

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

FINANCIAL REPORT

REPORT OF INDEPENDENT ACCOUNTANTS

*To the Board of Directors of the Metropolitan Washington
Airports Authority*



In our opinion, the accompanying balance sheets and the related statements of revenues, expenses and changes in retained earnings, and cash flows present fairly, in all material respects, the financial position of the Metropolitan Washington Airports Authority (the Airports Authority) as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Airports Authority management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2001 on our consideration of the Airports Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP
Washington, D.C.

March 2, 2001

COMPARATIVE BALANCE SHEETS

As of December 31	2000	1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,079,061	\$ 33,440,535
Cash and cash equivalents, restricted	88,071,489	118,033,953
Passenger facility charges, cash, restricted	8,152,134	8,072,239
Passenger facility charges, receivables, restricted	8,420,784	3,591,074
Investments	21,774,122	11,143,079
Investments, restricted	2,365,459	29,088,909
Accounts receivables, net	35,007,943	31,443,248
Inventory	1,478,894	1,523,477
Prepaid expenses and other current assets	954,883	1,624,967
TOTAL CURRENT ASSETS	<u>175,304,769</u>	<u>237,961,481</u>
Long-term investments	111,034,314	98,527,810
Long-term investments, restricted	111,983,768	150,580,583
Construction in progress	202,633,055	174,022,624
Property, facilities, and equipment, net	1,861,825,068	1,795,786,184
Other long term assets	2,375,337	2,501,829
Bond issuance costs, net	19,609,033	20,568,649
TOTAL ASSETS	<u>\$ 2,484,765,344</u>	<u>\$ 2,479,949,160</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 30,187,064	\$ 40,381,298
Current liabilities payable from restricted assets:		
Accounts payable and accrued expenses	30,657,880	33,848,977
Accrued interest payable	22,646,238	25,184,078
Bonds payable	31,745,000	36,490,000
Operating lease obligations	341,143	341,149
TOTAL CURRENT LIABILITIES	<u>115,577,325</u>	<u>136,245,502</u>
Deferred revenue and other liabilities	3,729,055	3,283,818
Bank participation notes	170,200,000	162,600,000
Commercial paper notes	190,000,000	0
Bonds payable, net	1,408,136,951	1,632,063,357
TOTAL LIABILITIES	<u>1,887,643,331</u>	<u>1,934,192,677</u>
EQUITY		
Contributed capital:		
At transfer	29,070,515	29,070,515
Property acquired through leases	5,546,867	5,546,867
In aid of construction	212,721,760	197,370,305
Retained earnings	349,782,871	313,768,796
TOTAL EQUITY	<u>597,122,013</u>	<u>545,756,483</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 2,484,765,344</u>	<u>\$ 2,479,949,160</u>

The accompanying notes are an integral part of these financial statements.

COMPARATIVE STATEMENTS OF REVENUES, EXPENSE
AND CHANGES IN RETAINED EARNINGS

	Year Ended December 31, 2000	Year Ended December 31, 1999
REVENUES		
Concessions	\$ 114,466,859	\$ 107,373,835
Rents	119,658,542	117,708,890
Landing fees	58,757,490	45,952,188
Utility sales	13,113,004	10,465,549
Passenger fees	24,898,129	25,374,350
Other	10,000,628	7,870,718
	<u>340,894,652</u>	<u>314,745,530</u>
EXPENSES		
Materials, equipment, supplies, contract services, and other	76,795,781	76,088,218
Salaries and related benefits	78,970,537	74,189,939
Utilities	21,592,399	16,800,111
Lease from U.S. Government	4,058,360	4,078,292
Depreciation and amortization	93,726,636	88,742,176
	<u>275,143,713</u>	<u>259,898,736</u>
OPERATING INCOME	65,750,939	54,846,794
NONOPERATING REVENUES (EXPENSES):		
Passenger facility charges	48,367,121	42,609,759
Passenger facility charges, financing costs	(7,028,863)	(4,218,392)
Investment income	25,551,888	8,350,214
Interest expense	(96,627,010)	(85,749,394)
	<u>(29,736,864)</u>	<u>(39,007,813)</u>
NET INCOME	36,014,075	15,838,981
RETAINED EARNINGS, Beginning of Year	313,768,796	297,929,815
RETAINED EARNINGS, End of Year	<u>\$ 349,782,871</u>	<u>\$ 313,768,796</u>

The accompanying notes are an integral part of these financial statements.

COMPARATIVE STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2000	Year Ended December 31, 1999
NET CASH FROM OPERATING ACTIVITIES:		
Operating cash receipts from customers	\$ 338,716,217	\$ 310,354,220
Cash payments to suppliers for goods and services	(113,738,772)	(83,773,390)
Cash payments to employees for services	(78,708,544)	(73,691,466)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	146,268,901	152,889,364
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	-	98,239,060
Proceeds from the issuance of commercial paper	190,000,000	-
Principal payments on bonds	(220,190,000)	(131,715,000)
Payments for capital expenditures and construction in progress	(187,017,267)	(160,639,764)
Proceeds from sale of fixed assets	355,909	10,790
Payments of bond issuance costs	(654,459)	(1,451,647)
Interest paid on bonds	(105,770,346)	(98,437,145)
Government grants in aid of construction	20,291,349	8,358,984
Passenger facility charge receipts	43,113,039	42,972,281
Passenger facility charge borrowing from line of credit	7,600,000	9,500,000
Passenger facility charge expenses	(7,298,966)	(6,270,953)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(259,570,741)	(239,433,394)
NET CASH FROM INVESTING ACTIVITIES:		
Interest received on investments	24,303,536	26,590,947
Decrease in short term investments, net	16,092,407	98,124,737
Proceeds from long-term investment maturities	188,052,643	95,625,236
Purchase of long term investments	(169,390,789)	(116,913,986)
NET CASH PROVIDED (USED BY) INVESTING ACTIVITIES:	59,057,797	103,426,934
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	(54,244,043)	16,882,904
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	159,546,727	142,663,823
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 105,302,684</u>	<u>\$ 159,546,727</u>

COMPARATIVE STATEMENTS OF CASH FLOWS (continued)

	Year Ended December 31, 2000	Year Ended December 31, 1999
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 65,750,939	\$ 54,846,794
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	93,726,636	88,742,176
(Decrease) Increase in allowance for doubtful accounts	(736,135)	753,816
Decrease in accounts receivable	(3,564,695)	(6,163,116)
Decrease (Increase) in inventory	44,583	(181,894)
Decrease in prepaid expenses and other current assets	670,084	464,728
Decrease in other long term assets	126,492	134,669
(Decrease) Increase in accounts payable and accrued expenses	(10,194,234)	14,960,521
Decrease in operating lease obligation	(6)	(64,226)
Increase (Decrease) in deferred revenues and other liabilities	445,237	(604,104)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	<u>\$ 146,268,901</u>	<u>\$ 152,889,364</u>
Noncash and related financing transactions		
Unrealized Gain (Loss)	8,931,773	(5,006,206)
Total noncash and related financing transactions:	<u>\$ 8,931,773</u>	<u>\$ (5,006,206)</u>

The accompanying notes are an integral part of these financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Metropolitan Washington Airports Authority (the Airports Authority) is an independent interstate agency created by the Commonwealth of Virginia and the District of Columbia with the consent of the United States Congress. The Commonwealth of Virginia and the District of Columbia enacted essentially identical legislation creating the Airports Authority for the purpose of operating Ronald Reagan Washington National (National) and Washington Dulles International (Dulles) Airports (collectively the Airports). The Airports Authority is governed by a Board of Directors with members from the Commonwealth of Virginia, the District of Columbia, the State of Maryland, and three members appointed by the President of the United States.

