Office of Inspector General

Audit Report

QUALITY CONTROL REVIEW OF AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2013 AND 2012

Metropolitan Washington Airports Authority

Report Number: QC-2015-042

Date Issued: April 22, 2015

U.S. Department of Transportation
Office of the Secretary of Transportation

Office of Inspector General
Washington, DC 20590

April 22, 2015

John E. Potter
President and Chief Executive Officer
Metropolitan Washington Airports Authority
1 Aviation Circle
Washington, DC 20001-6000

Dear Mr. Potter:

I respectfully submit the report on our quality control review (QCR) of the Metropolitan Washington Airports Authority's (MWAA) financial statement audit for fiscal years 2013 and 2012.

PricewaterhouseCoopers LLP (PwC) of McLean, VA, completed the audit of MWAA's financial statements as of and for the years ended December 31, 2013, and December 31, 2012 (see Enclosure) under contract to MWAA. The contract required PwC to perform the audit in accordance with auditing standards generally accepted in the United States of America.

PwC concluded that the financial statements present fairly, in all material respects, the financial position of MWAA's 1) Aviation Enterprise, 2) Dulles Corridor Enterprise, and 3) Total Business-Type Activities, as of and for the years ended December 31, 2013, and December 31, 2012; and also, 4) the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We performed a QCR of PwC's report and related documentation. Our QCR, as differentiated from an audit performed in accordance with generally accepted Government auditing standards, was not intended for us to express, and we do not express, an opinion on MWAA's financial statements or conclusions about the effectiveness of internal controls or compliance with laws and regulations. PwC is responsible for its report dated April 15, 2014, and the conclusions expressed in that report. However, our QCR disclosed no instances in which PwC did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

We appreciate the cooperation and assistance of MWAA's representatives and PwC. If you have any questions, please call me at (202) 366-1407, or George Banks, Program Director, at (410) 962-1729.

Sincerely,

George E. Banks for

Louis C. King
Assistant Inspector General for Financial and
Information Technology Audits

Enclosure

cc: Frank M. Conner III, Chairman of the Board of Directors, MWAA
Lynn Deavers, OST-C-10, MWAA Federal Accountability Officer

Enclosure

Independent Auditor's Report

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

We have audited the accompanying financial statements of Metropolitan Washington Airports Authority (the "Airports Authority") i) Aviation Enterprise, ii) Dulles Corridor Enterprise and iii) Total Business-Type Activities, as of and for the years ended December 31, 2013 and December 31, 2012, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Airport Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP, 1800 Tysons Boulevard, McLean, VA 22102-4261
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airports Authority i) Aviation Enterprise, ii) Dulles Corridor Enterprise and iii) Total Business-Type Activities, as of December 31, 2013 and December 31, 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accompanying Management's Discussion and Analysis (MD&A) on pages 19 through 41 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airports Authority's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

PricewaterhouseCoopers LLP

April 15, 2014

Management's Discussion and Analysis (unaudited)

INTRODUCTION

The purpose of 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 to and overview of the basic financial statements of the Airports Authority for the year ended December 31, 2013 with selected comparative information for the years ended December 31, 2012 and December 31, 2011. This discussion has been prepared by management, is unaudited, and should be read in conjunction with the financial statements and the notes that follow this section.

Using the Financial Statements

The Airports Authority's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The presentation of the financial statements includes two enterprise funds. The Aviation Enterprise Fund encompasses the activity of Ronald Reagan Washington National Airport (Reagan National) and Washington Dulles International Airport (Dulles International) (collectively, the Airports). The Dulles Corridor Enterprise Fund encompasses the Airports Authority's activity within the Dulles Corridor, which includes, but is not limited to, the Dulles Toll Road and the Dulles Corridor Metrorail Project (Dulles Metrorail Project). The Dulles Corridor is the transportation corridor with an eastern terminus of the East Falls Church Metrorail station at Interstate Route 66 and a western terminus of VA Route 772 in Loudoun County, VA.

The Statements of Net Position depict the Airports Authority's financial position as of a point in time, December 31, and include all assets and liabilities of the Airports Authority. The Statements of Net Position present financial information on all of the Airports Authority's assets and liabilities, with the difference reported as net position. Net position is displayed in three components: net investment in capital assets, which includes capital assets funded from unrestricted and restricted sources, net of accumulated depreciation and outstanding debt attributable to acquisition of the capital assets; restricted when constraints are imposed by third parties or enabling legislation on assets or deferred outflows of resources, net of any liabilities and deferred inflows of resources which will be liquidated with the restricted assets; or unrestricted, which includes all remaining assets, deferred outflows of resources, liabilities and deferred inflows of resources not included in the preceding two categories. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Airports Authority is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position report total operating revenues, operating expenses, non-operating revenues and expenses, and other changes in net position for a fiscal period, the year ended December 31. Revenues and expenses are categorized as either operating or non-operating based upon management's policy as established in accordance with definitions set forth by GASB. Significant recurring sources of the Airports Authority's revenues, including Passenger Facility Charges (PFCs), investment income, and federal, state, and local grants are reported as non-operating revenues or capital contributions. The Airports Authority's interest expense is reported as a non-operating expense.

The Statements of Cash Flows present information showing how the Airports Authority's cash and cash equivalents position changed during the fiscal year. The Statements of Cash Flows classify cash receipts and cash payments resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

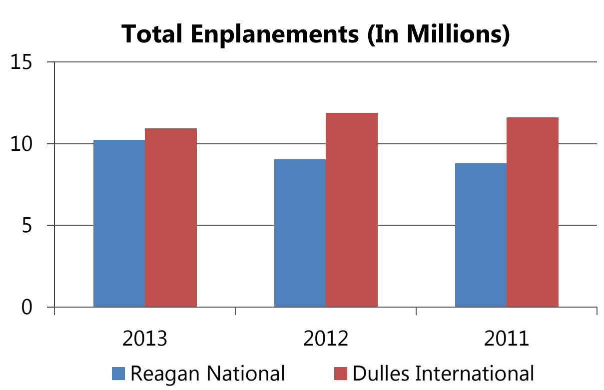
On January 1, 2013, the Airports Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. For comparative purposes, financial results for 2012 reflect the implementation of GASB 65. Financial results for periods prior to 2012 have been adjusted through a change to the beginning balance of retained earnings. For more information, please refer to Note 2 – Implementation of GASB Statement No. 65.

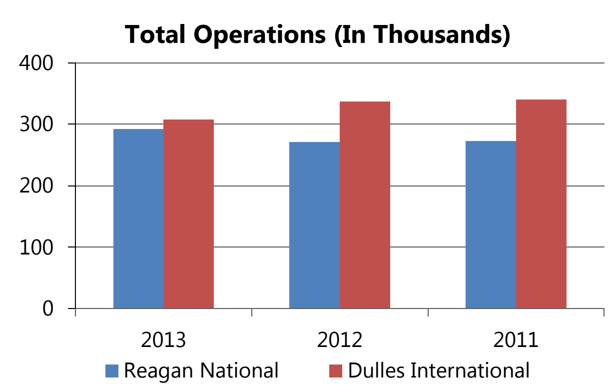
THE AIRPORTS AUTHORITY'S ACTIVITY HIGHLIGHTS

Aviation Enterprise Fund

Demand for air service is driven by economic conditions. In recent years, the aviation industry has been challenged by the global economic downtown, carrier consolidation, and thin profit margins. As a result, the Airports Authority has budgeted minimal annual increases to airline rates and charges, while maintaining the ability to operate the Airports in a safe and secure manner, meeting high customer service standards, and sustaining the organization's long-term financial strength. Activity at Reagan National and Dulles International has remained strong in the face of these industry challenges, with system-wide enplanements reaching 21.1 million in 2013. Airport enplanements and operations activity for the last three years follows:

Enplanements and Operations Activity for 2011 to 2013





	Enplanements and Operations		
	2013	2012	2011
Reagan National Enplanements			
Domestic	9,993,676	9,606,805	9,236,748
Transborder	204,020	181,350	126,064
Non-Commercial	11,335	12,610	10,398
Total Enplanements	10,209,031	9,800,765	9,373,210
Dulles International Enplanements			
Domestic	7,396,633	7,855,073	8,261,152
Transborder and International	3,463,983	3,317,819	3,256,804
Non-Commercial	75,448	75,926	72,597
Total Enplanements	10,936,064	11,248,818	11,590,553
Airports Authority System-wide Enplanements			
Domestic	17,390,309	17,461,878	17,497,900
Transborder and International	3,668,003	3,499,169	3,382,868
Non-Commercial	86,783	88,536	82,995
Total Enplanements	21,145,095	21,049,583	20,963,763
Total Operations			
Reagan National	292,648	288,176	281,770
Dulles International	307,801	312,078	327,493
Total Operations	600,449	600,254	609,263

Enplanements at Reagan National for the 12 months of 2013 were 10.2 million, compared to 9.8 million for 2012 and 9.4 million for 2011. Southwest, JetBlue, and Virgin America have increased their presence at Reagan National in recent years; combined, these carriers accounted for 77 percent of the increase in enplanements between 2012 and 2013 and 61 percent of the increase in enplanements between 2011 and 2012.

In addition, the FAA Reauthorization Act of 2012 allowed each of four incumbent airlines at Reagan National to convert one slot to a beyond-perimeter flight (an exception to the Federal law limiting flights to nonstop distances of 1,250 miles or less), beginning in June 2012. The Reauthorization Act further allowed the addition of four new beyond-perimeter slot pairs beginning in August 2012 for a total of eight new beyond-perimeter flights. These beyond-perimeter flights are generally flown on larger aircraft, which translates into additional enplanements. New beyond-perimeter flights authorized in 2012 included Alaska Airlines service to Portland, Oregon; American Airlines service to Los Angeles, California; Delta Airlines service to Salt Lake City, Utah; JetBlue service to Puerto Rico; Southwest Airlines service to Austin, Texas; United Airlines service to San Francisco, California; US Airways service to San Diego, California; and Virgin America service to San Francisco, California.

Further contributing to the growth in enplanement activity at Reagan National, in July 2011, the Department of Justice approved an exchange of slots held by Delta and US Airways at Reagan National and New York

LaGuardia Airports. As a result of this exchange, US Airways added service to 12 new markets and added service to nine cities already served by other airlines at Reagan National. They were:

New US Airways Markets		Additional US Airways Service
Asheville, NC	Augusta, GA	Cincinnati, OH
Birmingham, AL	Fayetteville, AR	Des Moines, IA
Fayetteville, NC	Ft. Walton Beach, FL	Jackson, MS
Islip, NY	Jacksonville, NC	Memphis, TN
Little Rock, AR	Pensacola, FL	Minneapolis, MN
San Diego, CA	Tallahassee, FL	Montreal, QC
		Omaha, NE
		Ottawa, ON
		Toronto, ON

Total enplanements at Dulles International for 2013 were 10.9 million compared to 11.2 million in 2012 and 11.6 million in 2011. The decline in domestic enplanements between 2011 and 2013 is partially attributable to the transfer of select JetBlue and AirTran/Southwest air service to Reagan National and the transfer of certain Delta, Virgin America, and American air service to Reagan National as a result of the aforementioned regulatory changes at Reagan National. International enplanements of 3.5 million in 2013 represented a 4.4 percent and 1.9 percent increase over 2012 and 2011 international enplanements, respectively. In 2013, United added several new international markets: Quebec City, Canada; Vancouver, Canada; Guatemala City, Guatemala; and San Jose, Costa Rica. Moreover, new carriers Brussels Airlines and Etihad Airways added service to Brussels, Belgium and Abu Dhabi, United Arab Emirates, respectively.

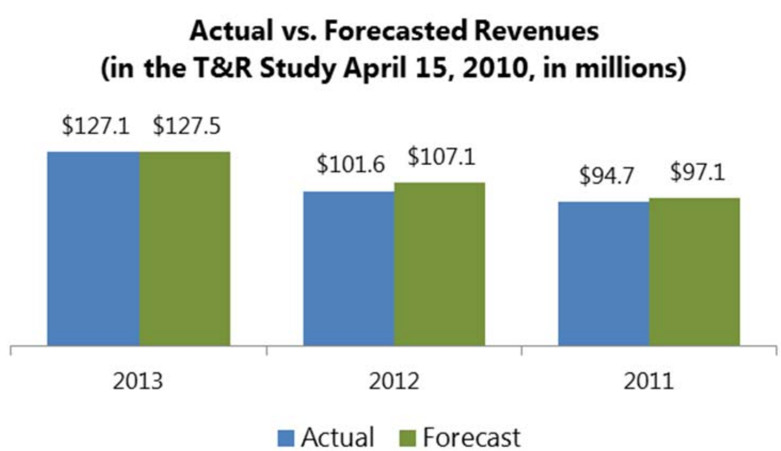
Trade organization Airlines for America reported that industry-wide North American domestic and international enplanements increased by a combined 1.5 percent in 2013. Domestic enplanements grew 1.1 percent, while international enplanements grew 3.5 percent. Reagan National exceeded the industry domestic growth rate by 2.9 percentage points, due to increases in air service. Dulles International's domestic passenger growth rate declined 5.8 percent as a result of domestic carrier capacity adjustments. However, international enplanement growth of 4.4 percent at Dulles International outpaced the industry growth rate of 3.5 percent.

2013 Enplanements Growth	Airports Authority	North America	Difference
Reagan National (Domestic)	4.0%	1.1%	2.9%
Dulles International (Domestic)	-5.8%	1.1%	-6.9%
Dulles International (International)	4.4%	3.5%	0.9%

Dulles Corridor Enterprise Fund

On November 1, 2008, the Virginia Department of Transportation (VDOT) transferred operating and maintenance responsibility of the Dulles Toll Road to the Airports Authority through a permit and operating agreement for a period of 50 years. As of October 1, 2009, the employees of the Dulles Toll Road became employees of the Airports Authority, all contracts of the Dulles Toll Road became contracts of the Airports Authority, and the Airports Authority's public safety department began providing the primary police and fire service for the Dulles Toll Road. As part of the agreement with the Commonwealth of Virginia (the Commonwealth), the Airports Authority is constructing the Dulles Metrorail Project from the vicinity of the West Falls Church Metrorail station to Route 772 in Loudoun County and will make other improvements in the Dulles Corridor consistent with VDOT and regional plans, using revenues from the Dulles Toll Road to pay the resulting debt service.

Toll rate increases implemented in each of the past three years resulted in expected declines in Dulles Toll Road transactions. The Dulles Toll Road processed an average of 8.2, 8.3, and 8.5 million toll transactions per month in 2013, 2012, and 2011, respectively. These transaction levels resulted in revenues that fell slightly short of the forecasts made by the independent consulting firm that produced the 2010 Dulles Toll Road Traffic and Revenue Study; total revenues in 2013 were approximately 99.7 percent of forecasted revenues compared to 94.9 percent in 2012 and 97.5 percent in 2011. Electronic (E-ZPass) penetration accounted for 80.7 percent of Dulles Toll Road revenue in 2013, an increase from 77.4 percent in 2012 and 74.6 percent in 2011.

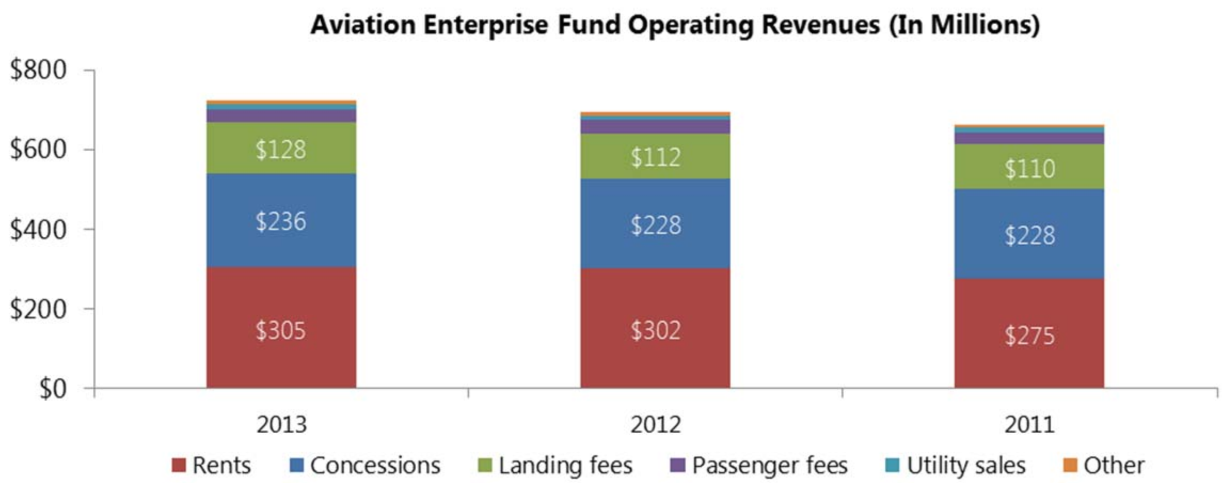


FINANCIAL HIGHLIGHTS - AVIATION ENTERPRISE FUND

Pursuant to the Airports Authority's Airport Use Agreement and Premises Lease (Use and Lease Agreement), the Airports Authority receives airline-based revenues such as terminal rents, landing fees, international arrival fees, and passenger conveyance fees as well as non-airline, activity-based concession revenues, which include public parking, rental car activities, and food, beverage, and retail operations, among others. Signatory airlines, those that have signed the Use and Lease Agreement, are required to pay actual costs plus debt service coverage, while the majority of concessionaires pay the greater of a percentage of sales revenue or a minimum annual guarantee (MAG).

The Aviation Enterprise Fund recorded $723.0 million in operating revenues for 2013, an increase of $28.1 million from 2012. Aviation Enterprise Fund operating revenues increased $31.0 million between 2011 and 2012. Total operating revenues for each of the past three years follow:

	Aviation Enterprise Fund		
	2013	2012	2011
Operating revenues			
Rents	$ 305,301,798	$ 301,637,067	$ 275,428,113
Concessions	236,254,054	227,719,891	227,599,995
Landing fees	128,386,773	112,282,616	110,255,672
Passenger fees	32,828,954	33,442,803	30,331,231
Utility sales	12,143,660	11,704,662	11,979,591
Other	8,108,012	8,160,525	8,381,229
Total operating revenues	$ 723,023,251	$ 694,947,564	$ 663,975,831



Airline Revenues

Airlines that operate at Reagan National and Dulles International pay for the costs to operate the Airports and to cover the Airports Authority's principal and interest payments on outstanding Aviation Enterprise Fund debt. When operating costs for the Aviation Enterprise Fund increase, there is a corresponding increase in the rates charged to the airlines. In 2013, airline revenue, which consisted of landing fees, terminal rents, and passenger fees, totaled $466.5 million, which was an increase of $19.2 million, or 4.3 percent from prior year. In 2012, airline revenue totaled $447.4 million, which was an increase of $31.3 million, or 7.5 percent, compared to 2011.

In 2013, rent revenues totaled $305.3 million, which was an increase of $3.7 million, or 1.2 percent, from 2012. Rent revenue increased $26.2 million, or 9.5 percent, from 2011 to $301.6 million in 2012. The key driver of increased terminal rents has been an increase in debt service costs resulting from the recent completion of large capital projects, including Terminal A improvements at Reagan National, the Automated People Mover (AeroTrain) that was placed into service at Dulles International in early 2010, and the expansion of the International Arrivals Building at Dulles International.

Landing fee revenues totaled $128.4 million in 2013, which was an increase of $16.1 million from 2012; landing fee revenues increased $2.0 million from 2011 to $112.3 million in 2012. Landing fees at both airports increased in recent years. Signatory landing fees per 1,000 pounds at Reagan National increased to $4.19 in 2013 from $3.55 in 2012 and $3.42 in 2011. In 2013, signatory airline landing fees per 1,000 pounds at Dulles International increased to $4.23 from $3.72 in 2012and $3.50 in 2011.

Passenger fees, including passenger conveyance, international arrivals fees, and fees paid by the Transportation Security Administration (TSA), totaled $32.8 million in 2013 and decreased $614 thousand, or 1.8 percent, from 2012 due to reduced security fees. In 2012, passenger fees increased $3.1 million, or 10.3 percent, from 2011 as a result of increased international traffic and International Arrivals Building fees at Dulles International.

Concession Revenues

The Airports Authority's concession revenues totaled $236.3 million in 2013, which was an increase of $8.5 million, or 3.7 percent, from 2012 concession revenues of $227.7 million. Concession revenues accounted for 32.7 percent of total operating revenues in both 2013 and 2012, and 34.3 percent in 2011. The decreases in 2013 and 2012 were attributable to the aforementioned increases in airline revenues, which outpaced the growth in concession revenues over the same period.

The following table details concession revenues by major category for the years ended 2013, 2012 and 2011:

	Concession Revenues		
	2013	2012	2011
Parking	$ 110,113,780	$ 108,943,383	$ 108,936,324
Rental cars	36,416,084	35,433,032	38,706,628
Food and beverage	18,992,489	18,011,106	17,274,882
Fixed base operator	15,542,501	15,467,248	14,109,352
Newsstand and retail	12,814,549	12,238,148	12,003,769
Display advertising	10,240,914	10,665,291	12,061,771
Inflight caterers	10,005,313	7,925,048	7,172,499
Ground transportation	9,770,802	8,595,780	8,401,055
Duty free	4,666,805	4,455,682	4,009,278
All other	7,690,817	5,985,173	4,924,437
Total	$ 236,254,054	$ 227,719,891	$ 227,599,995

Parking revenues continued to rank as the Airports Authority's largest concession in 2013, providing $110.1 million in total revenues for the year, an increase of $1.2 million, or 1.1 percent, from 2012 on higher overall passenger traffic and parking rate increases. Parking revenues in 2012 were flat compared to 2011 at $108.9 million. New rental car contracts were executed at Reagan National in 2011; these contracts contained lower minimum annual guarantees than the contracts previously in effect. As a result, rental car revenues decreased $3.3 million to $35.4 million in 2012. In 2013, rental car revenues increased $1.0 million to $36.4 million, due to higher revenues in excess of the minimum annual guarantee.

The Airports Authority is implementing new food, beverage, and retail programs at both Airports; recently implemented concepts included CakeLove at Reagan National in 2013. Food and beverage revenue totaled $19.0 million in 2013, which represented an increase of $1.0 million from 2012. Food and beverage revenue increased $736 thousand during 2012. Newsstand and retail revenue has remained relatively flat at $12.8 million, $12.2 million, and $12.0 million in 2013, 2012, and 2011, respectively.

Fixed base operator revenues of $15.5 million in 2013 remained consistent with prior year; increases in 2013 and 2012 were attributable to higher MAGs. Inflight catering revenues increased $2.1 million to $10.0 million in 2013 as a result of increased international passenger traffic at Dulles International and new contracts that provide the Airports Authority with a higher percentage of revenues. Ground transportation revenues increased $1.2 million in 2013, due to an additional shared ride service provider at both airports and higher minimum guarantees at Dulles International. All other areas of concession revenues accounted for a combined net increase of $1.5 million over 2012. This increase was largely attributable to a $1.6 million increase in foreign currency revenues due to a new contract that provides for a higher minimum annual guarantee, but was partially offset by lower advertising revenues.

Utility Sales and Other Revenues

Revenues from utility sales to airport tenants increased 3.8 percent from $11.7 million in 2012 to $12.1 million in 2013 due to higher consumption. Revenues from utility sales decreased 2.3 percent in 2012 from $12.0 million in 2011.

In 2013, other revenues, which primarily represent revenues from employee and tenant parking permits, decreased $53 thousand to $8.1 million. Other revenues decreased $221 thousand from $8.4 million in 2011 to $8.2 million in 2012.

Operating Expenses

Operating expenses for the Aviation Enterprise Fund for the fiscal year ended December 31, 2013 totaled $630.8 million, a decrease of $42.3 million, or 6.3 percent, from 2012. The primary reason for this decrease was a one-time expense of $40.2 million that was charged in 2012 in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (GASB 42) to write-off project costs for the discontinuation of the Tier 2 Concourse and related facilities at Dulles International and in-line baggage screening improvements at Reagan National. A $19.9 million expense adjustment was also recorded in 2012 to reduce the balance of accumulated depreciation that had been recorded in 2011.

Materials, equipment, supplies, contract services, and other expenses increased $11.0 million, or 5.6 percent, to $206.0 million in 2013 primarily as a result of a $3.9 million increase in non-capitalized facility projects, a $3.1 million increase in snow and ice control supplies, and a $2.6 million increase in bond issuance costs, which are now expensed in accordance with GASB 65. The same line item increased by $7.4 million, or 3.9 percent in 2012, primarily due to a $2.3 million increase in non-capitalized facility projects, a $1.8 million charge for obsolescence of inventory, and a $1.2 million increase in insurance payments and claims.

Salaries and related benefits expenses increased $4.2 million, or 2.7 percent, from 2012 to $155.7 million in 2013. Regular full time pay for Airports Authority employees increased $2.5 million, or 2.5 percent, over 2012. Overtime costs increased $1.0 million, or 16.6 percent, to $7.3 million in 2013 as a result of snowstorms. In 2013, the Airports Authority's health insurance expenses increased $1.7 million to $20.0 million. The Airports Authority continued funding its Other Post-Employment Benefits (OPEB) program and recorded $5.7 million in expenses for 2013 and $6.4 million in expenses for 2012. The contribution percentages to the Airports Authority's pension plans increased to 7.8 percent in 2013 from 7.2 percent of eligible earnings in 2012 for the General Employee Plan and decreased to 13.5 percent in 2013 from 14.0 percent of eligible earnings in 2012 for the Police and Firefighters' plan. The funded ratio as of the actuarial valuation date of December 31, 2013 was 104.2 percent for the General Employee Plan and 103.2 percent for the Police and Firefighters' plan.

The Airports Authority implemented Oracle EBusiness Solutions as its Enterprise Resource Planning (ERP) System in mid-2011. According to accounting principles as promulgated in GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51), the Airports Authority was in the developmental stage of the implementation program through early 2009 and expensed the costs through the Statements of Revenues, Expenses and Changes in Net Position. From 2009 until the system was placed in service in June of 2011, applicable costs were capitalized. All related training and data conversion costs were expensed.

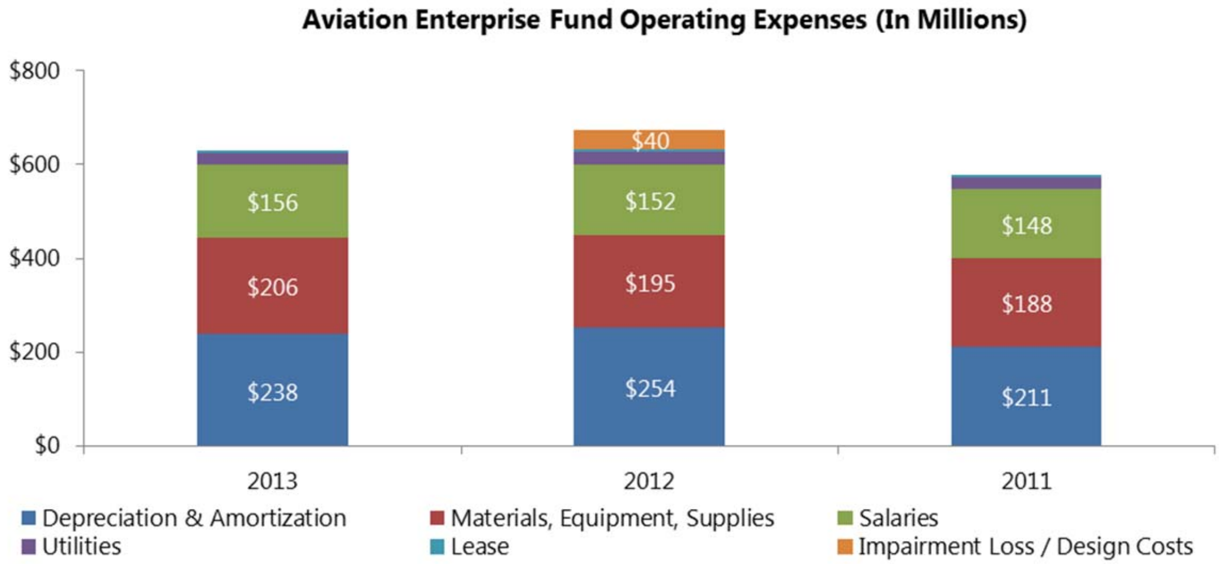
The Airports Authority's utility expenses for 2013 were $26.1 million, a decrease of $1.1 million from 2012, or 4.2 percent. This decrease was a result of a reduction in natural gas usage and lower electricity rates compared to prior year. Utility expenses for 2012 were $27.3 million, which was an increase of $711 thousand compared to 2011.

