Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2005

MAC 05

Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2005

MAC 05

Prepared by

The Finance Department

Stephen L. Busch

Director of Finance

***Chair*:**	Vicki Tigwell
***Commissioners*:**	
District A	Tammy McGee
District B	Molly Sigel
District C	Kari Berman
District D	John Williams
District E	Sherry Stenerson
District F	John Lanners
District G	Tom Foley
District H	Bert McKasy
City of Minneapolis	Daniel Boivin
City of Saint Paul	Pat Harris
Representing Greater Minnesota Area:	Mike Landy
	Robert Mars
	Paul Rehkamp
	Greg Warner
Executive Director:	Jeffrey Hamiel

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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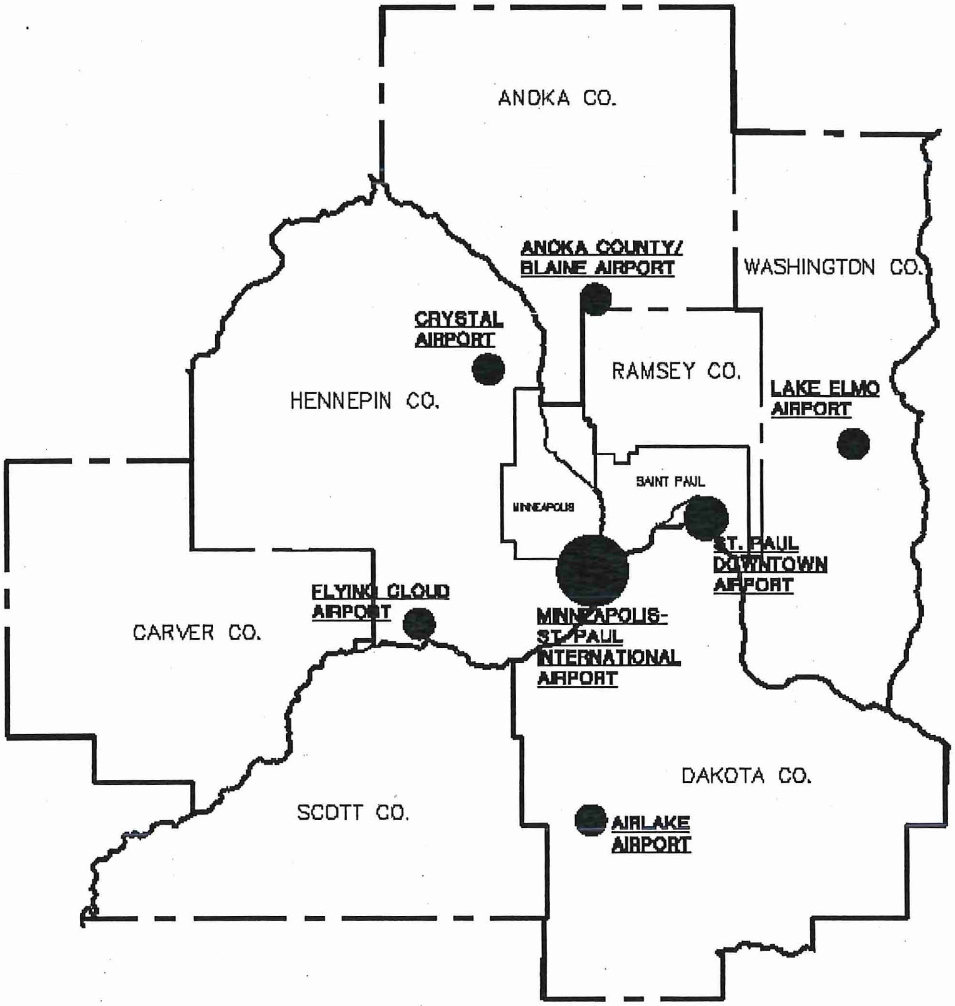
Introductory Section



Commission Jurisdiction 35 Mile Radius

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Minneapolis-St. Paul Metropolitan Airports Commission, Minnesota

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2004

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

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

President

Executive Director

METROPOLITAN AIRPORTS COMMISSION
Minneapolis–Saint Paul International Airport
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OFFICE OF EXECUTIVE DIRECTOR

May 15, 2006

To The Public:

The Comprehensive Annual Financial Report of the Metropolitan Airports Commission, Minneapolis-St. Paul, Minnesota, for the fiscal year ended December 31, 2005, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Metropolitan Airports Commission (Commission or MAC). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations and changes in net assets and cash flows of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

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

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

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

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

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

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

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

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

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

Parking facilities located at the airport provide approximately 17,895 public automobile parking spaces. The on-airport parking options include short-term and long-term parking located at the Lindbergh Terminal and short-term and long-term parking at a parking ramp located adjacent to the Humphrey Terminal. In the event the Department of Homeland Security raises the national threat level to "Level Red", the Commission is required to perform searches on all vehicles entering the parking ramp located adjacent to the Humphrey Terminal and the valet garage located beneath the Lindbergh Terminal.

The Lindbergh Terminal building at MSP is a three-story structure consisting of approximately 2.7 million square feet of space, of which approximately 1.3 million are considered rentable. The Lindbergh Terminal consists of one terminal consisting of 117 aircraft loading positions. These aircraft loading positions consist of passenger loading bridges and immediately adjacent ramp areas that are utilized by regional airline aircraft that do not utilize the passenger loading bridges.

The Humphrey Terminal is a two-story structure consisting of approximately 388,000 square feet of space, providing 10 gates. Four of the ten gates, one to Champion Air and three to Sun Country, are assigned on a priority basis. At present, the remaining gates are used on a common use basis to accommodate seasonal activity by other charter carriers.

The Commission may, under the Airport Law (Minn. Stat. §473.667), borrow money and issue General Obligation Bonds for the purpose of acquiring property, constructing and equipping new airports, acquiring and equipping existing airports and making capital improvements to any airport constructed or acquired by the Commission. The Commission may also issue, under the Airport Law (Minn. Stat. §473.608), Airport Revenue Bonds. The Airport Revenue Bonds are not general obligations, but are limited obligations of the MAC payable solely from and secured by a pledge of net revenues on parity with the General Obligation Revenue Bonds. Other powers delegated to the Commission include power to levy taxes against property of the Metropolitan Area in order to pay debt service on bonds issued by the Commission. In addition, the Commission can levy taxes, not in excess of

.00806 percent in each year, upon the valuation of all taxable property in the Metropolitan Area to meet operation and maintenance costs of airport facilities. The Commission is governed by fifteen Commissioners. Eight Commissioners are appointed by the Governor of the State of Minnesota from designated districts within the Metropolitan Area. The mayors of St. Paul and Minneapolis also have seats on the Commission with the option to appoint a surrogate to serve in their place. The Governor also appoints four Commissioners representing the Greater Minnesota Area (i.e. outside the Metropolitan Area). The Chairperson of the Commission is appointed by the Governor and may be from anywhere in the state. Only the Chairperson can be removed before their term expires. In applying Governmental Accounting Standards Board (GASB) 14 (as amended by GASB 39), the MAC and the State of Minnesota have agreed that the MAC is not financially accountable to any other organization and is considered a stand-alone government unit.

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.

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

In 2005, the organization focused on its two strategic primary goals of providing a safe and secure airport system and maintaining the economic viability of the airport system as the aviation and airport industry continued to recover from the events of 9/11 and the recent economic slump. The chart on the following pages depicts the Commission's organizational goals with results accomplished for each goal.

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

2005-2009 Organizational Strategies

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

✓ Strategy	✓ Goal	✓ 2005 Objectives	Results
Ensure a Safe and Secure System of Airports	Reduce runway incursions and airfield violations.	Complete runway incursion and airfield violation education and training programs.	• Comprehensive training program for all persons that access the movement and safety areas at MSP in place.
		Implement 800 MHz communication system.	• All MAC departments using radio communications are included in the 800 MHz system.
	Reduce employee accidents and incidents	Develop an accountability program for employee safety.	• Department supervisors responsible for the accountability program for employees.
	Reduce airport user accidents and incidents.	Develop database to track and identify primary causes of accidents and incidents.	• Identify causes and implement action to reduce these accidents.

✓ Strategy	✓ Goal	✓ 2005 Objectives	Results
	Reduce security violations	Improve access point security.	• Reductions in the number of access points and improved security in place.
Ensure Long Term Financial Viability	Generate revenue necessary to pay operating costs, meet debt service requirements and fund an operational reserve.	Implement Concessions Program	• The Concessions Program has been fully implemented.
		Implement revised Reliever Airports rates and charges.	• Reliever Airports rates and charges revised and change implemented.
		Implement revised land rental rates at MSP.	• Based on the preliminary review, the ground rental rates should increase on average about 25%.
	Evaluate capital funding alternatives	Identify financing options for proposed airport expansion and development plan.	• Funding Plan developed for the 2005 Capital Improvement Program (CIP) and remainder of the 2010 Plan.
		Identify post 2010 financing options and development plan.	• Funding Plan developed for initial requirement of the 2020 Plan.
	Maintain an industry competitive airline cost structure	Define MAC's competitive airline cost strategy.	• MAC's airline cost strategy is to remain in the lower ½ of large hub airports.
		Establish cost structure to achieve MAC's strategy.	• Cost structure achieves MAC's strategy.
	Maintain AA- rating.	Maintain 1.4x debt service ratio.	• 1.4x debt service ratio maintained
		Maintain four-month cash reserve.	• Five-month cash reserve approved in 2005.
Address On-going Development and Increase Maintenance & Operations (M & O) Needs	Complete 2010 Capital Improvement Plan	Develop annual Capital Improvement Plan.	• Annual Capital Improvement Plan developed and approved by the Commission.
	Strengthen link between CIP and M&O budget, plans and service levels	Review existing projects for appropriate budgeting levels.	• Department level M&O needs in response to the CIP are being identified.
		Integrate maintenance and operations personnel into planning and design phase of CIP.	• Maintenance and operation staffs have been integrated into the design/planning phase of capital projects on a regular basis.
		Begin to develop a multi-year operating plan.	• 3-yr. business plan model has been developed. Implementation has begun at the departmental level.
	Develop and integrate expanded preventive maintenance programs.	Implement centralized warranty tracking and communication process.	• Single source for all warranty information that is updated automatically at the completion of capital projects & easily accessible

✓ Strategy	✓ Goal	✓ 2005 Objectives	Results
		Develop and implement preventive maintenance schedule for existing assets.	• Replacement software for the near obsolete computerized maintenance management software (CMMS) was acquired.
		Integrate life cycle costs with CIP project development process.	• Life cycle analyses is incorporated into the decision making process for various construction options.
	Create objective measures for service needs.	Establish and maintain MAC's customer service standards, review for effectiveness.	• A customer service index for the entire airport community exists to measure and compare progress in all customer service efforts.
Match Employee Talent with Changing Business Needs	Develop transition plan.	Adopt transition plan model for implementation.	• Transition plan model was adopted.
		Plan for anticipated turnover at executive levels and develop recruitment strategies.	• Executive level recruitment strategies have been identified.
	Develop 3-year workforce strategy.	Identify changing business needs for employee talent.	• Changing business needs for employee talent assessment identified.
		Identify, evaluate and implement alternatives for meeting work demands.	• Work accomplished through the most efficient means – process improvement, job redesign, and use of technology and/or additional headcount.
		Develop 3 year staffing forecast.	• 1-Year staffing forecast in place and a three-year rolling forecast is being developed.
	Develop and implement recruitment and retention plan.	Identify and make appropriate adjustments for negatively impacted recruitment areas.	• Needs were identified. Policies have been reviewed and revised and will be implemented in 2006.
		Maintain competitive benefits package and wage structure.	• Market-based surveys were completed and recommendations implemented to keep MAC competitive in the labor market.
		Reinstate supervisory and leadership training.	• Supervisory management training was reinstated. Initial leadership development program design was completed for 2006 implementation.

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✓ Strategy	✓ Goal	✓ 2005 Objectives	Results
Lead the Aviation Industry in Environmental Stewardship	Continue Part 150 Program implementation.	Complete 2007 65 Day Night Noise Level (DNL) Noise Mitigation Program.	• Awarded contract for single family homes insulation in 2007 65DNL contour.
	Minimize negative environmental impacts.	Evaluate ways to minimize environmental impacts on air, noise and water.	• Participated in Environmental Protection Agency (EPA) water quality discussions and surveys concerning national deicing operations and future requirements. • Met with communities to encourage compatible development around MAC airports. • Incorporated new or revised lease language to identify leasee environmental responsibilities. • Completed Noise Oversight Committee (NOC) 2005 work schedule. • Conducted over 50 community public information meetings, published four quarterly newsletters and implemented a new noise complaint records system.
	Continue implementation of environmental management system (EMS).	Identify, evaluate and prioritize elements of an EMS.	• EMS elements were reviewed and a draft document created to guide future evaluation and implementation.
	Implement MAC-wide tenant environmental compliance plan (ECP).	Develop conceptual ECP for MSP.	• Identified elements of existing ECP for modification and began a facility inventory for MSP.
Enhance Customer Service & Expand Consumer Choice	Clarify and establish customer service standards.	Identify and prioritize service needs and quality standards for MSP and Reliever Airports.	• Standards have been established in the Field Maintenance Department and will expand into all departments.
		Develop Business Partner Index to measure partner satisfaction.	• This objective has been deferred to 2006.
	Partner with tenants to ensure integration of customer service standards.	Develop and implement a communication strategy.	• Customer service standards communication strategy implemented.
		Incorporate customer service standards into lease and contract agreements.	• New leases have customer service standards incorporated.

✓ Strategy	✓ Goal	✓ 2005 Objectives	Results
		Create airport-wide customer service index at MSP.	• A single index was determined to be unworkable by the Customer Service Action Council. An alternative plan is being developed that will create a "family" of customer service indices with input from the tenant community. Development will be completed and implementation will begin in 2006.
Enhance Customer Service & Expand Consumer Choice	Develop and implement concessions marketing plan.	Integrate concessions marketing program with MAC's budgeting process.	• Effectiveness of program to increase sales and raise awareness of Northstar Crossing.
		Review and revise marketing program to reflect the new concession infrastructure.	• Marketing plan revised as new concessions become available.
	Promote Customer Options and Services at Reliever Airports.	Identify appropriate infrastructure.	• Reliever Task Force report has been accepted by the Commission and action will be taken in 2006 on the recommendations.
		Identify marketing strategies.	• Item was deferred pending the results of the Reliever Task Force initiative.
	Identify and expand air cargo opportunities.	Develop plan to increase cargo operations at MSP.	• Work continues on the regional distribution center (RDC) concept.
	Expand competitive air service options.	Determine political and business community support for expanded air service options.	• Survey conducted to determine community support for expanded air service options.
		MSP economic impact study completed and distributed to Commission and the public.	• Study completed and distributed.

In 2006, the organization strategic planning process continued to evolve. Three of the 2005 strategies were dropped: Ensure a Safe and Secure System of Airports, Address On-going Development and Increased Maintenance and Operations Needs, and Lead the Aviation Industry in Environmental Stewardship. They were removed because it is felt they are really part of our job description and statements of philosophy. The five-year strategies listed below are designed to focus the organization on the future by increasing our capabilities and exploiting our strengths.

2006-2010 Organizational Strategies

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

✓ Strategy	✓ Goal	✓ 2006 Key Initiatives	Measurable Outcome
Ensure Long Term Financial Viability	Ensure MAC has the financial resources necessary to operate our airport system and meet all debt service obligations and maintain our AA- bond rating.	Develop financial contingency plans.	• Contingency plans in place for best case, worst case, and most likely financial scenarios.
		Maintain appropriate financial reserves.	• Five-month cash reserve maintained in 2006. • 1.4x debt service ratio maintained • Maintained AA- bond rating.
		Transition from 2010 Plan to 2020 MSP Development Plan.	• Annual Capital Improvement Plan developed and approved by the Commission. • All design/planning meetings for capital projects have appropriate maintenance and operation staff in attendance and participating in design decisions.
		Implement cost saving measures: • Energy conservation • Process improvement • Cost/Benefit analysis • Service levels	• Cost saving measures identified and implemented at the departmental level.
Match Employee Talent with Changing Business Needs	Ensure that MAC has the right people with the right skills and experience to fulfill its mission.	Document transition plan for executive leadership.	• Executive Leadership transition plan in place.
		Ensure knowledge transfer for key technical and professional positions.	• Key technical and professional positions identified where the organization has vulnerability due to possible retirement or single incumbents. • Strategies in place to insure transfer of knowledge.
		Implement first phase of leadership development.	• Ongoing Leadership Development program designed and approved. • A minimum of three formal development events implemented in 2006. • Action plan for 2007 developed and approved.
		Ensure employee wages and benefits remain competitive.	• MAC is able to attract and retain people with the knowledge, skills and abilities necessary to maintain high performance.