On June 7, 1987, Dulles and National properties were transferred to the Airports Authority under a long-term lease authorized by the Metropolitan Washington Airports Act of 1986, Title VI of Public Law 99-500 (See Note K). All personal property was transferred to the Airports Authority without condition. Prior to the transfer, the Airports were operated by the Federal Aviation Administration (FAA) of the U.S. Department of Transportation.

Only the accounts of the Airports Authority are included in the reporting entity. There are no component units that should be considered for inclusion in the Airports Authority's financial reporting entity.

Fund Accounting, Presentation, and Basis of Accounting

Enterprise funds are used to account for the Airports Authority's operations which are similar to those often found in private business enterprises. The intent of the Airports Authority is that the cost, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The measurement focus of the Airports Authority is the determination of net income, through matching revenues earned with expenses incurred to generate such revenues.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All enterprise funds are accounted for on a flow of economic resources measurement focus, whereby all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

Fund equity (total assets less total liabilities) is segregated into contributed capital and retained earnings components. Enterprise fund operating statements are prepared on the accrual basis of accounting with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle or one year. Current liabilities include those obligations to be liquidated with current assets.

Proprietary Accounting and Financial Reporting

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Airports Authority follows all GASB pronouncements as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principal Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Budgeting Requirements

The Airports Authority's annual budgeting process is a financial planning tool used to establish the estimated revenues and expenditures for both airports. The annual budget is developed after reviewing revenue forecasts, the impact of funding increases on landing fees, rental rates, and other rates and charges, prior year actuals, our current program levels, new operating requirements, and the overall economic climate of the region and airline industry. The budget to actual results are reviewed periodically throughout the year to ensure compliance with the provisions of the Airports Authority's entity-wide annual operating budget, which is approved by the Board of Directors.

The President and Chief Executive Officer has the authority to approve changes to the budget within all categories as long as the net changes do not result in an increase in overall budgeted expenditures. In keeping with the requirements of a proprietary fund, budget comparisons have not been included in the financial section of this report.

Revenue Recognition

Rents and concessions. Rentals and concession fees are generated from airlines, parking structures and lots, food, rental cars, fixed base operators, and other commercial tenants. Leases for the airlines are based on full cost recovery. Other leases are for terms from one to 15 years and generally require rentals based on the volume of business, with specified minimum rentals. Rental revenue is recognized over the life of the respective leases, and concession revenue is recognized based on reported concessionaire revenue.

Landing fee charges. Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of aircraft. The scheduled airline fee structure is determined annually based on full cost recovery pursuant to an agreement between the Airports Authority and the Signatory Airlines. Landing fees are recognized as revenue when the related facilities are utilized.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits, certificates of deposit, commercial paper, U.S. Government and agency obligations, mutual funds, and repurchase agreements collateralized by U.S. Government or agency obligations with an original maturity of three months or less, including restricted assets.

Investments

Investments with an original maturity greater than one year are recorded at their fair value with all investment income, including changes in the fair value of investments, reported as investment income in the financial statements. Investments with an original maturity of less than one year are carried at amortized cost.

Investments consist of certificates of deposit, commercial paper, U.S. Government and agency obligations, and repurchase agreements collateralized by U.S. Government or agency obligations, with an original maturity greater than three months.

Inventory

Inventory consists of spare parts and is stated at the lower of cost or market value, using the first-in, first-out method.

Property, Facilities, and Equipment

Personal property, the ownership of which was transferred from the U.S. Government to the Airports Authority on June 7, 1987, is recorded at fair value at the date of transfer. Assets acquired subsequent to the transfer are stated at historical cost and include the expense of Federal grants to construct and improve the facilities of the Airports Authority. The costs for property and facilities include net interest expense incurred from the date of issuance of the debt to finance construction until the completion of the capital project (See Notes E and H). Tenants have funded construction and improvements of Airport facilities from their own working capital. Under agreements with the Airports Authority, the property reverts to the Airports Authority upon termination or expiration of the agreement. Terms range from 15 to 40 years. These assets obtained by the Airports Authority are recorded at fair market value as of date of transfer (See Note L). Major improvements and replacements of property are capitalized. Maintenance, repairs, and minor improvements and replacements are expensed.

Provision for depreciation has been calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Equipment	5-7 years
Motor Vehicles	3-5 years
Buildings	20-40 years
Systems and Structures	10-40 years

Bond Issuance Costs

Bond issuance costs represent expenses incurred in the process of issuing bonds and are amortized over the life of the related bond issue, using the interest method.

Compensated Absences

Airports Authority employees are granted vacation at rates of 13 to 30 days per year, depending on their length of employment, and may accumulate up to a maximum of 30 days. Upon termination, employees are paid for any unused accumulated vacation. Sick leave accumulates at the rate of 13 days per year. Unused sick leave for employees who transferred from the Federal Government is counted at retirement as additional time worked for calculation of pension benefit. Unused sick leave for all other employees is forfeited at time of termination of employment regardless of

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the reason. Compensated absences are accrued when earned and reflected in accrued expenses.

Arbitrage - Rebate Liability

The U.S. Treasury has issued regulations on calculating the rebate due to the U.S. Government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the Airports Authority temporarily invests the proceeds of tax exempt debt in securities with higher yields. The Airports Authority estimates a liability at December 31, 2000 and 1999, of approximately \$2,001,500 and \$1,404,000, respectively.

Passenger Facility Charges (PFCs)

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act which authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. In May 1991, the FAA issued the regulations for the use and reporting of PFCs. PFCs may be used for airport projects that must meet at least one of the following criteria: preserve or enhance safety, security, or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers.

The Airports Authority was granted permission to begin collecting a \$3 PFC effective November 1, 1993, at National and January 1, 1994, at Dulles. The charges, less an administrative fee charged by the airlines for processing, are collected by the airlines and remitted on a monthly basis to the Airports Authority. Due to their restricted use, PFCs are categorized as non-operating revenue and are accounted for on the accrual basis. The Authority applied for and received the authority in February 2001, to increase the PFC collection from \$3.00 to \$4.50, effective May 2001.

Management Estimates and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain reclassifications of prior year amounts have been made to conform with the current year presentation.

B. DEPOSITS AND INVESTMENTS

Cash

In accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, the Airports Authority classifies its deposits as to the credit risk by the following three categories: Category 1 includes insured or collateralized cash with securities held by the Airports Authority or its agent in the Airports Authority's name; Category 2 includes collateralized cash with securities held by the pledging financial institutions' trust department or agent in the Airports Authority's name; and Category 3 includes uncollateralized cash, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent, but not in the Airports Authority's name. The table below presents the Airports Authority's deposit risk classifications in accordance with GASB Statement No. 3:

Deposits	December 31,	
	2000	1999
Carrying Amount	\$ 6,304,099	\$ 9,738,785
Bank Balance	3,192,287	868,843
FDIC Insured or collateralized (Category 1)	2,734,168	853,344
Uncollateralized or uninsured (Category 3)	458,119	15,498

Certificates of Deposit/Investments	December 31,	
	2000	1999
Carrying Amount	\$ 2,100,000	\$ 4,100,000
FDIC Insured or collateralized (Category 1)	300,000	400,000
Uncollateralized or uninsured (Category 3)	1,800,000	3,700,000

To assure the safety of demand deposits not covered by FDIC insurance, the Airports Authority utilizes the LACE Financial Institutions Rating Service to determine the stability of the financial institutions.

