Debt Service-General Obligation Revenue Bonds	(37,650)	(38,082)	(37,766)	(39,673)	(33,867)	(33,901)	(33,211)	(31,899)	(32,165)	(32,276)
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	77,795	83,639	90,617
Principal and Interest on Subordinate Bonds	-	-	(656)	(2,182)	(4,944)	(16,062)	(15,638)	(20,201)	(25,523)	(32,085)
Must not be Less than Zero	**58,993**	**62,115**	**59,886**	**32,649**	**28,351**	**16,889**	**33,901**	**57,594**	**58,116**	**58,532**
Requirement Section										
Subordinate Revenues	58,993	62,115	60,542	34,831	33,295	32,951	49,539	77,795	83,639	90,617
Transfer-1	-	-	66	218	494	1,606	1,564	2,020	2,552	3,209
Total Available	58,993	62,115	60,608	35,049	33,789	34,557	51,103	79,815	86,191	93,826
Outstanding Subordinate Debt Service Times 110%-2	-	-	(722)	(2,400)	(5,439)	(17,668)	(17,202)	(22,221)	(28,075)	(35,294)
Must not be Less than Zero	**58,993**	**62,115**	**59,886**	**32,649**	**28,351**	**16,889**	**33,901**	**57,594**	**58,116**	**58,532**
Pro Forma Coverage on Subordinate Lien Debt										
Subordinate Revenues	58,993	62,115	60,542	34,831	33,295	32,951	49,539	77,795	83,639	90,617
Principal and Interest on Subordinate Bonds-2	-	-	656	2,182	4,944	16,062	15,638	20,201	25,523	32,085
Coverage without Transfer	**0%**	**0%**	**9229%**	**1596%**	**673%**	**205%**	**317%**	**385%**	**328%**	**282%**
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	160,078	164,016	169,578
Total Debt Service-Senior and Subordinate Debt	38,955	46,244	64,736	88,593	98,777	106,327	103,700	102,484	105,900	111,046
Coverage without Transfer	**251%**	**234%**	**193%**	**137%**	**129%**	**116%**	**133%**	**156%**	**155%**	**153%**

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.

Operating Ratio (in thousands of dollars) -1 Unaudited

Year		Operating Expenses-2		Operating Revenues	Operating Ratio
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%
2005		113,225		228,476	50%
2006		111,634		224,127	50%
2007		124,642		238,251	52%

1. Operating ratio is operating expenses, net of depreciation divided by total operating revenues.
2. Operating expenses exclude depreciation.
Source: Metropolitan Airports Commission

General Airport Revenue Bonded Debt per Enplaned Passenger

Unaudited

Year		General Airport Revenue Bonds Outstanding	Enplaned Passengers		Debt per Enplaned Passenger
1998	$	346,925,000	13,945,117	$	24.88
1999		614,435,000	15,424,708		39.83
2000		818,505,000	16,693,320		49.03
2001		1,264,535,000	16,019,140		78.94
2002		1,255,585,000	15,764,772		79.64
2003		1,339,695,000	16,102,194		83.20
2004		1,430,105,000	17,597,639		81.27
2005		1,665,105,000	17,984,311		92.59
2006		1,641,200,000	17,178,307		95.54
2007		1,613,950,000	16,969,084		95.11

Source: Metropolitan Airports Commission

Population

Unaudited Year	Minnesota	MSA	% of Total
1998	4,813,412	2,884,659	60%
1999	4,873,481	2,932,268	60%
2000	4,934,275	2,981,482	60%
2001	4,985,851	3,024,408	61%
2002	5,024,570	3,055,226	61%
2003	5,059,023	3,081,984	61%
2004	5,094,304	3,111,725	61%
2005	5,126,739	3,141,050	61%
2006	5,167,101	N/A	
2007	N/A	N/A	

MSA is defined as Metropolitan Statistical Area

Civilian Unemployment Rate

Unaudited Year	United States	Minnesota	MSA
1998	4.5%	2.7%	2.1%
1999	4.2%	2.8%	2.2%
2000	4.0%	3.1%	2.7%
2001	4.7%	3.8%	3.5%
2002	5.8%	4.5%	4.4%
2003	6.0%	4.9%	4.6%
2004	5.6%	4.6%	4.3%
2005	5.1%	4.2%	3.8%
2006	4.6%	4.0%	3.7%
2007	4.6%	4.6%	4.3%

