FINAL

MARYLAND TRANSPORTATION AUTHORITY
(An Enterprise Fund of the State of Maryland)

Financial Statements and Supplemental Exhibits

Year ended June 30, 2002 with Report of Independent Auditors

0209-0339993-BAL

Maryland Transportation Authority

Financial Statements and Supplemental Exhibits

June 30, 2002

Contents

Report of Independent Auditors

Secretary of Maryland Transportation Authority

We have audited the accompanying financial statements of the Maryland Transportation Authority (the Authority—an enterprise fund of the State of Maryland) as of June 30, 2002, as listed in the table of contents. These financial statements and supplemental exhibits are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Authority and do not purport to and do not present fairly the financial position of the State of Maryland as of June 30, 2002, and its changes in its financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

As described in Note 2, the Authority has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of July 1, 2001.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maryland Transportation Authority as of June 30, 2002, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental exhibits listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental exhibits have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

October 15, 2002

Maryland Transportation Authority

Statement of Net Assets

June 30, 2002
(In Thousands)

Assets	
Current assets:	
Cash and cash equivalents	$ 57,642
Restricted cash and cash equivalents	461,557
Investments, at fair value	209,902
Restricted investments, at fair value	28,526
Intergovernmental receivable	19,914
Inventory	947
Accounts receivable	6,586
Accrued interest	4,662
Direct financing leases receivables	5,693
Total current assets	795,429
Noncurrent assets:	
Capital assets, net	1,415,867
Intergovernmental receivables	10,674
Direct financing leases receivable	131,112
Other receivables	1,782
Investment in CDC	1,625
Total assets	$ 2,356,489

Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	$ 28,804
Deferred revenue	2,712
Current portion of bonds payable	19,310
Accrued annual leave	4,536
Accrued workers' compensation costs	4,738
Total current liabilities	60,100
Bonds payable	649,475
Total liabilities	709,575
Net assets:	
Invested in capital assets, net of related debt	1,212,192
Restricted for:	
Debt service	24,651
Capital expenditures	44,159
Investment in CDC	1,625
Unrestricted	364,287
Total net assets	$ 1,646,914

See accompanying notes.

Maryland Transportation Authority

Statement of Revenues, Expenses, and Changes in Net Assets

Fiscal year ended June 30, 2002
(in Thousands)

Operating revenues:	
Toll revenue	$ 182,445
Concession income	7,213
Intergovernmental revenue	22,573
Other	2,932
Total operating revenues	215,163
Operating expenses:	
Collection, police patrol and maintenance	87,056
Major repairs, replacements and insurance	47,765
General and administrative	8,611
Depreciation	46,500
Total operating expenses	189,932
Operating income	25,231
Nonoperating income (expense):	
Interest income on investments	12,210
Interest on direct financing leases	8,887
Interest expense	(15,899)
Change in net assets	30,429
Net assets, beginning of year	1,616,485
Net assets, end of year	$ 1,646,914

See accompanying notes.

Maryland Transportation Authority

Statement of Cash Flows

Fiscal year ended June 30, 2002
(in Thousands)

Cash flows from operating activities	
Payments to employees	$ (59,040)
Payments to suppliers	(86,891)
Receipts from toll collections and ticket sales	182,958
Receipts from concession and other revenue	7,213
Receipts from other government agencies for services	16,660
Net cash from operating activities	60,900
Cash flows from noncapital financing activities	
Proceeds from issuance of debt	381,420
Debt interest payments	(5,072)
Debt principal payments	(4,240)
Net cash from noncapital financing activities	372,108
Cash flows from capital financing activities	
Principal payment on capital debt	(13,445)
Interest paid on capital debt	(7,378)
Purchase of capital assets	(54,542)
Net cash from capital financing activities	(75,365)
Cash flows from investing activities	
Purchase of investments	(1,145,583)
Proceeds from sale of investments	1,108,404
Interest income	10,508
Payments for direct financing capital lease assets	(103,728)
Proceeds from direct financing leases	38,964
Net cash from investing activities	(91,435)
Net increase in cash and cash equivalents	266,208
Cash and cash equivalents, beginning of year	252,991
Cash and cash equivalents, end of year	$ 519,199

Maryland Transportation Authority

Statement of Cash Flows (continued)

Fiscal year ended June 30, 2002
(in Thousands)

Reconciliation of operating income to net cash from operating activities	
Operating income	$ 25,231
Depreciation	46,500
Effect of changes in operating assets and liabilities:	
Intergovernmental receivables	(16,478)
Inventory	(270)
Accounts receivable	(6,508)
Accounts payable and accrued liabilities	11,651
Deferred revenue	(513)
Accrued annual leave	457
Accrued workers compensation costs	830
Net cash from operating activities	$ 60,900

See accompanying notes.