Investments

The primary objectives of the Airports Authority's investment policy are the safety of capital, the liquidity of the portfolio and the yield of the investments. Bond proceeds (See Note D) may be invested in securities as permitted in the bond indentures, otherwise, assets of the Airports Authority may be invested in U.S. Treasury securities; short-term obligations of the U.S. Government agencies; short term obligations of the Commonwealth of Virginia, the State of Maryland, and the District of Columbia; certificates of deposit with banks that have a LACE rating of "B" or better, or that are fully insured or collateralized; prime commercial paper rated A1 and P1 by S&P and Moody's, respectively; prime bankers' acceptance notes; repurchase agreements whose underlying collateral consist of the foregoing; money market or mutual funds whose underlying collateral consist of the foregoing; or other such securities or obligations that may be approved by the Finance Committee by modification of the Airports Authority's policy.

In accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, the Airports Authority classifies its investments as to the credit risk by the following three categories: Category 1 includes insured or registered investments, or securities held by the Airports Authority or its agent in the Airports Authority's name; Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the Airports Authority's name; and Category 3 includes uninsured and unregistered investments, with securities held by the counterpart, or by its trust department or agent, but not in the Airports Authority's name. Investments with an original maturity greater than one year are displayed at fair value.

The tables below present the Airports Authority's investment risk classifications in accordance with GASB Statement No. 3:

	December 31, 2000			Cost	Carrying Value
	1	Category 2	3		
Repurchase Agreements	\$ -	\$ 9,574,699	\$ -	\$ 9,574,699	\$ 9,574,699
U.S. Government and agency obligations	231,535,284	-	-	231,535,284	230,958,754
Commercial Paper	4,968,597	-	-	4,968,597	4,999,071
	<u>\$ 236,503,881</u>	<u>\$ 9,574,699</u>	<u>\$ -</u>	246,078,580	245,532,524
Money market funds (invested in U.S. Government and agency obligations)				98,523,724	98,523,724
Certificate of Deposit				2,100,000	2,100,000
				<u>\$ 346,702,304</u>	<u>\$ 346,156,248</u>

B. DEPOSITS AND INVESTMENTS (continued)

	December 31, 1999				
	Category			Cost	Carrying Value
	1	2	3		
Repurchase Agreements	\$ -	\$ 14,143,667	\$ -	\$ 14,143,667	\$ 14,143,667
U.S. Government and agency obligations	260,784,823	-	-	260,784,823	255,040,324
Commercial Paper	22,037,846	-	-	22,037,846	22,091,648
	<u>\$ 282,822,669</u>	<u>\$ 14,143,667</u>	<u>\$ -</u>	296,966,336	291,275,639
Money market funds (invested in U.S. Government and agency obligations)				143,772,684	143,772,684
Certificate of Deposit				4,100,000	4,100,000
				<u>\$ 444,839,020</u>	<u>\$ 439,148,323</u>

The fair value of the collateral for these Repurchase Agreements was \$9,760,360 and \$14,361,872 at December 31, 2000 and 1999, respectively. The collateral for the Repurchase Agreements was held by the Airports Authority's agent in the Airports Authority's name.

During 1998, the Airports Authority implemented GASB Statement No. 31, *Accounting and Reporting For Certain Investments and For External Investments Pools*. In accordance with the provisions of this pronouncement, investments with an original maturity greater than one year are recorded at their fair value with all investment income, including changes in the fair value of investments, reported as investment income in the financial statements. As permitted by GASB Statement No. 31, investments with an original maturity of less than one year are carried at amortized cost. Fair values are determined through quoted market prices.

The tables below present the Airports Authority's investments in accordance with GASB Statement No. 31:

	December 31, 2000	
	Cost	Carrying Value
Securities with original maturity 1 year and over	\$ 207,501,868	\$ 207,627,228
Securities with original maturity less than 1 year	37,783,760	37,905,296
	<u>\$ 245,285,628</u>	<u>\$ 245,532,524</u>

	December 31, 1999	
	Cost	Carrying Value
Securities with original maturity 1 year and over	\$ 244,749,829	\$ 240,538,173
Securities with original maturity less than 1 year	50,640,413	50,737,466
	<u>\$ 295,390,242</u>	<u>\$ 291,275,639</u>

Change in carrying value from December 1999 to December 2000:

Carrying value at December 31, 2000	\$ 245,532,524
Add: Proceeds from investments sold in 2000	471,779,709
Less: Cost of investments purchased in 2000	(420,621,168)
Less: Carrying value at December 31, 1999	(291,275,639)
Change in carrying value of investments	<u>\$ 5,415,426</u>

Change in carrying value from December 1998 to December 1999:	
Carrying value at December 31, 1999	\$ 291,275,639
Add: Proceeds from investments sold in 1999	625,502,763
Less: Cost of investments purchased in 1999	(575,285,893)
Less: Carrying value at December 31, 1998	<u>(345,008,855)</u>
Change in carrying value of investments	<u>\$ (3,516,346)</u>

Reconciliation to Comparative Balance Sheets

A reconciliation of the amounts reported above to the comparative balance sheets is as follows:

	December 31,	
	2000	1999
Deposits	\$ 6,304,099	\$ 9,738,785
Investments	346,156,248	439,148,323
	<u>\$ 352,460,347</u>	<u>\$ 448,887,108</u>
Cash and cash equivalents	\$ 9,079,061	\$ 33,440,535
Cash and cash equivalents, restricted	88,071,489	118,033,953
Passenger facility charges, cash, restricted	8,152,134	8,072,239
Investments	21,774,122	11,143,079
Investments, restricted	2,365,459	29,088,909
Long-term investments	111,034,314	98,527,810
Long-term investments, restricted	111,983,768	150,580,583
	<u>\$ 352,460,347</u>	<u>\$ 448,887,108</u>

C. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	December 31,	
	2000	1999
Trade accounts receivable	\$ 35,384,443	\$ 27,615,991
Receivable-grants in aid of construction, Federal	221,542	5,161,434
	35,605,985	32,777,425
Less: allowance for doubtful account	(598,042)	(1,334,177)
	<u>\$ 35,007,943</u>	<u>\$ 31,443,248</u>

The Airports Authority received reimbursement of the entire government grants in aid of construction balance at December 31, 2000, during 2001.

D. RESTRICTED ASSETS

The Trust Indenture securing the Revenue Bonds of the Metropolitan Washington Airports Authority, requires segregation of certain assets into restricted accounts. The Airports Authority has also designated Passenger Facility Charge assets as restricted. Restricted assets consist of the following:

	December 31,	
	2000	1999
Construction	\$ 57,116,922	\$ 137,480,880
Debt service reserve accounts	113,371,016	123,169,860
Interest accounts	23,157,476	24,907,754
Sinking fund accounts	8,775,302	12,144,951
Passenger facility charge accounts	8,152,134	8,072,239
	<u>\$ 210,572,850</u>	<u>\$ 305,775,684</u>

The construction accounts include the funds available for the design and construction of capital improvements for the Airports. The debt service reserve accounts contain the maximum amount of required principal payments for the bonds scheduled to come due in one year. The interest account contains the interest amounts required for the semi-annual interest payments. The sinking fund accounts represent the principal for the annual October bond payments.

