RALEIGH-DURHAM AIRPORT AUTHORITY

General Purpose Financial Statements

Years ended March 31, 2001 and 2000

RALEIGH-DURHAM AIRPORT AUTHORITY

Contents

CHERRY
BEKAERT &
HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditors' Report

To the Members of the
Raleigh-Durham Airport Authority

We have audited the accompanying general purpose financial statements of the Raleigh-Durham Airport Authority as of and for the years ended March 31, 2001 and 2000, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Raleigh-Durham Airport Authority at March 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 7, 2001 on our consideration of the Raleigh-Durham Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Cherry, Bekaert & Holland, L.L.P.

Greensboro, North Carolina
June 7, 2001

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Balance Sheets
March 31, 2001 and 2000

	2001	2000
Assets		
Current assets		
Cash and cash equivalents	$ 10,766,432	$ 1,515,724
Cash and cash equivalents-Bond Series 2001A reimbursement	6,840,973	-
Short-term investments	25,598,737	40,410,396
Receivables for fees and rentals, less allowance for doubtful accounts of $17,470 in 2001 and 2000	3,232,078	3,240,143
Grants receivable	113,169	-
Other current assets	335,823	135,335
Total current assets	46,887,212	45,301,598
Restricted assets		
Collateral for general obligation bonds - Short-term investments	4,785,188	4,928,125
State of North Carolina Underground Storage Tank Trust Fund Deductible	220,000	220,000
Aeronautical Facilities Revenue Bonds		
Cash and cash equivalents-Bond Series 1999	-	3,795,721
Cash and cash equivalents-Bond Series 2001A and B	149,928,442	-
Total restricted assets	154,933,630	8,943,846
Airport and facilities, net	314,224,210	291,459,599
Debt issue costs, net	2,653,444	600,821
Total assets	$ 518,698,496	$ 346,305,864

See notes to general purpose financial statements.

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Balance Sheets
March 31, 2001 and 2000

	2001	2000
Liabilities and equity		
Current liabilities		
Accounts payable	$ 2,054,842	$ 1,853,914
Accrued employee compensation	909,172	878,570
Accrued bond interest payable	1,257,724	1,119,532
Retainage and construction accounts payable	8,395,333	5,108,684
Current maturities of long-term debt		
Special Facilities Revenue Bonds	3,550,000	3,550,000
General Airport Revenue Bonds	5,005,000	-
Other long-term debt	4,262,303	8,001,692
Total current liabilities	25,434,374	20,512,392
Long-term debt		
Special Facility Revenue Bonds	78,202,024	81,745,492
General Airport Revenue Bonds	199,540,000	-
Other long-term debt	8,165,000	57,936,808
	285,907,024	139,682,300
Deferred revenue		
Rents paid in advance	26,412,639	24,553,750
Equity		
Contributed capital	90,478,106	90,078,279
Retained earnings	90,466,353	71,479,143
Total equity	180,944,459	161,557,422
Total liabilities and equity	$ 518,698,496	$ 346,305,864

See notes to general purpose financial statements.

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Statements of Operations and Retained Earnings
Years Ended March 31, 2001 and 2000

	2001	2000
Operating revenues		
Parking	$ 21,861,006	$ 16,020,210
Airfield	8,195,701	7,497,387
General aviation	659,069	516,789
Terminals	8,788,957	7,850,145
Air cargo	1,252,319	1,321,289
Rental car	10,333,283	9,322,872
Other	2,016,450	1,608,979
Total operating revenues	53,106,785	44,137,671
Operating expenses		
Airport facilities	3,479,727	2,766,956
Administrative	2,804,174	2,781,696
Law enforcement	1,591,882	1,349,097
Airport maintenance	2,290,203	1,932,229
Parking	1,988,096	1,605,838
Emergency services	976,163	838,204
Visitor services	365,630	361,531
Communications	410,200	376,273
Security systems	258,349	199,567
Ground transportation	2,653,353	2,426,094
Subtotal	16,817,777	14,637,485
Depreciation	16,307,078	15,769,770
Total operating expenses	33,124,855	30,407,255
Operating income	19,981,930	13,730,416
Non-operating revenues		
Investment interest	2,944,151	2,553,117
Net increase (decrease) in fair value (see Note 2)	728,256	(588,979)
Non-operating expenses		
Loss on retirement of debt	551,284	-
Bond interest, net	3,235,039	1,705,738
Net earnings before cost associated with financing Terminal C Complex	**19,868,014**	**13,988,816**
Costs associated with financing Terminal C Complex	880,804	732,277
Net earnings	18,987,210	13,256,539
Retained earnings at beginning of year	71,479,143	58,222,604
Retained earnings at end of year	$ 90,466,353	$ 71,479,143