1. Organization and Purpose

The Maryland Transportation Authority (the Authority), an enterprise fund of the State of Maryland, was established by statute to act on behalf of the Maryland Department of Transportation. The Authority is responsible for the supervision, financing, construction, operation and maintenance of the State's toll facilities in accordance with a Trust Agreement dated December 1, 1985, and as amended, relating to the Maryland Transportation Authority—Transportation Facilities Projects Revenue Bonds, Series 1991, 1992 and 1998 and Special Obligation Revenue Bonds, Series 1994 (collectively referred to as the Trust Agreement).

The Authority is responsible for various projects (the Transportation Facilities Projects), the revenues from which have been pledged to the payment of the bonds issued under the Trust Agreement. The Transportation Facilities Projects consist of the following:

Potomac River Bridge—Harry W. Nice Memorial Bridge

Chesapeake Bay Bridge—William Preston Lane, Jr. Memorial Bridge

Baltimore Harbor Tunnel—Patapsco Tunnel

Baltimore Outer Harbor Bridge—Francis Scott Key Bridge

Northeastern Expressway—John F. Kennedy Memorial Highway

Fort McHenry Tunnel

In addition to the above facilities, the Authority is permitted to construct and/or operate other projects, the revenues from and for which are also pledged to the payment of the bonds issued under the Trust Agreement unless and until, at the Authority's option, such revenues are otherwise pledged. These additional projects currently include the following:

Susquehanna River Bridge—Thomas J. Hatem Memorial Bridge

Seagirt Marine Terminal

Airport Facilities Projects—Baltimore/Washington International Airport

Airport Parking Garage Projects—Baltimore/Washington International Airport

Masonville Phase I Auto Terminal

Consolidated Car Rental Facility Project—Baltimore/Washington International Airport

1. Organization and Purpose (continued)

Financial Statements

The Authority is an enterprise fund of the State of Maryland. The accompanying financial statements present the financial position, changes in financial position and cash flows of just the Authority.

2. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accountin*g, the Authority has elected not to apply non-GASB pronouncements issued on or after November 30, 1989.

Implementation of GASB Statement No. 34

The Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (GASB 34), as of July 1, 2001. GASB 34 requires the Authority to present a classified balance sheet, statement of revenue, expenses and change in net assets, and a statement of cash flows using the direct method. The adoption of this statement resulted in a change in classification as of June 30 2002 from fund balance to net assets. GASB 34 does not require stand-alone financial statements of a government enterprise fund, which is part of the general government and is not a component unit of the general government to present required supplementary information (RSI), including management's discussion and analysis. While GASB 34 does not preclude the presentation of RSI from the separate financial statements of a fund, the Authority has elected to not present RSI.

Prior the adoption of GASB 34, the Authority was reported using the governmental model. With the adoption of GASB 34, the Authority is reported as an enterprise fund using the business type activities model. The adoption of this new model resulted in a change to the Authority's total net assets as of June 30, 2002 to $1,646,914,000.

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Authority considers all investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Investments

Investments are carried at fair value with all income, including unrealized changes in the fair value of investments, reported as interest and other investment income in the accompanying financial statements. The Trust Agreement requires that the Authority's investments in repurchase agreements be fully collateralized by the Trustee. Such investments held by the Authority as of June 30, 2002, were collateralized.

Investments are classified as to credit risk by the three categories described below:

Category 1—Insured or registered, or securities held by the Authority or its agent in the Authority's name.

Category 2—Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.

Category 3—Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the Authority's name.

Inventory

Inventory consists primarily of spare parts and supplies carried at cost using a weighted average cost method.

Capital Assets

The Authority records capital assets at cost less accumulated depreciation. The Authority has established $50,000 as the threshold to capitalize capital assets. Depreciation is calculated on a straight-line basis over 30 years.

2. Significant Accounting Policies (continued)

Revenue Recognition

The Authority recognizes toll revenue as vehicles pass through toll facilities. All other revenue is recognized on an accrual basis as earned. Operating revenue consist of tolls collected, commissions received from the right to operate facilities along the highways and all other service revenue received. Nonoperating revneue consist of interest income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

3. Cash and Cash Equivalents and Investments

Cash and cash equivalents as of June 30, 2002, consisted of amounts deposited with a single financial institution in various accounts, many of which have companion overnight repurchase accounts. Investments as of June 30, 2002, consisted of United States Government and Agency obligations and Banker's Acceptances. All such investments are stated at fair value and are classified as to credit risk as Category 1.