Depreciation and amortization expenses totaled $237.7 million in 2013. This was a decrease of $16.1 million from 2012 because of the aforementioned $19.9 million reduction of accumulated depreciation in 2012, partially offset by a $3.3 million adjustment to the 2012 balance to reflect implementation of GASB 65. At Reagan National, the Airports Authority completed runway 1/19 improvements as well as improvements to Terminal A. In 2012, the public safety communications center was upgraded to include additional functionality, the security systems were upgraded, and improvements were made to runways and taxiways. At Dulles International in 2013, a passenger boarding bridge was installed in Concourse C/D, improvements were made to taxi lanes and taxiways, and improvements were made to the communication system and cargo building systems. In 2012, projects at Dulles International included the first phase of building changes for in-line baggage screening and improvements to runways and cargo building systems. For more information on changes in capital assets, please refer to Note 10 – Changes in Capital Assets.

A cost allocation plan is used to identify and quantify all overhead and other indirect costs appropriately allocable to the Dulles Toll Road or to the Dulles Metrorail Project within the Dulles Corridor Enterprise Fund. As a result of this allocation plan, $9.9, $9.7, and $8.5 million of Aviation Enterprise Fund operating expenses were allocated to the Dulles Corridor Enterprise Fund in 2013, 2012, and 2011, respectively.

The following presents total operating expenses for the years ended 2013, 2012 and 2011:

	Aviation Enterprise Fund		
	2013	2012	2011
Operating expenses			
Materials, equipment, supplies, contract services, and other	$ 205,964,686	$ 194,967,615	$ 187,607,830
Salaries and related benefits	155,687,570	151,531,516	148,072,307
Impairment loss / design costs	-	40,239,036	-
Utilities	26,116,991	27,253,512	26,542,084
Lease from U.S. Government	5,335,290	5,303,936	5,180,558
Depreciation and amortization	237,667,144	253,743,153	211,365,393
Total operating expenses	$ 630,771,681	$ 673,038,768	$ 578,768,172



Changes in Net Position

Operating income was $92.3 million in 2013, which was a $70.3 million increase from 2012, when operating income totaled $21.9 million. Operating income in 2012 declined $63.3 million from 2011 as a result of one-time adjustments to depreciation and impairment expenses.

When compared to 2012, total non-operating revenues increased $73.7 million and non-operating expenses increased $6.8 million. Non-operating revenue in 2013 was comprised of $12.0 million in investment income primarily as a result of interest earned on debt service reserve funds, $82.0 million in fair value gains on swaps, and $737 thousand of federal, state, and local grants in support of operations. Non-operating expenses, which included interest expense on the Aviation Enterprise Fund's $5.1 billion in outstanding bonds and notes payable, totaled $216.9 million. The $82.0 million fair value gain on swaps was a significant change from 2012 and 2011 when the change in fair value on swaps was a gain of $6.4 million and a loss of $96.2 million, respectively. Please refer to Note 14 – Derivatives for more information on the swap portfolio.

Capital contributions include PFCs, federal, state, and local grants, and other capital property acquired. PFC revenue for 2013 was $79.1 million, which was a decrease of $4.2 million from 2012. PFC revenue in 2012 totaled $83.3 million and increased $4.6 million from 2011.

Federal, state, and local grants in support of capital programs were $73.3 million in 2013, $54.5 million in 2012, and $54.8 million in 2011. In 2013, the Airports Authority received $23.3 million in Airport Improvement Program (AIP) grants primarily to reimburse the capital costs of constructing the fourth runway at Dulles International, of reconstructing a portion of Taxiway Y at Dulles International, and improving the safety areas for runways 15/33 and 4/22 at Reagan National. The Airports Authority also received American Recovery and Reinvestment Act (ARRA) grants of $46.9 million for the East/West in-line baggage electronic detection system.

Additionally, the Airports Authority received $1.1 million from TSA for in-line baggage screening. Please refer to Note 18 – Government Grants for more information on grant activity.

The change in net position is an indicator of the overall fiscal condition of the Aviation Enterprise Fund. Net position increased in 2013 by $130.9 million due in large part to higher operating income and increased fair value gain on swaps. In 2012, net position decreased by $29.5 million as a result of higher operating expenses relating to one-time impairment costs and depreciation adjustments. Net position decreased $68.8 million in 2011 due to the $96.2 million fair value loss on swaps.

The following represents a summary of the Statements of Revenues, Expenses and Changes in Net Position for the Aviation Enterprise Fund:

	Aviation Enterprise Fund		
	2013	2012	2011
Operating income			
Operating revenues	$ 723,023,251	$ 694,947,564	$ 663,975,831
Operating expenses	630,771,681	673,038,768	578,768,172
Total operating income	92,251,570	21,908,796	85,207,659
Non-operating revenues			
Investment income	11,992,454	13,356,837	24,683,618
Federal, state and local grants	736,767	1,222,205	874,810
Fair value gains on swaps	81,962,970	6,422,461	-
Total non-operating revenues	94,692,191	21,001,503	25,558,428
Non-operating expenses			
Interest expense	(216,902,168)	(210,149,419)	(221,951,744)
Fair value losses on swaps	-	-	(96,249,918)
Total non-operating expenses	(216,902,168)	(210,149,419)	(318,201,662)
Income/(Loss) before capital contributions	(29,958,407)	(167,239,120)	(207,435,575)
Capital contributions	160,813,543	137,715,748	138,612,005
Change in net position	$ 130,855,136	$ (29,523,372)	$ (68,823,570)

FINANCIAL HIGHLIGHTS - DULLES CORRIDOR ENTERPRISE FUND

Operating Revenues

For the year ended December 31, 2013, the Airports Authority recorded toll revenues of $127.1 million, which consisted of electronic toll collections (E-ZPass) of $102.5 million, cash collections of $22.7 million, and violations revenue of $1.8 million. Overall toll collection revenue increased $25.5 million from 2012, largely driven by a $23.9 million increase in E-ZPass revenues. Toll revenues increased $6.9 million from 2011 to 2012. In 2013, E-ZPass revenue comprised 80.7 percent of toll revenues in 2013, up from 77.4 percent in 2012 and 74.6 percent in 2011. Overall increases in total operating revenue for 2013, 2012, and 2011 were driven by successive toll rate increases that went into effect on January 1 of each of the past three years.

	Dulles Corridor Enterprise Fund		
	2013	2012	2011
Operating revenues			
Electronic toll collection revenues	$ 102,478,081	$ 78,613,469	$ 70,634,124
Cash revenues	22,735,432	21,892,705	22,905,593
Violation revenues	1,845,828	1,089,915	1,119,821
Other	500	7,750	-
Total operating revenues	$ 127,059,841	$101,603,839	$ 94,659,538

Operating Expenses

For the years ended December 31, 2013 and 2012, the Dulles Corridor Enterprise Fund recorded $39.9 million and $34.1 million in operating expenses, respectively. Operating expenses were primarily comprised of materials, supplies, equipment, contract services, and other, which totaled $23.0 million in 2013, an increase of $2.4 million from 2012. This expense category included $6.0 million in electronic toll collection fees paid to the third party processor of E-ZPass transactions and $5.7 million in maintenance and repair costs. Snow removal costs increased $687 thousand to $927 thousand as a result of an increased amount of snowfall in 2013. In 2012, materials, supplies, equipment, contract services, and other totaled $20.6 million, which included $5.5 million in electronic toll collection fees paid to the third party processor of E-ZPass transactions and $5.4 million in maintenance and repair costs.

The majority of costs related to the Dulles Corridor Enterprise Fund are directly charged to the Fund. In certain instances, overhead costs for the Airports Authority are initially paid from the Aviation Enterprise Fund but are appropriately allocable to the Dulles Corridor Enterprise Fund as costs associated with operation of the Dulles Toll Road or as costs of the Dulles Metrorail Project. In 2013, $9.9 million was allocated from the Aviation Enterprise Fund to the Dulles Corridor Enterprise Fund, with $5.6 million allocated to the Dulles Toll Road and $4.3 million allocated to the Dulles Metrorail Project. In 2012, $9.7 million was allocated from the Aviation Enterprise Fund to the Dulles Corridor Enterprise Fund, with $5.3 million allocated to the Dulles Toll Road and $4.4 million allocated to the Dulles Metrorail Project.

Depreciation and amortization expenses increased $2.4 million to $6.0 million in 2013. The same line item decreased $374 thousand from $3.9 million in 2011 to $3.6 million in 2012. Recent increases in depreciation and amortization expenses were due to the Dulles Access Highway I-495 ramp that was placed into service in September 2012.

Salaries and related benefits expense increased $934 thousand from $9.8 million in 2012 to $10.7 million in 2013. The increase was due to a $774 thousand increase in allocated salaries and benefits expense associated with Metrorail Phase 2.

	Dulles Corridor Enterprise Fund		
	2013	2012	2011
Operating expenses			
Materials, equipment, supplies, contract services, and other	$23,017,779	$20,603,618	$21,744,158
Salaries and related benefits	10,697,056	9,763,238	9,298,144
Utilities	225,075	191,922	237,082
Depreciation and amortization	5,986,036	3,552,926	3,926,601
Total operating expenses	$39,925,946	$34,111,704	$35,205,985

Changes in Net Position

The Dulles Corridor Enterprise Fund closed 2013 with total Net Position of $1,795.3 million. The following represents a summary of the Statements of Revenues, Expenses and Changes in Net Position of the Dulles Corridor Enterprise Fund.

	Dulles Corridor Enterprise Fund		
	2013	2012	2011
Operating income			
Operating revenues	$ 127,059,841	$ 101,603,839	$ 94,659,538
Operating expenses	39,925,946	34,111,704	35,205,985
Total operating income	87,133,895	67,492,135	59,453,553
Non-operating revenues (expenses)			
Investment income (loss)	(1,854,080)	1,182,797	10,932,190
Federal, state and local grants	-	6,810	107,564
Interest expense	(21,467,437)	(19,322,104)	(18,060,020)
Contributions to other governments	-	(313,812)	(1,297,882)
Total non-operating revenues (expenses)	(23,321,517)	(18,446,309)	(8,318,148)
Income before capital contributions	63,812,378	49,045,826	51,135,405
Capital contributions	136,179,778	286,167,948	232,311,015
Change in net position	$ 199,992,156	$ 335,213,774	$ 283,446,420

The increase in net position for the Dulles Corridor Enterprise Fund totaled $200.0 million, $335.2 million, and $283.4 million for the years ended December 31, 2013, 2012, and 2011, respectively. Total operating income for the Dulles Corridor Enterprise Fund was $87.1 million, $67.5 million in 2012, and $59.5 million in 2011. The 29.1 percent increase in total operating income over 2012 was largely driven by toll rate increases that became effective January 1, 2013, while the 13.5 percent increase in total operating income from 2011 to 2012 was the result of toll rate increases that became effective January 1, 2012.

Total non-operating expenses increased from $18.4 million in 2012 to $23.3 million in 2013, primarily as a result of higher interest expense and investment losses. Interest expenses totaled $21.5 million, which was a $2.2 million increase from 2012, as a result of increased borrowings. Investment losses totaled $1.9 million in 2013. For the years ended December 31, 2012 and 2011, the Dulles Corridor Enterprise Fund had investment income of $1.2 million and $10.9 million, respectively.

Government grants in support of capital programs for the Dulles Corridor Enterprise Fund totaled $136.2 million for the fiscal year ending December 31, 2013 and $282.1 million for the fiscal year ending December 31, 2012. Federal grants included $85.0 million related to the Dulles Metrorail Project, while local government contributions totaled $51.2 million. Please refer to Note 18 – Government Grants for more information on grant activity. In addition, the Dulles Corridor Enterprise Fund recorded other contributed capital property of $4.1 million in 2012.

STATEMENTS OF NET POSITION – TOTAL BUSINESS TYPE ACTIVITIES

The Statements of Net Position present 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 Position is the difference between total assets plus deferred outflows and total liabilities plus deferred inflows 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 position on December 31, 2013, 2012, and 2011, follows:

	Total Business-Type Activities		
	2013	2012	2011
Assets			
Current assets	$ 953,742,525	$ 780,698,464	$ 696,107,643
Non-current assets			
Restricted	847,900,077	880,380,804	994,217,040
Unrestricted	377,740,115	209,261,341	288,588,541
Capital assets, net	8,132,692,945	7,744,479,463	7,202,502,470
Total Assets	$ 10,312,075,662	$ 9,614,820,072	$ 9,181,415,694
Deferred Outflows of Resources	$ 65,951,606	$ 67,406,909	$ 54,870,485
Liabilities			
Current liabilities	$ 637,552,876	$ 401,498,137	$ 413,978,790
Non-current liabilities	7,117,266,865	6,988,326,978	6,785,041,244
Total Liabilities	$ 7,754,819,741	$ 7,389,825,115	$ 7,199,020,034
Deferred Inflows of Resources	$ 177,029	$ 218,660	$ 54,450
Net Position			
Net investment in capital assets	$ 1,925,134,409	$ 1,930,730,211	$ 1,681,513,627
Restricted	363,436,785	179,512,976	165,379,374
Unrestricted	334,459,304	181,940,019	190,318,694
Total Net Position	$ 2,623,030,498	$ 2,292,183,206	$ 2,037,211,695

Current assets totaled $953.7 million on December 31, 2013, an increase of $173.0 million from 2012. Current assets increased $84.6 million to $780.7 million at December 31, 2012. Current assets for the Aviation Enterprise Fund decreased $27.5 million in 2013, primarily as a result of a $57.4 million decrease in unrestricted cash and cash equivalents and a $36.5 million decrease in unrestricted investments, partially offset by a $59.2 million increase in restricted investments related to debt service. Between 2011 and 2012, current assets for the Aviation Enterprise Fund increased $65.3 million due to a $76.1 million increase in unrestricted investments and an $11.0 million increase in cash and cash equivalents, offset by a $19.2 million decrease in accounts receivable. Current assets for the Dulles Corridor Enterprise Fund increased 88.1 percent, or $200.6 million, in 2013 due primarily to a $142.7 million increase in restricted cash as a result of the issuance of commercial paper notes totaling $150.5 million, as discussed in Note 15 – Capital Debt. In 2012, the Dulles Corridor Enterprise Fund's current assets increased $19.3 million, or 9.2 percent.

Non-current assets increased $524.2 million from 2012 to 2013 and $348.8 million from 2011 to 2012, largely due to increases in capital assets, net of depreciation, totaling $388.2 million and $542.0 million, respectively. These increases were primarily related to the Dulles Metrorail Project. Other significant changes between 2012 and 2013 include a $168.5 million increase in unrestricted non-current assets as a result of a $172.6 million increase in investments within the Aviation Enterprise Fund. Total capital assets within the Dulles Corridor Enterprise Fund increased $455.2 million as a result of continued construction of the Dulles Metrorail Project. In 2012, the Aviation Enterprise Fund recorded a $110.2 million decrease in restricted non-current assets due largely to a $104.9 million decrease in investments. Similarly, unrestricted non-current assets for the Aviation Enterprise Fund decreased $62.4 million due to a $23.2 million decrease in investments, as well as decreases associated with bond issuance as a result of implementation of GASB Statement No. 65 (please see Note 2 – Implementation of GASB Statement No. 65 for more information). The Dulles Corridor Enterprise Fund recorded an increase of $697.8 million in capital assets that, as in 2013, was largely attributable to construction in progress for the Dulles Metrorail Project.

Current liabilities increased $236.1 million from 2012 to $637.6 million, due primarily to the issuance of $150.0 million in Series 2013 interim revenue notes (discussed in greater detail in Note 15 – Capital Debt), as well as a $30.0 million increase in advance billings and payments received in advance related to Commonwealth of Virginia grant revenues that are expected to be earned in 2014. The Aviation Enterprise Fund's accounts payable and accrued expenses increased $27.8 million to $79.6 in 2013. The change was driven by increases in rent payments received in advance as well as amounts due to signatory airlines as a result of the annual settlement process (please refer to Note 3 – Airport Use Agreement and Premises Lease for more information). As of December 31, 2013, the Dulles Corridor Enterprise Fund had a liability of $3.9 million due to the Aviation Enterprise Fund for services provided in the normal course of business, including the cost allocation plan. In 2012, current liabilities decreased $12.5 million from 2011. The decrease in current liabilities from 2011 was driven by a $10.9 million decrease in accounts payable and accrued expenses in the Dulles Corridor Enterprise Fund due to the Dulles Metrorail Project.

In 2013, non-current liabilities increased $128.9 million to $7.1 billion. This increase was largely due to the issuance of commercial paper notes for the Dulles Corridor Enterprise Fund totaling $150.4 million, in addition to a $110.4 million increase in other liabilities. Of these other liabilities, $110.0 million was unearned grant revenues from the Commonwealth of Virginia. These increases were offset by an $82.0 million reduction in interest rate swaps payable and a $49.9 million reduction in bonds payable. In 2012, non-current liabilities increased $203.3 million, which was largely due to the issuance of $149.6 million of commercial paper notes in the Dulles Corridor Enterprise Fund, offset by a $17.5 million refunding in commercial paper notes in the Aviation Enterprise Fund. In addition, notes payable increased $200.0 million in the Dulles Corridor Enterprise Fund with the issuance of the 2012 Full Funding Grant Agreement (FFGA) notes. Aviation Enterprise Fund bonds payable declined $155.5 million due to principal payments totaling $128.0 million, while Dulles Corridor Enterprise Fund bonds payable saw a $32.0 million increase primarily related to the change in accretion of capital appreciation bonds.

Total net position, which represents the residual interest in the Airports Authority assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, increased $330.8 million from 2012 and $255.0 million from 2011. The Aviation Enterprise Fund and Dulles Corridor Enterprise Fund provided a $130.8 million increase and $200.0 million increase, respectively for 2013. In 2012, the Dulles Corridor Enterprise

Fund provided a $320.3 million increase in total net position, while the Aviation Enterprise Fund recorded a decrease of $65.3 million in total net position.

Net investment in capital assets decreased $5.6 million from 2012 and increased $249.2 million from 2011. The decrease in 2013 was attributable to a $43.4 million reduction within the Aviation Enterprise Fund, partially offset by a $37.8 million increase in the Dulles Corridor Enterprise Fund. The increase in 2012 was attributable to a $356.4 million increase in the Dulles Corridor Enterprise Fund, partially offset by a $107.2 million decrease in the Aviation Enterprise Fund.

On December 31, 2013, total restricted net position of $363.4 million consisted of funds restricted for construction, debt service, leases, Dulles Rail latent defects, Dulles Toll Road repairs, and Public Safety. This was an overall increase from 2012 of $183.9 million. The Aviation Enterprise Fund's restricted net position increased $29.9 million, primarily due to a $30.3 million net increase in assets restricted for construction. The Dulles Corridor Enterprise Fund's restricted net position increase of $154.0 million included a $139.4 million increase in assets restricted for construction. Total restricted net position increased $14.1 million from 2011 to 2012 due to an $8.9 million net increase in assets restricted for construction and a $6.7 million increase in assets restricted for debt service.

Total unrestricted net position at the end of the reporting period for the Airports Authority was $334.5 million, which represented an overall increase of $152.5 million from 2012. Unrestricted net position increased $144.3 million to $386.5 million for the Aviation Enterprise Fund and increased $8.2 million for the Dulles Corridor Enterprise Fund. These net unrestricted assets may be used to meet any of the Airports Authority's ongoing operational needs, including debt service for the Aviation Enterprise Fund and Dulles Corridor Enterprise Fund, subject to approval by the Airports Authority's Board of Directors. Unrestricted net position decreased $8.4 million from 2011 to 2012 due an increase of $22.0 million for the Aviation Enterprise Fund, which was offset by a $30.4 million reduction for the Dulles Corridor Enterprise Fund.

CAPITAL FINANCING AND DEBT MANAGEMENT

Aviation Enterprise Fund

The Airports Authority is financing its Aviation Enterprise Fund Capital Construction Program (CCP) through a combination of revenues, entitlements, and discretionary grants received from the Federal Aviation Administration (FAA), state grants, PFCs, and revenue bonds. Long-term debt is the principal source of funding for the CCP. Please refer to Note 15 – Capital Debt for additional detail on the Airports Authority's long-term debt activity.

On June 27, 2013, the Airports Authority's Aviation Enterprise Fund issued $245.6 million of Series 2013A-C Airport System Revenue and Refunding Bonds. The Series 2013A Alternative Minimum Tax (AMT) Airport System Revenue and Refunding Bonds' par amount was $207.2 million. The proceeds were used to refund Series 2003A Bonds, fund certain capital projects at the Airports, and pay the cost of issuing the bonds. This transaction refunded $153.3 million of Series 2003A Bonds maturing in 2013-2033. The Airports Authority's present value savings of this refunding was $8.8 million. The Series 2013B Taxable Airport System Revenue Refunding Bonds' par amount was $27.4 million, which refunded $33.9 million of Taxable Series 2003C Bonds maturing in 2013-2023 for net present value savings of $3.6 million. The Series 2013C Non-AMT Airport System Revenue Refunding Bonds' par amount was $11.0 million, which refunded $13.5 million of Series 2004A Bonds maturing in 2015-2022 for net present value savings of $1.2 million.

The Airports Authority's Aviation Enterprise Fund's long-term uninsured bonds are rated "AA-" by Fitch, "A1" by Moody's, and "AA-" by Standard & Poor's Rating Services (S&P). Fitch affirmed the "AA-" rating with "Stable" outlook and S&P affirmed the Airports Authority's "AA-" rating with a "Stable Outlook" on June 20, 2013. Moody's changed its rating from "Aa3" to "A1" and the outlook from "Negative" to "Stable" on June 20, 2013.

The Airports Authority, through its Master Indenture of Trust, has agreed to maintain debt service coverage of not less than 1.25x. Debt service coverage is calculated as defined in the Master Indenture of Trust. Historically, the Airports Authority has maintained a coverage ratio significantly higher than its requirement. For 2013, 2012, and 2011 the Airports Authority's debt service coverage was 1.40x, 1.35x, and 1.37x, respectively.

Dulles Corridor Enterprise Fund

On November 13, 2013, the Airports Authority Board authorized the issuance of up to $400.0 million Dulles Toll Road Subordinate Lien Notes, Series 2013 to provide funds for the Dulles Metrorail Project and fund costs of issuance of the Notes. In the same month, the Airports Authority sold $150.0 million of the Series 2013 Notes to J.P. Morgan Chase Bank, National Association.

On December 17, 2012, the Airports Authority issued a $200 million fixed rate note secured by the remaining federal funding anticipated to be received pursuant to a Full Funding Grant Agreement (FFGA) with the Federal Transit Administration for Phase 1 of the Rail Project.

In June 2011, the Airports Authority Board authorized the issuance of CP Notes for the Dulles Corridor Enterprise Fund in a not-to-exceed amount of $300 million. In 2012, the Airports Authority made a draw of the program totaling $149.6 million. In August 2013, the Airports Authority made a draw of the program totaling $150.4 million, which consumed the entire credit capacity available under the program. At December 31, 2013, the Dulles Corridor Enterprise Fund had $300.0 million outstanding in Series One CP Notes and $1.4 billion in outstanding bonds payable.

FEDERAL, STATE, AND LOCAL GRANT ACTIVITY

The Airports Authority receives grants from the United States government, the Commonwealth of Virginia, and other local grantors for certain operating and capital construction programs.

Aviation Enterprise Fund

In 2013, the Aviation Enterprise Fund received $1.2 million in total federal, state, and local grants in support of operations. This included $460 thousand in funding for the Law Enforcement Officer Reimbursement Program, which offsets expenses incurred by the Airports Authority's Public Safety personnel serving a support role to the Transportation Security Administration (TSA). Other federal grants included $422 thousand from TSA, which was used to offset the expense of training and caring for canines used in explosives detection and $207 thousand related to the collaborative effort between the Airports Authority, the Department of Justice, and the U.S. Treasury Department.

The Aviation Enterprise Fund also recognized $73.3 million in federal, state, and local grants in support of capital programs in 2013. The FAA's Airport Improvement Program provided $23.3 million for runway construction and rehabilitation, taxiway reconstruction, and runway safety area improvements. TSA funding included $1.1 million for the South Bag Basement in-line baggage screening project. ARRA funds related to capital programs for the Aviation Enterprise Fund totaled $46.9 million in 2013 and were reimbursed for the costs of installing East/West in-line baggage screening at Dulles International Airport.

Dulles Corridor Enterprise Fund

The Federal Transit Administration is the primary grantor to the Dulles Metrorail Project and has committed a total of $900.0 million in federal New Starts funding for the project. The $900.0 million Full Funding Grant Agreement (FFGA) was approved by the FTA on March 10, 2009 and is inclusive of all previously awarded grants for the Dulles Metrorail Project. During 2013, the Dulles Corridor Enterprise Fund recognized $71.3 million of the FFGA award.

In 2009, USDOT allocated $77.3 million in ARRA funding to the Dulles Metrorail Project. These funds replaced Section 5309 funds that are scheduled to be received in the final year (2016) of the FFGA. As of February 2012, the Airports Authority had fulfilled its ARRA local match requirement of $199.2 million, and the close-out of the ARRA grant was completed on April 16, 2012.

During 2012, the Dulles Corridor Enterprise Fund recognized $51.2 million of state and local grants in support of capital programs. In 2013, the Commonwealth of Virginia provided $150.0 million in funding towards Phase 1 of the Dulles Metrorail Project in order to allow the Airports Authority to minimize future toll rates charged to users of the Dulles Toll Road. The first $10.0 million was recognized in 2013.

Please refer to Note 18 – Government Grants for more information on grant activity.

CASH AND INVESTMENT MANAGEMENT – TOTAL BUSINESS TYPE ACTIVITIES

The Airports Authority's cash and cash equivalents increased $24.7 million to $885.5 million as of December 31, 2013. This was driven by an increase of $128.9 million in the Dulles Corridor Enterprise Fund and a decrease in available cash and cash equivalents, both restricted and unrestricted, of $104.2 million in the Aviation Enterprise Fund. Cash and cash equivalents with an original maturity of three months or less are considered highly liquid investments. Restricted and unrestricted investments increased by $107.8 million in 2013, which was attributable to a $148.6 million increase in the Aviation Enterprise Fund non-current investments.

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

	Total Business-Type Activities		
	2013	2012	2011
Cash received from operations	$890,435,794	$823,810,455	$735,825,740
Cash expended from operations	(412,152,426)	(416,552,797)	(429,946,902)
Net cash provided by operations	478,283,368	407,257,658	305,878,838
Net cash provided (used) by:			
Noncapital financing activities	733,463	915,187	346,296
Capital and related financing activities	(282,510,236)	(366,652,850)	(657,397,187)
Investing activities	(171,853,266)	68,941,086	214,667,578
Net increase (decrease) in cash and cash equivalents	24,653,329	110,461,081	(136,504,475)
Cash and cash equivalents, beginning of year	860,893,456	750,432,375	886,936,850
Cash and cash equivalents, end of year	$885,546,785	$860,893,456	$750,432,375

Cash temporarily idle during 2013 was invested in demand deposits, certificates of deposit, commercial paper, United States government and agency obligations, mutual funds, repurchase agreements collateralized by the United States government or agency obligations, and other permitted investments as listed in the Master Indenture for the Airports Authority's outstanding bonds. During 2013, the Airports Authority's Aviation Enterprise Fund operating account average portfolio balance was $493.0 million, and the average yield on investments was 0.179 percent. The capital funds are held by an agent for the Trustee but managed by the Airports Authority. For 2013, the capital funds had an average portfolio balance of $447.4 million and an average yield of 1.827 percent. During 2013, the Airports Authority's Dulles Corridor Enterprise Fund operating account average portfolio balance was $108.8 million and the average yield on investments was 0.010 percent. As is the case with the Aviation Enterprise Fund, capital funds for the Dulles Corridor Enterprise Fund are held by an agent for the Trustee, but managed by the Airports Authority. For 2013, the capital funds had an average portfolio balance of $306.1 million and an average yield of 0.526 percent.

Certain Airports Authority funds that will be used for bond requirements 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 Airports Authority's Board. The Airports Authority's investment committee meets periodically to review the portfolios for policy compliance (see Note 5 – Deposits and Investments).

CAPITAL CONSTRUCTION

Aviation Enterprise Fund

The Aviation Enterprise Fund capitalized $56.1 million in projects in 2013, principally for utility relocation related to runway 1/19 and improvements to Terminal A at Reagan National and installation of a passenger boarding bridge, taxi lane and taxiway improvements and pavement replacement, communication system improvements, and cargo building system improvements at Dulles International. Ongoing and new projects in 2014 and beyond include a building rehabilitation for Terminal A and runway safety improvements at Reagan National and improvements to Concourse C/D, electrical and utility upgrades and runway safety improvements at Dulles International.