✓ Strategy	✓ Goal	✓ 2006 Key Initiatives	Measurable Outcome
Enhance Customer Service	Ensure that MAC provides and champions excellent customer service.	Promote MAC's airport system to regional businesses and communities.	• Regional businesses and communities have a greater understanding of the value of the airport system to their business plans.
		Aggressively market MSP to the traveling public.	• Media campaign developed promoting services and amenities at MSP.
		Promote reliever airport system to corporate customers.	• Marketing program aimed at corporate aviation departments in place.
Leverage Technology	Improve performance, increase productivity and deliver cost effective services.	Take full advantage of existing technology to maximize productivity by: • Enhancing employee knowledge of current capabilities. • Investing in skills training. • Strengthening technical support capabilities.	• Training conducted to enhance employee knowledge and skill levels with existing technologies. • Recommendations developed for strengthening technical support capabilities.
		Benchmark innovative uses of technology in: • Airports • Private industry • Municipalities • Government agencies	• Benchmark studies completed and recommendations developed for implementation in 2007.
		Work with our partners and customers to identify technology needs.	• Request for Qualifications (RFQ)/ Request for Proposals (RFP) for Computer-Aided Dispatch and Public Safety Records Management system completed and awarded.
Strengthen Partnerships and Alliances	Strengthen our effectiveness through interdepartmental relationships and alliances with regional businesses, public agencies and governmental units.	Strengthen partnerships with Federal and State agencies.	• Improved communications and coordination of efforts.
		Strengthen existing and form new partnerships with regional business community.	• Greater understanding of regional business community needs for passenger and air cargo services.
		Create mutually beneficial alliances with airline.	• Identification of areas of mutual interest where we can coordinate resources.
		Enhance internal partnering.	• Improved cross department communication, coordination and sharing of resources.

CAPITAL PROJECTS

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

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

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

Anticipated projects planned for 2006, 2007 and 2008, as well as the extended period 2009-2012, are summarized as follows. (The amounts shown represent the estimated total cost for projects planned to be initiated, but not necessarily completed during that period.)

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CAPITAL IMPROVEMENT PLAN SUMMARY (CIP)
($ = 000)

	2006	2007	2008	2009-2012	Total 2006-2012
Minneapolis/St. Paul International - 2010 Plan					
Runway 17/35	$13,000	$ -	$ -	$ -	$13,000
Runway 4/22 Development	-	3,700	-	-	3,700
Noise Mitigation	14,000	3,000	13,200	32,400	62,600
Taxiway C/D Complex Construction	5,000	11,000	10,000	-	26,000
Airfield Rehabilitation	500	7,300	1,000	3,500	12,300
Runway Rehabilitation	-	16,000	20,000	-	36,000
Environmental Remediation	1,300	-	-	-	1,300
Lindbergh Terminal Rehabilitation & Development	500	3,600	-	-	4,100
Landside Rehabilitation & Repair	3,700	7,400	3,900	17,600	32,600
Miscellaneous Field & Runway	400	900	900	1,600	3,800
Miscellaneous Landside	60,450	16,750	-	-	77,200
New Projects	25,385	53,750	30,500	25,000	132,635
Total Minneapolis/St. Paul International - 2010 Plan	124,235	123,400	79,500	80,100	407,235
Minneaplis/St. Paul International - 2020 Plan					
Humphrey Terminal	-	-	89,800	124,500	214,300
Lindbergh Terminal Phase 1	-	-	-	22,000	22,000
Lindbergh Terminal Phase 2	-	-	-	357,200	357,200
Total Minneapolis/St. Paul International - 2020 Plan	-	-	89,800	503,700	593,500
Reliever Airports					
Reliever Airports	15,000	49,970	23,900	42,270	131,140
Reliever Airports Utility Extension	-	3,400	2,400	500	6,300
Total Reliever Airports	15,000	53,370	26,300	42,770	137,440
Total All Facilities	$139,235	$176,770	$195,600	$626,570	$1,138,175

The industry economic conditions and forecasts continue to impact the construction program for 2006. Only essential projects (primarily rehab or repair) or specific projects agreed upon between MAC and the tenants will move forward. In April 2006, the Commission voted to defer the Humphrey Terminal phase of the 2020 development from a start date in 2006 to a start date of 2008 with projected completion and facility availability in late 2010/early 2011. This action will also defer phase 2 of the 2020 plan implementation by an additional 2 years.

CASH MANAGEMENT

Cash temporarily idle during the year is invested according to legal requirements established by the Legislature of the State of Minnesota. In accordance with state law, investments are restricted to various United States government securities, certificates of deposits, commercial paper and repurchase agreements. All securities must mature within three years from the date of purchase. In addition to the legal requirements, the MAC has an investment policy to further enhance the safety of its investments. In accordance with this policy, securities are safekept at one institution and purchases can be made only from broker/dealers located in the State of Minnesota.

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

RISK MANAGEMENT

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

The Risk Department coordinates claims payment, major claims management, and early intervention where needed in order to promote cost containment and overall claims handling efficiency. The MAC or its tenants, within limits and with deductibles approved by the MAC, maintain fire insurance coverage on all buildings at the airport. Contractors and lessees are required to carry certain amounts of insurance. A schedule of insurance in force as of December 31, 2005, can be found in the Statistical Section of this report. Loss Prevention and Wellness Committees, composed of MAC staff and airport community representatives with the Risk Department advisor, endeavor to identify exposures, make recommendations to MAC management and promote wellness and awareness among employees and all MAC facilities. Also, the Risk Department maintains open communication and positive relationships with other departments, brokers, and insurance companies to ensure good working relationships and access to competent professional advice. The Risk Department serves as an advisor to public needs, airport tenants, other MAC departments and special action committees.

INDEPENDENT AUDIT

The financial statements of the MAC are audited annually by a firm of independent certified public accountants. The audits for the years ended December 31, 2005 and 2004 were performed by Deloitte & Touche LLP. Their opinion on the financial statements is presented in this report.

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

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

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

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the MAC for its Comprehensive Annual Financial Report for the year ended December 31, 2004. For the twentieth 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 eighteenth consecutive year the GFOA Award for Distinguished Budget Presentation for its Annual Operating Budget for 2005. In order to qualify for the Distinguished Budget Presentation, the Commission's budget document was judged to be proficient in several categories, including policy documentation, financial planning and organization.

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

ACKNOWLEDGEMENTS

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

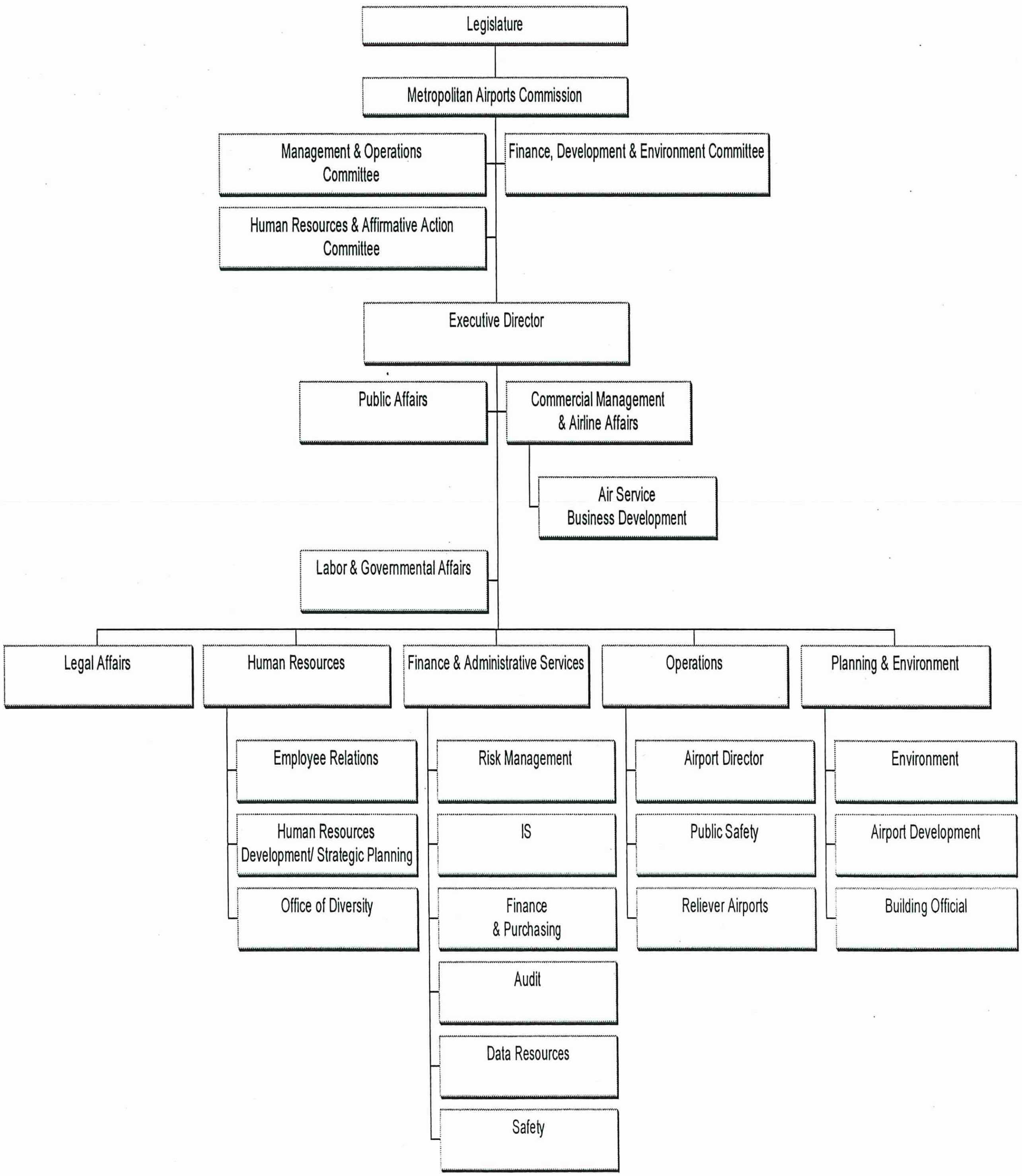
In closing, without the leadership and support of the governing body of the Metropolitan Airports Commission, preparation of this report would not have been possible.

Respectfully submitted,

Jeffrey W. Hamiel
Executive Director

Stephen L. Busch
Director of Finance

ORGANIZATION CHART



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Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2005

MAC 05

FINANCIAL SECTION

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Members of the Commission
Minneapolis-Saint Paul Metropolitan
Airports Commission

We have audited the accompanying balance sheets of Minneapolis-Saint Paul Metropolitan Airports Commission (the "Commission") as of December 31, 2005 and 2004, and the related statements of revenues and expenses and changes in net assets and of cash flows for the years then ended, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, such basic financial statements present fairly, in all material respects, the financial position of the Commission at December 31, 2005 and 2004, and the results of its operation and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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 the information and we do not express an opinion on it.

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

Member of
Deloitte Touche Tohmatsu

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2006, 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 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2005 with selected comparative information for the years ended December 31, 2004 and 2003. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

USING THE FINANCIAL STATEMENTS

The MAC's financial report includes three financial statements: the Balance Sheets, the Statements of Revenues and Expenses and Changes in Net Assets and the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the *Governmental Accounting Standards Board* (GASB) principles. The MAC has also adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34) as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statements Note Disclosures.* The objective of the GASB in developing these new reporting standards is to enhance the understandability and usefulness of the basic external financial reports of state and local governments to the citizenry, legislative and oversight bodies and investors and creditors.

ACTIVITY HIGHLIGHTS

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 2004, MSP was the 9th busiest airport in the United States in terms of passenger volume and 8th in terms of takeoffs and landings.

Passengers

In 2005, MSP carried a record 36.7 million passengers, which represented an increase of 2.5% over 2004 levels. Regional carriers represented the majority of this increase, while major airline passenger activity was flat and charter airline passengers decreased slightly in 2005. The top five carriers in 2005 by enplaned passengers serving MSP are shown below. The total enplaned passengers for 2005, including connecting, was 17,984,311. The figures may differ from the passengers statistics reported by the air carriers to the Department of Transportation.

Carrier	Enplaned Passengers	% of Total Enplaned Passengers
Northwest	12,513,738	69.6%
Pinnacle	1,187,110	6.6
Sun Country	728,513	4.1
Mesaba	539,388	3.0
United	489,899	2.7
	15,458,648	86.0%

Operations

Aircraft operations represent the total number of takeoffs and landings at the airport.
Aircraft operations at MSP decreased in 2005 to 532,240 from 541,092 the previous year, down 1.6%.

At the reliever airports, operations decreased 3.1% from 2004 levels.

FACTORS AFFECTING FINANCIAL CONDITION

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

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

Since the terrorist attacks of September 11, 2001, most airlines have reported substantial operating losses, including Northwest Airlines ("Northwest Airlines or Northwest"), the dominant Air Carrier at the airport. Several airlines, including seven airlines operating at the airport (US Airways, ATA, Air Canada, Delta, Mesaba, Northwest and United Air Lines ("United")), filed for bankruptcy protection and are in various stages of their workouts. On September 14, 2005, Northwest Airlines, the dominant Air Carrier at the airport, filed for protection under Chapter 11 of the Bankruptcy Code. In an effort to stem mounting financial losses, most major airlines reduced flight schedules and instituted significant employee layoffs. Most airlines, including Northwest, have also retired old, less efficient aircraft and replaced larger aircraft with small, regional jet aircraft on selected routes, resulting in an additional reduction in scheduled seat capacity. The Commission cannot predict how long any airline in bankruptcy protection will continue operations at the airport or whether any of these airlines will liquidate in the future. Further, the Commission cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Commission or the airlines operating at the airport from such incidents or disruptions.

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

The Commission cannot predict the duration or extent of the reduction in air travel revenues or the extent of the adverse impact on net revenues, Passenger Facility Charges (PFC) revenues, passenger enplanements, operations or the financial condition of the airport. However, in the event that the Commission's tenants would default on their lease obligations, the Commission has the authority to levy property taxes to support its general obligation revenue debt. As a result of the current environment, the Commission continues to actively pursue opportunities to achieve greater cost effectiveness in the deliveries of its services while meeting the mandates for greater security.

Effect of Airline Bankruptcy

On September 14, 2005 both Delta and Northwest Airlines filed for protection under Chapter 11 of the Bankruptcy Code. Further, on October 13, 2005, Mesaba filed for protection under Chapter 11 of the Bankruptcy Code. These three airlines accounted for 74.1% of enplaned passenger activity during 2005. Also see Note Q in the notes to the financial statements for more information.

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, Mesaba, Northwest, United, Air Canada and ATA were each operating at the airport under an airline lease agreement at the time of their respective filings for bankruptcy protection. TWA's Airline Lease Agreement was assigned over and assumed by American. While Sun Country rejected its airline lease agreement, the new airline, also known as Sun Country, which was created by an investor group that purchased the assets of the defunct Sun Country, has signed an airline lease agreement. US Airways, which emerged from its first bankruptcy filing on March 31, 2003, assumed its airline lease agreement, however, it has neither assumed nor rejected its airline lease agreement as part of its current and second bankruptcy filing. Air Canada assumed its airline lease agreement. Neither Delta, Mesaba, Northwest, United nor ATA has assumed or rejected their respective airline lease agreements as of the date of this report.

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 and ATA have been paid. US Airways owes the Commission approximately $39,000 of pre-petition obligations, of which US Airways paid $23,000 with the remainder to be recovered from the Air Carriers operating at the airport. Sun Country owed the Commission approximately $570,000 in pre-petition obligations at the time of its liquidation; approximately $72,000 of such obligations was recovered from the other Air Carriers operating at the airport through increased landing fees, approximately $46,000 of such obligations was recovered from an Air Carrier which leased a hangar previously leased by Sun Country, and $451,392 of such obligations was written off as bad debt and was not recoverable. For the airlines who filed for bankruptcy protection during 2005, their pre-petition obligations are as follows: Northwest Airlines--$4,300,000; Delta Airlines--$35,000; Mesaba Airlines--$204,000. There were no allowances recorded against the pre-petition obligations since these obligations are related to the airline agreement. In addition, the carriers are current in their post-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 as of May 1, 2004 was increased from $0.08 to $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 Acts, as amended by Vision 100, require an airline in bankruptcy protection (except airlines which filed for bankruptcy protection prior to the effective date of Vision 100, including United) to segregate PFC collections from all of its other revenues. United, Northwest Airlines (including Mesaba), Delta, US Airways and ATA are current in the payment of PFCs owed to the Commission.

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.

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 2005.

Airline Lease Agreement

The airline lease agreement relates to the use of the airport for air carrier operations, the leasing of space within the terminal buildings of the airport and the establishment of landing fees. Except for rental amounts based primarily upon the square feet rented, the terms, conditions and provisions of each airline lease agreement are substantially the same.

In the airline lease agreement, the Commission has leased to each particular air carrier a certain specified square footage portion of the terminal area in the airport. Annual rents are computed on the basis of various charges per square foot for various types of space within the existing terminal area and, in certain cases, the costs of certain improvements of the existing terminal area. The airline lease agreement also provides that each air carrier is required to pay a basic landing fee. The landing fee is calculated by dividing the cost of operations, maintenance and improvements at the 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, 2005, the aggregate rentals earned by the Commission pursuant to the airline lease agreement were approximately $81,525,000. 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, 2005, the aggregate annual rentals under these leases were approximately $24,326,000.

Specific Project Leases

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

If bonds were issued by the Commission to finance the construction of a facility, the lessee is required to pay annual lease payments equal to the debt service requirements on the bonds issued to construct the facility, due in the following year. The lease remains in effect until the total debt service on the bonds has been paid. Bond funds were used to finance certain facilities for Northwest Airlines, 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, 2005, the aggregate lease rentals paid to the Commission under specific project leases was approximately $35,319,000.

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, 2005, the aggregate fees earned by the Commission under the existing concession agreements were approximately $19,214,000. 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, 2005, the aggregate fees earned by the Commission under the existing rental car agreements and parking lot management contract was approximately $82,098,000. Of this amount, parking revenue was approximately $60,213,000 and auto rental revenue for both on and off airport auto rentals was approximately $21,885,000.

