REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of the Metropolitan Washington Airports Authority

In our opinion, the accompanying Statements of Net Assets and the related statements of revenues, expenses and changes in net assets, and cash flows, after the restatement described in Note S, present fairly, in all material respects, the financial position of the Metropolitan Washington Airports Authority (the Airports Authority) as of December 31, 2001 and 2000, 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 our opinion.

As described in Note A, the Airports Authority adopted the provisions for the Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, as amended by GASB Statement No. 36, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 38, *Certain Financial Statements Note Disclosures*, as of January 1, 2000.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2002 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.

The Management's Discussion and Analysis (MD&A) on pages 30 to 38 is presented for the purpose of additional analysis and are not required as part of the financial statements of the Airports Authority, but the MD&A is supplemental information required by the GASB. The information in the MD&A has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on the information.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Washington, D.C.

February 28, 2002, except for Note S, as to which date is April 29, 2002

INTRODUCTION

The following discussion and analysis of the financial performance and activity of the Metropolitan Washington Airports Authority (the Airports Authority) is to provide an introduction and understanding of the basic financial statements of the Airports Authority for the year ended December 31, 2001 with selected comparative information for the year ended December 31, 2000. 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.

The Airports Authority is an independent interstate agency responsible for the operation of two airports, Ronald Reagan Washington National Airport (National) and Washington Dulles International Airport (Dulles). The Airports Authority is governed by a 13-member Board of Directors with five members appointed by the Governor of Virginia, three by the Mayor of the District of Columbia, two by the Governor of Maryland and three by the President of the United States.

On June 7, 1987, Dulles and National were transferred to the Airports Authority under a 50-year lease authorized by the Metropolitan Washington Airports Act of 1986, Title VI of Public Law 99-500. All property was transferred to the Airports Authority. Prior to the transfer, the Airports were owned and operated by the Federal Aviation Administration (FAA) in the U.S. Department of Transportation.

The Airports Authority operates a two-airport system that provides domestic and international air service for the mid-Atlantic region. The organization consists of more than 1,100 employees in a structure that includes central administration, airports management and operations, and police and fire departments.

In addition to operating National and Dulles, the Airports Authority is responsible for capital improvements at both Airports. National has undergone major renovations including the opening in July, 1997, of a new terminal, providing more comfortable and efficient passenger facilities that are convenient to the Metrorail station. The Dulles terminal has been expanded to double its former size, and the expansion of the midfield terminal is underway. Furthermore, at Dulles, land has been acquired for the construction of a new runway to meet the need for increased capacity.

The Airports Authority is self-supporting, using aircraft landing fees, fees from terminal and other rentals, and revenues from concessions to fund operating expenses. The Airports Authority is not taxpayer-funded. The Capital Construction Program (CCP) is funded by bonds issued by the Airports Authority, federal and state grants, Passenger Facility Charges (PFCs), and the Airports Authority revenues.

In April 2002, Authority management determined that $3,778,944 of concession revenue related to the decreased rental car activity after the events of September 11 had inadvertently been recorded in the 2001 annual financial statements released on February 28, 2002. Restated financial statements were released on April 29, 2002 reflecting the restatement. Note S further explains the restatement.

Using the Financial Statements

The Airports Authority financial report includes three financial statements: the Statements of Net Assets, the Statements of Revenues, 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 *Government Accounting Standards Board* (GASB) principles. For the fiscal year ended December 31, 2001, the Airports Authority adopted GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* (GASB 33) as amended by GASB Statement No. 36, and elected to early adopt 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* and has applied those statements on a retroactive basis. The objective of the GASB in developing the new reporting standards is "to enhance the understandability and usefulness of the general purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies and investors and creditors." [1]

Significant changes to the financial statements are as follows:

- With the implementation of GASB 34, a Statements of Net Assets replaces the Balance Sheet in financial reporting. The Statements of Net Assets reports assets, liabilities and the difference between them. The entire equity section is combined to report total net assets and displayed in three broad components – invested in capital assets, net of related debt; restricted assets

[1] Governmental Accounting Standards Board, *Guide to Implementation of GASB 34 on Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments-Questions and Answers* ("Implementation Guide").

and unrestricted assets. The net asset component – invested in capital assets, net of related debt, consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any outstanding debt that is attributable to the acquisition, construction or improvements of those assets. The Airports Authority's net capital assets of $2.5 billion are reduced by related debt of $2.1 billion for an investment in capital assets of $418.4 million (See Note K).

- GASB 33 requires that non-exchange transactions (such as federal grants) and exchange-like transactions (such as PFCs) be recognized as non-operating revenue. This eliminated the direct reporting of grants to the Statements of Net Assets. GASB 34 eliminated the net reporting of contributed capital as a separate category in the fund equity section of the Balance Sheet.
- The Statements of Revenues, Expenses and Changes in Net Assets replace the Comparative Statements of Revenues, Expenses and Changes in Retained Earnings. Revenues and expenses are now categorized as either operating or non-operating based upon definitions provided by GASB's 33 and 34. Significant recurring sources of the Airports Authority's revenues, including PFCs, federal and state grants, are reported as non-operating revenues. Operating revenue for the year ended December 31, 2001 and 2000 totaled $314.6 million and $340.9 million, respectively. Operating expense for the years ended December 31, 2001 and 2000 totaled $287.2 million and $275.1 million, respectively. Non-operating revenue for 2001 totaling $57.5 million includes $40 million in federal compensation described below. Non-operating revenue for 2000 was $25.5 million. Non-operating expense, primarily interest expense, totaled $100.8 million and $103.6 million for the years ended December 31, 2001 and 2000, respectively.

Airports Authority's Activity Highlights

As a result of the terrorist attacks that occurred on September 11, 2001, there was a temporary suspension of commercial and general aviation air travel in the United States that adversely affected the air transportation system. The Airports Authority has activity-based revenues which in part include parking, rental car, landing fees, international arrival fees and passenger conveyance fees. The events of September 11 reduced activity and consequently had a significant affect on the financial performance of the Airports Authority. This section includes a discussion of the activity since September 11 in order to better understand its effect on the financial performance of the Airports Authority in 2001.

Following September 11, the FAA instituted numerous security measures for all U.S. airports including National and Dulles. The measures include, but are not limited to, prohibiting unticketed persons beyond security checkpoints, enhancing the search and security screening of all passengers and baggage, and, in some cases, restricting the parking of vehicles near terminals. Congress also enacted legislation to address the financial impact of these attacks on the airline industry and to strengthen aviation security.

Due to National's proximity to federal government buildings, including the Pentagon, which was attacked on September 11, the FAA prohibited all commercial and general aviation aircraft activity from the date of the attack until October 4, 2001, when the government allowed limited commercial air carrier activity to resume. As a result of the attacks, aircraft and passenger activity has declined at National. For the first eight months of 2001, enplanements at National were on a record pace at 5,550,315 compared to 5,145,869 for the same period in 2000. Enplanements for the period of September through December 2001, however, were 62.6% lower than in the same four-month period the previous year. Enplanements for the calendar year 2001 were 6,563,151 as compared to 7,855,373 in 2000, a 16.5% decline.

As of February 5, 2002, National was authorized by the U.S. Department of Transportation to be served by approximately 63 percent of the 774 daily domestic flights and only 8 percent of the 132 weekly trans-border flights which were scheduled prior to September 11, 2001. The Airlines operated 93 percent of the flights authorized under these restrictions. On April 27, 2002, 100 percent of the pre-September 11 flight activity was authorized. At this time general aviation aircraft activity is not authorized at National and it is uncertain whether such activity will be authorized in the future. Although general aviation is an important service to the users of National, revenue from general aviation activity at National is not a material source for the Airports Authority.

Dulles, like most airports, was closed from September 11-13 and re-opened on September 14, 2001. Since the events

of September 11, some flights that previously originated from National were shifted to Dulles. For the first eight months of 2001, Dulles enplanements were 6,330,135 or 92.3% of the same period in 2000. Total enplanements for the months of September through December were 16.9% lower than in the same four-month period in 2000, and enplanements for the 12 months of 2001 were 8,920,092 compared to 9,971,632 in 2000, a decline of 10.5%. For the 12-month period ended December 31, 2001, domestic enplanements declined 11.8% and international enplanements declined 5.8%.

Enplanements and Operations Activity for 1999 to 2001

	2001	2000	1999
Enplanements			
Dulles Domestic	6,958,698	7,888,431	7,967,389
Dulles International	1,961,394	2,083,201	1,841,705
National	6,563,151	7,855,373	7,500,866
Operations			
Dulles	396,876	456,436	469,086
National	244,008	297,879	291,765

In December 2001 the Airports Authority received a $40 million payment (federal compensation) from the federal government for compensation for the closure and subsequent reduced flight activity at National. The federal compensation was used by the Airports Authority to replace lost revenues, replenish unencumbered reserves that were expended, compensate concessionaires for losses and supplement landing fees from the Airlines operating at National in 2001. A memo of understanding signed by both the Airports Authority and the U.S. Department of Transportation required that a minimum of $8.1 million (the Authority allocated $9.9 million) of the federal compensation to concessionaire relief. The $40 million federal compensation is shown as non-operating revenues in the Statements of Revenues, Expenses and Changes in Net Assets. The application to replace revenues for purposes of the Airports Use and Lease Agreement is through the annual airline settlement process discussed in Note J.

