MInneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2008

2008

MInneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2008

2008

Prepared by
The Finance Department

Bob Schauer
Director of Finance

Stephen L. Busch
Deputy Executive Director

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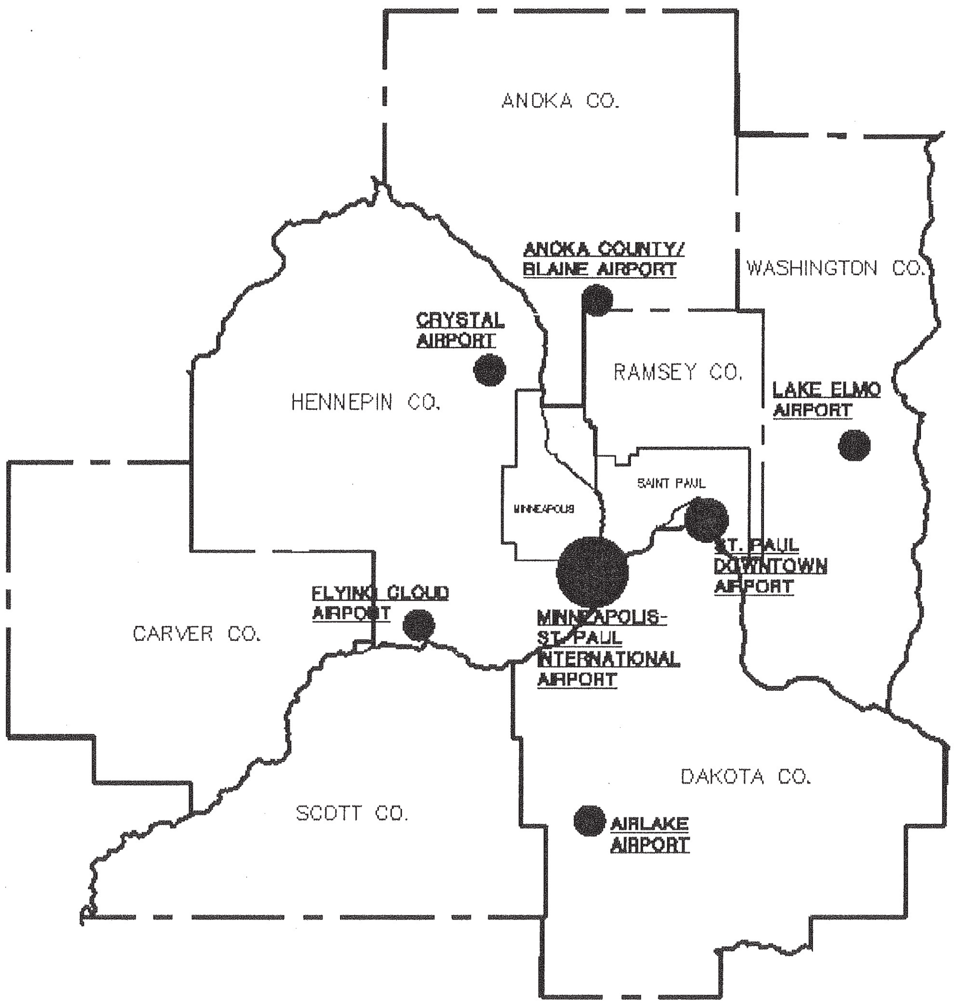
AIRPORT LOCATIONS



Commission Jurisdiction 35 Mile Radius

The Metropolitan Airports Commission was created as a public corporation by the Minnesota State Legislature in 1943 (Laws of Minnesota, 1943, Chapter 500). State Law currently grants the Metropolitan Airports Commission authority to exercise its powers within a thirty-five mile radius of the city halls of either Saint Paul or Minneapolis.

MINNEAPOLIS-ST. PAUL, MINNESOTA

METROPOLITAN AIRPORTS COMMISSION-2008

***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	(term expired December 31, 2008)
	John McDonald, Jr.	(appointed effective January 1, 2009)
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	(term expired December 31, 2008)
	Donald Monaco	(appointed effective January 1, 2009)
	Paul Rehkamp	

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

Executive Director: Jeffrey Hamiel

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

ORGANIZATION CHART

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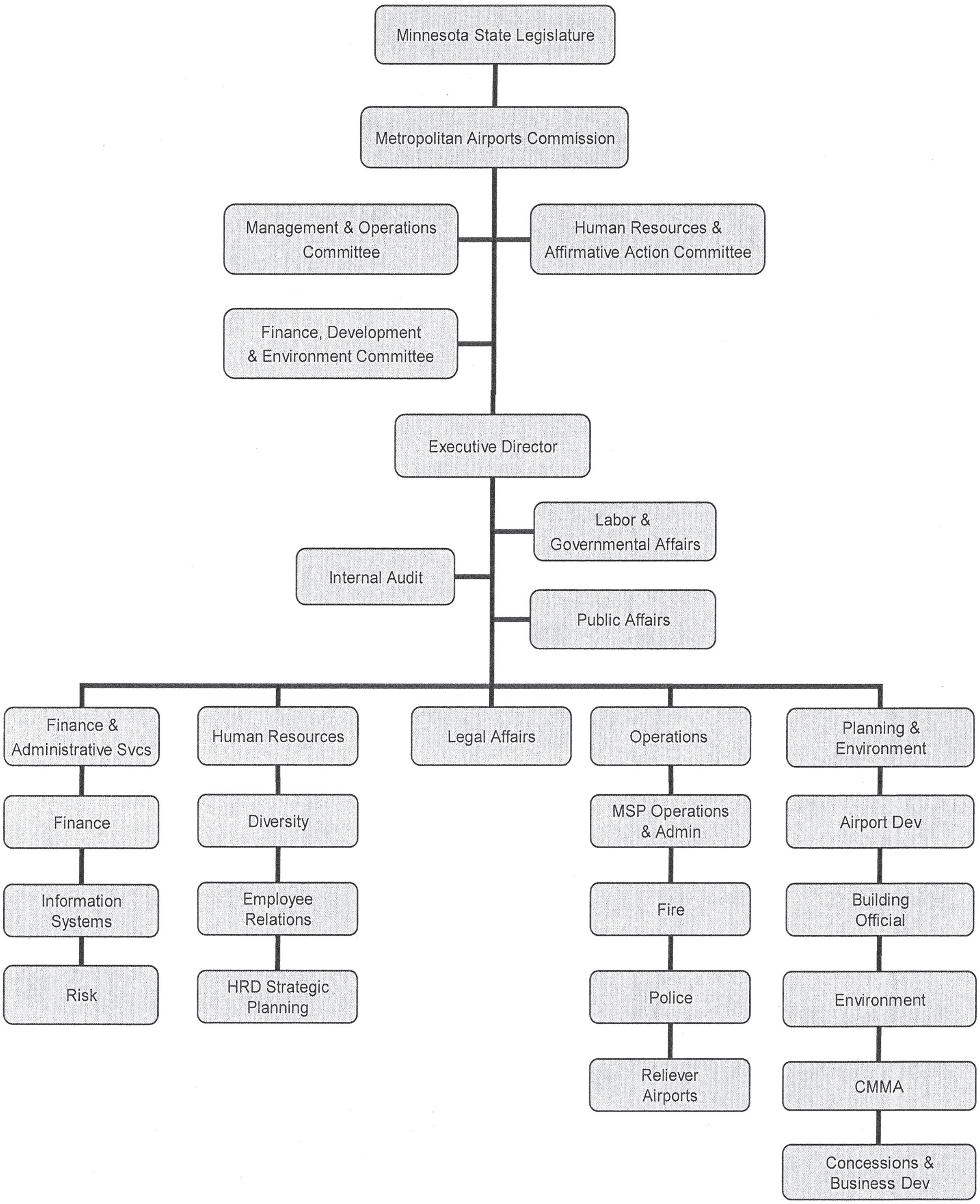

LETTER OF TRANSMITTAL

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 18, 2009

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Metropolitan Airports Commission, Minneapolis-St. Paul, Minnesota, for the fiscal year ended December 31, 2008.

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

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

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

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

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

For the years ended December 31, 2008 and 2007, the annual financial statements of the MAC have been audited by a firm of independent certified public accountants: Deloitte & Touche, LLP (the auditors). Their opinion on the financial statements is presented in this report.

Also, as part of the annual audit, Deloitte & Touche 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 Federal Aviation Administration (FAA) in progress during the year. Finally, the auditors perform procedures to help ensure MAC's compliance with FAA regulations to implement the Aviation Safety and Capacity Expansion Act of 1990 in relation to Passenger Facility Charge (PFC) revenues and expenses. The resulting reports are intended for the use of MAC and the FAA, and have not been included in this report.

LETTER OF TRANSMITTAL

Introductory Section

THE COMMISSION:

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

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

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

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

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

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

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

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

and, most important the MAC *may*

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

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

Governance:
The MAC's governing board consists of fifteen Commissioners. The mayors of St. Paul and Minneapolis have permanent seats on the Commission but can appoint delegates to fill the positions. The Governor appoints the Chairperson and twelve Commissioners: eight from designated districts within the Metropolitan Area; and, four Commissioners to represent the Greater Minnesota Area (i.e., outside the Metropolitan Area). The Chairperson may be from anywhere in the state. Only the Chairperson can be removed before his or her term expires.

Mr. Jack Lanners was appointed to Chair the Commission in 2006. He has served on the Commission since 2003 and brings significant business experience to his role at the MAC: he is the president and chief executive officer of FTL Corporation; president of R.P. Royalties, Inc.; and is an officer and partner with LannCo LLC, a commercial real estate development firm. Mr. Lanners also serves on the boards of various charitable and professional organizations.

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

The Commission owns and operates seven airports in the Metropolitan Area. Minneapolis-St. Paul International Airport (MSP) serves as the primary air carrier facility. MSP is one of the highest activity airports in the United States: it is the 12th largest among US airports based on the number of operations (takeoffs or landings), and 14th largest based on passenger volume.

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

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.

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

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

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

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

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

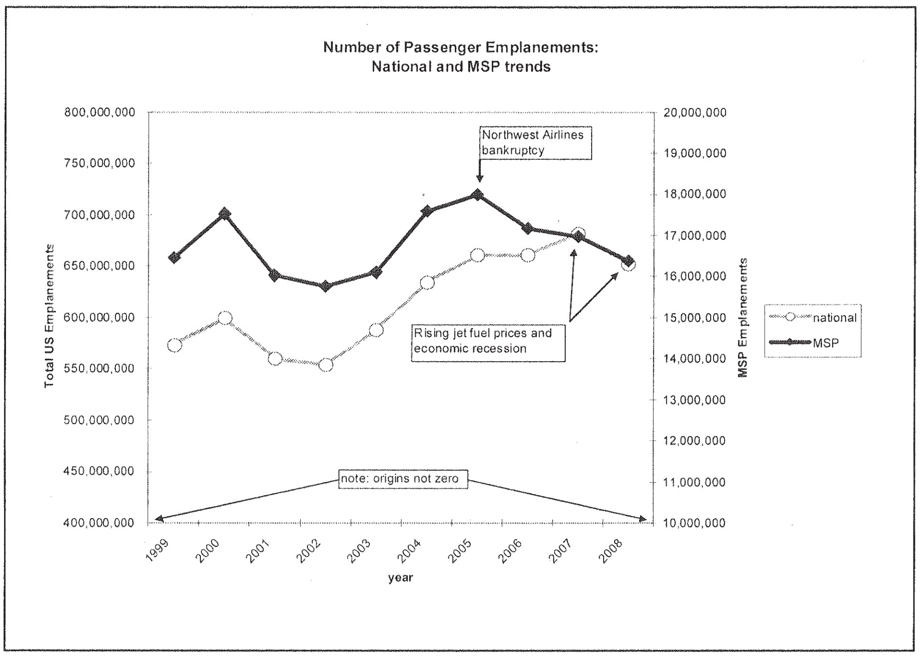
Because it is a public entity and has the authority to levy taxes (even though it does not exercise this authority), the MAC is required by State Statute (Ch. 275) to publicly adopt its budget. However, MAC's budget is <u>not</u> legally appropriated. Lacking appropriating legislation, there is no requirement—indeed, no possibility—for the MAC to demonstrate legal budgetary compliance. Therefore, budgetary data are not included in the MAC's basic financial statements.

FACTORS AFFECTING THE MAC's FINANCIAL CONDITION:

The Economy and the Airline Industry

2008 was not a good year. As Minnesota's official economic forecast puts it: "...accelerating job losses, rising unemployment, plunging retail sales, soaring foreclosures and plummeting home prices along with the lowest factory output in almost 30 years, and the worst stock market performance since 1931 are all signs of an economy in free fall." During the fourth quarter of 2008, GDP dropped by 6.2 percent, the largest quarterly drop since 1982. The State's forecast reports that there is a widely held opinion among forecasting economists that GDP will continue to contract during the first quarter of 2009 at about a 6 percent annual rate.

The airline industry is highly sensitive to the general level of economic output. On average, airline demand is highly elastic primarily due to its vulnerability to substitutes like bus, train, or automobile travel—or the choice not to travel at all. In addition, external events can significantly affect the supply and demand for airline services; events such as the 9/11 terror attacks and the painfully large increase in petroleum (and therefore jet fuel) prices between 2005 and mid-2008. The accompanying chart of enplanements gives one indication of the volatility of the industry and its susceptibility to outside shocks. The current economic decline has, and is likely to continue to have an adverse impact on airline business. Obviously, the economic well-being of airports is inextricably tied to the economic well-being of the airlines.



