

**CITY OF CHARLOTTE AIRPORT
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2003
AND INDEPENDENT AUDITORS' REPORT**

TABLE OF CONTENTS

Independent Auditors' Report 1

Management's Discussion and Analysis 3

Basic Financial Statements

 Statement of Net Assets 8

 Statement of Revenues, Expenses and Changes in Net Assets 10

 Statement of Cash Flows..... 11

 Notes to the Financial Statements 13

Additional Information

 Schedule of Change in Net Assets – Included and Excluded Centers..... 25

 Schedule of Cash Deposits and Withdrawals from Funds and Accounts
 Established by the 1985 Revenue Bond Order –
 Funds Held by City 26

 Schedule of Cash Deposits and Withdrawals from Funds and Accounts
 Established by the 1985 Revenue Bond Order for the 1993 Refunding Bonds –
 Funds Held by Trustee 28

 Schedule of Cash Deposits and Withdrawals from Funds and Accounts
 Established by the 1985 Revenue Bond Order for the 1997 Refunding Bonds –
 Funds Held by Trustee 29

 Schedule of Cash Deposits and Withdrawals from Funds and Accounts
 Established by the 1987 Special Facility Revenue Bond Order for the 1998 Refunding
 Bonds – Funds Held by Trustee 30

 Schedule of Cash Deposits and Withdrawals from Funds and Accounts
 Established by the 1985 Revenue Bond Order for the 1999A Airport Revenue Bonds –
 Funds Held by Trustee 31

 Schedule of Cash Deposits and Withdrawals from Funds and Accounts
 Established by the 1985 Revenue Bond Order for the 1999B Airport Revenue Bonds –
 Funds Held by Trustee 32

 Schedule of Cash Deposits and Withdrawals from Funds and Accounts
 Established by the 1985 Revenue Bond Order for the 1999C Airport Revenue Bonds –
 Funds Held by Trustee 33

 Schedule of Cash Deposits and Withdrawals from Funds and Accounts
 Established by the 1985 Revenue Bond Order for the 1999D Airport Revenue Bonds –
 Funds Held by Trustee 34

 Schedule of Cash Deposits and Withdrawals from Funds and Accounts
 Established by the 1987 Special Facility Revenue Bond Order for the
 2000 Special Facility Revenue Bonds –
 Funds Held by Trustee 35

Certification of Director of Finance..... 36

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of
City Council
Charlotte, North Carolina

We have audited the accompanying statement of net assets of the City of Charlotte Airport (the "Airport"), an enterprise fund of the City of Charlotte, North Carolina, as of June 30, 2003, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Airport'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 of America. 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 Airport enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Charlotte, North Carolina, as of June 30, 2003, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of June 30, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, listed in the accompanying table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Additional Information, listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

Deloitte + Touche LLP

March 10, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Airport's financial statements presents a narrative overview and analysis of the Airport's financial performance for the fiscal year ended June 30, 2003. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Airport exceeded its liabilities at the close of the most recent fiscal year by \$450.6 million (net assets). Of this amount, \$144.9 million (unrestricted net assets) is available to support operations and capital programs.
- The overall financial position of the Airport improved in 2003 as evidenced by an increase in total net assets of \$19.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists primarily of three parts: management's discussion and analysis (this section), the financial statements, and additional information pertaining to the change in net assets for included and excluded centers as well as schedules of cash deposits and withdrawals by bond issue. The financial statement section includes notes to the financial statements that provide explanations and detailed data (pages 13-22).

The *statement of net assets* includes all of the Airport's assets and liabilities. The *statement of revenues, expenses and changes in fund net assets* accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the Airport's net assets and how they have changed. Net assets, the difference between assets and liabilities, is one way to measure the Airport's financial health or position. Over time, increases or decreases in the Airport's net assets are one indicator of whether financial health is improving or deteriorating.

FINANCIAL ANALYSIS OF THE AIRPORT AS A WHOLE

Net Assets. A summary of the Airport's net assets at June 30, 2003 and 2002 is presented below:

Net Assets		
(in Millions)		
	<u>2003</u>	<u>2002</u>
Current and other assets	\$ 305.0	\$ 326.5
Capital assets	<u>587.7</u>	<u>576.7</u>
Total assets	<u>892.7</u>	<u>903.2</u>
Current and other liabilities	32.8	37.6
Noncurrent liabilities	<u>409.3</u>	<u>434.9</u>
Total liabilities	<u>442.1</u>	<u>472.5</u>
Net assets:		
Invested in capital assets, net of related debt	256.2	238.7
Restricted	49.5	48.7
Unrestricted	<u>144.9</u>	<u>143.3</u>
Total net assets	<u>\$ 450.6</u>	<u>\$ 430.7</u>

By far the largest portion of the Airport's net assets (57 percent) reflects its investment in capital assets (land, buildings, runways, etc.), less any related debt used to acquire those assets that is still outstanding. The Airport uses these capital assets to provide services; consequently, these assets are not available for future spending.

An additional portion of the Airport's net assets (11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$144.9 million) may be used to support operations and capital programs.

Unrestricted net assets increased slightly by \$1.6 million. The Airport took steps to reduce spending and delay capital projects in order to offset the anticipated decrease in revenues.

Changes in net assets. The following table presents the Airport's changes in net assets for fiscal years ended June 30, 2003 and restated for the fiscal year ended June 30, 2002:

Changes in Net Assets		
(in Millions)		
	<u>2003</u>	<u>2002</u>
Revenues		
Operating revenues:		
Terminal area	\$ 19.0	\$ 20.3
Airfield	6.8	13.6
Concessions	18.6	21.8
Parking	16.6	14.5
Maintenance facility	12.3	11.0
Other	7.8	10.4
Nonoperating revenue:		
Investment earnings	<u>6.8</u>	<u>11.7</u>
Total revenues	<u>87.9</u>	<u>103.3</u>
Expenses		
Operating	62.2	58.2
Interest and other charges	22.8	20.7
Other	<u>2.2</u>	<u>8.8</u>
Total expenses	<u>87.2</u>	<u>87.7</u>
Capital contributions	<u>19.2</u>	<u>17.8</u>
Increase in net assets	19.9	33.4
Net assets – beginning	<u>430.7</u>	<u>397.3</u>
Net assets – ending	<u>\$ 450.6</u>	<u>\$ 430.7</u>

Airport operating revenues were derived primarily from the terminal area and concessions (43 percent). Overall, revenues decreased 15 percent, the largest decrease being in airfield revenues (50 percent). This decrease is a result of the combination of a decrease in landing fees charged and a decrease in landed weight.