Dulles Corridor Enterprise Fund

The Dulles Corridor Enterprise Fund's Renewal and Replacement program provided funds to address major maintenance requirements including overlays, sound wall repairs, bridge deck replacements, erosion and drainage control, and other maintenance projects. The Renewal and Replacement program is funded from toll road revenues. In addition, the Dulles Corridor Capital Improvement Program funds improvements related to the Dulles Toll Road, its ancillary ramps and interchanges, and the Dulles Rail Project. These projects, which are funded from bond proceeds, Federal Transit Administration grants, and contributions from Fairfax County and the Commonwealth of Virginia, include the Metrorail project, as well as other studies and improvements. The total Capital Improvement Program expenditure budget for 2013 was $666.6 million, of which $448.9 million was allocated for Phase 1 of the Rail project and $147.0 million was allocated for Phase 2.

For more information on capital asset activity, please refer to Note 10 – Changes in Capital Assets.

CONTACTING THE AIRPORTS AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide the Airports Authority's Board, 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 for additional financial information, please contact Andrew Rountree, Vice President for Finance and Chief Financial Officer, at the following address: 1 Aviation Circle, Washington, DC, 20001-6000 or e-mail BondholdersInformation@mwaa.com.

Statement of Net Position
As of December 31, 2013

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
ASSETS			
Current assets			
Cash and cash equivalents	$ 53,107,005	$ 121,966,039	$ 175,073,044
Restricted cash and cash equivalents	211,205,801	288,031,505	499,237,306
Accounts receivable, net	43,525,251	425,747	43,950,998
Investments	141,279,455	-	141,279,455
Restricted investments	61,944,492	17,073,797	79,018,289
Inventory	8,079,261	361,404	8,440,665
Prepaid expenses and other current assets	6,412,364	330,404	6,742,768
Total current assets	525,553,629	428,188,896	953,742,525
Non-current assets			
Restricted:			
Cash and cash equivalents	16,043,720	195,192,715	211,236,435
Accounts receivable	48,840,644	130,528,402	179,369,046
Investments	321,696,946	135,597,650	457,294,596
Total restricted	386,581,310	461,318,767	847,900,077
Unrestricted:			
Note receivable	5,633,165	-	5,633,165
Investments	330,602,733	-	330,602,733
Net pension assets	3,797,361	-	3,797,361
Bond insurance costs	13,406,401	19,392,538	32,798,939
Other assets	4,907,917	-	4,907,917
Total unrestricted	358,347,577	19,392,538	377,740,115
Capital assets:			
Land and other non-depreciable assets	183,051,181	-	183,051,181
Construction in progress	379,274,498	6,340,599	385,615,097
Construction in progress - Dulles Metrorail Project Phase 1	-	3,028,392,978	3,028,392,978
Construction in progress - Dulles Metrorail Project Phase 2	-	185,077,990	185,077,990
Buildings, systems and equipment	6,844,443,330	78,263,346	6,922,706,676
Less: accumulated depreciation	(2,565,927,007)	(6,223,970)	(2,572,150,977)
Capital assets, net	4,840,842,002	3,291,850,943	8,132,692,945
Total non-current assets	5,585,770,889	3,772,562,248	9,358,333,137
Total assets	$ 6,111,324,518	$ 4,200,751,144	$ 10,312,075,662
DEFERRED OUTFLOWS OF RESOURCES			
Gain on debt refundings	$ 65,951,606	$ -	$ 65,951,606
Total deferred outflows of resources	$ 65,951,606	$ -	$ 65,951,606

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

Statement of Net Position
As of December 31, 2013

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	$ 79,566,126	$ 127,613,517	$ 207,179,643
Advance billings and payments received in advance	38,283,978	34,281,629	72,565,607
Accrued lease obligations	341,140	7,851	348,991
Due to (due from) other funds	(3,936,941)	3,936,941	-
Accrued interest payable	52,366,780	13,194,973	65,561,753
Current portion of bonds and notes payable	137,695,000	154,201,882	291,896,882
Total current liabilities	304,316,083	333,236,793	637,552,876
Non-current liabilities			
Other liabilities	6,611,308	126,037,290	132,648,598
Commercial paper notes	21,000,000	300,000,000	321,000,000
Notes payable	-	200,000,000	200,000,000
Interest rate swaps payable	111,957,472	-	111,957,472
Bonds payable, net	4,905,527,136	1,446,133,659	6,351,660,795
Total non-current liabilities	5,045,095,916	2,072,170,949	7,117,266,865
Total liabilities	$ 5,349,411,999	$ 2,405,407,742	$ 7,754,819,741
DEFERRED INFLOWS OF RESOURCES			
Loss on debt refundings	$ 177,029	$ -	$ 177,029
Total deferred inflows of resources	$ 177,029	$ -	$ 177,029
NET POSITION			
Net investment in capital assets	$ 306,146,170	$ 1,618,988,239	$ 1,925,134,409
Restricted for			
Construction	87,380,885	183,413,785	270,794,670
Debt service	40,742,916	21,809,923	62,552,839
Leases	6,589,193	-	6,589,193
Dulles Rail latent defects	-	15,003,256	15,003,256
Dulles Toll Road repairs	-	8,121,425	8,121,425
Public Safety	375,402	-	375,402
Unrestricted	386,452,530	(51,993,226)	334,459,304
Total net position	$ 827,687,096	$ 1,795,343,402	$ 2,623,030,498

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

Statement of Net Position
As of December 31, 2012

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
ASSETS			
Current assets			
Cash and cash equivalents	$ 110,499,852	$ 79,492,264	$ 189,992,116
Restricted cash and cash equivalents	204,762,899	145,364,093	350,126,992
Accounts receivable, net	42,595,511	65,560	42,661,071
Investments	177,750,805	-	177,750,805
Restricted investments	2,776,304	2,136,025	4,912,329
Inventory	8,173,110	205,914	8,379,024
Prepaid expenses and other current assets	6,532,112	344,015	6,876,127
Total current assets	553,090,593	227,607,871	780,698,464
Non-current assets			
Restricted:			
Cash and cash equivalents	69,343,025	251,431,323	320,774,348
Accounts receivable	30,213,001	43,688,292	73,901,293
Investments	345,718,767	139,986,396	485,705,163
Total restricted	445,274,793	435,106,011	880,380,804
Unrestricted:			
Note receivable	9,327,369	-	9,327,369
Investments	157,952,823	-	157,952,823
Net pension assets	3,467,187	-	3,467,187
Bond insurance costs (Note 2)	16,311,706	21,313,890	37,625,596
Other assets	888,366	-	888,366
Total unrestricted	187,947,451	21,313,890	209,261,341
Capital assets:			
Land and other non-depreciable assets	182,685,100	-	182,685,100
Construction in progress	274,520,382	137,493	274,657,875
Construction in progress - Dulles Metrorail Project Phase 1	-	2,678,740,974	2,678,740,974
Construction in progress - Dulles Metrorail Project Phase 2	-	86,308,162	86,308,162
Buildings, systems and equipment	6,782,501,724	73,824,878	6,856,326,602
Less: accumulated depreciation	(2,331,916,430)	(2,322,820)	(2,334,239,250)
Capital assets, net	4,907,790,776	2,836,688,687	7,744,479,463
Total non-current assets	5,541,013,020	3,293,108,588	8,834,121,608
Total assets	$ 6,094,103,613	$ 3,520,716,459	$ 9,614,820,072
DEFERRED OUTFLOWS OF RESOURCES			
Gain on debt refundings (Note 2)	$ 67,406,909	$ -	$ 67,406,909
Total deferred outflows of resources	$ 67,406,909	$ -	$ 67,406,909

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

Statement of Net Position
As of December 31, 2012

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	$ 51,782,056	$ 126,488,934	$ 178,270,990
Advance billings and payments received in advance	10,016,922	-	10,016,922
Accrued lease obligations	341,140	111,910	453,050
Due to (due from) other funds	(3,733,503)	3,733,503	-
Accrued interest payable	53,207,337	13,103,205	66,310,542
Current portion of bonds and notes payable	137,405,000	9,041,633	146,446,633
Total current liabilities	249,018,952	152,479,185	401,498,137
Non-current liabilities			
Other liabilities	6,221,580	16,042,796	22,264,376
Commercial paper notes	21,000,000	149,550,000	170,550,000
Notes payable	-	200,000,000	200,000,000
Interest rate swaps payable	193,920,442	-	193,920,442
Bonds payable, net (Note 2)	4,994,298,928	1,407,293,232	6,401,592,160
Total non-current liabilities	5,215,440,950	1,772,886,028	6,988,326,978
Total liabilities	$ 5,464,459,902	$ 1,925,365,213	$ 7,389,825,115
DEFERRED INFLOWS OF RESOURCES			
Loss on debt refundings (Note 2)	$ 218,660	$ -	$ 218,660
Total deferred inflows of resources	$ 218,660	$ -	$ 218,660
NET POSITION			
Net investment in capital assets	$ 349,551,737	$ 1,581,178,474	$ 1,930,730,211
Restricted for			
Construction	57,050,161	43,991,451	101,041,612
Debt service	41,301,170	7,436,165	48,737,335
Leases	6,438,460	-	6,438,460
Dulles Rail latent defects	-	15,001,701	15,001,701
Dulles Toll Road repairs	-	7,923,355	7,923,355
Public Safety	370,513	-	370,513
Unrestricted (Note 2)	242,119,919	(60,179,900)	181,940,019
Total net position	$ 696,831,960	$ 1,595,351,246	$ 2,292,183,206

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

Statement of Revenues, Expenses and Changes in Net Position
For the year ended December 31, 2013

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
OPERATING REVENUES			
Concessions	$ 236,254,054	$ -	$ 236,254,054
Tolls	-	127,059,341	127,059,341
Rents	305,301,798	-	305,301,798
Landing fees	128,386,773	-	128,386,773
Utility sales	12,143,660	-	12,143,660
Passenger fees	32,828,954	-	32,828,954
Other	8,108,012	500	8,108,512
Total operating revenues	723,023,251	127,059,841	850,083,092
OPERATING EXPENSES			
Materials, equipment, supplies, contract services, and other	205,964,686	23,017,779	228,982,465
Salaries and related benefits	155,687,570	10,697,056	166,384,626
Utilities	26,116,991	225,075	26,342,066
Lease from U.S. Government	5,335,290	-	5,335,290
Depreciation and amortization	237,667,144	5,986,036	243,653,180
Total operating expenses	630,771,681	39,925,946	670,697,627
OPERATING INCOME	92,251,570	87,133,895	179,385,465
NON-OPERATING REVENUES (EXPENSES)			
Investment income	11,992,454	(1,854,080)	10,138,374
Interest expense	(216,902,168)	(21,467,437)	(238,369,605)
Federal, state and local grants	736,767	-	736,767
Fair value gain on swaps	81,962,970	-	81,962,970
Total non-operating revenues (expenses)	(122,209,977)	(23,321,517)	(145,531,494)
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(29,958,407)	63,812,378	33,853,971
CAPITAL CONTRIBUTIONS			
Passenger facility charges	79,056,914	-	79,056,914
Federal, state and local grants	73,256,629	136,179,778	209,436,407
Other capital property contributed	8,500,000	-	8,500,000
Total capital contributions	160,813,543	136,179,778	296,993,321
NET POSITION			
Change in net position	130,855,136	199,992,156	330,847,292
Net position, beginning of year	696,831,960	1,595,351,246	2,292,183,206
Net position, end of year	$ 827,687,096	$ 1,795,343,402	$ 2,623,030,498

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

Statement of Revenues, Expenses and Changes in Net Position
For the year ended December 31, 2012

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
OPERATING REVENUES			
Concessions	$ 227,719,891	$ -	$ 227,719,891
Tolls	-	101,596,089	101,596,089
Rents	301,637,067	-	301,637,067
Landing fees	112,282,616	-	112,282,616
Utility sales	11,704,662	-	11,704,662
Passenger fees	33,442,803	-	33,442,803
Other	8,160,525	7,750	8,168,275
Total operating revenues	694,947,564	101,603,839	796,551,403
OPERATING EXPENSES			
Materials, equipment, supplies, contract services, and other (Note 2)	194,967,615	20,603,618	215,571,233
Impairment loss / design costs	40,239,036	-	40,239,036
Salaries and related benefits	151,531,516	9,763,238	161,294,754
Utilities	27,253,512	191,922	27,445,434
Lease from U.S. Government	5,303,936	-	5,303,936
Depreciation and amortization (Note 2)	253,743,153	3,552,926	257,296,079
Total operating expenses	673,038,768	34,111,704	707,150,472
OPERATING INCOME	21,908,796	67,492,135	89,400,931
NON-OPERATING REVENUES (EXPENSES)			
Investment income	13,356,837	1,182,797	14,539,634
Interest expense	(210,149,419)	(19,322,104)	(229,471,523)
Federal, state and local grants	1,222,205	6,810	1,229,015
Fair value gain on swaps	6,422,461	-	6,422,461
Contributions to other governments	-	(313,812)	(313,812)
Total non-operating revenues (expenses)	(189,147,916)	(18,446,309)	(207,594,225)
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(167,239,120)	49,045,826	(118,193,294)
CAPITAL CONTRIBUTIONS			
Passenger facility charges	83,263,578	-	83,263,578
Federal, state and local grants	54,452,170	282,100,210	336,552,380
Other capital property contributed	-	4,067,738	4,067,738
Total capital contributions	137,715,748	286,167,948	423,883,696
NET POSITION			
Change in net position	(29,523,372)	335,213,774	305,690,402
Net position, beginning of year	726,355,332	1,260,137,472	1,986,492,804
Net position, end of year	$ 696,831,960	$ 1,595,351,246	$ 2,292,183,206

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

Statement of Cash Flows
For the year ended December 31, 2013

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating cash receipts from customers	$ 754,054,772	$ 126,699,654	$ 880,754,426
Cash payments to suppliers for goods and services	(218,435,664)	(17,767,278)	(236,202,942)
Cash payments to employees for services	(163,489,919)	(2,778,197)	(166,268,116)
Cash receipts for interfund services	9,681,368	-	9,681,368
Cash payments for interfund services	-	(9,681,368)	(9,681,368)
NET CASH PROVIDED BY OPERATING ACTIVITIES	381,810,557	96,472,811	478,283,368
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interest paid to vendors	(214)	(3,090)	(3,304)
Federal, state and local grants in support of operations	736,767	-	736,767
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	736,553	(3,090)	733,463
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of bonds/notes	245,615,000	150,000,000	395,615,000
Proceeds from issuance of commercial paper	-	150,450,000	150,450,000
Payments for refunding of bond notes and commercial paper	(200,670,000)	-	(200,670,000)
Principal payments on bonds/notes and commerical paper	(130,580,000)	(9,041,633)	(139,621,633)
Payments for capital expenditures and construction in progress	(150,311,217)	(380,531,770)	(530,842,987)
Proceeds from sale of capital assets	81,495	45,895	127,390
Refundings of bond insurance costs	1,832,318	-	1,832,318
Interest paid on bonds and commercial paper	(227,108,919)	(59,598,934)	(286,707,853)
Federal, state and local grants in aid of construction	52,983,376	193,621,297	246,604,673
Passenger facility charge receipts	80,702,524	-	80,702,524
Passenger facility charge expenses and interest	332	-	332
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(327,455,091)	44,944,855	(282,510,236)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from short-term investment maturities	312,277,863	3,504,722	315,782,585
Purchase of short-term investments	(318,475,863)	-	(318,475,863)
Proceeds from long-term investment maturities	223,057,511	14,996,313	238,053,824
Purchase of long-term investments	(376,200,780)	(31,013,032)	(407,213,812)
NET CASH USED IN INVESTING ACTIVITIES	(159,341,269)	(12,511,997)	(171,853,266)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(104,249,250)	128,902,579	24,653,329
CASH AND CASH EQUIVALENTS, Beginning of year	384,605,776	476,287,680	860,893,456
CASH AND CASH EQUIVALENTS, End of year	$ 280,356,526	$ 605,190,259	$ 885,546,785

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

Statement of Cash Flows
For the year ended December 31, 2013

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	$ 92,251,570	$ 87,133,895	$ 179,385,465
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	237,509,731	5,929,710	243,439,441
Loss on disposal of assets	157,413	56,326	213,739
Provision for losses on accounts receivable	331,462	-	331,462
(Increase) decrease in assets:			
Accounts receivable	(1,261,201)	(360,187)	(1,621,388)
Inventory	93,849	(155,488)	(61,639)
Prepaid expenses and other current assets	119,747	13,610	133,357
Net pension assets	(330,174)	-	(330,174)
Other long term assets	3,694,204	-	3,694,204
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	20,790,610	3,626,597	24,417,207
Advance billings and payments received in advance	28,267,056	-	28,267,056
Due to (due from) other funds	(203,438)	203,438	-
Long-term liabilities	389,728	24,910	414,638
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 381,810,557	$ 96,472,811	$ 478,283,368
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Unrealized loss on investments	$ (4,572,316)	$ (4,388,746)	$ (8,961,062)
Contributions from other entities	$ 8,500,000	$ -	$ 8,500,000
Increase (decrease) in capital assets in accounts payable and accrued expenses	$ 6,993,460	$ (2,636,489)	$ 4,356,971
Fair value gain on swaps	$ 81,962,970	$ -	$ 81,962,970

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

Statement of Cash Flows
For the year ended December 31, 2012

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating cash receipts from customers	$ 714,520,453	$ 101,637,229	$ 816,157,682
Cash payments to suppliers for goods and services (Note 2)	(233,032,440)	(18,689,499)	(251,721,939)
Cash payments to employees for services	(154,540,329)	(2,637,756)	(157,178,085)
Cash receipts for interfund services	7,652,773	-	7,652,773
Cash payments for interfund services	-	(7,652,773)	(7,652,773)
NET CASH PROVIDED BY OPERATING ACTIVITIES	334,600,457	72,657,201	407,257,658
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash provided to other governments	-	(313,812)	(313,812)
Interest paid to vendors	(16)	-	(16)
Federal, state and local grants in support of operations	1,222,205	6,810	1,229,015
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,222,189	(307,002)	915,187
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of bonds/notes	311,825,000	200,000,000	511,825,000
Proceeds from issuance of commercial paper	-	149,000,000	149,000,000
Payments for refunding of bond notes and commercial paper	(381,910,000)	-	(381,910,000)
Principal payments on bonds/notes and commerical paper	(127,950,000)	(6,568,844)	(134,518,844)
Swap Payment	(72,500)	-	(72,500)
Payments for capital expenditures and construction in progress	(103,713,443)	(627,183,826)	(730,897,269)
Proceeds from sale of capital assets	192,708	-	192,708
Refundings of bond insurance costs (Note 2)	67,445	-	67,445
Interest paid on bonds and commercial paper	(235,077,901)	(56,502,315)	(291,580,216)
Federal, state and local grants in aid of construction	50,113,250	379,267,628	429,380,878
Passenger facility charge receipts	81,862,347	-	81,862,347
Passenger facility charge expenses and interest	(2,399)	-	(2,399)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(404,665,493)	38,012,643	(366,652,850)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	16,785,893	2,962,406	19,748,299
Proceeds from short-term investment maturities	248,218,888	-	248,218,888
Purchase of short-term investments	(244,756,218)	-	(244,756,218)
Proceeds from long-term investment maturities	304,252,379	10,994,977	315,247,356
Purchase of long-term investments	(258,522,262)	(10,994,977)	(269,517,239)
NET CASH PROVIDED BY INVESTING ACTIVITIES	65,978,680	2,962,406	68,941,086
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,864,167)	113,325,248	110,461,081
CASH AND CASH EQUIVALENTS, Beginning of year	387,469,943	362,962,432	750,432,375
CASH AND CASH EQUIVALENTS, End of year	$ 384,605,776	$ 476,287,680	$ 860,893,456

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

Statement of Cash Flows
For the year ended December 31, 2012

	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (Note 2)	$ 21,908,796	$ 67,492,135	$ 89,400,931
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization (Note 2)	253,743,153	3,552,926	257,296,079
Provision for losses on accounts receivable	1,220,910	-	1,220,910
Impairment loss on construction in progress	40,239,036	-	40,239,036
(Increase) decrease in assets:			
Accounts receivable	17,945,372	33,389	17,978,761
Inventory	363,446	27,673	391,119
Prepaid expenses and other current assets	(1,216,434)	153,930	(1,062,504)
Net pension assets	(269,110)	-	(269,110)
Other long term assets	2,274,491	-	2,274,491
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	884,437	(645,018)	239,419
Advance billings and payments received in advance	(1,867,885)	-	(1,867,885)
Due to (due from) other funds	(2,041,538)	2,041,538	-
Long-term liabilities	1,415,783	628	1,416,411
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 334,600,457	$ 72,657,201	$ 407,257,658
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Unrealized loss on investments	$ (2,706,458)	$ (697,724)	$ (3,404,182)
Contributions from other entities	$ -	$ 4,067,738	$ 4,067,738
Decrease in capital assets in accounts payable and accrued expenses	$ (1,260,970)	$ (10,246,635)	$ (11,507,605)
Fair value gain on swaps	$ 6,494,961	$ -	$ 6,494,961

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

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Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Metropolitan Washington Airports Authority (the Airports Authority) is an independent interstate agency created by the Commonwealth of Virginia (the Commonwealth) and the District of Columbia with the consent of the United States Congress. The Commonwealth and the District of Columbia enacted essentially identical legislation creating the Airports Authority for the purpose of operating Ronald Reagan Washington National Airport (Reagan National) and Washington Dulles International Airport (Dulles International) (collectively, the Airports).

Pursuant to an Agreement and Deed of Lease, effective June 7, 1987, the Airports were transferred by the U.S. Government to the Airports Authority for an initial term of 50 years. On June 17, 2003, the Agreement and Deed of Lease was extended 30 years to June 6, 2067.

On November 1, 2008, the Virginia Department of Transportation (VDOT) transferred responsibility for the operation and maintenance of the Dulles Toll Road to the Airports Authority for an initial term of 50 years. In connection with the transfer, the Airports Authority is constructing the Dulles Corridor Metrorail Project (Dulles Metrorail Project) and is making other improvements in the Dulles Corridor consistent with VDOT and regional plans.

The Airports Authority is governed by a Board of Directors (the Board) with members appointed by the Governors of the Commonwealth of Virginia and the State of Maryland, the Mayor of the District of Columbia, and the President of the United States. Only the accounts of the Airports Authority are included in the reporting entity. There are no U.S. or state government agency finances that should be considered for inclusion in the Airports Authority's financial reporting entity.

B. Measurement Focus, Basis of Accounting & Financial Statement Presentation

The financial statements of the Airports Authority are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board (GASB). Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when incurred.

As defined by the GASB, the Airports Authority reports the operations of the Airports and the Dulles Toll Road, Dulles Metrorail Project, and related improvements as two separate Business-Type Activities. 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 operate as a single Business-Type Activity and are reported in the Airports Authority's Aviation Enterprise Fund. The Dulles Toll Road, the Dulles Metrorail Project, and related improvements in the Dulles

Corridor operate as a single Business-Type Activity and are reported in the Dulles Corridor Enterprise Fund. The effects of interfund activity between these two enterprise funds have been eliminated in the total columns of the financial statements.

Revenues from airlines, concessions, rental cars, parking and toll collections are reported as operating revenues. Financing and 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 expenses.

C. Use of Estimates in the Preparation of the Financial Statements

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. Significant estimates include the useful lives of capital assets, the fair value of derivative financial instruments, an allowance for doubtful accounts, other post-employment benefits obligations, and certain self-insured liabilities. Actual results could differ from those estimates.

D. Budgeting Requirements

The Airports Authority's annual budgeting process is a financial planning tool used to establish the estimated revenues and expenditures for the Aviation Enterprise Fund and Dulles Corridor Enterprise Fund. The Airports Authority is not required to demonstrate statutory compliance with its annual operating budgets. Accordingly, budgetary data is not included in the basic financial statements.

E. Net Position

Net position represents the residual interest of all other elements presented in the statement of financial position for the Aviation Enterprise Fund and the Dulles Corridor Enterprise Fund. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is displayed in three components: *Net investment in capital assets*, which include capital assets funded from unrestricted and restricted sources, net of accumulated depreciation and outstanding debt attributable to acquisition of the capital assets; *Restricted* when constraints are imposed by third parties or enabling legislation on assets or deferred outflows of resources, net of any liabilities and deferred inflows of resources which will be liquidated with the restricted assets; or *Unrestricted*, which include all remaining assets, deferred outflows of resources, liabilities and deferred inflows of resources not included in the preceding two categories.

F. Revenue Recognition

Revenues that result from providing services in connection with the principal ongoing operations of the Airports Authority's enterprises are reported as operating revenues. Revenues are reported net of estimated uncollectible amounts. The Airports Authority's operating revenues are presented in eight major categories as follows:

Concessions – Concession revenues are generated from public parking facilities and from commercial tenants who provide goods and services to the public or to other tenants of the airports. Commercial tenant operations include car rentals, food and beverage sales, retail and newsstand sales, display advertising, ground transportation, in-flight catering, fixed-based operations, and other provided services. Revenues earned by the Airports Authority for commercial tenant operations are based on negotiated agreements and are usually based on the greater of a minimum annual guarantee or a percentage of the tenants' gross receipts. Parking fees are collected directly by the Airports Authority. Concession revenues are recognized when minimum guarantees are earned or as services are provided or goods are sold to the public or other tenants of the airport.

Tolls – Toll revenues represent revenues collected from vehicles using the Dulles Toll Road and include automated vehicle identification or electronic toll collections, cash collections and violation revenues. Violation revenues are recorded at gross amounts, and the related collection and administrative fees are expensed. Toll revenues are recognized in the period in which the toll road usage occurred.

Rents – Rental revenues are earned through leases of Airports Authority terminal and non-terminal property space. Leases with the airlines are based on full cost recovery plus debt service coverage, through rates and charges as described in Note 3 – Airport Use Agreement and Premises Lease. Other leases are for terms of one or more years and include contractually established rental rates and provisions for annual rent adjustments. Rental revenues include common area maintenance charges as well as cost recovery for normal utility usage in most cases. Terminal and concourse rental rates at Dulles International include cost recovery and debt service coverage for the Automated People Mover system (the AeroTrain). Rental revenue is recognized over the life of the respective leases.

Landing Fees – Landing fees are generated principally from the airlines and are based on the landed weight of aircraft. The landing fee structure is determined annually based on full cost recovery of airside related charges pursuant to an agreement between the Airports Authority and the signatory airlines, as described in Note 3 – Airport Use Agreement and Premises Lease. Landing fees are recognized as revenues based on the airlines' operating activities at the Airports.

Utility Sales – Utility revenues are generated from metered utility usage for terminal and non-terminal tenants whose utility usage is not already included in rental fees. Utility revenues are recognized based on the period of actual usage.

Passenger Fees – Passenger fee revenues are comprised of fees charged to airlines for use of U.S. Customs and Border Protection Federal Inspection facilities and for use of the mobile lounge passenger conveyance system at Dulles International. Passenger fee revenues also include security fees charged to the Transportation Security Administration. Passenger fee revenues are recognized when the facilities and systems are used or when the security services are provided.

Customer Facility Charge – On April 1, 1993, the Airports Authority began requiring the on-airport car rental companies at Reagan National to charge a Customer Facility Charge (CFC) to be used to pay, or to reimburse the Airports Authority, for costs, fees, and expenses associated with financing, maintaining, and operating the car rental companies' Quick Turn-Around Facility, 55 percent of the cost of the south parking structure, 55 percent of the costs of busing service used to transport public parking patrons, and other costs, fees and expenses that may be paid from CFC proceeds. The CFC is $2.50 per rental day and is collected by the car rental companies from each of their customers and subsequently remitted to the Airports Authority. In accordance with the concessions contracts between the Airports Authority and the car rental companies, the CFC cannot be used for the Airports Authority's indirect costs. CFC revenues are included in the Statements of Revenues, Expenses and Changes in Net Position as concessions revenues and associated assets are included in the Statements of Net Position as unrestricted assets.

Other Revenues – The other revenues category includes employee parking fees, medical service fees, and other miscellaneous revenues. Other revenues are recognized during the period the services are provided.