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, 2005, revenues from these agreements were approximately $4,887,000.

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, 2005, the Commission earned $4,704,000.

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, 2005, the revenues from these agreements were approximately $11,722,000.

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

Airline Rates & Charges	- Revenue from landing & ramp fees and terminal building rates
Concessions	- Revenue from food & beverage sales, merchandise sales, auto parking, etc.
Other Revenues:	
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, 2005 and 2004, the top ten operating revenue sources for the MAC are as follows:

Top Ten Operating Revenue Sources:

Source	2005 Revenue
1. Parking	$60,213,000
2. Landing Fees	45,683,000
3. Terminal Rent-Airlines	28,834,000
4. Other Building Rent	16,934,000
5. Auto Rental (Off and on-Airport)	15,449,000*
6. Food and Beverage	9,790,000
7. Merchandise	6,120,000
8. Ramp Fees	6,105,000
9. Ground Rent	5,737,000
10. Ground Transportation Fee	3,564,000

*Excludes Customer Facility charge

Source	2004 Revenue
1. Parking	$50,466,000
2. Landing Fees	38,365,000
3. Terminal Rent-Airlines	26,195,000
4. Other Building Rent	15,045,000
5. Auto Rental (Off and on-Airport)	14,730,000*
6. Food and Beverage	7,311,000

7. Ramp Fees	5,608,000
8. Merchandise	5,572,000
9. Ground Rent	4,404,000
10. Ground Transportation Fee	3,227,000

*Excludes Customer Facility charge

The top ten revenue providers for 2005 for the MAC are as follows:

Top Ten Operating Revenue Providers:

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

During 2005 MAC revenues increased by 11.8% to $364,203,000 from $325,790,000 in 2004. Changes in major categories are summarized below (dollars in thousands):

Operating Revenues	2005	% of Total	2004	% of Total	Dollar Change	Percent Change
Airline Rates & Charges	$83,856	23.0%	$73,206	22.5%	$10,650	14.5%
Concessions	99,582	27.3%	85,971	26.3%	13,611	15.8%
Utilities	2,515	0.7%	1,705	0.5%	810	47.5%
Other	42,523	11.7%	35,259	10.8%	7,264	20.6%
	228,476		196,141		32,335	
Non Operating Revenues						
Investment Income	40,646	11.2%	32,257	9.9%	8,389	26.0%
Passenger Facility Charges (PFC)	69,944	19.2%	69,557	21.4%	387	.6%
Total Non Operating Revenues	110,590		101,814		8,776	
Capital Contributions	25,137	6.9%	27,835	8.6%	(2,698)	-9.7%
Total Revenues	$364,203	100.0%	$325,790	100.0%	$38,413	11.8%

Airline rates and charges increased $10,650,000 or 14.5%. As a result of the slow economy and the lack of a recovery in the airline industry, airline rates and charges were held constant in 2002, 2003 and 2004. The actual amount for 2005 incorporates the actual rates and charges formula in the airline agreement.

Concessions increased $13,611,000 or 15.8%. $9.7 million of this increase came in the area of public parking. Increases in passenger activity and advertising, coupled with a rate increase in May 2005, resulted in increased revenues. The remaining increase in the concession area was in the food, beverage and merchandise concessions, which was a result of the implementation of a new concessions agreement that gave the Commission additional revenue.

Utilities increased $810,000 or 47.5%. In 2005, the Commission began to charge the airlines for the use of ground power. Ground power enables aircraft to connect to a power source to provide air-conditioning without the need to have the jet engines running. The remaining increase is a result of rate increases for water, steam and chilled water.

Other revenues increased by 20.6%. The majority of the increase occurred in four areas. The first area is in the Humphrey Terminal, which had increases in both activity (primarily Sun Country Airlines) as well as a general rental rate increase. The second area is for ground rents in the southwest cargo area. In late 2004, new facilities for Champion Air, Mesaba and Sun Country were operational. In 2005, the Commission received a full year's revenue from these facilities. The third area of increase is in the loading dock. In early 2005, the Commission issued a Request for Proposals for operating the loading dock at the airport. In the past, there was no revenue to the Commission from the loading dock. In May 2005, the loading dock became operational resulting in additional revenue to the Commission. Finally, in 2005 the Commission adopted a new ordinance that increased the revenue the Commission receives from its reliever airports.

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

PFC revenue increased slightly from 2004 levels as a result of an increase 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 2005 comes primarily from a decrease in construction activity in the MAC's Part 150 Program.

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

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

Airline rates and charges increased $12,880,000 or 21.4%. This increase results from a rate relief package the Commission approved for the airlines operating at the airport during 2003. The Commission currently has a policy of keeping a four-month working capital reserve in its operating fund. At the end of 2002, the Commission had in its operating fund approximately $13.7 million over and above its 2003 four-month working capital requirement. In July of 2003, the Commission voted to allocate $13 million of its 2002 surplus operating funds to provide one-time rate relief credit to the airlines that operate at the airport.

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

Utilities decreased $446,000 or 20.7%. In 2003, the MAC discovered that during 2002 an incorrect reading was being used in determining steam and chilled water usage. As a result, a revised billing was sent to tenants to collect the amount that was undercharged during this period.

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

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

PFC revenue increased 9.2% from 2003 levels as a result of an increase 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 2004 comes primarily from a decrease in construction activity in the MAC's Part 150 Program as well as a lower amount received from the federal government's Letter of Intent for the construction of Runway 17/35.

Expenses

In 2005, MAC total expenses increased by 9.4% to $292,196,000 from $266,981,000 in 2004. Changes in major categories are summarized below (dollars in thousands):

Operating Expenses	2005	% of Total	2004	% of Total	Dollar Change	Percent Change
Personnel	$59,049	20.2%	$50,429	18.9%	$8,620	17.1%
Administrative	1,179	0.4%	1,089	0.4%	90	8.3%
Professional services	3,359	1.2%	3,745	1.4%	(386)	-10.3%
Utilities	14,444	4.9%	12,684	4.7%	1,760	13.9%
Operating services	12,492	4.3%	13,394	5.0%	(902)	-6.7%
Maintenance	18,944	6.4%	17,249	6.5%	1,695	9.8%
Depreciation	93,566	32.0%	83,273	31.2%	10,293	12.4%
Other	3,758	1.3%	3,206	1.2%	552	17.2%
Operating Expenses	206,791		185,069		21,722	
Non Operating Expense						
Interest Expense	76,777	26.3%	67,247	25.2%	9,530	14.2%
Part 150 Program Expenses	8,419	2.9%	13,134	4.9%	(4,715)	-35.9%
Loss on disposal of assets	209	.1%	1,531	.6%	(1,322)	-86.3%
Total Non Operating Expense	85,405		81,912		3,493	
Total Expense	$292,196	100.0%	$266,981	100.0%	$25,215	9.4%

Personnel expenses increased $8,620,000 or 17.1%. The increases in this area were in the salaries, wages and employee pension areas. For salaries and wages, the increases can be attributed to a general wage adjustment for MAC employees plus additional headcount in anticipation of the opening of Runway 17/35. The remaining increase represented an increase in employee pension, primarily employees who are covered by the Minneapolis Employees Retirement Fund (MERF). The increase in the pension is a result of a greater number of the Commission's employees retiring sooner than what the pension plan estimated. Currently there are only eight employees remaining in the MERF pension plan.

Administrative expenses increased by $90,000. These increases can be attributed to an increase in the ordering of security badge, office and computer supplies.

Professional services decreased $386,000 from 2004 levels. Areas specifically decreased in professional services are the use of consultants in airport planning, engineering fees and RFP/lease evaluations.

Utilities increased 13.9% from 2004 levels. The result of this increase is attributed to an increase in rates in electricity and natural gas coupled with an increase in consumption as a result of new facilities that were put into service during 2004-2005.

Operating services decreased $902,000 or 6.7%. The majority of the decrease is in parking management fees, shuttle bus fees and miscellaneous. During 2004, the MAC implemented an automatic payment function that makes exiting the parking ramp easier without the need of a cashier. In addition, the MAC awarded a new parking management agreement that realized savings over the previous contract. Also contributing to the decrease was a reduction in the use of shuttle buses. In June 2004, the Commission opened a people mover running along Concourses A-D. This reduced the need of continuously running a shuttle bus along these concourses. Finally in 2004, a payment was made to a concessionaire whose contract was cancelled as a result of delaying a construction project by the Commission. These decreases in expense were partially off set by the increase in expense of running a new loading dock operation in May 2005.

Maintenance increased 9.8%, primarily in the area of building maintenance. During 2004, the MAC opened an automated people mover running along Concourses A-D. In 2005, the Commission realized a full year's cost of maintaining this people mover. Also contributing to the increase in maintenance costs were the increase in the cost of snow removal materials and the increase in the cost of gasoline.

Depreciation increased by 12.4% as a result of approximately $888 million of airports and facilities completed in 2004-2005 with the largest project being the new Runway 17/35.

Other expenses increased as a result of higher premiums for airport liability and property insurance and an increase in bad debt expense as a result of airline bankruptcies.

Interest expense increased by 14.2% primarily as a result of a decrease in capitalized interest on capital improvement program projects in progress throughout the year and additional interest expense as a result of additional debt that was issued in 2005.

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

In May 2003, the MAC closed a building in the West Terminal Area. The building has been demolished and $1.5 million was expensed in 2004, however, there were a few projects requiring the relocation of utilities costing approximately $209,000 from the West Terminal Area that was completed in 2005.

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

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

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

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

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

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

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

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

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

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

Interest expense increased by 13.8% primarily as a result of a decrease in capitalized interest on capital improvement program projects in progress throughout the year and additional interest expense as a result of additional debt that was issued in 2004.

Part 150 expenses remained relatively constant from 2003 levels.

The reduction in loss on asset disposals consists of two 2003 items. In May 2003, the MAC closed a building called the West Terminal Area. The building was impaired and the Commission recorded a $2.5 million loss at December 31, 2003. The remaining loss recorded resulted from the sale of land at Flying Cloud Airport.

In order to promote and encourage the efficient use of facilities at all MAC airports, as well as attempting to minimize the environmental impact of MSP on the surrounding community, MAC has implemented a policy of subsidizing its reliever airports by establishing relatively low user charges as an incentive for pilots to use these facilities rather than MSP. In order to maintain this subsidy, MAC sets its rates and charges to assure that total system revenues will be sufficient to pay total system expenses.
Net revenues generated by the Commission are designated for construction and debt service payments. These net revenues provide the Commission with a portion of the money to meet the funding requirements of its capital improvement program. This reduces the need to issue bonds and, therefore, allows the Commission to avoid the interest expense of additional debt.

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

(in thousands)

	2005	2004	2003
Operating revenue	$ 228,476	$ 196,141	$ 168,182
Operating expense	(206,791)	(185,069)	(176,240)
Operating income (loss)	21,685	11,072	(8,058)
Non-operating revenue	110,590	101,814	93,535
Non-operating expense	(85,405)	(81,912)	(74,715)
Capital contributions	25,137	27,835	36,707
Change in Net Assets	$ 72,007	$ 58,809	$ 47,469

The Commission showed increase in its net assets in 2005 from 2003-2004 levels. The primary cause for fiscal year 2005 increase in net assets was the increases in the parking and food, beverage and retail concessions. For fiscal year 2004 the primary cause of the net asset increase was the airline rate relief credit ($13 million) the Commission gave the airlines in 2003.

BALANCE SHEETS

The Balance Sheets present the financial position of the MAC at the end of the fiscal year. The Statements include all assets and liabilities of the MAC. Net assets are the difference between total assets and total liabilities and are an indicator of the current financial health of the MAC. A summarized comparison of the MAC's assets, liabilities and net assets at December 31, 2005, 2004 and 2003 is as follows. (in thousands) (Also see Note C in the notes to the financial statements.)

	12/31/05	12/31/04	12/31/03
Assets			
Current assets-unrestricted	$ 246,854	$ 172,897	$ 131,486
Restricted assets-current	882,071	724,885	586,155
Non-current assets:			
Other non-current assets	316,959	327,257	335,654
Capital assets-net	2,369,992	2,283,016	2,225,176
Total assets	$ 3,815,876	$ 3,508,055	$ 3,278,471
Liabilities			
Current liabilities-unrestricted	$ 134,656	$ 90,265	$ 77,198
Payable from restricted current assets	383,777	423,410	348,881
Non-current liabilities:			
Bonds payable	1,948,797	1,722,092	1,647,220
Other non-current liabilities	51,984	47,633	39,326
Total liabilities	2,519,214	2,283,400	2,112,625
Net Assets			
Invested in capital assets, net of debt	1,078,276	1,050,058	1,051,268
Restricted	109,022	92,723	63,081
Unrestricted	109,364	81,874	51,497
Total net assets	1,296,662	1,224,655	1,165,846
Total liabilities and net assets	$ 3,815,876	$ 3,508,055	$ 3,278,471

CASH AND INVESTMENT MANAGEMENT

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

	12/31/05	12/31/04	12/31/03
Cash received from operations	$ 222,100	$ 203,909	$ 161,236
Cash expended from operations	(94,941)	(103,908)	(92,073)
Net cash provided by operations	127,159	100,001	69,163
Net cash provided by (used in) capital and related financing activities	16,101	(2,369)	(88,975)
Net cash (used in) provided by investing activities	(141,669)	(94,912)	19,090
Net increase (decrease) in cash and cash equivalents	1,591	2,720	(722)
Cash and cash equivalents, beginning of year	11,435	8,715	9,437
Cash and cash equivalents, end of year	$ 13,026	$ 11,435	$ 8,715

Cash temporarily idle during the year is invested according to legal requirements established by the Legislature of the State of Minnesota. In accordance with state law, investments are restricted to various United States government securities, certificates of deposits, commercial paper and repurchase agreements. All securities must mature within three years from the date of purchase. During 2005, the MAC's average portfolio balance was $637,254,000 and total investment earnings were $17,826,000 for an average yield on investments during the year of 2.80%.

The Commission currently has a policy of keeping a five-month working capital reserve in its operating fund. At the end of 2005, the Commission has in its operating fund approximately $39 million over and above its 2005 five-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 2005, the MAC expended $164 million in its on-going capital improvement program. Major projects that were completed in 2005 were the opening of a new Runway 17/35, a new Fire station and the reconstruction of Taxiway C-D. Projects that began or continued construction during 2005 were the construction of an addition to the north end of the Lindbergh Terminal, an addition to the field maintenance facility and a tunnel under Runway 4/22. Average monthly capital construction spending in 2005 was approximately $13.6 million. In April 2006, the Commission voted to defer the Humphrey Terminal phase of the 2020 development to a start date of 2008 with projected completion and facility availability in late 2010/early 2011. This action will also defer phase 2 implementation by an additional 2 years. Further information can be found in the letter of transmittal. (Also see Notes D and P in the notes to the financial statements for additional information.)

CAPITAL FINANCING AND DEBT MANAGEMENT

The MAC has issued three forms of indebtedness: Commercial Paper, General Airport Revenue Bonds and General Obligation Revenue Bonds. General Obligation Revenue Bonds are backed by Commission revenues and the authority to levy any required taxes on the assessed valuation of the seven county Metropolitan Area. In 1998-2005, 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, 2006	$64,063
October 10, 2007	$64,440
October 10, 2008	$64,820
October 10, 2009	$65,342
October 10, 2010	$62,330

Statutory authority for issuing bonds is obtained from the Minnesota State Legislature. Authorization as of December 31, 2005 permits the issuance of an additional $55 million of General Obligation Revenue Bonds.

(in thousands) **Capital Financing Activity**	**Balance 12/31/2004**	**Issued**	**Retired**	**Balance 12/31/2005**
Notes Payable	$106,945	$9,500	($65,368)	$51,077
General Obligation Revenue Bonds	330,970	-	(13,820)	317,150
General Airport Revenue Bonds	1,430,105	373,015	(138,015)	1,665,105
	$1,868,020	$382,515	($217,203)	$2,033,332

In May 2004, the MAC issued $109,950,000 Series 2004 A General Airport Revenue Bonds. The net proceeds to be used for construction financing totaled $100 million with the balance used to pay for cost of issuance and the reserve fund. The Series A bonds were issued on a subordinated basis. Subordinated bonds have a secondary lien on revenues and have a lower coverage ratio. One reserve fund was established for the Series A bonds. The reserve requirement is the maximum annual aggregate debt service of the Series 2004 A bonds. These bonds were rated AAA/AAA by Standard & Poor's and Fitch, respectively, based on the Municipal Bond Insurance Policy. Without taking into account the Municipal Bond Insurance Policy, the bonds were rated A by Standard & Poor's and A by Fitch.

In 2005, the Commission issued commercial paper totaling $9,500,000. The project financed with these proceeds funded a deicing pad for Runway 17. In addition, the Commission retired $64,689,000 of commercial paper using some of the proceeds from the Commission's 2005 General Airport Revenue Bond issue.

In May 2005, the MAC issued $373,015,000 Series 2005A-C General Airport Revenue Bonds. The net proceeds are to be used for construction financing totaling $165 million, retiring $65 million of commercial paper, and to refund and defease $124 million of General Airport Revenue Bond Series 2000A, with the balance to be used to pay for cost of issuance and the reserve fund. As a result of the refunding, the Commission reduced its total debt service requirements by $13,719,934, 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 $9,175,650.The Series A-C bonds were issued on a subordinated basis. Subordinated bonds have a secondary lien on revenues and have lower coverage ratio. One reserve fund was established for the Series A-C bonds. The reserve requirement is the maximum annual aggregate debt service of the Series A-C bonds. These bonds were rated AAA/AAA by Standard & Poor's and Fitch, respectively, based on the Municipal Bond Insurance Policy. Without taking into account the Municipal Bond Insurance Policy, the bonds were rated A by Standard & Poor's and A by Fitch.