Operating expenses cover a range of areas with the largest being the terminal area. Total operating expenses increased only 7 percent. This was due primarily to additional concourse maintenance costs.

User rates and fees are established to provide for operating expenses, debt service costs and adequate working capital.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2003, the Airport had \$587.7 million (net of accumulated depreciation) in capital assets consisting primarily of land, buildings and runways. This amount represents a net increase of \$11.0 million, or 1.9 percent over last year.

This year's major capital asset additions were expansion and improvement of Airport facilities. At June 30, 2003, unexpended authorized capital projects totaled \$84.0 million. These projects are primarily for expansion and improvements. The Airport has plans to issue debt to finance these projects in addition to using resources currently available.

More detailed information about the Airport's capital assets is presented in Note 2 to the financial statements.

Long-term Debt

At June 30, 2003, the Airport had \$423.3 million of debt outstanding in general obligation bonds, revenue bonds and certificates of participation. This was a decrease of \$25.0 million or 5.6 percent over last year. Details by type of debt are presented in the following table:

Outstanding Debt (in Millions)	
General obligation bonds	\$ 6.2
Revenue bonds	414.7
Certificates of participation	<u>2.4</u>
Total	<u>\$ 423.3</u>

More detailed information about the Airport's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND RATES

The following economic factors impact the Airport's outlook:

- The Airport ranks as the nation's 14th busiest airport in operations, 19th in passengers and 33rd in cargo.
- The Airport is in the planning process for the construction of a new 3,000-space customer parking deck that will increase customer parking capacity by 13 percent.
- Planning for a fourth runway is in process. The 9,000-foot runway is scheduled to be operational by early 2005 and will increase airfield capacity.

Airport fees and charges as well as expenditures are expected to remain relatively constant during fiscal year 2004.

CONTACTING FINANCIAL MANAGEMENT

This financial report is designed to provide investors and creditors with a general overview of the Airport's finances and to demonstrate the Airport's accountability. Questions concerning this report or requests for additional financial information should be directed to the City of Charlotte's Finance Department, 600 East Fourth Street, Charlotte, NC 28202-2848.

FINANCIAL STATEMENTS

CITY OF CHARLOTTE AIRPORT
STATEMENT OF NET ASSETS
JUNE 30, 2003
(In Thousands)

ASSETS

Current assets:	
Cash and cash equivalents	\$ 181,592
Receivables, net of allowance for uncollectibles of \$1,339-	
Accounts	6,280
Other	<u>1,361</u>
Total receivables	7,641
Due from other governmental agencies	<u>245</u>
Total current assets	<u>189,478</u>
Restricted assets:	
Cash and cash equivalents	65,155
Investments	<u>23,743</u>
Total restricted assets	<u>88,898</u>
Noncurrent assets:	
Receivables-	
Accounts	19,251
Other	<u>65</u>
Total receivables	19,316
Deferred charges	7,299
Capital assets (Note 2)-	
Land	143,560
Buildings	516,865
Runways	133,255
Other improvements	28,847
Machinery and equipment	9,449
Construction in progress	<u>38,778</u>
Total capital assets	870,754
Less accumulated depreciation	<u>283,060</u>
Total capital assets, net	<u>587,694</u>
Total noncurrent assets	<u>614,309</u>
Total assets	<u>892,685</u>

The notes to the financial statements are an integral part of this statement.

LIABILITIES

Current liabilities:

Accounts payable	\$ 6,886
Deposits and retainage payable	1,515
Accrued interest payable	143
Current maturities of long-term liabilities	<u>3,990</u>
Total current liabilities	<u>12,534</u>

Current liabilities payable from restricted assets:

Accounts payable	1,161
Deposits and retainage payable	1,195
Accrued interest payable	8,220
Revenue bonds payable	<u>9,740</u>
Total current liabilities payable from restricted assets	<u>20,316</u>

Noncurrent liabilities (Note 3):

General obligation bonds payable - net of deferred amount on refunding of \$18	2,707
Revenue bonds payable - net of deferred amount on refunding of \$3,377	401,787
Other financing agreements - net of unamortized premium of \$98	2,029
Compensated absences payable	373
Arbitrage payable	<u>2,373</u>
Total noncurrent liabilities	<u>409,269</u>
Total liabilities	<u>442,119</u>

NET ASSETS

Invested in capital assets, net of related debt	256,184
Restricted for:	
Debt service	38,145
Working capital	11,299
Unrestricted	<u>144,938</u>
Total net assets	<u>\$ 450,566</u>

CITY OF CHARLOTTE AIRPORT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

OPERATING REVENUES:	
Terminal area	\$ 19,057
Airfield	6,757
Concessions	18,601
Parking	16,582
Maintenance facility	12,356
Other	<u>7,791</u>
Total operating revenues	<u>81,144</u>
OPERATING EXPENSES:	
Terminal area	21,017
Services facility	10,004
Public airfield facilities	1,031
Fixed base operator area	131
Cargo area	4,589
Depreciation	<u>25,431</u>
Total operating expenses	<u>62,203</u>
Operating income	<u>18,941</u>
NONOPERATING REVENUES (EXPENSES):	
Investment earnings	6,774
Interest expense and other charges	(22,819)
Non-airline terminal revenue distribution	(1,119)
Miscellaneous	<u>(1,108)</u>
Total nonoperating revenues (expenses)	<u>(18,272)</u>
Income before contributions	669
CAPITAL CONTRIBUTIONS	<u>19,218</u>
Change in net assets	19,887
Total net assets - beginning	<u>430,679</u>
Total net assets - ending	<u>\$ 450,566</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CHARLOTTE AIRPORT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 81,405
Payments to suppliers	(22,938)
Payments to employees	(9,553)
Payments to other City funds for services	(5,388)
Payments to airlines for non-airline terminal revenue distribution	(5,622)
Other receipts (payments)	<u>(714)</u>
Net cash provided by operating activities	<u>37,190</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES:**