G. Allocations of Overhead and Other Indirect Costs and Project Costs

The majority of costs related to the Aviation Enterprise Fund and the Dulles Corridor Enterprise Fund are directly charged to the appropriate fund as a direct cost. Administrative functions, which represent overhead costs for the entire Airports Authority, as well as other indirect costs, such as Public Safety functions, are initially paid from the Aviation Enterprise Fund, but include costs which are appropriately allocable to the Dulles Corridor Enterprise Fund as costs associated with the operation of the Dulles Toll Road or as project management and administration costs for the Dulles Metrorail Project. A cost allocation plan is used to identify and quantify all overhead and other indirect costs appropriately allocable to the Dulles Toll Road or to the Dulles Metrorail Project within the Dulles Corridor Enterprise Fund.

All allocated overhead and other indirect costs are expensed by the Dulles Corridor Enterprise Fund and recognized as a reduction of expenses by the Aviation Enterprise Fund. Costs allocated for 2013 and 2012 are recognized within *Operating Expenses* on the Statements of Revenues, Expenses and Changes in Net Position as follows:

	Year ended December 31,	
	2013	2012
Materials, equipment, supplies, contract services, and other	$ 1,447,318	$ 2,308,629
Salaries and related benefits	7,816,073	7,041,624
Utilities	25,625	30,680
Depreciation and amortization	595,790	313,379
Total	$ 9,884,806	$ 9,694,312

The Dulles Metrorail Project is being constructed in two phases (refer to Note 4 – The Dulles Toll Road and Construction of the Dulles Metrorail Project). Project overhead costs are allocated between the two phases of the project based on a cost allocation plan and are recorded as construction in progress.

H. 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, United States government and agency obligations, mutual funds, and repurchase agreements collateralized by United States government or agency obligations with an original maturity of three months or less, including restricted assets.

I. Investments

The Airports Authority's investment policy is determined by the Board of Directors. Permitted investments are set within the policy. Written investment objectives and procedures are developed by the staff in consultation with the Investment Committee. The Investment Committee meets quarterly to review the portfolio performance, confirm compliance to the policy, and formulate an investment plan for the next quarter.

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. Fair value equals quoted market prices, if available. If a quoted market value is not available, fair value is estimated based upon quoted market prices for securities with similar characteristics.

Investments consist of certificates of deposit, commercial paper, United States government and agency obligations, guaranteed investment contracts and repurchase agreements collateralized by United States government or agency obligations, with an original maturity greater than three months, with the exception of overnight sweeps, which are treated as investments.

J. Accounts Receivable

Accounts receivable are reported net of estimated uncollectible amounts when earned. The Airports Authority's payment terms range from zero to 30 days (60 days for government agencies), depending on the type of service provided. An allowance for doubtful accounts pertains only to the Aviation Enterprise Fund and is based on management estimates of uncollectible revenue billings. As a customer's balance is deemed uncollectible, the receivable is offset against this allowance. Subsequent receipt of a receivable previously written off is applied to this allowance.

K. Inventory and Prepaid Items

Inventory consists of supplies, maintenance parts, and bulk materials such as sand and salt, all of which are for use at the Airports and Dulles Toll Road. Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Inventories are valued at cost using the weighted average valuation method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

L. Restricted Assets

Assets restricted to specific purposes by legally enforceable requirements are segregated on the Statements of Net Position. Requirements include: externally imposed requirements by creditors (such as through debt covenants), grantors or contributors; laws or regulations of other governments; and constitutional provisions or enabling legislation.

The Airports Authority's restricted assets are expendable. The Airports Authority's policy is to spend restricted assets before unrestricted assets are spent when both are available for the same purpose. Restricted assets necessary to meet current liability obligations are classified as current assets. Restricted assets that are restricted for disbursement in the acquisition or construction of non-current assets or that are segregated for the liquidation of long-term debts are classified as non-current assets.

Assets restricted for construction include the funds available for the design and construction of capital improvements for the Airports and the Dulles Toll Road as well as for construction of the Dulles Metrorail Project. Assets restricted for construction include cash, investments and receivables obtained from debt proceeds, grants and passenger facility charges. Assets restricted for debt service include the cash balances required to pay the semi-annual interest payments as well as the principal for the annual October bond payments. The restricted assets for debt service reserve include cash and investments totaling the maximum amount of required principal payments for the bonds scheduled to come due in one year. The debt service reserve accounts are revalued each year in October. Any amounts in excess of the debt service requirements are transferred to the applicable construction fund or taken into the operating fund of the Airports Authority if the construction funds have been expended. If the debt service reserve is insufficient, the Airports Authority transfers funds into the accounts. Assets restricted for leases represents funds which have been restricted based on operating lease agreements. Assets restricted for Dulles Rail latent defects and for Dulles Toll Road repairs represent cash and investments which are held in accordance with contractual agreements for the construction of the Dulles Metrorail Project as well as the operation of the Dulles Toll Road (refer to Note 4 – The Dulles Toll Road and Construction of the Dulles Metrorail Project). Assets restricted for the benefit of the Airports Authority's Public Safety department represent cash funds obtained through cooperative seizure activities with federal and state justice agencies (refer to Note 18 – Government Grants).

M. Capital Assets

Capital assets used in operations

Capital assets are stated at historical cost or, if acquired upon termination or expiration of tenant leases, fair market value at the date of transfer. Costs for capital assets under construction include direct and financing costs incurred. The Airports Authority does not capitalize overhead or other indirect costs of operations in construction programs; such costs are expensed as incurred.

Provision for depreciation has been calculated using the straight-line method over the estimated useful lives of the assets. The cost of internally developed software and other assets, if amortized, uses the straight-line method. The Airports Authority does identify certain intangible assets, such as permanent easements, as having indefinite lives.

The estimated useful lives and corresponding capitalization thresholds are as follows:

Category	Useful Life	Threshold
Equipment	3-15 years	$10,000
Motor vehicles	3-15 years	$10,000
Intangible assets	3-15 years	$10,000
Buildings	5-50 years	$25,000
Systems and structures	5-50 years	$25,000

Maintenance, repairs, and minor improvements and replacements are expensed as incurred. Permanently impaired capital assets that will continue to be used by the Airports Authority are written down to their measured impaired value; assets that the Airports Authority has determined will no longer be used are written off completely. Pollution remediation obligations that do not qualify for capitalization are accrued as liabilities and expensed when a range of expected outlays is reasonably estimable or upon receipt of goods and services.

Capital assets under construction to be transferred to other governmental agencies

Costs for capital assets under construction, which upon completion will be transferred to other governmental agencies, are stated at historical cost and include direct costs, indirect costs, and financing costs. Indirect costs that are capitalized as project costs only include construction administration expenses directly attributable to these specific capital asset programs.

The Airports Authority is responsible for acquiring the rights-of-way and property interest, including easements, necessary for the construction of the Dulles Metrorail Project and other projects within the Dulles Corridor. However, the Airports Authority and VDOT are coordinating the acquisition of the property and determining where property interests will be acquired by VDOT in the name of the Commonwealth either through eminent domain or through some other procedure. At the discretion of VDOT, all property in VDOT's control that is needed for these projects will be made available to the Airports Authority in the form of a land use permit. At the completion of the projects, VDOT shall transfer certain properties acquired for construction and operation of the projects by deed, easement, or permit to the Airports Authority. Although VDOT may hold the legal title to these acquired property interests, the costs incurred to acquire these property interests are included in construction in process, as the Airports Authority has control of these property interests during the construction period.

Pollution remediation liabilities associated with the capital assets under construction to be transferred to other governmental agencies are capitalized as incurred, as these liabilities are incurred to prepare the capital asset for transfer to another governmental agency and the associated property was acquired with known or suspected pollution that was expected to be remediated.

Once construction is completed and the asset is accepted by the other government agency, the Airports Authority will account for the transfer in accordance with the relevant accounting requirements.

N. Capitalization of Interest

Interest incurred during the period that relates to the construction or production of capital assets or to the construction of assets that are discrete projects and intended for donation to other entities is capitalized. For interest on tax-exempt debt, the amount of interest to be capitalized is calculated by offsetting interest expense incurred with interest earned on invested debt proceeds, from the date of the borrowing until completion of the project. This net capitalized interest is allocated to completed projects based on the completion date of each project funded with proceeds from that particular debt issue. For interest on taxable debt, the amount of interest capitalized is calculated by applying the interest rate of the debt to the average amount of the accumulated expenditures during the period.

O. Long-Term Debt

Debt issuance costs represent expenses incurred in the process of issuing bonds, commercial paper notes and interest rate swaps and are expensed as incurred. Insurance related to debt issuance is amortized over the life of the related debt. Original issue discounts or premiums are amortized using the effective-interest method over the life of the related debt. Interest on capital appreciation debt is accreted using the straight-line method. For debt refunded, the difference between the reacquisition price and the net carrying amount of the refunded debt is deferred and amortized as a component of interest expense using the straight-line method over the remaining life of the refunded debt or the life of the new debt, whichever is shorter.

P. Federal, State & Local Grants

The Airports Authority receives federal, state, and local grants in support of specific operational programs, its Capital Construction Program (CCP) and the Dulles Metrorail Project. Grants are recognized as related expenditures are made and all eligibility requirements are met.

Grants recognized for services provided directly to a government entity are reported as operating revenues in the Statements of Revenues, Expenses and Changes in Net Position. Grants obtained through operational activities that are not related to services provided to any governmental entity are reported as non-operating revenues. Grants for capital asset acquisition, facility development, and/or rehabilitation and long-term planning are reported as capital contributions. Capital contributions are reported in the Statements of Revenues, Expenses and Changes in Net Position after non-operating revenues and expenses.

Q. Passenger Facility Charges

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. PFCs may be used for airport projects that 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 impact resulting from an airport; or furnish opportunities for enhanced competition between or among carriers.

The Airports Authority has imposed PFCs since November 1993 at Reagan National and since January 1994 at Dulles International. PFCs are collected by the airlines and remitted on a monthly basis to the Airports Authority. The Airports Authority accounts for PFCs on an accrual basis, based on the month the charges were collected by the airlines. Due to their restricted use, PFCs are categorized as capital contributions.

R. Lease Obligations

The Airports were transferred by the federal government to the Airports Authority under the terms of a lease (the Federal Lease) which transferred a leasehold interest in all of the Airports' then-existing real property, including access highways and related facilities, and transferred title to all equipment, materials, furnishings, and other personal property appurtenant to or located on the Airports' property (other than particular property required for federal air traffic control responsibilities). Upon expiration of the Federal Lease, the Airports, including improvements, will be returned to the United States government. Since the transfer, the Airports Authority has acquired title to land and aviation easements adjacent to Dulles International for airport expansion. All land acquired after the transfer is not subject to the Federal Lease except that, pursuant to amendments to the Federal Lease, any after-acquired land in the Airports Authority's possession at the expiration of the Federal Lease will revert to the federal government.

The Airports Authority accounts for the Federal Lease as an operating lease. The Federal Lease provides for an annual base rental payable to the United States Treasury and is subject to annual adjustment for inflation and interest. The Airports Authority invests the monthly lease payments in repurchase agreements or in certificates of deposits and makes semi-annual payments, including interest, to the United States government. In accordance with generally accepted accounting principles for an operating lease, the property originally transferred under the Federal Lease does not appear on the Statements of Net Position.

The Dulles Toll Road is operated under a permit and operating agreement (the Permit) from VDOT. Under the terms of the Permit, the Airports Authority has the exclusive right to establish, charge, and collect tolls and other user fees for the use of the Dulles Toll Road until the expiration of the term, or earlier termination, of the Permit. Under the terms of the Permit, the revenues from the Dulles Toll Road are to pay for the operation and maintenance of the Dulles Toll Road, to pay the debt service associated with construction of the Dulles Metrorail Project and other Dulles Corridor improvements, and to fund reserves associated with maintaining and preserving the Dulles Toll Road. Any residual amounts are to be paid to VDOT within 180 days of the end of the fiscal year. Upon the expiration of the term, or earlier termination, of the Permit, all facilities of the Dulles Toll Road, including any improvements, will be returned to VDOT in its original or an enhanced condition.

Other than the residual amounts which may be owed by the Airports Authority to VDOT, the Permit does not require any significant consideration in exchange for the Airports Authority's access to operate and maintain the Dulles Toll Road. Only the improvements made by the Airports Authority to the Dulles Toll Road, along with related liabilities, appear on the Statements of Net Position.

The Airports Authority has entered into leases for office space used exclusively by Dulles Metrorail Project personnel with lease terms consistent with the construction period for the Dulles Metrorail Project. The expenditures under these operating leases are capitalized as construction in progress costs of the Dulles Metrorail Project.

S. Post-employment Benefits

Post-employment pension benefits are accounted for under GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* (GASB 27), as amended by GASB Statement No. 50, *Pension Disclosures* (GASB 50). This statement establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The Airports Authority discloses the information required by GASB 27 in Note 8 – Pension Plans and Deferred Compensation Plan.

Post-employment benefits other than pension benefits are accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* (GASB 45). This statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The Airports Authority discloses the information required by GASB 45 in Note 9 – Post-employment Benefits.

T. Compensated Absences

Airports Authority employees are granted paid vacation at rates of 13 to 30 days per year, depending on their length of employment. General employees may accumulate up to a maximum of 30 days. Firefighters who work a 56-hour week may accumulate up to a maximum of six weeks. Executive employees exceeding a specified pay scale are entitled to accumulate up to 60 days. At management's discretion, employees may be allowed to accumulate vacation balances in excess of these limitations. The accumulated vacation is accrued when incurred, as employees will be paid for accumulated vacation either during their future service to the Airports Authority or upon their termination of service. The calculation of the liability is based on compensation rates plus related employer-paid benefits in effect as of the end of the current fiscal year. The portion of this liability expected to be paid within the next year is reflected in accrued expenses while the amount expected to be paid out after one year is included in other non-current liabilities.

Airports Authority employees earn 13 days of sick leave per year. Unused sick leave for employees enrolled in the Airports Authority's retirement plan is counted at retirement as additional time worked for calculation of the pension benefit. There is no liability for unpaid accumulated sick leave, as the Airports Authority does not pay any amounts when employees separate from service.

U. Advance Billings and Payments Received in Advance

Advance billings consist of certain charges for rents, landing fees, and passenger fees to be earned at both airports and certain non-airline rental income at Dulles International. The applicable advance billing charges for rents, landing fees, and passenger fees charged to airlines are determined by the calculation of settlement (refer to Note 3 - Airport Use and Lease Agreement and Premises Lease). Advance billings as a result of settlement are recognized on a straight-line basis over a term of one year. The applicable non-airline rental income represents lease rentals, received in advance, for certain ground leases entered into with developers. The applicable non-airline rental income is recognized as revenue on a straight-line basis over the terms of the related leases when the term is less than one year. The applicable revenue for leases with developers with terms in excess of one year is recognized using the effective-interest method over the terms of the related agreements.

Payments received in advance represent remittances received from tenants in payment of future period rent obligations, in payment of future periods for annual parking permits or which exceed that tenant's total outstanding obligations to the Airports Authority.

V. Self-Insurance

The Airports Authority provides employee group medical and dental insurance through a combination of self-insured and insured arrangements. Under the self-insured plans, the Airports Authority assumes the financial risk for the payment of employee medical and pharmacy claim expenses incurred by participants. Under the fully insured plans, the Airports Authority pays a fixed premium for employee health care, prescription drugs, and dental insurance, and the insurance company assumes the risk for all claims expenses.

Risk management insurance is also provided through a combination of self-insured and insured arrangements (refer to Note 20 – Risk Management). The cost of claims reported and an estimate of claims incurred but not reported is charged to operating expenses. Liabilities for unpaid claims are accrued based on management's estimate using actual costs, historical experience, current trends, and quarterly actuarial reviews. Liabilities for unpaid claims expected to be paid out within the next year are included on the Statements of Net Position in accounts payable and accrued expenses, while liabilities for unpaid claims which are expected to be paid out in years subsequent to the next year are included in other long-term liabilities. The appropriateness of the self-insurance accrued liabilities is continually reviewed and updated by management.

W. Taxes

The Airports Authority is exempt from the payment of federal and state income, property, and certain other taxes.

X. Recently Issued Accounting Pronouncements

The Airports Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. It also limits the use of the term "deferred" in financial statement presentations. The requirements for GASB 65 are effective for fiscal year 2013 and thereafter. This implementation resulted in bond issuance costs being recognized as expense in the period incurred, except for prepaid insurance costs associated with the issuance of debt. As the Airports Authority has historically recognized bond issuance costs as assets and amortized these costs over the life of the associated debt, the Airports Authority recognized a change in accounting principle upon the implementation of GASB 65 to write off unamortized bond issuance costs, less any costs related to prepaid insurance costs.

Prior to the change in accounting principle, the total amount of unamortized bond issuance costs as of December 31, 2012 was $83.6 million, which included $46.0 million of bond issuance costs and $37.6 million of bond insurance costs. The cumulative effect of the write-off of bond issuance costs, net of prepaid insurance costs, reduced unrestricted assets by $46.0 million as though these costs had been expensed as financing fees in the year incurred. The Airports Authority also separately reported gain on debt refundings as deferred outflows of resources and loss on debt refundings as deferred inflows of resources to meet the requirements of GASB 65. Prior this implementation, these gains and losses were reported as part of bonds payable on the Statement of Net Position. Please see Note 2 – Implementation of GASB Statement No. 65 for additional information.

GASB Statement No. 66, *Technical Corrections – 2012* (GASB 66) improves accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements for GASB 66 are effective for fiscal year 2013 and thereafter. The requirements of GASB 66 do not currently impact the Airports Authority's financial statements as the amendments included in GASB 66 to previous GASB statements are not currently relevant to the financial statements of the Airports Authority.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) (as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date)* improves accounting and financial reporting for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pensions such as the Airports Authority's plan, GASB 68 identifies the methods and assumptions that are to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 will replace the requirements of GASB 27 and GASB 50. The requirements for GASB 68 are effective for fiscal year 2015 and thereafter. The requirements of GASB 68 would require adjustment of the Airports Authority's net pension assets of $3.8 million to equal the actuarial present value of projected benefit payments that is attributed to the past periods of employee service, net of the pension plan's fiduciary net position.

The Airports Authority will implement these statements as of their effective dates.

2. IMPLEMENTATION OF GASB STATEMENT NO. 65

On January 1, 2013, the Airports Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 also limits the use of the word "deferred" in the financial statement presentations.

Change in Method of Accounting for Bond Issuance Costs

As part of the implementation of GASB 65, the Airports Authority changed its method of accounting for bond issuance costs, excluding prepaid insurance costs, to recognize these bond issuance costs as an expense in the period incurred. The 2012 financial statements were revised as part of the implementation to conform to the 2013 accounting requirements for comparative purposes, and the opening net assets were adjusted to reflect the cumulative effect of the change impacting periods prior to 2012. The following financial statement line items for 2012 were affected by the change in accounting principle.

Statement of Revenues, Expenses and Changes in Net Position
For the year ended December 31, 2012

	Aviation Enterprise			Dulles Corridor Enterprise		
	Prior to GASB 65	Post GASB 65	Effect of Change	Prior to GASB 65	Post GASB 65	Effect of Change
Total operating revenues	$ 694,947,564	$ 694,947,564	$ -	$ 101,603,839	$ 101,603,839	$ -
Materials, equipment, supplies, contract services, and other	195,758,320	194,967,615	(790,705)	19,258,742	20,603,618	1,344,876
Other Expenses	224,328,000	224,328,000	-	9,955,160	9,955,160	-
Depreciation and amortization	257,043,569	253,743,153	(3,300,416)	5,536,403	3,552,926	(1,983,477)
Total operating expenses	677,129,889	673,038,768	(4,091,121)	34,750,305	34,111,704	(638,601)
OPERATING INCOME	17,817,675	21,908,796	4,091,121	66,853,534	67,492,135	638,601
Non-Operating Revenues and Expenses	(189,147,916)	(189,147,916)	-	(18,446,309)	(18,446,309)	-
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(171,330,241)	(167,239,120)	4,091,121	48,407,225	49,045,826	638,601
Capital Contributions	137,715,748	137,715,748	-	286,167,948	286,167,948	-
Change in Net Position	(33,614,493)	(29,523,372)	4,091,121	334,575,173	335,213,774	638,601
Net Position, beginning of year	762,145,470	726,355,332	(35,790,138)	1,275,066,225	1,260,137,472	(14,928,753)
Net position, end of year	$ 728,530,977	$ 696,831,960	$ (31,699,017)	$ 1,609,641,398	$ 1,595,351,246	$ (14,290,152)

As a result of the accounting change, financing fees decreased $791 thousand and amortization decreased $3.3 million for the Aviation Enterprise Fund. On the financial statements, financing fees are presented on the line materials, equipment, supplies, contract services, and other expenses. This resulted in a $4.1 million increase to operating income for the Aviation Enterprise Fund.

Financing fees, which are presented on the materials, equipment, supplies, contract services, and other expenses line, increased $1.3 million and amortization decreased $2.0 million, which resulted in a $639 thousand increase in operating income for the Dulles Corridor Enterprise Fund.

Net position as of January 1, 2012, decreased from $762.1 million as originally reported, to $726.4 million for the Aviation Enterprise Fund and from $1.28 billion, as originally reported, to $1.26 billion for the Dulles Corridor Enterprises, respectively, which represents the cumulative impact of expensing the bond issuance costs as financing fees in the year incurred and reducing the corresponding original amortization expense related to these bond issuance costs. Bond insurance cost is still carried as an asset on the Statement of Net Position and amortized over the life of the bond.

Change in Presentation of Gains and Losses on the Statement of Net Position

Statement of Net Position
As of December 31, 2012

	Aviation Enterprise			Dulles Corridor Enterprise		
	Prior to GASB 65	Post GASB 65	Effect of Change	Prior to GASB 65	Post GASB 65	Effect of Change
Total current assets	$ 550,314,289	$ 553,090,593	$ 2,776,304	$ 225,471,846	$ 227,607,871	$ 2,136,025
Total non-current restricted assets	448,051,097	445,274,793	(2,776,304)	437,242,036	435,106,011	(2,136,025)
Bond insurance costs	48,010,723	16,311,706	(31,699,017)	35,604,042	21,313,890	(14,290,152)
Other non-current unrestricted assets	171,635,745	171,635,745	-	-	-	-
Capital assets, net	4,907,790,776	4,907,790,776	-	2,836,688,687	2,836,688,687	-
Total assets	$ 6,125,802,630	$ 6,094,103,613	$ (31,699,017)	$ 3,535,006,611	$ 3,520,716,459	$ (14,290,152)
Gain on debt refundings	$ -	$ 67,406,909	$ 67,406,909	$ -	$ -	$ -
Total deferred outflows of resources	$ -	$ 67,406,909	$ 67,406,909	$ -	$ -	$ -
Current liabilities	$ 249,018,952	$ 249,018,952	$ -	$ 152,479,185	$ 152,479,185	$ -
Non-current liabilities	5,148,252,701	5,215,440,950	67,188,249	1,772,886,028	1,772,886,028	-
Total liabilities	$ 5,397,271,653	$ 5,464,459,902	$ 67,188,249	$ 1,925,365,213	$ 1,925,365,213	$ -
Loss on debt refundings	$ -	$ 218,660	$ 218,660	$ -	$ -	$ -
Total deferred outflows of resources	$ -	$ 218,660	$ 218,660	$ -	$ -	$ -
Net Position	$ 728,530,977	$ 696,831,960	$ (31,699,017)	$ 1,609,641,398	$ 1,595,351,246	$ (14,290,152)

Also as a result of the implementation of GASB 65, bond insurance costs, which were previously included on the Statement of Net Position in bonds payable, net, decreased from $48.0 million to $16.3 million for the Aviation Enterprise Fund and from $35.6 million to $21.3 million for the Dulles Corridor Enterprise Fund.

The gain on debt refundings and loss on debt refundings are shown as separate segments on the Statement of Net Position above and are offset by a reduction in non-current liabilities. The $67.4 million gain on debt refundings for the Aviation Enterprise Fund resulted in a corresponding increase of $67.2 million in non-current liabilities and a $219 thousand increase in loss on debt refundings.

Statement of Cash Flows
For the year ended December 31, 2012

	Aviation Enterprise			Dulles Corridor Enterprise		
	Prior to GASB 65	Post GASB 65	Effect of Change	Prior to GASB 65	Post GASB 65	Effect of Change
Cash payments to suppliers for goods and services	$ (233,823,145)	$ (233,032,440)	$ 790,705	$ (17,344,623)	$ (18,689,499)	$ (1,344,876)
Other cash flows from operating activities	567,632,897	567,632,897	-	91,346,700	91,346,700	-
Net cash provided by operating activities	333,809,752	334,600,457	790,705	74,002,077	72,657,201	(1,344,876)
Net cash provided (used) by noncapital financing activities	1,222,189	1,222,189	-	(307,002)	(307,002)	-
Payments for bond issuance costs and insurance	858,150	67,445	(790,705)	(1,344,876)	-	1,344,876
All other capital and related financing activities	(404,732,938)	(404,732,938)	-	38,012,643	38,012,643	-
Net cash provided (used) by capital and related financing activities	(403,874,788)	(404,665,493)	(790,705)	36,667,767	38,012,643	1,344,876
Net cash provided by investing activities	65,978,680	65,978,680	-	2,962,406	2,962,406	-
Net (decrease) increase in cash and cash equivalents	(2,864,167)	(2,864,167)	-	113,325,248	113,325,248	-
Cash and cash equivalents, beginning of year	387,469,943	387,469,943	-	362,962,432	362,962,432	-
Cash and cash equivalents, end of year	$ 384,605,776	$ 384,605,776	$ -	$ 476,287,680	$ 476,287,680	$ -

As a result of the accounting change, the net cash provided by operating activities increased by $791 thousand and payments for bond issuance costs and insurance decreased by $791 thousand for the Aviation Enterprise Fund. The net cash provided by operating activities decreased by $1.3 million and payments for bond issuance costs and insurance increased by $1.3 million for the Dulles Corridor Enterprise Fund.

3. AIRPORT USE AGREEMENT AND PREMISES LEASE

In February 1990, the Airports Authority entered into a long-term Airport Use Agreement and Premises Lease (Use and Lease Agreement) with the major airlines (Signatory Airlines) serving the Airports. The Use and Lease Agreement provides for the use and occupancy of facilities at the Airports and establishes the methodology for rates and charges, including landing fees and terminal rents, to be paid by the Signatory Airlines. The Use and Lease Agreement is for a term of 25 years and currently remains in effect until its expiration on September 30, 2014. The Airports Authority is currently negotiating airline agreement terms beyond September 2014. While the Airports Authority expects to negotiate a new agreement prior to September 30, 2014, it is possible that the existing Use and Lease Agreement could be extended on a short-term basis until a final agreement is negotiated. Ultimately, if an agreement cannot be reached, the Airports Authority could impose rates and charges by regulation.

The Use and Lease Agreement is a hybrid agreement, which includes elements of both compensatory and residual rate-making methodologies. The Use and Lease Agreement is compensatory to the extent that the costs are allocated to specified cost centers, and the users of those cost centers are responsible for paying the costs. Signatory Airlines agree to pay fees that allow the Airports Authority to recover the total cost requirement of the airline-supported cost centers, which include: airfield, terminal, equipment (e.g., loading bridges, baggage conveyors and devices), passenger conveyance, and the International Arrivals Building at Dulles. The Airports Authority is responsible for all non-airline cost centers, such as general aviation, ground transportation, and Dulles International cargo.

Rates and charges are established annually and are based on projected activity and costs. The Use and Lease Agreement provides for a mid-year adjustment to rates and charges. In addition, any time revenues fall five percent or more below projections, rates and charges may be adjusted to provide for full cost recovery plus debt service coverage.

The Use and Lease Agreement provides for an annual settlement whereby rates and charges are recalculated using audited financial data to determine any airline over- or under-payment for airline-supported cost centers. For the years ended December 31, 2013 and 2012, the settlement resulted in net amounts due to the Signatory Airlines of $3.0 million and net charges to the Signatory Airlines of $13.8 million, respectively. Each year's net charge adjusts the amount of revenue recognized during that year, with either a corresponding receivable due from the Signatory Airlines (refer to Note 6 – Accounts Receivable) or advance billings.

The residual element of the Use and Lease Agreement provides for the sharing of Net Remaining Revenue (NRR) with the Signatory Airlines. Net Remaining Revenue is defined as revenue less all operating and maintenance expenses (excluding depreciation), debt service, deposits to specified reserves, and other requirements. The Signatory Airlines' share of NRR is used to lower airline rates and charges in the year following the year that the NRR is earned. Net Remaining Revenue is allocated between the Airports Authority and the Signatory Airlines in accordance with the Use and Lease Agreement.