Fortunately for MSP and its stakeholders, Minnesota and the metropolitan Twin Cities area have a resilient economy that can flex without breaking. Sources of local economic strength include:

- <u>Size:</u> Minnesota is the 21st most populous State in the US; The Twin Cities metropolitan area is the 16th most populous metropolitan area in the nation and 65th largest in the world.
- <u>Education:</u> more than 91 percent of workers in the Metropolitan area are high school graduates; the Twin Cities rank fifth nationally for the percentage of workers with bachelor's degrees or higher; the Metropolitan area is home to two public universities, eleven private colleges, and ten community and technical colleges. The high level of average education supplies Minnesota employers with a highly productive workforce.
- <u>Economic Diversity:</u> the May 5, 2008 edition of *Fortune* magazine reported that Minnesota is headquarters to 33 Fortune 1000 companies.

Combined, these factors help support economic activity and demand for air travel in the region.

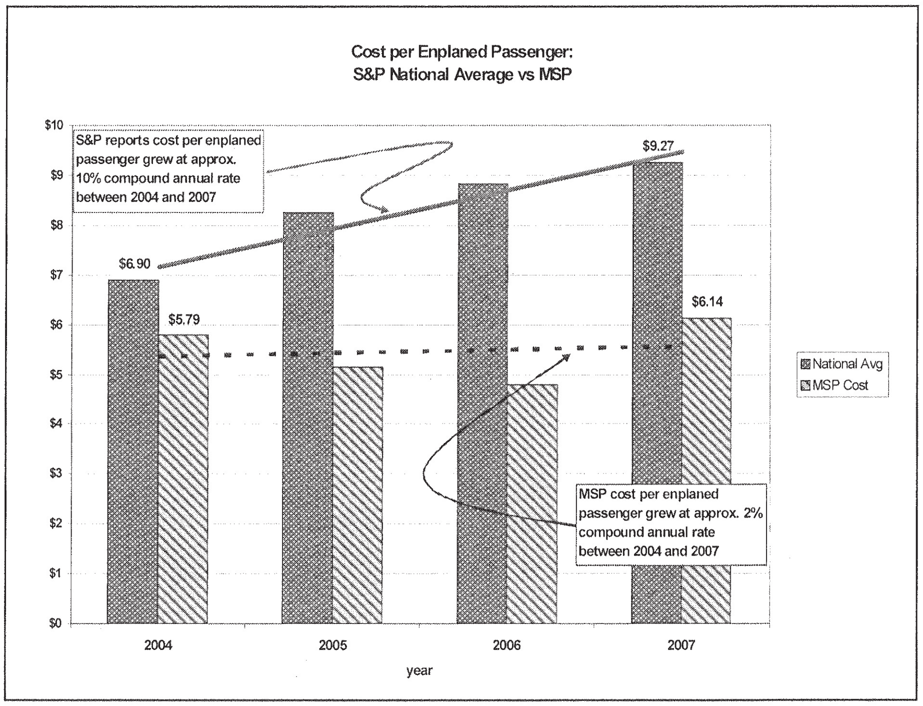
Financial Management

The MAC makes its tactical business decisions within the framework of a long-term, strategic plan. In 2005, the Commission adopted its current five-year plan. The customer-centric plan defines five strategies to guide MAC management towards accomplishing its mission to "...*Provide and Promote Safe, Convenient, Environmentally Sound and Cost-Competitive Aviation Services for Our Customers*." The five policies are:

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

As a self-supporting corporation, the MAC must compete for business with other airports. While Minnesota's large, productive, and diverse economy creates demand for air travel, the willingness of airlines to supply that demand depends upon their ability to generate a profit. Recognizing this fact, the governing board, management, and employees of the MAC strive to create an airport in which our tenants and airlines experience the lowest practical life-cycle operating costs on a *consistent* and *predictable* basis.

An important tangible result of the Commission's policies and management is that the cost to airlines of enplaning passengers at MSP is significantly lower than the national average. Furthermore, the per-passenger cost of enplanement has been growing more slowly at MSP than the national average rate of growth. This makes MSP a profitable venue for client airlines.



Long before the current economic slump, the Commission foresaw the need to build operating reserves to protect its client airlines and tenants from volatile rate changes forced by external economic events. In June 2008, the Commission directed MAC's management to find cost savings in order to increase the reserve to an amount equivalent to six-months of operating expenses. The target was met and the reserve stands at more than $65 million as of December 31, 2008.

In its lease agreements with participating airlines, MAC assumes some of the risk of loss from downturns in airport-related concessions under the so-called "hybrid" airport revenue model. Although certain rates and charges are calculated on a residual (cost-recovery) basis, such as aircraft landing and ramp fees, the MAC is responsible for the overall profitability of the airport system and for any losses incurred in other cost centers. The MAC carries most of the risk of operating its airports and uses airport revenues to cover operating expenses and debt service. By assuming that risk, MAC provides an additional layer of protection to the airlines from unpredictable changes in non-operating revenue caused by situations like the current recession.

In light of the currently distressed economic conditions, MAC's senior management has taken additional steps to ensure the Commission has positive net earnings for 2009 such as: limiting hiring and freezing wages and salaries; limiting travel; and reviewing existing processes to increase efficiency where possible.

Because of the strategic importance of the MAC's investment in capital assets (runways, terminals, etc), it is important to note that operating cost containment has ***not*** come at the expense of capital maintenance or improvement.

While the current economic downturn has inevitably caused some adjustments to its capital improvement program, the MAC continues to build, repair, replace, and maintain the capital investments that our customers depend upon. The Commission-approved capital improvement plan includes the following (fully funded) projects for 2009 and 2010:

Capital Improvement Plan (CIP) Summary
(amounts in thousands)

Minneapolis/St. Paul International Airport (MSP)	2009	2010
Field and Runways	$35,000	$13,200
Environmental/Noise	18,000	44,400
Terminals and Landside	58,925	34,450
Subtotal: MSP	111,925	92,050
Reliever Airports	15,190	17,800
TOTAL ALL AIRPORTS	$127,115	$109,850

As of December 31, 2008, the MAC's investment in capital assets (net of accumulated depreciation) exceeded $2.4 Billion.

The MAC finances its capital assets through a combination of Commission revenues, entitlement and discretionary grants from the FAA, state grants, PFC's and airport revenue bonds. Long-term debt is the principal source of funding of the capital improvement program.

Under its Master Indenture, the MAC has covenanted to maintain a debt service coverage ratio of 1.25X the following years scheduled payments. Responding to the current economic slump, in July 2008, the board of Commissioners directed that the MAC increase its debt service coverage above the 1.25X contractual obligation to 1.4X annual debt service for its Senior Debt: General Obligation Revenue Bonds (GORBs) and Senior General Airport Revenue Bonds (GARBs)—(see Note E to the financial statements). The MAC exceeded the July requirement: as of December 31, 2008 projected debt coverage on Senior Debt obligations is approximately 2.26X.

The MAC's conservative financial practices have been rewarded with AA- debt rating on its senior debt (the highest given to any airport) by both the Standard and Poor's and Fitch rating agencies. Strong reserves and high bond ratings reduce borrowing costs to the MAC and ensure access to capital markets. Access to capital ensures that customers can depend on finding the high quality runways, terminals and other capital assets at MAC airports in good repair.

Current economic times are strained. As discussed above, the MAC has made financial and operational adjustments to meet the unusual demands of the past year. Nevertheless, the MAC board, management, and employees maintain a long-term focus, guided by our strategic plan, to provide the highest quality facilities at the lowest life-cycle cost for the benefit of our customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS:

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the MAC for its Comprehensive Annual Financial Report for the year ended December 31, 2007. For the twenty-third 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 twenty-first consecutive year the GFOA Award for Distinguished Budget Presentation for its Annual Operating Budget for 2008. In order to qualify for the Distinguished Budget Presentation, the Commission's budget document was judged to be proficient in several categories, including policy documentation, financial planning and organization.

ACKNOWLEDGEMENTS

We wish to convey our sincere appreciation to every member of the MAC Finance Department; without their dedicated effort, the timely preparation of this report would have been impossible.

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

Respectfully,

Jeffrey W. Hamiel
Executive Director

Stephen L. Busch
Deputy Executive Director-
-Finance & Administration

Robert C. Schauer
Director of Finance

Introductory Section

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, 2007

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.

President

Executive Director

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MInneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2008

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Financial Section

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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, 2008 and 2007, 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, 2008 and 2007, 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 18, 2009, 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 18, 2009

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, 2008 with selected comparative information for the years ended December 31, 2007 and 2006. 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 2007, MSP was the 14th busiest airport in the United States in terms of passenger volume, 12th in terms of takeoffs and landings and 23rd in cargo traffic. In March 2009, Southwest Airlines commenced 8 flights per day from MSP to Chicago-Midway. Southwest has announced they will also add service from MSP to Denver during 2009.

Passengers

In 2008, MSP carried approximately 32.9 million passengers, which represented a decrease of 3.4% over 2007 levels. The majority of the decrease was for passengers carried by major airlines and charter carriers. However, regional carrier passengers increased over 2007 levels. The top five carriers in 2008 by enplaned passengers serving MSP are shown below. The total enplaned passengers for 2008, including connecting, was 16,384,272. The figures may differ from the passenger statistics reported by the air carriers to the Department of Transportation.

Carrier	Enplaned Passengers	% of Total Enplaned Passengers
1. Northwest/Delta	10,274,202	62.7%
2. Mesaba [1]	1,303,619	8.0
3. Pinnacle [2]	865,941	5.3
4. Sun Country	640,902	3.9
5. Compass [1]	620,165	3.8
	13,704,829	83.7%

1 a wholly-owned subsidiary of Northwest/Delta

2 Operates as Northwest Airlink under a contractual agreement with Northwest Airlines

Operations

Aircraft operations represent the total number of takeoffs and landings at the airport. Aircraft operations at MSP decreased in 2008 to 450,044 from 453,042 the previous year, down .66%. Operations at the reliever airports decreased 5.3% from 2007 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 77% of 2008 total revenues from major carriers (see Note P). 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. 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.

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. Sun Country filed its second bankruptcy on October 6, 2008 and has neither assumed nor rejected the 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. Petters Aviation declared bankruptcy on October 6, 2008 and the Commission is currently in lease negotiations with a potential tenant.

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. Under Sun Country's second bankruptcy filing in 2008, Sun Country owes the Commission approximately $471,000 in pre-petition obligations.

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 and in February 2009, the Commission agreed to amend its airline lease agreements. The 2009 amendment was related to Northwest and Delta Airlines only.

2007 Amendments

The 2007 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) Certain deferred charges previously agreed to in the airline lease agreement are eliminated.

(d) $15 million in 2006 dollars (escalated by 3% per year) will be prorated annually among the cost centers 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 $34,433,115	25% up to $34,433,115 and 50% for amounts above $34,433,115
$26,651,019 to $34,433,115	25
$25,584,978 to $26,651,018	20
$24,518,937 to $25,584,977	15
$23,452,897 to $24,518,936	10
$22,386,856 to $23,452,895	5

[1] Selected Concession Revenues were $36,988,766 for fiscal year 2008, resulting in shared concession revenues of $9,886,104. The selected concession revenues thresholds are subject to change annually.

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

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.

2009 Amendments

In 2008, Delta Airlines acquired Northwest Airlines in an all-stock transaction. However, Delta and Northwest remain for the present, separate legal entities. Ultimately, Delta has indicated that it is its intention to merge the two airlines into a single entity that will be called Delta Airlines with world headquarters in Atlanta but continuing a hub at MSP. As a result of the merger an amendment to the Airline Lease Agreements discussed above was approved by the Commission in February 2009, the Northwest Airline and Delta Airline Lease Agreements are further amended to include the following terms:

(i) Northwest/Delta Airlines will covenant to maintain significant functions in the Minneapolis-St. Paul metropolitan area (the "Delta Minnesota Functions Covenant"). Northwest/Delta would agree to maintain several significant functions in the State of Minnesota- a) the "Delta North" headquarters, comprised of various corporate functions as determined by Delta; b) Delta's headquarters for its Delta Connection management (regional airline) function; c) Mesaba and Compass Airlines headquarters; d) Pilot and flight attendant bases; e) Reservations centers in Chisholm, Minnesota and the Twin Cities; f) Delta's primary or secondary technology/data center; g) Pilot training center. These provisions would be subject to an exception if a sufficient number of employees with the skills required for the job or function are not available in the area; or if, after three years, the function, entity or operation is "wholly" outsourced, sold or no longer exists at Delta. In the event of a breach of the Delta Minnesota Functions Covenant, Northwest/Delta may cure the breach by replacing the function with another function in the State of Minnesota with an equivalent or greater average monthly payroll.
(ii) Northwest/Delta Airlines will maintain not less than substantially 400 departing Delta and code-share airlines flights per day from MSP, calculated annually with not less than 250 of those flights being serviced by aircraft with out less than 70 passenger seats, calculated annually. 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/Delta Airlines breaches either of these covenants (subject to the force majeure exception set forth below), Northwest/Delta 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/Delta Airlines' credit from the Shared Concession Revenues will be eliminated permanently.
(iv) The rent payable by Delta/Northwest under the Building C Lease would be increased by $500,000 per year through 2014 and an additional $500,000 per year beginning in 2015.