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

Personal Income-(in millions)

Unaudited Year	Minnesota	MSA	% of Total
1998	$ 139,553	$ 95,327	68%
1999	146,722	101,063	69%
2000	157,964	109,818	70%
2001	162,578	113,012	70%
2002	166,968	115,607	69%
2003	173,498	119,628	69%
2004	184,225	127,315	69%
2005	191,175	132,210	69%
2006	N/A	N/A	
2007	N/A	N/A	

MSA is defined as Metropolitan Statistical Area

Per Capita Personal Income

Unaudited Year	Minnesota	MSA
1998	$ 28,993	$ 33,046
1999	30,106	34,466
2000	32,014	36,833
2001	32,608	37,367
2002	33,230	37,839
2003	34,295	38,815
2004	36,163	40,915
2005	37,290	42,091
2006	N/A	N/A
2007	N/A	N/A

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

Minnesota's Largest 10 Employers ranked by in-state employees
2007 and 1998

Unaudited

Company	2007 Employees	Rank	% of Total Employment	1998 Employees	Rank	% of Total Employment
State of Minnesota	55,422	1	2.03%	52,676	1	2.11%
Mayo Foundation	35,931	2	1.32%	17,998	8	0.72%
United States Federal Government	33,624	3	1.23%	33,383	2	1.34%
Target Corporation	25,125	4	0.92%			
Allina Health System	22,690	5	0.83%	21,200	5	0.85%
Wells Fargo & Co.	21,078	6	0.77%			
Fairview Health Services	19,000	7	0.70%			
University of Minnesota	18,899	8	0.69%	30,728	3	1.23%
Wal-Mart Stores, Inc.	18,407	9	0.68%			
3M Co.	16,614	10	0.61%	20,370	6	0.82%
Dayton Hudson Corporation	-			28,265	4	1.13%
Northwest Airlines	-			19,045	7	0.76%
Norwest Corp	-			12,296	9	0.49%
Hennepin County	-			10,384	10	0.42%
Total	**266,790**			**246,345**		
Total Nonfarm employment	**2,726,914**			**2,493,169**		

Sources:
Minnesota Business Journal Book of Lists--3-2-2007
Minnesota Department of Employment and Economic Development

2007 Employment Share by Industry

Unaudited

Industry Sector	**Minnesota**	**MSA**
Education and Health Services	21.7%	19.3%
Trade, Transportation and Utilities	20.5%	20.5%
Manufacturing	12.9%	11.7%
Professional and Business Services	12.0%	15.2%
Leisure and Hospitality	9.2%	9.2%
Financial Activities	6.7%	8.1%
Public Administration	6.4%	5.3%
Construction	5.0%	4.9%
Other Services	3.2%	3.2%
Information	2.2%	2.4%
Natural Resources and Mining	0.3%	0.1%
	100.0%	100.0%

Minnesota Department of Employment and Economic Development
Prior years information not available

Activity Statistics for Minneapolis-St. Paul International Airport--Unaudited

Year	Total Passengers-1	Aircraft Operations-2	Mail and Cargo Volumes (Metric Tons)
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	300,969
2005	36,678,868	532,240	283,450
2006	34,580,769	475,668	275,451
2007	34,108,743	452,972	257,691

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

Historical Aircraft Operations-[2]
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
1998-2007

Unaudited

Year	Air Carrier Operations	Commuter Operations	Cargo Operations	Total Commercial Operations [1]	Percent Commercial Operations [1]	General Aviation Operations	Military Operations	Total Operations
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
2005	329,956	146,400	17,182	493,538	92.73%	36,472	2,230	532,240
2006	283,844	135,286	16,355	435,485	91.68%	37,473	2,040	474,998
2007	263,816	141,013	15,292	420,121	92.75%	30,562	2,289	452,972