E. CHANGES IN CONSTRUCTION IN PROGRESS, PROPERTY, PLANT, AND EQUIPMENT

A summary of changes in construction in progress, property, plant, and equipment for the years ending December 31, 2000 and 1999 is as follows:

	Beginning Balance January 1, 2000	Transfers and Additions	Transfers and Deletions	Ending Balance December 31, 2000
Construction in Progress	\$ 174,022,624	\$ 165,084,886	\$ (136,474,455)	\$ 202,633,055
Equipment	\$ 36,719,360	\$ 4,704,480	\$ (1,793,445)	\$ 39,630,395
Motor Vehicles	73,212,159	1,448,157	(219,540)	74,440,776
Land	36,061,466	4,749,515	-	40,810,981
Buildings	1,380,135,927	83,361,629	(1,275,101)	1,462,222,455
Systems and Structures	693,813,560	64,260,255	-	758,073,815
	<u>2,219,942,472</u>	<u>158,524,036</u>	<u>(3,288,086)</u>	<u>2,375,178,422</u>
Less accumulated depreciation	(424,156,288)	(92,298,354)	3,101,288	(513,353,354)
	<u>\$ 1,795,786,184</u>	<u>\$ 66,225,682</u>	<u>\$ (186,798)</u>	<u>\$ 1,861,825,068</u>

	Beginning Balance January 1, 1999	Transfers and Additions	Transfers and Deletions	Ending Balance December 31, 1999
Construction in Progress	\$ 180,981,900	\$ 168,548,888	\$ (175,508,164)	\$ 174,022,624
Equipment	\$ 32,198,044	\$ 4,521,592	\$ (276)	\$ 36,719,360
Motor Vehicles	71,290,426	2,296,733	(375,000)	73,212,159
Land	35,602,158	459,308	-	36,061,466
Buildings	1,284,908,681	95,227,246	-	1,380,135,927
Systems and Structures	615,840,377	79,985,055	(2,011,872)	693,813,560
	<u>2,039,839,686</u>	<u>182,489,934</u>	<u>(2,387,148)</u>	<u>2,219,942,472</u>
Less accumulated depreciation	(337,241,597)	(87,294,348)	379,657	(424,156,288)
	<u>\$ 1,702,598,089</u>	<u>\$ 95,195,586</u>	<u>\$ (2,007,491)</u>	<u>\$ 1,795,786,184</u>

For the year ended December 31, 2000, interest costs of \$9,048,837 less interest earned of \$8,215,502 were capitalized as part of the cost of construction in progress. For the year ended December 31, 1999 interest costs of \$17,016,390 less interest earned of \$11,563,891 were capitalized as part of the cost of construction in progress. Depreciation expense for the years ended December 31, 2000 and 1999 was \$92,298,354 and \$87,294,348, respectively.

F. PENSION PLANS

The Airports Authority participates in two U.S. Government pension plans: the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). Each is considered a cost-sharing multiple employer public employee retirement system. Employees hired before December 31, 1983 are members of the CSRS unless they elected to transfer to FERS either before December 31, 1987 or during the special enrollment period from July 1, 1998, through December 31, 1998. In addition, the Airports Authority maintains single employer-defined benefit pension plans that cover all of its police and fire employees and its regular employees hired on or after June 7, 1987, excluding employees working less than 20 hours a week and other temporary employees.

Government Pension Plans

Under the CSRS, employees contribute 7.4% of their base pay (7.9% for firefighters) and the Airports Authority matches the employees' contributions. Retirement benefits are based on length of service and the average of the employee's three highest years of base pay. Employees can retire at age 55 with 30 years of service; age 60 with 20 years of service; or age 62 with five years of service. Firefighters can retire at age 50 with 20 years of firefighting service. Retirement annuities range from 7.5% of the average high three-year base pay to a maximum of 80 percent depending on years of service. Effective April 1, 1987, the CSRS added a Thrift Savings Plan where employees can contribute up to 5.0% of their salary on a tax-deferred basis. There are 120 regular employees and 29 firefighter employees currently enrolled in CSRS.

FERS provides benefits from three different sources: a Basic Benefit Plan, Social Security, and the Thrift Savings Plan. The Basic Benefit Plan employee deduction ranges from 1.2% of base pay for regular employees to 1.7% for firefighters. The Airports Authority contributes from 11.7% for regular employees to 24.3% for firefighters. There are 81 regular employees and 25 firefighter employees currently enrolled in FERS.

Employees are entitled to annual maximum retirement benefits equal to 1.1% of the employee's highest three-year average salary for every year of service. Regular employees are eligible for retirement when they have

10 years of service and have reached the minimum retirement age (ranging from 55 to 57 years old), based on birth date. Firefighters can retire at age 50 with 20 years of firefighting service or at any age with 25 years of service. These employees are entitled to an annual retirement benefit of 1.7% of the employee's highest three-year average salary for every year of service up to 20 years and 1.0% for years of service over 20.

The Airports Authority's base payroll for employees covered by the CSRS and the FERS for the year ended December 31, 2000 was approximately \$14,273,175. The Airports Authority's total base payroll for all employees was approximately \$54,360,816. Employee contributions for these federal pension plans were \$713,659 (5.0% of covered payroll) for 2000, \$718,403 (5.0% of covered payroll) for 1999.

Copies of the financial statements of these pension plans may be obtained from the U.S. Office of Personnel Management. Actuarial information for these federal pension plans was not available.

Authority Pension Plans

Effective January 1, 1989, the Airports Authority established a retirement benefits program for employees hired on or after June 7, 1987, which provides income in the event of retirement or death where a surviving spouse remains. Employee coverage and service credit was retroactive to June 7, 1987. The program includes the Metropolitan Washington Airports Authority Retirement Plan (covering regular employees) and the Metropolitan Washington Airports Authority Retirement Plan for Police Officers and Firefighters (the Plans), both single employer defined benefit plans. Any amendments to these plans must be approved by the Airports Authority's Board of Directors. As of December 31, 2000 the number of employees participating in the Plans was:

	Regular	Police/ Fire	Total
Current participants			
Vested	419	129	548
Non-vested	269	52	321
Retirees/Disabled employees currently receiving benefits	32	3	35
Terminated vested participants			
	113	36	149
Total	<u>833</u>	<u>220</u>	<u>1053</u>

F. PENSION PLANS (continued)

The Authority contributes 7.9% to the Regular Plan and 13.7% to the Fire and Police Plan. The Authority's base payroll in 2000 for the Regular Plan was approximately \$31,851,398 and \$8,032,349 for the Fire and Police Plan. In 1999, the base payroll for the Regular Plan was \$27,077,747 and \$7,734,745 for the Fire and Police Plan. In 2000, the Authority contributed \$2,516,260 to the Regular Plan and \$1,100,432 to the Fire and Police Plan. In 1999, the Authority contributed \$2,139,142 to the Regular Plan and \$1,059,660 to the Fire and Police Plan. Employees do not contribute to the regular plan.

The Plans provide retirement benefits as well as death benefits. Regular employees who retire at or after age 60 with 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.2% of final-average salary up to covered compensation and 1.6% of final-average salary which is above covered compensation for each year of credited service (maximum 30 years).

Final-average salary is the average of the employee's highest consecutive 78 pay periods in the most recent 260 pay periods, while covered compensation is the 35-year average of the Social Security Wage Bases ending with the year in which the participant attains Social Security normal retirement age. A pre-retirement surviving spouse benefit is payable in the event of death, equal to 50 percent of the benefit which would have been payable had the participant retired, provided the participant had at least five years of service. Benefits can be received as early as age 55 with five years of service with a 5 percent reduction for each year the participant is younger than age 60. Benefits are also adjusted to the lesser of one-half of the CPI or 4.0%.

The benefits to police officers and firefighters become payable at age 55 with five years of service or at any age with 25 years of service. Benefits are not reduced if retirement is at or after age 50. The benefit is 2.0% of the final average earnings for service up to 25 years, and 1.0% of the final average earnings for service between 25 and 30 years. Withdrawal, death, and cost of living benefits are similar to those available to regular employees. Police officers and firefighters are required to contribute 1.5% of base pay per year of participation, which is accumulated with a 5.0% interest rate and returned when a benefit is forfeited.

The Airports Authority will contribute the remaining amounts necessary to fund the Plans using the entry age normal actuarial method in addition to an amount to amortize any unfunded liability of the Plan.