Financial Highlights

The financial results of 2001 were shaped largely by the events of September 11 described above. The majority of the operating revenues at the Airports are directly related to the number of passenger and aircraft operations. After the events of September 11, there was a significant decrease in aviation activity and a resulting decrease in operating revenues at the Airports Authority.

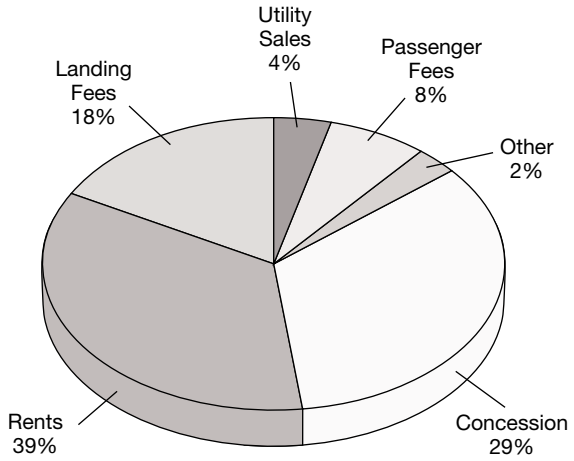
Operating revenues of $314.6 million do not include the $40 million federal compensation received by the Airports Authority in December 2001. The Airports Authority's Board of Directors adopted a resolution in December allocating the federal compensation to replace certain activity-based revenues at National. The Airports Authority has contractual agreements requiring the Airlines to pay actual cost and with a majority of concessionaires to make a minimum guarantee payment. At National, concession minimum guarantees of $9.7 million, landing fee revenues of $3.8 million, and rental car customer contract fees of $683,317 which are normally collectable, are excluded from operating revenues and included as non-operating revenues because they were funded by the federal compensation. The loss of estimated car parking revenue during the

period from September 11 to December 31, 2001 was $6.7 million and is also included in the federal compensation. A total of $17.1 million in federal compensation was allocated to supplement 2001 revenues, $4.9 million was allocated to supplement 2002 revenues, $1.6 million was allocated for direct payment to concessionaires and $16.4 million was allocated to replenish unencumbered reserves.

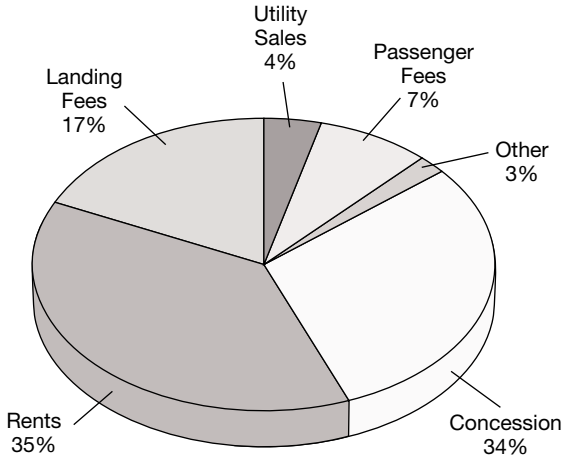
Classifications	2001 Revenue Amount	2000 Revenue Amount	Increase (Decrease) from 2000	Percent of Increase (Decrease) from 2000
Concessions	$ 92,378,269	$ 114,466,859	$ (22,088,590)	(19.3) %
Rents	122,382,146	119,658,542	2,723,604	2.3 %
Landing fees	55,780,359	58,757,490	(2,977,131)	(5.1) %
Utility sales	12,322,825	13,113,004	(790,179)	(6.0) %
Passenger fees	24,445,948	24,898,129	(452,181)	(1.9) %
Other	7,242,324	10,000,628	(2,758,304)	(27.6) %
Total	$ 314,551,871	$ 340,894,652	$ (26,342,781)	(7.7) %

The following is a graphic illustration of operating revenues by source for the years ended December 31, 2001 and 2000:

Revenue 2001



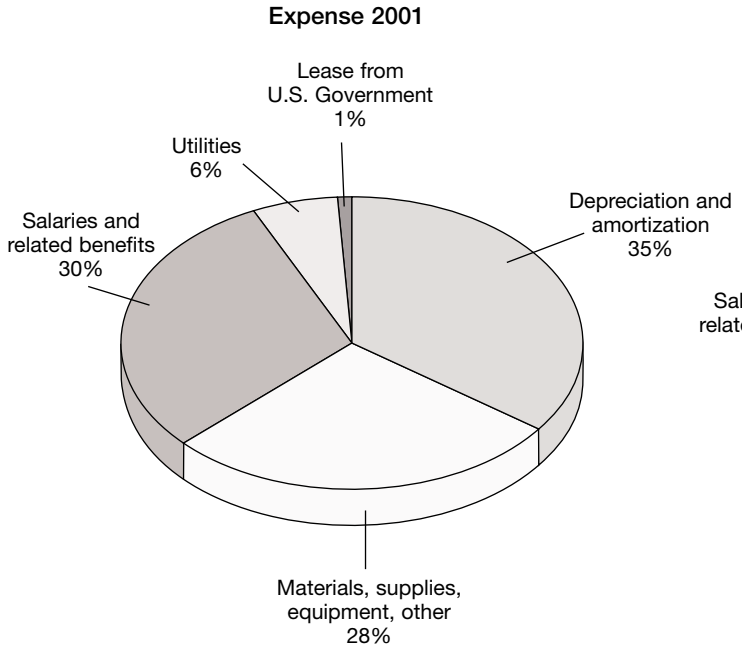
Revenue 2000

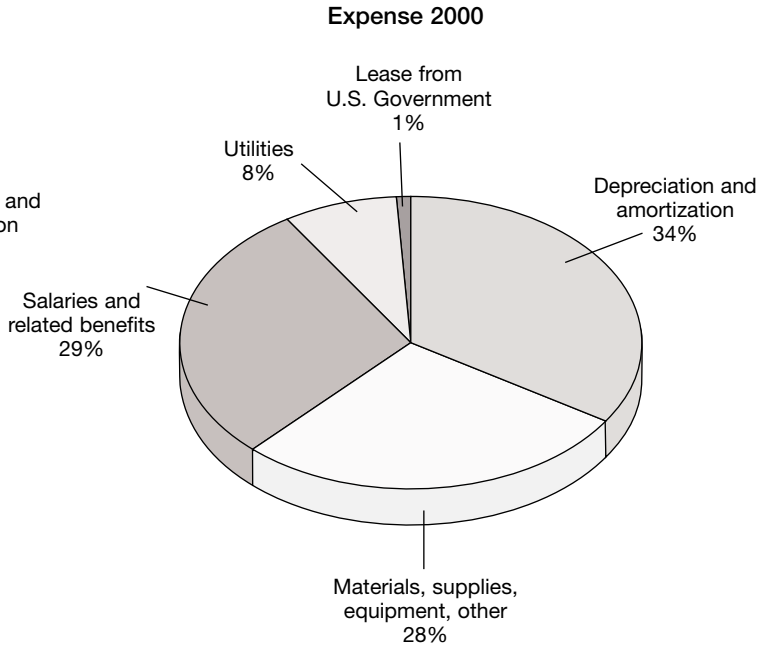


Operating expenses at both Airports, other than security related expenditures, were curtailed immediately following September 11. A hiring freeze was immediately implemented, all non-essential procurements were delayed and travel was restricted. The increase in materials, supplies, equipment, contract services and other of $4.9 million is primarily related to the need to contract with the Virginia State Police to provide support for security. The $5.5 million increase in salaries and related benefits is principally related to the need for additional public safety personnel and related overtime since September 11. Depreciation and amortization expense increased by $5.6 million resulting from continued capital construction activity.

Expense Classification	2001	2000	Increase (Decrease) from 2000	Percent of Increase (Decrease) from 2000
Materials, supplies, equipment, contract services and other	$ 81,659,446	$ 76,795,781	$ 4,863,665	6.3 %
Salaries and related benefits	84,481,594	78,970,537	5,511,057	6.9 %
Utilities	17,568,654	21,592,399	(4,023,745)	(18.6) %
Lease from U.S. Government	4,169,260	4,058,360	110,900	2.7 %
Depreciation and amortization	99,325,739	93,726,636	5,599,103	6.0 %
Total	$287,204,693	$275,143,713	$12,060,980	4.2 %

The following is a graphic illustration of the total operating expenses by source for the year ended December 31, 2001:





Changes in Net Assets

The Airports Authority's decision to waive certain concession rents and landing fees because of the closure of National and to supplement that loss of revenues with the $40 million federal compensation resulted in a decrease in operating income and an increase in non-operating income. The resulting fiscal year 2001 operating income for the Airports Authority, not including the federal compensation received for the closing and phased opening of National was $27.3 million, a decrease of $38.4 million when compared to the prior fiscal year. Non-operating revenues of $57.5 million increased by $32 million from 2000, with a decrease in investment income offsetting the receipt of the $40 million federal compensation. Non-operating expenses of $100.8 million decreased by $2.8 million principally from lower interest rates on variable rate debt.