See notes to general purpose financial statements.

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Statements of Changes in Contributed Capital
Years ended March 31, 2001 and 2000

	Balance at Beginning of Year	Annual Appropriations	Capital Projects Grants	Balance at End of Year
Year ended March 31, 2001				
City of Durham	$ 784,000	$ 12,500	$ -	$ 796,500
City of Raleigh	784,000	12,500	-	796,500
Durham County	784,000	12,500	-	796,500
Wake County	784,000	12,500	-	796,500
State of North Carolina	7,592,167	-	-	7,592,167
Federal Government	79,317,978	-	349,827	79,667,805
Other Contributed Capital	32,134	-	-	32,134
	$ 90,078,279	$ 50,000	$ 349,827	$ 90,478,106
Year ended March 31, 2000				
City of Durham	$ 771,500	$ 12,500	$ -	$ 784,000
City of Raleigh	771,500	12,500	-	784,000
Durham County	771,500	12,500	-	784,000
Wake County	771,500	12,500	-	784,000
State of North Carolina	6,792,167	-	800,000	7,592,167
Federal Government	78,454,580	-	863,398	79,317,978
Other Contributed Capital	32,134	-	-	32,134
	$ 88,364,881	$ 50,000	$ 1,663,398	$ 90,078,279

See notes to general purpose financial statements.

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Statements of Cash Flows
Years Ended March 31, 2001 and 2000

	2001	2000
Operating activities		
Operating income	$ 19,981,930	$ 13,730,416
Adjustments to reconcile operating income to		
net cash provided by operating activities:		
Loss (gain) on vehicle retirement	(47,344)	872
Amortization	133,018	33,254
Depreciation	16,307,078	15,769,770
Deferred revenue amortization	-	(73,816)
Changes in operating assets and liabilities:		
Accounts receivable	8,065	(187,997)
Other current assets	(200,488)	(42,845)
Accounts payable	254,059	304,368
Retainage and construction accounts payable	3,286,649	(3,591,584)
Accrued employee compensation	30,602	65,476
Net cash provided by operating activities	39,753,569	26,007,914
Investing activities		
Purchases of short-term investments	(14,722,779)	(16,646,442)
Proceeds from maturities of short-term investments	32,124,330	13,071,560
Investment income	728,256	1,718,942
Interest on cash deposits	497,196	245,196
Net cash provided by (used in) investing activities	18,627,003	(1,610,744)
Capital and related financing activities		
Financing activities associated with Terminal C Complex		
Principal payments	(3,550,000)	(3,550,000)
Interest paid	(3,983,380)	(3,496,159)
Proceeds received from American Airlines	7,533,380	7,046,159
Other capital and financing costs		
Debt insurance issuance costs	(2,214,879)	-
Additions to airport and facilities	(41,688,333)	(38,306,135)
Bond interest paid on long-term debt	(3,022,135)	(2,859,181)
Principal payments on long-term debt	(53,511,197)	(6,890,840)
Loss on retirement of debt	(551,284)	-
Proceeds from debt issuance	204,545,000	10,000,000
Contributed capital	286,658	1,902,443
Net cash provided by (used in) capital and related financing activities	103,843,830	(36,153,713)
Increase (decrease) in cash and cash equivalents	162,224,402	(11,756,543)
Cash and cash equivalents at beginning of year	5,311,445	17,067,988
Cash and cash equivalents at end of year	$ 167,535,847	$ 5,311,445

See notes to general purpose financial statements.