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 2008.

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, 2008, the aggregate rentals earned by the Commission pursuant to the airline lease agreement were approximately $79,678,000. 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, 2008, the aggregate annual rentals under these leases were approximately $24,581,000.

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 took possession of the hangar on that date. In September 2007, the Commission was able to lease the hangar to Petters Aviation. Champion Airlines ceased operations on May 31, 2008. During 2008, the Commission entered into a lease with Mesaba Airlines to occupy the hangar formerly leased by Champion Airlines through April 30, 2009.

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, 2008, the aggregate lease rentals paid to the Commission under specific project leases was approximately $36,277,000.

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, 2008, the aggregate fees earned by the Commission under the existing concession agreements were approximately $24,601,000. 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, 2008, the aggregate fees earned by the Commission under the existing rental car agreements and parking lot management contract were approximately $89,416,000. Of this amount, parking revenue was approximately $62,748,000 and auto rental revenue for both on and off airport auto rentals was approximately $26,668,000.

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, 2008, revenues from these agreements were approximately $5,187,000.

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, 2008, the Commission earned $4,868,000.

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, 2008, the revenues from these agreements were approximately $13,223,000.

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, 2008 and 2007, the top ten operating revenue sources for the MAC are as follows:

Top Ten Operating Revenue Sources:

Source	2008 Revenue
1. Parking	$ 62,748,000
2. Landing Fees	48,082,000
3. Terminal Rent-Airlines	33,976,000
4. Auto Rental (Off and On-Airport)	17,725,000*
5. Other Building Rent	15,047,000
6. Food and Beverage	12,807,000
7. Merchandise	8,689,000
8. Ground Rent	7,511,000
9. Ramp Fees	5,693,000
10. Ground Transportation Fee	3,685,000

*Excludes Customer Facility Charge

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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

The top ten revenue providers for 2008 for the MAC are as follows:

Top Ten Operating Revenue Providers:

1. Northwest/Delta Airlines
2. HMS Host
3. Hertz
4. Minnesota Retail Partners
5. National/Alamo Car Rental
6. Sun Country Airlines
7. Avis
8. Budget Rent A Car
9. United Airlines
10. American Airlines

During 2008, MAC total revenues and capital contributions decreased by 5.0% to $370,372,000 from $389,989,000 in 2007. Changes in major categories are summarized below (dollars in thousands):

Operating Revenues	2008	% of Total	2007	% of Total	Dollar Change	Percent Change
Airline Rates & Charges	$81,581	22.0%	$77,187	19.8%	$ 4,394	5.7%
Concessions	109,942	29.7%	113,794	29.2%	(3,852)	(3.4)%
Utilities	2,528	0.7%	2,473	0.6%	55	2.2%
Other	47,503	12.8%	44,797	11.2%	2,706	6.0%
Total Operating Revenues	241,554		238,251		3,303	
Non Operating Revenues						
Investment Income	49,938	13.5%	62,271	16.0%	(12,333)	(19.8)%
Gain on Sale of Assets/Other	5,178	1.4%	-		5,178	-
Passenger Facility Charges (PFC)	54,682	14.8%	66,662	17.1%	(11,980)	(18.0)%
Total Non Operating Revenues	109,798		128,933		(19,135)	
Capital Contributions	19,020	5.1%	22,805	5.8%	(3,785)	(16.6)%
Total Revenues and Capital Contributions	$370,372	100.0%	$389,989	100.0%	($19,617)	(5.0)%

Airline rates and charges increased 5.7%. The increase is mainly attributed to an increase in terminal building rentals which was a result of increases in utilities, building maintenance and cleaning expenses.

Concessions decreased $3,852,000 or 3.4%. The decrease is primarily a result in public parking. Lower passenger counts as well as shorter length of stays attributed to this decrease.

Utilities which include water, sewer, steam and chilled water charges increased $55,000 or 2.2%. The main increase in this category was a slight increase in consumption and rates.

Other revenues increased by 6.0%. Increases in customer facility charges collected by the auto rental firms increased due to higher activity.

Investment income decreased due to lower cash balances along with lower interest rates earned on investments.

Gain on sale of assets and other income increased $5,178,000. During 2008, the Commission received $3.2 million from a bankruptcy claim against Mesaba airlines. In addition, the Commission sold a hangar at St. Paul downtown airport to 3M Corporation for a gain.

PFC revenue decreased from 2007 levels as a result of a decrease in passenger levels and an increase in deferred revenue. In 2008, the Commission changed its accounting policy on PFC revenue recognition from a basis of airline tickets sold to that of enplaned passengers.

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 2008 comes primarily from a decrease in grant eligible projects.

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.

Expenses

In 2008, MAC total expenses decreased by 2.0% to $331,054,000 from $337,905,000 in 2007. Changes in major categories are summarized below (dollars in thousands):

Operating Expenses	2008	% of Total	2007	% of Total	Dollar Change	Percent Change
Personnel	$59,811	18.1%	$56,278	16.7%	$3,533	6.3%
Administrative	1,298	0.4%	1,538	0.4%	(240)	(15.6)%
Professional services	4,161	1.3%	4,474	1.3%	(313)	(7.0)%
Utilities	18,089	5.5%	16,466	4.9%	1,623	9.9%
Operating services	17,540	5.3%	15,437	4.6%	2,103	13.6%
Maintenance	22,140	6.7%	21,527	6.4%	613	2.8%
Depreciation	117,595	35.5%	115,329	34.1%	2,266	2.0%
Other	3,696	1.1%	8,922	2.6%	(5,226)	(58.6)%
Operating Expenses	244,330		239,971		4,359	
Non Operating Expenses						
Interest Expense	86,480	26.1%	95,556	28.3%	(9,076)	(9.5)%
Part 150 Program Expenses	244	-	2,308	.7%	(2,064)	(89.4)%
Loss on disposal of assets	-	-	70	-	(70)	(100.0)%
Total Non Operating Expenses	86,724		97,934		(11,210)	
Total Expenses	$331,054	100.0%	$337,905	100.0%	($6,851)	(2.0)%

Personnel expenses increased $3,533,000 or 6.3%. This is primarily a result of a general wage adjustments for the Commission's employees, additional headcount as well as overtime costs associated with snow events in 2008.

Administrative expenses decreased by $240,000 as a result of reduced spending in this area.

Professional services decreased $313,000 from 2007 levels primarily in the area of legal fees offset partially by increase in airport planning fees.

Utilities increased 9.9% from 2007 levels. The result of this increase is attributed to an increase in rates in electricity, natural gas and sewer.

Operating services increased $2,103,000 or 13.6%. The increases in this category were in service agreements, parking management fees, storm water monitoring and events. Service agreements increased as a result of maintaining the Commission's computer systems; parking management fees increased due to higher labor and benefit costs; storm water monitoring increased due to an increase in snow events in 2008 and events increased as a result of the Twin Cities area hosting national conventions.

Maintenance increased 2.8% from 2007 levels. The majority of the increases were in the contract cleaning and mechanical areas. Contract cleaning increased as a result of an increase on the frequency of cleaning certain areas of the terminal building as well as a general rate increase. Mechanical areas increased due to increased prices on the automated people mover and escalator maintenance contracts.

Depreciation increased by 2.0% as a result of approximately $174 million of airports and facilities were placed into service in 2007and 2008.

Other expenses decreased due to a 2007 write-off of receivables from an amendment of the Building B lease with Northwest Airlines as well as a partial impairment charge recognized in 2007 for a hangar leased by Champion Airlines.

Interest expense decreased 9.5% due to the refunding of debt that occurred in 2007 and 2008.

Part 150 expenses decreased as a result of lower levels of spending from the previous year as the program is coming to an end.

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 increased 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 was 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.

Net Revenues

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.

Following is a summary of the Statements of Revenues and Expenses and Changes in Net Assets: (in thousands)

	2008	2007	2006
Operating revenues	$ 241,554	$ 238,251	$ 224,127
Operating expenses	(244,330)	(239,971)	(223,063)
Operating (loss) income	(2,776)	(1,720)	1,064
Non-operating revenues	109,798	128,933	120,468
Non-operating expenses	(86,724)	(97,934)	(100,292)
Capital contributions	19,020	22,805	34,276
Increase in Net Assets	$ 39,318	$ 52,084	$ 55,516

The Commission showed a decrease in the change in its net assets in 2008 from 2007-2006 levels. The primary cause for the fiscal year 2008 decrease is the reduction of federal grants due to a lack of eligible projects in 2008; a reduction in interest rates earned on investments by the Commission in 2008 and a change in accounting policy on PFC revenue recognition. 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, 2008, 2007 and 2006 is as follows (in thousands):

	12/31/08	12/31/07	12/31/06
Assets			
Current assets-unrestricted	$ 314,532	$ 438,528	$ 366,590
Restricted assets-current	537,914	890,031	889,780
Non-current assets:			
Other non-current assets	290,960	306,956	294,454
Capital assets-net	2,414,447	2,414,899	2,394,832
Total assets	$ 3,557,853	$ 4,050,414	$ 3,945,656
Liabilities			
Current liabilities-unrestricted	$ 139,891	$ 260,088	$ 217,443
Payable from restricted current assets	203,142	470,299	412,853
Non-current liabilities:			
Bonds payable	1,712,515	1,859,945	1,909,161
Other non-current liabilities	58,725	55,820	54,021
Total liabilities	2,114,273	2,646,152	2,593,478
Net Assets			
Invested in capital assets, net of debt	1,155,104	1,083,959	1,077,822
Restricted	164,223	189,224	146,742
Unrestricted	124,253	131,079	127,614
Total net assets	1,443,580	1,404,262	1,352,178
Total liabilities and net assets	$ 3,557,853	$ 4,050,414	$ 3,945,656

CASH AND INVESTMENT MANAGEMENT

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

	2008	2007	2006
Cash received from operations	$ 240,407	$ 237,679	$ 226,572
Cash expended from operations	(151,507)	(95,591)	(89,588)
Net cash provided by operations	88,900	142,088	136,984
Net cash (used in) provided by capital and related financing activities	(249,671)	(199,409)	(149,797)
Net cash (used in) provided by investing activities	168,316	70,367	12,978
Net increase in cash and cash equivalents	7,545	13,046	165
Cash and cash equivalents, beginning of year	26,237	13,191	13,026
Cash and cash equivalents, end of year	$ 33,782	$ 26,237	$ 13,191

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 2008, the MAC's average portfolio balance was $654,955,000 and total investment earnings were $29,042,000 for an average yield on investments during the year of 4.43%. This compares to an average portfolio balance of $743,274,000; investment earnings of $39,701,000 and average yield of 5.34% in fiscal year 2007.

The Commission currently has a policy of keeping a six-month working capital reserve in its operating fund. At the end of 2008, the Commission has in its operating fund approximately $51 million over and above its 2008 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 2008, the MAC expended $114 million in its on-going capital improvement program. Major projects that were completed in 2008 were projects associated with the reconstruction of Taxiway P, various improvements in the Lindbergh Terminal, a dike at St. Paul Downtown Airport and the reconstruction of Taxiway C-D-Phase 4. Projects that began or continued construction during 2008 were the construction of an additional parking ramp adjacent to the Humphrey Terminal, and implementation of the residential sound insulation program. Average monthly capital construction spending in 2008 was approximately $9.5 million.

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. 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 1998-2008, 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, 2009	$64,342
October 10, 2010	$65,330
October 10, 2011	$59,444
October 10, 2012	$60,110
October 10, 2013	$60,724

Statutory authority for issuing bonds is obtained from the Minnesota State Legislature. Authorization as of December 31, 2008 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, 2007 to December 31, 2008 (in thousands):

Capital Financing Activity	Balance 12/31/2007	Issued	Retired	Balance 12/31/2008
Notes Payable	$49,750	$3,480	($13,504)	$39,726
General Obligation Revenue Bonds	290,155	-	(14,165)	275,990
General Airport Revenue Bonds	1,613,950	72,035	(198,390)	1,487,595
	$1,953,855	$75,515	($226,059)	$1,803,311

On January 10, 2008, the Commission issued $72,035,000 General Airport Revenue Bond Series 2008A to advance refund General Airport Revenue Bond Series 1998B which were called on January 1, 2009.

In addition, 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.