The MAC is financing its construction program through a combination of the MAC's revenues, entitlement and discretionary grants received from the FAA, state grants, 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. (See note E in the notes to the financial statements for more information.)

CONTACTING THE MAC'S FINANCIAL MANAGEMENT

The financial report is designed to provide the MAC's Commissioners, management, investors, creditors and customers with a general view of the MAC's finances and to demonstrate the MAC's accountability for the funds it receives and expends. For 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 – www.mspairport.com/mac/organization/financial/default.aspx.

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Financial Section BALANCE SHEETS

(Dollars in Thousands)

	December 31 2005	December 31 2004
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 13,018	$ 11,430
Investments	111,069	76,784
Security lending agreement	100,665	69,832
Accounts receivable (net of allowances for uncollectibles of $469 and $39 respectively)	13,520	6,073
Leases receivable	7,240	7,744
Other	1,342	1,034
Restricted Assets:		
Cash and cash equivalents	8	5
Investments:		
Debt service	291,602	256,684
Construction and other	344,569	231,457
Securities lending agreement	204,921	196,361
Government grants in aid of construction receivable-Note A	6,692	6,436
Leases receivable	28,537	28,281
Other receivables	513	580
Passenger facility charge receivable-Note A	5,229	5,081
Total Current Assets	1,128,925	897,782
Non-Current Assets:		
Leases receivable-restricted Notes A, J and Q	277,275	287,595
Leases receivable-unrestricted Notes A, J and Q	36,595	39,003
Other receivable-restricted	2,750	-
Other-unrestricted	339	659
Capital Assets:--Notes A, D and E		
Land	110,649	110,619
Airport improvements and buildings	2,858,844	2,163,778
Moveable equipment	69,290	64,762
Construction in progress	183,388	703,188
Less accumulated depreciation	(852,179)	(759,331)
Total Capital Assets (net of accumulated depreciation)	2,369,992	2,283,016
Total non-current assets	2,686,951	2,610,273
TOTAL ASSETS	**$ 3,815,876**	**$ 3,508,055**

See notes to the financial statements

BALANCE SHEETS

(Dollars in Thousands)

	December 31 2005	December 31 2004
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 21,430	$ 13,780
Notes payable	603	679
Security lending agreement	100,665	69,832
Deferred revenue-Note A	976	696
Employee compensation and payroll taxes	10,982	5,278
Payable from restricted current assets:		
Current portion long-term debt-Note E	37,715	34,410
Construction	22,551	26,057
Interest payable	52,023	45,581
Deferred revenue-Note A	18,267	18,778
Notes payable-Note E	45,987	101,176
Other	2,313	1,047
Security lending agreement	204,921	196,361
Total Current Liabilities	518,433	513,675
Non-Current Liabilities:		
Deferred revenue-unrestricted-Note A	3,776	2,096
Deferred revenue-restricted-Note A	14,453	14,831
Notes payable	4,487	5,090
Post retirement medical	29,268	25,616
Bonds payable-Note E	1,948,797	1,722,092
Total non-current liabilities	2,000,781	1,769,725
TOTAL LIABILITIES	**2,519,214**	**2,283,400**
Commitments and contingencies-Notes P and Q		
NET ASSETS-Note A and C		
Invested in capital assets, net of related debt	1,078,276	1,050,058
Restricted for debt service and other	109,022	92,723
Unrestricted	109,364	81,874
TOTAL NET ASSETS	**1,296,662**	**1,224,655**
TOTAL LIABILITIES AND NET ASSETS	**$ 3,815,876**	**$ 3,508,055**

See notes to the financial statements

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

(Dollars in Thousands)

	Fiscal Years Ended December 31, 2005	2004
OPERATING REVENUES		
Airline rates and charges	$ 83,856	$ 73,206
Concessions	99,582	85,971
Other revenues:		
Utilities	2,515	1,705
Other building rentals	15,255	13,295
Other	27,268	21,964
TOTAL OPERATING REVENUES	**228,476**	**196,141**
OPERATING EXPENSES		
Personnel	59,049	50,429
Administrative	1,179	1,089
Professional services	3,359	3,745
Utilities	14,444	12,684
Operating services	12,492	13,394
Maintenance	18,944	17,249
Depreciation	93,566	83,273
Other	3,758	3,206
TOTAL OPERATING EXPENSES	**206,791**	**185,069**
OPERATING INCOME	**21,685**	**11,072**
NON OPERATING REVENUES (EXPENSES)		
Investment income	40,646	32,257
Passenger Facility Charges	69,944	69,557
Loss on disposal of assets	(209)	(1,531)
Bond interest expense	(76,777)	(67,247)
Part 150 home insulation expenses	(8,419)	(13,134)
TOTAL NON OPERATING REVENUES	**25,185**	**19,902**
INCOME BEFORE CONTRIBUTIONS	**46,870**	**30,974**
Capital contributions	25,137	27,835
CHANGE IN NET ASSETS	**72,007**	**58,809**
Net Assets-Beginning of Year	1,224,655	1,165,846
NET ASSETS–END OF YEAR	**$1,296,662**	**$1,224,655**

See notes to financial statements.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Financial Section STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

	Fiscal Years Ended December 31 2005	2004
Cash flows from operating activities:		
Cash received from customers and users	$ 222,100	$ 203,909
Cash paid to employees and benefit providers	(49,693)	(48,362)
Cash paid to suppliers	(45,248)	(55,546)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	**127,159**	**100,001**
Cash flows provided by (used in) capital and related financing activities:		
Payments for airports and facilities	(163,698)	(117,484)
Payments for Part 150 Program	(8,419)	(13,134)
Proceeds from bond/note issuance	402,366	154,733
Receipt of lease payments	12,677	12,592
Receipt of passenger facility charges	69,796	69,747
Payment on bonds/notes	(227,692)	(39,700)
Interest paid on bonds	(93,810)	(93,448)
Receipt of government grants in aid of construction	24,881	24,325
NET CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	**16,101**	**(2,369)**
Cash flows provided by (used in) investing activities:		
Purchase of investment securities	(1,438,916)	(1,108,469)
Proceeds from maturities of investment securities	1,256,601	979,879
Investment income	40,646	33,678
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(141,669)**	**(94,912)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,591**	**2,720**
Cash and cash equivalents-Beginning of year	11,435	8,715
CASH AND CASH EQUIVALENTS-END OF YEAR	**$ 13,026**	**$ 11,435**

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

	2005	2004
Operating Income	$ 21,685	$ 11,072
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	93,566	83,273
Changes in assets and liabilities		
Accounts receivable	(7,447)	8,537
Other assets	12	(1,303)
Accounts payable and accrued expenses	7,650	(2,922)
Post retirement medical and other	3,652	4,071
Other restricted liabilities	1,266	46
Employee compensation and payroll taxes	5,704	(2,004)
Deferred revenue	1,071	(769)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	**$ 127,159**	**$ 100,001**

	2005	2004
Noncash investing, capital and financing activities:		
Changes in fair value of investments	$ (848)	$ (1,421)
Initiation of capital lease	-	5,105
Additions to capital assets included in construction payables	22,551	26,057

See notes to financial statements.

Fiscal years ended December 31, 2005 and 2004

NOTE A
SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

In applying Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by GASB No. 39), the State of Minnesota and the Commission have agreed that the Commission is not financially accountable to any other organization and is considered a stand-alone governmental unit.

Basis of Accounting

Under GASB Statement No. 34, the Commission is considered to be a special purpose government engaged primarily in business type activities (BTA). As a BTA, the Commission prepares its financial statements using the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting revenues are recognized when they are earned or when services are provided, and expenses are recognized when they are incurred. Grants are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met. Passenger Facility Charges (PFC's) are recorded as revenue at the time of ticket sale as reported to the Commission by the airlines. The Commission has applied GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.* Under GASB Statement No. 20, the Commission applies all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations and Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

The Commission considers revenues and expenses carried out in the operation and the maintenance of the Commission's systems of airports to be operating in nature. Capital contributions, financing or investing related transactions are reported as non operating revenues. Interest expense, PFC's, Part 150 sound insulation program and financing costs are reported as non operating.

Budgeting Process

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

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

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

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

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

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

Compensated Absences

Substantially all employees receive compensation for vacations, holidays, illness and certain other qualifying absences. Liabilities relating to these absences are recognized as incurred and included as employee compensation and payroll taxes.

Cash

In accordance with Minnesota Statutes, the Commission maintains deposits at those depository banks which are members of the Federal Reserve System, as authorized by the Commission.

Cash Equivalents

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

Deferred Revenue

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

Government Grants in Aid of Construction

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

Investments

The Commission's investments are reported at fair value as determined by quoted market prices in the balance sheets and changes in the fair value of investments are reported as investment income in the statements of revenues and expenses and changes in net assets.

Airports and Facilities

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

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

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

Airport improvements and buildings	10-40 years
Moveable equipment	3-15 years

Costs incurred for major improvements are carried in construction in progress until disposition or completion of the related projects. Costs relating to projects not pursued are expensed, while costs relating to completed projects are capitalized as properties. The capitalization threshold for capital assets is $5,000.

Passenger Facility Charges

In June 1992, the Commission began collecting Passenger Facility Charges (PFCs). PFCs are fees imposed on enplaned passengers by airport authorities for the purpose of generating revenue for airport projects that increase capacity, increase safety, or mitigate noise impacts.

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

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

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

Effective January 1997, the Commission began to expense costs associated with the Part 150 Sound Insulation Program that are funded by PFCs.

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

Leases

Substantially all airport improvements and buildings are leased or charged to users under various agreements. Certain facilities are leased under self-liquidating lease agreements which require the lessee to pay annual payments equal to the debt service requirements of the bonds issued to construct the facilities, or the debt service requirements which would have been required if bond funds were used. Other facilities at Minneapolis-Saint Paul International Airport are charged to user airlines under lease agreements which provide for compensatory rental rates designed to recover agreed-upon portions of costs incurred, including depreciation and interest, in the terminal building, ramp, and runway areas. Other facilities, to the extent they are leased, are leased under conventional agreements, primarily percentage leases. Revenues above costs recovered are used to defray the costs of maintaining reliever airports and public areas at Minneapolis-Saint Paul International Airport. See Note Q for additional information regarding transactions with Northwest Airlines, Inc.

Capitalized Interest

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

Deferred Loss on Refundings

The Commission defers recognition of losses incurred with refundings according to GASB Statement No. 23. The losses incurred in refundings are amortized on a straight-line basis over the lesser of the remaining life of the original bonds or the life of the new bonds.

Net Assets

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvements of those assets.
- Restricted:
  - Nonexpendable-Net assets subject to externally imposed stipulations that the Commission maintain them permanently. For the fiscal year-ended December 31, 2005 and 2004, the Commission does not have nonexpendable net assets.
  - Expendable-Net assets whose use by the Commission is subject to externally imposed stipulations that can be fulfilled by actions of the Commission pursuant to those stipulations or that expire by the passage of time. Such assets include the Commission's bond construction funds on hand.
- Unrestricted:
  - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the management or the governing board of the Commission or may otherwise be limited by contractual agreements with outside parties.

NEW ACCOUNTING PRONOUNCEMENTS

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

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans other than Pension Plans.* This statement, which the commission will be required to adopt in fiscal 2007, provides that postemployment benefits offered to employees are to be measured and recognized on the full accrual basis of accounting over a period that approximates an employee's years of service. The Commission presently accrues the estimated cost of retiree benefits over the years in which the employee earns the benefit (see Note L). The Commission is assessing what additional impact, if any, the adoption of the new standard will have on amounts presently recorded in the financial statements.

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

In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits.* This statement, which the Commission will be required to adopt in fiscal 2006 provides guidance to state and local government employers on accounting and financial reporting for termination benefits. The Commission has not yet determined the impact of GASB No. 47 on its financial statements.

Reclassifications

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

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):

	12/31/05	12/31/04
Cash on hand	$ 94	$104
Bank balances	$414	$2,283

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 no credit risk exposure to borrowers because the amounts the Commission owes the borrowers exceed the amounts the borrowers owe the Commission. Contracts with the lending agents require them to indemnify the Commission if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Commission for income distributions by the securities' issuers while the securities are on loan.

All securities loans can be terminated on demand by either the Commission or the borrower, although the average term of the loans is one week. The Commission does not have the authority to pledge or sell collateral without borrower default. In lending securities, cash collateral is invested in securities authorized by Minnesota Statutes with a weighted average maturity of six days. At December 31, 2005, the fair value of collateral pledged was $305,586,000.

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 year-ended December 31, consists of the following:

	2005	2004
Investment income from leases	$22,820,000	$23,698,000
Investment income from investments	18,674,000	9,980,000
Net decrease in fair value of investments	(848,000)	(1,421,000)
	$40,646,000	$32,257,000

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

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

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

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Below is a table of segmented time distribution for the Commission's debt investments at December 31, 2005:

(Dollars in thousands)

Security Type	Rating	Maturing in 0-6 mths	7-12 mths	13-18 mths	18-24 mths	Total
U.S. Treasury Securities						
Treasury Bills	Aaa/AAA	$41,069	$ -	$ -	$ -	$41,069
Treasury Note	Aaa/AAA	35,919	-	-	-	35,919
U.S. Agency Securities						
Federal Home Loan Mtg Corp	Aaa/AAA	56,398	26,039	5,966	14,389	102,792
Federal National Mtg Assn	Aaa/AAA	30,738	28,823	15,691	4,683	79,935
Federal Home Loan Bank	Aaa/AAA	42,469	51,440	34,656	25,795	154,360
Federal Farm Credit	Aaa/AAA	-	2,963	10,646	-	13,609
Commercial Paper						
Athos Funding	A1+ P1	1,992	-	-	-	1,992
FCAR Trust	A1+ P1	1,985	-	-	-	1,985
Lockhart Funding	P1 F1	1,988	-	-	-	1,988
Morgan TRR Funding	A1 P1 F1	6,000	-	-	-	6,000
Morgan Stanley	A1 P1	16,555	-	-	-	16,555
Neptune Funding	A1 F1	5,988	-	-	-	5,988
Rhineland funding	P1 F1	3,994	-	-	-	3,994
Sunbelt Funding	P1 F1	3,992	-	-	-	3,992
	Totals	**$249,087**	**$109,265**	**$66,959**	**$44,867**	**$470,178**

Ratings: A1 and AAA-Standard & Poors; Aaa and P1-Moody's; F1-Fitch

The Commission's cash and investments are reported as follows in the balance sheet:
(dollars in thousands)

	2005	2004
Cash and cash equivalents-unrestricted	$ 13,018	$ 11,430
Investments-unrestricted	111,069	76,784
Securities lending agreement-unrestricted	100,665	69,832
Cash and cash equivalents-restricted	8	5
Investments-restricted	636,171	488,141
Securities lending agreement-restricted	204,921	196,361
Total cash and investments	$1,065,852	$842,553

Credit risk of debt security investments. Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. Minnesota Statute 118A limits investment instruments purchased by the Commission. In the securities lending program, the Commission has no credit risk exposure to borrowers because the amounts the Commission owes borrowers exceed amounts borrowers owe the Commission.

Concentration of credit risk. The Commission requires a diversified investment portfolio to avoid risk of losses resulting from an over concentration of assets in a specific maturity, issuer, or class of securities.

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.