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Notes to General Purpose Financial Statements
March 31, 2001 and 2000

Note 1 - Significant Accounting Policies

The Authority

In 1939, the General Assembly of the State of North Carolina enacted legislation authorizing the governing bodies of the City of Durham, the City of Raleigh, the County of Durham, and the County of Wake jointly to acquire, establish and operate airports. It was provided that the governing bodies would appoint a joint board to carry out the provisions of the act, and the Raleigh-Durham Airport Authority ("Authority") is the board so appointed. Legal title to all properties is vested jointly in the governing bodies. Each of the four governing bodies makes an annual appropriation of $12,500, which is recorded as an addition to contributed capital.

Basis of Presentation - Fund Accounting

The accounts of the Raleigh-Durham Airport Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, equity, revenues, and expenses.

The Authority accounts for its operations in one fund type, the enterprise fund. An enterprise fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

All assets and all liabilities associated with the operation of the Authority are included on its balance sheets. Enterprise fund equity is segregated into contributed capital and retained earnings components. The enterprise fund of the Authority is presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period when incurred. As permitted by generally accepted accounting principles, the Authority has elected to apply only applicable FASB statements and interpretations issued before November 30, 1989 in its accounting and reporting practices for its operations.

Airport and Facilities

The airport and facilities are recorded at cost. Provision for depreciation has been made to amortize the cost of the assets over their estimated useful lives by the straight-line method. Depreciation expense was $18,917,935 and $18,398,984 for 2001 and 2000, respectively; of which $2,610,857 and $2,629,214 related to the Terminal C complex.

Note 1 - Significant Accounting Policies (continued)

The majority of internal engineering costs are capitalized in connection with related capital projects.

Budgetary Control

The Authority adopts an annual budget ordinance as required by the Local Government Budget and Fiscal Control Act of the North Carolina General Statutes. All budgets are prepared on the accrual basis of accounting as is required by North Carolina law. This budget is adopted and amended at the functional level with management control on a departmental basis. Appropriations under this ordinance lapse at year end.

All capital projects are budgeted under project ordinances which span more than one year. These appropriations continue until the related project is complete.

In addition, the Authority has established by resolution as an element of its current fiscal policy a specific operating account reserve equal to one times the current fiscal year's operating expense budget. The Authority will not include in the annual budget any operating or capital projects expenditures which would, in the aggregate, cause the Authority's invested reserves to be reduced to an amount less than one times the cash expenditure portion of the annual operating budget. Furthermore, should the Authority deem it necessary to amend this policy for any reason, it will first notify the bond rating agencies who have established published ratings for the Authority's bond debt and will solicit the comments of such agencies as to the impact of such a policy change on the Authority's then current bond ratings; however, the Authority will retain its discretion and control over whether or not such a change in policy should be implemented in the best interest of the Authority, its sponsor governments and the communities that it serves.

Debt Issue Costs

Debt issue costs are amortized over the lives of the related bonds.

Interest Expense

The Authority capitalizes material interest costs related to construction projects. The objective of interest capitalization is to reflect the total asset cost and to provide the related depreciation charges against revenues of future periods that benefit from the asset use.

Deferred Revenue

Certain leases contain provisions whereby leasehold improvements made by the lessees become the property of the Authority. Prior to April 1, 1983, the cost of these improvements was recorded as advance rentals (deferred revenue) and amortized on a straight-line basis over the lease term. Such remaining lease terms range from 5 to 25 years. Effective April 1, 1983, the Authority no longer records advance rentals (deferred revenue) on leasehold improvements made by lessees.

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Notes to General Purpose Financial Statements (continued)
March 31, 2001 and 2000

Note 1 - Significant Accounting Policies (continued)

Cash Equivalents

The Authority considers highly liquid investments, including restricted assets, with a maturity of 90 days or less to be cash equivalents.