Capital contributions include PFCs and federal and state grants. Since September 11, the collection of PFCs was adversely affected by lower enplanement activity. PFC collection authorization was increased from $3.00 to $4.50 effective May 2001, partially mitigating the negative effect on PFC revenue from lower enplanements. PFC collection in 2001 of $47.2 million was only 2.3% lower than 2000 revenues of $48.4 million.

The change in net assets is an indicator of whether the overall fiscal condition of the Airports Authority has improved or worsened during the year. The change in net assets for the year ended December 31, 2001 and 2000 was an increase of $48.3 million and $51.4 million, respectively.

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

	2001	2000
Operating Revenue	$ 314,551,871	$ 340,894,652
Operating Expense	(287,204,693)	(275,143,713)
Operating Income	27,347,178	65,750,939
Non-Operating Revenue	57,536,753	25,551,888
Non-Operating Expense	(100,888,816)	(103,655,873)
Capital Contributions	64,290,210	63,718,576
Increase in Net Assets	$ 48,285,325	$ 51,365,530

Statements of Net Assets

The Statements of Net Assets presents the financial position of the Airports Authority at the end of the fiscal year. The Statements include all assets and liabilities of the Airports Authority. Net assets is the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Airports Authority. A summarized comparison of the Airports Authority's assets, liabilities and net assets at December 31, 2001 and 2000 is as follows:

	2001	2000
Assets		
Current assets	$ 304,895,604	$ 175,304,769
Non-current assets		
Capital assets, net	2,350,172,546	2,064,458,123
Other non-current assets	182,669,302	245,002,452
Total Assets	2,837,737,452	2,484,765,344

	2001	2000
Liabilities		
Current liabilities	153,306,969	113,975,944
Non-current liabilities		
Long-term debt outstanding and other restricted	2,034,987,613	1,769,993,711
Other non-current liabilities, unrestricted	4,035,532	3,673,676
Total Liabilities	2,192,330,114	1,887,643,331
Net Assets		
Invested in capital assets, net of debt	418,474,478	388,552,054
Restricted	44,033,502	53,927,290
Unrestricted	182,899,358	154,642,669
Total Net Assets	$ 645,407,338	$ 597,122,013

In its fourteenth full year of operations, the Airports Authority's financial position remained strong at December 31, 2001, with assets of $2.8 billion and liabilities of $2.2 billion. Current assets increased by $129.6 million as a result of a management decision to shorten the duration of its operating cash portfolio to provide liquidity, if needed, after the events of September 11. The Airports Authority has in its CCP over $2.35 billion in capital assets, an increase of $285.7 million from 2000. The Airports Authority's capital assets are principally built from the proceeds of revenue bonds but also include property acquired through leases, Airports Authority revenues, capital contributions from federal and state grants, PFCs, and an initial contribution valued at $29 million on the date of transfer from the federal government. Assets, other than capital assets which are stated at historical cost less an allowance for depreciation, and liabilities are measured using current values.

In April 2001, the Airports Authority issued $300 million in general airport revenue bonds. Long-term debt outstanding increased by $264.8 million as a result of the new debt and reduced principal repayment. Current liabilities increased by $39.4 million, principally related to the prepayment of rent by tenants at National and construction related accounts payables.

Net assets, which represent the residual interest in the Airports Authority's assets after liabilities are deducted, are $645.4 million at December 31, 2001, an increase of $48.3 million from 2000. Invested in capital assets, net of debt increased by $29.9 million to $418.4 million. Debt service reserve of $120.8 million is maintained in accounts held by the Airports Authority's trustee and netted against debt in deriving the value of invested in capital assets. The restricted and unrestricted remaining net assets are derived from Airports Authority operations since the Airports Authority's inception in 1987 and grant and PFC collection. The 2001 restricted assets of $44.0 million are subject to external restrictions on how they may be used under the Master Indenture of Trust (Master Indenture) and federal regulations. The remaining unrestricted assets of $182.9 million may be used to meet any of the Airports Authority's ongoing operations, subject to approval of the Airports Authority's Board of Directors.

Highlights of the 2001 Budget

The Budget is not prepared according to *Generally Accepted Accounting Principles*, (GAAP), but according to provisions in the Airports Authority's Airport Use Agreement and Premises Lease.

Operating revenues, plus the allocated federal compensation, reached 94.6% of budget expectations in 2001, while in 2000, operating revenues reached 102 percent of budget expectations. In addition, since the events of September 11, 2001, the Airports Authority has experienced increased operating costs in order to comply with federally mandated and other security and operating requirements. The Airlines and the federal government are primarily responsible for, and bear most of the cost associated with, implementing federally mandated new security measures.

As a result of the events of September 11, 2001, the Airports Authority reduced expenses in 2001. Expenses reached 91.5% of budgeted authorization in 2001 while in 2000 expenditures reached 98.4% of budget authorization.

	Budget	Actual[1]	As a Percentage of Budget
2001 Revenues	$350,477,000	$331,654,078	94.6%
2001 Expenses	$198,044,900	$181,222,642	91.5%
2000 Revenues	$328,883,800	$335,323,378	102.0%
2000 Expenses	$181,488,000	$178,561,151	98.4%

[1] As defined in the Airport Use and Premises Lease Agreement.

Cash and Investment Management

The Airports Authority's cash and cash equivalents increased to $232.2 million for the year ended December 31, 2001 from $106.7 million for the year ended December 31, 2000 principally as a result of a management decision to move operating account investments to short term cash equivalents to assure liquidity after the events of September 11. Cash and cash equivalents are considered highly liquid investments with an original maturity of three months or less. The $40 million federal compensation received in December 2001, is held in cash accounts as of December 31, 2001.

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

	2001	2000
Cash received from operations	$ 336,017,189	$ 338,716,217
Cash expended from operations	(183,110,520)	(192,447,316)
Net cash provided by operations	152,906,669	146,268,901
Net cash used in capital and related financing activities	(88,295,037)	(259,570,741)
Net cash provided by investing activities	60,938,654	59,057,797
Net cash used by capital financing and investing activities	(27,356,383)	(200,512,944)
Net increase (decrease) in cash and cost equivalents	125,550,286	(54,244,043)
Cash and cash equivalents, beginning of year	106,689,932	160,933,975
Cash and cash equivalents, end of year	$ 232,240,218	$ 106,689,932

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, commercial paper, U.S. Government and agency obligations, mutual funds, repurchase agreements collateralized by U.S. Government or agency obligations, and other permitted investments as listed in the Master Indenture for the Airports Authority's outstanding bonds. During 2001, the Airports Authority's operating account average portfolio balance was $146,446,552 and the average yield on investments was 5.8%. The capital funds are held by an agent for the trustee, but managed by the Airports Authority. For 2001, the capital funds had an average portfolio balance of $268,279,800 and an average yield of 4.84%.

Certain funds that will be used for bond requirements (See Note E) and capital projects are invested in long-term instruments. An annual cash flow projection for capital projects is developed for all bond proceeds and investments are matched to maximize investment income while ensuring cash is available for capital project expenses. All investments must be made following the investment policy that was adopted by the Authority's Board of Directors. An investment committee meets quarterly to review the portfolios for compliance with the investment policy (See Note B).

Capital Construction

During 2001, the Airports Authority expended $359.8 million in its on-going CCP. Major projects completed in 2001 were the pedestrian tunnel connection to Garage A at National and the major paving work in the airfield at Dulles. Major projects that began construction in 2001 at Dulles were Taxiway F and the four-gate addition to Concourse B. Projects that began or continued construction in 2001 that are scheduled for completion in 2002 or beyond at Dulles include two structured parking garages, an air side fire and rescue station, renovation of the original main terminal and the expanded baggage basement. Average monthly capital construction spending in 2001 was approximately $30 million.

Capital Financing and Debt Management

During 2001, the Airports Authority entered into a fixed to variable interest rate swap for its Series 1992A Bonds. The Series 1992A Bonds were issued subject to the alternate minimum tax and are ineligible for an advance refunding. The interest rate swap assured the Airports Authority of locking in a low interest rate on a future refunding. On December 31, 2001, interest rates had moved lower than when the Airports Authority entered the swap transaction. To unwind the swap transaction at December 31, 2001, the Airports Authority would owe $1,566,958. The loss on the swap transaction is recognized as a non-operating expense.