The Airports Authority's share of NRR is reflected in the Airports Authority's Capital Program and is available for repair and rehabilitation projects or any other lawful purpose. The Signatory Airlines' share of NRR, called Transfers, is calculated as a 50 percent split of NRR between the Airports Authority and the Signatory Airlines until the agreed upon amount, or Plateau, as identified in the Use And Lease Agreement, is reached. Amounts above the Plateau are allocated 75 percent to the Signatory Airlines and 25 percent to the Airports Authority. Transfers are applied as a credit in the calculation of the ensuing year's rates and charges. For the years ended December 31, 2013 and 2012, the Signatory Airlines' Transfer amounts were $78.1 million and $61.9 million, and the Airports Authority's share of NRR was $41.7 million and $39.7 million, respectively.

The Use and Lease Agreement has residual rate-making features that are designed to ensure that the Airports Authority's debt service and related coverage obligations will be met. As such, for airline-supported cost centers, rates and charges are established to provide net revenues before the payment of debt service of at least 125 percent of debt service. For the purposes of calculating debt service coverage under the Master Indenture of Trust, operating revenues and operating expenses are adjusted to exclude all non-aviation and non-operating and maintenance related cost centers and funds, as stipulated in the Use and Lease Agreement.

4. THE DULLES TOLL ROAD AND CONSTRUCTION OF THE DULLES METRORAIL PROJECT

Dulles Toll Road

On November 1, 2008, the Virginia Department of Transportation (VDOT) transferred operational and financial control of the Dulles Toll Road (Omer L. Hirst – Adelard L. Brault Expressway) to the Airports Authority for a term of 50 years, upon the terms and conditions set forth by the Master Transfer Agreement dated December 29, 2006, and the Permit and Operating Agreement dated December 29, 2006, each entered into by and between VDOT and the Airports Authority. Concurrent with this transfer of rights and responsibility, VDOT contributed to the Airports Authority approximately $272.1 million of capital property, including $254.8 million of construction in progress, for the Dulles Metrorail Project. The Airports Authority accounted for the transfer in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

In exchange for the rights to the revenues from operation of the Dulles Toll Road and certain other revenues described in the VDOT Agreements, the Airports Authority agreed to (i) operate and maintain the Dulles Toll Road, (ii) cause the design and construction of the extension of the Washington Metropolitan Area Transit Authority (WMATA) Metrorail system from the West Falls Church station in Fairfax County, along the Dulles Corridor to Dulles International and beyond into Loudoun County (the Dulles Metrorail Project) and (iii) make other improvements in the Dulles Corridor consistent with VDOT and regional plans. The Dulles Corridor is defined as the transportation corridor with an eastern terminus of the East Falls Church Metrorail station at Interstate Route 66 and a western terminus of VA Route 772 in Loudoun County, VA.

The Airports Authority is solely responsible for setting toll rates and collecting tolls on the Dulles Toll Road, following its process for issuing regulations and in consultation with the Dulles Corridor Advisory Committee. The Dulles Corridor Advisory Committee is an eight-member committee, composed of two representatives for each of the Airports Authority, Fairfax County, Loudoun County, and the Commonwealth of Virginia, to provide the Airports Authority with advice on issues related to the management, improvement, and expansion of the Dulles Corridor, as well as changes to the toll rates on the Dulles Toll Road.

The Airports Authority may not use any net revenues pledged for payment of the Airport System Revenue Bonds or Notes to support the operation of the Dulles Toll Road or to pay debt service on Dulles Toll Road Revenue Bonds. Likewise, the Airports Authority may not use any revenues pledged for payment of the Dulles Toll Road Revenue Bonds or Notes to support the operation of the airports or to pay debt service on Airport System Revenue Bonds or Notes. The deficit in Unrestricted Net Assets is expected to be reversed over time through the accumulation of additional reserves resulting from future Dulles Toll Road revenue growth. Future Dulles Toll Road revenue will be used to service the debt for the construction of the Metrorail extension following the transfer to WMATA. Debt service through 2018 is also augmented by a contribution of $150 million from the Commonwealth of Virginia.

Dulles Metrorail Project

The Airports Authority is funding and constructing the 23.1-mile Dulles Metrorail Project in two phases. Phase 1 of the Dulles Metrorail Project will extend 11.7 miles from near the West Falls Church station to Wiehle Avenue in Reston, VA. It includes five new stations and improvements to the existing WMATA Service and Inspection Yard at the West Falls Church station. Phase 2 of the Dulles Metrorail Project will extend the Metrorail system an additional 11.4 miles from Wiehle Avenue through Dulles International and west into Loudoun County, VA. Phase 2 of the Dulles Metrorail Project is expected to include six new stations and a maintenance yard located on Dulles International Airport property.

The Dulles Metrorail Project is being funded with a combination of toll road revenue bonds secured by a pledge of Dulles Toll Road revenues, federal grants, and contributions from local jurisdictions. In addition, approximately 4.1 percent of the Phase 2 costs are expected to be paid from Passenger Facility Charges of the Airports. The current Use and Lease Agreement, as more fully described in Note 3 – Airport Use Agreement and Premises Lease, limits to $10.0 million the amount of airport capital costs that can be incurred for construction of the Dulles Metrorail Project at Dulles International, unless otherwise agreed upon. As of December 31, 2013, the Airports Authority has approximately $1.4 billion of Dulles Toll Road revenue bonds payable (refer to Note 15 – Capital Debt).

Upon completion of construction of each phase of the Dulles Metrorail Project and acceptance by WMATA into the Metrorail system, the Airports Authority will transfer, without financial retribution, ownership of the completed phase of the project to WMATA. At that point, WMATA will become the owner and operator of the completed phase and will be solely responsible for its operation and maintenance. None of the operating and maintenance expenses of the completed phase will constitute operating or maintenance expenses of the Airports Authority. Such expenses will be payable entirely from WMATA's operating and other revenues (including revenues derived from the operation of the Dulles Metrorail Project). The debt associated with construction of each phase of the Dulles Metrorail Project will remain with the Airports Authority and will not be transferred to WMATA.

Construction in progress amounts related to both phases of the Dulles Metrorail Project are disclosed in Note 10 – Changes in Capital Assets.

5. DEPOSITS AND INVESTMENTS

The Airports Authority's investment policy, as approved by the Board, requires that deposits in excess of the federally insured amount be held at institutions with a Kroll Bond Rating Agency rating of B or above. In the event a financial institution's rating falls below this level, the deposits are to be reduced to the federally insured amount. The Airports Authority's practice is to sweep all demand deposits at the close of each business day into overnight repurchase agreements.

As of December 31, 2013 and 2012, the Airports Authority had various certificates of deposit in the amount of $7.0 million and $6.2 million, respectively, of which $5.3 million and $4.5 million, respectively, were not covered by insurance and were not collateralized with securities held by the pledging financial institutions. These certificates of deposit were held at institutions with a Kroll Bond Rating Agency rating of B or above. These certificates of deposit were part of the Airports Authority's Linked Deposit Program, whereby a portion of the reserve funds were deposited with banks that have a Community Reinvestment Act rating of "outstanding".

The Airports Authority maintains multiple imprest cash funds in certain departments. These amounts are not covered by insurance and are not collateralized. These funds totaled $195 thousand and $178 thousand as of December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, cash and cash equivalents and investments were classified on the Statements of Net Position as follows:

	December 31, 2013			December 31, 2012		
	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
Cash and cash equivalents						
Current, unrestricted	$ 53,107,005	$ 121,966,039	$ 175,073,044	$ 110,499,852	$ 79,492,264	$ 189,992,116
Current, restricted	211,205,801	288,031,505	499,237,306	204,762,899	145,364,093	350,126,992
Non-current, restricted	16,043,720	195,192,715	211,236,435	69,343,025	251,431,323	320,774,348
Total cash and cash equivalents	280,356,526	605,190,259	885,546,785	384,605,776	476,287,680	860,893,456
Investments						
Current, unrestricted	141,279,455	-	141,279,455	177,750,805	-	177,750,805
Current, restricted	61,944,492	17,073,797	79,018,289	2,776,304	2,136,025	4,912,329
Non-current, unrestricted	330,602,733	-	330,602,733	157,952,823	-	157,952,823
Non-current, restricted	321,696,946	135,597,650	457,294,596	345,718,767	139,986,396	485,705,163
Total investments	855,523,626	152,671,447	1,008,195,073	684,198,699	142,122,421	826,321,120
Total	$1,135,880,152	$ 757,861,706	$1,893,741,858	$1,068,804,475	$ 618,410,101	$1,687,214,576

Cash and cash equivalents and securities as of December 31, 2013 and 2012 were comprised of the following:

	December 31, 2013			December 31, 2012		
	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
Cash deposits	$ 7,250,559	$ 974,059	$ 8,224,618	$ 4,475,833	$ 1,730,940	$ 6,206,773
Money market	228,856,666	443,324,610	672,181,276	331,746,247	360,548,083	692,294,330
Securities	899,772,927	313,563,037	1,213,335,964	732,582,395	256,131,078	988,713,473
Total	$1,135,880,152	$ 757,861,706	$1,893,741,858	$1,068,804,475	$ 618,410,101	$1,687,214,576

Carrying Value of Investments

In accordance with the provisions of GASB Statement No. 31, *Accounting and Reporting For Certain Investments and For External Investments Pools* (GASB 31), investments with an original maturity greater than one year are recorded at their fair value and all investment income, including changes in the fair value of investments, are reported as investment income in the financial statements. Investments with an original maturity greater than one year include guaranteed investment contracts and repurchase agreements. As permitted by GASB 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 change in carrying value of total securities during 2013 was $224.6 million. At December 31, 2013 and 2012, the carrying value of securities was as follows:

	Carrying Value as of December 31,					
	2013			2012		
Investment Type	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities	Aviation Enterprise	Dulles Corridor Enterprise	Total Business-Type Activities
Treasury	$ 152,252,084	$ 135,597,650	$ 287,849,734	$ 160,801,161	$ 139,986,396	$ 300,787,557
Fannie Mae	136,318,407	-	136,318,407	103,381,920	-	103,381,920
Freddie Mac	154,607,165	9,058,246	163,665,411	85,272,887	-	85,272,887
Farmer Mac	-	-	-	19,966,275	-	19,966,275
Farm Credit	50,131,000	-	50,131,000	20,902,159	-	20,902,159
Home Loan	162,741,781	6,958,472	169,700,253	84,277,113	-	84,277,113
MBIA GIC [1]	33,645,518	-	33,645,518	36,274,390	-	36,274,390
Dexia (FSA) GIC [1]	67,075,427	-	67,075,427	67,075,427	-	67,075,427
BOA FPA [1]	-	-	-	7,716,000	-	7,716,000
City First Bank Repo [1]	-	-	-	750,000	-	750,000
Overnight Sweeps [1]	54,261,228	161,948,669	216,209,897	57,424,746	116,144,682	173,569,428
Debt Service Reserve Repurchase Agreements:						
BOA Repo [1]	16,333,690	-	16,333,690	16,333,690	-	16,333,690
Morgan Stanley Repo [1]	72,406,627	-	72,406,627	72,406,627	-	72,406,627
Total securities	$ 899,772,927	$ 313,563,037	$1,213,335,964	$ 732,582,395	$ 256,131,078	$ 988,713,473

[1] Collateralized by Federal Agency Notes

The tables below present the Airports Authority's investments in accordance with GASB 31:

	As of December 31, 2013	
	Cost	Carrying Value
Securities with original maturity 1 year and over	$ 778,011,927	$ 787,897,330
Securities with original maturity less than 1 year	426,720,814	425,438,634
	$ 1,204,732,741	$ 1,213,335,964

	As of December 31, 2012	
	Cost	Carrying Value
Securities with original maturity 1 year and over	$ 624,811,521	$ 644,241,050
Securities with original maturity less than 1 year	346,855,504	344,472,423
	$ 971,667,025	$ 988,713,473

Credit Risk

Credit Risk is the risk that the Airports Authority will lose money due to the default of the issuer or investment counterparty of the security.

The primary objectives of the Airports Authority's investment policy are the safety of capital, the liquidity of the portfolio and the yield of investments. Bond proceeds may be invested in securities as permitted in the bond indentures; otherwise, assets of the Airports Authority may be invested in United States Treasury securities; short-term obligations of the United States 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 Kroll Rating Agency rating of "B" or better, or that are fully insured or collateralized; prime CP rated "A1" and "P1" by Standard & Poor's Rating Services (S&P) and Moody's Investors Service Inc. (Moody's), respectively; prime bankers' acceptance notes; repurchase agreements whose underlying collateral consists of the foregoing; money market or mutual funds or other such securities or obligations that may be approved by the Finance Committee by modification of the Airports Authority's policy.

The table below summarizes the investments by type and credit rating as of December 31, 2013:

	Credit Rating as of December 31, 2013		
Investment Type	Moody's	S&P	Fitch
Treasury	Aaa	AA+	AAA
Fannie Mae	Aaa	Not Rated	AAA
Freddie Mac	Aaa	Not Rated	AAA
Farm Credit	Aaa	Not Rated	AAA
Home Loan	Aaa	AA+	Not Rated
MBIA GIC [1]	Ba3	BBB	Not Rated
Dexia (FSA) GIC [1]	Not Rated	Not Rated	A
Overnight Sweeps [1]	P-2	A-2	F1
Debt Service Reserve Repurchase Agreements:			
BOA Repo [1]	Baa2	A-	A
Morgan Stanley Repo [1]	Baa2	A-	A

[1] Underlying rating of the counterparties

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Airports Authority would not be able to recover the value of its deposits, investments or collateral securities that were in the possession of an outside party. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized.

Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Airports Authority and are held by either the counterparty or the counterparty's trust department or agent but not in the Airports Authority's name.

The Airports Authority's investment policy requires that securities be insured or registered investments or securities held by the Airports Authority or its agent in the Airports Authority's name. As of December 31, 2013 and 2012, all the Airports Authority's securities are held by the Airports Authority or its agent in the Airports Authority's name and are fully insured or registered investments.

Repurchase agreements and guaranteed investment contracts are required to be collateralized at 103.0 percent and require the collateral to be Authorized Investments as described in the Investment Policy and the Master Bond Indenture.

The Airports Authority's forward purchase agreement is collateralized at 100.0 percent with securities delivered monthly. The collateral is required to be an approved Airports Authority investment, as described in the Master Bond Indenture.

The fair value of the collateral for overnight repurchase agreements was $222.5 million on December 31, 2013. The fair value of the collateral for the guaranteed investment contracts was $108.1 million on December 31, 2013. The fair value of the collateral for the Debt Service Reserve repurchase agreements was $91.3 million as of December 31, 2013. All the collateral for these contracts was held by the Airports Authority's agent in the Airports Authority's name.

Interest Rate Risk

The Airports Authority's investment policy as approved by the Board is designed to maximize investment earnings, while protecting the security of the principal and providing adequate liquidity. The overriding policy for investment decisions is to have funds available as needed for construction and general operating expenses. The Airports Authority's Investment Committee meets quarterly and determines the investment horizon for each fund based on current construction or operating needs and the prevailing market conditions. Each investment transaction shall seek to ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value. The Airports Authority mitigates interest rate risk by managing the weighted average maturity of each portfolio type to best meet liquidity needs.

As of December 31, 2013 and 2012, the Airports Authority had the following investments with the respected weighted average maturity in years:

	As of December 31,	
Investment Type	2013	2012
Treasury	3.1	3.6
Fannie Mae	0.6	0.6
Freddie Mac	0.5	0.5
Farmer Mac	-	0.8
Farm Credit	0.7	0.3
Home Loan	0.6	0.5
MBIA GIC	20.5	21.4
Dexia (FSA) GIC	21.8	22.8
BOA FPA	-	0.7
City First Bank Repo	-	0.1
Overnight Sweeps	< 0.1	< 0.1
Debt Service Reserve Repurchase Agreements:		
BOA Repo	9.7	10.7
Morgan Stanley Repo	22.4	23.4
	4.2	5.5

Concentration of Credit Risk

The Airports Authority, as previously described, is limited to investments allowed by the bond indentures and the authorized investment policy. However, the policy does not limit the aggregation of investments in any one type of security. There are providers of securities in which the Airports Authority has invested individually more than 5.0 percent of the total portfolio.

As of December 31, 2013 and 2012, investments accounted for the following percentages of the total portfolio:

Investment Type	As of December 31, 2013	As of December 31, 2012
Treasury	23.7%	30.4%
Fannie Mae	11.2%	10.5%
Freddie Mac	13.5%	8.6%
Farmer Mac	-	2.0%
Farm Credit	4.1%	2.1%
Home Loan	14.0%	8.5%
MBIA GIC	2.8%	3.7%
Dexia (FSA) GIC	5.5%	6.8%
BOA FPA	-	0.8%
City First Bank Repo	-	0.1%
Overnight Sweeps	17.8%	17.6%
Debt Service Reserve Repurchase Agreements:		
BOA Repo	1.3%	1.7%
Morgan Stanley Repo	6.0%	7.3%
	100.0%	100.0%

6. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	As of December 31, 2013	As of December 31, 2012
Trade accounts receivable	$ 25,036,585	$ 23,238,217
Less: allowance for doubtful accounts	(747,146)	(466,799)
Trade accounts receivable, net	24,289,439	22,771,418
Settlement due from airline tenants	14,005,006	15,066,298
Current portion of note receivable[1]	3,694,204	3,078,819
Grants receivable in support of operations	245,567	535,375
Other receivables	1,716,782	1,209,162
Total current accounts receivable	$ 43,950,998	$ 42,661,072
Grants receivable in support of capital programs	$ 172,652,190	$ 67,374,168
Passenger facility charge receivables	6,111,579	5,691,296
Other	605,277	835,829
Total restricted accounts receivable	$ 179,369,046	$ 73,901,293

[1] See Note 7 - Note Receivable

During 2013, Simply Wheelz LLC DBA as Simply Wheelz and Advantage Rent A Car filed for Chapter 11 bankruptcy protection with a pre-petition balance totaling $125 thousand. Payments for pre-petition debt totaling $122 thousand were received in December 2013. The Airports Authority is monitoring the bankruptcy process. Also during 2013, Evergreen International Airlines, Inc. filed for Chapter 7 bankruptcy protection with a pre-petition balance totaling $9 thousand. The Office of General Counsel is in the process of filing a proof of claim for pre-petition debt.

During 2012, Pinnacle Airlines Corporation, which encompasses several airlines including Pinnacle Airlines, Mesaba Airlines and Colgan Airways, filed for Chapter 11 bankruptcy protection with a pre-petition balance totaling $891 thousand. The Airports Authority has filed proofs of claim for all pre-petition debts. Colgan Airways, with a pre-petition balance of $768 thousand, rejected all of its leases at Dulles International Airport. While the Airports Authority is continuing to monitor this bankruptcy process, pre-petition debts owed by Pinnacles Airlines Corporation were written off in 2012.

Accounts receivable judged to be uncollectible and written off totaled $56 thousand and $1.1 million in 2013 and 2012, respectively. The Airports Authority judges existing reserves sufficient to cover any potentially uncollectible receivables owed as of December 31, 2013.

7. NOTE RECEIVABLE

The Airports Authority has a note receivable from United Airlines (UAL). UAL agreed to reimburse the Airports Authority $20.4 million in design fees incurred by the Airports Authority in connection with the development of a new concourse and related improvements, described and defined as the "Tier 2 Package." The terms of this note receivable specify that interest at the rate of 3.87 percent commence in March 2006 and that UAL commence monthly payments in March 2008 of $83,055, subject to annual escalations.

Amounts scheduled to be received on this note receivable are:

Year ended December 31,	
2014	$ 3,991,158
2015	4,924,264
2016	849,386
Total future payments	9,764,808
Less: interest to be earned	437,439
Less: current portion of note receivable	3,694,204
Non-current portion of note receivable	$ 5,633,165

8. PENSION PLANS AND DEFERRED COMPENSATION PLAN

The Airports Authority participates in two United States 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 (PERS). Employees hired before December 31, 1983 are members of the CSRS unless they elected to transfer to the FERS either before December 31, 1987 or during the special enrollment period from July 1, 1998 through December 31, 1998. Effective April 1, 1987, a Thrift Savings Plan was added whereby CSRS and FERS members can contribute a percentage of their salaries on a tax-deferred basis up to Internal Revenue Service elective deferral limits ($17,500 in 2013).

In addition to the above described Plans, the Airports Authority maintains single-employer defined benefit pension plans that cover its regular employees and its police and fire (public safety) employees hired on or after June 7, 1987 and offers employees a deferred compensation plan and a money purchase pension plan.

Under the CSRS, employees contribute 7.0 percent of their base pay (7.5 percent for public safety employees) 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 are eligible to retire at age 55 with 30 years of service; age 60 with 20 years of service; or age 62 with 5 years of service. Public safety employees can retire at age 50 with 20 years of service. Retirement annuities range from 7.5 percent to a maximum 80.0 percent of the average of the employee's three highest years of base pay depending on an employee's length of service. As of December 31, 2013, there were 18 regular employees and 1 public safety employees enrolled in the CSRS.

Under the FERS, employees derive benefits from three different sources: a Basic Benefit Plan (BBP), Social Security, and a Thrift Savings Plan. Employee contributions to the BBP range from 0.8 percent of base pay for regular employees to 1.3 percent for public safety employees. The Airports Authority's contribution ranges from 10.7 percent of base pay for regular employees to 23.3 percent of base pay for public safety employees. Employees are eligible to retire when they have 10 years of service and have reached a minimum retirement age based on date of birth and ranging from 55 to 57 years of age. Retirement annuities range from 1.0 percent (less than 20 years of service) to 1.1 percent (20 or more years of service) of the average of the employee's three highest years of base pay for each year of service. Public safety employees can retire at age 50 with 20 years of service or at any age with 25 years of service. These employees receive retirement benefits equal to 1.7 percent of the average of the employee's three highest years of base pay for every year of service up to 20 years plus 1.0 percent of the same average three-year high for every year of service over 20 years. As of December 31, 2013, there were 34 regular employees and 15 public safety employees enrolled in the FERS.

The Airports Authority's base pay for employees covered by the CSRS and the FERS for the year ended December 31, 2013 was $6.1 million. Employee contributions to the federal pension plans for 2013, 2012, and 2011 were $175 thousand, $221 thousand, and $253 thousand, respectively. Employer contributions to the federal pension plans for 2013, 2012, and 2011 were $766 thousand, $852 thousand, and $933 thousand, respectively. These contributions represent 100 percent of required contributions for each of the respective years. The Airports Authority's total base pay for all employees, including employees covered by CSRS and FERS, was $105.5 million and $102.5 million in 2013 and 2012, respectively.

Plan documents and audited plan financials for the CSRS and FERS plans may be obtained by written request to: U.S. Office of Personnel Management, Retirement Operations Center, P.O. Box 45, Boyers, PA, 16017.

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. Employee coverage and service credit was retroactive to June 7, 1987. The program includes the Airports Authority's General Employee Retirement Plan (the "Regular Plan," covering regular employees) and the Police Officers and Firefighters Retirement Plan (the "Police and Firefighter Plan," covering public safety employees) with the exception of employees working less than 20 hours per week and other temporary employees. Collectively, these plans are referred to as "the Plans." Both are considered to be single-employer defined benefit plans. Any amendment to the Plans must be approved by the Airports Authority's Board of Directors. The Plans provide retirement and death benefits to plan members and beneficiaries. As of September 30, 2013, the number of employees participating in the Plans was:

Current Participants	Regular	Public Safety	Total
Vested	704	249	953
Non-vested	320	89	409
Retirees/disabled employees currently receiving benefits	287	48	335
Terminated vested participants	236	70	306
Total	1,547	456	2,003

Regular employees who retire at or after age 60 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.2 percent of final-average eligible compensation up to covered compensation and 1.6 percent of final-average base pay above covered compensation for each year of credited service (maximum of 30 years). Eligible compensation includes base pay and shift differential for wage grade employees. Regular employees with at least five years of service can receive benefits starting at age 55 with a 5.0 percent reduction in benefits for each year the participant is younger than age 60. Employees do not contribute to the Regular Plan.

Public safety employees who retire at age 55 with five years of service or at any age with 25 years of service are entitled to an annual retirement benefit of 2.0 percent of final-average base pay for service up to 25 years and 1.0 percent of the final-average base pay for service between 25 and 30 years. Public safety employees with at least 25 years of service can receive benefits starting before age 50; however, the benefit is reduced by 5 percent for each year by which benefits begin prior to age 50. Public safety employees are required to contribute 1.5 percent of base pay per year of participation to the Police and Firefighter Plan. This contributed amount is accumulated with a 5.0 percent interest rate and is returned when a benefit is forfeited. The Airports Authority contributes the remaining amounts necessary to fund the Plans using the entry age normal actuarial method in addition to an amount necessary to amortize any unfunded liability.

For the Plans, the final-average base pay is the average of the employee's highest consecutive 78 bi-weekly pay periods in the most recent 120 months, 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 participant's years of benefit service include the number of hours of accrued unused sick leave at a participant's termination. A pre-retirement surviving spouse benefit is payable in the event of death, equal to 50.0 percent of the benefit which would have been payable had the employee retired, provided the employee had at least five years of service. Retiree benefits are adjusted annually by the lesser of one-half of the Consumer Price Index or 4 percent.

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 are 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. Unfunded actuarial accrued liabilities are being amortized over a period of 30 years on an open basis.

The Airports Authority contributed 7.8 percent of the applicable base payroll to the Regular Plan and 13.5 percent of the applicable base payroll to the Police and Firefighter Plan in 2013. The Airports Authority's base payroll for employees covered by the Regular Plan was $75.6 million and $72.0 million for 2013 and 2012, respectively. The base payroll for employees covered by the Police and Firefighter Plan was $23.8 million and $23.6 million for 2013 and 2012, respectively. The Airports Authority contributed $5.9 million and $5.2 million to the Regular Plan and $3.2 million and $3.3 million to the Police and Firefighters Plan in 2013 and 2012, respectively. The following presents the required employer contributions from January 1, 2007 through December 31, 2013:

	General Employees Retirement Plan		Police Officers & Firefighters Retirement Plan	
Calendar Year	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2007	$3,463,046	101.3%	$2,050,272	100.0%
2008	$4,117,347	100.0%	$2,508,523	100.0%
2009	$4,030,946	100.0%	$2,534,647	104.8%
2010	$4,977,049	100.0%	$2,898,694	119.4%
2011	$5,129,216	100.0%	$3,017,012	111.4%
2012	$5,184,570	100.0%	$3,039,682	109.2%
2013	$5,751,707	102.6%	$3,032,459	106.3%

During 2013, the Airports Authority's actuarial valuation assumptions were updated and approved by the Airports Authority's Retirement Committee, fully implemented with the January 1, 2013 actuarial valuation and remain in use for December 31, 2013 actuarial valuation. That is, the contribution rates for the 2013 year were calculated using the actuarial valuation done for year ended December 31, 2011. For this reason, the Airports Authority's contribution rates decreased from 6.1 percent of payroll (the prior valuation result) to 5.7 percent of payroll (based upon the December 31, 2013 valuation). The primary reason for this 0.4 percent decrease since the prior valuation is the increase in the value of assets due to investment income.

Annual Pension Cost and Net Pension Obligation (Asset)

The Airports Authority's net pension obligation (asset) for the Plans as of December 31, 2013, 2012, and 2011 and for the years then ended, which are based on the then latest actuarial valuations available, were as follows:

General Employees Retirement Plan	Year ended December 31, 2013	2012	2011
Annual required contribution	$ 5,751,707	$ 5,184,570	$ 5,129,216
Interest on net pension asset	(123,848)	(124,316)	(124,786)
Adjustment to annual required contribution	130,063	130,555	131,048
Annual pension cost	5,757,922	5,190,809	5,135,478
Contributions made	5,903,068	5,184,570	5,129,216
Change in net pension obligation (asset)	(145,146)	6,239	6,262
Net pension obligation (asset) beginning of year	(1,651,311)	(1,657,550)	(1,663,812)
Net pension obligation (asset) end of year	$ (1,796,457)	$ (1,651,311)	$ (1,657,550)

Police Officers & Firefighters Retirement Plan	Year ended December 31, 2013	2012	2011
Annual required contribution	$ 3,032,459	$ 3,039,682	$ 3,017,012
Interest on net pension asset	(136,191)	(115,540)	(90,124)
Adjustment to annual required contribution	143,025	121,338	94,646
Annual pension cost	3,039,293	3,045,480	3,021,534
Contributions made	3,224,321	3,320,829	3,360,411
Change in net pension obligation (asset)	(185,028)	(275,349)	(338,877)
Net pension obligation (asset) beginning of year	(1,815,876)	(1,540,527)	(1,201,650)
Net pension obligation (asset) end of year	$ (2,000,904)	$ (1,815,876)	$ (1,540,527)

The net pension asset is reported as a non-current unrestricted asset as of December 31, 2013 and 2012 in the Statement of Net Position.