Cash deposits are categorized to give an indication of the level of custodial credit risk assumed by the State. Category 1 includes deposits insured or collateralized with securities held by the State or its agent int he State's name.Category 2 includes deposits collateralized with securities held by the pleding financial institution's trust department or agent in the State's name. Category 3 includes deposits which are uncollateralized.

As of June 30, 2002, the book balance for the bank deposits was approximately $519 million and the bank balance was approximately $514 million. Approximately $1 million was insured by Federal depository or collateralized by securities held by the State's agent in the State's name and is a Category 1 asset. The remaining balance was on deposit with the U.S. Treasury and is not categorized as to custodial credit risk in accordance with GASB Statement No. 3.

3. Cash and Cash Equivalents and Investments (continued)

In accordance with the Trust Agreement, the Authority has established and maintains certain restricted accounts. Funds have been deposited in these accounts and are restricted for the payment of debt service related to the revenue bonds, major maintenance project requirements, and improvements, betterments, enlargements or capital additions. The aggregate balance of these restricted accounts as of June 30, 2002, included in restricted cash and cash equivalents and restricted investments, was approximately $490,083,000. These restricted assets are to be used to construct assets to be leased under direct financing lease agreements or to retire debt incurred to finance the assets leased.

The Authority's restricted cash and investments as of June 30, 2002, are as follows (in thousands):

Restricted cash:	
Airport facilities projects	$ 68,984
BWI parking project	182,862
BWI consolidated car rental facility	94,830
Capital projects	39,220
Debt service projects	24,651
General operations	51,010
	$ 461,557
Restricted investments:	
Capital projects	$ 4,939
General operations	23,567
	$ 28,526

4. Capital Assets

A summary of the changes in the Authority's capital assets for the year ended June 30, 2002, was as follows (in thousands):

	June 30, 2001	Additions	Net Transfers	June 30, 2002
Nondepreciated				
Land and improvements	$ 99,828	$ 5,252	$ –	**$ 105,080**
Construction in progress	6,094	–	(6,094)	**–**
Depreciated				
Structures and improvements	2,051,415	49,290	6,094	**2,106,799**
Equipment	7,102	–	–	**7,102**
	2,164,439	54,542	–	**2,218,981**
Less accumulated depreciation	756,614	46,500	–	**803,114**
Net	$ 1,407,825	$ 8,042	$ –	**$ 1,415,867**

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2002, are summarized as follows (in thousands):

	Balance June 30, 2001	Bond Accretion	New Debt Issued	Principal Payments	Increase in Accrual	Balance June 30, 2002	Amounts Due Within One Year
Revenue bonds	$ 212,646	$ 4,474	$ –	$(13,445)	$ –	**$ 203,675**	$ 14,240
Special obligation revenue bonds	87,930	–	–	(4,240)	–	**83,690**	4,470
BWI car rental facility bonds	–	–	117,345	–	–	**117,345**	600
BWI parking garage bonds	–	–	264,075	–	–	**264,075**	–
Total debt	300,576	4,474	381,420	(17,685)	–	**668,785**	19,310
Accrued annual leave	4,069	–	–	–	446	**4,536**	2,600
Accrued workers compensation	3,908	–	–	–	830	**4,738**	1,800
	$ 308,553	$ 4,474	$ 381,420	$(17,685)	$ 1,276	**$ 678,059**	$ 23,710

5. Long-Term Liabilities (continued)

Revenue Bonds

The 1991, 1992 and 1998 Revenue Bonds issued in accordance with the provisions of the 1985 Trust Agreement, as supplemented, and interest thereon do not constitute a debt or a pledge of the faith and credit of the State of Maryland or the Maryland Department of Transportation, but are payable solely from the revenues of the Transportation Facilities Projects of the Authority.