Grants Receivable

Grants receivable from governmental agencies for capital construction projects are recorded in the period actual costs are incurred. The actual amount of payment on these grants is subject to final audit by the applicable agency.

Vacation and Sick Leave Compensation

The Authority allows full time employees to accumulate up to 30 days earned vacation leave, and such leave is fully vested when earned. Accumulated vacation pay is recorded as a current liability and reflected in accrued employee compensation.

Employees can accumulate an unlimited amount of sick leave. Unused sick leave accumulated at the time of retirement may be used in determining length of service for retirement benefit purposes. Also, employees who voluntarily terminate employment prior to retirement may convert unused sick leave in excess of 30 days to vacation leave at a rate of two days of sick leave for one day of vacation leave. This policy is limited to converting a maximum of 60 days of sick leave into 30 days of vacation leave. Since the resulting leave is fully vested when earned, it is recorded as a liability along with ordinary vacation leave.

Income Tax Status

Income of the Authority is excludable from federal income tax under Section 115 of the Internal Revenue Code.

Concentration of Credit Risk

For the year ended March 31, 2001, no air carrier accounted for more than 6% of the Airport Authority's operating revenues.

Investments

The Authority records its investments in marketable securities at their estimated fair value except for money market investments (including U.S.Treasury and Agency obligations) having a remaining maturity at purchase of one year or less.

Prior Reclassifications

Certain items in the March 31, 2000 statements have been reclassified to conform to the March 31, 2001 presentation. There was no effect on net earnings or equity as previously reported.

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Notes to General Purpose Financial Statements (continued)
March 31, 2001 and 2000

Note 2 - Deposits and Investments

Deposits

All deposits of the Authority are made in board-designated official depositories and are collateralized as required by North Carolina General Statute 159-31.

Depositories must collateralize public deposits in excess of federal depository insurance coverage by using one of two options. The Authority's depository uses the Pooling Method, which is a collateral pool, under which all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agent in the Authority's name. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Authority under the Pooling Method the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At year-end, the Authority's deposits had a carrying amount of $6,916,541 and a bank balance of $7,078,793. Of this bank balance, $200,000 was covered by federal depository insurance while the balance of $6,878,793 was covered by collateral held under the Pooling Method. The Authority is required to maintain a minimum balance of $150,000 in its operating checking account and a minimum balance of $100,000 in its cash concentration account.

Investments

North Carolina General Statute 159-30(c) authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Cash Management Trust, an SEC registered mutual fund. The carrying value of investments approximates fair value and excludes accrued interest receivable of $310,625 and $566,632 for 2001 and 2000, respectively.

The Authority's investments are categorized to give an indication of level of risk assumed by the Authority at year-end. In the following table, Column A includes investments for which the securities are held by the Authority or its agent in the Authority's name. Column B includes investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Column C includes investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Authority's name. Column C investments would be in violation of the custodial arrangements as defined in North Carolina General Statutes. Both column A and column B investments are in compliance with said Statutes and differ only in the nature of the custodial relationship. Investments in the North Carolina Cash Management Trust are exempt because the Authority does not own any identifiable securities, but is a shareholder of a percentage of the fund.

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Notes to General Purpose Financial Statements (continued)
March 31, 2001 and 2000

Note 2 - Deposits and Investments (continued)

Investments (continued)

	A	B	C	Cost (1)	Fair Value (1)
Unrestricted Funds					
U. S. Government Agencies	$ 21,457,258	$ 4,000,000	$ -	$ 25,457,258	$ 25,598,737
North Carolina Capital Management Trust	N/A	N/A	N/A	10,901,914	10,901,914
				$ 36,359,172	$ 36,500,651
Restricted Funds					
G/O Bond Collateral					
U. S. Government Securities	$ 4,787,391	$ -	$ -	$ 4,787,391	$ 4,785,188
General Airport Revenue Bond 2001A - Proceeds					
North Carolina Capital Management Trust	N/A	N/A	N/A	148,675,423	149,675,423
2001B - Proceeds					
North Carolina Capital Management Trust	N/A	N/A	N/A	253,019	253,019
	$ 4,787,391	$ -	$ -	$ 154,715,833	$ 154,713,630

(1) The difference between cost and fair value results from changes in market interest rates, creating a net increase in fair value. The Authority generally holds its investments to maturity. Accordingly at the maturity, net increase or decrease in fair value, if any, will reverse.