[1] Commercial Operations equal Air Carrier, Commuter, and Cargo Operations.
Source: Metropolitan Airports Commission
[2] Aircraft operations represent the total number of takeoffs and landings at the airport.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section

Trends in Aircraft Landed Weight of Signatory Airlines
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
1998-2007

Unaudited

Type of Air Carrier

(In thousands of pounds)

Year	Passengers	All Cargo	Total Landed Weight
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	25,532,738	1,030,214	26,562,952
2005	24,663,179	1,217,140	25,880,319
2006	22,266,525	1,174,305	23,440,830
2007[2]	21,846,071	1,152,231	22,998,302

[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] In 2007, NWA's activity represented approximately 66% of the total landed weight at the Airport.

Source: Metropolitan Airports Commission

Employee Counts-1998-2007-[1] **Unaudited**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mpls Employees Retirement Fund	64	52	45	40	30	23	21	13	8	6
Public Employee Retirement Association	380	419	449	505	513	509	521	552	566	558
	444	471	494	545	543	532	542	565	574	564

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

Airline Cost per Enplaned Passenger-Unaudited
1998-2007 (Dollars and passengers in thousands)

	1998	1999	2000	2001	2002	2003-2	2004	2005	2006	2007
Total Cost-1	$ 53,001	$ 60,559	$ 72,455	$ 77,209	$ 76,983	$ 66,741	$ 80,053	$ 92,818	$ 82,242	$ 88,454
Enplaned Passengers	14,620	16,457	17,527	16,027	15,765	16,102	17,598	17,984	17,178	16,969
Airline Cost per Enplaned Passenger	$ 3.63	$ 3.68	$ 4.13	$ 4.82	$ 4.88	$ 4.14	$ 4.55	$ 5.16	$ 4.79	$ 5.21

1. Cost is defined as airline payments made to the Commission for expenses incurred in the airfield, Lindbergh and HHH Terminals.
2. Includes a one-time airline rent rebate of $13 million
3. In 2006 and beyond, the figures represent an amended airline use agreement.

Schedule of Airline Rates and Charges-Unaudited

Year	Landing Fee Per 1000 Lbs	Ramp Fees Per Lineal Foot	Common Use/ Square Foot	Finished per Square Foot	Finished Janitored per Square Foot	Unfinished per Square Foot
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
2005	1.71	498.26	48.20	48.20	53.85	48.20
2006	1.65	429.73	47.39	47.39	53.29	47.39
2007	1.94	458.87	50.24	50.24	56.42	50.24

In 1999 and 2006, the schedule of airline rates and charges reflects a new/amended airline agreement calculation.

Source: Metropolitan Airports Commission

Operations at the Reliever Airports-(Unaudited)

Year	St. Paul Downtown Airport	Flying Cloud Airport	Crystal Airport	Anoka County Blaine Airport	Lake Elmo Airport	Airlake Airport
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
2004	127,478	163,196	75,023	109,853	49,855	53,309
2005	129,814	157,710	72,205	101,267	48,329	51,678
2006	125,669	144,178	65,528	92,947	44,903	48,014
2007	117,535	117,492	53,038	80,508	38,617	41,292

Source: Metropolitan Airports Commission

AIR CARRIERS SERVING THE AIRPORT[a]
MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT
(As of December 31, 2007) (Unaudited)

U.S. – FLAG CARRIERS

SCHEDULED SERVICES

AirTran*	Continental*	Northwest*[9]
Republic Airlines* [5]	Delta* [4]	Pinnacle* [6]
American*	Frontier*	Midwest Airlines*
Air Wisconsin[1]	Mesa* [5]	Sky West *[1]
Comair*[2,3]	Mesaba* [6]	United* [7]
Atlantic Southeast*[3]	Chautauqua*	US Airways* [5]
	Sun Country*	PSA* [5]
		Shuttle America[1]

NON-SCHEDULED (CHARTER) SERVICES

Champion Air*	Ryan International*	Omni Air International*
ATA*		

ALL-CARGO SERVICES

ATI*[11]	Bemidji *	FedEx*
DHL Airways*[10]	Mountain Air Cargo	UPS*
Kitty Hawk[12]	A Star Air Cargo*[10]	