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 2008	December 31 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 12,288	$ 26,231
Investments	219,344	235,576
Security lending agreement-Note B	68,159	162,265
Accounts receivable (net of allowances for uncollectibles of $143 and $20, respectively)	9,644	9,552
Leases receivable	2,659	3,353
Other	2,438	1,551
Restricted Assets:		
Cash and cash equivalents	21,494	6
Investments:		
Debt service	252,730	283,930
Construction and other	188,609	259,554
Securities lending agreement-Note B	68,914	326,600
Government grants in aid of construction receivable-Note A	2,402	14,877
Passenger facility charge receivable-Note A	3,765	5,064
Total Current Assets	852,446	1,328,559
Non-Current Assets:		
Leases receivable-Notes A, I and P	289,307	304,206
Other receivable-restricted	1,653	2,750
Capital Assets:--Notes A, D and E		
Land	115,949	116,548
Airport improvements and buildings	3,206,083	3,138,414
Moveable equipment	91,221	82,330
Construction in progress	191,675	155,323
Less accumulated depreciation	(1,190,481)	(1,077,716)
Total Capital Assets (net of accumulated depreciation)	2,414,447	2,414,899
Total non-current assets	2,705,407	2,721,855
TOTAL ASSETS	**$ 3,557,853**	**$ 4,050,414**

See notes to the financial statements

Financial Section BALANCE SHEETS

(Dollars in Thousands)

	December 31 2008	December 31 2007
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 31,710	$ 48,152
Accounts payable due to airlines	10,828	22,767
Notes payable-Note E	3,689	943
Security lending agreement-Note B	68,159	162,265
Deferred revenue-Note A	17,896	18,559
Employee compensation, payroll taxes and other	7,609	7,402
Payable from restricted current assets:		
Current portion long-term debt-Note E	44,675	44,630
Construction, deferred revenue and other	9,733	5,819
Interest payable	45,933	47,363
Notes payable-Note E	33,887	45,887
Security lending agreement-Note B	68,914	326,600
Total Current Liabilities	343,033	730,387
Non-Current Liabilities:		
Deferred revenue-Note A	16,426	16,818
Employee compensation and other	327	-
Notes payable-Notes E	2,150	2,920
Post retirement medical	39,822	36,082
Bonds payable-Note E	1,712,515	1,859,945
Total non-current liabilities	1,771,240	1,915,765
TOTAL LIABILITIES	**2,114,273**	**2,646,152**
Commitments and contingencies-Notes O and P		
NET ASSETS-Notes A and C		
Invested in capital assets, net of related debt	1,155,104	1,083,959
Restricted for debt service and other	164,223	189,224
Unrestricted	124,253	131,079
TOTAL NET ASSETS	**1,443,580**	**1,404,262**
TOTAL LIABILITIES AND NET ASSETS	**$ 3,557,853**	**$ 4,050,414**

See notes to the financial statements

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

(Dollars in Thousands)

	Fiscal Years Ended December 31 2008	2007
OPERATING REVENUES		
Airline rates and charges	$ 81,581	$ 77,187
Concessions	109,942	113,794
Other revenues:		
Utilities	2,528	2,473
Other building rentals	11,674	12,927
Other	35,829	31,870
TOTAL OPERATING REVENUES	**241,554**	**238,251**
OPERATING EXPENSES		
Personnel	59,811	56,278
Administrative	1,298	1,538
Professional services	4,161	4,474
Utilities	18,089	16,466
Operating services	17,540	15,437
Maintenance	22,140	21,527
Depreciation	117,595	115,329
Other	3,696	8,922
TOTAL OPERATING EXPENSES	**244,330**	**239,971**
OPERATING LOSS	**(2,776)**	**(1,720)**
NON OPERATING REVENUES (EXPENSES)		
Investment income	49,938	62,271
Passenger facility charges	54,682	66,662
Gain (loss) on disposal of assets	5,178	(70)
Bond interest expense	(86,480)	(95,556)
Part 150 home insulation expense	(244)	(2,308)
TOTAL NON OPERATING REVENUES-NET	**23,074**	**30,999**
INCOME BEFORE CONTRIBUTIONS	**20,298**	**29,279**
Capital contributions	19,020	22,805
CHANGE IN NET ASSETS	**39,318**	**52,084**
Net assets-Beginning of year	1,404,262	1,352,178
NET ASSETS-END OF YEAR	**$ 1,443,580**	**$ 1,404,262**

See notes to the financial statements

Financial Section STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

	Fiscal Years Ended December 31 2008	2007
Cash flows provided by (used in) operating activities:		
Cash received from customers and users	$ 240,407	$ 237,679
Cash paid to employees and benefit providers	(55,537)	(52,274)
Cash paid to suppliers	(95,970)	(43,317)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	**88,900**	**142,088**
Cash flows provided by (used in) capital and related financing activities:		
Payments for airport improvements and facilities	(114,125)	(150,827)
Payments for Part 150 home insulation program	(244)	(2,308)
Proceeds from bond/note issuance	78,896	658,483
Receipt of lease payments	19,582	20,912
Receipt of passenger facility charges	64,126	66,865
Payment on bonds/notes	(234,423)	(700,928)
Interest paid on bonds	(94,978)	(102,196)
Receipt of government grants	31,495	10,590
NET CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	**(249,671)**	**(199,409)**
Cash flows provided by (used in) investing activities:		
Purchase of investment securities	(1,234,894)	(1,883,193)
Proceeds from maturities of investment securities	1,357,216	1,898,166
Investment income	45,994	55,394
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	**168,316**	**70,367**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**7,545**	**13,046**
Cash and cash equivalents-Beginning of year	26,237	13,191
CASH AND CASH EQUIVALENTS-END OF YEAR	**$ 33,782**	**$ 26,237**

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

	2008	2007
Operating loss	$ (2,776)	$ (1,720)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	117,595	115,329
Changes in assets and liabilities:		
Accounts receivable	(92)	140
Other assets	(887)	89
Accounts payable and accrued expenses	(28,381)	25,529
Post retirement medical	3,740	3,197
Other restricted liabilities	222	(571)
Employee compensation and payroll taxes	534	807
Deferred revenue	(1,055)	(712)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	**$ 88,900**	**$ 142,088**

	2008	2007
Noncash investing, capital and related financing activities:		
Changes in fair value of investments	$ 3,892	$ 6,114
Additions to capital assets included in construction and accounts payables	16,134	14,252

See notes to financial statements.

Fiscal years ended December 31, 2008 and 2007

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 passenger enplanement. 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 represents advance interest payments received from the airlines, which will be recognized as interest income over the term of the lease agreement and Passenger Facility Charges revenue based upon passengers who have purchased a ticket but have yet to use that ticket at year-end.

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
10	May 2008	128,448,000	128,448,000
		$ 1,863,077,000	$ 1,936,839,000

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, nine and ten. 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.

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, 2008 and 2007, 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 $7,210,000 and $7,773,000 for 2008 and 2007 respectively. The unamortized amount included in airport improvements and buildings at December 31, 2008 and 2007 were $20,860,000 and $21,931,000 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):

	12/31/08	12/31/07
Cash on hand	$61	$32
Bank balances	$70	$4,970

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 29 days. At December 31, 2008, the fair value of collateral pledged was $137,073,000.

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:

	2008	2007
Investment income from leases	$20,896,000	$22,570,000
Investment income from investments	25,150,000	33,587,000
Net increase in fair value of investments	3,892,000	6,114,000
	$49,938,000	$62,271,000

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 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, 2008:

(Dollars in thousands)

		Maturing in Months				
Security Type	Rating	0-6	7-12	13-18	19-24	Total
U.S. Treasury Securities						
Treasury Bill		$11,351	$ -	$ -	$ -	$ 11,351
U.S. Agency Securities						
Federal Ag. Mtg Corp	Aaa/AAA	-	-	-	4,247	4,247
Federal Home Loan Mtg Corp	Aaa/AAA	35,735	5,713	5,685	38,483	85,616
Federal National Mtg Assn	Aaa/AAA	13,125	16,721	39,322	4,010	73,178
Federal Home Loan Bank	Aaa/AAA	102,955	117,412	41,869	71,538	333,774
Federal Farm Credit	Aaa/AAA	1,010	5,140	2,120	-	8,270
Wells Fargo Gov. Money Market		166,423	-	-	-	166,423
	Totals	**$330,599**	**$144,986**	**$88,996**	**$118,278**	**$682,859**

Ratings: AAA Standard & Poors; Aaa 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):

	2008	2007
Cash and cash equivalents-unrestricted	$ 12,288	$ 26,231
Investments-unrestricted	219,344	235,576
Securities lending agreement-unrestricted	68,159	162,265
Cash and cash equivalents-restricted	21,494	6
Investments-restricted for debt service	252,730	283,930
Investments-restricted for construction	188,609	259,554
Securities lending agreement-restricted	68,914	326,600
Total cash and investments	$ 831,538	$1,294,162

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

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**	**2008**	**2007**
Capital Assets:		
Land	$ 115,949	$ 116,548
Airport improvements and buildings	3,206,083	3,138,414
Moveable equipment	91,221	82,330
Construction in progress	191,675	155,323
Less accumulated depreciation	(1,190,481)	(1,077,716)
Total Capital Assets-Net	2,414,447	2,414,899
Less related liabilities:		
Notes payable-current	3,689	943
Payable from restricted assets:		
Current portion of long-term debt	44,675	44,630
Interest payable	45,933	47,363
Notes payable	33,887	45,887
Notes payable non-current	2,150	2,920
Bonds payable	1,129,009	1,189,197
Total Liabilities	1,259,343	1,330,940
Invested in capital assets, net of related debt	**$1,155,104**	**$1,083,959**
Restricted Net Assets	**2008**	**2007**
Restricted Assets:		
Cash and cash equivalents	$21,494	$6
Investments:		
Debt service	252,730	283,930
Construction and other	188,609	259,554
Securities lending agreement	68,914	326,600
Government grants in aid receivable	2,402	14,877
Other receivables-current and non-current	1,653	2,750
Passenger facility charge receivable	3,765	5,064
Total Restricted Assets	539,567	892,781
Less:		
Payables from restricted assets:		
Construction, deferred revenue, and other	9,733	5,819
Bonds payable	296,697	371,138
Security lending agreement	68,914	326,600
Total Liabilities	375,344	703,557
Restricted Net Assets	**$164,223**	**$189,224**

Unrestricted Net Assets	2008	2007
Current Assets		
Cash and cash equivalents	$ 12,288	$ 26,231
Investments and securities lending agreement	287,503	397,841
Accounts receivable	9,644	9,552
Leases receivable-current and non-current	291,966	307,559
Other	2,438	1,551
Total unrestricted assets	603,839	742,734
Less:		
Current liabilities:		
Accounts payable and accrued expenses	42,538	70,919
Security lending agreement	68,159	162,265
Deferred revenue and post-retirement medical	74,144	71,459
Employee compensation, payroll taxes and other	7,936	7,402
Bonds payable	286,809	299,610
Total liabilities	479,586	611,655
Unrestricted Net Assets	**$124,253**	**$131,079**

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
Equipment	77,406	3,573	2,428	(1,077)	82,330
Less Accumulated Depreciation	(54,397)	(5,810)	-	1,074	(59,133)
Net 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, 2008	Additions	Transfers In (Out)	Retirements or Disposals	Balance December 31, 2008
Capital Assets-Not Depreciated:					
Land	$ 116,548	$ -	$ (599)	$ -	$ 115,949
Projects-in-Progress	155,323	113,734	(77,382)	-	191,675
Total Capital Assets-Not Depreciated	271,871	113,734	(77,981)	-	307,624
Capital Assets-Depreciated					
Airport Improvements and Buildings	3,138,414	259	72,715	(5,305)	3,206,083
Less Accumulated Depreciation	(1,018,583)	(110,986)	-	3,387	(1,126,182)
Net Airport Improvements and Buildings	2,119,831	(110,727)	72,715	(1,918)	2,079,901
Equipment	82,330	5,067	5,266	(1,442)	91,221
Less Accumulated Depreciation	(59,133)	(6,609)	-	1,443	(64,299)
Net Equipment	23,197	(1,542)	5,266	1	26,922
Total Capital Assets-Depreciated	2,143,028	(112,269)	77,981	(1,917)	2,106,823
Net Capital Assets	$ 2,414,899	$1,465	$ -	$ (1,917)	$ 2,414,447

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 2007 and 2008, $624,000 and $1,504,000, respectively was retired on notes payable which were for equipment financing transactions. In 2008, the Commission retired $12,000,000 in commercial paper as a result of the receipt of federal grant money for certain runway projects. Also in 2008, the Commission financed certain pieces of equipment with notes totaling $3,480,000.