Contributions Required and Made

The Airports Authority's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Employer contributions are determined in accordance with the plan provisions and approved by the Authority's Board of Directors. Level percentages of payroll employer contribution rates are determined using the entry age actuarial funding method shown in dollars in the following table. Unfunded actuarial accrued liabilities are being amortized over a period of 30 years on an open basis.

Funding Status

The actuarial accrued liability was determined as part of an actuarial valuation of the Plans at December 31, 1999. Significant actuarial assumptions used in determining the actuarial accrued liability include: (a) a rate of return on the investment of the present and future assets of 8.0% per year compounded annually, (b) projected salary increases ranging from 6.0% to 11.0% based on years of service and anticipated inflation, (c) post-retirement benefit increases of 2.25% per year, and (d) for inflation rate, CPI increases of 4.5% per year. The actuarial value of assets is determined using fair market values with changes smoothed over a five-year period. A copy of the actuarial valuation and plan document may be obtained by written request to: MWAA, Compensation and Benefits Department, 1 Aviation Circle, Washington, DC 20001-6000. There are no separate stand alone financial reports issued.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
General Employees Retirement Plan						
12/31/95	\$ 13,386,718	\$ 12,646,979	\$ (739,739)	105.8%	\$ 21,926,921	-3.4%
12/31/96	17,377,817	15,513,409	(1,864,408)	112.0%	23,321,302	-8.0%
12/31/97	22,109,331	18,865,108	(3,244,223)	117.2%	25,132,839	-12.9%
12/31/98	27,535,024	20,885,225	(6,649,799)	131.8%	29,430,827	-22.6%
12/31/99	33,600,084	24,021,525	(9,578,559)	139.9%	31,323,944	-30.6%
Police Officers and Firefighters Retirement Plan						
12/31/95	\$ 5,627,894	\$ 5,894,289	\$ 266,395	95.5%	\$ 5,871,841	4.5%
12/31/96	7,331,737	7,300,180	(31,557)	100.4%	6,365,478	-0.5%
12/31/97	9,393,194	8,734,631	(658,563)	107.5%	6,937,007	-9.5%
12/31/98	11,810,855	9,657,763	(2,153,092)	122.3%	7,170,305	-30.0%
12/31/99	14,570,878	11,597,769	(2,973,109)	125.6%	7,908,710	-37.6%

Schedule of Employer Contributions

Calendar Year	General Employees Retirement Plan			Police Officers and Firefighters Retirement Plan		
	Annual Required Contribution	Actual Contribution	Percentage Contribution	Annual Required Contribution	Actual Contribution	Percentage Contribution
1995	\$ 2,123,779	\$ 2,102,751	99.0%	\$ 821,489	\$ 810,158	98.6%
1996	2,260,525	2,307,134	102.1%	905,657	899,496	99.3%
1997	2,314,913	2,339,281	101.1%	938,119	944,589	100.7%
1998	2,082,768	2,504,594	120.3%	1,090,458	1,154,134	105.8%
1999	2,139,142	2,312,586	108.1%	1,059,660	1,169,865	110.4%

G. POSTEMPLOYMENT BENEFITS & DEFERRED COMPENSATION PLAN

In addition to pension benefits, the Airports Authority provides postemployment benefits of health and life insurance. The Airports Authority's Board of Directors initially provided the benefits package to meet requirements of the federal enabling legislation. Through the budget approval process, the Airports Authority has continued to provide these benefits of insurance to retired employees under the Airports Authority's group plans for health insurance and life insurance. As of December 31, 2000, 158 retired employees were receiving life insurance benefits and 121 retired employees were receiving health insurance benefits under these Airports Authority programs. Both programs are funded on a "pay-as-you-go" basis through payment of monthly premiums to the insurance carriers.

The Airports Authority pays 80 percent of the total health insurance premium costs with the remainder paid by the retired employee. For the years ended December 31, 2000 and 1999, the Airports Authority health insurance costs for retired employees totaled \$707,735 and \$607,442, respectively.

The Airports Authority pays the full cost of the retired employee's reduced basic and supplemental life insurance. Basic life insurance coverage is reduced

to 25 percent of the employee's life insurance in force at the time of retirement. Supplemental life insurance is a multiple of the basic life insurance (1 to 5 times) that the employee had selected prior to retirement. The supplemental life insurance is reduced at a rate of 2.0% each month so that at the end of 50 months, no supplemental life insurance coverage is in force. Of the 158 retired employees, 18 had supplemental insurance coverage as of December 31, 2000. For the year ended December 31, 2000, the life insurance costs for retired employees totaled \$93,648. Of the 148 retired employees, 38 had supplemental insurance coverage as of December 31, 1999. For the year ended December 31, 1999, the life insurance costs for retired employees totaled \$85,061.

Deferred Compensation Plan

Effective July 2, 1989, the Airports Authority offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is available to employees at termination, retirement, death, or an unforeseeable emergency.

G. POSTEMPLOYMENT BENEFITS & DEFERRED COMPENSATION PLAN (continued)

Effective January 1, 1997, the Board of Directors voted to enter into a trust agreement with Allfirst Trust for the assets of the Deferred Compensation Plan. All assets were transferred to Allfirst Trust during 1997 and accordingly, are not included in the Airports Authority's assets and liabilities.

Investments are managed by the Plan's trustee under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participant.

H. CAPITAL DEBT

Bond Anticipation Commercial Paper Notes

The Authority issued Bond Anticipation Commercial Paper Notes pursuant to Resolution No. 00-1 adopted by the Board of Directors of the Authority on April 5, 2000, with a principal amount not to exceed \$250,000,000 outstanding at any time. On April 26, 2000, the Authority sold the first tranche of Series A commercial paper for \$20,000,000. The Notes are issued to provide interim financing for authorized projects at Ronald Reagan Washington National Airport and Washington Dulles International Airport. On August 29, 2000, a second tranche of the Series A commercial paper for \$130,000,000 was sold. The Notes are issued to refund a portion of the Series 1990A senior bonds. The Notes are supported by a Liquidity Agreement between the Authority and Westdeutsche Landesbank Girozentrale, New York Branch (WestLB) in the amount of \$150,000,000 dated April 1, 2000, that expires on April 18, 2005.

Pursuant to Resolution No. 00-20 adopted by the Board of Directors of the Authority on October 18, 2000, the remaining \$100,000,000 of Bond Anticipation Commercial Paper Notes was approved for issuance. On October 25, 2000 the Authority sold the first tranche of Series B commercial paper, for \$40,000,000. The Notes are issued to refund a portion of the Series 1990A senior bonds. With this issuance, the balance of approved Bond Anticipation Commercial Paper Notes for future needs is \$60,000,000. The Notes are supported by a Liquidity Agreement between the Authority and Landesbank Baden Wurttemberg, New York Branch (LBBW) in the amount of \$100,000,000 dated October 25, 2000 that expires on October 18, 2003.

The Notes are issued and remarketed under a Commercial Paper Dealer Agreement between the Authority, Merrill Lynch and M.R. Beal & Company. Notes are variable rate based on the current market rate, as of December 31, 2000, the weighted average interest rate on outstanding Notes was 3.91% on Series A and 4.32% on Series B.

Both Series of Commercial Paper are rated P-1 short term by Moody's, A-1+ short term by Standard & Poor's, and F1+ short term by Fitch. The Authority expects to redeem the Series A Notes by April 2005 and the Series B Notes by October 2003.