Revenue Bonds outstanding as of June 30, 2002, consisted of the following:

1991 revenue bonds:	
Serial bonds maturing in annual installments ranging from $6,830,000 to $9,380,000 from July 1, 2002 to July 1, 2006, with interest ranging from 6.30% to 6.50%, payable semiannually.	$ 26,400,000
1992 revenue bonds:	
Current interest serial bonds maturing in annual installments ranging from $11,965,000 to $14,570,000 from July 1, 2002 to July 1, 2013, with interest rates ranging from 5.50% to 5.80%, payable semiannually.	59,575,000
Capital appreciation bonds maturing in annual installments of original principal and an accreted interest ranging from $3,000,000 to $15,420,000 from July 1, 2004 to July 1, 2015, with approximate yield to maturity of 6% to 6.35%.	40,895,000
Current interest term bonds with interest payable semiannually at 5.75%, due July 1, 2015.	27,020,000
1998 revenue refunding bonds:	
Serial bonds maturing in annual installments ranging from $210,000 to $9,510,000, from July 1, 2002 to July 1, 2006 with interest rates ranging from 4.35% to 5.00%, payable semiannually.	15,820,000
Total	169,710,000
Capital appreciation bonds' accumulated accreted interest	33,965,000
	$ 203,675,000

5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

Debt service requirements on the 1991, 1992 and 1998 Revenue Bonds are as follows (in thousands):

Year ending June 30	Principal	Accreted amount	Interest	Total
2003	$ 14,240,000	$ –	$ 7,378,098	$ 21,618,098
2004	19,855,000	–	6,546,650	26,401,650
2005	15,277,348	6,927,652	5,387,920	27,592,920
2006	22,780,000	–	4,845,240	27,625,240
2007	24,080,000	–	3,588,360	27,668,360
2008	6,197,000	9,222,548	2,268,252	17,687,800
2009	5,781,088	9,633,913	2,267,800	17,682,800
2010	5,433,325	9,981,675	2,267,800	17,682,800
2011	5,080,167	10,334,833	2,267,800	17,682,800
2012	4,773,255	10,641,745	2,267,800	17,682,800
2013	4,467,729	10,947,271	2,267,800	17,682,800
2014	13,236,810	2,183,190	2,267,800	17,682,800
2015	13,897,000	2,232,690	1,553,650	17,683,340
2016	14,611,120	2,279,190	776,825	17,667,135
	$ 169,709,842	$ 74,384,705	$ 45,951,795	$290,046,343

With respect to the 1991 Revenue Bonds, the bonds maturing after July 1, 2001, are subject to redemption, at the Authority’s option on or after July 1, 2001. The redemption prices range from 100% to 102% of the principal amount. The debt service reserve requirement for the 1991 Revenue Bonds, in the amount of $9,990,000, has been satisfied through a surety bond.

5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

With respect to the 1992 Revenue Bonds, $13,130,000 of the current interest term bonds stated to mature on July 1, 2015, is subject to mandatory sinking fund redemption on July 1, 2014, at a redemption price equal to the principal amount, plus accrued interest. The debt service reserve requirement for these bonds, in the amount of $23,325,000, has been satisfied through the deposit of cash with the trustee and is included in the debt service fund on the balance sheet. The current interest serial bonds stated to mature on July 1, 2013, and the balance of the current interest term bonds stated to mature on July 1, 2015, are subject to redemption at the option of the Authority on or after July 1, 2002, without premium. The capital appreciation bonds are not subject to early redemption. Capital appreciation bonds payable as of June 30, 2002, include an accreted amount of $33,965,000.

Special Obligation Revenue Bonds

During the year ended June 30, 1994, the Authority issued $162,580,000 of Special Obligation Revenue Bonds, Series 1994 (the Series 1994 Bonds), to finance a portion of the costs of certain projects (the Airport Facilities Projects) located at Baltimore/Washington International Airport. The facilities are leased to the Maryland Aviation Administration (MAA) through a direct financing lease. (See Note 9). The Special Obligation Revenue Bonds are payable as to principal and interest solely from Passenger Facility Charges (PFCs) received by the MAA and deposited with the Trustee (Bank of New York) and amounts deposited in the general account maintained by the Authority under the Trust Agreement. The Series 1994 Bonds issued in accordance with the provisions of the 1985 Trust Agreement, as supplemented, and interest thereon, do not constitute a debt or pledge of the faith and credit of the State of Maryland, the Maryland Department of Transportation or the MAA, but are payable solely from PFCs which the Authority will receive from MAA in the form of direct financing lease payments.