Proceeds from capital debt	2,526
Acquisition and construction of capital assets	(36,554)
Principal paid on capital debt	(27,410)
Interest paid on capital debt	(22,948)
Capital contributions	<u>25,660</u>
Net cash used by capital and related financing activities	<u>(58,726)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(37,367)
Proceeds from sale and maturities of investments	44,997
Interest received	<u>7,312</u>
Net cash provided by investing activities	<u>14,942</u>

Net decrease in cash and cash equivalents	(6,594)
Cash and cash equivalents - beginning of year	<u>253,341</u>
Cash and cash equivalents - end of year	<u>\$ 246,747</u>

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CITY OF CHARLOTTE AIRPORT
STATEMENT OF CASH FLOWS - (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 18,941
Adjustments to reconcile operating income to net cash provided by operating activities-	
Depreciation	25,431
Non-airline terminal revenue distribution	(5,622)
Other receipts (payments)	(714)
Change in assets and liabilities:	
(Increase) in receivables	(294)
Decrease in due from other governmental agencies	44
(Increase) in other receivables	(65)
(Decrease) in accounts payable	(752)
Increase in deposits and retainage payable	229
(Decrease) in compensated absences payable	(8)
Total adjustments	<u>18,249</u>
Net cash provided by operating activities	<u>\$ 37,190</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Presentation

The City of Charlotte Airport (Airport) is an enterprise fund of the City of Charlotte (City) that accounts for the operations of the Charlotte/Douglas International Airport. All assets and liabilities associated with the Airport's activities are included on the Statement of Net Assets. The Airport financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Airport has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

b. Cash and Cash Equivalents/Investments

The City maintains a cash management pool (pool) that is used by the Airport and other funds of the City. The pool facilitates disbursement and investment and maximizes investment income. Since the Airport may deposit additional amounts at any time and may withdraw funds at any time without prior notice or penalty, the pool is used essentially as a demand deposit account. Therefore, for the Statement of Net Assets and Statement of Cash Flows, pooled cash is considered cash and cash equivalents. The restricted cash and cash equivalents/investments are held by trustees as required by revenue bond covenants. All restricted money market funds are considered cash and cash equivalents. The remaining amount of restricted assets is considered investments.

Deposits

All deposits of the City are made in board-designated official depositories and are secured as required by State statutes. The City may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as money market accounts and certificates of deposit.

All of the City's deposits are either insured or collateralized by using the Dedicated Method or the Pooling Method. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the City's name. Under the Pooling Method, a collateral pool, 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 City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. 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 City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City 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.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

Investments

State statutes authorize the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; repurchase agreements having third-party safekeeping; and the North Carolina Capital Management Trust (NCCMT), an SEC registered mutual fund. The City is not authorized to enter into reverse repurchase agreements.

All investments, except mutual funds and the NCCMT, are insured or registered, or are securities held by the City or its agent in the City's name (category 1). Mutual funds and the NCCMT are exempt from risk categorization.

Investments except for the NCCMT are reported at fair value as determined by quoted market prices. The NCCMT is valued at fair value which is the NCCMT's share price. The reported and fair value of restricted investments at June 30, 2003 is shown below:

U.S. Government Securities	\$ 11,500
Commercial Paper	<u>12,243</u>
Total	<u>\$ 23,743</u>

c. Capital Assets

Purchased or constructed capital assets are reported at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	25 years
Runways	33 years
Other Improvements	25 years
Machinery and Equipment	3-30 years

Net interest cost on debt issued to finance the construction of capital assets was capitalized during the construction period in the amount of \$657.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

d. Compensated Absences

Employees earn vacation leave at the rate of 10 to 20 days per year and can accrue a maximum of 20 to 40 days, depending on length of service. Unused vacation days are payable upon termination, resignation, retirement or death.

Employees accumulate sick leave at the rate of one day per month and can accrue an unlimited number of days. Sick leave can be taken for personal illness or illness of a member of the immediate family. Sick leave is lost upon termination or resignation. However, twenty percent of outstanding sick leave, with a maximum of two months, is payable upon retirement or death.

e. Long-term Liabilities

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Bonds payable are reported net of the deferred amounts on refunding. The deferred amount on refunding is the difference between the reacquisition price and the net carrying amount of the old debt. This amount is amortized as a component of interest expense, using the straight-line basis, over the life of the old debt or new debt, whichever is shorter.

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

f. Net Assets

Net assets are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, bond covenants or laws or regulations of other governments or imposed by law through state statute.

g. Revenues

The primary sources of revenue at the Airport are fees and charges paid by the airlines and revenues paid by concessionaires providing services to the general public. Signatory airline terminal and airfield rates and charges are governed by twenty-five or thirty year lease agreements, and concession revenues are established by leases of varying methodologies and terms. The airlines are assessed four categories of fees and charges: rent, airport services, maintenance and operation fees, and landing fees. Airline fees and charges are established at a level adequate to recover the related services and facilities costs. Concession revenues are generated either through fixed annual charges or on the basis of a percentage of sales generated by the tenants' operations.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

2. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2003, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 139,499	\$ 4,061	\$ -	\$ 143,560
Construction in progress	38,181	36,036	35,439	38,778
Total capital assets, not being depreciated	177,680	40,097	35,439	182,338
Capital assets, being depreciated:				
Buildings	485,572	31,293	-	516,865
Runways	133,281	-	26	133,255
Other improvements	28,515	332	-	28,847
Machinery and equipment	9,534	173	258	9,449
Total capital assets being depreciated	656,902	31,798	284	688,416
Less accumulated depreciation for:				
Buildings	188,689	19,506	-	208,195
Runways	53,715	3,800	-	57,515
Other improvements	9,156	1,454	-	10,610
Machinery and equipment	6,319	671	250	6,740
Total accumulated depreciation	257,879	25,431	250	283,060
Total capital assets, being depreciated, net	399,023	6,367	34	405,356
Capital assets, net	\$ 576,703	\$ 46,464	\$ 35,473	\$ 587,694