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

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

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

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

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

Net Assets **Invested in capital assets, net of related debt**	2005	2004
Restricted Assets:		
Cash and cash equivalents	$8	$5
Investments:		
Debt service	291,602	256,684
Leases receivable-current	28,537	28,281
Leases receivable-non-current-restricted	277,275	287,595
Leases receivable-non-current-unrestricted	36,595	39,003
Capital Assets:		
Land	110,649	110,619
Airport improvements and buildings	2,858,844	2,163,778
Moveable equipment	69,290	64,762
Construction in progress	183,388	703,188
Less: accumulated depreciation	(852,179)	(759,331)
Total Capital Assets	3,004,009	2,894,584
Less related liabilities:		
Notes payable-current	603	679
Payable from restricted assets:		
Current portion of long-term debt	37,715	34,410
Interest payable	52,023	45,581
Deferred revenue-current and non current	32,720	33,609
Notes payable	45,987	101,176
Notes payable non-current	4,487	5,090
Bonds payable	1,752,198	1,623,981
Total Liabilities	1,925,733	1,844,526
Invested in capital assets, net of related debt	**$1,078,276**	**$1,050,058**

Restricted Net Assets		
Restricted Assets:	2005	2004
Investments:		
Construction and other and securities lending	$549,490	$427,818
Government grants in aid receivable	6,692	6,436
Other receivables-current and non-current	3,263	580
Passenger facility charge receivable	5,229	5,081
Total Restricted Assets	564,674	439,915
Less:		
Payables from restricted assets:		
Construction	22,551	26,057
Post retirement medical	29,268	25,616
Bonds payable	196,599	98,111
Other	2,313	1,047
Security lending agreement	204,921	196,361
Total Liabilities	455,652	347,192
Restricted Net Assets	**$109,022**	**$92,723**
Unrestricted Net Assets		
Current Assets		
Cash and cash equivalents	$ 13,018	$ 11,430
Investments and securities lending agreement	211,734	146,616
Accounts receivable	13,520	6,073
Leases receivable	7,240	7,744
Other	1,342	1,034
Other unrestricted non-current	339	659
Total unrestricted assets	247,193	173,556
Less:		
Current liabilities:		
Accounts payable and accrued expenses	21,430	13,780
Security lending agreement	100,665	69,832
Deferred revenue	976	696
Employee compensation and payroll taxes	10,982	5,278
Deferred revenue-non-current	3,776	2,096
Total liabilities	137,829	91,682
Unrestricted Net Assets	**$109,364**	**$81,874**

NOTE D
CAPITAL ASSETS

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

Capital Assets	Balance January 1, 2004	Additions	Transfers In (Out)	Deductions	Balance December 31, 2004
Capital Assets-Not Depreciated:					
Land	$ 110,904	$ -	$ (77)	$ (362)	$ 110,619
Projects-in-progress	761,423	135,909	(194,144)	-	703,188
Total Capital Assets-Not Depreciated	872,327	135,909	(194,067)	(362)	813,807
Capital Assets-Depreciated:					
Airport improvements and buildings	1,971,036	66	192,683	(7)	2,163,778
Less Accumulated Depreciation	(635,845)	(78,897)	-	-	(714,742)
Net Airport Improvements and buildings	1,335,191	(78,831)	192,683	(7)	1,449,036
Moveable equipment	57,899	5,514	1,384	(35)	64,762
Less Accumulated Depreciation	(40,241)	(4,376)	-	28	(44,589)
Net Moveable Equipment	17,658	(1,138)	1,384	(7)	20,173
Total Capital Assets-Depreciated	1,352,849	(77,693)	194,067	(14)	1,469,209
Net Capital Assets	**$2,225,176**	**$58,216**	**$ -**	**$ (376)**	**$2,283,016**

Capital Assets	Balance January 1, 2005	Additions	Transfers In (Out)	Deductions	Balance December 31, 2005
Capital Assets-Not Depreciated:					
Land	$ 110,619	$ -	$ 30	$	$ 110,649
Projects-in-progress	703,188	175,713	(695,513)	-	183,388
Total Capital Assets-Not Depreciated	813,807	175,713	(695,483)		294,037
Capital Assets-Depreciated					
Airport improvements and buildings	2,163,778	-	695,066	-	2,858,844
Less Accumulated Depreciation	(714,742)	(88,413)	-	-	(803,155)
Net Airport Improvements and buildings	1,449,036	(88,413)	695,066	-	2,055,689
Moveable Equipment	64,762	4,834	417	(723)	69,290
Less Accumulated Depreciation	(44,589)	(5,153)	-	718	(49,024)
Net Moveable Equipment	20,173	(319)	417	(5)	20,266
Total Capital Assets-Depreciated	1,469,209	(88,732)	695,483	(5)	2,075,955
Net Capital Assets	$ 2,283,016	$ 86,981	-	$ (5)	$ 2,369,992

NOTE E
NOTES PAYABLE AND LONG-TERM DEBT

In 2004, the Commission issued commercial paper totaling $40,350,000. The proceeds funded various projects including those associated with new Runway 17/35, a hangar for Champion Airlines and the North Terminal Expansion. The Commission entered into a financing transaction totaling $5,105,000 to finance snow removal equipment. In addition, the Commission retired $7,000,000 of commercial paper upon receipt from United Parcel Service of the full cost of a cargo facility constructed in 2003. The remaining $85,000 were principal payments made on the lease financing transactions.

In 2005, the Commission issued commercial paper totaling $9,500,000. The proceeds funded a deicing pad for Runway 17. In addition, the Commission retired $64,689,000 of commercial paper using some of the proceeds from the Commission's 2005 General Airport Revenue Bond issue. The remaining retired amount of $679,000 were principal payments made on the financing transactions. The interest rate and maturities for the outstanding commercial paper and lease financing are as follows (dollars in thousands):

Commercial paper
Series A 2.70 to 3.18% $39,219 matures in 2006.
Series B 2.95% $6,768 matures in 2006.

Notes Payable	Maturity Year	Amount
3.07% to 3.61%	2006	$ 603
	2007	624
	2008	943
	2009	2,920
		$5,090

The following are the changes in notes payable during 2005 and 2004 (dollars in thousands):

	Balance 12/31/2004	Issued	Retired	Balance 12/31/2005
Notes Payable	$106,945	$ 9,500	($65,368)	$51,077

	Balance 12/31/2003	Issued	Retired	Balance 12/31/2004
Notes Payable	$68,575	$45,455	($7,085)	$106,945

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, 2005	Outstanding December 31, 2004
Airport Revenue Bonds						
Series 1998A	06/01/1998	5.000%	2016-2022	$78,310		
Original amount-$225,885		5.200%	2023-2024	31,610		
		5.000%	2025-2030	115,965	$225,885	$225,885
Series 1998B	06/01/1998	5.500%	2007-2009	18,045		
Original amount-$84,000		5.375%	2010	8,045		
		5.250%	2011-2015	47,070		
		5.000%	2016	10,840	84,000	84,000
Series 1998C	06/01/1998	6.250%	2006	6,425		
Original amount-$37,040		6.270%	2007	3,635	10,060	16,110
Series 1999A	07/01/1999	5.130%	2022-2031	132,415	132,415	132,415
Original amount-$132,415						
Series 1999B	07/01/1999	5.000%	2006-2008	14,795		
Original amount-$135,095		5.250%	2009	5,430		
		5.500%	2010-2011	11,750		
		5.630%	2012-2016	35,605		
		5.250%	2017-2022	50,825	118,405	122,875
Series 2000A	05/16/2000	5.950%	2022-2025	33,815		
Original amount-$115,325 (advanced refunded during 2005)		5.900%	2026-2029	42,575		
		5.750%	2030-2032	38,935	-	115,325
Series 2000B	05/16/2000	5.250%	2006	3,195		
Original amount-$88,745		5.300%	2007	3,360		
		5.375%	2008	3,540		
		5.400%	2009	3,730		
		5.750%	2010	3,930		
		6.000%	2011-2014	18,180		
		6.125%	2015-2016	10,815		
		6.200%	2017	5,910		
		6.000%	2018-2021	27,450	80,110	83,145

Type of issue:	Issue Date	Interest Rates	Maturing On January 1	Amount	Outstanding December 31, 2005	2004
Airport Revenue Bonds						
Series 2001A Original amount-$85,190	05/30/2001	5.250%	2024-2032	85,190	85,190	85,190
Series 2001B Original amount-$98,815	05/30/2001	5.250%	2006-2008	$9,485		
		5.500%	2009-2011	11,085		
		5.750%	2012-2017	28,485		
		5.625%	2018	5,745		
		5.250%	2019-2024	35,850	$90,650	$93,505
Series 2001C Original amount-$196,600	05/30/2001	5.500%	2016-2019	30,265		
		5.125%	2020	9,255		
		5.250%	2021-2032	157,080	196,600	196,600
Series 2001D Original amount-$70,210	05/30/2001	5.250%	2006-2011	30,055		
		5.750%	2012-2016	28,180	58,235	62,415
Series 2003A Original amount-$102,690	07/09/2003	5.250%	2016-2017	8,845		
		5.000%	2018-2028	67,825		
		4.500%	2029-2031	26,020	102,690	102,690
Series 2004A Original Amount-$109,950	05/11/2004	Variable- (1)	2006-2031	109,950	107,850	109,950
Series 2005A Original Amount-$136,110	05/26/2005	5.00%	2013-2018	34,665		
		4.25%	2026	2,700		
		5.00%	2027-2035	98,745	136,110	-
Series 2005B Original Amount-$113,155	05/26/2005	5.00%	2008-2026	113,155	113,155	-
Series 2005C Original Amount-$123,750	05/26/2005	3.00%	2007-2008	640		
		3.50%	2009-2011	1,040		
		3.625%	2012	370		
		3.75%	2013	385		
		4.00%	2014-2021	3,675		
		5.00%	2022-2031	104,150		
		4.50%	2032	13,490	123,750	-
	Total Airport Revenue Bonds				**1,665,105**	**1,430,105**
General Obligation Revenue Bonds						
Series 10 Original amount-$29,025	05/01/1993	5.000%	2006	1,515	1,515	3,750

Type of issue:	Issue Date	Interest Rates	Maturing On January 1	Amount	Outstanding December 31, 2005	2004
General Obligation Revenue Bonds						
Series 13	11/01/1998	5.000%	2006-2010	12,350		
Original amount-$38,750		5.250%	2011-2013	8,980		
		4.500%	2014-2015	6,655	27,985	30,285
Series 14	10/31/2001	5.500%	2006	$,700		
Original amount-$25,690		5.000%	2007-2008	5,870		
		5.500%	2009-2011	9,875	$18,445	$20,980
Series 15	01/29/2002	4.850%	2006	7,350		
Original amount-$287,825		5.250%	2007	7,990		
		5.500%	2008	8,700		
		6.000%	2009-2011	30,780		
		6.050%	2012	12,180		
		6.150%	2013	13,320		
		6.250%	2014	14,520		
		6.350%	2015	15,830		
		6.450%	2016	18,185		
		6.550%	2017	19,770		
		6.850%	2018-2022	120,580	269,205	275,955
Total General Obligation Revenue Bonds					317,150	330,970
Total Long-Term Debt Outstanding					**1,982,255**	**1,761,075**
Net unamortized premium (discount)					19,163	(3,767)
Deferred loss on refundings					(14,906)	(806)
Current portion of long-term debt					(37,715)	(34,410)
				Total Long Term Bonds Payable	**$ 1,948,797**	**$ 1,722,092**

(1) The variable rate obligation rate changes every 35 days. The interest rate at December 31, 2005 for the 35 day maturity was 3.45%.

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Future debt service requirements as of December 31, 2005 are as follows (in thousands):

Years	Notes Payable	Airport Revenue Bonds	General Obligation Revenue Bonds	Total Debt Outstanding	Interest	Total Principal & Interest
2006	$ 46,590	$23,905	$13,810	$ 84,305	$85,322	$169,627
2007	624	25,505	13,185	39,314	83,025	122,339
2008	943	30,465	14,165	45,573	80,946	126,519
2009	2,920	32,020	15,085	50,025	78,743	128,768
2010	-	33,735	16,250	49,985	76,203	126,188
2011-2015	-	227,530	86,120	313,650	340,287	653,937
2016-2020	-	294,610	105,535	400,145	254,581	654,726
2021-2025	-	362,910	53,000	415,910	151,773	567,683
2026-2030	-	465,615	-	465,615	68,239	533,854
2031-2035	-	168,810	-	168,810	3,633	172,443
	$ 51,077	$ 1,665,105	$ 317,150	$ 2,033,332	$ 1,222,752	$ 3,256,084

Of the future debt service requirements listed above, $297,190,000 of principal and $194,055,000 of interest are leased under agreements with Northwest Airlines, Inc (NWA). The General Obligation Revenue Bond Series 15 represents $269,205,000 of principal and $186,670,000 of interest of the Northwest Airlines debt service requirements. These lease agreements require the lessee to make annual payments equal to the debt service requirements of the bonds.

The Commission's airport revenue bonds were first issued in 1998 and subsequently in 1999-2001 and 2003-2005. The Airport Revenue Bonds are not general obligations, but are limited obligations of the Commission payable solely from and secured by a pledge of net revenues. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of Saint Paul, the State, or any political subdivision or public agency of the State, other than the Commission, to the extent of net revenues, is pledged to the payment of the Airport Revenue Bonds.

The proceeds of these issues were used to finance a portion of the Commission's long term capital improvement program. The long-term capital improvement program details the expansion of the airport system including the construction of a new runway at the airport, the construction of two new public/car rental garages at the airport, the expansion and upgrading of the passenger terminal facilities at the airport and certain other projects at the reliever airports.

In May 2005, the MAC issued $373,015,000 Series 2005A-C General Airport Revenue Bonds. The net proceeds are to be used for construction financing totaling $165 million, retiring $65 million of commercial paper, and to refund and defease $124 million of General Airport Revenue Bond Series 2000A, with the balance to be used to pay for cost of issuance and the reserve fund. The Series A-C bonds were issued on a subordinated basis. Subordinated bonds have a secondary lien on revenues and have a lower coverage ratio. One reserve fund was established for the Series A-C bonds. The reserve requirement is the maximum annual aggregate debt service of the Series A-C bonds. These bonds were rated AAA/AAA by Standard & Poor's and Fitch, respectively, based on the Municipal Bond Insurance Policy. Without taking into account the Municipal Bond Insurance Policy, the bonds were rated A by Standard & Poors and A by Fitch.

In May 2004, the MAC issued $109,950,000 Series 2004A General Airport Revenue Bonds. The net proceeds to be used for construction financing total $100 million with the balance to be used to pay for cost of issuance and the reserve fund. The Series A bonds were issued on a subordinated basis. One reserve fund was established for the Series A bonds. The reserve requirement is the maximum annual aggregate debt service of the Series 2004A bonds. These bonds were rated AAA/AAA by Standard & Poor's and Fitch respectively, based on the Municipal Bond Insurance Policy. Without taking into account the Municipal Bond Insurance Policy, the bonds were rated A by Standard & Poors and A by Fitch.

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

The Commission currently has $317,150,000 outstanding in general obligation revenue bonds. The series 10 bonds were used to retire the series 1 and 6 bonds that were issued in 1975 and 1986 respectively. The series 1 and 6 bonds proceeds were used primarily for the construction of a public parking structure and associated improvements. The series 14 bonds were used to retire the series 8 bonds that were issued in 1992. The series 8 bond proceeds were used primarily for the construction of improvements in the terminal building, runways, taxiways and public roadways.

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

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

The Commission has statutory authority for issuing General Obligation Revenue Bonds. The present statutory general obligation bonding limit as of December 31, 2005, would permit the issuance of an additional $55 million of General Obligation Revenue Bonds.

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

NOTE F
CONDUIT DEBT OBLIGATIONS

To provide funding to finance the acquisition, construction, expansion, installation and equipping of capital improvements at Minneapolis-Saint Paul International Airport, the Commission has issued two series of Special Facility Revenue Bonds. These bonds are special limited obligations of the Commission, payable solely from and secured by a pledge of rentals to be received from lease agreements between the Commission and NWA. The Commission is not liable to use its own funds to pay the bondholders should

NWA fail to make payments. The bonds do not constitute a debt or pledge of the faith and credit of the Commission and accordingly have not been reported in the accompanying financial statements.
At December 31, 2005, Special Facility Revenue Bonds outstanding are $136,355,000.

NOTE G
BOND REFUNDING

On May 26, 2005, the Commission the Commission issued $123,750,000 General Airport Revenue Bond Series 2005C to advance refund General Airport Revenue Bond Series 2000A. General Airport Revenue Bond Series 2000A matures on January 1, 2032, and will be called on January 1, 2010. As a result of the refunding, the Commission reduced its total debt service requirements by $13,719,934, 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 $9,175,650. The Commission also deferred recognition of a $14,623,451 loss in connection with this refunding according to GASB Statement No. 23. As a result the loss has been deferred and will be amortized to interest expense on a straight-line basis through January 1, 2032. At December 31, 2005, the unamortized deferred loss netted against bonds payable is $14,290,017.

NOTE H
CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2005 was as follows (in thousands):

	Balance 12/31/2004	Additions	Retirements and other	Balance 12/31/2005	Amounts recognized /due in one year
Deferred Revenue	$ 36,401	$ 30,492	($ 29,421)	$ 37,472	$19,243
Notes Payable	5,769	- 0 -	(679)	5,090	603
Bonds Payable	1,756,502	373,015	(143,005)	1,986,512	37,715
	$1,798,672	$ 403,507	($173,105)	$2,029,074	$ 57,561

NOTE I
CAPITALIZATION OF INTEREST

Total interest expense was $76,777,000 and $67,247,000 in 2005 and 2004, respectively. Interest expense capitalized as part of the costs of constructed assets were $22,951,000 and $25,625,000 in 2005 and 2004, respectively. Total interest paid was $93,810,000 and $93,448,000 in 2005 and 2004, respectively.

NOTE J
LEASES

The Commission leases certain facilities to tenants under self-liquidating lease agreements. Self-liquidating lease agreements require the lessee to pay annual rentals equal to the debt service requirements of the bonds issued to construct the facilities, or the debt service requirements which would have been required if bond funds were used. These leases are classified as direct financing leases and expire at various intervals until the year 2029. The Commission records the interest portion of the lease payments as investment income. The following lists the components of the Commission's leases as of December 31 (in thousands):

	2005	2004
Total minimum lease payments to be received	$600,272	$636,283
Less: Unearned income	240,305	264,065
Net investment in leases	359,967	372,218
Less: Prepaid principal	10,320	9,595
Leases receivable-current and non-current	**$349,647**	**$362,623**

As of December 31, 2005, future minimum lease payments are as follows (in thousands):

Year	Amount
2006	$ 35,777
2007	36,129
2008	37,366
2009	37,750
2010	38,084
2011-2015	193,552
2016-2020	175,701
2021-2025	42,365
2026-2029	3,548

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NOTE K
PENSION AND RETIREMENT PLANS

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

1. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

A. Plan Description

All full-time and certain part-time employees of the Commission (hired after June 30, 1978) are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERF members belong to the Coordinated Plan. Coordinated members are covered by Social Security. All police officers, fire fighters, and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for Coordinated members.