The Airports Authority's annual pension costs, percent contributed, and net pension obligation (asset) were as follows:

Three Year Trend Information

	General Employees Retirement Plan			Police Officers & Firefighters Retirement Plan		
Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2011	$ 5,135,478	99.9%	$ (1,657,550)	$ 3,021,534	111.2%	$ (1,540,527)
2012	$ 5,190,809	99.9%	$ (1,651,311)	$ 3,045,480	109.0%	$ (1,815,876)
2013	$ 5,757,922	102.5%	$ (1,796,457)	$ 3,039,293	106.1%	$ (2,000,904)

Funding Status and Funding Progress

The actuarial accrued liability (AAL) was determined from the then most recently available actuarial valuation of the Plans. Significant actuarial assumptions used in determining the AAL were as follows:

Valuation Date	December 31, 2013
Actuarial Cost Method	Entry-age actuarial cost method
Amortization Method	30-year level
Assets Valuation Method	5-year smooth market
Actuarial Assumptions:	
(a) Investment rate of return	7.5%
(b) Projected salary increases	Variable rate 3.0% to 4.5%
(a) and (b) include inflation at	2.75%
(c) Cost of living adjustments	1.375%

The following presents the funding progress from January 1, 2008 through December 31, 2013:

Schedule of Funding Progress - General Employees Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	$ 86,617,649	$ 80,356,911	$ (6,260,738)	107.8%	$ 63,672,545	(9.8%)
12/31/2009	$ 92,271,170	$ 87,564,793	$ (4,706,377)	105.4%	$ 69,012,906	(6.8%)
12/31/2010	$ 100,170,793	$ 94,407,358	$ (5,763,435)	106.1%	$ 69,900,547	(8.2%)
12/31/2011	$ 105,761,262	$ 103,975,917	$ (1,785,345)	101.7%	$ 73,704,863	(2.4%)
12/31/2012	$ 112,173,461	$ 122,314,229	$ 10,140,768	91.7%	$ 76,586,786	13.2%
12/31/2013	$ 127,814,351	$ 122,671,342	$ (5,143,009)	104.2%	$ 79,923,695	(6.4%)

Schedule of Funding Progress - Police Officers & Firefighters Retirement Plan

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
12/31/2008	$ 44,590,069	$ 45,128,509	$ 538,440	98.8%	$ 20,932,221	2.6%
12/31/2009	$ 49,077,816	$ 49,958,724	$ 880,908	98.2%	$ 21,870,479	4.0%
12/31/2010	$ 55,342,783	$ 55,874,563	$ 531,780	99.0%	$ 23,749,024	2.2%
12/31/2011	$ 60,485,488	$ 60,807,856	$ 322,368	99.5%	$ 24,408,371	1.3%
12/31/2012	$ 66,188,335	$ 70,959,156	$ 4,770,821	93.3%	$ 24,946,801	19.1%
12/31/2013	$ 76,187,986	$ 73,837,238	$ (2,350,748)	103.2%	$ 24,978,683	(9.4%)

Expressing the actuarial value of assets available for benefits as a percentage of the AAL provides an indication of the Plans' funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plans are becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the retirement plan. Trends in assets in excess of AAL and annual covered payroll are both affected by inflation. Expressing the AAL in excess of assets as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the lower this percentage, the stronger the retirement plan. The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, the size or composition of the population covered by the Plans, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the AAL as a factor.

All assets of the Airports Authority pension plans are held in trust at the Bank of New York Mellon. A copy of the audited financial statements, plan documents, and required supplementary information for the Plans may be obtained by written request to: Metropolitan Washington Airports Authority, Attention: Benefits Department, 1 Aviation Circle, Washington, DC 20001-6000.

Deferred Compensation Plan

The Airports Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, effective as of July 2, 1989, is available to all full-time employees and permits the deferral of a portion of regular compensation until future years. Participation in the plan is optional. The Airports Authority matches 100 percent of participant contributions up to the first 2 percent of regular compensation and matches an additional 50 percent of participant contributions between 2 percent and 4 percent of regular compensation. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, and accordingly, the related assets of the plan are not reflected on the Airports Authority's Statement of Net Position. The trust agent for the plan is the Vantage Trust Company. Investments are managed for participants by the International City/County Management Association Retirement Corporation (ICMA-RC) through one of several investment options or a combination thereof. The choice of the investment option(s) is made by each participant. Amounts contributed by participants to the deferred compensation plan, along with the Airports Authority's matching contribution, totaled $11.8 million, $11.6 million, and $11.4 million in the years ended December 31, 2013, 2012, and 2011, respectively.

Money Purchase Pension Plan

The Airports Authority established a Money Purchase Pension Plan (MPPP) in accordance with Internal Revenue Code 401(a)(17) effective December 18, 2007. The MPPP is available to all full-time employees. Under the terms of the MPPP, the Airports Authority makes contributions on behalf of eligible employees. The amount of contributions depends on whether the employee's pension benefit under the Airports Authority's Regular Plan or the Police and Firefighter Plan is subject to compensation limitations imposed by section 401(a)(17). Eligible employees may not defer a portion of their salary into the MPPP. The Airports Authority serves as trustee of the MPPP and has entered into an agreement with the ICMA-RC to act as an investment advisor to the MPPP and to provide record keeping services for the MPPP. The Airports Authority paid $80 thousand, $14 thousand, and $25 thousand into the MPPP in the years ended December 31, 2013, 2012, and 2011, respectively. The Airports Authority terminated this MPPP in 2013.

9. POST-EMPLOYMENT BENEFITS

The Airports Authority provides post-employment group healthcare, dental, and life insurance benefits for its retired employees. The Airports Authority Retired Employees Healthcare Plan (the Healthcare Plan) is a single-employer defined benefit healthcare, dental, and life insurance plan and is administered by the Airports Authority. The Healthcare Plan provides medical, dental, and life insurance benefits to eligible retirees and their dependents (the Participants). As of December 31, 2013, 478 Participants were receiving health insurance benefits, and 468 Participants were receiving life insurance benefits under the Healthcare Plan.

The management of the Airports Authority can establish and amend benefit provisions of the Healthcare Plan. The Airports Authority created and began funding an Employee Welfare Benefits Trust (the Trust) in February 2005 in order to provide a funding mechanism for its other post-employment benefit obligations.

There are no separate stand-alone financial reports for the Healthcare Plan. A copy of the plan documents may be obtained by written request to: Metropolitan Washington Airports Authority, Attention: Benefits Manager, 1 Aviation Circle, Washington, DC 20001-6000.

Contributions Required and Made

The contribution requirements of the Healthcare Plan's Participants and the Airports Authority for health and dental insurance are established and may be amended by the management of the Airports Authority. The contribution requirements are based upon projected pay-as-you-go financing requirements and funding for future benefits. The Airports Authority pays 80 percent of the health premium costs and 45 percent of the dental premiums costs, with the retirees paying the remaining premium costs. For the years ended December 31, 2013 and 2012, the Airports Authority's share of health and dental insurance premium costs totaled $4.9 million and $3.9 million, respectively. Plan participants contributed $1.1 million and $1.0 million of the total premiums for the years ended December 31, 2013 and 2012, respectively. The monthly contribution requirements for participants in the Healthcare Plan depend on several factors including provider choices, participant age, and type of benefit coverage.

Monthly Contributions for Retirees Under 65 for 2013

Provider Choices	Retiree Only	Retiree Plus Spouse	Retiree Plus Child(ren)	Family
Aetna - HMO	$ 114	$ 237	$ 215	$ 338
Aetna - PPO	$ 126	$ 263	$ 238	$ 374
Kaiser Permanente HMO	$ 100	$ 211	$ 191	$ 301
MetLife Dental	$ 14	$ 29	$ 34	$ 54

Monthly Contributions for Retirees Over 65 for 2013

Provider Choices	Retiree Only	One > Age 65 One < Age 65	Two Party Medicare	Family Medicare
Aetna - HMO	$ 101	$ 226	$ 198	$ 359
Aetna - PPO	$ 102	$ 240	$ 200	$ 363
Kaiser HMO	$ 52	$ 152	$ 104	$ 204
MetLife Dental	$ 14	$ 29	$ 34	$ 54

The Airports Authority offers two life insurance options to its Participants. Under Option 1, the Airports Authority pays 100 percent of the Participant's basic and supplemental life insurance cost. Basic life insurance cost is reduced to 25 percent of the Participant'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 Participant had selected prior to retirement. Supplemental life insurance is reduced at a rate of 2 percent each month so that at the end of 50 months, no supplemental life insurance coverage remains in force.

Option 2 is available to Participants who retire from the Airports Authority on or after May 1, 2007. Under Option 2, the Airports Authority pays 100 percent of the Participant's basic life insurance cost. Basic life insurance cost is reduced to 25 percent of the Participant's life insurance in force at the time of retirement. Participants pay 100 percent of the cost of supplemental life insurance. The amount of supplemental life insurance in force remains equal to the amount that the Participant had at the time of retirement but is reduced by 50 percent at age 70 and another 50 percent at age 75.

As of December 31, 2013, 68 out of 468 retired employees had supplemental coverage, and the cost of life insurance totaled $308 thousand. As of December 31, 2012, 57 out of 436 retired employees had supplemental coverage, and the cost of life insurance for retired employees totaled $254 thousand.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation as well as the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actual methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities (AAL), consistent with the long-term perspectives of the calculations. The actuarial value of future assets will be determined using fair market values.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, including but not limited to future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the AAL for benefits.

Significant actuarial assumptions used in determining the AAL are as follows:

Valuation Date		January 1, 2014
Actuarial Cost Method		Entry age, normal
Amortization Method		30-year level dollar
Assets Valuation Method		5-year smooth market
Actuarial Assumptions:		
(a)	Investment rate of return	7.5%
(b)	Mortalilty Rates	Retirement Plans 2000 Healthy Mortality Table
(c)	Healthcare Cost Trend Rate	5.5% initially to ultimate rate of 3.8%
(d)	Payroll Growth Rate	4.0 - 4.5% to an ultimate rate of 3.0%
	(d) includes inflation at	2.75%

Other Post-employment Benefit (OPEB) Costs and Obligations

The annual non-pension post-employment benefit cost is actuarially determined as is the calculation of the annual required contribution (ARC). The ARC represents the actuarially determined level of funding that, if paid on an ongoing basis, is projected to cover annual benefit costs and the 30-year open amortization of the difference between the AAL and amounts previously recognized. The following reflects the components of the 2013 annual OPEB costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2014 actuarial valuation:

	Year ended December 31,		
Medical/Dental	2013	2012	2011
Annual required contribution	$ 10,130,000	$ 11,300,000	$ 10,730,000
Interest on net OPEB obligation (asset)	20,000	20,000	20,000
Adjustment to annual required contribution	(20,000)	(30,000)	(30,000)
Annual OPEB cost	10,130,000	11,290,000	10,720,000
Contributions made	10,147,100	9,956,111	10,730,000
Change in net OPEB obligation (asset)	(17,100)	1,333,889	(10,000)
Net OPEB obligation (asset) beginning of year	1,653,388	319,499	329,499
Net OPEB obligation end of year	$ 1,636,288	$ 1,653,388	$ 319,499

	Year ended December 31,		
Life Insurance	2013	2012	2011
Annual required contribution	$ 1,048,700	$ 956,900	$ 842,100
Interest on net OPEB obligation	5,700	5,700	5,700
Adjustment to annual required contribution	(6,000)	(6,000)	(6,000)
Annual OPEB cost	1,048,400	956,600	841,800
Contributions made	1,048,400	971,528	842,100
Change in net OPEB obligation	-	(14,928)	(300)
Net OPEB obligation beginning of year	61,195	76,123	76,423
Net OPEB obligation end of year	$ 61,195	$ 61,195	$ 76,123

The net OPEB obligation liabilities are reported as non-current liabilities as of December 31, 2013 and 2012 in the Statement of Net Position.

The Airport Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2013 and the two preceding years, were as follows:

Three-Year Trend Information - Medical Insurance

Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$10,720,000	100.1%	$ 319,499
2012	$11,290,000	88.2%	$1,653,388
2013	$10,130,000	100.2%	$1,636,288

Three-Year Trend Information - Life Insurance

Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 841,800	100.0%	$ 76,123
2012	$ 956,600	101.6%	$ 61,195
2013	$ 1,048,400	100.0%	$ 61,195

Funding Status and Funding Progress

The Airports Authority began funding the Plan in 2005, and in addition to funding insurance costs for Participants, contributed $5.2 million, $6.1 million, and $6.1 million for the years ended December 31, 2013, 2012, and 2011, respectively to the Trust for medical and dental insurance. The Airports Authority also contributed $731 thousand, $516 thousand, and $625 thousand for the years ended December 31, 2013, 2012, and 2011, respectively, to the Trust for life insurance.

Schedule of Funding Progress - Medical Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	$ 19,450,000	$ 85,170,000	$ 65,720,000	22.8%	$ 68,620,000	95.8%
1/1/2009	$ 25,190,000	$ 103,980,000	$ 78,790,000	24.2%	$ 73,960,000	106.5%
1/1/2010	$ 31,420,000	$ 116,870,000	$ 85,450,000	26.9%	$ 78,170,000	109.3%
1/1/2011	$ 38,960,000	$ 130,230,000	$ 91,270,000	29.9%	$ 92,170,000	99.0%
1/1/2012	$ 47,710,000	$ 122,470,000	$ 74,760,000	39.0%	$ 95,490,000	78.3%
1/1/2013	$ 57,130,000	$ 138,530,000	$ 81,400,000	41.2%	$ 105,430,000	77.2%
1/1/2014	$ 69,730,000	$ 160,580,000	$ 90,850,000	43.4%	$ 109,970,000	82.6%

Schedule of Funding Progress - Life Insurance

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
1/1/2008	$ 1,711,700	$ 6,822,000	$ 5,110,300	25.1%	$ 68,616,300	7.4%
1/1/2009	$ 2,217,400	$ 7,578,300	$ 5,360,900	29.3%	$ 73,961,700	7.2%
1/1/2010	$ 2,765,800	$ 8,161,500	$ 5,395,700	33.9%	$ 78,171,500	6.9%
1/1/2011	$ 3,608,900	$ 9,777,600	$ 6,168,700	36.9%	$ 92,169,900	6.7%
1/1/2012	$ 4,324,200	$ 11,035,700	$ 6,711,500	39.2%	$ 95,487,300	7.0%
1/1/2013	$ 5,140,000	$ 9,975,700	$ 4,835,700	51.5%	$ 105,429,000	4.6%
1/1/2014	$ 6,539,000	$ 10,689,800	$ 4,150,800	61.2%	$ 109,974,600	3.8%

10. CHANGES IN CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2013 and 2012 was as follows:

	Balance as of January 1, 2013	Transfers and Additions	Transfers and Retirements	Balance as of December 31, 2013
Capital assets not being depreciated:				
Land and other non-depreciable assets	$ 182,685,100	$ 366,081	$ -	$ 183,051,181
Construction in progress - Aviation Enterprise	274,520,382	161,678,720	(56,924,604)	379,274,498
Construction in progress - Dulles Corridor Enterprise	2,765,186,629	468,862,755	(14,237,817)	3,219,811,567
Total capital assets not being depreciated	3,222,392,111	630,907,556	(71,162,421)	3,782,137,246
Other capital assets:				
Buildings	2,478,652,194	30,115,008	(7,597)	2,508,759,605
Systems and structures	4,191,839,205	36,155,898	(71,530)	4,227,923,573
Equipment	116,482,314	1,302,121	(1,407,678)	116,376,757
Motor vehicles	69,352,889	2,651,611	(2,357,759)	69,646,741
Total other capital assets	6,856,326,602	70,224,638	(3,844,564)	6,922,706,676
Less accumulated depreciation:				
Buildings	900,501,187	70,586,453	(118,138)	970,969,502
Systems and structures	1,291,322,025	160,961,959	-	1,452,283,984
Equipment	97,401,238	4,925,926	(795,065)	101,532,099
Motor vehicles	45,014,800	4,501,655	(2,151,063)	47,365,392
Total accumulated depreciation	2,334,239,250	240,975,993	(3,064,266)	2,572,150,977
Totals	$ 7,744,479,463	$ 460,156,201	$ (71,942,719)	$ 8,132,692,945

	Balance as of January 1, 2012	Transfers and Additions	Transfers and Retirements	Balance as of December 31, 2012
Capital assets not being depreciated:				
Land and other non-depreciable assets	$ 182,730,618	$ 29,920	$ (75,438)	$ 182,685,100
Construction in progress - Aviation Enterprise	301,655,216	151,523,655	(178,658,489)	274,520,382
Construction in progress - Dulles Corridor Enterprise	2,137,594,785	701,038,329	(73,446,485)	2,765,186,629
Total capital assets not being depreciated	2,621,980,619	852,591,904	(252,180,412)	3,222,392,111
Other capital assets:				
Buildings	2,467,538,599	11,187,764	(74,169)	2,478,652,194
Systems and structures	4,034,227,624	157,902,960	(291,379)	4,191,839,205
Equipment	103,801,506	14,675,202	(1,994,394)	116,482,314
Motor vehicles	58,074,889	12,925,662	(1,647,662)	69,352,889
Total other capital assets	6,663,642,618	196,691,588	(4,007,604)	6,856,326,602
Less accumulated depreciation:				
Buildings	827,935,553	72,567,693	(2,059)	900,501,187
Systems and structures	1,138,040,186	153,300,159	(18,320)	1,291,322,025
Cumulative balance for change in depreciation	(19,885,568)	19,885,568	-	-
Equipment	94,547,885	5,091,143	(2,237,790)	97,401,238
Motor vehicles	42,482,711	4,505,082	(1,972,993)	45,014,800
Total accumulated depreciation	2,083,120,767	255,349,645	(4,231,162)	2,334,239,250
Totals	$ 7,202,502,470	$ 793,933,847	$ (251,956,854)	$ 7,744,479,463

Depreciation expense was incurred by the Business-Type Activities of the Airports Authority during the fiscal years as follows:

	2013	2012
Aviation Enterprise Fund	$ 236,594,157	$ 252,476,186
Dulles Corridor Enterprise Fund	4,064,686	1,505,721
Total Depreciation Expense	$ 240,658,843	$ 253,981,907

The Airports Authority completed various capital asset construction and development projects during the years ended December 31, 2013 and 2012. Within the Aviation Enterprise Fund, at Reagan National, projects completed in 2013 included utility relocation for runway 1/19 and improvements (lobby upgrade, curbside check-in and outbound baggage facility) to Terminal A. Within the Aviation Enterprise Fund, at Reagan National, projects completed in 2012 included additional functionality for the public safety communications center, upgrades to security systems, and improvements to runways and taxiways. At Dulles International, projects completed in 2013 included a Concourse C/D boarding passenger bridge, taxi lane improvements, communication system improvements, taxiway pavement replacement and cargo building system improvements. At Dulles International, projects completed in 2012 included the first phase of building changes for in-line baggage screening, and improvements to runways and cargo building system improvements.

As of December 31, 2013, ongoing projects at Reagan National included a building rehabilitation for Terminal A and runway safety improvements. Ongoing projects for Dulles International included improvements to Concourse C/D, electrical and utility upgrades and runway safety improvements. As of December 31, 2013, the Aviation Enterprise Fund's commitments with contractors for capital asset construction and development projects were $416.8 million.

Within the Dulles Corridor Enterprise Fund, projects completed in 2013 included electrical and HVAC upgrades and replacements and resurfacing the road pavement. Within the Dulles Corridor Enterprise Fund, an interchange ramp directly connecting the Dulles International Access Highway with Interstate 495 and other Dulles Corridor mobility and capacity improvements were completed in 2012. VDOT contributed $4.1 million to the cost of this interchange ramp. As of December 31, 2013, ongoing projects included Phases 1 and 2 of the Dulles Metrorail Project, sound wall replacement and other Dulles Corridor and mobility and capacity improvements. As of December 31, 2013, the Dulles Corridor Enterprise Fund's commitments with contractors for capital asset construction and development projects were $1.6 billion.

Services for the above commitment amounts had not been provided as of December 31, 2013, and accordingly, no liability has been recorded in the accompanying financial statements. Construction projects are financed by revenue bonds secured by aviation and toll road revenues, commercial paper, passenger facility charges, and grants.

In 2012, the Airports Authority recognized expense for design costs incurred on the Tier 2 Concourse and related facilities at Dulles International and the in-line baggage screening improvements project at Reagan National. An analysis and forecast of future projects was performed, and the determination was made that the Tier 2 projects would not proceed in the near future and that costs incurred to date had no future value. If the Airports Authority were to proceed with the Tier 2 projects at a later date, the Tier 2 Concourse and related facilities would be substantially different from designs and plans developed to date. At National Airport, the in-line baggage screening improvements project was a joint project with the Transportation Security Administration (TSA), which was cancelled during 2012. Consistent with the requirements of GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* in 2012, the Airports Authority recorded $40.2 million in impairment losses relating to these projects. These impairment losses are included in the Transfers and Retirements line in the above table.

During the implementation of the Enterprise Resource Planning system in 2011, a $19.9 million adjustment was recorded to the 2011 financial statements which reduced accumulated depreciation and depreciation expense. In 2012, it was determined that this adjustment was incorrect, and an entry to correct accumulated depreciation was recorded in the 2012 financial statements. This entry increased depreciation expense and accumulated depreciation in 2012 by $19.9 million. Management concluded that the amount was not material to the prior period or current period financial statements.

Interest included as part of the capitalized value of the assets constructed during the years ended December 31, 2013 and 2012 was as follows:

	2013	2012
Interest costs incurred	$ 328,857,270	$ 327,899,793
Less: interest costs capitalized	90,487,665	98,428,270
Interest costs expensed	$ 238,369,605	$ 229,471,523

	2013	2012
Investment income earned	$ 10,207,536	$ 16,793,374
Less: interest income capitalized	69,162	2,253,740
Investment income recognized	$ 10,138,374	$ 14,539,634

11. ACCOUNTS PAYABLE

A detail of accounts payable and accrued expenses as of December 31, 2013 and 2012 follows:

	As of December 31,	
	2013	2012
Trade accounts payable and accruals	$187,915,503	$160,554,471
Accrued compensation and benefits	14,727,206	13,860,328
Current portion of claims	2,608,104	2,642,981
Security deposits	1,928,830	1,213,210
Total accounts payable and accrued expenses	$207,179,643	$178,270,990

12. 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's facilities, including buildings, terminals, and airfield areas.

Leases with minimum annual guarantee provisions provide for minimum lease amounts as well as contingent fees based on the tenants' volume of business at the Airports. These leases have various lease terms, may include provisions for annual increases in the minimum annual guarantee amounts, and may be reviewed periodically to ensure compliance with payments of the contingent fees and other terms of the leases. Most concession leases at the Airports have minimum annual guarantee provisions.

The Use and Lease Agreement (refer to Note 3 – Airport Use Agreement and Premises Lease) provides for terminal and other facility and space rentals by the airlines at the Airports. Airlines that have signed the Use and Lease Agreement are responsible for full cost recovery plus debt service coverage for these facilities until the termination date of the Use and Lease Agreement. The Use and Lease Agreement is scheduled to terminate on September 30, 2014, subject to annual cancellation rights at the option of the Airports Authority. For purposes of calculating future minimum rents under the terms of the Use and Lease Agreement, estimates of future costs and debt service coverage have been used.

The Airports Authority has also entered into various fixed rate lease agreements with tenants for facilities and space at the Airports. These leases have various lease terms and usually include provisions for annual rent increases.

Minimum future rentals scheduled to be received on operating leases that have initial or remaining non-cancelable terms in excess of one year, as calculated in 2013 dollars, are:

Year ending December 31,	Minimum Annual Guaranteed Leases	Airline Terminal Leases	Fixed Rate Leases	Total
2014	$ 76,601,397	$ 204,402,000	$ 19,968,627	$ 300,972,024
2015	69,206,576	-	14,668,193	83,874,769
2016	51,732,624	-	5,360,463	57,093,087
2017	43,957,023	-	4,241,790	48,198,813
2018	30,961,815	-	2,506,625	33,468,440
2019 and thereafter	83,172,743	-	37,109,808	120,282,551
Total minimum future rentals	$ 355,632,178	$ 204,402,000	$ 83,855,506	$ 643,889,684

The above amounts do not include contingent rentals and fees in excess of minimums, which amounted to $38.3 million and $30.7 million for the years ended December 31, 2013 and 2012, respectively. Total income from leases, including minimum annual guarantees and contingent rentals and fees, totaled $428.6 million and $414.5 million for the years ended December 31, 2013 and 2012, respectively.

Property Leased from Others

The Airports Authority has an 80 year lease (the Federal Lease), with negotiable extensions, with the United States Government for the Airports. This lease is due to expire on June 6, 2067. The lease requires an annual inflation-adjusted base amount and interest earned on funds reserved monthly in a lease payment reserve account to be paid on a semi-annual basis. The Airports Authority invests the monthly lease payments per the Airports Authority's Investment Policy.

The Airports Authority has entered into a non-cancellable office space lease in Vienna, Virginia. This office lease, as amended, is for 26,094 rentable square feet and 16,427 rentable square feet, with expiration dates of July 31, 2013 and February 28, 2014, respectively. In addition, the Airports Authority has entered into a non-cancellable office space lease in Herndon, VA. The office lease is for 52,385 rentable square feet with an expiration date of March 31, 2019.

Minimum future rentals scheduled to be paid on the operating leases in effect on December 31, 2013, as calculated in 2013 dollars, are:

Year ending December 31,	Federal Lease	Office Space Lease	Total
2014	$ 5,335,290	$ 1,078,815	$ 6,414,105
2015	5,335,290	1,390,385	6,725,675
2016	5,335,290	1,425,309	6,760,599
2017	5,335,290	1,460,843	6,796,133
2018	5,335,290	1,497,338	6,832,628
2019 and thereafter	261,429,225	379,005	261,808,230
Total minimum future rentals	$ 288,105,675	$ 7,231,695	$ 295,337,370

Total rental expense paid to the United States Government for the years ended December 31, 2013 and 2012 was $5.3 million and $5.3 million, respectively. The 2013 and 2012 capitalized expenditures related to the office space lease totaled $836 thousand and $1.5 million, respectively.

13. CHANGES IN LONG-TERM NON-DEBT LIABILITIES

Activity for non-current liabilities, other than for capital debt, for the years ended December 31, 2013 and 2012 was as follows:

	Activity during year ended December 31, 2013				As of December 31, 2013	
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Compensated absences	$ 8,836,597	$ 8,837,924	$ 8,403,816	$ 9,270,705	$ 8,315,061	$ 955,644
Claims[1]	5,093,560	3,314,920	2,553,635	5,854,845	2,608,104	3,246,741
Lease obligations	119,761	-	111,910	7,851	7,851	-
Construction retainage	15,945,543	16,107	-	15,961,650	-	15,961,650
Net OPEB obligation[2]	1,714,583	-	17,100	1,697,483	-	1,697,483
Payments received in advance	787,080	110,000,000	-	110,787,080	-	110,787,080
	$ 32,497,124	$ 122,168,951	$ 11,086,461	$ 143,579,614	$ 10,931,016	$ 132,648,598

[1] See Note 20 – Risk Management
[2] See Note 9 – Post-Employment Benefits

	Activity during year ended December 31, 2012				As of December 31, 2012	
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Compensated absences	$ 8,331,893	$ 8,855,584	$ 8,350,880	$ 8,836,597	$ 7,477,858	$ 1,358,739
Claims[1]	5,075,236	1,956,313	1,937,989	5,093,560	2,642,981	2,450,579
Lease obligations	216,373	-	96,612	119,761	111,909	7,852
Construction retainage	15,540,221	405,323	-	15,945,543	-	15,945,543
Net OPEB obligation[2]	395,622	1,318,961	-	1,714,583	-	1,714,583
Payments received in advance	787,080	-	-	787,080	-	787,080
	$ 30,346,425	$ 12,536,180	$ 10,385,481	$ 32,497,124	$ 10,232,748	$ 22,264,376

[1] See Note 20 – Risk Management
[2] See Note 9 – Post-Employment Benefits

14. DERIVATIVES

In 2001, the Airports Authority began a risk management program to assist in managing the interest cost on outstanding and future debt. The Airports Authority has entered into a number of interest rate swap agreements (collectively, the Swap Agreements) to hedge against potential future increases in interest rates. All of the Airports Authority's Swap Agreements were entered into in connection with the planned issuance of Aviation Enterprise Fund variable rate debt and represent floating-to-fixed rate agreements. The agreements were written on a forward-starting basis to either hedge future new money Bonds or to synthetically advance refund Bonds that could not be advance refunded on a conventional basis because of their tax status.