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Notes to General Purpose Financial Statements (continued)
March 31, 2001 and 2000

Note 3 - Airport and Facilities

Airport and facilities consists of the following:

	Assets Lives (Years)	March 31 2001	March 31 2000
Land		$ 34,388,119	$ 34,384,126
Landing field and grounds	5 to 20	282,946,890	226,982,645
Terminal buildings	5 to 45	136,440,859	136,382,172
Other buildings	5 to 30	39,649,962	34,936,342
Utilities	5 to 20	3,924,925	3,924,925
Equipment	3 to 20	10,739,980	8,489,211
		508,089,735	445,099,421
Construction in progress		48,926,336	70,708,507
		557,016,071	515,807,928
Less accumulated depreciation		242,791,861	224,348,329
		$ 314,224,210	$ 291,459,599

During 2001 and 2000, interest costs of approximately $671,034 and $2,015,939, net of interest earned of approximately $842,491 and $770,245, were capitalized as part of the cost of construction in progress.

Note 4 - Long-term Debt

Long-term debt consists of the following:

	March 31 2001	March 31 2000
Amounts due to trustee		
Special Facility Revenue Bonds, Series 1985, (varying interest rates, 7.75% to 9.625%) maturing in installments beginning in 1991 to 2015, partially refunded by Special Facility Refunding Revenue Bonds, Series 1996.	$ 3,550,000	$ 7,100,000
Special Facility Refunding Revenue Bonds, Series 1995, (varying interest rates, adjusted daily), maturing in installments from 2002 to 2015.	78,300,000	78,300,000
Unamortized bond discount	(97,976)	(104,508)
	81,752,024	85,295,492

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Notes to General Purpose Financial Statements (continued)
March 31, 2001 and 2000

Note 4 - Long-term Debt (continued)

	March 31 2001	March 31 2000
Series 1998B 4.45% Aeronautical Facility Revenue Bond, Refunded with General Airport Revenue Bond Series 2001B	$ -	$ 4,959,000
Series 1993 5.05% Aeronautical Facility Revenue Bond, Refunded with General Airport Revenue Bond Series 2001B	-	6,347,722
Series 1996 5.32% Aeronautical Facility Revenue Bond, Refunded with General Airport Revenue Bond Series 2001B	-	9,198,820
Series 1997 5.11% Aeronautical Facility Revenue Bond, Refunded with General Airport Revenue Bond Series 2001B	-	9,306,881
Series 1998 4.75% Aeronautical Facility Revenue Bond, Refunded with General Airport Revenue Bond Series 2001B	-	9,650,186
Series 1999 5.20% Aeronautical Facility Revenue Bond, Refunded with General Airport Revenue Bond Series 2001B	-	10,000,000
Series 2001A 4.00 - 5.50% General Airport Revenue Bond, maturing in varying installments beginning in 2005 to 2031	156,975,000	-
Series 2001B 4.00 - 4.375% General Airport Revenue Bond, maturing in varying installments beginning in 2002 to 2014	47,570,000	-
Amounts due to the Special Airport District of Durham and Wake Counties		
Series 1992 5.75% and Series 1993 4.97% General Obligation Bonds maturing in varying installments beginning in 1994 to 2005	12,370,000	16,360,000
Total bond obligations	298,667,024	151,118,101
Amounts due for capital lease		
6.79% capital lease due in monthly installments of $5,388 including interest	57,303	115,891
Total debt	298,724,327	151,233,992
Less current maturities	12,817,303	11,551,692
	$ 285,907,024	$ 139,682,300

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Notes to General Purpose Financial Statements (continued)
March 31, 2001 and 2000

Note 4 - Long-term Debt (continued)

Debt maturities for the next five years and thereafter are as follows:

Year ending March 31	Capital Leases	Special Facility Revenue Bonds	General Airport Revenue Bond Series 2001A	General Airport Revenue Bond Series 2001B	Amounts Due Special District GO Bond Series 1992 and 1993
2002	$ 57,303	$ 3,550,000	$ -	$ 5,005,000	$ 4,205,000
2003	-	3,550,000	-	4,610,000	4,420,000
2004	-	3,500,000	-	3,615,000	1,820,000
2005	-	3,500,000	2,840,000	3,295,000	1,925,000
2006	-	3,500,000	2,985,000	3,425,000	-
2007 and thereafter	-	64,300,000	151,150,000	27,620,000	-
	$ 57,303	$ 81,850,000	$ 156,975,000	$ 47,570,000	$ 12,370,000

The Special Facility Revenue Refunding Bonds, Series 1995 (SFRRBs), were issued in October 1995 to partially refund the Special Facilities Revenue Bonds, Series 1985. They are limited obligations of the Authority and are payable solely from, and secured by, a pledge of revenues to be received by the Authority pursuant to the Financing Agreement between the Authority and American Airlines, Inc. (American). American will make payments sufficient to pay, when due, the principal amount and interest on the SFRRBs. The SFRRBs are not secured by the general revenues of the Authority. The interest rates on the bonds, adjusted daily, are established by the Remarketing Agent as the minimum rate necessary, in the judgement of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to sell the bonds at a price equal to the principal amount plus accrued interest. The average interest rate for the months ending March 31, 2001 and 2000 was 2.93% and 4.00%, respectively.

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Notes to General Purpose Financial Statements (continued)
March 31, 2001 and 2000

Note 4 - Long-term Debt (continued)

The Special Facility Revenue Bonds (SFRBs), Series 1985, are limited obligations of the Authority and are payable solely from, and secured by, a pledge of revenues to be received by the Authority pursuant to the Financing Agreement between the Authority and American Airlines, Inc. (American). American will make payments sufficient to pay, when due, the principal and interest on the SFRBs. The SFRBs are not secured by the general revenues of the Authority.

Payment of the principal and interest on the SFRBs is made over 30 years. Facilities financed by the SFRBs are leased to American for a 40-year period. Those facilities consist of Terminal Building C, the Terminal C aircraft parking apron, an air cargo building, a flight catering kitchen, a bulk fuel storage farm and fuel hydrant distribution system, and an employee parking lot. The income received in consideration for the use of those facilities is recognized over 40 years while the debt service is recognized over the maximum term of the SFRBs (30 years). All of the American occupied facilities are owned by the Authority and will continue to be owned by the Authority at the lease expiration.

The costs associated with financing the Terminal C Complex are as follows:

	March 31	
	2001	2000
Interest expense	$ (3,983,380)	$ (3,496,159)
Rental revenue from Terminal C Complex	5,749,203	5,428,866
	1,765,823	1,932,707
Depreciation	(2,610,857)	(2,629,214)
Amortization of bond issue costs and discounts	(35,770)	(35,770)
Net cost associated with financing Terminal C Complex	$ (880,804)	$ (732,277)

American is paying directly to the bond trustee the total debt service on the SFRBs in addition to paying the Authority ground rent for the leased premises and reimbursing the Authority for any maintenance and/or operating expenses incurred. Therefore, there is no negative or positive cash flow for the Special Facility Revenue Bonds sustained by the Authority.

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Notes to General Purpose Financial Statements (continued)
March 31, 2001 and 2000

Note 4 - Long-term Debt (continued)

Cash flows related to Terminal C Complex are as follows:

	March 31	
	2001	2000
American payments applied to debt service	$ 7,533,380	$ 7,046,159
Debt service payments	(7,533,380)	(7,046,159)
Net cash flows	$ -	$ -

The General Obligation Bonds were issued by the Special Airport District of Durham and Wake Counties (the Special District) to provide funds for construction of a new air carrier runway and parking and roadway improvements. The financing agreement calls for the Authority to present, as of March 31 of each year, reasonable evidence to the Special District of its ability to meet these obligations during the Special District's upcoming fiscal year. At March 31, 2001 and 2000, $4,785,188 and $4,928,125, respectively, were held in short-term investments to comply with this requirement. These investments are reported under restricted assets as collateral for General Obligation Bonds in the balance sheets.