FOREIGN-FLAG CARRIERS

Jazz Air, LP. dba Air Canada* [8]	Icelandair*	KLM*

*Denotes those Air Carriers that are Signatory Airlines to the Airline Lease Agreements.
[a] Excludes carriers reporting fewer than 1,000 enplaned passengers.
[1] Flies for United Airlines.
[2] Filed for bankruptcy on 9/14/05 along with its parent company Delta Air Lines. Both carriers exited bankruptcy on April 30, 2007.
[3] Codeshare with Delta Air Lines.
[4] Filed for bankruptcy protection on 9/14/05. DAL emerged from bankruptcy on April 30, 2007 along with Comair.
[5] Codeshare with US Airways.
[6] Wholly owned by Northwest Airlines after Mesaba emerged from bankruptcy protection on April 30, 2007. It had filed for bankruptcy on October 13, 2005.
[7] United filed for bankruptcy on December 9, 2002. Emerged from bankruptcy on February 1, 2006.
[8] Air Canada filed for bankruptcy protection on April 1, 2003. Emerged from bankruptcy on September 30, 2004 after 18 months in protection.
[9] Filed for bankruptcy on 9/14/05 and emerged from bankruptcy on May 31, 2007.
[10] ABX Air provides air service to DHL.
[11] Provides air service to BAX Global.
[12] Filed for Chapter 11 bankruptcy reorganization on October 15, 2007.

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

INSURANCE COVERAGE (Unaudited)

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Year ended December 31, 2007

Insurer	Expiration	Coverage	Policy Limits (Thousands of Dollars)
ACE/INA[1]	1-1-09	General aviation liability including personal injury	$500,000
Driver Alliant	7-1-08	Blanket fire & extended coverage on building and contents. Boiler, machinery	$1,000,000
Self-Insured[2]	Continuous	Statutory workers' compensation	
		Workers' Compensation Reinsurance Association	$410
Great American	6-1-08	Comprehensive Crime Employee/Police Policies	$1,000
Minnesota Risk Management Fund	7-1-08	Auto Liability (licensed vehicles), physical damage (all vehicles) hired automobiles, valet parking, inland marine and garage keepers	MN Tort Cap Limits/ value
Minnesota Risk Management Fund	7-1-08	Non-Aviation General Liability	MN Total Cap Limits

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

Airport Information
As of December 31, 2007

Airport Code: **MSP**

Runways-1

Minneapolis-St. Paul:		
Runway 4-22	11,000	Ft
Runway 12R-30L	10,000	Ft
Runway 12L-30R	8,200	Ft
Runway 17-35	8,000	Ft
Airlake		
Runway 12-30	4,100	Ft
Anoka County/Blaine		
Runway 9-27	5,000	Ft
Runway 18-36	4,900	Ft
Crystal		
Runway 14L-32R	3,300	Ft
Runway 14R-32L	3,300	Ft
Runway 6L-24R	2,500	Ft
Runway 6R-24L	2,100	Ft
Flying Cloud		
Runway 10R-28L	3,900	Ft
Runway 10L-28R	3,600	Ft
Runway 18-36	2,700	Ft
Lake Elmo		
Runway 14-32	2,900	Ft
Runway 4-22	2,500	Ft
St. Paul Downtown		
Runway 14-32	6,500	Ft
Runway 13-31	4,100	Ft
Runway 9-27	3,700	Ft

1. Amounts rounded to the nearest hundred.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section

Airport Information
As of December 31, 2007

Terminal Buildings-Sq Ft

	Lindbergh	Humphrey
Airline	662,296	121,856
Concession	189,103	15,673
Garage	153,884	-
Non-Airline	182,141	21,869
Unoccupied	43,489	18,618
Circulation	912,853	96,601
Restrooms	53,534	10,576
MAC/Mechanical	397,094	63,150
International Arrivals	118,474	40,037
Trans Security Agency	48,034	9,740
	2,760,902	398,120

Parking Facilities

Lindbergh Terminal	12,773
Humphrey Terminal	4,423
	17,196

Gates (Aircraft loading positions)

Lindbergh Terminal	117
Humphrey Terminal	10

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