Based on the Swap Agreements, the Airports Authority owes interest calculated at a notional amount multiplied by a fixed rate to the counterparties. In return, the counterparties owe the Airports Authority interest, based on the notional amount multiplied by a variable rate equal to 72 percent of the 1-month London International Bank Offered Rate (LIBOR). The variable rate received from the counterparties is intended to closely correlate to the interest rate the Airports Authority pays on the underlying variable rate debt. Only the net difference in interest payments is actually exchanged with the counterparties, while the Airports Authority continues to pay interest to the bondholders at the variable rate provided by the bonds associated with the swap. During the term of the Swap Agreement, the Airports Authority pays or receives the difference between the fixed rate on the Swaps and 72 percent of the 1-month LIBOR.

The chart below provides summary information with respect to the Airports Authority's Swap Agreements:

Trade Date	Effective Date	Counterparty	Ratings [1]	Original Notional Amount	Outstanding Notional Amount	Hedged Series	Termination Value [2]	Fixed Rate
07/31/01	08/29/02	Bank of America, N.A.	A2/A/A	$ 80,590,000	$ 43,275,000	2011A-2	$ (5,842,260)	4.445%
06/15/06	10/01/09	J.P. Morgan Chase Bank	Aa3/A+/A+	$ 190,000,000	177,403,000	2011A-3	(34,284,346)	4.099%
06/15/06	10/01/09	Bank of America, N.A.	A2/A/A	110,000,000	102,707,001	2009D/2010C-2	(19,937,502)	4.099%
06/15/06	10/01/10	Wells Fargo Bank, N.A.	Aa3/AA-/AA-	170,000,000	161,789,000	2010D	(32,363,636)	4.112%
05/13/05	10/01/11	Wells Fargo Bank, N.A.	Aa3/AA-/AA-	125,000,000	121,918,750	2011A-1	(19,529,728)	3.862%
			Total	$ 675,590,000	$ 607,092,751		$ (111,957,472)	

[1] Long-term ratings of Moody's, S&P, and Fitch, respectively, as of December 31, 2013.
[2] A negative value represents a payment by the Airports Authority to the counterparty if the swap is terminated in the current market; a positive value represents a receipt by the Airports Authority if the swap is terminated in the current market.

GASB 53, Accounting and Financial Reporting for Derivative Instruments

Beginning in 2008, the Airports Authority implemented GASB 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). According to GASB 53, all of the Aviation Enterprise Fund's forward-starting swap transactions and those swap transactions associated with issued debt were determined to be ineffective in 2008 and are recognized at fair value on the Statements of Revenue, Expenses and Changes in Net Position. GASB 53 requires that if a derivative instrument is found to be ineffective in the first reporting period, evaluation of effectiveness in subsequent reporting periods should not be performed. Therefore, since all of the Airports Authority's derivatives were found to be ineffective at the end of December 31, 2008, hedge accounting ceased permanently, and the changes in the value of the instruments are reported in the Statements of Revenue, Expenses and Changes in Net Position as a fair value gain or (loss).

Derivative Fair Value Summary

For the years ended December 31, 2013 and 2012, all of the Airports Authority's interest rate swaps were recognized on the Statements of Net Position as liabilities at fair value. The fair value of the Swaps on December 31, 2013 and 2012 was a loss of $112.0 million and $193.9 million, respectively. This represents the maximum loss that would be recognized if all counterparties failed to perform as contracted. The change in fair value of swaps for 2013 was a gain of $82.0 million. The change in fair value of swaps for 2012 was a gain of $6.4 million, which was net of a $72,500 settlement payment made to Lehman Brothers related to the 2008 termination of the 2006 swap with Lehman Brothers. Changes in the fair value of the Airports Authority's Swaps are recorded as fair value gains or losses on the Statements of Revenue, Expenses and Changes in Net Position. In addition, net interest payments to the counterparties are recorded in the financial statements.

The fair value of the Airports Authority's Swaps as of December 31, 2013, and 2012 was as follows:

Effective Date	Counterparty	Outstanding Notional Amount	Maturity	Fair Value as of 12/31/2013	Fair Value as of 12/31/2012	Change in Fair Value
2002	Bank of America, N.A.	$ 43,275,000	2021	$ (5,842,260)	$ (8,663,435)	$ 2,821,175
2009	J.P. Morgan Chase Bank	177,403,000	2039	(34,284,346)	(59,270,802)	24,986,456
2009	Bank of America, N.A.	102,707,001	2039	(19,937,502)	(34,238,956)	14,301,454
2010	Wells Fargo Bank, N.A.	161,789,000	2040	(32,363,636)	(56,402,685)	24,039,049
2011	Wells Fargo Bank, N.A.	121,918,750	2039	(19,529,728)	(35,344,564)	15,814,836
	Total	$ 607,092,751		$ (111,957,472)	$ (193,920,442)	$ 81,962,970

Risks

Credit Risk – The Airports Authority is exposed to the creditworthiness of the swap counterparties. To manage this risk, the Airports Authority will only enter into Swap Agreements with counterparties having a rating of at least 'A.'

The Airports Authority's Swap Agreements do not require the Airports Authority to post collateral for any reason. The counterparties to the Swaps are required to post collateral if their credit ratings fall below Aa3/AA- but only if the fair values of the Swaps are positive, or in the Airports Authority's favor. As of December 31, 2013, all outstanding swap fair values were negative, or in the counterparty's favor, so no collateral has been posted.

The Airports Authority does not enter into any master netting agreements.

Interest Rate Risk – The Airports Authority is exposed to interest rate risk on its Swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR decreases, the Airports Authority's net payment on the swap increases.

Basis Risk – The Airports Authority may be exposed to basis risk when the payments received from a counterparty are not sufficient to completely offset the debt service payments on the underlying variable rate bonds. As of December 31, 2013, the weighted average interest rate on the Airports Authority's hedged variable-rate debt was 0.77 percent, and 72 percent of LIBOR was 0.12 percent.

Termination Risk – The Airports Authority or its counterparties may terminate a swap if the other party fails to perform under the terms of the contract. In the event that the swap is terminated prior to maturity, the Airports Authority may owe a make-whole termination payment to a counterparty or receive a termination payment from a counterparty that could be substantial.

Tax Risk – The Airports Authority is exposed to the risk that future tax law changes or trading relationships lead to an increase in the ratio of tax-exempt to taxable yields.

15. CAPITAL DEBT

The Airports Authority utilizes a variety of debt instruments, including short-term and long-term borrowings, fixed and variable rate products, and taxable and tax-exempt debt, to finance construction of capital projects for both Enterprise Funds.

The Internal Revenue Service (IRS) has set up rules for the investment of bond proceeds of tax-exempt debt limiting the interest arbitrage that can be earned. All of the Airports Authority's tax-exempt debt follows the IRS rules for calculation and rebate of arbitrage. The Airports Authority had no arbitrage liabilities as of December 31, 2013 and 2012.

Aviation Enterprise Fund Debt

A Master Indenture of Trust was created in 1990 to secure Airport System Revenue Bonds issued by the Aviation Enterprise Fund of the Airports Authority. This 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's investments. Under this amended 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.

On May 2, 2001, the Airports Authority's Board adopted Resolution No. 01-6 allowing the issuance of Commercial Paper (CP) Notes for the Aviation Enterprise Fund in a not-to-exceed amount of $500.0 million. The principal purpose of the CP Notes is to pay or provide for certain capital improvements at the Airports or to refund other forms of indebtedness.

The Airports Authority's variable rate demand obligations (i.e. the Series 2009D and 2010C Bonds) are supported by letters of credit (each a "Credit Facility" as defined in the Master Trust Indenture). While in weekly or daily mode, the registered owners of such bonds have the right to tender such bonds for purchase upon compliance with certain conditions. Subject to certain conditions, to the extent remarketing proceeds are not available therefor, the Credit Facility will provide for the purchase from time to time of any bonds that are required to be purchased due to an optional tender.

Under the terms of the Series 2009D and Series 2010C Bonds while they are in weekly or daily mode and under the terms of the Series 2003D-1, Series 2010D, Series 2011A and Series 2011B Bonds while they are in index mode, such bonds may be redeemed at any time at the option of the Airports Authority subject to certain conditions.

Recent Transactions

On June 27, 2013, the Airports Authority Aviation Enterprise Fund issued $245.6 million of Series 2013A-C Airport System Revenue and Refunding Bonds to refund $200.7 million of outstanding bonds for debt service savings and provide additional monies to fund ongoing capital projects. Series 2013A-C refunded bonds with a par value of $165.6 million and issued new revenue bonds with a par value of $80.0 million.

> The Series 2013A Alternative Minimum Tax (AMT) Airport System Revenue and Refunding Bonds' par amount was $207.2 million. This transaction refunded $153.3 million of Series 2003A Bonds maturing in 2013-2033 for net present value savings of $8.8 million. The proceeds of this issuance were also used to provide additional funds to pay for certain capital projects at the Airports, including capitalized interest, and pay the cost of issuing the bonds.
>
> The Series 2013B Taxable Airport System Revenue Refunding Bonds' par amount was $27.4 million. This transaction refunded $33.9 million of Taxable Series 2003C Bonds maturing in 2013-2023 for net present value savings of $3.6 million.
>
> The Series 2013C Non-AMT Airport System Revenue Refunding Bonds' par amount was $11.0 million. This transaction refunded $13.5 million of Series 2004A Bonds maturing in 2015-2022 for net present value savings of $1.2 million.

Total debt service savings through 2033, the term of the Refunded Bonds, is approximately $40 million. Debt service savings in years 2014-2015 are approximately $9.5 million annually, $6.9 million in 2016, $5.8 million in 2017, and $3.3 million in 2018.

Bonds Payable

The Aviation Enterprise Fund's long-term bonds issued and outstanding as of December 31, 2013 and 2012 were as follows:

	Issue Date	Interest Rates	Maturing on October 1	Amount	Outstanding at December 31, 2013	2012
Series 2003A Revenue & Refunding Bonds	10/01/03				$ -	$ 153,310,000
Series 2003B Refunding Bonds	10/01/03					2,920,000
Series 2003C Revenue & Refunding Bonds	10/01/03				-	33,850,000
Series 2003D-1 Revenue Bonds	10/01/03					
Term		Variable (0.819%)[1]	2014-2033		61,525,000	63,225,000
Series 2004A Refunding Bonds	08/26/04					
Term		3.750%	2014		10,000	13,530,000
Series 2004B Revenue Bonds	05/18/04					
Serial		5.000%	2027	25,000,000		
Serial		5.050%	2028	7,330,000		
Term		5.000%	2034	212,670,000		
					245,000,000	245,000,000
Series 2004C-1 Refunding Bonds	07/07/04					
Serial		5.000%	2020-2021		31,300,000	31,300,000
Series 2004C-2 Revenue Bonds	08/12/04					
Term		5.000%	2014-2022	32,170,000		
Serial		5.000%	2023-2024	61,690,000		
					93,860,000	93,980,000
Series 2004D Refunding Bonds	08/26/04					
Serial		5.000%-5.250%	2014-2019		131,865,000	150,430,000
Series 2005A Revenue Bonds	04/12/05					
Serial		4.250%-5.250%	2014-2020	72,890,000		
Term		4.750%	2035	22,290,000		
Term		5.000%	2035	149,740,000		
					244,920,000	254,525,000
Series 2005B Refunding Bonds	04/12/05					
Serial		3.875%-5.250%	2014-2020		14,640,000	16,410,000
Series 2005C Revenue Bonds	04/12/05					
Serial		5.590%	2025	8,315,000		
Serial		5.690%	2030	9,350,000		
Serial		5.730%	2035	12,335,000		
					30,000,000	30,000,000

	Issue Date	Interest Rates	Maturing on October 1	Amount	Outstanding at December 31, 2013	2012
Series 2005D	10/12/05					
Revenue Bonds						
Serial		5.000%	2021-2023		7,650,000	7,650,000
Series 2006A	01/25/06					
Revenue Bonds						
Serial		4.750%	2030	12,500,000		
Term		5.000%	2032	81,555,000		
Term		5.000%	2035	150,945,000		
					245,000,000	245,000,000
Series 2006B	12/06/06					
Revenue Bonds						
Serial		4.550%	2031	59,020,000		
Serial		5.000%	2032	37,030,000		
Term		5.000%	2036	279,270,000		
					375,320,000	375,320,000
Series 2006C	12/06/06					
Refunding Bonds						
Serial		3.750%-5.000%	2014-2026	22,630,000		
Term		4.375%	2032	11,595,000		
					34,225,000	35,570,000
Series 2007A	07/03/07					
Refunding Bonds						
Serial		4.750%-5.000%	2014-2023		117,165,000	126,040,000
Series 2007B	09/27/07					
Revenue Bonds						
Serial		4.000%-5.000%	2014-2027	325,480,000		
Serial		4.750%	2032	1,150,000		
Term		5.000%	2032	67,225,000		
Term		5.000%	2035	13,420,000		
					407,275,000	420,355,000
Series 2008A	06/24/08					
Revenue Bonds						
Serial		5.000%-5.750%	2014-2029		210,365,000	220,450,000
Series 2009B	04/01/09					
Revenue Bonds						
Serial		3.000%-5.250%	2014-2026	162,840,000		
Term		5.000%	2029	31,450,000		
Term		5.000%	2029	31,455,000		
					$225,745,000	228,655,000
Series 2009C	07/02/09					
Revenue Bonds						
Serial		4.000%-5.125%	2014-2031	160,880,000		
Term		5.125%	2034	43,405,000		
Term		5.125%	2039	34,125,000		
Term		5.625%	2039	55,000,000		
					293,410,000	298,965,000

	Issue Date	Interest Rates	Maturing on October 1	Amount	Outstanding at December 31, 2013	2012
Serie 2009D-1-2	07/02/09					
Revenue Bonds						
Term		Variable (4.099%)[2]	2014-2039		127,755,000	130,185,000
Serie 2010A	07/28/10					
Revenue Bonds						
Serial		3.250%-5.000%	2014-2030	194,525,000		
Term		4.625%	2035	5,100,000		
Term		5.000%	2035	87,305,000		
Term		5.000%	2039	49,505,000		
					336,435,000	340,565,000
Serie 2010B	07/28/10					
Revenue Refunding Bonds						
Serial		3.000%-5.000%	2014-2030		191,755,000	205,055,000
Serie 2010C-1-2	09/22/10					
Revenue Refunding Bonds						
Term		Variable C-1 (0.040%)[3]	2033	61,350,000		
Term		Variable C-2 (4.099%)[4]	2039	98,210,000		
					159,560,000	162,710,000
Serie 2010D	09/22/10					
Revenue Bonds						
Term		Variable (4.112%)[5]	2040		161,785,000	164,655,000
Serie 2010F-1	11/17/10					
Revenue Refunding Bonds						
Serial		4.375%-5.000%	2020-2031		61,820,000	61,820,000
Serie 2011A-1-2-3	09/21/11	Variable A-1 (3.862%)[6]	2014-2039		219,340,000	228,165,000
Revenue & Refunding		Variable A-2 (4.445%)[7]				
Bonds		Variable A-3 (4.099%)[8]				
Serie 2011B	09/21/11	Variable (0.810%)[9]	2014-2041		185,195,000	196,675,000
Revenue & Refunding Bonds						
Serie 2011C	09/29/11					
Revenue Refunding Bonds						
Serial		4.000%-5.000%	2014-2028		171,060,000	178,315,000
Serie 2011D	09/29/11					
Revenue Refunding Bonds						
Serial		2.000%-5.000%	2014-2031		9,635,000	10,015,000

	Issue Date	Interest Rates	Maturing on October 1	Amount	Outstanding at December 31, 2013	Outstanding at December 31, 2012
Series 2012A Revenue Refunding Bonds	07/03/12					
Serial		3.000%-5.000%	2016-2032		291,035,000	291,035,000
Series 2012B Revenue Refunding Bonds	07/03/12					
Serial		3.000%-5.000%	2014-2019		20,570,000	20,790,000
Series 2013A Revenue & Refunding Bonds	07/11/13					
Serial		4.000%-5.00%	2018-2033	164,245,000		
Term		5.000%	2038	18,870,000		
Term		5.000%	2043	24,090,000		
					207,205,000	-
Series 2013B Refunding Bonds	07/11/13					
Serial		1.647%-3.979%	2016-2023		27,405,000	-
Series 2013C Refunding Bonds	07/11/13					
Serial		3.000%-5.000%	2020-2022		11,005,000	-
					$ 4,950,835,000	$ 5,036,470,000
Plus unamortized discount/premium, net					92,387,136	95,233,928
Total Aviation Enterprise Fund Bonds Payable					$ 5,043,222,136	$ 5,131,703,928

[1] Interest rates on Series 2003D-1 are reset monthly by the Remarketing Agent. As of 12/31/13, the rate was 0.819%.

[2] Interest rates on Series 2009D-1 are reset weekly, and interest rates on Series 2009D-2 are reset daily by the Remarketing Agent. The Bonds are hedged with a Swap Agreement at a fixed rate of 4.099%. Refer to Note 13 for information on the Airports Authority's swaps.

[3, 4] Interest rates on Series 2010C-1 are reset every two days, and rates on Series 2010C-2 are reset weekly by the Remarketing Agent. As of 12/31/13, the rate on Series 2010C-1 was 0.040%. The 2010C-2 Bonds are hedged with a Swap Agreement at a fixed rate of 4.099%. Refer to Note 13 for information on the Airports Authority's swaps.

[5] Interest rates on Series 2010D are reset weekly by the Remarketing Agent. The Bonds are hedged with a Swap Agreement at a fixed rate of 4.112%. Refer to Note 13 for information on the Airports Authority's swaps.

[6, 7, 8] Interest rates on Series 2011A-1-2-3 Bonds are calculated weekly using 72% of the 1-month LIBOR Index Rate plus a spread of .82% rounded to five decimal points. As of 12/31/13, the rate was 0.940%. The 2011A-1 Bonds are hedged with a Swap Agreement at a fixed rate of 3.862%. The 2011A-2 Bonds are hedged with a Swap Agreement at a fixed rate of 4.445%. The 2011A-3 Bonds are hedged with a Swap Agreement at a rate of 4.099%. Refer to Note 13 for information on the Airports Authority's swaps.

[9] Interest rates on the 2011B Bonds are calculated weekly using the 1-month SIFMA Index Rate plus a spread of .55%. As of 12/31/13, the rate was 0.810%.

Changes to the Aviation Enterprise Fund's Bonds Payable balances during 2013 and 2012 were as follows:

Balance as of December 31, 2011				$ 5,230,357,202
Bonds Issued				
Series	2012A	Revenue Refunding Bonds	$ 291,035,000	
Series	2012B	Revenue Refunding Bonds	20,790,000	
				311,825,000
Bonds Refunded				
Series	2001A		(67,820,000)	
Series	2002A		(186,750,000)	
Series	2002D		(89,195,000)	
Series	2003B		(20,645,000)	
				(364,410,000)
Principal Payments				(127,950,000)
Change in Unamortized Discount/Premium				81,881,726
Balance as of December 31, 2012				5,131,703,928
Bonds Issued				
Series	2013A	Revenue & Refunding Bonds	207,205,000	
Series	2013B	Revenue Refunding Bonds	27,405,000	
Series	2013C	Revenue Refunding Bonds	11,005,000	
				245,615,000
Bonds Refunded				
Series	2003A		(153,310,000)	
Series	2003C		(33,850,000)	
Series	2004A		(13,510,000)	
				(200,670,000)
Principal Payments				(130,580,000)
Change in Unamortized Discount/Premium				(2,846,792)
Balance as of December 31, 2013				$ 5,043,222,136
Balance as of December 31, 2013 - Short Term				137,695,000
Balance as of December 31, 2013 - Long Term				4,905,527,136
				$ 5,043,222,136

Maturities and Sinking Fund Requirements

Principal payments on the Aviation Enterprise Fund's long-term bonds are due annually on October 1. The following table summarizes the maturities and sinking fund requirements for the Aviation Enterprise Fund Senior Debt, not including any unamortized discount or premium, based on interest rates as of December 31, 2013:

Year Ending December 31	Principal	Interest	Total Debt Service
2014	$ 137,695,000	$ 236,826,049	$ 374,521,049
2015	145,065,000	230,577,643	375,642,643
2016	157,260,000	224,022,309	381,282,309
2017	174,985,000	216,808,384	391,793,384
2018	189,280,000	208,754,006	398,034,006
2019 - 2023	1,034,955,000	902,689,222	1,937,644,222
2024 - 2028	982,455,000	654,393,465	1,636,848,465
2029 - 2033	1,239,105,000	401,605,029	1,640,710,029
2034 - 2038	772,855,000	112,022,486	884,877,486
Thereafter	117,180,000	8,961,735	126,141,735
	$ 4,950,835,000	$ 3,196,660,327	$ 8,147,495,327

Insurance

The Airports Authority reviews each bond sale to determine if there is value in providing investors municipal bond insurance. As of December 31, 2013 and 2012, the Airports Authority's Aviation Enterprise Fund had insured $2.2 billion and $2.7 billion of long-term bonds, respectively. This represented 43.7 percent of total bonds as of December 31, 2013 and 54.1 percent of total bonds as of December 31, 2012.

Aviation Enterprise Fund bonds were insured by five American Municipal Bond Assurance Corporation (Ambac), Berkshire Hathaway (BHAC), Financial Guaranty Insurance Company (FGIC), National Public Finance Guarantee Corporation, previously known as Municipal Bond Investors Assurance Corporation (MBIA), and Financial Security Assurance (FSA) as follows:

Insurer	Amount Insured at December 31, 2013	Percent of Total Bonds Payable	Amount Insured at December 31, 2012	Percent of Total Bonds Payable
Ambac	$ 532,090,000	10.6%	$ 554,045,000	10.9%
Berkshire Hathaway	225,745,000	4.5%	112,200,000	2.2%
FGIC	409,545,000	8.1%	567,120,000	11.2%
FSA	615,160,000	12.2%	615,280,000	12.1%
National Public Finance Guarantee	421,435,000	8.4%	834,180,000	16.5%
Syncora	-		63,225,000	1.2%
	$ 2,203,975,000	43.7%	$ 2,746,050,000	54.1%

Commercial Paper Notes

The Aviation Enterprise Fund had two credit facilities in place as of December 31, 2013 and 2012 to support the issuance of up to $271.0 million in Commercial Paper (CP) Notes. The CP Notes are structured as short-term demand obligations under the Amended and Restated Eleventh Supplemental Indenture and the Twenty-second Supplemental Indenture. They are collateralized by certain pledged funds, including Net Revenues on parity with the bonds. They are further collateralized by irrevocable direct pay letter of credit (LOC) facilities. The

Airports Authority's obligation to repay amounts drawn under such LOCs is collateralized by a promissory note issued to each provider.

The CP Notes were issued in two series.

Series One CP Notes were authorized for issuance of up to $250.0 million in 2004 and amended in 2005, 2007, 2010 and 2011. Series One CP Notes are further collateralized by an irrevocable direct pay LOC issued by JP Morgan Chase Bank, which expires in March 2014. On October 18, 2012, $17.5 million was refunded with grant proceeds, leaving a balance of $0 outstanding as of December 31, 2012 and December 31, 2013.

Series Two CP Notes were authorized for issuance of up to $21.0 million in 2005 and amended in 2007, 2009 and 2011. Series Two CP Notes are further collateralized by an irrevocable direct pay LOC issued by Landesbank Baden-Wurttemberg (LBBW), acting through its New York branch. The LOC expires in December 2015. As of December 31, 2013, the Airports Authority had $21.0 million of Series Two CP Notes outstanding.

Changes to the Aviation Enterprise Fund's Commercial Paper Notes balances during 2013 and 2012 were as follows:

	Series One	Series Two	Total
Balance as of December 31, 2011	$ 17,500,000	$ 21,000,000	$ 38,500,000
Commercial Paper Notes Refunded	(17,500,000)		(17,500,000)
Commercial Paper Notes Issued	-	-	-
Balance as of December 31, 2012	$ -	$ 21,000,000	$ 21,000,000
Commercial Paper Notes Refunded	-	-	-
Commercial Paper Notes Issued	-	-	-
Balance as of December 31, 2013	$ -	$ 21,000,000	$ 21,000,000

Credit Ratings

The Aviation Enterprise Fund's underlying credit ratings as of December 31, 2013 and 2012 are depicted in the table below:

Mode		Lien Position	Rating as of Decemeber 31, 2013 Moody's / S&P / Fitch	Rating as of December 31, 2012 Moody's / S&P / Fitch
Fixed		Senior	A1 / AA- / AA-	Aa3 / AA- / AA-
Variable, CP	1	Senior	P-1 / A-1+ / F1+	P-1 / A-1+ / F1+
Variable, VRDO	2,3	Senior	Aa1/Aa2/VMIG1 AAA/A-1+ AAA/F1+	Aa1/Aa2/VMIG1 AAA/A-1+ AAA/F1+
Variable, Index Floaters	4	Senior	Aa3 / NR / NR	Aa3 / NR / NR

[1] Includes CP One and Two Notes
[2] Includes Series 2009D and 2010C Bonds
[3] Joint Default Analysis with Moody's, Joint Criteria Rating with S&P, Dual Party Pay Criteria with Fitch
[4] Direct Funded Index Obligations, 2011B Moody's Bonds

Dulles Corridor Enterprise Fund Debt

In August of 2009, a Master Indenture of Trust was created to secure Dulles Toll Road Revenue Bonds issued by the Dulles Corridor Enterprise Fund of the Airports Authority. Under this Master Indenture, all bonds are secured by a pledge of the Toll Road Revenues derived by the Airports Authority from the operation of the Dulles Toll Road (DTR). The pledge of the Toll Road Revenues securing the Series 2009A Bonds (First Senior Lien), however, is senior to the pledge to Toll Road Revenues securing the Series 2009B-C-D Bonds and Series 2010A-B Bonds (Second Senior Lien). Following the Second Senior Lien pledge are the bonds that were issued on a Subordinate Lien, the Series 2010D Bonds.

On June 8, 2011, the Airports Authority Board adopted Resolution No. 11-16 allowing the issuance of CP Notes for the Dulles Corridor Enterprise Fund in a not-to-exceed amount of $300.0 million. The principal purpose of the CP Notes is to provide funds to finance the costs of the Dulles Metrorail Project and certain Capital Improvements Program (CIP) projects and refund other forms of indebtedness.

Recent Transactions

On November 13, 2013 the Airports Authority Board adopted Resolution No. 13-31 authorizing the issuance of up to $400.0 million Dulles Toll Road Subordinate Lien Notes, Series 2013 to provide funds for the Dulles Metrorail Project and fund costs of issuance of the Notes. In the same month, the Airports Authority sold $150.0 million of the Series 2013 Notes to J.P. Morgan Chase Bank, National Association. The Series 2013 Notes bear interest equal to the Securities Industry and Financial Markets Association (SIFMA) rate plus 0.24 percent and mature in November 2014. The Subordinate Lien Notes, Series 2013 are included in the current portion of bonds and notes payable on the Statement of Net Position.