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

Notes Payable	Maturity Year	Amount
1.10% to 1.15%	2009	$ 37,576
	2010	792
	2011	622
	2012	587
	2013	149
		$ 39,726

The following are the changes in notes payable during 2008 and 2007 (dollars in thousands):

	Balance 12/31/2007	Issued	Retired	Balance 12/31/2008
Notes Payable	$49,750	$ 3,480	($13,504)	$39,726

	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, 2008	2007
General Airport Revenue Bonds						
** Series 1998B	06/01/1998				$ -	$ 80,810
Original amount-$84,000						
* Series 1999B	07/01/1999	5.250%	2009	$ 5,430		
Original amount-$135,095		5.500%	2010-2011	11,750		
		5.630%	2012-2016	35,605		
		5.250%	2017-2022	50,825	103,610	108,785
* Series 2000B	05/16/2000	5.400%	2009	3,730		
Original amount-$88,745		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	70,015	73,555
* Series 2001B	05/30/2001	5.500%	2009-2011	11,085		
Original amount-$98,815		5.750%	2012-2017	28,485		
		5.625%	2018	5,745		
		5.250%	2019-2024	35,850	81,165	84,490
** Series 2001D	05/30/2001	5.250%	2009-2011	16,180		
Original amount-$70,210		5.750%	2012-2016	28,180	44,360	49,225
** 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				-	103,350
Original Amount-$109,950						

* **Senior** General Airport Revenue Bonds

** **Subordinated** General Airport Revenue Bonds

Type of issue:	Issue Date	Interest Rates	Maturing On January 1	Amount	Outstanding December 31, 2008	2007
** 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%	2009-2026	109,600	109,600	113,155
Original Amount-$113,155						
** Series 2005C	05/26/2005	3.500%	2009-2011	1,040		
Original Amount-$123,750		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	123,110	123,435
* Series 2007A	01/09/2007	5.000%	2017-2026	223,090		
Original Amount-$440,985		4.500%	2027-2032	217,895	440,985	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	197,360
* Series 2008A	01/15/2008	5.000%	2009-2016	72,035	72,035	-
Original Amount-$72,035						
Total General Airport Revenue Bonds					1,481,040	1,613,950
* **Senior** General Airport Revenue Bonds						
** **Subordinated** General Airport Revenue Bonds						
General Obligation Revenue Bonds						
Series 13	11/01/1998	5.000%	2009-2010	5,315		
Original amount-$38,750		5.250%	2011-2013	8,980		
		4.500%	2014-2015	6,655	20,950	23,410
Series 14	10/31/2001	5.500%	2009-2011	9,875	9,875	$12,880
Original amount-$25,690						
Series 15	01/29/2002	6.000%	2009-2011	30,780		
Original amount-$287,825		6.050%	2012	12,180		
		6.150%	2013	13,320		
		6.250%	2014	14,520		
		6.350%	2015	15,830		
		6.450%	2016	18,185		
		6.550%	2017	19,770		
		6.850%	2018-2022	120,580	245,165	253,865
Total General Obligation Revenue Bonds					275,990	290,155
Total Long-Term Debt Outstanding					1,757,030	1,904,105
Unamortized premium –net					45,014	46,569
Deferred loss on refundings					(44,854)	(46,099)
Current portion of long-term debt					(44,675)	(44,630)
Total Long Term Bonds Payable					$ 1,712,515	$ 1,859,945

Future debt service requirements as of December 31, 2008 are as follows (in thousands):

Years	Notes Payable	General Airport Revenue Bonds	General Obligation Revenue Bonds	Total Debt Outstanding	Interest	Total Principal & Interest
2009	$ 37,576	$ 29,590	$ 15,085	$ 82,251	$ 90,670	$ 172,921
2010	792	30,900	16,250	47,942	88,016	135,958
2011	622	32,525	17,475	50,622	85,347	135,969
2012	587	41,090	15,160	56,837	82,412	139,249
2013	149	43,295	16,480	59,924	79,191	139,115
2014-2018	-	255,515	96,030	351,545	340,604	692,149
2019-2023	-	306,005	99,510	405,515	231,422	636,937
2024-2028	-	390,885	-	390,885	130,389	521,274
2029-2033	-	325,405	-	325,405	35,205	360,610
2034-2035	-	25,830	-	25,830	1,307	27,137
	$ 39,726	$ 1,481,040	$ 275,990	$ 1,796,756	$ 1,164,563	$ 2,961,319

Of the future debt service requirements listed above, $266,115,000 of principal and $140,273,000 of interest are funded under agreements with Northwest Airlines. The General Obligation Revenue Bond Series 15 represents $245,165,000 of principal and $136,537,000 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, 2007 and 2008. 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 2008, the MAC issued $72,035,000 Series 2008A general airport revenue bonds. The net proceeds were used to advance refund and defease $73,580,000 of General Airport Revenue Bond Series 1998B 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. A reserve funds were established for the Series A bonds. The reserve requirement is the maximum annual aggregate debt service of the Series A bonds. These bonds were rated AA-/AA- by Standard & Poor's and Fitch Ratings.

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. 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 $275,990,000 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 P.

As mentioned in Note P, 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, 2008, 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
BOND REFUNDINGS

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. As of December 31, 2008, $132,415,000 of the series 1999A debt was outstanding.
- General airport revenue bond Series 2001A matures on January 1, 2032, and will be called on January 1, 2011. As of December 31, 2008, $85,190,000 of the series 2001A debt was outstanding.
- General airport revenue bond series 2001C matures on January 1, 2032, and will be called on January 1, 2011. As of December 31, 2008, $ 196,600,000 of the series 2001C debt was outstanding.

On January 23, 2008, the Commission issued $72,035,000 general airport revenue bond Series 2008 A to advance refund general airport revenue bond Series 1998B which were called on January 1, 2009. As of December 31, 2008, $73,580,000 of the Series 1998B was outstanding.

As a result of the January, 2008, refunding, the Commission reduced its total debt service requirements by $2,923,482, 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 $2,464,366. The Commission also deferred recognition of a $978,692 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, 2016. At December 31, 2008, the unamortized deferred loss netted against bonds payable is $856,355.

Also in late February and early March 2008, the Commission retired $103,350,000 of the series 2004A airport revenue bonds.

NOTE G
CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2008 and 2007 was as follows (in thousands):

	Balance 12/31/2007	Additions	Retirements And other	Balance 12/31/2008	Amounts recognized /due in one year
Deferred Revenue	$ 35,377	$ 29,433	$ (30,488)	$ 34,322	$ 17,896
Employee Compensation & Other	-	327	-	327	-
Notes Payable [1]	3,863	3,480	(1,504)	5,839	3,689
Bonds Payable [1]	1,904,575	68,738	(216,123)	1,757,190	44,675
	$1,943,815	$ 101,978	$ (248,115)	$1,797,678	$ 66,260

	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 H
CAPITALIZATION OF INTEREST

Total interest expense was $86,480,000 and $95,556,000 in 2008 and 2007, respectively. Interest expense capitalized as part of the costs of constructed assets were $5,186,000 and $2,933,000 in 2008 and 2007, respectively. Total interest paid was $94,978,000 and $102,196,000 in 2008 and 2007, respectively.

NOTE I
LEASES

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

	2008	2007
Total minimum lease payments to be received	$475,253	$510,319
Less: Unearned income	(170,312)	(190,810)
Net investment in leases	304,941	319,509
Less: Prepaid principal	(12,975)	(11,950)
Leases receivable-current and non-current	**$291,966**	**$307,559**

As of December 31, 2008, future minimum lease payments are as follows (in thousands):

Year	Amount
2009	$ 36,501
2010	36,836
2011	37,219
2012	37,700
2013	38,075
2014-2018	178,388
2019-2023	107,903
2024-2028	2,321
2029-2030	310
	$475,253

On May, 1, 2007, Mesaba Airlines rejected an aircraft hangar facility lease. As a result, the Commission took possession of the hangar on that date and transferred $8,900,000 from lease receivable to airports improvements and buildings. In 2007, the Commission wrote off $5,700,000 lease receivable in relation to an amended Building B lease.

NOTE J
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 6.00% of their annual covered salary. PEPFF members are required to contribute 8.60% of their annual covered salary. That rate will increase to 9.40% in 2009. The Commission is required to contribute the following percentages of annual covered payroll: 6.50% for Coordinated Plan PERF members and 12.90% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF increased to 6.75% and 14.10% respectively, effective January 1, 2009. The Commission's required contributions to the Public Employees Retirement Fund for the years ended December 31, 2008, 2007, and 2006 were $1,927,000, $1,721,000, and $1,533,000, respectively. The Commission's required contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2008, 2007, and 2006 were $1,321,000, $1,159,000, and $998,000, 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%	13.80%	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	2008	2007	2006
Employer (100% of required)	$415	$823	$677

NOTE K
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, 2008 there were 234 retired employees and 521 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 $1,305,818 to the plan in fiscal year 2008 and $2,479,650 in fiscal year 2007. Plan participants contributed $205,717 for fiscal year 2008 and $184,202 for fiscal year 2007. Monthly contributions for retirees under 65 for 2008 are shown below:

Plan	Retiree Only	Family
Plan 1	$29.00	$175.00
Plan 2	$22.00	$142.00
HRA/HSA	$12.00	$94.00

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 2008, 2007 and 2006, the amount actually contributed to the plan, and changes in the Commission's net OPEB obligation:

	2008	2007	2006
Annual required contribution (ARC)	$5,706,877	$ 6,262,502	$ 6,243,005
Interest on net OPEB obligation	1,483,574	1,315,411	1,175,234
Adjustment to ARC	(2,144,880)	(1,901,758)	(1,699,097)
Annual OPEB cost	5,045,571	5,676,155	5,719,142
Contributions during the year	(1,305,818)	(2,479,650)	(2,101,749)
Increase in net OPEB obligation	3,739,753	3,196,505	3,617,393
Net OPEB-beginning of year	36,081,770	32,885,265	29,267,872
Net OPEB-End of year	$39,821,522	$ 36,081,770	$32,885,265

The percentage of the Commission's annual OPEB cost as a percent of the net OPEB obligation were: 17.4% for 2006; 15.7% for 2007; and, 12.7% for 2008.

Funding Status

The Commission sets aside cash and investments to pay for future health benefits of $43,169,000, $39,525,000 and $35,593,000 in 2008, 2007 and 2006 respectively. However, since such designated cash has not been irrevocably deposited in trust for future health benefits, the actuarial value of assets is zero. The table below shows the funding status for fiscal year 2008 based on a January 1, 2008 actuarial date.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability-Projected Unit Credit	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2006	-	$78,934,932	$78,934,932	-	$33,507,125	235.6%
01/01/2008	-	$70,248,393	$70,248,393	-	$37,573,402	187.0%

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

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

In the most recent actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions in 2008 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 7.5% initially, reduced by decrements to an ultimate rate of 5% after five years. The UAAL is being amortized as a level dollar amount over 30 years on an open basis.

NOTE L
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, 2008 and 2007 of $1,724,000 and $4,170,000, respectively.

NOTE M
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 2008 or 2007. 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 2008 and 2007 were $419,347 and $684,858, respectively. Claims paid for health and dental coverage for 2008 and 2007 were $5,701,447 and $5,373,385, respectively. The unpaid claims for workers compensation at December 31, 2008 and 2007 were $1,487,832 and $1,593,235, respectively. The health and dental unpaid claims at December 31, 2008 and 2007 were $654,436 and $729,225, 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, 2008 and 2007, as well as an estimate of claims incurred. Changes in the balances of claim liabilities during the past two years are as follows:

	2008	2007
Unpaid Claims – Beginning of Year	$ 2,322,460	$ 2,398,119
Incurred Claims and Changes in Estimates	5,940,602	5,982,584
Claims Paid	(6,120,794)	(6,058,243)
Unpaid Claims – End of Year	$ 2,142,268	$ 2,322,460

NOTE N
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 O
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 $147,988,000 at December 31, 2008.

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.

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 P
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. NATCO is a wholly owned subsidiary of NAI and NAI is a wholly owned subsidiary of Northwest Airlines Corporation, a Delaware corporation (NWA Corp.). NAI operates both domestic and international air route systems. Minneapolis-Saint Paul International Airport is one of NAI's three major hubs. Airport revenues from NAI account for approximately 25% of operating revenues and 77% of total revenues from major airlines.

On October 29 2008, NAI, NATCO, NWA Corp and related entities were merged into a subsidiary of Delta Airlines Inc. ("Delta"). Delta indicates that it plans to fully integrate the operations of NAI as prompt as feasible.

On September 14, 2005 NWA Corp. and its affiliated debtors filed for protection under Chapter 11 of the Bankruptcy Code. The Airport's pre-petition owed by NWA were $4,144,000. NAI emerged from bankruptcy protection on May 31, 2007 and paid its pre-petition obligations to the airport 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 initially were 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. Under the documents in effect when the Bonds were issued, during the term of the Bonds, the Northwest Entities were required to maintain collateral, as determined by periodic independent appraisals, with 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 NAI emerged from bankruptcy protection, the Commission and NAI 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. NAI posted additional collateral, which caused the collateral currently pledged to be valued at $307.4 million, an amount that is in excess of the collateral value requirement of $306.5 million. When the collateral posted is valued in excess of 125%, the Commission may under certain circumstances be required to release collateral (mutually agreeable to the Commission and NAI) 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 NAI agreed that NAI can pledge to the Commission its right to receive Shared Concession Revenue credits during the term of the NAI 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 7.6% of the Commission's total assets at December 31, 2008.

For the years ended December 31, 2008, and 2007, the Northwest Entities and NWA Corp. had audited consolidated net (loss) income of approximately ($6.001) billion and $342 million, respectively. On December 31, 2008, the Northwest Entities' and NWA Corp.'s audited total consolidated assets were $20.198 billion and their total audited consolidated liabilities were $18.771 billion, resulting in the Northwest Entities' and NWA Corp.'s audited consolidated net equity of $1.427 billion. These audited numbers were derived from the audited consolidated financial statements of NWA Corp. In the event that the Northwest Entities or NWA Corp. are unable to meet their lease commitments, the Commission has the authority to levy property taxes to support the debt obligations on the Bonds

NOTE Q
NEW FINANCIAL REPORTING STANDARDS

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement No. 49 was effective for the Commission on January 1, 2008. The adoption of GASB Statement No. 49 had no material impact on the balance sheet, the statement of revenues and expenses and changes in net assets, or financial reporting disclosures.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27.* GASB Statement No. 50 aligns the financial reporting requirements for pensions with those for other postemployment benefits. The Commission adopted GASB Statement No. 50 on January 1, 2008, and there was no material impact on the balance sheet, the statement of revenues and expenses and changes in net assets, or financial reporting disclosures.