The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Using Method 2, the annuity accrual rate is 1.7% of average salary for Coordinated members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For PERF members and for all PEPFF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equals at least 90. Normal retirement age is 55 for PEPFF and 65 for Coordinated members hired prior to July 1,1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement. There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contribution in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained by writing to PERA, 60 Empire Drive #200, Saint Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The Commission makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Coordinated Plan members are required to contribute 5.10% of their annual covered salary. Contribution rates will increase in the Coordinated Plan to 5.5% in 2006. PEPFF members are required to contribute 6.20% of their annual covered salary. That rate will increase to 7.5% in 2006. The Commission is required to contribute the following percentages of annual covered payroll: 5.53% for Coordinated Plan PERF members and 9.30% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6% and 10.5% respectively, effective January 1, 2006. The Commission's required contributions to the Public Employees Retirement Fund for the years ended December 31, 2005, 2004, and 2003 were $1,349,000, $1,216,000, and $1,135,000, respectively. The Commission's required contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2005, 2004, and 2003 were $813,000, $722,000, and $660,000, 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%	11.79%	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	2005	2004	2003
Employer (100% of required)	$7,397	$2,226	$2,709

NOTE L
POST-RETIREMENT BENEFITS

The Commission provides health insurance benefits for certain retired employees. Active employees who retire from the Commission and who have become vested in either the Minneapolis Employees Retirement Fund (MERF) or the Public Employees Retirement Association (PERA), and who do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the Commission's health benefits program. The Commission will make contributions (as specified in union agreements or the Commission's personnel policy) toward required premiums at the same percentages applicable to active employees and their eligible dependent(s) until becoming eligible for Medicare, Part A or B, or both. The Commission will then pay 100% of the premium for the retired employee, spouse over age 65, and legal dependents, provided that the retired employee is receiving benefits from either MERF or PERA, and is enrolled in Medicare Part A and B as their primary health insurance. As of January 1, 1991, all employees hired by the Commission will only be able to participate in the Commission medical plan up to age 65. During 2004, the Commission approved that non-organized employees hired after October 1, 2004 will be able to participate in the Commission medical plan provided that the retiree pay 100% of the total premium cost plus a 2% administrative fee.

Effective January 1, 1997, the Commission changed its method of accounting for postretirement health benefits to accrue the estimated cost of retiree benefit payments during the years in which the employee earns the benefit. The Commission previously expensed the costs of these benefits as claims were incurred. The Commission restricts cash and investments to pay for future health benefits. The Commission elected to recognize the transition obligation of approximately $19,523,000 over a period of 20 years. The following table summarizes the change in benefit obligation and plan assets during 2005 and 2004:

	2005	2004
Benefit Obligation, January 1	$50,053,583	$47,556,802
Service Cost	1,242,303	1,102,208
Interest Cost	3,377,982	3,037,787
Actuarial Losses	7,025,625	280,804
Benefits paid by the Commission	(1,780,244)	(1,924,018)
Benefits Obligation, December 31	$59,919,249	$50,053,583

The funding status of the plan at December 31 is:	2005	2004
Accumulated postretirement benefit obligation	$59,919,249	$50,053,583
Less:		
Fair value of plan assets	-	-
Unrecognized prior service cost	(3,825,659)	1,369,806
Unrecognized net loss	23,738,036	11,352,327
Unrecognized transition obligation	10,739,000	11,715,000
Postretirement liability recognized in balance sheets	$29,267,872	$25,616,450

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

	2005	2004
Service Cost – benefits earned during the year	$1,242,303	$1,102,208
Interest cost on accumulated postretirement benefit obligation	3,377,982	3,037,787
Amortization of transition obligation	976,000	976,000
Amortization of prior service cost	(260,570)	113,900
Unrecognized net loss	1,327,044	484,404
Net postretirement benefit cost	$6,662,759	$5,714,299
Benefit Payments Net of Retiree Contributions	$1,780,244	$1,924,018

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation as of December 31, 2005 and 2004 was 10%. The assumed discount rate used in determining the accumulated postretirement benefit obligation as of December 31, 2005 and 2004 was 6.0%. As of December 31, 2005 and 2004, a one-percentage point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement obligation by approximately 15.1% and the service and interest cost components of the net postretirement health care cost in 2005 and 2004 by approximately 16.5%.

NOTE M
ARBITRAGE

Every five years, the Commission is required to rebate arbitrage profits earned in relation to certain General Obligation Revenue and Airport Improvement Bond issues. Arbitrage profits are earned when investment income relating to these issues exceeds the yield on the bonds. The Commission has recorded a liability in accrued expenses at December 31, 2005 and 2004 of $2,096,852 and $531,294, respectively.

NOTE N
RISK MANAGEMENT

The Commission is exposed to various risks of loss related to tort, theft of, damage to, or destruction of assets, errors or omissions, and employer obligations. The Commission manages these risks through purchases of commercial insurance under a claims made policy. The Commission had no significant reduction in its insurance coverage for 2005 or 2004. In addition, no settlements exceeded insurance coverage for the last three fiscal years. The Commission is self-insured for workers' compensation and health/dental claims. The liability recorded under employee compensation and payroll taxes by the Commission includes estimated settlements for claims reported but not settled as of December 31, 2005 and 2004, as well as an estimate of claims incurred. Changes in the balances of claim liabilities during the past two years are as follows:

	2005	2004
Unpaid Claims – Beginning of Year	$1,784,523	$1,386,854
Incurred Claims and Changes in Estimates	5,088,093	5,512,363
Claims Paid	(4,841,180)	(5,114,694)
Unpaid Claims – End of Year	$ 2,031,436	$ 1,784,523

NOTE O
JOINT VENTURE

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

NOTE P
CONTINGENT LIABILITIES AND COMMITMENTS

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

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

Contractual obligations for construction were approximately $55,637,000 at December 31, 2005.

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

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

On October 25, 2005, the City of Bloomington, Minnesota filed an action against the Commission in Hennepin County District Court. The action involves the updated noise mitigation program for the Airport under 14 C.F.R. Part 150. The Commission submitted the Part 150 update to the FAA in November 2004, and FAA approved noise exposure maps for the updated program in March 2005. The City of Bloomington's complaint alleges that the Commission, in submitting the updated Part 150 program without preparing a supplement to the Final Environmental Impact Statement (FEIS) for the Dual Track Airport Planning Process, violated the Minnesota Environmental Policy Act. The complaint seeks a declaratory judgement ordering the preparation of a supplement to the FEIS. The Commission cannot predict the ultimate outcome of this litigation.

Part 150 Program.
On February 22 2006, an action was filed against the Commission and others in Hennepin County District Court. The action alleges that the Commission is responsible for statutory warranty violations and negligence due to work performed on the plaintiff's home under the Part 150 Sound Insulation Program. Besides the Commission, an action was filed against the Commission's Part 150 Program consultant, the general contractor who worked on the home and three window manufacturers who provided windows in the program. The complaint seeks correction of the problem and monetary damages. The Commission intends to contest vigorously this action. It is premature to determine the Commission's probability of success in this litigation, or estimate the possible liability to the Commission.

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

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

Northwest Special Facility Bonds
In 2001, the Commission issued $136,355,000 of Special Facility Revenue Bonds ("Revenue Bonds"), the proceeds of which were used to acquire and/or improve certain premises, facilities and equipment located at the airport. Simultaneously, the Commission entered into a Special Facilities Lease pursuant to which those same assets were leased to Northwest. The Commission then pledged all revenue from the lease to secure the obligations under the Revenue Bonds. Under the terms of the Revenue Bonds, the bondholders agreed to look exclusively to Northwest for payment of the debt. The Commission is not liable to use its own funds to pay bondholders should Northwest fail to make payments.

On March 23, 2006, Northwest petitioned the bankruptcy court to re-characterize the Special Facilities Lease as an unsecured loan, rather than as a lease. If successful, (1) Northwest would not be required to continue to make lease payments arising after the bankruptcy was filed, (2) Northwest would be entitled to recover approximately $427,000 that was paid to the bondholders as post-petition rent and (3) the bondholders' claim under the Lease would only be entitled to the same treatment that is afforded to other unsecured creditors.

The Commission is not liable to use its own funds for payment of the Revenue Bonds regardless of how the financing is characterized. Further, even if Northwest were to prevail on its effort to re-characterize the Special Facilities Lease, the Commission asserts that it is not responsible to repay the $427,000 because such amount was paid directly to the bondholders. It is too early to determine the potential outcome of this adversary proceeding.

NOTE Q
MAJOR CUSTOMER

Northwest Airlines, Inc. (NAI) is a Minnesota corporation in the business of transporting air passengers, mail, and property. Northwest Aerospace Training Corporation (NATCO) is a Minnesota corporation in the business of pilot training. Both NAI and NATCO are wholly owned by NWA Inc., a Delaware corporation (NWA). In July 1989, NWA was acquired by Wings Holdings Inc., a Delaware corporation (Wings). In December 1993, Wings changed its corporate name to Northwest Airlines Corporation (NWA Corp.). NAI is the fourth largest airline in the United States and one of the largest employers in the State of Minnesota. NAI operates both domestic and international air route systems. Minneapolis-Saint Paul International Airport is one of NAI's three major hubs. Revenues from NAI account for approximately 26% of operating revenues and 72% of total revenues from major airlines.

On September 14, 2005 Northwest Airlines filed for protection under Chapter 11 of the Bankruptcy Code. For Northwest airlines their pre-petition receivables are $4,300,000. There were no allowances recorded against the pre-petition receivables since these receivables are related to the airline agreement and are recoverable according to the terms of the airline agreement. Further, Northwest is current in their post-petition receivables.

On April 23, 1992, the Commission issued $270,000,000 of taxable General Obligation Revenue Bonds, Series 9 (Bonds). In January 2002, the Commission issued $287,825,000 in General Obligation Revenue Bonds to refund General Obligation Revenue Bonds Series 9. (See Note E) The Bonds were used to acquire and lease back (a) a flight training center in Eagan, Minnesota, owned by NATCO, NAI, and NWA (collectively the Northwest entities), consisting of land, a building, flight simulators, and related equipment and (b) certain leasehold interests of the Northwest entities and certain additional properties located at Minneapolis-Saint Paul International Airport (collectively the Leased Facilities). The lease obligations are secured by the Leased Facilities, by guarantees of the Northwest entities and NWA Corp., and by a pledge of certain additional collateral consisting of aircraft engine parts and international route authorities. During the term of the Bonds, the Northwest entities are required to maintain collateral, as determined by periodic independent appraisals, which has a value (based upon use of the assets by an airline) of at least 145% (reducible to 135% under certain circumstances) of the sum of the principal amount of Bonds outstanding. In May 2005, the Commission and NWA Corp., entered into a forbearance agreement that until April 1, 2008, the required value of the collateral will be reduced to 125% of the sum of the principal amount of outstanding Series 9 (refinanced as Series 15) bonds. These transactions were accounted for as a capital lease. Northwest has made payments on Series 15 obligation subsequent to the filing of bankruptcy in September 2005. The Commission may be ordered by the bankruptcy court to return the payments made by Northwest totaling $11.2 million. The Commission cannot predict the ultimate outcome of the bankruptcy court decision.

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 8% of the Commission's total assets at December 31, 2005.

For the years ended December 31, 2005, and 2004, the Northwest entities and NWA Corp. had audited consolidated net losses of approximately $(2.555) million and $(891) million, respectively. On December 31, 2005, the Northwest entities' and NWA Corp.'s audited total consolidated assets were $13.083 billion and their total audited consolidated liabilities were $18.711 billion, resulting in the Northwest entities' and NWA Corp.'s audited consolidated net deficit of $5.628 billion. These audited numbers were derived from the audited financial statements of NWA. In the event that the Northwest entities or NWA Corp. are unable to meet their lease commitments, the Commission has the authority to levy property taxes to support the debt obligations on the Bonds.

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Minneapolis/St. Paul, Minnesota

Metropolitan Airports Commission

Comprehensive Annual Financial Report

Year Ended December 31, 2005

MAC 05

STATISTICAL SECTION

HISTORICAL OPERATING STATEMENTS 1996-2005
(Dollars in Thousands)-Unaudited

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Operating Revenues										
Airline Rates and Charges	$35,647	$41,838	$46,832	$55,401	$68,133	$72,669	$71,846	$60,977	$73,206	$83,856
Concessions	47,872	52,279	56,832	62,131	70,760	69,707	67,416	72,337	85,971	99,582
Other Revenues										
Rentals-(Ground and Building)	8,884	8,135	8,653	15,078	17,875	20,588	21,613	22,623	25,483	29,173
Operating Lease Settlement	9,326	0	0	0	0	0	0	0	0	0
Utilities	1,584	1,516	2,077	1,716	1,852	2,440	1,732	2,151	1,705	2,515
Other	1,919	2,293	2,554	3,658	4,794	6,391	8,004	10,094	9,776	13,350
Total Operating Revenues	105,232	106,061	116,948	137,984	163,414	171,795	170,611	168,182	196,141	228,476
Operating Expenses										
Personnel	26,341	30,653	32,433	34,497	39,814	42,627	43,074	48,273	50,429	59,049
Administrative Expenses	1,028	1,108	1,113	1,555	1,686	1,708	880	844	1,089	1,179
Professional Services	4,040	4,069	4,006	5,231	6,357	5,177	3,386	2,821	3,745	3,359
Utilities	6,106	5,889	6,466	7,318	8,678	11,208	8,882	11,779	12,684	14,444
Operating Services	8,705	9,935	10,414	11,199	11,971	14,113	12,147	13,928	13,394	12,492
Maintenance	8,007	8,809	9,302	10,498	12,238	15,250	13,501	16,453	17,249	18,944
Depreciation	26,528	33,304	36,756	42,875	51,028	65,647	72,871	79,399	83,273	93,566
Other	477	170	119	619	278	2,250	2,455	2,743	3,206	3,758
Total Operating Expenses	81,232	93,937	100,609	113,792	132,050	157,980	157,196	176,240	185,069	206,791
Operating Income (Loss)	24,000	12,124	16,339	24,192	31,364	13,815	13,415	(8,058)	11,072	21,685
Other Revenues (Expenses)										
Investment Income - 1	45,308	43,952	47,444	50,039	55,661	57,712	45,454	29,854	32,257	40,646
Passenger Facility Charges	35,892	37,162	37,389	40,474	43,567	57,191	61,492	63,681	69,557	69,944
Gain (Loss) on Sale/Disposal of Assets	418	6	0	2	0	(4,196)	17	(2,547)	(1,531)	(209)
Interest Expense	(31,788)	(30,957)	(37,549)	(35,103)	(42,023)	(55,549)	(50,707)	(59,105)	(67,247)	(76,777)
Part 150 Home Insulation Expenses	-	(8,482)	(14,976)	(18,475)	(20,707)	(20,517)	(22,208)	(13,063)	(13,134)	(8,419)
Concession Development Expenses	-	(1,358)	(1,792)	(5,319)	(416)	-	-	-	-	-
Total Other Revenues (Expenses)	49,830	40,323	30,516	31,618	36,082	34,641	34,048	18,820	19,902	25,185
Net Income	73,830	52,447	46,855	55,810	67,446					
Capital Contributions-2						38,069	42,919	36,707	27,835	25,137
Change in Net Assets						86,525	90,382	47,469	58,809	72,007
Net Assets Beginning of Year						941,470	1,027,995	1,118,377	1,165,846	1,224,655
Net Assets End of Year						$ 1,027,995	$ 1,118,377	$ 1,165,846	$ 1,224,655	$ 1,296,662
Add: Depreciation of Facilities Provided by Government Grants	7,882	8,941	9,691	10,295	12,725					
Increase in Retained Earnings	81,712	61,388	56,546	66,105	80,171					
Retained Earnings Beginning of Year	409,140	490,852	552,240	608,786	674,891					
Retained Earnings End of Year	$490,852	$552,240	$608,786	$674,891	$755,062					

Source: Audit Reports for the last ten years.