Bonds Payable

The Airports Authority's long term bonds issued and outstanding as of December 31, 2000 and 1999 were as follows:

Airport System Senior Debt:	Issues Date	Interest Rates	Maturing on October 1	Amount	Outstanding at December 31	
					2000	1999
Series 1990A Revenue Bonds Term	02/01/90	6.000%	2019	\$ 19,795,000	\$ 19,795,000	\$ 210,225,000
Series 1992A Revenue Bonds Serial Term Term Term	03/01/92	6.100%-6.500% 6.625% 6.625% 6.250%	2001-2007 2012 2019 2021	\$ 54,700,000 56,800,000 117,330,000 44,315,000	273,145,000	279,240,000
Series 1993A Revenue & Refunding Bonds Serial Term Term	03/01/93	4.500%-5.200% 5.375% 5.250%	2001-2008 2013 2022	\$ 15,595,000 13,415,000 34,860,000	63,870,000	65,445,000
Series 1993B Revenue & Refunding Bonds Serial Term Term Term	03/01/93	6.300%-6.500% 6.900% 7.500% 7.625%	2001-2003 2008 2013 2022	\$ 2,345,000 5,060,000 7,150,000 21,720,000	36,275,000	36,965,000
Series 1994A Revenue Bonds Serial Term Term Term Term	06/15/94	5.100%-6.500% 5.875% 5.750% 5.750% 5.550%	2001-2011 2015 2020 2021 2024	\$ 140,305,000 76,525,000 123,510,000 29,125,000 97,570,000	467,035,000	476,235,000
Series 1997A Revenue Bonds Serial Term Term	05/15/97	4.500%-5.500% 5.375% 5.375%	2001-2012 2017 2023	\$ 14,710,000 9,275,000 14,865,000	38,850,000	39,735,000
Series 1997B Revenue Bonds Serial Term Term Term	05/15/97	4.700%-6.000% 5.500% 5.750% 5.500%	2001-2014 2016 2020 2023	\$ 91,725,000 19,735,000 46,590,000 42,350,000	200,400,000	204,690,000
Series 1998A Revenue Bonds Serial Term Term Term	06/15/98	4.000%-4.700% 5.000% 5.000% 5.000%	2001-2013 2018 2023 2028	\$ 6,210,000 3,560,000 4,540,000 5,795,000	20,105,000	20,365,000
Series 1998B Revenue & Refunding Bonds Serial Term Term	06/15/98	4.000%-5.500% 5.000% 5.000%	2001-2014 2018 2028	\$ 127,785,000 56,040,000 85,660,000	269,485,000	275,150,000
Series 1999A Revenue & Refunding Bonds Serial Term Term Term Serial Term	04/15/99	4.000%-4.500% 5.250% 5.250% 5.250% 5.000% 5.000%	2001-2010 2012 2014 2016 2017-2019 2027	\$ 13,705,000 3,510,000 3,885,000 4,300,000 7,320,000 66,180,000	98,900,000	100,000,000
					1,487,860,000	1,708,050,000
				Less unamortized discount/premium	47,978,049	39,496,643
					<u>\$ 1,439,881,951</u>	<u>\$ 1,668,553,357</u>

H. CAPITAL DEBT (continued)

Senior Debt

A new Master Indenture was created in 1990 for the Airports Authority. Under this Master Indenture, all bonds are collateralized by a pledge of Net Revenues of the Airports Authority which is "senior" to the "subordinated" pledge given by the Airports Authority in connection with the issuance of its bonds prior to 1990. A total of \$1,909,690,000 of senior bonds has been issued by the Airports Authority on 11 separate occasions including senior debt of: \$246,000,000 in February 1990; \$300,000,000 in March 1992; \$113,690,000 in March 1993; \$500,000,000 in June 1994; \$250,000,000 in May 1997; \$100,000,000 in October 1997; \$300,000,000 in July 1998; and \$100,000,000 in April 1999.

The proceeds of the Series 1990A, 1992A, 1993B, 1994A, 1997A, 1997C, 1998A, and 1998B Bond issues are being used to finance a portion of the costs of the Airports Authority's Capital Construction Program (CCP). Portions of both the Series 1993A and Series 1993B Bonds are being used (a) to refund the Airports Authority's Series 1988B Subordinated, variable rate bonds, and (b) to finance the costs of certain service, parking, office, and other facilities at National that will be used by rental car companies serving the Airport. Portions of the Series 1997C Bonds were used to retire the Airports Authority's Series 1989A Subordinated Bonds. Portions of the Series 1998B Bonds were used to retire the Airports Authority's Series 1988A Subordinated Bonds.

On October 2, 2000, the Authority refunded \$140,890,000 of Airport System Revenue Bonds, Series 1990A. Proceeds of \$130,000,000 from the issuance of Bond Anticipation Commercial Notes, Series 2000A together with other available funds (the Sinking Fund account and Debt Service Reserve account of the refunded bonds) were used for the refunding. An additional \$42,810,000 of Airport System Revenue Bonds, Series 1990A were refunded on November 20, 2000. Proceeds of \$40,000,000 from the issuance of Bond Anticipation Commercial Notes, Series 2000B together with other available funds (the Interest account and Debt Service Reserve account of the refunded bonds) were used for the refunding. The Authority incurred a \$3.2 million loss in connection with the refunding which is being deferred and amortized over the life of the Commercial Paper which is five years.

Since the refunding Commercial Paper notes are variable interest rate, savings could not be determined. The refunded Series 1990A Bonds were scheduled to mature on and after October 1, 2000, and which were subject to optional redemption on October 1, 2000. Serial and term bonds at a redemption price of 102 percent plus accrued interest and Capital Appreciation Bonds at a redemption price of 103 percent plus accrued interest. Airport System Revenue Bonds, Series 1990A has outstanding bonds in the amount of \$19,750,000 that the Authority plans to refund in 2001.

On April 15, 1999, the Authority issued \$100,000,000 Airport System Revenue Refunding Bonds, Series 1999A. Proceeds of \$98,239,060, of the Series 1999A, together with the remaining Construction Fund of the refunded bonds were used to refund all of the outstanding \$100,000,000 Airport Revenue and Refunding Variable Rate Bonds, Series 1997C. Since the refunded bonds were at a variable interest rate, savings could not be determined. The refunded Series 1997C Bonds consisted of \$100,000,000 which were scheduled to mature on and after October 1, 2022, and which were subject to optional redemption on any re-marketing date at par plus accrued interest. The proceeds of the Series 1999A Bonds, as well as the aforementioned funds on-hand, were deposited in a trust account and were used to redeem all of the outstanding Series 1997C Bonds on May 20, 1999.

The Airports Authority anticipates the issuance of senior bonds over the next year to refund outstanding debt if advantageous and to fund projects in the CCP. Additional bonds are likely to be issued subsequently to finance the remainder of the CCP.

All \$19,795,000 of the Series 1990A Bonds outstanding are insured by Financial Guaranty Insurance Company. All of the Series 1992A Bonds and both series of 1993 Bonds are insured by Municipal Bond Investors Assurance Corporation. All insured bonds are rated AAA by S&P and Aaa by Moody's. All but \$29,125,000 of the Series 1994A Bonds (those maturing in the year 2021) are insured by Municipal Bond Investors Assurance Corporation. The uninsured Series 1994A Bonds are rated Aa3 by Moody's, AA- by S&P, and AA- by Fitch. All but \$24,140,000 of the Series 1997A (those maturing in the years 2013 through 2023) and \$134,505,000 of the Series 1997B Bonds (those maturing in the years 2012 through 2023)

are insured by Financial Guaranty Insurance Company. The uninsured Series 1997A & B Bonds are rated Aa3 by Moody's, AA- by S&P, and AA- by Fitch. All \$20,105,000 of the Series 1998A Bonds are uninsured. \$56,620,000 of the Series 1998B Bonds (those maturing in the years 2001 through 2007) are insured by Municipal Bond Investors Assurance Corporation. The uninsured Series 1998A-B Bonds are rated Aa3 by Moody's, AA-by S&P, and AA- by Fitch. All but \$1,145,000 Series 1999A Bonds (these bonds maturing in the year 2001) are insured by Financial Guaranty Insurance Company. The uninsured Series 1999A Bonds are rated Aa3 by Moody's, AA- by S&P, and AA- by Fitch.