3. NONCURRENT LIABILITIES:

A summary of changes in noncurrent liabilities for the year ended June 30, 2003, follows by type:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds:					
1980 series, 6.0% due 2004-2005	\$ 4,250	\$ -	\$ 1,500	\$ 2,750	\$ 1,500
1998 series, 4.1% to 4.3% due 2004-2005	5,555	-	2,080	3,475	2,000
Total general obligation bonds	9,805	-	3,580	6,225	3,500
Revenue bonds:					
1988 series, 8.1% to 8.3% due 2004-2006	612	-	-	612	223
1993 series, variable rate due 2004-2017	90,200	-	3,100	87,100	3,300
1997 series, variable rate due 2004-2018	62,150	-	2,375	59,775	2,525
1998 series, 5.6% due 2028	86,000	-	-	86,000	-
1999 series A, 5.8% due 2029-2030	7,950	-	-	7,950	-
1999 series B, 4.6% to 6.0% due 2005-2029	80,280	-	-	80,280	-
1999 series C, 6.8% to 6.9% due 2004-2005	9,250	-	3,255	5,995	3,470
1999 series D, variable rate due 2019-2030	67,370	-	15,100	52,270	-
2000 series, 7.8% due 2028	34,700	-	-	34,700	-
Total revenue bonds	438,512	-	23,830	414,682	9,518
Less deferred amounts on refunding	3,990	-	298	3,692	297
Total bonds payable net of deferred amounts on refunding	444,327	-	27,112	417,215	12,721
Other financing agreements, 2.0% to 5.0 % due 2004-2008	-	2,386	-	2,386	455
Plus unamortized premium	-	140	14	126	28
Total other financing agreements	-	2,526	14	2,512	483
Arbitrage	2,304	128	18	2,414	41
Compensated absences	866	628	636	858	485
Total noncurrent liabilities net of deferred amounts on refunding and unamortized premium	\$ 447,497	\$ 3,282	\$ 27,780	\$ 422,999	\$ 13,730

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

a. General Obligation Bonds

Debt service requirements to maturity for general obligation bonds are as follows:

Year Ended			
June 30	Principal	Interest	Total
2004	\$ 3,500	\$ 310	\$ 3,810
2005	2,725	137	2,862
	<u>\$ 6,225</u>	<u>\$ 447</u>	<u>\$ 6,672</u>

While the full faith and credit of the City of Charlotte are pledged for the payment of the General Obligation Bonds, the proceeds necessary to retire the General Obligation Bonds will be provided from Airport resources pursuant to agreements relating to the 1985 Revenue Bond Order.

b. Revenues Bonds

Revenue bond debt service requirements to maturity are as follows:

Year Ended			
June 30	Principal	Interest	Total
2004	\$ 9,518	\$ 15,352	\$ 24,870
2005	10,177	15,078	25,255
2006	8,732	14,876	23,608
2007	9,105	14,195	23,300
2008	9,770	14,025	23,795
2009-2013	61,250	67,101	128,351
2014-2018	76,510	60,393	136,903
2019-2023	37,905	53,626	91,531
2024-2028	168,950	43,703	212,653
2029-2030	22,765	822	23,587
	<u>\$ 414,682</u>	<u>\$ 299,171</u>	<u>\$ 713,853</u>

In December 1985 and May 1987, the City issued \$108,780 and \$75,880, respectively, of Airport Revenue Bonds for the purpose of financing or reimbursing the cost of improvements and expansion of the Airport and to redeem bond anticipation notes. The 1985 bonds were advance refunded in June 1993 and replaced with 1993 Airport Refunding Revenue Bonds. The 1987 bonds were refunded in June 1997 and replaced with 1997 Airport Refunding Revenue Bonds. The City entered into interest rate swap agreements for the variable rate 1993 Airport Refunding Revenue Bonds and the 1997 Airport Refunding Revenue Bonds. See note 3.d. for additional information concerning swap agreements.

In June 1987 and December 1988, the City issued \$67,000 and \$19,762, respectively, of Airport Special Facility Revenue Bonds to finance the construction of an aircraft hangar, a ground services equipment building and other facilities to be leased to US Airways Group, Inc. The 1987 and 1988 bonds were refunded in March 1998 and replaced with \$66,300 of 1998 Airport Refunding Revenue Bonds. The March 1998 issue also included an additional \$19,700 of Airport Special Facility Revenue Bonds for improvements of other airport facilities to be leased to US Airways Group, Inc.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

In December 1999, the City issued \$191,060 of Airport Revenue Bonds for the purpose of financing or reimbursing the cost of improvements and expansion of the Airport. Of the \$191,060 revenue bonds, \$102,255 had fixed interest rates and \$88,805 had variable interest rates. Interest on the variable rate revenue bonds is determined by a Remarketing Agent based upon market conditions.

In September 2000, the City issued \$34,700 of Airport Special Facility Revenue Bonds to finance the design, acquisition, construction and equipping of certain Airport related facilities to be leased to US Airways Group, Inc.

The Special Facility Revenue Bonds are payable from lease revenues pursuant to a Special Facility Lease (Lease) Agreement with US Airways Group, Inc.

The Revenue and Special Facility Revenue Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the Lease or Revenue Bond Order. Neither the credit nor the taxing power of the City is pledged for the payment of the principal or interest and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the Lease or Revenue Bond Order.