In June 2007, the GASB issued Statement No. 51*, Accounting and Financial Reporting for Intangible Assets* related to accounting and reporting assets such as easements, water rights, timber rights, patents, trademarks, and computer software. GASB Statement No. 51 is effective for the Commission in 2010. The Commission expects to adopt GASB Statement No. 51 on January 1, 2010 and does not expect a material impact on the balance sheet, the statement of revenues and expenses and changes in net assets, or financial reporting disclosures.

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MInneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2008

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Statistical Section

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Statistical Section

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 1999-2008
(Dollars in Thousands)-Unaudited

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Operating Revenues										
Airline Rates and Charges	$ 55,401	$ 68,133	$ 72,669	$ 71,846	$ 60,977	$ 73,206	$ 83,856	$ 71,181	$ 77,187	$ 81,581
Concessions	62,131	70,760	69,707	67,416	72,337	85,971	99,582	108,381	113,794	109,942
Other Revenues										
Rentals-(Ground and Building)	15,078	17,875	20,588	21,613	22,623	25,483	29,173	26,866	28,848	31,938
Utilities	1,716	1,852	2,440	1,732	2,151	1,705	2,515	2,350	2,473	2,528
Other	3,658	4,794	6,391	8,004	10,094	9,776	13,350	15,349	15,949	15,565
Total Operating Revenues	137,984	163,414	171,795	170,611	168,182	196,141	228,476	224,127	238,251	241,554
Operating Expenses										
Personnel	34,497	39,814	42,627	43,074	48,273	50,429	59,049	54,258	56,278	59,811
Administrative Expenses	1,555	1,686	1,708	880	844	1,089	1,179	1,240	1,538	1,298
Professional Services	5,231	6,357	5,177	3,386	2,821	3,745	3,359	4,091	4,474	4,161
Utilities	7,318	8,678	11,208	8,882	11,779	12,684	14,444	14,820	16,466	18,089
Operating Services	11,199	11,971	14,113	12,147	13,928	13,394	12,492	14,485	15,437	17,540
Maintenance	10,498	12,238	15,250	13,501	16,453	17,249	18,944	19,417	21,527	22,140
Depreciation	42,875	51,028	65,647	72,871	79,399	83,273	93,566	111,429	115,329	117,595
Other	619	278	2,250	2,455	2,743	3,206	3,758	3,323	8,922	3,696
Total Operating Expenses	113,792	132,050	157,980	157,196	176,240	185,069	206,791	223,063	239,971	244,330
Operating Income (Loss)	24,192	31,364	13,815	13,415	(8,058)	11,072	21,685	1,064	(1,720)	(2,776)
Non-Operating Revenues (Expenses)										
Investment Income	50,039	55,661	57,712	45,454	29,854	32,257	40,646	52,895	62,271	49,938
Passenger Facility Charges	40,474	43,567	57,191	61,492	63,681	69,557	69,944	67,573	66,662	54,682
Gain (Loss) on Sale/Disposal of Assets	2	-	(4,196)	17	(2,547)	(1,531)	(209)	(828)	(70)	5,178
Interest Expense	(35,103)	(42,023)	(55,549)	(50,707)	(59,105)	(67,247)	(76,777)	(94,069)	(95,556)	(86,480)
Part 150 Home Insulation Expenses	(18,475)	(20,707)	(20,517)	(22,208)	(13,063)	(13,134)	(8,419)	(5,395)	(2,308)	(244)
Concession Development Expenses	(5,319)	(416)	-	-	-	-	-	-	-	-
Total Non-Operating Revenues-Net	31,618	36,082	34,641	34,048	18,820	19,902	25,185	20,176	30,999	23,074
Net Income	55,810	67,446								
Income before Contributions			48,456	47,463	10,762	30,974	46,870	21,240	29,279	20,298
Capital Contributions-1			38,069	42,919	36,707	27,835	25,137	34,276	22,805	19,020
Change in Net Assets			86,525	90,382	47,469	58,809	72,007	55,516	52,084	39,318
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	1,404,262
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	$ 1,443,580
Add: Depreciation of Facilities Provided by Government Grants	10,295	12,725								
Increase in Retained Earnings	66,105	80,171								
Retained Earnings, Beginning of Year	608,786	674,891								
Retained Earnings, End of Year	$674,891	$755,062								

Source: Audit financial statements for the last ten years.

1. For the years ended December 31, 2001-2008, the amounts shown takes into account the effect of GASB No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments".

HISTORICAL REVENUES 1999-2008
Pursuant to MAC's Master Trust Indenture
(Dollars in Thousands)-Unaudited

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Airline Rates & Charges										
Landing Fees-3	$ 29,923	$ 39,472	$ 40,378	$ 41,573	$ 27,529	$ 38,365	$ 45,683	$ 38,245	$ 49,626	$ 48,082
Ramp Fees	5,243	6,444	6,243	5,944	5,700	5,608	6,105	4,611	5,238	5,693
Lindbergh Terminal Building Rents	17,011	19,430	22,405	21,236	24,151	26,195	28,834	33,920	29,378	34,196
Other Lindbergh Terminal Charges	2,667	2,787	3,643	3,093	3,596	3,038	3,234	3,475	3,105	3,496
Concessions Rebate	0	0	0	0	0	0	0	(9,070)	(10,160)	(9,886)
Noise Surcharge	557	0	0	0	0	0	0	0	0	0
Total Airline Rates & Charges	**55,401**	**68,133**	**72,669**	**71,846**	**60,976**	**73,206**	**83,856**	**71,181**	**77,187**	**81,581**
Concessions										
Auto Parking	36,670	42,951	39,339	36,755	41,330	50,466	60,213	64,266	66,765	62,748
Rental Car	11,429	12,385	13,739	13,359	14,742	14,220	14,693	15,699	17,043	17,011
Food & Beverage	3,084	3,546	4,053	4,340	4,864	7,311	9,790	11,552	12,645	12,808
Merchandise	4,043	4,627	4,572	4,836	4,689	5,572	6,120	8,515	8,537	8,689
Other	6,894	7,263	8,004	8,126	6,712	8,402	8,766	8,349	8,804	8,686
Total Concessions Revenue	**62,120**	**70,772**	**69,707**	**67,416**	**72,337**	**85,971**	**99,582**	**108,381**	**113,794**	**109,942**
Other Revenues										
Humphrey Building Rentals	1,768	703	857	3,377	3,522	4,162	5,684	7,089	8,288	6,582
Utilities	1,716	1,852	2,440	1,732	2,152	1,705	2,515	2,350	2,473	2,528
Other Building and Land Rent	11,600	15,140	18,079	16,444	17,086	20,196	22,101	18,434	18,821	23,386
Other	3,712	4,890	5,812	7,179	9,328	7,855	9,851	11,869	12,378	12,348
Total Other Revenues	**18,796**	**22,585**	**27,188**	**28,732**	**32,088**	**33,918**	**40,151**	**39,742**	**41,960**	**44,844**
Total MSP Revenue	**136,317**	**161,490**	**169,564**	**167,994**	**165,401**	**193,095**	**223,589**	**219,304**	**232,941**	**236,367**
Total Reliever Airports	**1,667**	**1,924**	**502**	**2,617**	**2,781**	**3,046**	**4,887**	**4,823**	**5,310**	**5,187**
Total Operating Revenues	**137,984**	**163,414**	**170,066**	**170,611**	**168,182**	**196,141**	**228,476**	**224,127**	**238,251**	**241,554**
Investment Income										
Capital Lease Interest	29,646	28,715	28,464	25,300	23,554	23,698	22,820	22,815	22,570	20,896
Other-2	5,933	6,875	7,569	6,220	3,976	7,512	9,532	14,509	18,957	15,281
Total Investment Income	**35,579**	**35,590**	**36,033**	**31,520**	**27,530**	**31,210**	**32,352**	**37,324**	**41,527**	**36,177**
Capital Lease Principal Payments	**6,057**	**7,300**	**7,476**	**9,321**	**11,345**	**12,046**	**12,475**	**14,199**	**14,442**	**15,345**
Total Revenues-1	**$ 179,620**	**$ 206,304**	**$ 213,575**	**$ 211,452**	**$ 207,057**	**$ 239,397**	**$ 273,303**	**$ 275,650**	**$ 294,220**	**$ 293,076**

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.

PERCENTAGE DISTRIBUTION OF OPERATING REVENUES 1999-2008
(Dollars in Thousands)-Unaudited

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Airline Rates & Charges										
Landing Fees-1	21.7%	24.2%	23.7%	24.4%	16.4%	19.6%	20.0%	17.1%	20.8%	19.9%
Ramp Fees	3.8%	3.9%	3.7%	3.5%	3.4%	2.9%	2.7%	2.1%	2.2%	2.4%
Lindbergh Terminal Building Rents	12.3%	11.9%	13.2%	12.4%	14.4%	13.4%	12.6%	15.1%	12.3%	14.2%
Other Lindbergh Terminal Charges	1.9%	1.7%	2.1%	1.8%	2.1%	1.5%	1.4%	1.6%	1.3%	1.4%
Concessions Rebate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-4.0%	-4.3%	-4.1%
Noise Surcharge	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Airline Rates & Charges	**40.2%**	**41.7%**	**42.7%**	**42.1%**	**36.3%**	**37.3%**	**36.7%**	**31.8%**	**32.4%**	**33.8%**
Concessions										
Auto Parking	26.6%	26.3%	23.1%	21.5%	24.6%	25.7%	26.4%	28.7%	28.0%	26.0%
Rental Car	8.3%	7.6%	8.1%	7.8%	8.8%	7.2%	6.4%	7.0%	7.2%	7.0%
Food & Beverage	2.2%	2.2%	2.4%	2.5%	2.9%	3.7%	4.3%	5.2%	5.3%	5.3%
Merchandise	2.9%	2.8%	2.7%	2.8%	2.8%	2.8%	2.7%	3.8%	3.6%	3.6%
Other	5.0%	4.4%	4.7%	4.8%	4.0%	4.3%	3.8%	3.7%	3.7%	3.6%
Total Concessions Revenue	**45.0%**	**43.3%**	**41.0%**	**39.5%**	**43.0%**	**43.8%**	**43.6%**	**48.4%**	**47.8%**	**45.5%**
Other Revenues										
Humphrey Building Rentals	1.3%	0.4%	0.5%	2.0%	2.1%	2.1%	2.5%	3.2%	3.5%	2.7%
Utilities	1.2%	1.1%	1.4%	1.0%	1.3%	0.9%	1.1%	1.0%	1.0%	1.0%
Other Building and Land Rent	8.4%	9.3%	10.6%	9.6%	10.2%	10.3%	9.7%	8.2%	7.9%	9.7%
Other	2.7%	3.0%	3.4%	4.2%	5.5%	4.0%	4.3%	5.3%	5.2%	5.1%
Total Other Revenues	**13.6%**	**13.8%**	**16.0%**	**16.8%**	**19.1%**	**17.3%**	**17.6%**	**17.7%**	**17.6%**	**18.6%**
Total MSP Revenues	**98.8%**	**98.8%**	**99.7%**	**98.5%**	**98.3%**	**98.4%**	**97.9%**	**97.8%**	**97.8%**	**97.9%**
Total Reliever Airports	**1.2%**	**1.2%**	**0.3%**	**1.5%**	**1.7%**	**1.6%**	**2.1%**	**2.2%**	**2.2%**	**2.1%**
Total Operating Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section

Net Assets by Business Type Activities--2001-2008
(Dollars in Thousands)-Unaudited

Business Type Activities	2001	2002	2003	2004	2005	2006	2007	2008
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	$1,155,104
Restricted	408,773	112,688	63,081	92,723	109,022	146,742	189,224	164,223
Unrestricted	46,671	40,122	51,497	76,105	109,364	127,614	131,079	124,253
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	$ 1,443,580

Source: Audit reports for the last eight 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
1999-2008 (dollars in thousands)-Unaudited

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 - 3
Total MAC Operating Revenues	$ 137,984	$ 163,414	$ 171,795	$ 170,611	$168,182	$196,141	$228,476	$224,127	$238,251	$241,554
Lease Principal/Interest Payments	33,769	33,823	33,567	35,290	34,899	35,744	35,319	37,014	36,246	36,277
Interest Income-MAC Funds-1	17,083	24,572	28,958	19,589	5,524	7,116	14,426	24,474	31,628	21,318
Total Revenue	188,836	221,809	234,320	225,490	208,605	239,001	278,221	285,615	306,125	299,149
NWA Portion of Operating Revenues-2	38,442	47,516	52,316	51,858	44,391	52,892	60,004	52,265	55,080	62,970
NWA Portion of Lease Payments	31,812	31,865	31,608	32,692	30,477	30,760	30,890	31,301	31,605	31,875
Total NWA Revenue	70,254	79,381	83,924	84,550	74,868	83,652	90,894	83,566	86,685	94,845
NWA % of Total Revenue	**37.20%**	**35.79%**	**35.82%**	**37.50%**	**35.89%**	**35.00%**	**32.67%**	**29.26%**	**28.32%**	**31.70%**
Total Revenue	$ 188,836	$ 221,809	$ 234,320	$ 225,490	$208,605	$239,001	$278,221	$285,615	$306,125	$299,149
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	26,252	24,018	24,348	24,648	24,931	25,222	25,413
Total Adjusted Revenue	164,876	197,849	210,360	199,238	184,587	214,653	253,573	260,684	280,903	273,736
Total NWA Revenue	70,254	79,381	83,924	84,550	74,868	83,652	90,894	83,566	86,685	94,845
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	26,252	24,018	24,348	24,648	24,931	25,222	25,413
Total Adjusted NWA Revenue	46,294	55,421	59,964	58,298	50,850	59,304	66,246	58,635	61,463	69,432
NWA % of Total Revenue	**28.08%**	**28.01%**	**28.51%**	**29.26%**	**27.55%**	**27.63%**	**26.13%**	**22.49%**	**21.88%**	**25.36%**