The Airports Authority's long-term uninsured Bonds are rated "AA-" by Fitch, "Aa3" by Moody's, and "A+" by S&P. Following the events of September 11, Moody's placed the Airports Authority's rating on "Watch list" on September 18, 2001 and on February 15, 2002, removed the Airports Authority from "Watch list" and affirmed the Airports Authority's Aa3 rating with a negative outlook. S&P placed the Airports Authority's debt on "Credit Watch Negative" on September 20, 2001 and downgraded the Airports Authority to A+ outlook stable on February 28, 2002. Fitch placed the Airports Authority's debt on "Rating Watch Negative" on October 5, 2001 and has taken no further action. As of December 31, 2001, the Airports Authority has issued $2,209,690,000 in senior bonds of which $1,736,320,000 is outstanding (See Note I). Of the $1,736,320,000 in outstanding senior bonds $258,555,000 is uninsured. The insured debt is rated AAA.

The Airports Authority is financing its construction program through a combination of the Airports Authority revenues, entitlement, and discretionary grants received from the FAA, state grants, PFCs, and revenue bonds. Long-term debt is the principal source of funding for the CCP. The Airports Authority, through its Master Indenture, has covenanted to maintain a debt service coverage ratio of not less than 1.25. Debt service coverage is calculated based on a formula included in the Master Indenture and the Airport Use Agreement and Premises Lease with the Airlines. Historically, the Airports Authority has maintained a coverage ratio significantly higher than its requirement. During 2001 and 2000 respectively, the Airports Authority's debt service coverage was 1.67 and 1.71.

Contacting the Airports Authority's Financial Management

The financial report is designed to provide the Airports Authority's Board of Directors, management, investors, creditors, and customers with a general view of the Airports Authority's finances and to demonstrate the Airports Authority's accountability for the funds it receives and expends. For additional information about this report, or if you need additional financial information, please contact Lynn Hampton, Vice President and Chief Financial Officer, 1 Aviation Circle, Washington, DC, 20001-6000, or email BondholdersInformation@mwaa.com.

STATEMENTS OF NET ASSETS

As of December 31	2001	2000
ASSETS		
Current Assets		
Unrestricted Assets:		
Cash and cash equivalents	$ 115,267,381	$ 9,079,061
Investments	48,344,417	21,774,122
Accounts receivables, net	13,321,081	34,786,401
Inventory	1,748,108	1,478,894
Prepaid expenses and other current assets	1,756,344	954,883
Total Unrestricted Assets	180,437,331	68,073,361
Restricted Assets:		
Cash and cash equivalents, restricted	97,185,140	88,071,489
Passenger facility charges, cash, restricted	19,787,697	9,539,382
Passenger facility charges, receivables, restricted	6,177,693	8,642,326
Investments, restricted	1,307,743	978,211
Total Restricted Assets	124,458,273	107,231,408
Total Current Assets	304,895,604	175,304,769
Non-Current Assets		
Capital Assets:		
Land	41,330,557	40,810,981
Construction in progress	459,360,644	202,633,055
Buildings, systems and equipment	2,457,937,760	2,334,367,441
Less: Accumulated Depreciation	(608,456,415)	(513,353,354)
Capital Assets, Net	2,350,172,546	2,064,458,123
Long-term investments	37,082,471	116,449,740
Long-term investments, restricted	120,779,577	106,568,342
Other long-term assets	3,663,731	2,375,337
Bond issuance costs, net	21,143,523	19,609,033
Total Non-Current Assets	2,532,841,848	2,309,460,575
Total Assets	$ 2,837,737,452	$ 2,484,765,344

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

As of December 31	2001	2000
LIABILITIES AND NET ASSETS		
Current Liabilities		
Payable from unrestricted:		
Accounts payable and accrued expenses	$ 33,907,504	$ 28,240,950
Operating lease obligations	341,139	341,143
Total unrestricted	34,248,643	28,582,093
Current liabilities payable from restricted assets:		
Accounts payable and accrued expenses	55,688,041	31,002,613
Accrued interest payable	25,285,285	22,646,238
Bonds payable	38,085,000	31,745,000
Total restricted	119,058,326	85,393,851
Total current liabilities	153,306,969	113,975,944
Non-Current Liabilities		
Payable from unrestricted:		
Other liabilities	4,035,532	3,673,676
Payable from restricted:		
Other Liabilities	1,806,683	1,656,760
Bank participation notes	170,200,000	170,200,000
Commercial paper notes	206,000,000	190,000,000
Bonds payable, net	1,656,980,930	1,408,136,951
Total restricted	2,034,987,613	1,769,993,711
Total non-current liabilities	2,039,023,145	1,773,667,387
Total Liabilities	2,192,330,114	1,887,643,331
NET ASSETS		
Invested in capital assets, net of related debt	418,474,478	388,552,054
Restricted	44,033,502	53,927,290
Unrestricted	182,899,358	154,642,669
Total net assets	645,407,338	597,122,013
Total Liabilities and Net Assets	$2,837,737,452	$2,484,765,344

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Years Ended December 31, 2001	Years Ended December 31, 2000
OPERATING REVENUES		
Concessions	$ 92,378,269	$ 114,466,859
Rents	122,382,146	119,658,542
Landing Fees	55,780,359	58,757,490
Utility sales	12,322,825	13,113,004
Passenger fees	24,445,948	24,898,129
Other	7,242,324	10,000,628
	314,551,871	340,894,652
OPERATING EXPENSES		
Materials, equipment, supplies, contract services, and other	81,659,446	76,795,781
Salaries and related benefits	84,481,594	78,970,537
Utilities	17,568,654	21,592,399
Lease from U. S. Government	4,169,260	4,058,360
Depreciation and amortization	99,325,739	93,726,636
	287,204,693	275,143,713
OPERATING INCOME	27,347,178	65,750,939
NON-OPERATING REVENUES (EXPENSES)		
Passenger facility charges, financing costs	(4,537,821)	(7,028,863)
Investment income	17,536,753	25,551,888
Interest expense	(93,132,374)	(96,627,010)
Federal compensation	40,000,000	–
Federal compensation transfers	(1,651,663)	–
Unrealized swap income (loss)	(1,566,958)	–
	(43,352,063)	(78,103,985)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(16,004,885)	(12,353,046)
CAPITAL CONTRIBUTIONS		
Passenger facility charges	47,233,127	48,367,121
Federal and State grants	16,819,846	15,351,455
Other capital property acquired	237,237	–
	64,290,210	63,718,576
NET ASSETS		
Increase in net assets	48,285,325	51,365,530
Total net assets, beginning of year	597,122,013	545,756,483
Total net assets, end of year	$ 645,407,338	$ 597,122,013

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

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2001	Years Ended December 31, 2000
NET CASH FROM OPERATING ACTIVITIES:		
Operating cash receipts from customers	$336,017,189	$338,716,217
Cash payments to suppliers for goods and services	(99,737,358)	(113,738,772)
Cash payments to employees for services	(83,373,162)	(78,708,544)
NET CASH PROVIDED BY OPERATING ACTIVITIES	152,906,669	146,268,901
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	303,275,759	–
Proceeds from the issuance of commercial paper	16,000,000	190,000,000
Principal payments on bonds	(51,540,000)	(220,190,000)
Payments for capital expenditures and construction In progress	(354,893,510)	(187,017,267)
Proceeds from sale of fixed assets	84,064	355,909
Payments of bond issuance costs	(3,552,554)	(654,459)
Interest paid on bonds	(98,030,800)	(105,770,346)
Government grants in aid of construction	15,494,643	20,291,349
Federal compensation for 9/11 disaster	40,000,000	–
Passenger facility charge receipts	51,034,599	43,113,039
Passenger facility charge borrowing from line of credit	–	7,600,000
Passenger facility charge expenses and other	(6,167,238)	(7,298,966)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(88,295,037)	(259,570,741)
NET CASH FROM INVESTING ACTIVITIES:		
Interest received on investments	22,574,927	24,303,536
(Increase) Decrease in short term investments, net	(26,899,827)	16,092,407
Proceeds from long-term investment maturities	202,034,857	188,952,643
Purchase of long-term investments	(136,771,303)	(169,390,789)
NET CASH PROVIDED BY INVESTING ACTIVITIES	60,938,654	59,057,797
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	125,550,286	(54,244,043)
CASH AND CASH EQUIVALENTS, Beginning of Period	106,689,932	160,933,975
CASH AND CASH EQUIVALENTS, End of Period	$232,240,218	$106,689,932

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

	Years Ended December 31, 2001	Years Ended December 31, 2000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 27,347,178	$ 65,750,939
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	99,325,739	93,726,636
(Decrease) Increase in allowance for doubtful accounts	813,728	(736,135)
(Gain) loss on sale of assets	1,099,095	–
Decrease (Increase) in accounts receivable	20,651,592	(3,564,695)
Decrease (Increase) in inventory	(269,214)	44,583
Decrease (Increase) in prepaid expenses and other current assets	(801,461)	670,084
Decrease (Increase) in other long-term assets	(1,288,394)	126,492
Increase in long-term liabilities	361,856	3,673,676
(Decrease) Increase in accounts payable and accrued expenses	5,666,554	(13,422,673)
Decrease in operating lease obligation	(4)	(6)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$152,906,669	$146,268,901
Noncash and related financing transactions		
Unrealized Gain (Loss)	107,521	8,931,773
Total noncash and related financing transactions	$ 107,521	$ 8,931,773

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 L). 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.

Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board (GASB). For the year ended December 31, 2001, the Airports Authority adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* as amended by GASB Statement No. 36, and elected early adoption of 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 and applied those standards on a retroactive basis. GASB Statement No. 33 requires that non-exchange transactions and exchange like transactions be recognized as non-operating revenue. 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 improvement of those assets.
- Restricted:
  Nonexpendable – Net assets subject to externally imposed stipulations that the Airports Authority maintains them permanently. For year-end 2001, the Airports Authority does not have nonexpendable net assets.

  Expendable – Net assets whose use by the Airports Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Airports Authority pursuant to those stipulations or that expire by the passage of time. Such assets included the Airports Authority'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 management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

The provisions of GASB Statements No. 33 and No. 34 have been applied to the years presented. The following is a reconciliation of total equity for December 31, 2001 and 2000 as previously reported to the restated net asset balances for the same period.

	2001	2000
Equity		
Contributed Capital	$247,576,382	$247,339,142
Retained Earnings	397,830,956	349,782,871
Total Equity	645,407,338	597,122,013
Invested in Capital assets net of debt	418,474,478	388,552,054
Restricted	44,033,502	53,927,290
Unrestricted	182,899,358	154,642,669
Total Net Assets	$645,407,338	$597,122,013

The presentation of contributed capital in financial statements represented grants received by the Airports Authority primarily associated with capital construction. In the net asset section, the former contributed capital would be restated primarily as invested in capital assets, net of debt, with any remaining grants on hand, reported as restricted. Retained earnings, which formally represented the residual value of operations and capital assets constructed with funds other than grants has now been restated to direct the capital assets to invested in capital assets, net of debt and the remaining assets resulting from operations, as unrestricted. A small portion of previous retained earnings is included as restricted assets.

The accompanying financial statements have been prepared on the accrual basis. The Airports Authority reports as a Business Type Activity, as defined by GASB Statement No. 34. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Airports Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All asset, liabilities, net assets, revenue, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses 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.

Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Capital, grants, financing or investing related transactions are reported as non-operating revenues. All expenses related to operating the Airports Authority are reported as operating expenses. Interest expense and financing costs are reported as non-operating.

Net Assets

Net assets represent the residual interest in the Airports Authority's assets after liabilities are deducted and consists of three sections: Invested in capital assets, net of related debt; restricted and unrestricted. Net assets invested in capital assets, net of debt include capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. The Authority's restricted assets are expendable. All other net assets are unrestricted.

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

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 partially based on reported concession revenue and partially based on minimum rental guarantee. Rental revenue and concession revenue are recognized as operating revenues on the Statements of Revenues, Expenses and Changes in Net Assets.

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 operating revenue when the related facilities are utilized.

Several airlines represent concentrations of revenues for the Airports Authority. At National, US Airways, Delta Air Lines, and American Airlines comprise approximately 62 percent of annual airline revenues. At Dulles, United Airlines and Atlantic Coast Airlines comprise approximately 67 percent of annual airline revenues. These Airlines combined represent approximately 61 percent of the total annual airline revenue for the Airports Authority. Actual airline revenues for 2001 represent approximately 52 percent of the Airports Authority's total budgeted revenues.

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, interest rate swaps, 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.

Capital Assets

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 F and I). 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. 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 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, 2001 and 2000, of approximately $2,355,238 and $2,001,500, respectively.

Capital Contributions: 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 Airports Authority applied for and received the authority in February 2001, to increase the PFC collection from $3.00 to $4.50, effective May 2001.

Capital Contributions: Federal and State Grants

The Airports Authority receives federal and state grants in support of its Capital Construction Program. The federal program provides funding for airport development, airport

planning and noise compatibility programs from the Airport and Airways Trust Fund in the form of both entitlement and discretionary grants for eligible projects. The Commonwealth of Virginia also provides discretionary funds for capital programs.

Grants for capital asset acquisition, facility development, rehabilitation of facilities and long-term planning are reported in the Statements of Revenues, Expenses and Changes in Net Assets, after non-operating revenues and expenses as capital contributions.

Management Estimates

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 collaterized 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:

	December 31,	
	2001	2000
Deposits		
Carrying Amount	$5,051,438	$6,304,099
Bank Balance	1,815,462	3,192,287
FDIC Insured or collateralized (Category 1)	1,801,462	2,734,168
Uncollateralized or uninsured (Category 3)	14,000	458,119
Certificates of Deposit/Investments		
Carrying Amount	$3,100,000	$2,100,000
FDIC Insured or collateralized (Category 1)	400,000	300,000
Uncollateralized or uninsured (Category 3)	2,700,000	1,800,000

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 E) 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, 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, 2001				
	Category				Carrying
	1	2	3	Cost	Value
Repurchase Agreements	$ 22,660,416	$ –	$ –	$ 22,660,416	$ 22,660,416
U.S. Government and agency obligations	149,365,928	–	–	149,365,928	149,385,292
Commercial Paper	29,985,389	–	–	29,985,389	29,992,548
	$202,011,733	$ –	$ –	202,011,733	202,038,256
Money market funds (invested in U.S. Government and agency obligations)				229,564,732	229,564,732
Certificate of Deposit				3,100,000	3,100,000
				$434,676,465	$434,702,988

	December 31, 2000				
	Category				Carrying
	1	2	3	Cost	Value
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
	$246,078,580	$ –	$ –	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
				$346,702,304	$346,156,248

The fair value of the collateral for these Repurchase Agreements was $23,102,183 and $9,760,360 at December 31, 2001 and 2000, 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, 2001	
	Cost	Carrying Value
Securities with original maturity 1 year and over	$ 132,755,000	$ 134,354,750
Securities with original maturity less than 1 year	67,904,833	67,683,506
	$ 200,659,833	$ 202,038,256

	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
	$ 245,285,628	$ 245,532,524

Change in carrying value from December 2000 to December 2001:	
Carrying value at December 31, 2001	$ 202,038,256
Add: Proceeds from investments sold in 2001	1,490,920,865
Less: Cost of investments purchased in 2001	(1,440,336,693)
Less: Carrying value at December 31, 2000	(245,532,524)
Change in carrying value of investments	$ 7,089,904

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	$ 5,415,426

Reconciliation to Comparative Balance Sheets

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

	December 31,	
	2001	2000
Deposits	$ 5,051,438	$ 6,304,099
Investments	434,702,988	346,156,248
	$439,754,426	$352,460,347
Cash and cash equivalents	$115,267,381	$ 9,079,061
Cash and cash equivalents, restricted	97,185,140	88,071,489
Passenger facility charges, cash, restricted	19,787,697	9,539,382
Investments	48,344,417	21,774,122
Investments, restricted	1,307,743	978,211
Long-term investments	37,082,471	116,449,740
Long-term investments, restricted	120,779,577	106,568,342
	$439,754,426	$352,460,347

C. INTEREST RATE SWAP

During the year ended December 31, 2001, the Airports Authority entered into two forward starting interest rate swap agreements (the "Swaps") totaling $241.78 million, with Lehman Brothers ($161.19 million) and Merrill Lynch ($80.59 million) as counterparties. The Swaps were executed in order to facilitate the refunding of the Airports Authority's outstanding Series 1992A Bonds that are callable on October 1, 2002. Under the terms of the Swaps, the Airports Authority will make fixed interest rate payments to the counter parties of 4.445% and receive variable rate payments based upon a London Interbank Offered Rate (LIBOR) index. In connection with the Swaps, the Airports Authority implemented Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133), on January 1, 2001. The Swaps are recognized on the Statements of Net Assets in investments at fair value. Changes in the fair value of the Swaps are recorded as unrealized gains or losses on the Statements of Revenues, Expenses and Changes in Net Assets. As of December 31, 2001, the value of the Swaps was an unrealized loss of $1,566,958.

D. ACCOUNTS RECEIVABLE

Trade accounts receivable consists of the following:

	December 31,	
	2001	2000
Trade accounts receivable	$14,732,851	$35,384,443
Less: allowance for doubtful accounts	(1,411,770)	(598,042)
	$13,321,081	$34,786,401

E. RESTRICTED ASSETS

The Master Indenture of Trust (Master Indenture) securing the Revenue Bonds of the Metropolitan Washington Airports Authority, requires segregation of certain assets into restricted accounts. The Airports Authority has also included PFC assets in restricted assets. Restricted assets consist of the following:

	December 31,	
	2001	2000
Construction	$ 62,550,085	$ 57,116,922
Debt service reserve accounts	120,779,577	106,568,342
Interest accounts	25,323,255	23,157,476
Sinking fund accounts	10,619,543	8,775,302
Passenger facility charge accounts	19,787,697	9,539,382
Passenger facility charges and grant receivables	6,177,693	8,642,326
	$ 245,237,850	$ 213,799,750

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. The PFC and grant receivables represent amounts collectable at year ended December 31, 2001.

F. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the years ending December 31, 2001 and 2000 is as follows:

	Beginning Balance January 1, 2001	Transfers and Additions	Transfers and Deletions	Ending Balance December 31, 2001
Construction in Progress	$ 202,633,055	$ 377,193,741	$ (120,466,152)	$ 459,360,644
Equipment	39,630,395	5,893,116	(511,587)	45,011,924
Motor Vehicles	74,440,776	1,218,899	(1,493,725)	74,165,950
Land	40,810,981	519,576	–	41,330,557
Buildings	1,462,222,455	64,120,663	(1,475,924)	1,524,867,194
Systems and Structures	758,073,815	55,818,877	–	813,892,692
	2,577,811,477	504,764,872	(123,947,388)	2,958,628,961
Less accumulated depreciation	(513,353,354)	(97,477,632)	2,374,571	(608,456,415)
	$ 2,064,458,123	$ 407,287,240	$ (121,572,817)	$ 2,350,172,546

	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
	2,393,965,096	323,608,922	(139,762,541)	2,577,811,477
Less accumulated depreciation	(424,156,288)	(92,298,354)	3,101,288	(513,353,354)
	$1,969,808,808	$231,310,568	$(136,661,253)	$2,064,458,123

For the year ended December 31, 2001, interest costs of $5,294,866 less interest earned of $4,852,125 were capitalized as part of the cost of construction in progress. For the year ended December 31, 2000 interest costs of $6,871,154 less interest earned of $7,663,493 were capitalized as part of the cost of construction in progress. Depreciation and amortization expense for the years ended December 31, 2001 and 2000 was $99,325,739 and $93,726,636, respectively, which includes amortization associated with bond issuance costs of $1,848,106 and $1,219,196, respectively.

G. 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, as of December 31, 2001.

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, as of December 31, 2001.

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, 2001 was approximately $14,630,988. The Airports Authority's total base payroll for all employees was approximately $58,751,165. Employee contributions for these federal pension plans were $731,549 (5.0% of covered payroll) for 2001, $713,659 (5.0% of covered payroll) for 2000 and $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.

Airports 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, 2001 the number of employees participating in the Plans was:

	Regular	Police/ Fire	Total
Current participants:			
Vested	448	136	584
Non-vested	286	56	342
Retirees/Disabled employees currently receiving benefits	40	141	181
Terminated vested participant	161	41	202
Total	935	374	1309

The Airports Authority contributed 7.4% to the Regular Plan and 12.5% to the Fire and Police Plan. The Airports Authority's base payroll in 2001 for the Regular Plan was approximately $35,146,370 and $8,973,807 for the Fire and Police Plan. In 2000, the base payroll for the Regular Plan was $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 2001, the Airports Authority contributed $2,600,831 to the Regular Plan and $1,121,726 to the Fire and Police Plan. In 2000, the Airports 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 plans.

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.

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 Airports 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.

Annual Pension Cost and Net Pension Obligation

The Airports Authority's annual pension obligation (asset) or its General Employees and Police and Firefighters pension plans for fiscal 2000 and 1999, the latest years for which data is available, were as follows:

	2000	
	General Employees	Police and Firefighters
Annual required contribution	$ 2,093,484	$1,055,348
Interest on net pension obligation (asset)	(51,523)	(13,026)
Adjustment to annual required contribution	52,970	13,392
Annual pension cost	2,094,931	1,055,714
Contributions made	2,505,837	1,214,980
Increase in net pension obligation (asset)	(410,906)	(159,266)
Net pension obligation (asset) beginning of year	(644,036)	(162,830)
Net pension obligation (asset) end of year	$(1,054,942)	$ (322,096)

	1999	
	General Employees	Police and Firefighters
Annual required contribution	$ 2,139,142	$1,059,660
Interest on net pension obligation (asset)	(37,732)	(4,219)
Adjustment to annual required contribution	38,792	4,338
Annual pension cost	2,140,202	1,059,779
Contributions made	2,312,586	1,169,865
Increase in net pension obligation (asset)	(172,384)	(110,086)
Net pension obligation (asset) beginning of year	(471,653)	(52,744)
Net pension obligation (asset) end of year	$ (644,037)	$ (162,830)

Three year trend information is as follows:

	General Employees Retirement Plan			Police Officers and Firefighters Plan		
Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligations (Assets)	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligations (Assets)
1998	$ 2,082,880	120.2%	($471,653)	$1,090,433	105.8%	($52,744)
1999	$ 2,139,142	108.1%	($644,036)	$1,059,660	110.4%	($162,830)
2000	$ 2,094,931	119.6%	($1,054,942)	$1,055,714	115.1%	($322,096)

Funding Status

The actuarial accrued liability was determined as part of an actuarial valuation of the Plans at December 31, 2000. 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, Benefits and Payroll 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						
12/31/96	$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)%
12/31/00	39,569,099	29,069,920	(10,499,179)	136.1%	34,926,769	(30.6)%
Police Officers and Firefighters Retirement Plan						
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)%
12/31/00	17,262,191	14,026,353	(3,235,838)	123.1%	8,882,707	(36.4)%

Schedule of Employer Contributions

	General Employees Retirement Plan			Police Officers and Firefighters Retirement Plan		
Calendar Year	Annual Required Contribution	Actual Contribution	Percentage Contribution	Annual Required Contribution	Actual Contribution	Percentage Contribution
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%
2000	2,093,484	2,505,837	119.7%	1,055,348	1,214,980	115.1%

H. POSTEMPLOYMENT BENEFITS AND 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, 2001, 183 retired employees were receiving life insurance benefits and 141 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, 2001 and 2000, the Airports Authority health insurance costs for retired employees totaled $862,854 and $707,735, 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 183 retired employees, 26 had supplemental insurance coverage as of December 31, 2001. For the year ended December 31, 2001, the life insurance costs for retired employees totaled $124,252. 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.

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.

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.

I. CAPITAL DEBT

Bond Anticipation Commercial Paper Notes

The Airports Authority issued Bond Anticipation Commercial Paper Notes (the Notes) pursuant to Resolution No. 00-1 adopted by the Board of Directors of the Airports Authority on April 5, 2000, with a principal amount not to exceed $250,000,000 outstanding at any time. On April 26, 2000, the Airports Authority sold the first tranche of Series A commercial paper for $20,000,000. The Notes were 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 were issued to refund a portion of the Series 1990A senior bonds. The Notes are supported by a Liquidity Agreement between the Airports 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 Airports 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 Airports Authority sold the first tranche of Series B commercial paper, for $40,000,000. The Notes were issued to refund a portion of the Series 1990A senior bonds. On February 27, 2001 a second traunch of the Series B commercial paper, $16,000,000 was sold to refund the final portion of the Series 1990A senior bonds. With this issuance, the balance of approved Bond Anticipation Commercial Paper Notes for future needs is $44,000,000. The Notes are supported by a Liquidity Agreement between the Airports 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 were issued and remarketed under a Commercial Paper Dealer Agreement between the Airports Authority, Merrill Lynch and M.R. Beal & Company. Notes are variable rate based on the current market rate, as of December 31, 2001, the weighted average interest rate on outstanding Notes was 1.76% on Series A and 2.00% 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 Airports 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, 2001 and 2000 were as follows:

Airport System Senior Debt:	Issue Date	Interest Rates	Maturing on October 1	Amount	Outstanding at December 31 2001	2000
Series 1990A Revenue Bonds*	02/01/90				*	
Term					$ –	$ 19,795,000
Series 1992A Revenue Bonds	03/01/92					
Serial		6.250%-6.500%	2002-2007	$ 48,240,000		
Term		6.625%	2012	56,800,000		
Term		6.625%	2019	117,330,000		
Term		6.250%	2021	44,315,000		
					266,685,000	273,145,000
Series 1993A Revenue & Refunding Bonds	03/01/93					
Serial		4.600%-5.200%	2002-2008	$ 13,950,000		
Term		5.375%	2013	13,415,000		
Term		5.250%	2022	34,860,000		
					62,225,000	63,870,000
Series 1993B Revenue & Refunding Bonds	03/01/93					
Serial		6.400%-6.500%	2002-2003	$ 1,610,000		
Term		6.900%	2008	5,060,000		
Term		7.500%	2013	7,150,000		
Term		7.625%	2022	21,720,000		
					35,540,000	36,275,000
Series 1994A Revenue Bonds	06/15/94					
Serial		5.200%-6.500%	2002-2011	$130,645,000		
Term		5.875%	2015	76,525,000		
Term		5.750%	2020	123,510,000		
Term		5.750%	2021	29,125,000		
Term		5.550%	2024	97,570,000		
					457,375,000	467,035,000
Series 1997A Revenue Bonds	05/15/97					
Serial		4.600%-5.500%	2002-2012	$ 13,780,000		
Term		5.375%	2017	9,275,000		
Term		5.375%	2023	14,865,000		
					37,920,000	38,850,000
Series 1997B Revenue Bonds	05/15/97					
Serial		4.800%-6.000%	2002-2014	$ 87,180,000		
Term		5.500%	2016	19,735,000		
Term		5.750%	2020	46,590,000		
Term		5.500%	2023	42,350,000		
					195,855,000	200,400,000
Series 1998A Revenue Bonds	06/15/98					
Serial		4.000%-4.700%	2002-2013	$ 5,900,000		
Term		5.000%	2018	3,560,000		
Term		5.000%	2023	4,540,000		
Term		5.000%	2028	5,795,000		
					19,795,000	20,105,000