The Revenue Bond Order provided for the establishment of a special fund designated the Revenue Fund into which the City is required to deposit most Airport revenues upon receipt. Moneys on deposit in this fund will be applied at such times and in accordance with the priorities established by the Revenue Bond Order. Moneys in the Revenue Fund are required to be transferred to the following funds, established pursuant to the Revenue Bond Order, in the following order of priority: the Operating Fund, the Revenue Bond Fund, the 1980 General Obligation Bond Fund and the Renewal and Improvement Fund.

The principal and interest on the Revenue Bonds are payable from net revenues of the Airport. Pursuant to the Revenue Bond Order, the City has covenanted to fix, charge and collect rates, fees, rentals and charges for the use of the Airport and to revise such rates, fees, rentals and charges as often as necessary to produce revenues at least equal to the amounts required to be transferred to the funds indicated above plus an amount sufficient to have on deposit in the Revenue Fund, as of the first business day of the next fiscal year, an amount equal to the Coverage factor for the preceding fiscal year. The Coverage factor is equal to 25 percent of the amounts required to be deposited to the Revenue Bond Fund for the principal and interest payments for the fiscal year. In addition, the Revenue Bond Order provided for the establishment of the following reserves:

- (1) In the Revenue Bond Fund an amount equal to the maximum principal and interest requirements for the Revenue Bonds for any current or succeeding fiscal year, \$30,146 in 2003.
- (2) In the 1980 General Obligation Bond Fund a reserve in the amount of \$1,857.
- (3) In the Operating Fund an amount equal to one-third of the annual budget for current expenses, \$9,799 in 2003.

c. Certificates of Participation

Certificates of participation debt service requirements to maturity are as follows:

Year Ended	Principal	Interest	Total
June 30			
2004	\$ 455	\$ 82	\$ 537
2005	459	75	534
2006	470	64	534
2007	489	45	534
2008	513	20	533
	<u>\$ 2,386</u>	<u>\$ 286</u>	<u>\$ 2,672</u>

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

d. Interest Rate Swaps

As a means to protect against the potential of rising interest rates and to achieve the economic benefits of an advance refunding, the City entered into two interest rate swap agreements related to variable rate airport refunding revenue bonds. The first agreement was in connection with \$107,900 of Series 1993A bonds issued in June 1993 and the second was in connection with \$70,295 of Series 1997A bonds issued in June 1997. The swap agreements were entered into in June 1992 and December 1993 for Series 1993A and Series 1997A, respectively, and were effective at the time the bonds were issued. The purpose of the swaps was to effectively change the variable rate bonds to fixed rate bonds.

Under the swaps the City pays the counterparty a fixed rate of 6.34 percent for Series 1993A and 5.90 percent for Series 1997A. Comparative interest rates, as determined by the Revenue Bond Index published in the Daily Bond Buyer, for fixed rate revenue bonds at the dates of the swap agreements were 6.74 percent for Series 1993A and 5.74 percent for Series 1997A. The City receives a variable rate equivalent to the bond floating rate that is determined by the remarketing agent based upon market conditions. Therefore, the City is not exposed to basis risk. As of June 30 the bond floating rate was 1.10 percent for Series 1993A and .98 percent for Series 1997A.

The Series 1993A and 1997A bonds and related swap agreements mature on July 1, 2016 and July 1, 2017, respectively. The notional amounts of the swaps equal the principal amounts of the associated bonds and continue to decrease simultaneously with the reduction in the principal amount of the associated bonds. As of June 30 the notional amounts were \$87,100 and \$59,775 for Series 1993A and Series 1997A, respectively.

Because interest rates have declined, the swaps had negative fair values to the City at June 30 of \$24.1 million and \$12.7 million for Series 1993A and Series 1997A, respectively. Fair values were estimated by the counterparty using market-to-market valuations.

As of June 30 the City was not exposed to credit risk because the swaps had negative fair values. The swap counterparty was rated Aaa by Moody's and AAA by S&P. To mitigate the potential for credit risk, if the counterparty's credit rating falls below Aa3 by Moody's or AA- by S&P, the fair value of the swap will be collateralized with cash and/or U.S. government securities. Collateral will be deposited with a third party custodian.

Either the City or the counterparty may terminate the swap if the other party fails to perform. In addition, the swaps may be terminated if (a) the counterparty's credit rating is reduced below A3 by Moody's or A- by S&P, (b) the rating on the City's general obligation bonds is reduced below Aa3 by Moody's and AA- by S&P, (c) a taxability event occurs, or (d) the Airport landed weight decreases by twenty percent. Termination could result in the City being required to make a termination payment.

As rates change, variable rate bond interest payments and net swap payments will vary. Assuming interest rates as of June 30 remain the same until the bonds mature, debt service requirements of the variable rate bonds and net swap payments would be as follows:

Year Ended June 30	Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2004	\$ 5,825	\$ 1,513	\$ 7,356	\$ 14,694
2005	6,275	1,450	7,048	14,773
2006	6,845	1,381	6,713	14,939
2007	7,330	1,307	6,351	14,988
2008	7,905	1,227	5,961	15,093
2009-2013	50,410	4,680	22,752	77,842
2014-2018	62,285	1,492	7,348	71,125
Total	<u>\$ 146,875</u>	<u>\$ 13,050</u>	<u>\$ 63,529</u>	<u>\$ 223,454</u>

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

e. Early Extinguishment

The City early extinguished \$15,100 of Airport Revenue Bonds in November 2002.

4. LEASE AGREEMENTS:

Airport facilities are leased primarily to the signatory airlines under agreements having terms of twenty-five or thirty years. Fees and charges under these agreements are computed in a manner designed to recover the cost of operating the Airport. Provisions in these agreements give the airlines the right to approve future expansion of the Airport Facilities and any issuance of new debt affecting the fees and charges to the airlines. Other provisions insure that sufficient fees and charges will be collected to meet Airport debt service requirements. In addition, the agreements provide for a distribution to the airlines of a portion of the non-airline terminal revenues.