NWA Revenue as a Percentage of Total Airline Revenues
1999-2008 (dollars in thousands)-Unaudited

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 - 3
Total Air Carrier Operating Revenue	$ 53,818	$ 66,343	$ 71,225	$ 69,518	$ 59,504	$ 72,122	$ 82,720	$ 70,544	$ 76,131	$ 81,015
Air Carrier Lease Payments	32,759	32,812	32,555	33,609	32,875	33,587	33,678	34,364	34,231	34,262
Total Air Carrier Revenue	86,577	99,155	103,780	103,127	92,379	105,709	116,398	104,908	110,362	115,277
Total NWA Revenue	70,254	79,381	83,924	84,550	74,868	83,652	90,894	83,566	86,685	94,845
NWA % of Total Air Carrier Revenue	**81.15%**	**80.06%**	**80.87%**	**81.99%**	**81.04%**	**79.13%**	**78.09%**	**79.66%**	**78.55%**	**82.28%**
Total Air Carrier Revenue	$ 86,577	$ 99,155	$ 103,780	$ 103,127	$ 92,379	$105,709	$116,398	$104,908	$110,362	$115,277
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	26,252	24,018	24,348	24,648	24,931	25,222	25,413
Total Adjusted Air Carrier Revenue	62,617	75,195	79,820	76,875	68,361	81,361	91,750	79,977	85,140	89,864
Total NWA Revenue	70,254	79,381	83,924	84,550	74,868	83,652	90,894	83,566	86,685	94,845
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	26,252	24,018	24,348	24,648	24,931	25,222	25,413
Total Adjusted NWA Revenue	46,294	55,421	59,964	58,298	50,850	59,304	66,246	58,635	61,463	69,432
NWA % of Total Air Carrier Revenue	**73.93%**	**73.70%**	**75.12%**	**75.83%**	**74.38%**	**72.89%**	**72.20%**	**73.31%**	**72.19%**	**77.26%**

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.
3- In 2008, Delta's revenues are combined with NWA's revenues as a result of a merger.

Source: Metropolitan Airports Commission

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section

Top 10 Revenue Providers--unaudited
2008 and 1999

Company	2008 Rank	1999 Rank
Northwest/Delta Airlines	1	1
HMS Host	2	2
Hertz	3	3
Minnesota Retail Partners	4	
National/Alamo Car Rental-1	5	5,9
Sun Country Airlines	6	8
Avis	7	4
Budget Rent A Car	8	10
United Airlines	9	7
American Airlines	10	
Signature Flight Support		6

1. In 1999 Alamo and National Car Rental were separate companies.

Source:
Comprehensive Annual Financial Report 1999 and 2008

Air Carrier Market Share
Total Revenue Enplaned Passengers[1]
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
Ranked on Year 2008 Results
1999- 2008

Unaudited

2008 Ranking	Air Carrier	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2008 % of Total[2]
1	NWA	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	10,080,392	61.52%
2	Mesaba Aviation[3]	1,154,386	1,261,971	685,843	591,396	572,557	551,521	539,388	431,668	547,608	1,303,619	7.96%
3	Pinnacle[3]			75,105	384,480	585,202	970,567	1,187,110	1,223,597	1,271,310	865,941	5.29%
4	Sun Country	475,338	708,952	612,881	138,220	377,604	508,405	728,513	726,359	752,691	640,902	3.91%
5	Compass[3]									68,174	620,165	3.79%
6	American	384,014	365,665	369,345	463,331	410,688	347,618	462,914	476,228	589,989	571,930	3.49%
7	United	552,721	491,166	474,913	508,578	516,389	507,724	489,899	559,618	555,520	488,566	2.98%
8	US Airways	173,917	236,887	204,853	219,948	161,198	131,951	57,764	21,625	174,910	389,052	2.37%
9	Air Tran Airways						168,227	149,844	290,390	316,667	256,310	1.56%
10	Delta	381,779	412,283	348,369	360,029	319,889	344,078	266,959	151,669	167,793	193,810	1.18%
11	Frontier						126,434	120,962	123,056	132,633	164,798	1.01%
12	Continental	162,036	193,224	198,313	253,562	235,088	222,114	240,622	250,502	169,853	119,994	0.73%
13	Skywest									113,853	98,574	0.60%
14	Midwest									66,215	67,032	0.41%
15	Champion								113,849	73,790	25,898	0.16%
16	Atlantic Southeast								129,609	47,472	22,269	0.14%
17	America West	132,456	141,591	149,416	198,307	228,452	244,176	279,965	298,126	193,185	-	0.00%
	Ryan Int'l	131,166							32,607	7,768	-	0.00%
	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]	138,513	114,853	62,212								0.00%
	Other	682,329	530,152	636,012	653,417	698,577	676,466	739,219	554,695	397,734	475,020	2.90%
		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	16,384,272	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)
1999-2008

Unaudited

	Originating		Connecting			
Year	Enplaned Passengers [1]	% of Total	Enplaned Passengers [1]	% of Total	Total	% Change from Previous Year
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	45.5	9,023,564	54.5	16,556,998	1.50
2004	7,954,133	45.2	9,643,506	54.8	17,597,639	6.29
2005	8,193,652	45.6	9,790,659	54.4	17,984,311	2.20
2006	10,066,488	58.6	7,111,819	41.4	17,178,307	(4.48)
2007	9,943,883	58.6	7,025,201	41.4	16,969,084	(1.22)
2008	8,355,979	51.0	8,028,293	49.0	16,384,272	(3.45)

Average Annual Compound Growth

1999-2008	0.77%	0.16%	0.46%

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)
1999-2008

Unaudited

2008 Ranking	Air Carrier	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2008 % of Total [1]
1	Federal Express	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	65,700.1	51.9%
2	UPS	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	28,495.6	22.5%
3	Northwest	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	17,951.0	14.2%
4	DHL	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	4,057.3	3.2%
5	ATI/BAX Global	-	-	-	-	-	4,179.8	5,263.9	4,994.2	4,235.1	2,193.9	1.7%
6	Airborne	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	1,853.2	1.5%
7	Sun Country	-	3,014.0	1,692.6	134.1	465.6	415.4	2,199.6	2,372.9	2,402.8	1,721.7	1.4%
8	US Airways	1,139.0	1,433.8	1,643.3	1,288.5	781.1	418.7	108.1	108.1	242.5	1,127.5	0.9%
9	American	3,233.6	3,198.2	1,518.3	1,150.6	997.6	1,543.9	934.9	985.1	946.3	1,052.4	0.8%
10	Other	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	725.1	0.6%
11	Continental	1,640.8	1,871.1	1,512.1	677.4	469.6	662.0	373.4	431.0	346.4	519.4	0.4%
12	United	3,285.4	2,940.0	1,652.8	946.9	1,198.0	1,282.2	1,209.1	571.5	173.8	459.1	0.4%
13	Mesaba										422.4	0.3%
14	Midwest	-	-	-	-	-	-	-	-	326.4	239.9	0.2%
15	Delta	1,420.7	820.4	956.4	1,296.9	1,186.8	1,187.3	471.4	332.6	141.5	168.2	0.1%
	Kitty Hawk/AIA*	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	-	0.0%
	America West								411.1	257.0	-	0.0%
	Emery Worldwide [3]	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	2,707.3	2,455.9	1,029.9	-	-	480.0	-	-	-	-	0.0%
	Trans World [2]	1,406.7	1,365.3	616.2	-	-	-	-	-	-	-	0.0%
		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	126,686.8	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.

Enplaned Cargo Trends
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
1999-2008
Unaudited

(Freight and mail in thousands of tons)

Type of Carrier	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	AAG 1999-08
Passenger	89.3	93.3	79.8	53.3	35.8	25.4	28.0	25.9	25.1	24.2	-12.2%
All Cargo	114.4	117.0	107.4	119.6	138.8	136.6	130.6	122.6	116.1	102.5	-1.1%
Total	203.71	210.32	187.26	172.86	174.58	161.97	158.62	148.51	141.18	126.69	-4.6%

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

There are 3 schedules within this sheet.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section

Trends in Enplaned Cargo by Type of Carrier
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
1999-2008
Unaudited
(Freight and mail in tons)

	Passenger Carriers		All Cargo Carriers		
Year	Tons	% of Total	Tons	% of Total	Total Cargo
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	187,255
2002	53,292	30.8	119,571	69.2	172,863
2003	35,754	20.5	138,829	79.5	174,583
2004	25,353	15.7	136,616	84.3	161,969
2005	27,992	17.6	130,625	82.4	158,617
2006	25,900	17.4	122,611	82.6	148,511
2007	25,124	17.8	116,058	82.2	141,182
2008	24,179	19.1	102,508	80.9	126,687
Average Annual Compound Growth					
1999-2008	-12.2%		-1.1%		-4.6%

Source: Metropolitan Airports Commission.

Trends in Enplaned Cargo by Freight & Mail
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
1999-2008
Unaudited

(Freight and mail in tons)

	Freight/Express		Mail		
Year	Tons	% of Total	Tons	% of Total	Total Cargo
1999	132,840	65.2	70,869	34.8	203,709
2000	140,760	66.9	69,563	33.1	210,323
2001	123,406	65.9	63,849	34.1	187,255
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
2008	121,037	95.5	5,650	4.5	126,687
Average Annual Compound Growth					
1999-2008	-0.9%		-22.3%		-4.6%

Source: Metropolitan Airports Commission.

Rate Covenant for Senior Debt 1999-2008
(Dollars in Thousands)-Unaudited

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues per Master Trust Indenture	$ 179,620	$ 206,304	$ 213,575	$ 211,452	$ 207,057	$ 239,397	$ 273,303	$ 275,650	$ 294,220	$ 293,076
Expenses:										
Operating Expenses	(113,792)	(132,050)	(157,980)	(157,196)	(176,240)	(185,069)	(206,791)	(223,063)	(239,971)	(244,330)
Add: Depreciation	42,875	51,028	65,647	72,871	79,399	83,273	93,566	111,429	115,329	117,595
Amount paid from non-revenue sources	-	-	-	-	13,000	-	-	-	-	-
Total Operating Expenses-Excluding Depreciation	(70,917)	(81,022)	(92,333)	(84,325)	(83,841)	(101,796)	(113,225)	(111,634)	(124,642)	(126,735)
Airport Improvement Bonds-Prior Lien Bonds	(344)	(660)	-	-	-	-	-	-	-	-
Net Revenues	108,359	124,622	121,242	127,127	123,216	137,601	160,078	164,016	169,578	166,341
Annual Debt Service-Senior Airport Revenue Bonds	(8,162)	(26,314)	(46,738)	(59,965)	(56,364)	(54,851)	(50,384)	(48,212)	(46,685)	(46,321)
Annual Debt Service-General Obligation Revenue Bonds	(38,082)	(37,766)	(39,673)	(33,867)	(33,901)	(33,211)	(31,899)	(32,165)	(32,276)	(32,542)
Principal and Interest on other Indebtedness-1	-	(656)	(2,182)	(4,944)	(16,062)	(15,638)	(20,201)	(25,523)	(32,085)	(33,239)
Must not be Less than Zero	**62,115**	**59,886**	**32,649**	**28,351**	**16,889**	**33,901**	**57,594**	**58,116**	**58,532**	**54,239**
Requirement Section										
Net Revenues	108,359	124,622	121,242	127,127	123,216	137,601	160,078	164,016	169,578	166,341
Transfer-Coverage-2	-	-	4,083	6,350	14,091	13,713	12,596	12,053	11,671	11,580
Total Available	108,359	124,622	125,325	133,477	137,307	151,314	172,674	176,069	181,249	177,921
Senior Debt Service times 125%-3	(10,203)	(32,893)	(58,423)	(74,956)	(70,455)	(68,564)	(62,980)	(60,265)	(58,356)	(57,901)
Must not be Less than Zero	**98,157**	**91,730**	**66,903**	**58,521**	**66,852**	**82,750**	**109,694**	**115,804**	**122,893**	**120,020**
Pro Forma Coverage on Senior Lien Debt										
Net Revenues	108,359	124,622	121,242	127,127	123,216	137,601	160,078	164,016	169,578	166,341
Transfer-Coverage-2	-	-	4,083	6,350	14,091	13,713	12,596	12,053	11,671	11,580
Total Available	108,359	124,622	125,325	133,477	137,307	151,314	172,674	176,069	181,249	177,921
Annual Debt Service-Senior Airport Revenue Bonds	(8,162)	(26,314)	(46,738)	(59,965)	(56,364)	(54,851)	(50,384)	(48,212)	(46,685)	(46,321)
Annual Debt Service-General Obligation Revenue Bonds	(38,082)	(37,766)	(39,673)	(33,867)	(33,901)	(33,211)	(31,899)	(32,165)	(32,276)	(32,542)
Total Debt Service-Senior Lien Debt	(46,244)	(64,080)	(86,411)	(93,832)	(90,265)	(88,062)	(82,283)	(80,377)	(78,961)	(78,863)
Coverage with Transfer	**234%**	**194%**	**145%**	**142%**	**152%**	**172%**	**210%**	**219%**	**230%**	**226%**
Coverage without Transfer	**234%**	**194%**	**140%**	**135%**	**137%**	**156%**	**195%**	**204%**	**215%**	**211%**