Special Obligation Revenue Bonds outstanding as of June 30, 2002, consisted of:

Series 1994 bonds, maturing as scheduled below, with interest rates ranging from 5.50% to 6.30%, payable semiannually.	$ 83,690,000

5. Changes in Long-Term Liabilities (continued)

Debt service requirements on the Special Obligation Revenue Bonds are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2003	$ 4,470,000	$ 5,072,848	$ 9,542,848
2004	4,715,000	4,826,998	9,541,998
2005	4,980,000	4,562,958	9,542,958
2006	5,265,000	4,279,098	9,544,098
2007	5,565,000	3,976,360	9,541,360
2008	5,895,000	3,649,416	9,544,416
2009	6,245,000	3,295,716	9,540,716
2010	6,630,000	2,913,210	9,543,210
2011	7,045,000	2,498,835	9,543,835
2012	7,490,000	2,055,000	9,545,000
2013	7,955,000	1,586,875	9,541,875
2014	8,455,000	1,089,688	9,544,688
2015	8,980,000	561,250	9,541,250
	$ 83,690,000	$ 40,368,250	$ 124,058,250

BWI Consolidated Car Rental Facility Bonds

During the year ended June 30, 2002, the Authority issued $117,345,000 of BWI Consolidated Car Rental Facility Bonds Revenue Bonds, Series 2002 (the Series 2002 Bonds), to finance the costs of a car rental facility located at Baltimore/Washington International Airport. The interest rates on the bonds range from 2.75% to 6.65%. The facility is leased to the MAA through a direct financing lease (See Note 9). The BWI Consolidated Car Rental Facility Bonds Revenue Bonds are payable as to principal and interest solely from customer facility charges from the MAA. The Series 2002 Bonds issued in accordance with the provisions of the 1985 Trust Agreement, as supplemented, and interest thereon, do not constitute a debt or pledge of the faith and credit of the State of Maryland, the Maryland Department of Transportation or the MAA, but are payable solely from the customer facility charges which the Authority will receive in the form of direct financing lease payments.

5. Long-Term Liabilities (continued)

BWI Consolidated Car Rental Facility Bonds (continued)

Debt Service Requirements on the 2002 BWI Consolidated Car Rental Facility Bonds are as follows:

	Principal	Interest	Total
2003	$ 600,000	$ 7,706,558	$ 8,306,558
2004	1,630,000	7,441,519	9,071,519
2005	1,690,000	7,382,350	9,072,350
2006	1,760,000	7,312,046	9,072,046
2007	1,840,000	7,229,326	9,069,326
2008	1,935,000	7,137,142	9,072,142
2009	2,035,000	7,035,361	9,070,361
2010	2,145,000	6,923,640	9,068,640
2011	2,270,000	6,801,804	9,071,804
2012	2,400,000	6,669,236	9,069,236
2013	2,545,000	6,527,876	9,072,876
2014	2,710,000	6,362,960	9,072,960
2015	2,885,000	6,187,352	9,072,352
2016	3,070,000	6,000,404	9,070,404
2017	3,270,000	5,801,468	9,071,468
2018	3,480,000	5,589,572	9,069,572
2019	3,705,000	5,364,068	9,069,068
2020	3,945,000	5,123,984	9,068,984
2021	4,200,000	4,868,348	9,068,348
2022	4,475,000	4,596,188	9,071,188
2023	4,765,000	4,306,208	9,071,208
2024	5,080,000	3,989,335	9,069,335
2025	5,420,000	3,651,515	9,071,515
2026	5,780,000	3,291,085	9,071,085
2027	6,165,000	2,906,715	9,071,715
2028	6,575,000	2,496,743	9,071,743
2029	7,010,000	2,059,505	9,069,505
2030	7,480,000	1,593,340	9,073,340
2031	7,975,000	1,095,920	9,070,920
2032	8,505,000	565,583	9,070,583
	$ 117,345,000	$ 154,017,143	$ 271,362,143

5. Long-Term Liabilities (continued)

BWI Parking Garage Bonds

During the year ended June 30, 2002, the Authority issued $264,075,000 of BWI Parking Garage Bonds Revenue Bonds, Series 2002 (the Series 2002a Bonds), to finance the costs of a parking garage located at Baltimore/Washington International Airport. The interest rates on the bonds ranged from 4.00% to 5.50%. The parking garage is leased to the MAA through a direct financing lease (See Note 9). The BWI Parking Garage Bonds Revenue Bonds are payable as to principal and interest solely from parking fees collected. The Series 2002a Bonds issued in accordance with the provisions of the 1985 Trust Agreement, as supplemented, and interest thereon, do not constitute a debt or pledge of the faith and credit of the State of Maryland, the Maryland Department of Transportation or the MAA, but are payable solely from parking fees, which the Authority will receive in the form of direct financing lease payments.