The City has entered into a Special Facility lease agreement with US Airways Group, Inc. for land and a Special Facility. The Special Facility includes an aircraft hangar, a ground services equipment building and other facilities. The lease terminates thirty years from the date of beneficial occupancy, which was March 1987. Fees and charges under this agreement are computed in a manner designed to recover all principal, interest and expenses related to bonds issued for the construction of the Special Facility, all services rendered and expenses incurred for operation and maintenance of the leased premises and a ground rental fee.

The following is a schedule of minimum future rental income on noncancelable operating leases subsequent to June 30, 2003:

2004	\$ 53,799
2005	53,662
2006	53,881
2007	52,811
2008	46,613
2009-2013	210,974
2014-2018	141,998
2019-2023	58,382
2024-2028	<u>53,042</u>
Total minimum future rental income	<u>\$725,162</u>

Contingent rentals that may be received under certain leases based on the tenant's revenues, fuel flow or usage are not included above. Rental income, consisting of all rental and concession revenues except parking, was \$56,625 for the year ended June 30, 2003. Of this amount, approximately \$9,683 was contingent rentals.

5. TRANSACTIONS WITH THE CITY OF CHARLOTTE:

Expenses include certain costs charged the Airport by other funds of the City. These charges are as follows:

Administrative and other City services	\$ 3,210
Crash, fire and rescue services	<u>2,178</u>
	<u>\$ 5,388</u>

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

6. PENSION PLAN AND OTHER BENEFITS:

a. North Carolina Local Governmental Employees' Retirement System (LGERS)

The Airport, as an enterprise fund of the City, contributes to the 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 LGERS 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, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410.

Plan members are required to contribute 6.0 percent of their annual covered salary. The Airport is required to contribute at an actuarially determined rate. For the Airport, the current rate is 4.8 percent of annual covered payroll. The contribution requirements of members and of the Airport are established and may be amended by the North Carolina General Assembly. The Airport's contributions to LGERS for the years ended June 30, 2003, 2002 and 2001 were \$421, \$399 and \$394, respectively. The contributions made by the Airport equaled the required contributions for each year.

b. Post-employment Benefits

In addition to the pension benefits described in Note 6.a., the City Council has authorized the City to provide health benefits to retirees. For individuals who retired prior to January 1, 1991 or who retire with 20 or more years of service, the City funds the same percent of the benefit for the retiree as it does for active employees. Retirees pay an increased share of the premium if they cover themselves and dependents. For retirees with 15 to 20 years of service, the City funds the same percent of the benefit for the retiree only as it does for active employees. For retirees with less than 15 years of service, the City does not fund any portion of the cost. As described in Note 7.a., the Airport makes payments to the Employee Health and Life Insurance Fund. This amount includes a proportionate share for post-employment health care benefits.

7. INSURANCE:

a. Employee Health and Life

The City provides health and life benefits to employees and retirees. Private carriers administer these benefits pursuant to administrative services agreements. The City maintains insurance coverage with private carriers for life claims and excess coverage for health claims in excess of \$200 per year per person.

The Airport participates in the City's employee health and life insurance program which is accounted for in the Employee Health and Life Insurance Fund (EHLIF), an internal service fund, of the City. The Airport makes payments to the EHLIF for a "conventional premium" amount per employee and a proportionate share of the administrative cost. The "conventional premium" is based on actuarial estimates of amounts needed to pay prior and current year claims. The employees and retirees contribute a portion of the cost for health coverage. The City provides life insurance for employees in the amount of two times the employees' salary up to a maximum of \$100. The Airport made payments to the EHLIF for the year ended June 30, 2003 in the amount of \$923.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

b. Risk Management

The Airport 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 Airport participates in the risk management program of the City. The City has a Risk Management Fund (RMF), an internal service fund, to account for and finance the insured and uninsured risks of loss. Currently, insurance coverage is purchased for property damage for buildings and contents, excess workers' compensation and Airport liability. Insurance coverage includes vehicle and general liability claims in excess of \$2,000 but less than \$22,000 per occurrence and workers' compensation claims in excess of \$300. The Airport makes payments to the RMF based on historical cost information or actuarial estimates of the amounts needed to pay prior and current year claims and establish a reserve for catastrophic losses. The Airport made payments to the RMF for the year ended June 30, 2003 in the amount of \$1,062.

8. COMMITMENTS AND CONTINGENCIES:

Noise litigation suits have been filed against the City in connection with the operation of the Airport. In the opinion of the City's attorney and management, the ultimate outcome of the suits is not expected to have a significant impact upon the financial position or results of operations of the Airport.

The Airport has construction and other contractual commitments of approximately \$9 million at June 30, 2003.

9. MAJOR CUSTOMER:

The Airport derived 38 percent, or \$30,436, of operating revenues from one customer, US Airways Group, Inc. for the year ended June 30, 2003.

10. DEBT SERVICE COVERAGE:

The 1985 Revenue Bond Order provided that Revenues pledged under the Bond Order be sufficient to meet Revenue Bond Debt Service, current expenses, and other required deposits to funds and accounts established by the Bond Order. Net Revenues for calculation of coverage as defined by the 1985 Bond Order are determined as follows:

Revenues	
Operating revenues	\$ 64,634
Nonoperating revenues	2,133
Bond cushion	<u>6,142</u>
Total revenues	72,909
Application of revenues	<u>(33,344)</u>
Net revenues available for revenue bond debt service (1)	<u>\$ 39,565</u>
Requirement for Revenue Bond Fund (2)	<u>\$ 24,571</u>
Debt Service Coverage (1)/(2)	1.6