The following is a summary of the maturities and sinking fund requirements not including any unamortized discount or premium:

Year ending December 31	Principal	Interest	Total Debt Service
2001	\$ 31,745,000	\$ 84,031,817	\$ 115,776,817
2002	33,645,000	82,410,752	116,055,752
2003	35,410,000	80,663,198	116,073,198
2004	37,325,000	78,759,952	116,084,952
2005	39,335,000	76,737,672	116,072,672
2006 - 2010	232,935,000	347,448,107	580,383,107
2011 - 2015	308,345,000	272,057,789	580,402,789
2016 - 2020	410,065,000	170,913,920	580,978,920
2021 - 2025	304,770,000	55,202,767	359,972,767
Thereafter	54,285,000	4,985,250	59,270,250
	<u>\$ 1,487,860,000</u>	<u>\$ 1,253,211,224</u>	<u>\$ 2,741,071,224</u>

Total interest cost for the years ended December 31, 2000 and 1999 were \$95,222,717 and \$100,184,111, respectively.

Special Facility Revenue Bonds

In March 1991, the Airports Authority issued \$14,200,000 of Special Facility Revenue Bonds on behalf of Caterair International Corporation (Caterair). The bonds were issued to finance the construction of an Inflight Kitchen Facility at National.

The Special Facility Revenue Bonds and related costs are payable only with funds from Caterair. Since these bonds do not represent a claim on the Airports Authority's assets, nor do they require the Airports Authority to incur future obligations, they have not been recorded in the Airports Authority's financial statements.

I. AIRPORT USE AGREEMENT AND PREMISES LEASE

In February 1990, the Airports Authority entered into a long-term agreement with the major airlines serving the Airports. The Airport Use Agreement and Premises Lease (the Agreement) is for a term of 25 years, subject to cancellation rights by the Airports Authority after 15 years, and annually thereafter, at the option of the Airports Authority. The Agreement provides for the calculation of annual rates and charges, with rate adjustments at mid-year, or any time revenue falls 5% or more below projections. The Agreement also provides for an annual "settlement" whereby the rates and charges are recalculated using audited financial data to determine any airline over/underpayment. For the year ended December 31, 2000, the settlement resulted in a charge to the Airlines of \$8,993,407 which is reflected in accounts receivable. For the year ended December 31, 1999, the settlement resulted in a charge to the Airlines of \$466,234 which is reflected in accounts receivable.

I. AIRPORT USE AGREEMENT AND PREMISES LEASE (continued)

Rates and charges are established to provide net revenues of at least 125 percent of debt service. Net remaining revenue (NRR) is defined as revenues less all operating and maintenance expenses, debt service, specified reserves, and other requirements. Subsequent to the final determination, NRR is allocated between the Airports Authority and the Airlines in accordance with the Agreement which shares NRR approximately 50/50 between the Airports Authority and the Airlines. The Airports Authority's share of NRR is reflected in the Airports Authority Capital Fund as a reservation of retained earnings in the subsequent year, and is available for repair and rehabilitation projects or any other lawful purpose. The Airlines' share of NRR is recorded prospectively and reduces the subsequent year's rates and charges.

In addition, the Agreement establishes an index amount at each Airport. When the transfer amount to the airlines reaches this level, the amount over the plateau is allocated 75 percent to the airlines and 25 percent to the Airports Authority. For the years ended December 31, 2000 and 1999, at Dulles, the transfer amount exceeded the plateau amount by \$17,152,420 and \$13,125,188, respectively. This amount was allocated accordingly and is included in the airline and Airports Authority share (See Note J). For the years ended December 31, 2000 and 1999, at National, the transfer amount exceeded the plateau amount by \$5,091,341 and \$1,327,153, respectively. For the years ended December 31, 2000 and 1999, the Airlines' portion of NRR was \$47,991,491 and \$39,662,899, respectively, and the Airports Authority's share was \$34,384,038 and \$31,902,224, respectively.

J. EQUITY

Changes in enterprise equity for the years ended December 31, 2000 and 1999, were as follows:

	Contributed Capital					Total Equity
	At Transfer	Property Acq Thru Leases	In Aid of Const Federal & State	Total	Retained Earnings	
Balances as of						
December 31, 1998	\$ 29,070,515	\$ 5,546,867	\$ 183,849,887	\$ 218,467,269	\$ 297,929,815	\$ 516,397,084
Contributions	-	-	13,520,418	13,520,418	-	13,520,418
Net Income	-	-	-	-	15,838,981	15,838,981
Balances as of						
December 31, 1999	29,070,515	5,546,867	197,370,305	231,987,687	313,768,796	545,756,483
Contributions	-	-	15,351,455	15,351,455	-	15,351,455
Net Income	-	-	-	-	36,014,075	36,014,075
Balances as of						
December 31, 2000	\$ 29,070,515	\$ 5,546,867	\$ 212,721,760	\$ 247,339,142	\$ 349,782,871	\$ 597,122,013

Retained earnings reserved in accordance with the bond covenants and the Agreement represent that portion of equity legally segregated for a specific use.

	December 31,	
	2000	1999
Reserved Retained Earnings		
Authority Capital Fund	\$ 47,988,226	\$ 37,298,838
Operation & Maintenance	30,050,301	28,183,369
Repair & Rehabilitation	5,118,751	4,838,848
Self-Insurance	500,000	500,000
	83,657,278	70,821,055
Unreserved Retained Earnings	266,125,593	242,947,741
Total Retained Earnings	\$ 349,782,871	\$ 313,768,796

K. LEASE COMMITMENTS*Property Held for Lease*

The Airports Authority has entered into various operating leases with tenants for the use of space at Authority facilities including buildings, terminals, and customer service areas. The lease terms include a minimum fixed fee as well as contingent fees based on the tenants' volume of business. All the leases provide for a periodic review and redetermination of the rental amounts.

Minimum future rentals scheduled to be received on operating leases that have initial or remaining noncancelable terms in excess of one year are:

Year ending December 31,

2001	\$ 216,003,633
2002	227,846,547
2003	232,647,143
2004	253,156,397
2005	321,203,629
	<u>\$ 1,250,857,349</u>

The above amounts do not include contingent rentals and fees in excess of minimums, which amount to \$30,419,450 for the year ended December 31, 2000. The portion of property associated with minimum rentals derived from operating leases was capitalized prior to June 7, 1987, and ownership was retained by the U.S. Government. Use of this property is provided to the Airports Authority under its operating lease with the U.S. Government. Accordingly, the cost of this property is not reflected in the financial statements of the Airports Authority.

Property Leased from Others

On June 7, 1987, the U.S. Government transferred the Dulles and National real properties to the Airports Authority under a 50-year lease, with extensions negotiable. Upon expiration of the lease, the Airports and facilities, including improvements, will be returned to the U.S. Government. The lease requires annual rental payments of \$3,000,000, with subsequent annual rental payments adjusted for inflation. The 2000 rental payment was \$4,136,916. The Airports Authority invests monthly lease payments in Repurchase Agreements or Certificates of Deposit and makes semi-annual payments, including interest, to the U.S. Government.

In 1989, the Airports Authority entered into a lease for its corporate offices. The lease expired October 31, 1999 and the Airports Authority moved its offices back to National Airport. Rent expense for the years ended December 31, 2000 and 1999 was \$0 and \$1,126,251, respectively, and is included in the materials, equipment, and supplies expense line item.

Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 2000 as calculated in 2000 dollars are:

Year ending December 31,

2001	\$ 4,085,250
2002	4,085,250
2003	4,085,250
2004	4,085,250
2005	4,085,250
2006 and thereafter	<u>135,943,642</u>
Total minimum future rentals	<u>\$ 156,369,892</u>

Rental expense for the years ended December 31, 2000 and 1999 were \$4,136,915 and \$5,204,543 respectively.

L. OTHER COMMITMENTS AND CONTINGENCIES*Line of Credit*

The Airports Authority issued Flexible Term PFC Revenue Notes of \$255,000,000 to finance PFC approved projects. The bank participation notes have various maturity dates and interest rates that vary from 4.4% to 4.5%. The bank participant notes require the Airports Authority to maintain a reserve account. The reserve account at December 31, 2000 and 1999 was \$1,387,248 and \$1,325,302, respectively, and is included in Investments – Restricted on the balance sheet. The bank participation notes are backed by a Bank of America, N.A. Letter of Credit. Bank participation notes outstanding at December 31, 2000 and 1999 were \$170,200,000 and \$162,600,000, respectively. Total interest cost for the years ended December 31, 2000 and 1999 were \$7,933,004 and \$6,800,065, respectively.

Construction Commitments

At December 31, 2000, the Airports Authority had outstanding commitments for capital expenditures in connection with its CCP in the amount of \$295,202,628. In connection with the Capital Construction and Capital Maintenance and Investment Programs (CMIP), and normal operations of National and Dulles, the Airports Authority recognizes the need to address environmental concerns and currently oversees a number of ongoing environmental projects. Management has estimated that the cost to continuously monitor and inspect these environmental concerns ranges between \$20 million and \$25 million, of which a portion is expected to be funded by the FAA. The Airports Authority has budgeted and expects to fund any remaining costs principally through the CCP. Accordingly, no liability has been recorded in the financial statements.

M. GOVERNMENT GRANTS IN AID OF CONSTRUCTION

The Airports Authority receives, on a reimbursement basis, grants from the Commonwealth of Virginia and the U.S. Government for certain capital construction projects through the AIP. As a recipient of state and federal financial assistance, the Airports Authority is responsible for maintaining an internal control structure that ensures compliance with all laws and regulations related to this program. Total federal and state grant work performed for years ended December 31, 2000 and 1999 were \$15,351,455 and \$13,520,418, respectively. All grants are subject to financial and compliance audits by the grantors. However, the Airports Authority estimates that no material disallowances will result from such audits.

N. LITIGATION

Legal counsel has advised that, while a number of claims in the normal course of business are outstanding, there were no matters outstanding which could have a material adverse effect on the financial statements of the Airports Authority.

O. PASSENGER FACILITY CHARGES

As described in Note A, Passenger Facility Charges are collected in accordance with the FAA regulations allowing airports to impose a \$3 PFC. For the years ended December 31, 2000 and 1999, the Airports Authority earned PFCs of \$21,801,675 and \$18,657,894 for National, respectively, and \$26,565,446 and \$23,951,865 for Dulles, respectively. In accordance with the regulations, based on the approval date from FAA and continuing through the PFC collection period, the Airports Authority's share of entitlement grants will be reduced 50 percent.

P. RISK MANAGEMENT

The Airports Authority can be exposed to a variety of risks or losses related to torts (i.e., injuries to employees, damage to property, destruction or theft of assets, natural disasters). During fiscal years 2000 and 1999, the Airports Authority maintained accruals in seven different accounts and funds to finance its uninsured risk of loss. Within these accounts and funds, the accruals provide coverage for up to a maximum of \$350,000 for each worker's compensation claim, \$50,000 for each property loss, \$1,000,000 for each public official claim, \$25,000 for each general liability claim, the normal replacement value for all owned or leased vehicles, and \$500,000 in a self-insurance fund for catastrophic loss. The Airports Authority purchases commercial insurance for claims in excess of coverage provided by these accounts and for all other exposures to loss. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

All offices within the Airports Authority are covered under these accounts. The accruals are determined by the Risk Management Department based on insurance claim practices and actuarial estimates needed to pay prior and current-year claims and to establish an accrual for catastrophic losses. The overall accrual was \$1,357,528 as of December 31, 2000, and is included in the accounts payable and accrued expenses line item. The maximum liability for property and casualty claims reported by the Risk Management Department as of December 31, 2000, was approximately \$1,117,000. This is based on the requirements of Governmental

Accounting Standards Board Statement No. 20, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claim liability accounts amount in fiscal year 2000 and 1999 were:

Fiscal Year	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
2000	\$ 1,198,308	\$ 1,065,527	\$ 906,307	\$ 1,357,528
1999	\$ 1,082,564	\$ 2,123,054	\$ 2,007,310	\$ 1,198,308

Q. GASB DISCLOSURES

During 1998, the Government Accounting Standards Board (GASB) issued a statement titled "Accounting and Financial Reporting for Non-Exchange Transactions" (GASB 33) and is effective beginning with the year ended June 15, 2001. This Statement establishes accounting and financial reporting standards to guide decisions about when to report the results of non-exchange transactions involving cash and other financial and capital resources. Management is currently assessing the impact that this Statement will have on the financial accounting and reporting.

During 1999, the GASB issued a statement titled "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (GASB 34), which will change the accounting and financial reporting requirements of the Airports Authority for fiscal years beginning after June 15, 2002. The new reporting will require the Airports Authority to include a disclosure entitled "Management's Discussion and Analysis (MD&A)." The MD&A will contain certain information typically presented by the Airports Authority in the transmittal letter as well as some additional information. The new statement will also require that the net assets of the Airports Authority, currently reported as retained earnings, be reported in three categories: 1) invested in capital assets net of related debt, 2) restricted, and 3) unrestricted. The statement provides the definition of the term restricted. In addition, revenues from capital contributions including grants are reported separately, after non-operating revenues and expenses. Management is currently assessing the impact that this statement will have on its external financial reporting presentation. Management has determined that it will implement GASB 33 and GASB 34 concurrently for fiscal year 2001.

R. SUBSEQUENT EVENTS

New Capital Debt

During 2000, the Airports Authority received approval from its Board of Directors for a new capital program at Dulles. The Airports Authority also has received approval from all airlines serving Dulles Airport for the new program and its related financing plan. The program will require \$3 billion in revenue bonds expected to be issued over the next five years. The first of the issues, of up to \$300 million will be issued in March 2001. Additionally, the Authority expects approval of \$326 million in federal grants and \$829 million in PFC revenues to complete the 2001-2006 financing plan of over \$4 billion.

MANAGEMENT

James A. Wilding
President and Chief Executive Officer

James E. Bennett
*Executive Vice President and
Chief Operating Officer*

Christopher U. Browne
*Vice President and Airport Manager
Ronald Reagan Washington National Airport*

George R. Ellis
*Vice President for Information
Systems and Telecommunications*

Edward S. Faggen
Vice President and General Counsel

Jonathan Gaffney
Vice President for Communications

Lynn Hampton
*Vice President for Finance
and Chief Financial Officer*

Henry Heishman
Acting Vice President for Audit

Frank Holly
Vice President for Engineering

Margaret McKeough
Vice President for Business Administration

Keith W. Meurlin
*Vice President and Airport Manager
Washington Dulles International Airport*

Elmer H. Tippet, Jr.
Vice President for Public Safety

Mark Treadaway
*Vice President
Air Service Planning and Development*

Arl B. Williams
Vice President for Human Resources

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to the Board of Directors*

¹ Elected September 2000

² Appointed U.S. Secretary of Commerce, July 2000.
Now serves as U.S. Secretary of Transportation.





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