The $15 million Aeronautical Facilities Revenue Bond Series 1987 and 1988 are limited obligations of the Authority and are payable solely from and secured by a pledge of revenues from the operation of the public parking facilities. The proceeds of the $10 million Aeronautical Bond Series 1987 were used in connection with construction of a public parking garage and roadway improvements. The proceeds of the $5 million Aeronautical Bond Series 1988 were used for the purpose of paying the costs of roadway construction, rehabilitation and relocation. On October 1, 1998 the combined outstanding principal of $6,655,000 for Series 1987 & 1988 was refunded as Series 1998B.

On September 15, 1993, the Authority issued the $9 million Aeronautical Facilities Revenue Bond Series 1993 which is a limited obligation of the Authority and is payable solely from and secured by a pledge of revenues from the operation of the public parking facilities. The proceeds are being used for the design and construction of a terminal area remote public parking lot, structural repairs of a public parking garage and the design and construction of a new Authority office building. On February 27, 2001, all outstanding principal was refunded by General Airport Revenue Bond Series 2001B.

On November 22, 1996, the Authority issued the $10 million Aeronautical Facilities Revenue Bond Series 1996 which is a limited obligation of the Authority and is payable solely from and secured by a pledge of revenues from the operation of the public parking facilities. The proceeds are being used for the design and construction of an addition to a remote public parking lot and a public parking deck. On February 27, 2001, all outstanding principal was refunded by General Airport Revenue Bond Series 2001B.

RALEIGH-DURHAM AIRPORT AUTHORITY

Notes to General Purpose Financial Statements (continued)
March 31, 2001 and 2000

Note 4 - Long-term Debt (continued)

On June 25, 1997, the Authority issued the $10 million Aeronautical Facilities Revenue Bond Series 1997 which is a limited obligation of the Authority and is payable solely from and secured by a pledge of revenues from the operation of public parking facilities. The proceeds are being used for the design and construction of additional parking facilities including a public parking deck. On February 27, 2001, all outstanding principal was refunded by General Airport Revenue Bond Series 2001B.

On July 30, 1998 the Authority issued the $10 million Aeronautical Facilities Revenue Bond Series 1998 which is a limited obligation of the Authority and is payable solely from and secured by a pledge of revenues from the operation of public parking facilities. The proceeds are being used for the design and construction of additional parking facilities including a public parking deck. On February 27, 2001, all outstanding principal was refunded by General Airport Revenue Bond Series 2001B.

On September 27, 1999, the Authority issued the $10 million Aeronautical Facilities Revenue Bond Series 1999 which is a limited obligation of the Authority and is payable solely from and secured by a pledge of revenues from the operation of public parking facilities. The proceeds are being used for the design and construction of additional parking facilities including a public parking deck. On February 27, 2001, all outstanding principal was refunded by General Airport Revenue Bond Series 2001B.

On February 27, 2001, the Authority issued the $156,975,000 Airport Revenue Bonds Series 2001A under the Master Indenture. The Bonds are special obligations of the Authority, secured by and payable from the Net Revenues of the Authority, and under certain circumstances, the proceeds of the Bonds, investment earnings, amounts set aside in the Series 2001 Reserve Fund and certain other funds and accounts. The proceeds are being used for the design and construction of several improvements to the Airport, including the construction of a garage, two warehouse buildings to house support equipment, alterations to existing parking structures, roadways, bridges, toll plazas, walkways, and alterations to a pedestrian tunnel.

On February 27, 2001, the Authority issued the $47,570,000 Airport Revenue Refunding Bonds Series 2001B under the Master Indenture. The Bonds are special obligations of the Authority, secured by and payable from the Net Revenues of the Authority, and under certain circumstances, the proceeds of the Bonds, investment earnings, amounts set aside in the Series 2001 Reserve Fund and certain other funds and accounts. The proceeds are being used to refund the Public Parking Revenue Bonds.