ADDITIONAL INFORMATION

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CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CHANGE IN NET ASSETS - INCLUDED AND EXCLUDED CENTERS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Included Centers	Excluded Centers	Total
OPERATING REVENUES:			
Terminal area	\$ 19,030	\$ 27	\$ 19,057
Airfield	6,757	-	6,757
Concessions	18,601	-	18,601
Parking	16,582	-	16,582
Maintenance facility	-	12,356	12,356
Other	<u>3,664</u>	<u>4,127</u>	<u>7,791</u>
Total operating revenues	<u>64,634</u>	<u>16,510</u>	<u>81,144</u>
OPERATING EXPENSES:			
Terminal area	20,715	302	21,017
Services facility	10,004	-	10,004
Public airfield facilities	1,031	-	1,031
Fixed base operator area	-	131	131
Cargo area	-	4,589	4,589
Depreciation	<u>-</u>	<u>25,431</u>	<u>25,431</u>
Total operating expenses	<u>31,750</u>	<u>30,453</u>	<u>62,203</u>
Operating income (loss)	<u>32,884</u>	<u>(13,943)</u>	<u>18,941</u>
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	2,133	4,641	6,774
Interest expense and other charges	(15,892)	(6,927)	(22,819)
Non-airline terminal revenue distribution	(1,119)	-	(1,119)
Miscellaneous	<u>(1,106)</u>	<u>(2)</u>	<u>(1,108)</u>
Total nonoperating revenues (expenses)	<u>(15,984)</u>	<u>(2,288)</u>	<u>(18,272)</u>
Income (loss) before contributions	16,900	(16,231)	669
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>19,218</u>	<u>19,218</u>
Change in net assets	<u>\$ 16,900</u>	<u>\$ 2,987</u>	<u>\$ 19,887</u>

Note: The Schedule of Change in Net Assets identifies current year activity in included centers and excluded centers. Included centers are cost centers for the Terminal complex and Public Aircraft Facilities. Excluded centers are cost centers for those areas and parts of the Airport other than included centers, primarily cargo and fixed base operators. The 1985 Revenue Bond Order established included and excluded centers. Included center revenues are used for debt service expenditures except for debt service expenditures for the Special Facilities Revenue Bonds which are retired from debt service rentals as described in Note 3 to the Financial Statements.

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FUNDS HELD BY CITY
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	<u>General Obligation Bond Fund</u>				
	<u>1980 and 1998 Accounts</u>	<u>1980 Reserve Account</u>	<u>2003 Lease Purchase</u>	<u>Revenue Fund</u>	<u>Operating Fund</u>
Beginning balance	\$ -	\$ 2,796	\$ -	\$ 21,416	\$ -
Deposits:					
Operating revenue	-	-	-	68,349	-
Proceeds from Certificates of Participation	-	-	26	-	-
Investment earnings	-	92	3	654	-
Interfund transfers	4,065	-	-	-	32,547
Transfers from trustee	-	-	-	1,750	-
Total deposits	<u>4,065</u>	<u>92</u>	<u>29</u>	<u>70,753</u>	<u>32,547</u>
Withdrawals:					
Operating expense	-	-	-	-	32,547
Interfund transfers	-	-	-	51,133	-
Transfers to capital project	-	-	-	-	-
Other debt expenditures	-	-	27	-	-
Interest	485	-	-	-	-
Principal	3,580	-	-	-	-
Transfers to trustee	-	-	-	25,332	-
Distribution to airlines of 40 percent share of excess non-airline terminal revenue	-	-	-	-	-
Total withdrawals	<u>4,065</u>	<u>-</u>	<u>27</u>	<u>76,465</u>	<u>32,547</u>
Ending balance	<u>\$ -</u>	<u>\$ 2,888</u>	<u>\$ 2</u>	<u>\$ 15,704</u>	<u>\$ -</u>