Debt Service Requirements on the 2002 BWI Parking Garage Bonds are as follows:

	Principal	Interest	Total
2003	$ –	$ 14,346,170.00	$ 14,346,170.00
2004	–	13,242,618.75	13,242,618.75
2005	4,315,000.00	13,242,618.75	17,557,618.75
2006	5,885,000.00	13,070,018.75	18,955,018.75
2007	7,510,000.00	12,834,618.75	20,344,618.75
2008	8,185,000.00	12,534,218.75	20,719,218.75
2009	8,590,000.00	12,149,468.75	20,739,468.75
2010	9,015,000.00	11,730,618.75	20,745,618.75
2011	9,465,000.00	11,291,143.75	20,756,143.75
2012	9,935,000.00	10,829,668.75	20,764,668.75
2013	10,430,000.00	10,337,881.25	20,767,881.25
2014	10,990,000.00	9,821,656.25	20,811,656.25
2015	11,580,000.00	9,269,431.25	20,849,431.25
2016	12,205,000.00	8,677,412.50	20,882,412.50
2017	11,600,000.00	8,042,787.50	19,642,787.50
2018	11,885,000.00	7,433,737.50	19,318,737.50
2019	12,445,000.00	6,812,687.50	19,257,687.50
2020	13,095,000.00	6,154,931.25	19,249,931.25
2021	13,780,000.00	5,478,187.50	19,258,187.50
2022	13,970,000.00	4,766,043.75	18,736,043.75

5. General Long-Term Debt (continued)

BWI Parking Garage Bonds (continued)

	Principal	Interest	Total
2023	$ 14,285,000.00	$ 4,055,656.25	$ 18,340,656.25
2024	15,025,000.00	3,328,906.25	18,353,906.25
2025	15,800,000.00	2,564,512.50	18,364,512.50
2026	16,615,000.00	1,746,862.50	18,361,862.50
2027	17,470,000.00	895,337.50	18,365,337.50
	$264,075,000.00	$214,657,195.00	$478,732,195.00

6. Retirement Plans

Maryland State Retirement and Pension System

The Authority contributes to the Maryland State Retirement and Pension System (the System), established by the State to provide pension benefits for State employees and employees of other participating entities within the State. While the System is an agent multiple employer public employee retirement system, the Authority accounts for the plan as a cost-sharing multiple employer public employee retirement system as a separate valuation is not performed for the Authority and the Authority's only obligation to the plan is its required annual contributions. The System is considered part of the State's financial reporting entity and is not considered a part of the Authority's reporting entity. The System prepares a separate Comprehensive Annual Report, which can be obtained from the Maryland State Retirement and Pension System at 120 E. Baltimore Street, Baltimore, Maryland 21202.

Plan Description

The System, which is administered in accordance with Article 73B of the Annotated Code of Maryland, consists of the several plans which are managed by the Board of Trustees for the System. All State employees and employees of the participating entities are eligible for coverage by the plans.

6. Retirement Plans (continued)

Plan Description (continued)

The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after completing 5 years of service. A member terminating employment before attaining retirement age but after completing 5 years of service becomes eligible for a vested retirement allowance provided the member lives to age 60 (age 62 for the Pension System) and does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or after completing 30 years of service credit regardless of age, or at age 62 or older with specified years of service credit. A member of the Employees' Pension System is eligible for full retirement benefits upon the earlier of attaining age 62, with specified year of eligibility service, or accumulating 30 years of eligibility service regardless of age. The annual pension allowance for a State employee member of the Employees' Pension System equals 1.2% of the member's highest three years' average final salary (AFS), multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFS, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. The annual retirement allowance equal 1/55 (1.8%) of the member's AFS multiplied by the number of years of accumulated creditable service.

A member of the Law Enforcement Officers' Pension System is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. The annual retirement allowance for a member who is covered under the retirement plan provisions equals 1/50 (2.0%) of the member's AFS multiplied by the number of years of accumulated creditable service up to 30 years, plus 1/100 (10%) of the member's AFS multiplied by the number of years accumulated creditable service in excess of 30 years. The annual pension allowance for a member who is covered under the pension plan provisions equals 1.0 percent of the member's AFS up to the social security integration level (SSIL), plus 1.7 percent of the member's AFS in excess of the SSIL, multiplied by the number of years of accumulated creditable service. A member retiring prior to age 62 receives a service pension allowance of 1.7% of the member's AFS for each year of accumulated creditable service, until attaining age 62.

6. Retirement Plans (continued)

Funding Policy

The Authority's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the law governing the System, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used. Members of the Retirement System are required to contribute to the System a fixed percentage of their regular salaries and wages (7% or 5% depending on the retirement plan selected). Members of the Pension System are required to contribute to the System 5% of their regular salaries and wages which exceed the social security wage contributions. Contributions are deducted from each member's salary and wage payments and are remitted to the System on a regular, periodic basis. The Authority made its required contributions during fiscal years ending June 30, 2002, 2001 and 2000, of \$7,913,000, \$5,965,000 and \$5,576,000, respectively. The required contribution for the year ended June 30, 2002 was 2% of coverage payroll.