1. For the years ended December 31, 1996-2005, the amounts shown takes into account the effect of GASB No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".
2. For the years ended December 31, 2001-2005, 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 1996-2005
Pursuant to MAC's Master Trust Indenture
(Dollars in Thousands)-Unaudited

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Airline Rates & Charges										
Landing Fees-3	$ 21,918	$ 24,372	$ 27,358	$ 29,923	$ 39,472	$ 40,378	$ 41,573	$ 27,529	$ 38,365	$ 45,683
Ramp Fees	3,724	4,203	4,754	5,243	6,444	6,243	5,944	5,700	5,608	6,105
Lindbergh Terminal Building Rents	8,760	10,491	11,604	17,011	19,430	22,405	21,236	24,151	26,195	28,834
Other Lindbergh Terminal Charges	790	2,116	2,431	2,667	2,787	3,643	3,093	3,596	3,038	3,234
Noise Surcharge	455	656	685	557	0	0	0	0	0	0
Total Airline Rates & Charges	**35,647**	**41,838**	**46,832**	**55,401**	**68,133**	**72,669**	**71,846**	**60,976**	**73,206**	**83,856**
Concessions										
Auto Parking	30,292	31,675	35,052	36,670	42,951	39,339	36,755	41,330	50,466	60,213
Rental Car	8,465	9,469	10,335	11,429	12,385	13,739	13,359	14,742	14,220	14,693
Food & Beverage	2,348	2,541	2,719	3,084	3,546	4,053	4,340	4,864	7,311	9,790
Merchandise	2,500	3,180	3,451	4,043	4,627	4,572	4,836	4,689	5,572	6,120
Other	4,255	5,405	5,273	6,894	7,263	8,004	8,126	6,712	8,402	8,766
Total Concession Revenue	**47,860**	**52,270**	**56,830**	**62,120**	**70,772**	**69,707**	**67,416**	**72,337**	**85,971**	**99,582**
Other Revenue										
Humphrey Building Rentals	1,492	862	1,207	1,768	703	857	3,377	3,522	4,162	5,684
Utilities	1,584	1,516	2,077	1,716	1,852	2,440	1,732	2,152	1,705	2,515
Other Building and Land Rent	15,052	5,717	5,859	11,600	15,140	18,079	16,444	17,086	20,196	22,101
Other	2,662	2,916	2,973	3,712	4,890	5,812	7,179	9,328	7,855	9,851
Total Other Revenue	**20,790**	**11,011**	**12,116**	**18,796**	**22,585**	**27,188**	**28,732**	**32,088**	**33,918**	**40,151**
Total MSP Revenue	**104,297**	**105,119**	**115,778**	**136,317**	**161,490**	**169,564**	**167,994**	**165,401**	**193,095**	**223,589**
Total Reliever Airports	**935**	**942**	**1,170**	**1,667**	**1,924**	**502**	**2,617**	**2,781**	**3,046**	**4,887**
Total Operating Revenue	**105,232**	**106,061**	**116,948**	**137,984**	**163,414**	**170,066**	**170,611**	**168,182**	**196,141**	**228,476**
Interest Income										
Capital Lease Interest	35,924	35,183	31,430	29,646	28,715	28,464	25,300	23,554	23,698	22,820
Other-2	6,222	5,542	6,579	5,933	6,875	7,569	6,220	3,976	7,512	9,532
Total Interest Income	**42,146**	**40,725**	**38,009**	**35,579**	**35,590**	**36,033**	**31,520**	**27,530**	**31,210**	**32,352**
Capital Lease Principal Payments	**7,465**	**6,582**	**7,181**	**6,057**	**7,300**	**7,476**	**9,321**	**11,345**	**12,046**	**12,475**
Total Revenues-1	**$ 154,843**	**$ 153,368**	**$ 162,138**	**$ 179,620**	**$ 206,304**	**$ 213,575**	**$ 211,452**	**$ 207,057**	**$ 239,397**	**$ 273,303**

Source: Audit Reports for the last ten years.

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

2-Interest income on PFC's and Bond Series 1998-2005 Construction Funds are not included.

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

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

PERCENTAGE DISTRIBUTION OF OPERATING REVENUES 1996-2005

(Dollars in Thousands)-Unaudited

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Airline Rates & Charges										
Landing Fees-1	20.8%	23.0%	23.4%	21.7%	24.2%	23.7%	24.4%	16.4%	19.6%	20.0%
Ramp Fees	3.5%	4.0%	4.1%	3.8%	3.9%	3.7%	3.5%	3.4%	2.9%	2.7%
Lindbergh Terminal Building Rents	8.3%	9.9%	9.9%	12.3%	11.9%	13.2%	12.4%	14.4%	13.4%	12.6%
Other Lindbergh Terminal Charges	0.8%	2.0%	2.1%	1.9%	1.7%	2.1%	1.8%	2.1%	1.5%	1.4%
Noise Surcharge	0.4%	0.6%	0.6%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Airline Rates & Charges	**33.9%**	**39.4%**	**40.0%**	**40.2%**	**41.7%**	**42.7%**	**42.1%**	**36.3%**	**37.3%**	**36.7%**
Concessions										
Auto Parking	28.8%	29.9%	30.0%	26.6%	26.3%	23.1%	21.5%	24.6%	25.7%	26.4%
Rental Car	8.0%	8.9%	8.8%	8.3%	7.6%	8.1%	7.8%	8.8%	7.2%	6.4%
Food & Beverage	2.2%	2.4%	2.3%	2.2%	2.2%	2.4%	2.5%	2.9%	3.7%	4.3%
Merchandise	2.4%	3.0%	3.0%	2.9%	2.8%	2.7%	2.8%	2.8%	2.8%	2.7%
Other	4.0%	5.1%	4.5%	5.0%	4.4%	4.7%	4.8%	4.0%	4.3%	3.8%
Total Concession Revenue	**45.5%**	**49.3%**	**48.6%**	**45.0%**	**43.3%**	**41.0%**	**39.5%**	**43.0%**	**43.8%**	**43.6%**
Other Revenue										
Humphrey Building Rentals	1.4%	0.8%	1.0%	1.3%	0.4%	0.5%	2.0%	2.1%	2.1%	2.5%
Utilities	1.5%	1.4%	1.8%	1.2%	1.1%	1.4%	1.0%	1.3%	0.9%	1.1%
Other Building and Land Rent	14.3%	5.4%	5.0%	8.4%	9.3%	10.6%	9.6%	10.2%	10.3%	9.7%
Other	2.5%	2.7%	2.5%	2.7%	3.0%	3.4%	4.2%	5.5%	4.0%	4.3%
Total Other Revenue	**19.8%**	**10.4%**	**10.4%**	**13.6%**	**13.8%**	**16.0%**	**16.8%**	**19.1%**	**17.3%**	**17.6%**
Total MSP Revenue	**99.1%**	**99.1%**	**99.0%**	**98.8%**	**98.8%**	**99.7%**	**98.5%**	**98.3%**	**98.4%**	**97.9%**
Total Reliever Airports	**0.9%**	**0.9%**	**1.0%**	**1.2%**	**1.2%**	**0.3%**	**1.5%**	**1.7%**	**1.6%**	**2.1%**
Total Operating Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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

NWA Revenue as a Percentage of Total MAC Operating Revenues
1996-2005 (dollars in thousands)-Unaudited

	1996-1	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total MAC Operating Revenue	$105,232	$106,061	$116,948	$137,984	$163,414	$171,795	$170,611	$168,182	$196,141	$228,476
Lease Principal/Interest Payments	43,389	41,650	37,368	33,769	33,823	33,567	35,290	34,899	35,744	35,319
Interest Income-MAC Funds-2	6,148	5,542	12,569	17,083	24,572	28,958	19,589	5,524	7,116	14,426
Total Revenue	154,769	153,253	166,885	188,836	221,809	234,320	225,490	208,605	239,001	278,221
NWA Portion of Operating Revenue-3	26,477	30,477	32,504	38,442	47,516	52,316	51,858	44,391	52,892	60,004
NWA Portion of Lease Payments	42,163	39,708	35,856	31,812	31,865	31,608	32,692	30,477	30,760	30,890
Total NWA Revenue	$ 68,640	$ 70,185	$ 68,360	$ 70,254	$ 79,381	$ 83,924	$ 84,550	$ 74,868	$ 83,652	$ 90,894
NWA % of Total Revenue	**44.35%**	**45.80%**	**40.96%**	**37.20%**	**35.79%**	**35.82%**	**37.50%**	**35.89%**	**35.00%**	**32.67%**
Total Revenue	$154,769	$153,253	$166,885	$188,836	$221,809	$234,320	$225,490	$208,605	$239,001	$278,221
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	23,960	23,960	23,960	26,252	24,018	24,348	24,648
Total Adjusted Revenue	130,809	129,293	142,925	164,876	197,849	210,360	199,238	184,587	214,653	253,573
Total NWA Revenue	68,640	70,185	68,360	70,254	79,381	83,924	84,550	74,868	83,652	90,894
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	23,960	23,960	23,960	26,252	24,018	24,348	24,648
Total Adjusted NWA Revenue	44,680	46,225	44,400	46,294	55,421	59,964	58,298	50,850	59,304	66,246
NWA % of Total Revenue	**34.16%**	**35.75%**	**31.07%**	**28.08%**	**28.01%**	**28.51%**	**29.26%**	**27.55%**	**27.63%**	**26.13%**

NWA Revenue as a Percentage of Total Airline Revenues
1996-2005 (dollars in thousands)-Unaudited

	1996-1	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total Air Carrier Operating Revenue	$ 37,788	$ 43,628	$ 46,060	$ 53,818	$ 66,343	$ 71,225	$ 69,518	$ 59,504	$ 72,122	$ 82,720
Air Carrier Lease Payments	42,621	40,166	36,356	32,759	32,812	32,555	33,609	32,875	33,587	33,678
Total Air Carrier Revenue	80,409	83,794	82,416	86,577	99,155	103,780	103,127	92,379	105,709	116,398
Total NWA Revenue	68,640	70,185	68,360	70,254	79,381	83,924	84,550	74,868	83,652	90,894
NWA % of Total Air Carrier Revenue	**85.36%**	**83.76%**	**82.95%**	**81.15%**	**80.06%**	**80.87%**	**81.99%**	**81.04%**	**79.13%**	**78.09%**
Total Air Carrier Revenue	80,409	83,794	82,416	86,577	99,155	103,780	103,127	92,379	105,709	116,398
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	23,960	23,960	23,960	26,252	24,018	24,348	24,648
Total Adjusted Air Carrier Revenue	56,449	59,834	58,456	62,617	75,195	79,820	76,875	68,361	81,361	91,750
Total NWA Revenue	68,640	70,185	68,360	70,254	79,381	83,924	84,550	74,868	83,652	90,894
Less: NWA GO 9/15 Lease Payments	23,960	23,960	23,960	23,960	23,960	23,960	26,252	24,018	24,348	24,648
Total Adjusted NWA Revenue	44,680	46,225	44,400	46,294	55,421	59,964	58,298	50,850	59,304	66,246
NWA % of Total Air Carrier Revenue	**79.15%**	**77.26%**	**75.95%**	**73.93%**	**73.70%**	**75.12%**	**75.83%**	**74.38%**	**72.89%**	**72.20%**

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

Source: Metropolitan Airports Commission

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

	1998	1999	2000	2001	2002	2003	2004	2005
Revenues per Master Trust Indenture	$ 162,138	$ 179,620	$ 206,304	$ 213,575	$ 211,452	$ 207,057	$ 239,397	$ 273,303
Expenses:								
Operating Expenses	(100,609)	(113,792)	(132,050)	(157,980)	(157,196)	(176,240)	(185,069)	(206,791)
Add: Depreciation	36,756	42,875	51,028	65,647	72,871	79,399	83,273	93,566
Amount paid from non-revenue sources	-	-	-	-	-	13,000	-	-
Total Operating Expenses-Excluding Depreciation	(63,853)	(70,917)	(81,022)	(92,333)	(84,325)	(83,841)	(101,796)	(113,225)
Airport Improvement Bonds-Prior Lien Bonds	(337)	(344)	(660)	-	-	-	-	-
Net Revenues	97,948	108,359	124,622	121,242	127,127	123,216	137,601	160,078
Annual Debt Service-Senior Airport Revenue Bonds	(1,305)	(8,162)	(26,314)	(46,738)	(59,965)	(56,364)	(54,851)	(50,384)
Annual Debt Service-General Obligation Revenue Bonds	(37,650)	(38,082)	(37,766)	(39,673)	(33,867)	(33,901)	(33,211)	(31,899)
Principal and Interest on other Indebtedness-1	-	-	(656)	(2,182)	(4,944)	(16,062)	(15,638)	(20,201)
Must not be Less than Zero	**58,993**	**62,115**	**59,886**	**32,649**	**28,351**	**16,889**	**33,901**	**57,594**
Requirement Section								
Net Revenues	97,948	108,359	124,622	121,242	127,127	123,216	137,601	160,078
Transfer-Coverage-2	-	-	-	4,083	6,350	14,091	13,713	12,596
Total Available	97,948	108,359	124,622	125,325	133,477	137,307	151,314	172,674
Senior Debt Service times 125%-3	(1,631)	(10,203)	(32,893)	(58,423)	(74,956)	(70,455)	(68,564)	(62,980)
Must not be Less than Zero	**96,317**	**98,157**	**91,730**	**66,903**	**58,521**	**66,852**	**82,750**	**109,694**
Pro Forma Coverage on Senior Lien Debt								
Net Revenues	97,948	108,359	124,622	121,242	127,127	123,216	137,601	160,078
Transfer-Coverage-2	-	-	-	4,083	6,350	14,091	13,713	12,596
Total Available	97,948	108,359	124,622	125,325	133,477	137,307	151,314	172,674
Annual Debt Service-Senior Airport Revenue Bonds	(1,305)	(8,162)	(26,314)	(46,738)	(59,965)	(56,364)	(54,851)	(50,384)
Annual Debt Service-General Obligation Revenue Bonds	(37,650)	(38,082)	(37,766)	(39,673)	(33,867)	(33,901)	(33,211)	(31,899)
Total Debt Service-Senior Lien Debt	(38,955)	(46,244)	(64,080)	(86,411)	(93,832)	(90,265)	(88,062)	(82,283)
Coverage with Transfer	**251%**	**234%**	**194%**	**145%**	**142%**	**152%**	**172%**	**210%**
Coverage without Transfer	**251%**	**234%**	**194%**	**140%**	**135%**	**137%**	**156%**	**195%**

Source: Metropolitan Airports Commission
1. Excludes General Obligation Revenue Bonds and Senior Airport Revenue Bonds.
2. Transfer is limited to no more than 25% of Aggregate Annual Debt Service on Outstanding Senior Airport Revenue Bonds.
3. Using Annual Debt Service on Senior Airport Revenue Bonds.
4. The Commission first issued Airport Revenue Bonds in 1998.

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

	1998	1999	2000	2001	2002	2003	2004	2005
Revenues per Master Trust Indenture	$ 162,138	$ 179,620	$ 206,304	$ 2,213,575	$ 211,452	$ 207,057	$ 239,397	$ 273,303
Expenses:								
Operating Expenses	(100,609)	(113,792)	(132,050)	(157,980)	(157,196)	(176,240)	(185,069)	(206,791)
Add: Depreciation	36,756	42,875	51,028	65,647	72,871	79,399	83,273	93,566
Amount paid from non-revenue sources	-	-	-	-	-	13,000	-	-
Total Operating Expenses-Excluding Depreciation	(63,853)	(70,917)	(81,022)	(92,333)	(84,325)	(83,841)	(101,796)	(113,225)
Annual Debt Service-Senior Airport Revenue Bonds	(1,305)	(8,162)	(26,314)	(46,738)	(59,965)	(56,364)	(54,851)	(50,384)
Annual Debt Service-General Obligation Revenue Bonds	(37,650)	(38,082)	(37,766)	(39,673)	(33,867)	(33,901)	(33,211)	(31,899)
Airport Improvement Bonds-Prior Lien Bonds	(337)	(344)	(660)	-	-	-	-	-
Subordinate Revenues	58,993	62,115	60,542	34,831	33,295	32,951	49,539	77,795
Principal and Interest on Subordinate Bonds	-	-	(656)	(2,182)	(4,944)	(16,062)	(15,638)	(20,201)
Must not be Less than Zero	**58,993**	**62,115**	**59,886**	**32,649**	**28,351**	**16,889**	**33,901**	**57,594**
Requirement Section								
Subordinate Revenues	58,993	62,115	60,542	34,831	33,295	32,951	49,539	77,795
Transfer-1	-	-	66	218	494	1,606	1,564	2,020
Total Available	58,993	62,115	60,608	35,049	33,789	34,557	51,103	79,815
Outstanding Subordinate Debt Service Times 110%-2	-	-	(722)	(2,400)	(5,439)	(17,668)	(17,202)	(22,221)
Must not be Less than Zero	**58,993**	**62,115**	**59,886**	**32,649**	**28,351**	**16,889**	**33,901**	**57,594**
Pro Forma Coverage on Subordinate Lien Debt								
Subordinate Revenues	58,993	62,115	60,542	34,831	33,295	32,951	49,539	77,795
Principal and Interest on Subordinate Bonds-2	-	-	656	2,182	4,944	16,062	15,638	20,201
Coverage without Transfer	**0%**	**0%**	**9229%**	**1596%**	**673%**	**205%**	**317%**	**385%**
Pro Forma Coverage on Senior and Subordinate Lien Debt								
Net Revenues	97,948	108,359	124,622	121,242	127,127	123,216	137,601	160,078
Total Debt Service-Senior and Subordinate Debt	38,955	46,244	64,736	88,593	98,777	106,327	103,700	102,484
Coverage without Transfer	**251%**	**234%**	**193%**	**137%**	**129%**	**116%**	**133%**	**156%**

Source: Metropolitan Airports Commission

1. Transfer is limited to no more than 10% of Aggregate Annual Debt Service on Outstanding Subordinate Airport Revnue Bonds.
2. Using Annual Debt Service on Subordinate Airport Revenue Bonds.
3. The Commission first issued Airport Revenue Bonds in 1998.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Statistical Section

Air Carrier Market Share
Total Revenue Enplaned Passengers[1]
Minneapolis - St. Paul International Airport
(For the 12 months ended December 31)
Ranked on Year 2005 Results

Unaudited

2005 Ranking	Air Carrier	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2005 % of Total [2]
1	Northwest	10,132,733	10,667,527	9,813,515	11,056,053	11,922,408	11,938,660	11,687,427	11,778,861	12,560,285	12,513,738	69.58%
2	Pinnacle [3]	-	-	-	-	-	75,105	384,480	585,202	970,567	1,187,110	6.60%
3	Sun Country	365,321	331,346	402,768	475,338	708,952	612,881	138,220	377,604	508,405	728,513	4.05%
4	Mesaba Aviation [3]	359,897	720,975	1,010,129	1,154,386	1,261,971	685,843	591,396	572,557	551,521	539,388	3.00%
5	United	477,159	496,159	571,032	552,721	491,166	474,913	508,578	516,389	507,724	489,899	2.72%
6	American	344,591	363,254	425,073	384,014	365,665	369,345	463,331	410,688	347,618	462,914	2.57%
7	America West	126,889	137,246	135,066	132,456	141,591	149,416	198,307	228,452	244,176	279,965	1.56%
8	Delta	272,505	322,649	376,461	381,779	412,283	348,369	360,029	319,889	344,078	266,959	1.48%
9	Continental	138,488	138,954	158,507	162,036	193,224	198,313	253,562	235,088	222,114	240,622	1.34%
10	American Trans Air	-	-	-	-	179,274	153,772	198,855	217,689	238,073	207,414	1.15%
11	Air Tran Airways									168,227	149,844	0.83%
12	Frontier									126,434	120,962	0.67%
13	US Airways	171,137	185,156	204,754	173,917	236,887	204,853	219,948	161,198	131,951	57,764	0.32%
14	Omni Air Express	-	-	-	-	134,894	109,446	107,222	-	-	-	0.00%
15	Trans World [4]	217,874	208,873	226,825	229,145	190,315	183,179	-	-	-	-	0.00%
16	KLM Royal Dutch [a]	87,424	138,248	137,040	138,513	114,853	62,212	-	-	-	-	0.00%
17	Vanguard	99,976	173,324	181,546	172,559	128,121	10,141	-	-	-	-	0.00%
18	Ryan Int'l	9,820	32,736	93,044	131,166	-	-	-	-	-	-	0.00%
19	Other	642,911	539,085	436,182	509,770	402,031	442,692	653,417	698,577	676,466	739,219	4.11%
		13,446,725	14,455,532	14,171,942	15,653,853	16,883,635	16,019,140	15,764,772	16,102,194	17,597,639	17,984,311	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 commenc operations at MSP International Airport in July 2001.
[a] Codeshare with Northwest. No activity at MSP International Airport since 2002.
[4] Filed for bankruptcy protection on January 9, 2001 and merged with American Airlines on December 2, 2001.