<u>Operating Fund Reserve</u>	<u>Renewal and Improvement Fund</u>	<u>Discretionary Fund</u>	<u>Total</u>
\$ 9,332	\$ 1,500	\$ 49,896	\$ 84,940
-	-	-	68,349
-	-	-	26
-	-	2,033	2,782
467	-	14,054	51,133
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,750</u>
467	-	16,087	124,040
-	-	-	32,547
-	-	-	51,133
-	-	10,128	10,128
-	-	-	27
-	-	-	485
-	-	-	3,580
-	-	-	25,332
<u>-</u>	<u>-</u>	<u>5,622</u>	<u>5,622</u>
<u>-</u>	<u>-</u>	<u>15,750</u>	<u>128,854</u>
<u>\$ 9,799</u>	<u>\$ 1,500</u>	<u>\$ 50,233</u>	<u>\$ 80,126</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER FOR THE 1993 REFUNDING BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	<u>Refunding Bond Fund</u>			
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Reserve Account</u>	<u>Total</u>
Beginning balance	\$ 639	\$ 3,185	\$ 11,587	\$ 15,411
Deposits:				
Transfers from City	5,581	3,556	-	9,137
Investment earnings	<u>18</u>	<u>28</u>	<u>534</u>	<u>580</u>
Total deposits	5,599	3,584	534	9,717
Withdrawals:				
Interest	5,549	-	-	5,549
Principal	-	3,100	-	3,100
Transfers to City	31	75	690	796
Liquidity and remarketing fees	<u>59</u>	<u>256</u>	<u>-</u>	<u>315</u>
Total withdrawals	<u>5,639</u>	<u>3,431</u>	<u>690</u>	<u>9,760</u>
Ending balance	<u>\$ 599</u>	<u>\$ 3,338</u>	<u>\$ 11,431</u>	<u>\$ 15,368</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER FOR THE 1997 REFUNDING BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	<u>Refunding Bond Fund</u>			<u>Total</u>
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Reserve Account</u>	
Beginning balance	\$ 483	\$ 2,442	\$ 6,450	\$ 9,375
Deposits:				
Transfers from City	3,567	2,757	-	6,324
Investment earnings	<u>12</u>	<u>21</u>	<u>307</u>	<u>340</u>
Total deposits	3,579	2,778	307	6,664
Withdrawals:				
Interest	3,617	-	-	3,617
Principal	-	2,375	-	2,375
Transfers to City	21	60	368	449
Liquidity and remarketing fees	<u>40</u>	<u>231</u>	<u>-</u>	<u>271</u>
Total withdrawals	<u>3,678</u>	<u>2,666</u>	<u>368</u>	<u>6,712</u>
Ending balance	<u>\$ 384</u>	<u>\$ 2,554</u>	<u>\$ 6,389</u>	<u>\$ 9,327</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1987 SPECIAL FACILITY REVENUE BOND ORDER
FOR THE 1998 REFUNDING BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	<u>Refunding Bond Fund</u>		<u>Total</u>
	<u>Interest Account</u>	<u>Principal Account</u>	
Beginning balance	\$ 2,408	\$ -	\$ 2,408
Deposits:			
Payments from US Airways Group, Inc.	4,320	705	5,025
Investment income	<u>1</u>	<u>-</u>	<u>1</u>
Total deposits	4,321	705	5,026
Withdrawals:			
Interest	<u>4,321</u>	<u>-</u>	<u>4,321</u>
Ending balance	<u>\$ 2,408</u>	<u>\$ 705</u>	<u>\$ 3,113</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER FOR THE 1999A AIRPORT
REVENUE BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	<u>Revenue Bond Fund</u>		
	<u>Interest Account</u>	<u>Reserve Account</u>	<u>Total</u>
Beginning balance	\$ 235	\$ 814	\$ 1,049
Deposits:			
Transfers from City	457	-	457
Investment earnings	<u>2</u>	<u>8</u>	<u>10</u>
Total deposits	459	8	467
Withdrawals:			
Interest	457	-	457
Transfers to City	<u>2</u>	<u>17</u>	<u>19</u>
Total withdrawals	<u>459</u>	<u>17</u>	<u>476</u>
Ending balance	<u>\$ 235</u>	<u>\$ 805</u>	<u>\$ 1,040</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER FOR THE 1999B AIRPORT
REVENUE BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	<u>Revenue Bond Fund</u>			<u>Total</u>
	<u>Interest Account</u>	<u>Reserve Account</u>	<u>Construction Account</u>	
Beginning balance	\$ 2,312	\$ 6,435	\$ 3,607	\$ 12,354
Deposits:				
Transfers from City	4,633	-	-	4,633
Investment earnings	<u>32</u>	<u>75</u>	<u>19</u>	<u>126</u>
Total deposits	4,665	75	19	4,759
Withdrawals:				
Construction expense	-	-	3,626	3,626
Interest	4,633	-	-	4,633
Transfers to City	<u>-</u>	<u>155</u>	<u>-</u>	<u>155</u>
Total withdrawals	<u>4,633</u>	<u>155</u>	<u>3,626</u>	<u>8,414</u>
Ending balance	<u>\$ 2,344</u>	<u>\$ 6,355</u>	<u>\$ -</u>	<u>\$ 8,699</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER FOR THE 1999C AIRPORT
REVENUE BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	<u>Revenue Bond Fund</u>			<u>Total</u>
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Reserve Account</u>	
Beginning balance	\$ 321	\$ 3,337	\$ 1,448	\$ 5,106
Deposits:				
Transfers from City	407	3,470	-	3,877
Investment earnings	<u>3</u>	<u>30</u>	<u>87</u>	<u>120</u>
Total deposits	410	3,500	87	3,997
Withdrawals:				
Principal	-	3,255	-	3,255
Interest	514	-	-	514
Transfers to City	<u>5</u>	<u>82</u>	<u>45</u>	<u>132</u>
Total withdrawals	<u>519</u>	<u>3,337</u>	<u>45</u>	<u>3,901</u>
Ending balance	<u>\$ 212</u>	<u>\$ 3,500</u>	<u>\$ 1,490</u>	<u>\$ 5,202</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER FOR THE 1999D AIRPORT
REVENUE BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	<u>Revenue Bond Fund</u>				<u>Total</u>
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Reserve Account</u>	<u>Construction Account</u>	
Beginning balance	\$ -	\$ -	\$ 8,273	\$ 41,363	\$ 49,636
Deposits:					
Transfers from City	767	136	-	-	903
Reimbursement from City	-	15,100	-	-	15,100
Investment earnings	<u>-</u>	<u>-</u>	<u>96</u>	<u>403</u>	<u>499</u>
Total deposits	767	15,236	96	403	16,502
Withdrawals:					
Construction expense	-	-	-	17,153	17,153
Principal	-	15,100	-	-	15,100
Interest	727	-	-	-	727
Transfers to City	-	-	199	-	199
Liquidity and remarketing fees	<u>40</u>	<u>136</u>	<u>-</u>	<u>-</u>	<u>176</u>
Total withdrawals	<u>767</u>	<u>15,236</u>	<u>199</u>	<u>17,153</u>	<u>33,355</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,170</u>	<u>\$ 24,613</u>	<u>\$ 32,783</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1987 SPECIAL FACILITY REVENUE BOND ORDER
FOR THE 2000 SPECIAL FACILITY REVENUE BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	<u>Revenue Bond Fund</u>	<u>Construction Fund</u>		<u>Total</u>
	<u>Interest Account</u>	<u>Improvements Account</u>	<u>Special Facility Account</u>	
Beginning balance	\$ -	\$ 10,256	\$ 745	\$ 11,001
Deposits:				
Payments from US Airways Group, Inc.	2,644	-	-	2,644
Investment earnings	<u>-</u>	<u>125</u>	<u>6</u>	<u>131</u>
Total deposits	2,644	125	6	2,775
Withdrawals:				
Construction expense	-	33	141	174
Interest	<u>2,644</u>	<u>-</u>	<u>-</u>	<u>2,644</u>
Total withdrawals	<u>2,644</u>	<u>33</u>	<u>141</u>	<u>2,818</u>
Ending balance	<u>\$ -</u>	<u>\$ 10,348</u>	<u>\$ 610</u>	<u>\$ 10,958</u>

**CITY OF CHARLOTTE AIRPORT
CERTIFICATION OF DIRECTOR OF FINANCE
FOR THE YEAR ENDED JUNE 30, 2003**

1. As of June 30, 2003 none of the covenants or agreements contained in the 1985 Revenue Bond Order or the 1987 Special Facility Revenue Bond Order were violated.

2. During the period July 1, 2002 to June 30, 2003 no default, as defined in the 1985 Revenue Bond Order or the 1987 Special Facility Revenue Bond Order, occurred.

Greg C. Gaskins
Director of Finance