During the year ended March 31, 2000, the Authority entered into a lease agreement for the lease of computer equipment. This lease qualifies as a capital lease for accounting purposes. It requires thirty-six monthly payments of $5,388 and the Authority does not receive title to the computer equipment at the end of the lease term, but may at its option, return the equipment or lease at fair market value.

Note 4 - Long-term Debt (continued)

On May 12, 1992 and on January 6, 1993, the Special District issued $18,380,000 and $21,940,000 of General Obligation Refunding Bonds, Series 1992 and 1993, respectively. The Series 1992 and 1993 bonds were issued to advance refund $38,360,651 of outstanding General Obligation Bonds, Series 1983 and 1985. The Series 1992 and 1993 bonds have average interest rates of 5.75% and 4.97%, respectively. The net proceeds of $38,225,877 (after payment of $134,774 in issuance costs) plus an additional $2,000,000 of Series 1983 debt service reserve funds were deposited into an irrevocable trust to provide all future debt service payments on the Series 1983 and 1985 Bonds. As a result, the Series 1983 and 1985 Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

Note 5 - Leases

The Authority leases land, buildings and terminal space with a cost of approximately $164 million and a carrying value of approximately $91 million to the airlines, car rental agencies, restaurant and other businesses located at the airport. The leases cover periods ranging up to 40 years and contain provisions for fixed and contingent rentals based on revenues. For the years ended March 31, 2001 and 2000, contingent rentals comprised $8,238,952 and $7,452,970, respectively, of the total rental revenues. Minimum future rentals on noncancellable operating leases including Terminal C deferred rental revenue, for the next five fiscal years are approximately: 2002-$8,055,000; 2003-$8,142,000; 2004-$8,137,000; 2005-$8,121,00; and in 2006-8,058,000.

Note 6 - Employee Retirement Plans

Local Governmental Employees' Retirement System

Plan Description. The Authority contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

RALEIGH-DURHAM AIRPORT AUTHORITY

Notes to General Purpose Financial Statements (continued)
March 31, 2001 and 2000

Note 6 - Employee Retirement Plans (continued)

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Authority is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 4.93% and 4.63%, respectively, of annual covered payroll. The contribution requirements of members is established and may be amended by the North Carolina General Assembly. The Authority's contributions to LGERS for the years ended March 31, 1999, 2000, and 2001 were $692,359, $734,339, and $828,811, respectively. The contributions equaled the required contributions for each year.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Authority contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Authority. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Authority to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended March 31, 2000 and 2001 were $57,194 and $82,627 respectively, which consisted of $47,524 and $60,789 from the Authority, and $9,670 and $21,838 from the law enforcement officers, respectively.

Note 7 - Commitments and Contingencies

Subsequent to the opening of the Terminal C Complex and the commencement of American Airlines North-South hub operations, various parties filed claims against the Authority for alleged adverse condemnation of real property by reason of aircraft operations in the vicinity of the claimants' property. In early 1991, most of the parties agreed to a binding arbitration of all claims before a panel of three arbitrators. As of March 31, 1999, all claims have been settled through arbitration, negotiation or dismissal. The costs for settling these claims totaled approximately $3.65 million. The Authority has capitalized these costs, as they will be included in future landing and fuel flowage fees charged to airport users.

The Authority is also a defendant in various other legal proceedings incidental to its business. The Authority intends to defend such proceedings vigorously and, in the opinion of the management, the ultimate liability, if any, of the Authority in these proceedings is not expected to have a material adverse effect on the financial position of the Authority.

Note 7 - Commitments and Contingencies

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, injuries to employees and the general public, and natural disasters. The Authority carries commercial insurance against risks of loss, including property and public liability insurance and worker's compensation. Settled claims from these risks have been far less than commercial insurance coverage.

Construction Commitments

At March 31, 2001, the Authority has contractual commitments for Authority expansion programs of approximately $113,500,000.