Bonds Payable

The Dulles Corridor Enterprise Fund's bonds payable as of December 31, 2013 and 2012 were as follows:

			Issue Date	Interest Rates	Maturing on October 1	Amount	Outstanding at December 31 2013	2012
Series	2009A	Revenue Bonds	08/12/09					
		CIBs Term		5.125%	2032	$ 22,140,000		
		CIBs Term		5.000%	2039	89,735,000		
		CIBs Term		5.250%	2044	86,125,000		
							$ 198,000,000	$ 198,000,000
Series	2009B	Revenue Bonds	08/12/09	3.500%-7.910%	2014-2040			
		CABs					254,890,572	249,070,930
Series	2009C	Revenue Bonds	08/12/09	6.500%	2038-2041			
		Convertible CABs					209,628,230	196,646,175
Series	2009D	Revenue Bonds	08/12/09	7.462%	2045-2046			
		Build America Bonds					400,000,000	400,000,000
Series	2010A	Revenue Bonds	05/27/10	6.625%	2029-2037			
		CABs Term					69,291,844	64,920,078
Series	2010B	Revenue Bonds	05/27/10	6.500%	2040-2044			
		Convertible CABs Term					173,446,450	162,699,900
Series	2010D	Revenue Bonds	05/27/10	8.000%	2042-2047			
		Build America Bonds					150,000,000	150,000,000
							$ 1,455,257,096	$ 1,421,337,083
	Plus (Less) unamortized discount/premium, net						(4,921,555)	(5,002,218)
	Total Dulles Corridor Enterprise Bonds Payable						$ 1,450,335,541	$ 1,416,334,865

Changes to the Dulles Corridor Enterprise Fund's Bonds Payable balances during 2013 and 2012 were as follows:

Balance as of December 31, 2011	$ 1,381,031,665
Bonds Issued in 2012	-
Principal Payments	(5,744,580)
Plus: Change in Accretion of Capital Appreciation Bonds	40,971,211
Change in unamortized (discount) or premium, net	76,569
Balance as of December 31, 2012	$ 1,416,334,865
Bonds Issued in 2013	-
Principal Payments	(9,041,633)
Plus: Change in Accretion of Capital Appreciation Bonds	42,961,646
Change in unamortized (discount) or premium, net	80,663
Balance as of December 31, 2013	$ 1,450,335,541
Balance as of December 31, 2013 - Short Term	4,201,882
Balance as of December 31, 2013 - Long Term	1,446,133,659
Total Dulles Corridor Enterprise Fund Bonds Payable	$ 1,450,335,541

Maturities and Sinking Fund Requirements

Principal payments on the Dulles Corridor Enterprise Fund's long-term bonds are due annually on October 1. The following table summarizes the maturities and sinking fund requirements for the Dulles Corridor Enterprise Fund Senior Debt, not including any unamortized discount or premium:

Year Ending December 31	Principal	Interest	Total Debt Service
2014	$ 4,201,882	$ 53,004,105	$ 57,205,987
2015	8,687,272	54,718,716	63,405,988
2016	7,588,182	55,047,805	62,635,987
2017	4,032,707	70,268,657	74,301,364
2018	4,086,658	70,759,704	74,846,362
2019 - 2023	26,921,056	446,380,757	473,301,813
2024 - 2028	37,876,420	492,695,394	530,571,814
2029 - 2033	106,365,878	664,950,693	771,316,571
2034 - 2038	161,765,555	782,035,715	943,801,270
Thereafter	929,594,696	845,634,865	1,775,229,561
	$ 1,291,120,306	$ 3,535,496,411	$ 4,826,616,717

Insurance

As of December 31, 2013 and 2012, the Airports Authority's Dulles Corridor Enterprise Fund had insured $350.5 million and $340.8 million of long-term bonds, respectively with Assured Guaranty. This represented 24.2 percent of total bonds as of December 31, 2013 and 24.1 percent of total bonds as of December 31, 2012.

Commercial Paper Notes

The CP Notes are structured as short-term demand obligations under the Seventh Supplemental Indenture. They are collateralized by certain pledged funds, including Net Revenues on parity with the bonds. They are further collateralized by an irrevocable direct pay LOC facility. The Airports Authority's obligation to repay amounts drawn under such LOCs is collateralized by a promissory note issued by the Airports Authority. The CP Notes are collateralized by an irrevocable direct pay LOC issued by J.P. Morgan Chase Bank, National Association. The LOC expires in August 2014. In August, 2013, a third draw on the LOC for $150.5 million was made, which consumed the entire credit capacity available under the program.

Changes to the Dulles Corridor Enterprise Fund's Commercial Paper Notes balances during 2013 and 2012 were as follows:

Balance as of December 31, 2011	$ 550,000
Commercial Paper Notes Refunded	-
Commercial Paper Notes Issued	149,000,000
Balance as of December 31, 2012	$ 149,550,000
Commercial Paper Notes Refunded	-
Commercial Paper Notes Issued	150,450,000
Balance as of December 31, 2013	$ 300,000,000

Notes Payable

As approved in Resolution No. 12-37, on December 17, 2012, the Airports Authority issued $200.0 million of fixed rate notes secured by the remaining federal funding anticipated to be received pursuant to a Full Funding Grant Agreement (FFGA) with the Federal Transit Administration for Phase 1 of the Rail Project. The notes are a direct purchase obligation with a 2.16 percent interest rate and final maturity in 2016. The Dulles Corridor Enterprise Fund had $200.0 million of FFGA Notes outstanding at December 31, 2013 and December 31, 2012.

As approved in Resolution No. 13-31, on November 13, 2013, the Airports Authority was authorized to issue up to $400.0 million Dulles Toll Road Subordinate Lien Notes, Series 2013 to provide funds for the Dulles Metrorail Project and fund costs of issuance of the Notes. In the same month, the Airports Authority sold $150.0 million of the Series 2013 Notes to J.P. Morgan Chase Bank, National Association. The notes bear interest equal to the SIFMA rate plus 0.24 percent; at December 31, 2013 this equated to 0.84 percent.

Changes to the Dulles Corridor Enterprise Fund's Notes Payable balances during 2013 and 2012 were as follows:

Balance as of December 31, 2011	$ -
Notes Refunded	-
Notes Issued	200,000,000
Balance as of December 31, 2012	$ 200,000,000
Notes Refunded	-
Notes Issued	150,000,000
Balance as of December 31, 2013	$ 350,000,000
Balance as of December 31, 2013 - Short Term	150,000,000
Balance as of December 31, 2013 - Long Term	200,000,000
Total Dulles Corridor Enterprise Fund Notes Payable	$ 350,000,000

Credit Ratings

The Dulles Corridor Enterprise Fund's underlying credit ratings as of December 31, 2013 and 2012 are depicted in the table below:

		Rating as of Decemeber 31, 2013	Rating as of December 31, 2012
Mode	Lien Position	Moody's / S&P / Fitch	Moody's / S&P / Fitch
Fixed	First Senior	A2 / A / NR	A2 / A / NR
Fixed	Second Senior	Baa1 / BBB+ / NR	Baa1 / BBB+ / NR
Fixed	Second Senior [1]	Aa2 / AAA / NR	Aa2 / AAA / NR
Fixed	Subordinate	Baa2 / BBB / NR	Baa2 / BBB / NR
Variable, CP	Second Senior	P-1 / A-1+ / NR	P-1 / A-1+ / NR

[1] Enhanced Rating

16. NET POSITION

Net position consisted of the following, as of December 31, 2013:

	As of December 31, 2013				
		Restricted for			
	Net Investment in Capital Assets	Construction	Debt Service	Debt Service Reserve	Leases
Current assets					
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -
Accounts receivable, net	-	-	-	-	-
Investments	-	-	-	-	-
Restricted investments	-	4,027,362	74,990,927		-
Inventory	-	-	-	-	-
Prepaid expenses and other current assets	-	-	-	-	-
Due to (due from) other funds	-	-	-	-	-
Non-current assets					
Restricted					
Cash and cash equivalents *	-	615,628,939	53,123,665	18,962,034	6,485,918
Accounts receivable	-	178,478,616	-	-	890,430
Investments	-	-	-	450,034,971	-
Unrestricted:					
Note receivable	-	-	-	-	-
Investments	-	-	-	-	-
Net pension assets	-	-	-	-	-
Bond insurance costs, net	-	-	-	-	-
Other assets	-	-	-	-	-
Capital assets	8,132,692,945	-	-	-	-
Total Assets	$ 8,132,692,945	$ 798,134,917	$ 128,114,592	$ 468,997,005	$ 7,376,348
Deferred Outflows of Resources					
Gain on debt refundings	$ 65,951,606	$ -	$ -	$ -	$ -
Total deferred outflows of resources	$ 65,951,606	$ -	$ -	$ -	$ -
Current liabilities					
Accounts payable and accrued expenses	$ 141,745,870	-	$ -	$ -	$ 75
Advance billings and payments received in advance	34,281,629	-	-	-	-
Accrued lease obligations	-	-	-	-	-
Accrued interest payable	-	-	65,561,753	-	-
Current portion of bonds and notes payable	291,896,882	-	-	-	-
Non-current liabilities					
Other liabilities	126,020,919	-	-	-	787,080
Commercial paper notes	321,000,000	-	-	-	-
Notes payable	200,000,000	-	-	-	-
Interest rate swaps payable	-	-	-	-	-
Bonds payable, net	5,158,387,813	527,340,247	-	468,997,005	-
Total Liabilities	$ 6,273,333,113	$ 527,340,247	$ 65,561,753	$ 468,997,005	$ 787,155
Deferred Inflows of Resources					
Loss on debt refundings	$ 177,029	$ -	$ -	$ -	$ -
Total deferred inflows of resources	$ 177,029	$ -	$ -	$ -	$ -
Net Position	$ 1,925,134,409	$ 270,794,670	$ 62,552,839	$ -	$ 6,589,193

* Includes the portion of restricted cash and cash equivalents classified as current on the Statement of Net Position

As of December 31, 2013				
Restricted for				
Dulles Rail Latent Defects	Dulles Toll Road Repairs	Public Safety	Unrestricted	Total Business-Type Activities
$ -	$ -	$ -	$ 175,073,044	$175,073,044
-	-	-	43,950,998	43,950,998
-	-	-	141,279,455	141,279,455
-	-	-	-	79,018,289
-	-	-	8,440,665	8,440,665
-	-	-	6,742,768	6,742,768
-	-	-	-	-
15,003,256	861,800	408,129	-	710,473,741
-	-	-	-	179,369,046
-	7,259,625	-	-	457,294,596
-	-	-	5,633,165	5,633,165
-	-	-	330,602,733	330,602,733
-	-	-	3,797,361	3,797,361
-	-	-	32,798,939	32,798,939
-	-	-	4,907,917	4,907,917
-	-	-	-	8,132,692,945
$ 15,003,256	$ 8,121,425	$ 408,129	$ 753,227,045	$ 10,312,075,662
$ -	$ -	$ -	$ -	$ 65,951,606
$ -	$ -	$ -	$ -	$ 65,951,606
$ -	$ -	$ 32,727	$ 65,400,971	$ 207,179,643
-	-	-	38,283,978	72,565,607
-	-	-	348,991	348,991
-	-	-	-	65,561,753
-	-	-	-	291,896,882
-	-	-	5,840,599	132,648,598
-	-	-	-	321,000,000
-	-	-	-	200,000,000
-	-	-	111,957,472	111,957,472
-	-	-	196,935,730	6,351,660,795
$ -	$ -	$ 32,727	$ 418,767,741	$ 7,754,819,741
$ -	$ -	$ -	$ -	$ 177,029
$ -	$ -	$ -	$ -	$ 177,029
$ 15,003,256	$ 8,121,425	$ 375,402	$ 334,459,304	$ 2,623,030,498

Net position consisted of the following, as of December 31, 2012:

	As of December 31, 2012				
		Restricted for			
	Net Investment in Capital Assets	Construction	Debt Service	Debt Service Reserve	Leases
Current assets					
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -
Accounts receivable, net	-	-	-	-	-
Investments	-	-	-	-	-
Restricted investments	-	4,912,329	-	-	-
Inventory	-	-	-	-	-
Prepaid expenses and other current assets	-	-	-	-	-
Due to (due from) other funds	-	-	-	-	-
Non-current assets					
Restricted					
Cash and cash equivalents *	-	503,101,221	115,047,877	30,326,490	6,389,711
Accounts receivable	-	73,065,464	-	-	835,829
Investments	-	-	-	478,445,538	-
Unrestricted:					
Note receivable	-	-	-	-	-
Investments	-	-	-	-	-
Net pension assets	-	-	-	-	-
Bond insurance costs, net	-	-	-	-	-
Other assets	-	-	-	-	-
Capital assets	7,744,479,463	-	-	-	-
Total Assets	$ 7,744,479,463	$ 581,079,014	$ 115,047,877	$ 508,772,028	$ 7,225,540
Deferred Outflows of Resources					
Gain on debt refundings	$ 67,406,909	$ -	$ -	$ -	$ -
Total deferred outflows of resources	$ 67,406,909	$ -	$ -	$ -	$ -
Current liabilities					
Accounts payable and accrued expenses	$ 137,369,719	$ -	$ -	$ -	$ -
Advance billings and payments received in advance	-	-	-	-	-
Accrued lease obligations	-	-	-	-	-
Accrued interest payable	-	-	66,310,542	-	-
Current portion of bonds and notes payable	146,446,633	-	-	-	-
Non-current liabilities					
Other liabilities	15,986,778	-	-	-	787,080
Commercial paper notes	170,550,000	-	-	-	-
Notes payable	200,000,000	-	-	-	-
Interest rate swaps payable	-	-	-	-	-
Bonds payable, net	5,210,584,371	480,037,402	-	508,772,028	-
Total Liabilities	$ 5,880,937,501	$ 480,037,402	$ 66,310,542	$ 508,772,028	$ 787,080
Deferred Inflows of Resources					
Loss on debt refundings	$ 218,660	$ -	$ -	$ -	$ -
Total deferred inflows of resources	$ 218,660	$ -	$ -	$ -	$ -
Net Position	$ 1,930,730,211	$ 101,041,612	$ 48,737,335	$ -	$ 6,438,460

* Includes the portion of restricted cash and cash equivalents classified as current on the Statement of Net Position

As of December 31, 2012

Restricted for				
Dulles Rail Latent Defects	Dulles Toll Road Repairs	Public Safety	Unrestricted	Total Business-Type Activities
$ -	$ -	$ -	$ 189,992,116	$ 189,992,116
-	-	-	42,661,071	42,661,071
-	-	-	177,750,805	177,750,805
-	-	-	-	4,912,329
-	-	-	8,379,024	8,379,024
-	-	-	6,876,127	6,876,127
-	-	-	-	-
15,001,701	663,730	370,610	-	670,901,340
-	-	-	-	73,901,293
-	7,259,625	-	-	485,705,163
-	-	-	9,327,369	9,327,369
-	-	-	157,952,823	157,952,823
-	-	-	3,467,187	3,467,187
-	-	-	37,625,596	37,625,596
-	-	-	888,366	888,366
-	-	-	-	7,744,479,463
$ 15,001,701	$ 7,923,355	$ 370,610	$ 634,920,484	$ 9,614,820,072
$ -	$ -	$ -	$ -	$ 67,406,909
$ -	$ -	$ -	$ -	$ 67,406,909
$ -	$ -	$ 97	$ 40,901,174	$ 178,270,990
-	-	-	10,016,922	10,016,922
-	-	-	453,050	453,050
-	-	-	-	66,310,542
-	-	-	-	146,446,633
-	-	-	5,490,518	22,264,376
-	-	-	-	170,550,000
-	-	-	-	200,000,000
-	-	-	193,920,442	193,920,442
-	-	-	202,198,359	6,401,592,160
$ -	$ -	$ 97	$ 452,980,465	$ 7,389,825,115
$ -	$ -	$ -	$ -	$ 218,660
$ -	$ -	$ -	$ -	$ 218,660
$ 15,001,701	$ 7,923,355	$ 370,513	$ 181,940,019	$ 2,292,183,206

The Aviation Enterprise Fund's debt service reserve accounts were over-funded by $13.2 million as of December 31, 2013 and $18.9 million as of December 31, 2012. The Dulles Corridor Enterprise Fund's debt service reserve accounts were over-funded by $2.6 million as of December 31, 2013 and $5.9 million as of December 31, 2012. Over-funded amounts can only be withdrawn from the Aviation Enterprise Fund's debt service reserve accounts once a year, based on balances as of October 1, while over-funded amounts can be withdrawn from the Dulles Corridor Enterprise Fund's debt service reserve accounts twice a year, based on balances as of April 1 and October 1.

17. AVIATION ENTERPRISE FUND REVENUES

Uncollectible Revenues

Aviation Enterprise Fund revenues, net of estimated uncollectible revenues, for the years ended December 31, 2013 and December 31, 2012, were as follows:

	Year ended December 31,	
	2013	2012
Concessions	$ 236,306,083	$ 227,768,855
Rents	305,462,615	302,595,917
Landing fees	128,457,251	112,443,856
Utility sales	12,148,621	11,709,367
Passenger fees	32,828,954	33,442,803
Other	8,151,189	8,207,676
Gross revenues	723,354,713	696,168,474
Less: Estimated uncollectible revenues	(331,462)	(1,220,910)
Total operating revenues	$ 723,023,251	$ 694,947,564

Concentrations of Revenues

Several airlines, and their affiliates, represent concentrations of revenues for the Airports Authority. At Reagan National, US Airways, Delta Air Lines (Delta) and American Airlines comprised approximately 76.9 percent of airline revenues during 2013. At Dulles International, United Airlines, Delta and British Airways comprised approximately 64.8 percent of airline revenues during 2013. Combined, these five airlines represented approximately 75.0 percent of total airline revenues during 2013 for the Airports Authority.

18. GOVERNMENT GRANTS

The Airports Authority receives, predominately on a cost-reimbursement basis, grants from the United States government, the Commonwealth of Virginia, and other local grantors for certain operating and capital construction programs. Government grants recorded by the Airports Authority during the years ended December 31, 2013 and 2012 totaled $210.6 million and $338.8 million, respectively. In fiscal years 2013 and 2012, the Airports Authority recognized federal, state and local grants for operating and capital programs as summarized below:

Operating Programs

The Law Enforcement Officer Reimbursement Program, which is recorded as Operating Revenue, offsets expenses incurred by the Airports Authority's Public Safety personnel serving a support role to the Transportation Security Administration (TSA). Explosives detection funds are used to offset the expense of training and caring for canines used in explosives detection. The Department of Justice and the U.S. Treasury Equitable Sharing Agreements are collaborative efforts between these agencies and the Airports Authority's 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 expenditures as defined by these agencies.

Grants in Support of Operations	Award Recognized Year Ended Dec. 31, 2013 [1]	2012
Operating Revenue		
Passenger Fees		
TSA - Law enforcement officer reimbursement program	$ 459,900	$ 1,019,467
Grant recognized as operating revenues	459,900	1,019,467
Non-Operating Revenue		
Federal Grants		
TSA - National explosive detection canine team program	421,593	1,030,407
Department of Justice - Equitable sharing agreement[2]	180,377	181,761
U.S. Treasury - Equitable sharing agreement[2]	26,168	10,037
Total Federal Grants	628,138	1,222,205
Commonwealth of Virginia Grants		
Disaster relief and emergency assistance program	-	6,810
Total Commonwealth of Virginia Grants	-	6,810
Local Grant		
Fairfax County - Interoperable Communications Grants	67,320	-
Fairfax County - NCRnet Integration Award	41,309	-
Total Local Grants	108,629	-
Grants recognized as non-operating revenues	736,767	1,229,015
Total Federal, State, and Local grants in support of operations	$ 1,196,667	$ 2,248,482

[1] No award remained for these grants as of December 31, 2013.

[2] Funds received under this agreement can be expended for items which may be capitalized or expensed in accordance with the Airports Authority's capitalization thresholds.

Capital Programs

The Airports Authority Dulles Corridor Enterprise Fund receives grants in support of Phase 1 of the Dulles Metrorail Project. The Federal Transit Administration (FTA) is the primary grantor, with total federal New Starts funding commitments for the project totaling $900 million. The state and local funding sources for Phase 1 of the Dulles Corridor Metrorail Project include transportation bonds issued by the Commonwealth of Virginia and a Fairfax County transportation improvement district property tax. In addition, the Virginia Transportation Act of

2000 dedicated $75 million to the project from Surface Transportation Program (STP) funds. In 2009, USDOT allocated $77.3 million in American Recovery and Reinvestment Act (ARRA) funding to the project. These funds replaced Section 5309 funds that were scheduled to be received in the final year (2016) of the FFGA. As of February 2012, the Airports Authority had fulfilled its ARRA local match requirement of $199.2 million, and the close-out of the ARRA grant was completed on April 16, 2012.

The Airports Authority's Aviation Enterprise Fund receives federal and state grants in support of its construction program. The federal programs, primarily through the FAA's Airport Improvement Program (AIP), including annual entitlement grants, provide 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 also provides discretionary funds for capital programs. The Airports Authority participated in a pilot program with the TSA designed to improve the effectiveness of the TSA's baggage screening process. Current projects from the TSA include ARRA funds to install new closed circuit television cameras and provide enhancements to the south, east and west baggage in-line explosive detection systems.

Grants in Support of Capital Programs	Award Recognized Year Ended Dec. 31, 2013	2012	Award Remaining Dec. 31, 2013
Federal Grants			
Federal Aviation Administration			
AIP - 4th runway	$ 13,000,000	$ 20,000,000	$ 36,000,000
AIP - Rehabilitate runway 1/19	-	2,402,654	-
AIP - Improve runway 1/19 safety area (phase 2)	-	1,432,179	-
AIP - Improve runway 1/19 safety area (phase 3)	-	2,047,147	-
AIP - Rehabilitate runway 1C/19C	618,267	-	-
AIP - Improve runway 15/33 and 4/22 safety area	4,332,532	-	16,001,583
AIP - Reconstruction of south taxiway Y	5,361,337	-	1,199,650
Total Federal Aviation Administration Grants	23,312,136	25,881,980	53,201,233
Transportation Security Administration			
ARRA - EBB/WBB EDS in-line baggage project	46,877,806	23,529,116	53,521,134
SBB EDS in-line baggage project	1,066,687	2,625,633	9,169,268
ARRA - Closed circuit television camera installation	-	415,441	-
Total Transportation Security Administration Grants	47,944,493	26,570,190	62,690,402
Federal Transit Administration			
FFGA - Dulles Metrorail Project (phase 1)	71,283,634	173,278,706	-
Internal Revenue Service			
Build America Bonds interest subsidy	13,691,096	14,646,800	-
Total Federal Grants	156,231,359	240,377,676	115,891,635
Commonwealth of Virginia Grant			
Department of Aviation - AeroTrain	2,000,000	2,000,000	-
Virginia Department of Transportation - Dulles Toll Road Subsidy	10,000,000	-	140,000,000
Total State Grants	12,000,000	2,000,000	140,000,000
Local Grant			
Fairfax County - Dulles Metrorail Project (phase 1)	41,205,048	94,174,704	-
Total Federal, State, and Local grants in support of capital programs	$ 209,436,407	$ 336,552,380	$ 255,891,635

19. PASSENGER FACILITY CHARGES

As of December 31, 2013, the Federal Aviation Administration (FAA) has approved nine Passenger Facility Charge (PFC) applications for a total authority of $3.0 billion for the Airports Authority's Aviation Enterprise Fund. Each PFC application is approved by individual airport. However, PFC fees may be imposed at one airport and used for approved projects at either airport. PFC activity for 2012 and 2013 was as follows:

	Reagan National	Dulles International	Total
PFC Revenue 2012	$ 39,623,895	$ 43,639,683	$ 83,263,578
PFC Revenue 2013	$ 40,497,585	$ 38,559,329	$ 79,056,914
Total Applications	$ 600,053,032	$ 2,442,654,150	$ 3,042,707,182
PFC Revenue Received Through 12/31/13	$ 579,048,926	$ 661,596,783	$ 1,240,645,709

PFC collections totaling $40.0 million and $42.0 million in 2012 and 2013, respectively, were applied to debt service payments. In addition, the Airports Authority has irrevocably committed a minimum of $35.0 million toward debt service payments annually through 2016.

In accordance with the regulations, based on the approval date from the FAA and continuing through the PFC collection period, the FAA reduces the Airports Authority's share of entitlement grants by 75.0 percent.

20. RISK MANAGEMENT

The Airports Authority is exposed to a variety of risks or losses related to operations (i.e., injuries to employees or to members of the public or damage to Airports Authority or public property). This exposure is managed through a combination of self-insured and insured arrangements.

Major insurance coverages include airport liability, workers' compensation, property, equipment breakdown, environmental impairment, public officials, employment practices, law enforcement, crime, fiduciary, business travel, cyber risk, and executive risk. The Airports Authority is self-insured for the first $750,000 of each workers' compensation loss and from $0 to $1,000,000 (depending on type) of all other risk management/insurance losses. Claim payments did not exceed insurance coverage for each of the past three years.

Accruals are maintained to recognize the self-insured risk of loss and encompass all offices within the Airports Authority. The accruals are determined based on insurance claim practices and actuarial estimates for prior and current year claims. The appropriateness of the accruals is continually reviewed and updated by management on a quarterly basis.

The overall accrual for potential losses as of December 31, 2013 and December 31, 2012 was $5.9 million and $5.1 million, respectively. Changes in the claim liability accounts in fiscal years 2013, 2012 and 2011 were as follows:

Fiscal Year	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2011	$5,282,245	$1,879,178	$2,086,186	$5,075,237
2012	$5,075,237	$1,956,312	$1,937,989	$5,093,560
2013	$5,093,560	$3,314,920	$2,553,635	$5,854,845

21. OTHER COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies, principally the U.S. government, the Commonwealth and Fairfax County, are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including for amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Airports Authority expects such amounts, if any, to be immaterial.

Pollution Remediation

The Airports Authority continually monitors its properties to identify polluted sites for which the Airports Authority would be named a responsible party. Identified pollution remediation obligations as of December 31, 2013 and 2012 were $495 thousand and $400 thousand, respectively. Routine pollution prevention, control, and monitoring costs are expensed as incurred. Pollution prevention, control, and monitoring expenses for the years ended December 31, 2013 and 2012 were $5.2 million and $4.9 million, respectively.

Rights-of-Way Purchases

The Airports Authority acquires property interests for the Dulles Metrorail Project through negotiated settlement or through the Commonwealth of Virginia Department of Transportation's Commissioner of Highways power of eminent domain. The Airports Authority is responsible for all costs associated with such proceedings and for the payment of all compensation and damages for the properties acquired. As of December 31, 2013, the Airports Authority had acquired one property interest through the power of eminent domain for a total of $3.6 million for which the final compensation and damages were not settled. No estimate of the final compensation and damages for these acquired properties was recorded as of December 31, 2013.

Northern Virginia Criminal Justice Training Academy

The Airports Authority is a member of the Northern Virginia Criminal Justice Training Academy (the Academy), which provides criminal justice training to fourteen participating police and sheriff agencies from Northern Virginia. Academy members cannot withdraw from the Academy while any bonds of the Academy are issued and outstanding. As of June 30, 2013, the most recent period for which audited financials were available, the Academy had $10.1 million in revenue bonds outstanding. Payments by the Airports Authority to the Academy for training services totaled $261 thousand and $267 thousand during the years ended December 31, 2013 and 2012, respectively.

22. LITIGATION

In April 2011, two users of the Dulles Toll Road filed a lawsuit in federal district court against the Airports Authority claiming that the setting of tolls by the Airports Authority violates various rights and privileges they enjoy under the United States Constitution. The plaintiffs also sought to have the district court certify a class of all current and past users of the Dulles Toll Road since May 2005 and a refund to all class members of tolls paid since May 2005 in excess of the toll rates then in effect. In July 2011, in response to the Airports Authority's motion, the district court dismissed the plaintiffs' complaint. The court initially determined that plaintiffs lacked "prudential" standing to bring any of their claims. The court then proceeded to address the claims on the merits. The court concluded, specifically as to each claim, that plaintiffs had failed, as a matter of law, to state a valid claim as to which any relief could be granted and, more generally, that the setting of tolls by the Airports Authority does not violate the federal constitution.

Following the trial court ruling, plaintiffs appealed the district court's dismissal to the United States Court of Appeals for the Federal Circuit. In December 2012, the Federal Circuit determined that it lacked jurisdiction over the appeal and transferred it to the Court of Appeals for the Fourth Circuit.

On January 21, 2014, the Fourth Circuit affirmed the trial court's ruling and that court's dismissal of the plaintiffs' complaint.

The Airports Authority is a defendant in various other lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Airports Authority's legal counsel, the likely outcome in these matters will not have a material adverse effect on the financial condition of the Airports Authority.

23. SUBSEQUENT EVENTS

On February 19, 2014, the Airports Authority Board of Directors adopted Resolution No. 14-2, which suspended the issuance of additional Airport System Revenue Commercial Paper Notes, Series One (Series One Notes) upon the expiration (on March 13, 2014) of the direct-pay letter of credit securing the Series One Notes issued by JP Morgan Chase Bank, N.A. and authorized the substitution of a new credit facility for the Airport System Revenue Commercial Paper Notes, Series Two (Series Two Notes). The Airports Authority replaced the direct-pay letter of credit securing the Series Two Notes issued by Landesbank Baden-Wurttemberg with a direct-pay letter of credit issued by the New York Branch of Sumitomo Mitsui Banking Corporation (SMBC) on March 6, 2014. The SMBC credit facility will support the issuance of up to $200 million principal amount outstanding of Series Two Notes at any one time.