Bonds Payable (continued)

Airport System Senior Debt:	Issue Date	Interest Rates	Maturing on October 1	Amount	Outstanding at December 31 2001	2000
Series 1998B Revenue & Refunding Bonds	06/15/98					
Serial		4.100%-5.500%	2002-2014	$121,470,000		
Term		5.000%	2018	56,040,000		
Term		5.000%	2028	85,660,000		
					263,170,000	269,485,000
Series 1999A Revenue Refunding Bonds	04/15/99					
Serial		3.625%-4.500%	2002-2010	$ 12,560,000		
Term		5.250%	2012	3,510,000		
Term		5.250%	2014	3,885,000		
Term		5.250%	2016	4,300,000		
Serial		5.000%	2017-2019	7,320,000		
Term		5.000%	2027	66,180,000		
					97,755,000	98,900,000
Series 2001A Revenue Bonds	04/01/2001					
Serial		3.375%-5.200%	2002-2008	$151,155,000		
Term		5.500%	2023	67,190,000		
Term		5.000%	2028	67,820,000		
					286,165,000	–
Series 2001B Revenue Bonds	04/01/2001					
Serial		3.200%-4.750%	2002-2017	$ 5,080,000		
Term		5.000%	2018	1,920,000		
Term		5.000%	2025	3,005,000		
Term		5.000%	2031	3,830,000		
					13,835,000	–
					1,736,320,000	1,487,862,000
		Less unamortized discount/premium			41,254,070	47,978,049
					$1,695,065,930	$1,439,883,951

** Series 1990A Revenue Bonds were refunded on April 6, 2001 with stated interest rate of 6 percent.*

Senior Debt

A new Master Indenture was created in 1990 for the Airports Authority. The Master Indenture was amended effective September 1, 2001, to in part, change the definition of Annual Debt Service to accommodate the issuance of secured commercial paper, to permit the Airports Authority to release certain revenues from the definition of revenues, and to expand the list of permitted investments to include new, safe investment vehicles designed to increase the return on the Airports Authority investments. 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 $2,209,690,000 of senior bonds has been issued by the Airports Authority on nine 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; $100,000,000 in April 1999; and $300,000,000 in April 2001.

The proceeds of the Series 1990A, 1992A, 1993B, 1994A, 1997A, 1997C, 1998A, 1998B, 2001A and 2001B 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. The proceeds of the Series 1999A Bonds were used to refund the Authority's Series 1997C Senior Bonds.

On April 5, 2001, the Airports Authority issued $300,000,000 of Airport System Revenue Bonds, Series 2001A-B. Proceeds of the Series 2001A-B bonds will be used to finance capital improvements at Ronald Reagan Washington National and Washington Dulles International Airports. The outstanding balance, $19,795,000 of Airport System Revenue Bonds, Series 1990A were refunded on April 6, 2001. Proceeds of $16,000,000 from the issuance of Bond Anticipation Commercial Paper Notes, Series 2000B together with other available funds (the Interest account, Sinking Fund account and Debt Service Reserve account of the refunded bonds) were used for the refunding. The Authority estimates the difference in cash flows required to service Series 1990A Bonds and Commercial Paper Notes to be a savings of $9,035,842. The refunded Series 1990A Bonds were scheduled to mature on October 1, 2019, and which were subject to optional redemption on October 1, 2000. The bonds were redeemed at a price of 100 percent plus accrued interest. With this action all of Airport System Revenue Bonds, Series 1990A have been refunded.

On October 2, 2000, the Airports 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. The Airports 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. 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 estimates the difference in cash flows to service Series 1990A Bonds and the Commercial Paper Notes to be a savings of $2,216,276. 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.

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 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, A+ 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, A+ by S&P, and AA- by Fitch. All $19,795,000 of the Series 1998A Bonds are uninsured. $46,305,000 of the Series 1998B Bonds (those maturing in the years 2002 through 2007) are uninsured. The uninsured Series 1998A-B Bonds are rated Aa3 by Moody's, A+ by S&P, and AA- by Fitch. All Series 1999A Bonds are insured by Financial Guaranty Insurance Company. The uninsured Series 1999A Bonds are rated Aa3 by Moody's, A+ by S&P, and AA- by Fitch. All but $4,200,000 of the Series 2001A (those maturing in the year 2002) and $485,000 of the Series 2001B Bonds (those maturing in the years 2002 through 2003) are insured by Financial Guaranty Insurance Company. The uninsured Series 2001A & B Bonds are rated Aa3 by Moody's, A+ 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
2002	$ 38,085,000	$ 96,792,723	$ 134,877,723
2003	40,060,000	94,834,964	134,894,964
2004	42,190,000	92,718,383	134,908,383
2005	44,450,000	90,445,378	134,895,378
2006	46,930,000	87,968,009	134,898,009
2007 - 2011	277,365,000	397,140,128	674,505,128
2012 - 2016	365,810,000	308,696,335	674,506,335
2017 - 2021	455,610,000	191,869,877	647,479,877
2022 - 2026	305,675,000	71,876,317	377,551,317
Thereafter	120,145,000	15,759,075	135,904,075
	$ 1,736,320,000	$ 1,448,101,189	$ 3,184,421,189

Total interest cost for the years ended December 31, 2001 and 2000 were $94,413,031 and $95,222,717, 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.

J. 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 percent 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, 2001, the settlement resulted in a credit to the Airlines of $6,671,149 which is reflected in accounts payable and accrued expenses. 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.

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, 2001 and 2000, at Dulles, the transfer amount exceeded the plateau amount by $12,198,036 and $17,152,420, respectively. This amount was allocated accordingly and is included in the airline and Airports Authority share. For the years ended December 31, 2001 and 2000, at National, the transfer amount exceeded the plateau amount by $3,813,793 and

$5,091,341, respectively. For the years ended December 31, 2001 and 2000, the Airlines' portion of NRR was $42,401,150 and $47,991,491, respectively, and the Airports Authority's share was $34,323,080 and $34,384,038, respectively.

K. NET ASSETS

Net Assets consists of the following:

Invested in Capital Assets Net of Debt consists of the following:

	2001	2000
Long-term assets		
Long-term investments, restricted	$ 120,779,577	$ 106,568,342
Capital assets		
Land	41,330,557	40,810,981
Construction in progress	459,360,644	202,633,055
Buildings and equipment	2,457,937,760	2,334,367,441
Less: Accumulated depreciation	(608,456,415)	(513,353,354)
Capital assets, net	2,350,172,546	2,064,458,123
Bond issuance costs, net	21,143,523	19,609,033
Total Capital Assets	2,492,095,646	2,190,635,498
Less: related liabilities		
Other liabilities, current	548,555	344,733
Other liabilities, noncurrent	1,806,683	1,656,760
Current portion bonds payable	38,085,000	31,745,000
Bank participation notes	170,200,000	170,200,000
Commercial paper notes	206,000,000	190,000,000
Bonds payable, net	1,656,980,930	1,408,136,951
Total Liabilities	2,073,621,168	1,802,083,444
Invested in capital assets, net of debt	$ 418,474,478	$ 388,552,054

Restricted Assets consists of the following:

Restricted assets		
Cash and cash equivalents, restricted	$ 97,185,140	$ 88,071,489
Passenger facility charges, cash, restricted	19,787,697	9,539,382
Passenger facility charges and grants, receivables, restricted	6,177,693	8,642,326
Investments, restricted	1,307,743	978,211
Assets	124,458,273	107,231,408
Less: Liabilities from restricted assets		
Accounts payable and accrued expenses	55,139,486	30,657,880
Accrued interest payable	25,285,285	22,646,238
Liabilities	80,424,771	53,304,118
Restricted Net Assets	$ 44,033,502	$ 53,927,290

Unrestricted Assets consists of the following:

	2001	2000
Current Assets		
Cash and cash equivalents	$115,267,381	$ 9,079,061
Investments	48,344,417	21,774,122
Accounts receivables, net	13,321,081	34,786,401
Inventory	1,748,108	1,478,894
Prepaid expenses and other current assets	1,756,344	954,883
Total Current Assets	180,437,331	68,073,361
Long-term Assets		
Long-term investments	37,082,471	116,449,740
Other long-term assets	3,663,731	2,375,337
Total Unrestricted Assets	221,183,533	186,898,438
Less: Current Liabilities		
Accounts payable and accrued expenses	33,907,504	28,240,950
Operating lease obligations	341,139	341,143
Total Current Liabilities	34,248,643	28,582,093
Less: Other Liabilities	4,035,532	3,673,676
Total Liabilities Payable from Unrestricted Assets	38,284,175	32,255,769
NET ASSETS, Unrestricted	$182,899,358	$154,642,669

L. LEASE COMMITMENTS

Property Held for Lease

The Airports Authority has entered into various operating leases with tenants for the use of space at the Airports 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,	
2002	$ 199,669,430
2003	225,579,459
2004	235,360,757
2005	246,676,292
2006	258,493,392
2007 and thereafter	4,301,557,910
Total minimum future rentals	$ 5,467,337,240

The above amounts do not include contingent rentals and fees in excess of minimums, which amount to $18,875,880 for the year ended December 31, 2001. 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 2001 federal lease expense was $4,169,260. 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.

Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 2001 as calculated in 2001 dollars are:

Year ending December 31,	
2002	$ 4,169,261
2003	4,169,261
2004	4,169,261
2005	4,169,261
2006	4,169,261
2007 and thereafter	120,908,555
Total minimum future rentals	$141,754,860

Total rental expense for the years ended December 31, 2001 and 2000 were $4,201,986 and $4,136,915 respectively.

M. 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 1.50% to 2.55%. The bank participant notes require the Airports Authority to maintain a reserve account. The reserve account at December 31, 2001 and 2000 was $1,387,248 and $1,387,248, respectively, and is included in PFCs, cash, restricted on the Statements of Net Assets. The bank participation notes are backed by a Bank of America, N.A. Letter of Credit. Bank participation notes outstanding at December 31, 2001 and 2000 were $170,200,000 and $170,200,000, respectively. Total interest cost for the years ended December 31, 2001 and 2000 were $6,167,172 and $7,933,004, respectively.

Construction Commitments

At December 31, 2001, the Airports Authority had outstanding commitments for capital expenditures in connection with its CCP in the amount of $291,833,442. 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.

N. 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 Airport Improvement Program (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, 2001 and 2000 were $16,819,846 and $15,351,455, 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.

Federal and State Grants

The Airports Authority received federal and state grants for operating and capital programs as summarized in the tables below:

Operating Programs

	2001	2000
FAA K-9 Program	$ 400,500	$ 420,500
Drug Enforcement Agency (DEA) Drug Seizures Program	368,158	123,324
Pentagon - Federal Emergency Management Agency (FEMA)	181,886	–

The FAA K-9 program funds are used to offset expenses of training and caring for the explosive detection dogs. The Drug Enforcement Agency Drug Seizures Program is a collaborative effort between the DEA and the Airports Authority police department wherein both entities share in the proceeds from the sale of confiscated items. The Airports Authority's proceeds may only be used for certain types of expenses defined by the DEA. In September, the Airports Authority's Fire Department was called to assist the Pentagon and other local fire departments with the disaster at the Pentagon. As a result, FEMA reimbursed the Airports Authority for certain expenses including overtime, supplies and equipment. All of the amounts above were used to offset operating expenses in the Statements of Revenues, Expenses and Changes in Net Assets.

Capital Program

	2001	2000
Federal Grants for Construction	$ 14,819,846	$ 13,351,455
State Grants for Construction	2,000,000	2,000,000

The Airports Authority receives federal and state grants in support of its Capital Construction Program. The federal program provides funding for airport development, airport planning and noise compatibility programs from the Airports and Airways Trust Funds in the form of entitlement and discretionary grants for eligible projects. The Commonwealth of Virginia also provides discretionary funds for capital programs.

Grants for capital asset acquisition, facility development, rehabilitation of facilities and long-term planning are reported in the Statements of Revenues, Expenses and Changes in Net Assets as Capital Contributions.

Federal Compensation

As a result of the terrorism of September 11, 2001, due to the proximity of the airport to key government facilities, FAA prohibited all commercial and general aviation aircraft activity at Reagan National until October 4, 2001. Since then, FAA has authorized the phased resumption of activities at National. At year-end, National was operating at approximately 48 percent of the pre-

September 11 level. Operations at Dulles were not restricted by FAA but were reduced due to cutbacks in the industry. At year-end, Dulles was operating at approximately 80 percent of pre-September 11 levels.

In December 2001, the federal government provided $40 million (Public Law 107-38) in federal compensation to the Airports Authority to help offset some of the lost airline and concession revenues for the closed and reduced operations at National. The agreement between the Airports Authority and the U.S. Department of Transportation requires that $8.1 million of the funds be used to provide relief to the concessionaires at National. The balance of the funds, $31.9 million, was not restricted. In December 2001, the Airports Authority's Board of Directors approved a plan to provide a total of $9.9 million in aid to the concessionaires. For September through December 2001, the minimum guarantees and percentage payments for the concessionaires were waived entirely. In addition, the Board of Directors approved a plan to pay the concessionaires $1.6 million for lost revenues. The amount is to be paid to the concessionaires in early 2002. The Board of Directors also approved the waiver of the concessionaires' minimum guarantees through June 2002, although they will pay their usual percentages.

The $40 million payment from the Federal Government is recorded as non-operating revenue in the Statements of Revenues, Expenses and Changes in Net Assets. This is partially offset by the cash amount of $1.6 million to be paid to the concessionaires and is shown on the federal compensation transfers line of the Statements of Revenues, Expenses and Changes in Net Assets. The $37.9 million cash is shown on the Statements of Net Assets as unrestricted cash, while the $2.1 million to be used in 2002 for the waived minimum guarantees from the concessionaires is recorded as restricted cash.

O. 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.

P. PASSENGER FACILITY CHARGES

As described in Note A, Passenger Facility Charges are collected in accordance with the FAA regulations allowing airports to impose a $4.50 PFC. For the years ended December 31, 2001 and 2000, the Airports Authority earned PFCs of $22,188,067 and $21,801,675 for National, respectively, and $25,045,060 and $26,565,446 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.

Q. 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 2001 and 2000, 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 workers' compensation claim, $50,000 for each property loss, $1,000,000 for each public official claim, $50,000 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, except War Risk Liability for which it is self-insured. 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 $815,023 as of December 31, 2001, 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, 2001, was approximately $800,000. This is based on the requirements of GASB 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 2001 and 2000 were:

Fiscal Year	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
2001	$ 1,357,528	$1,027,624	$ 1,570,129	$ 815,023
2000	$ 1,198,308	$1,065,527	$ 906,307	$ 1,357,528

R. SUBSEQUENT EVENTS

Commercial Paper Issuances

In February 2002, the Airports Authority made a $44 million draw on Commercial Paper Series B. The total amount outstanding on the Airport's Authority Commercial Paper Program as of February 28, 2002, is $250 million. In early March 2002, the Airports Authority expects to complete work to issue $100 million for the Series One Commercial Paper Program backed by a direct pay letter of credit to be issued by JP Morgan Chase Bank, and Bear Stearns and Company as the dealers. Upon closure of the transaction, the Airports Authority expects to draw down the entire $100 million.

S. RESTATEMENT

In April 2002, Authority management determined that $3,778,944 of concession revenue related to the decreased rental car activity from the events of September 11, 2001, had inadvertently been recorded as revenue in the Authority's 2001 financial statements. The net effect of the change to the Statements of Net Assets for the year ended December 31, 2001 is as follows:

	Previously Reported	As restated
Accounts Receivable, net	$ 17,100,025	$ 13,321,081
Net Assets - Unrestricted	$ 186,678,302	$ 182,899,358

The net effect of the change to the Statements of Revenue, Expenses and Changes in Net Assets for the year ended December 31, 2001 is as follows:

	Previously Reported	As restated
Concessions	$ 96,157,213	$ 92,378,269
Net Assets - Increase	$ 52,064,269	$ 48,285,325

The Authority's net remaining revenue (NRR) as described in Note J is adjusted by the $3,778,944 restatement due to the decrease in concession revenue shown above as follows:

	Previously Reported	As restated
Airline Portion of NRR	$ 45,235,358	$ 42,401,150
Authority Portion of NRR	$ 35,267,816	$ 34,323,080

The Statements of Cash Flow were changed to reflect the restatement of rental car concession revenue described above and to reflect a reclassification. The net effect of the change to the Statements of Cash Flow for the year ended December 31, 2001 is as follows:

	Previously Reported	As restated
Net cash used by capital and related financing activities	$ 89,998,372	$ 88,295,037
Net cash provided by investing activities	$ 62,641,988	$ 60,938,655
Operating income	$ 31,126,122	$ 27,347,178
Decrease in accounts receivable	$ 16,872,648	$ 20,651,592

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

Frank Holly
Vice President for Engineering

Valerie Holt [1]
Vice President for Audit

Margaret McKeough
Vice President for Business Administration

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

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

Mark Treadaway
Vice President Air Service Planning and Development

Art B. Williams
Vice President for Human Resources

Gregory Wolfe
Vice President and Secretary

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Norman M. Glasgow, Jr. [3]
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[1] Effective June 18, 2001
[2] d. January 14, 2002
[3] Chairman, effective January 14, 2002

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