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

Bankruptcy status

Northwest and Delta Air Lines both filed for bankruptcy protection on September 14, 2005.
Mesaba Aviation filed for bankruptcy on October 13, 2005.
ATA filed for bankruptcy on October 26, 2004. Expected to emerge from bankruptcy protection in February 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..

POPULATION OF MINNEAPOLIS-ST. PAUL-UNAUDITED METROPOLITAN STATISTICAL AREA 1996-2005 (thousands)

YEAR	TOTAL POPULATION
1996	2,765
1997	2,792
1998	2,831
1999	2,872
2000	2,969
2001	3,025 est.
2002	3,057 est
2003	3,084 est
2004	N/A
2005	N/A

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

SCHEDULE OF AIRLINE RATES AND CHARGES-UNAUDITED 1996-2005

Year	Landing Fee/ 1000 lbs.	Ramp Fees/ Lineal Foot	Common Use/ Square Foot	Finished/ Square Foot	Finished Janitored/ Square Foot	Unfinished/ Square Foot
1995	0.95	366.41	21.61	21.61	26.48	21.61
1997	1.02	462.64	26.64	26.64	30.82	26.64
1998	1.18	517.88	26.34	26.34	31.33	26.34
1999	1.10	516.00	36.32	36.32	40.58	36.32
2000	1.40	588.74	38.48	38.48	42.74	38.48
2001	1.50	581.36	41.88	41.88	47.34	41.88
2002	1.59	453.95	38.06	38.06	42.27	38.06
2003	1.55	460.68	39.87	39.87	45.10	39.87
2004	1.40	457.30	43.54	43.54	49.35	43.54
2005	1.71	498.26	48.20	48.20	53.85	48.20

Source: Compensatory Rental Report

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

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

Unaudited

	Originating		Connecting			% Change
Year	Enplaned Passengers (1)	% of Total	Enplaned Passengers (1)	% of Total	Total	from Previous Year
1996	6,727,655	50.0	6,719,070	50.0	13,446,725	7.6
1997	7,107,727	49.2	7,347,805	50.8	14,455,532	7.5
1998	7,152,712	50.5	7,019,230	49.5	14,171,942	-2.0
1999	7,737,926	49.5	7,904,750	50.5	15,642,676	10.4
2000	8,388,905	49.6	8,532,690	50.4	16,921,595	8.2
2001[1]	7,992,507	47.6	8,798,475	52.4	16,790,982	-0.8
2002	7,503,690	46.0	8,808,680	54.0	16,312,370	-2.9
2003	7,533,434	45.5	9,023,564	54.5	16,556,998	1.5
2004	7,954,133	45.2	9,643,506	54.8	17,597,639	6.3
2005[2]	8,193,652	45.6	9,790,659	54.4	17,984,311	2.2

Average Annual Compound Growth

1996-2005	1.99%	3.84%	2.95%

Sources: DOT, Schedules T-100 and T-3, DOT, Air Passenger Origin - Destination Survey, reconciled to Schedules T-100 and 298C T-1; John F. Brown Company, Inc.

Notes: (1) Includes passengers who connected to domestic flights at MSP but who were bound for international destinations via other U.S. gateway airports.
Includes domestic-to domestic, domestic-to-international, and international-to domestic connections.
The above figures may differ from the passenger statistics reported by the airlines to the Airport.

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

[1] 2001 charter enplanement figure was revised downward; as a result, the year-end total is somewhat different from the figure published previously.
[2] Figures are actual, but the split for connecting is based on the historical trend.

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

Unaudited

2005 Ranking	Air Carrier	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2005 % of Total [1]
1	Federal Express	44,769.6	45,127.8	50,408.9	49,393.4	50,119.8	49,222.6	71,564.1	87,380.5	84,255.1	77,531.7	48.9%
2	UPS	24,615.8	27,141.5	25,572.4	25,378.2	26,058.0	24,357.7	26,373.7	26,038.9	29,408.3	30,884.8	19.5%
3	Northwest	82,843.1	89,255.9	65,323.0	71,038.9	74,331.9	67,899.9	46,685.1	29,275.9	18,350.1	21,202.3	13.4%
4	ATI/BAX Global	-	-	-	-	-	-	-	-	4,179.8	5,263.9	3.3%
5	Airborne	6,615.3	7,069.6	7,026.0	6,651.1	6,428.9	7,619.4	7,427.9	7,168.2	6,810.0	4,915.5	3.1%
6	Emery Worldwide [3]	13,024.1	14,244.8	26,701.2	29,792.5	26,133.6	17,662.6	4,913.2	4,886.9	4,358.2	4,196.5	2.6%
7	DHL	2,463.7	2,544.1	2,649.1	1,731.6	2,430.7	2,014.3	2,446.2	6,117.7	4,507.1	4,161.6	2.6%
8	Kitty Hawk/AIA*	2,977.5	3,338.9	3,782.8	173.9	1,668.6	3,585.6	2,265.1	2,659.5	2,697.4	3,665.6	2.3%
9	Sun Country	-	-	-	-	3,014.0	1,692.6	134.1	465.6	415.4	2,199.6	1.4%
10	Other	5,279.4	3,883.0	4,812.9	4,715.8	6,053.3	4,271.8	5,693.3	5,956.0	1,413.2	1,499.0	0.9%
11	United	7,126.3	5,208.7	5,803.1	3,285.4	2,940.0	1,652.8	946.9	1,198.0	1,282.2	1,209.1	0.8%
12	American	2,394.4	3,178.0	2,906.9	3,233.6	3,198.2	1,518.3	1,150.6	997.6	1,543.9	934.9	0.6%
13	Delta	2,887.5	2,808.2	2,261.6	1,420.7	820.4	956.4	1,296.9	1,186.8	1,187.3	471.4	0.3%
14	Continental	1,859.4	1,812.9	1,824.3	1,640.8	1,871.1	1,512.1	677.4	469.6	662.0	373.4	0.2%
15	US Airways	2,139.1	2,076.3	1,432.0	1,139.0	1,433.8	1,643.3	1,288.5	781.1	418.7	108.1	0.1%
16	KLM Royal Dutch	2,839.9	3,267.4	2,582.5	2,707.3	2,455.9	1,029.9	-	-	480.0	-	0.0%
17	Trans World [2]	1,718.7	1,416.7	1,430.3	1,406.7	1,365.3	616.2	-	-	-	-	0.0%
		203,553.8	212,373.8	204,517.1	203,708.9	210,323.6	187,255.5	172,863.2	174,582.4	161,968.7	158,617.5	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)

Unaudited

(Freight and mail in thousands of tons)

Type of Carrier	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	AAG 1996-05
Passenger	105.8	111.1	85.7	89.3	93.3	79.8	53.3	35.8	25.4	28.0	-12.5%
All Cargo	97.7	101.3	118.9	114.4	117.0	107.4	119.6	138.8	136.6	130.6	2.9%
Total	203.55	212.37	204.52	203.71	210.32	187.26	172.86	174.58	161.97	158.62	-2.5%

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

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)

Unaudited

(Freight and mail in tons)

	Passenger Carriers		All Cargo Carriers		
Year	Tons	% of Total	Tons	% of Total	Total Cargo
1996	105,805	52.0	97,749	48.0	203,554
1997	111,068	52.3	101,305	47.7	212,373
1998	85,666	41.9	118,851	58.1	204,517
1999	89,289	43.8	114,420	56.2	203,709
2000	93,345	44.4	116,979	55.6	210,324
2001	79,832	42.6	107,423	57.4	187,256
2002	53,292	30.8	119,571	69.2	172,863
2003	35,754	20.5	138,829	79.5	174,582
2004	25,353	15.7	136,616	84.3	161,969
2005	27,992	17.6	130,625	82.4	158,618
Average Annual Compound Growth					
1996-2005	-12.5%		2.9%		-2.5%

Source: Metropolitan Airports Commission.

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

Unaudited

(Freight and mail in tons)

	Freight/Express		Mail		
Year	Tons	% of Total	Tons	% of Total	Total Cargo
1996	133,463	65.6	70,091	34.4	203,554
1997	138,276	65.1	74,098	34.9	212,374
1998	130,110	63.6	74,407	36.4	204,517
1999	132,840	65.2	70,869	34.8	203,709
2000	140,760	66.9	69,563	33.1	210,324
2001	123,406	65.9	63,849	34.1	187,256
2002	138,515	80.1	34,348	19.9	172,863
2003	153,630	88.0	20,952	12.0	174,582
2004	156,795	96.8	5,174	3.2	161,969
2005	153,548	96.8	5,070	3.2	158,618
Average Annual Compound Growth					
1996-2005	1.4%		-23.1%		-2.5%

Source: Metropolitan Airports Commission.

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

Unaudited

Year	Air Carrier Operations	Commuter Operations	Cargo Operations	Total Commercial Operations [1]	Percent Commercial Operations [1]	General Aviation Operations	Military Operations	Total Operations
1996	306,782	105,926	20,362	433,070	89.20%	49,786	2,624	485,480
1997	306,391	102,038	15,011	423,440	86.19%	64,209	3,624	491,273
1998	295,468	90,421	15,323	401,212	83.06%	79,757	2,044	483,013
1999	331,519	109,017	17,271	457,807	89.69%	49,256	3,358	510,421
2000	355,269	89,105	18,247	462,621	88.43%	58,076	2,473	523,170
2001	353,661	81,661	17,077	452,399	90.21%	45,943	3,180	501,522
2002	350,625	95,248	14,974	460,847	90.78%	44,279	2,543	507,669
2003	349,709	104,931	16,579	471,219	92.27%	37,594	1,856	510,669
2004	347,605	135,785	16,709	500,099	92.42%	39,018	1,976	541,093
2005	329,956	146,400	17,182	493,538	92.73%	36,472	2,230	532,240

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

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

Unaudited

	Type of Air Carrier		
	(In thousands of pounds)		
Year	Passengers	All Cargo	Total Landed Weight
1996	21,778,018	706,571	22,484,589
1997	22,311,214	740,397	23,051,611
1998[1]	21,900,417	703,245	22,603,663
1999	25,030,878	726,275	25,757,153
2000	26,148,148	996,062	27,144,211
2001	24,997,277	1,013,024	26,010,301
2002	23,976,903	1,142,126	25,119,029
2003	24,099,071	1,224,669	25,323,740
2004	25,532,738	1,030,214	26,562,952
2005[2]	24,663,179	1,217,140	25,880,319

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

[2] In 2005, Northwest Airlines' activity represented approximately 67.0% of the total landed weight at the Airport.

Source: Metropolitan Airports Commission

AIRLINE COST PER ENPLANED PASSENGER-Unaudited
1996-2005

YEAR	TOTAL COST---1	ENPLANED PASSENGERS---2	AIRLINE COST PER ENPLANED PASSENGER
1996	42,082	13,622	3.09
1997	47,864	14,336	3.34
1998	53,001	14,620	3.63
1999	60,559	16,457	3.68
2000	72,455	17,527	4.13
2001	77,209	16,027	4.82
2002	76,983	15,765	4.88
2003-3	66,741	16,102	4.15
2004	80,053	17,598	4.55
2005	92,818	17,984	5.16

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

Source: Metropolitan Airports Commission

ACTIVITY STATISTICS FOR MINNEAPOLIS/ST. PAUL INTERNATIONAL AIRPORT 1996-2005 (Unaudited)

YEAR	TOTAL PASSENGERS---1	AIRCRAFT OPERATIONS --- 2	MAIL AND CARGO VOLUMES (METRIC TONS)
1996	27,268,562	485,480	361,662
1997	28,766,355	491,273	379,117
1998	28,982,638	483,013	366,347
1999	33,137,448	510,421	366,465
2000	35,065,688	523,170	369,888
2001	32,186,486	501,522	340,027
2002	31,527,760	507,669	320,148
2003	32,306,884	512,588	317,230
2004	35,786,634	541,093	300,969
2005	36,678,868	532,240	283,450

1. Passengers include on-line connecting. (On-line connecting passengers are passengers that change to another flight on the same carrier.)
2. An aircraft operation represents the total number of takeoffs and landings at the airport.

Source: Metropolitan Airports Commission

AIRCRAFT OPERATIONS[1] AT THE RELIEVER AIRPORTS METROPOLITAN AREA 1996-2005 (Unaudited)

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

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

Source: Metropolitan Airports Commission

OPERATING RATIO (IN THOUSANDS OF DOLLARS)-1

1996-2005 (Unaudited)

YEAR	OPERATING EXPENSES-2	OPERATING REVENUES-3	OPERATING RATIO
1996	54,704	95,906	57%
1997	60,633	106,061	57%
1998	63,853	116,948	55%
1999	70,917	137,984	51%
2000	81,022	163,414	50%
2001	92,333	171,795	54%
2002	84,325	170,611	49%
2003	96,841	168,182	58%
2004	101,796	196,141	52%
2005	113,225	228,476	50%

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

AIR CARRIERS SERVING THE AIRPORT[a] MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT (As of December 31, 2005) (Unaudited)

U.S. – FLAG CARRIERS

SCHEDULED SERVICES

AirTran*	Continental*	Northwest*[12]
America West*	Delta*[5]	Pinnacle*[7]
American*	Frontier*	Midwest Connect*
ATA*[1]	Mesa*[6]	Sky West *
Air Wisconsin[2]	Mesaba*[7]	United*[8]
Comair*[3][4]	Chautauqua*	US Airways*[6]
Atlantic Southeast*[4]	American Eagle*	PSA*[6]
		Shuttle America[2]

NON-SCHEDULED (CHARTER) SERVICES

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

ALL-CARGO SERVICES

ATI/BAX Global*	Bemidji *	FedEx*
Airborne Express[9]	DHL*[9]	UPS*
Lightning Transport	UPS Supply Chain Solutions*[10]	Evergreen

FOREIGN-FLAG CARRIERS

Air Canada*[11]	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] ATA filed for bankruptcy protection on October 26, 2004. Ceased its operations at MSP on 12/16/05. Exptected to emerge from bankruptcy protection sometime in February, 2006.
[2] Flies for United Airlines.
[3] Filed for bankruptcy on 9/14/05 along with its parent company Delta Air Lines.
[4] Codeshare with Delta Air Lines.
[5] Filed for bankruptcy protection on 9/14/05.
[6] Hosted by US Airways. US Airways filed for bankruptcy protection on September 11, 2004 and emerged from bankruptcy on September 16, 2005 and merged with America West Airlines on September 27, 2005.
[7] Code-share with Northwest Airlines. Filed for bankruptcy protection on October 13, 2005.
[8] United filed for bankruptcy on December 9, 2002. Expected to emerge from bankruptcy in February, 2006.
[9] Merged into DHL Express, Inc. January 1, 2005.
[10] Formerly Emery Menlo, CNF.
[11] Air Canada filed for bankruptcy protection on April 1, 2003. Emerged from bankruptcy on September 30, 2004 after 18 months of protection.
[12] Filed for bankruptcy on 9/14/05.

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

INSURANCE COVERAGE (Unaudited)

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Year ended December 31, 2005

Insurer	Expiration	Coverage	Policy Limits (Thousands of Dollars)
ACE/INA[1]	1-1-07	General aviation liability including personal injury	$500,000
Driver Alliant	1-1-07	Blanket fire & extended coverage on building and contents. Boiler, machinery	$1,000,000
Self-Insured[2]	Continuous	Statutory workers' compensation	$100/500/100
		Workers' Compensation Reinsurance Association	$390
Travelers Casualty and Surety Company of America	6-1-06	Comprehensive Crime Employee Bond	$1,000
Minnesota Risk Management Fund	7-1-06	Auto Liability (licensed vehicles), physical damage (all vehicles) hired automobiles, valet parking, inland marine and garage keepers	MN Tort Cap Limits
Minnesota Risk Management Fund	7-1-06	Non-Aviation General Liability	MN Total Cap Limits
Genesis	1-1-07	Excess Auto Liability	Excess $300 to $1,000

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