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 1999-2008
(Dollars in Thousands)-Unaudited

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues per Master Trust Indenture	$ 179,620	$ 206,304	$ 2,213,575	$ 211,452	$ 207,057	$ 239,397	$ 273,303	$ 275,650	$ 294,220	$ 293,076
Expenses:										
Operating Expenses	(113,792)	(132,050)	(157,980)	(157,196)	(176,240)	(185,069)	(206,791)	(223,063)	(239,971)	(244,330)
Add: Depreciation	42,875	51,028	65,647	72,871	79,399	83,273	93,566	111,429	115,329	117,595
Amount paid from non-revenue sources	-	-	-	-	13,000	-	-	-	-	-
Total Operating Expenses-Excluding Depreciation	(70,917)	(81,022)	(92,333)	(84,325)	(83,841)	(101,796)	(113,225)	(111,634)	(124,642)	(126,735)
Annual Debt Service-Senior Airport Revenue Bonds	(8,162)	(26,314)	(46,738)	(59,965)	(56,364)	(54,851)	(50,384)	(48,212)	(46,685)	(46,321)
Annual Debt Service-General Obligation Revenue Bonds	(38,082)	(37,766)	(39,673)	(33,867)	(33,901)	(33,211)	(31,899)	(32,165)	(32,276)	(32,542)
Airport Improvement Bonds-Prior Lien Bonds	(344)	(660)	-	-	-	-	-	-	-	-
Subordinate Revenues	62,115	60,542	34,831	33,295	32,951	49,539	77,795	83,639	90,617	87,478
Principal and Interest on Subordinate Bonds	-	(656)	(2,182)	(4,944)	(16,062)	(15,638)	(20,201)	(25,523)	(32,085)	(33,239)
Must not be Less than Zero	**62,115**	**59,886**	**32,649**	**28,351**	**16,889**	**33,901**	**57,594**	**58,116**	**58,532**	**54,239**
Requirement Section										
Subordinate Revenues	62,115	60,542	34,831	33,295	32,951	49,539	77,795	83,639	90,617	87,478
Transfer-1	-	66	218	494	1,606	1,564	2,020	2,552	3,209	3,324
Total Available	62,115	60,608	35,049	33,789	34,557	51,103	79,815	86,191	93,826	90,802
Outstanding Subordinate Debt Service Times 110%-2	-	(722)	(2,400)	(5,439)	(17,668)	(17,202)	(22,221)	(28,075)	(35,294)	(36,563)
Must not be Less than Zero	**62,115**	**59,886**	**32,649**	**28,351**	**16,889**	**33,901**	**57,594**	**58,116**	**58,532**	**54,239**
<u>Pro Forma Coverage on Subordinate Lien Debt</u>										
Subordinate Revenues	62,115	60,542	34,831	33,295	32,951	49,539	77,795	83,639	90,617	87,478
Principal and Interest on Subordinate Bonds-2	-	656	2,182	4,944	16,062	15,638	20,201	25,523	32,085	33,239
Coverage without Transfer	**0%**	**9229%**	**1596%**	**673%**	**205%**	**317%**	**385%**	**328%**	**282%**	**263%**
<u>Pro Forma Coverage on Senior and Subordinate Lien Debt</u>										
Net Revenues	108,359	124,622	121,242	127,127	123,216	137,601	160,078	164,016	169,578	166,341
Total Debt Service-Senior and Subordinate Debt	46,244	64,736	88,593	98,777	106,327	103,700	102,484	105,900	111,046	112,102
Coverage without Transfer	**234%**	**193%**	**137%**	**129%**	**116%**	**133%**	**156%**	**155%**	**153%**	**148%**

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
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%
2008	126,735	241,554	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
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
2008	1,481,040,000	16,384,272	90.39

Source: Metropolitan Airports Commission

Population

Unaudited Year	Minnesota	MSA	% of Total
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	3,172,012	61%
2007	5,197,621	3,208,212	62%
2008	N/A	N/A	

MSA is defined as Metropolitan Statistical Area

Civilian Unemployment Rate

Unaudited Year	United States	Minnesota	MSA
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%
2008	7.2%	6.8%	6.4%

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

Unaudited Year	Personal Income-(in millions) Minnesota	MSA	% of Total
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	200,300	140,320	70%
2007	213,282	N/A	
2008	223,288	N/A	

MSA is defined as Metropolitan Statistical Area

Unaudited Year	Per Capita Personal Income Minnesota	MSA
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	38,859	44,237
2007	41,034	N/A
2008	42,772	N/A

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

Minnesota's Largest 10 Employers ranked by in-state employees
2008 and 1999

Unaudited

Company	2008 Employees	Rank	% of Total Employment	1999 Employees	Rank	% of Total Employment
State of Minnesota	55,865	1	2.08%	54,767	1	2.20%
Mayo Foundation	37,022	2	1.38%	19,485	7	0.78%
United States Federal Government	32,313	3	1.20%	33,383	2	1.34%
Target Corporation	27,756	4	1.03%			
Allina Health System	23,653	5	0.88%	21,927	5	0.88%
Wells Fargo & Co.	20,884	6	0.78%			
Fairview Health Services	20,148	7	0.75%	13,273	10	0.53%
Wal-Mart Stores, Inc.	18,470	8	0.69%			
University of Minnesota	19,733	9	0.73%	30,708	4	1.23%
3M Co.	16,500	10	0.61%	19,264	8	0.77%
Dayton Hudson Corporation	-			32,200	3	1.29%
Northwest Airlines	-			21,057	6	0.84%
Norwest Corp	-			13,792	9	0.55%
	-					
Total	272,344			259,856		
Total Nonfarm employment	**2,687,740**			**2,493,169**		

Sources:
Minnesota Business Journal Book of Lists--12/26/2008
Minnesota Department of Employment and Economic Development

2008 Employment Share by Industry

Unaudited

Industry Sector	**Minnesota**	**MSA**
Education and Health Services	22.2%	19.73%
Trade, Transportation and Utilities	20.5%	20.43%
Manufacturing	12.8%	11.57%
Professional and Business Services	12.2%	15.45%
Leisure and Hospitality	9.1%	9.07%
Financial Activities	6.6%	8.01%
Public Administration	6.5%	5.49%
Construction	4.6%	4.58%
Other Services	3.1%	3.20%
Information	2.1%	2.42%
Natural Resources and Mining	0.3%	0.05%
	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)
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
2008	32,917,480	450,044	253,374

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)
1999-2008

Unaudited

Year	Air Carrier Operations	Commuter Operations	Cargo Operations	Total Commercial Operations [1]	Percent Commercial Operations [1]	General Aviation Operations	Military Operations	Total Operations
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
2008	226,646	176,237	14,361	417,244	92.71%	30,685	2,115	450,044

[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.

Trends in Aircraft Landed Weight of Signatory Airlines
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
1999-2008

Unaudited

	Type of Air Carrier		
	(In thousands of pounds)		
Year	Passengers	All Cargo	Total Landed Weight
1999	25,030,878	726,275	25,757,153
2000	26,148,148	996,062	27,144,210
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	21,846,071	1,152,231	22,998,302
2008 [1]	21,047,357	1,095,773	22,143,130

[1] In 2008, NWA's activity represented approximately 71% of the total landed weight at the Airport.

Source: Metropolitan Airports Commission

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section

Employee Counts-1999-2008-[1] **Unaudited**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Mpls Employees Retirement Fund	52	45	40	30	23	21	13	8	6	5
Public Employee Retirement Association	419	449	505	513	509	521	552	566	558	570
	471	494	545	543	532	542	565	574	564	575

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
1999-2008
(Dollars and Passengers in thousands)

	1999	2000	2001	2002	2003-2	2004	2005	2006-3	2007	2008
Total Cost-1	$ 60,559	$ 72,455	$ 77,209	$ 76,983	$ 66,741	$ 80,053	$ 92,818	$ 82,242	$ 88,454	$ 91,908
Enplaned Passengers	16,457	17,527	16,027	15,765	16,102	17,598	17,984	17,178	16,969	16,384
Airline Cost per Enplaned Passenger	$ 3.68	$ 4.13	$ 4.82	$ 4.88	$ 4.14	$ 4.55	$ 5.16	$ 4.79	$ 5.21	$ 5.61

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
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
2008	2.11	502.98	52.88	52.88	59.58	52.88

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
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
2008	110,846	119,139	48,877	69,406	37,612	39,021

Source: Metropolitan Airports Commission

AIR CARRIERS SERVING THE AIRPORT[a]
MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT
(As of December 31, 2008) (Unaudited)

U.S. – FLAG CARRIERS

SCHEDULED SERVICES

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

NON-SCHEDULED (CHARTER) SERVICES

Champion Air *[11]	Ryan International *	Omni Air International *

ALL-CARGO SERVICES

A Star Air Cargo *[12]	ATI *[13]	Bemidji *
DHL Airways *[12]	FedEx *	Kitty Hawk[14]
Mountain Air Cargo	UPS *	

FOREIGN-FLAG CARRIERS

Jazz Air, LP. dba Air Canada *[15]	Icelandair *

* Denotes those Air Carriers that are Signatory Airlines to the Airline Lease Agreements.
[a] Excludes carriers reporting fewer than 1,000 enplaned passengers.
[1] Flies for United Airlines.
[2] Commenced its operations at MSP Airport in October 2008.
[3] Codeshare with Delta Air Lines.
[4] Filed for bankruptcy on 9/14/05 along with its parent company Delta Air Lines. Both carriers exited bankruptcy on April 30, 2007.
[5] Filed for bankruptcy protection on 9/14/05. DAL emerged from bankruptcy on April 30, 2007 along with Comair. DAL's plans to merge with NWA were officially approved by the U.S. Department of Justice on October 29, 2008. Both announced plans to merge in April 2009.
[6] Codeshare with US Airways.
[7] Wholly owned by Northwest Airlines (NWA) after Mesaba emerged from bankruptcy protection on April 30, 2007. It had filed for bankruptcy on October 13, 2005. Its operations were included in NWA and reported by NWA starting 2008.
[8] Filed for bankruptcy on 9/14/05 and emerged from bankruptcy on May 31, 2007. Also, refer to note 5 above.
[9] Wholly owned by Northwest Airlines.
[10] United filed for bankruptcy on December 9, 2002. Emerged from bankruptcy on February 1, 2006.
[11] Permanently ceased its operations at MSP Airport since the end of May 2008.
[12] ABX Air provides air service to DHL.
[13] Provides air service to BAX Global.
[14] Filed for Chapter 11 bankruptcy reorganization on October 15, 2007.
[15] Air Canada filed for bankruptcy protection on April 1, 2003. Emerged from bankruptcy on September 30, 2004 after 18 months in protection.

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

INSURANCE COVERAGE (Unaudited)

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Year ended December 31, 2008

Insurer	Expiration	Coverage	Policy Limits (Thousands of Dollars)
ACE/INA[1]	1-1-12	General aviation liability including personal injury	$500,000
Alliant	7-1-12	Blanket fire & extended coverage on building and contents. Boiler, machinery	$1,000,000
Self-Insured[2]	Continuous	Statutory workers' compensation	
		Workers' Compensation Reinsurance Association	$430
Great American	6-1-09	Comprehensive Crime Employee/Police Policies	$1,000
Minnesota Risk Management Fund	7-1-09	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	7-1-09	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, 2008

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	3,900 Ft
Runway 18-36	2,700 Ft
Lake Elmo	
Runway 14-32	2,900 Ft
Runway 4-22	2,500 Ft
St. Paul Downtown	
Runway 14-32	6,500 Ft
Runway 13-31	4,000 Ft
Runway 9-27	3,600 Ft

1. Amounts rounded to the nearest hundred.

Airport Information
As of December 31, 2008

Terminal Buildings-Sq Ft

	Lindbergh	Humphrey
Airline	662,072	122,254
Concession	189,379	15,673
Garage	155,424	-
Non-Airline	182,550	16,576
Unoccupied	42,355	22,284
Circulation	979,834	96,186
Restrooms	53,513	10,576
MAC/Mechanical	401,141	63,502
International Arrivals	118,474	40,037
Trans Security Agency	48,947	9,389
	2,833,689	396,477

Parking Facilities

Lindbergh Terminal	14,261
Humphrey Terminal	5,408
	19,669

Gates (Aircraft loading positions)

Lindbergh Terminal	117
Humphrey Terminal	10

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USER NOTES

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Minneapolis-St. Paul
METROPOLITAN AIRPORTS COMMISSION
6040 28TH Avenue South
Minneapolis, Minnesota 55450

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