Post Retirement Benefits

The Authority, through the State also provides, in accordance with State Merit System Laws, post employment health care benefits to retired employees and their dependants (generally employees who retired before July 1, 1984, employees who retired on or after July 1, 1984, with at lwast 5 years of creditable service and employees who receive disability retirement allowances or special death benefits). The Authority subsidizes approximtely 50% to 90% of covered medical and hospitalization costs, depending on the type of insurance plan. The State assesses a surcharge for post employment health care benefits, which is based on health care insurance charges for current employees. The Authority is required each year to fund the amount requested by the State. During fiscal year 2002, these benefits paid by the State amounted to \$109,838,000. Costs are recognized as they are paid. There are 29,670 participants currently receiving benefits under the Staste's plan.

7. Risk Management

Accrued Workers' Compensation Costs

The Authority has recorded its portion of the State of Maryland's workers' compensation costs. The workers' compensation costs accrual represents the liability for anticipated claims and claims expense for the Authority's employees, less the cumulative excess of premiums paid to the Injured Workers' Insurance Fund and net investment income applicable to the Authority's coverage.

Self Insurance

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in the State of Maryland's self-insurance program (the Program). The Program covers general liability, property and casualty, workers' compensation, environmental liabilities and provides certain employee health benefits. The Program allocates its cost of providing claims servicing and claims payments by charging a premium to the Authority based on a percentage of estimated current payroll or based on average loss experience. In addition, the Authority maintains certain third party policies for structural property and liability damages. The Authority's premium payments for the year ended June 30, 2002, were approximately $3,581,000.

8. Commitments

As of June 30, 2002, the Authority was contractually liable for approximately $86 million of uncompleted construction and improvement contracts relating to its various projects. Inclusive of that amount, the Authority currently contemplates the expenditure, through 2007, of approximately $995 million for capital additions, improvements and major rehabilitation.

9. Relationships with Other Governmental Agencies

The Authority performs services for other governmental agencies and receives fees for these services, which are included in intergovernmental revenue in the accompanying financial statements. In addition, other governmental agencies provide services to the Authority, which are included in the appropriate expense caption.

9. Relationships with Other Governmental Agencies (continued)

The Authority's intergovernmental revenue for the year ended June 30, 2002, was as follows (in thousands):

Maryland Port Administration	$ 11,548
Maryland Aviation Administration	10,614
Baltimore City	309
Other	102
	$ 22,573

Maryland Port Administration

The Authority has constructed and leases the Seagirt Marine Terminal and the Intermodel Container Facility to the Maryland Port Administration (MPA). The Authority accounts for this lease as an operating lease as no transfer of ownership will occur at the end of the lease term. The term of the agreement expires June 30, 2012 and payments are renegotiated every three years. In addition, the MPA pays for the Authority police to monitor the leased facilities. The intergovernmental income for the fiscal year ended June 30, 2002, was approximately $11,548,000.

The Authority has loaned funds to MPA to construct Berth 4 at the Seagirt Marine Terminal. This loan bears interest at 2.9%. As of June 30, 2002, the outstanding principal balance was approximately $10,674,000 and is included in intergovernmental receivables in the accompanying financial statements. Payments will continue for 33 years after completion of the construction.

9. Relationships with Other Governmental Agencies (continued)

Maryland Port Administration (continued)

The Authority has a direct financing lease with the MPA. The present value of the direct financing lease as of June 30, 2002, is as follows (in thousands):

	Masonville Project
2003	$ 1,633
2004	1,633
2005	1,633
2006	1,633
2007	1,633
2008-2012	8,167
2013-2017	8,167
2018-2020	4,901
Total	29,402
Less—Unearned income	(11,032)
Net investment in direct financing lease	$ 18,370

On April 21, 1998, the Authority and MPA entered into a capital lease agreement whereby the Authority would finance an amount not to exceed $20,000,000, and MPA will design, engineer, construct and operate the Masonville Phase I Auto Terminal. Payments shall be made to the Authority in twenty equal installments, including interest at a rate of 5.5%, beginning June 30 in the year following the completion of construction. Principal due on this lease during the year ended June 30, 2003, is approximately $623,000.

9. Relationships with Other Governmental Agencies (continued)

Maryland Aviation Administration (continued)

The Authority has direct financing leases with the Maryland Aviation Administration (MAA). The present value of the direct financing leases as of June 30, 2002, is as follows (in thousands):

	Airport Facilities Projects	BWI Parking	Parking Garage
2003	$ 9,548	$ 14,346	$ 8,307
2004	9,547	13,243	9,072
2005	9,548	17,558	9,072
2006	9,549	18,955	9,072
2007	9,546	20,345	9,069
2008-2012	47,743	103,725	45,352
2013-2017	28,643	102,954	45,360
2018-2022	–	95,821	45,347
2023-2027	–	91,786	45,355
2028-2032	–	–	45,356
Total	124,127	478,732	271,362
Less—Unearned income	(40,437)	(214,657)	(154,017)
Less—Restricted cash and investments	(68,984)	(182,862)	(94,830)
Net investment in direct financing lease	$ 14,706	$ 81,213	$ 22,515

The Authority borrowed funds to finance the development and construction of certain airport facilities projects at Baltimore/Washington International Airport. The Authority leases these airport facilities project assets to MAA under capital leases expiring on the date at which the Authority has recovered all of its costs related to the airport facilities projects. MAA funds the lease through payment to the Authority of all revenues received from the facilities financed under these lease agreements, even if the receipts are in excess of the required capital lease payment. Excess revenues and interest accrued on the excess are used to reduce future capital lease payments. The Authority provides police and traffic control services to MAA at MAA properties. MAA paid the Authority $10,614,000 for costs associated with this function for the year ended June 30, 2002.

9. Relationships with Other Governmental Agencies (continued)

Baltimore City

In 1991, the Authority and the Mayor and City Council of Baltimore (the City) agreed to transfer operations and ownership of Interstate Highways I-95 and I-395 located in Baltimore City from the City to the Authority. In consideration, the City agreed to pay the Authority an annual sum equal to $7,500,000, less any Federal funds attracted by I-95 and I-395; however, in no event shall the cash payments by the City exceed $5,000,000 in any given year. During fiscal year 2002, $309,000 was paid by the City to the Authority, pursuant to such agreement.

Maryland State Police

The Maryland State Police patrol the John F. Kennedy Memorial Highway. The Authority reimburses the State Police for the costs of providing these services, including an allowance for overhead. The cost for these services was approximately $5,742,000 for the year ended June 30, 2002 and is included in collection, police patrol and maintenance expense in the accompanying financial statements.

Maryland State Highway Administration

SHA performs certain inspection, testing, engineering and payroll processing functions for which they are reimbursed by the Authority. The expenditures for these services were approximately $961,000 for the year ended June 30, 2002, and are included in general and administrative expenses in the accompanying financial statements.

10. Litigation

The Authority is a defendant in a number of claims and suits resulting from capital and maintenance contracts and other operational matters. The Authority plans to vigorously defend these claims. In the opinion of the Authority's management, the settlement of these claims will not have a material adverse effect on the accompanying financial statements.

11. Canton Development Corporation

In 1987, the Authority acquired 100% of Canton Development Corporation (CDC) for $1,625,000. CDC owns 100% of the Canton Railroad Company (CRC). The Authority accounts for CDC on the cost basis. The investment in CDC is accounted for at cost as CDC was purchased for the benefit of the State of Maryland's economy. Ownership of CDC and CRC allows the Authority and the Maryland Port Authority to assure access of freight into and out of the Seagirt Marine Terminal. The $1,625,000 investment for CDC is included in restricted net assets, as of June 30, 2002. A summary of the CDC balance sheet and statement of operations as of and for the year ended December 31, 2001, is as follows (in thousands):

Balance Sheet	
Current assets	$ 1,840
Total assets	5,858
Current liabilities	556
Total liabilities	935
Stockholder's equity	4,923

Statement of Income	
Operating revenue	$ 2,799
Net income	315

12. Related Party Transaction

In January 2000, the Authority entered into a note receivable with CDC in the amount of $300,000. The note accrues interest at the rate of 7.25% and is receivable in equal monthly installments of $4,564 through January 2007. The balance outstanding as of June 30, 2002, is approximately $5,000. The loan proceeds are being used for the construction of a new office building, and the loan is being collateralized by that building.

Maryland Transportation Authority

Supplemental Exhibits

The supplemental exhibits, which follow this page are presented for purposes of additional analysis and are not a required part of the basis financial statements. These exhibits are prepared on a cash basis and include certain grouping which are different from the basic financial statements, which are prepared in accordance with generally accepted accounting principles.