

**CITY OF CHARLOTTE AIRPORT
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004
AND INDEPENDENT AUDITORS' REPORT**

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Independent Auditor's 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, 2004, 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 Airport 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. These 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 the 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, 2004, 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, 2004, 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 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 accounting principles generally accepted in the United States of America. 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, accordingly, express no opinion on it.

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

Cherny, Belsant & Holland, S. L. P.

February 11, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Airport's (an enterprise fund of the City of Charlotte) financial statements presents a narrative overview and analysis of the Airport's financial performance for the fiscal year ended June 30, 2004. Please read it in conjunction with the financial statements, which follow this section. All amounts, unless otherwise indicated, are expressed in millions of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the Airport exceeded its liabilities at the end of 2004 by \$442.2 (net assets). Of this amount, \$117.6 (unrestricted net assets), or 27 percent, is available to support operations and capital programs.
- The decrease in total net assets of \$14.0, or 3 percent, results from a decrease in revenues. This decrease was due to the establishment of a \$23.4 allowance for uncollectible accounts related to the September 2004 Chapter 11 filing by US Airways, Inc., a major customer. The allowance is for a noncurrent receivable for debt service rentals pro rated over the life of leases for which actual payment was not due until 2028. Additional information is presented in note 11.b. to the financial statements.
- Operating expenses increased by only \$1.7, or 2.8 percent.

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 13-24).

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, 2004 and as restated for June 30, 2003 is presented below:

Net Assets		
(in Millions)		
	2004	2003
Current and other assets	\$ 272.5	\$ 305.0
Capital assets	601.6	593.3
Total assets	874.1	898.3
Current liabilities	35.6	32.8
Noncurrent liabilities	396.3	409.3
Total liabilities	431.9	442.1
Net assets:		
Invested in capital assets, net of related debt	274.6	261.8
Restricted	50.0	49.5
Unrestricted	117.6	144.9
Total net assets	\$ 442.2	\$ 456.2

A primary portion of the Airport's net assets (62 percent) are comprised of its investment in capital assets (land, buildings, runways, etc.), less any related outstanding debt. These capital assets are used to provide services; therefore, they 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. The remaining balance, \$117.6 or 27 percent, consists of unrestricted net assets that may be used to support operations and capital programs.

Unrestricted net assets decreased by \$27.3. This is primarily due to an allowance, established in 2004, for uncollectible receivables related to US Airways, Inc. More detailed information is presented in Note 11.b. to the financial statements.

Changes in net assets. The following table presents the Airport's changes in net assets for fiscal years ended June 30, 2004 and as restated for the fiscal year ended June 30, 2003:

Changes in Net Assets		(in Millions)	
	2004	2003	
Revenues			
Operating revenues:			
Terminal area	\$ 23.8	\$ 19.0	
Airfield	11.5	6.8	
Concessions	21.6	18.6	
Parking	18.2	16.6	
Maintenance facility	(11.0)	12.3	
Other	8.9	7.8	
Nonoperating revenue:			
Investment earnings	2.4	6.8	
Total revenues	<u>75.4</u>	<u>87.9</u>	
Expenses			
Operating	61.8	60.1	
Interest and other charges	22.6	22.8	
Other	6.6	2.2	
Total expenses	<u>91.0</u>	<u>85.1</u>	
Capital contributions	<u>1.6</u>	<u>19.2</u>	
Increase (decrease) in net assets	<u>(14.0)</u>	<u>22.0</u>	
Net assets – beginning, as restated	<u>456.2</u>	<u>434.2</u>	
Net assets – ending	<u>\$ 442.2</u>	<u>\$ 456.2</u>	

Airport operating revenues were derived primarily from the terminal area and concessions (60 percent). Total revenues decreased 14 percent as a result of an allowance for uncollectible receivables related to US Airways, Inc. More detailed information is presented in Note 11.b. to the financial statements.

Operating expenses cover a range of areas with the largest being the terminal area. Total operating expenses increased only 2.8 percent.

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, 2004, the Airport had \$601.6 (net of accumulated depreciation) in capital assets consisting primarily of land, buildings and runways. This amount represents a net increase of \$8.3, or 1.4 percent over 2003.

This year's major capital asset additions were expansion and improvement of Airport facilities. At June 30, 2004, unexpended authorized capital projects totaled \$112.1. 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, 2004, the Airport had \$409.8 of debt outstanding in general obligation bonds, revenue bonds and installment purchases. This was a decrease of \$13.5 or 3.2 percent over last year. Details by type of debt are presented in the following table:

Outstanding Debt		
(in Millions)		
	2004	2003
General obligation bonds	\$ 2.7	\$ 6.2
Revenue bonds	405.2	414.7
Installment purchases	1.9	2.4
Total	\$ 409.8	\$ 423.3

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 13th busiest airport in operations, 17th in passengers and 30th in cargo.
- Construction began in January 2004 of a new \$35 million, 3,000-space customer parking deck that will increase customer parking capacity by 13 percent. The deck is scheduled to be completed in Summer 2005.
- Planning for a third parallel runway is in process. The 9,000-foot runway is scheduled to be operational in 2007.
- US Airways, Inc., the major passenger airline serving the Airport, filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code on September 12, 2004. Since the filing, there has been no interruption in air service at the Airport. Additional information is presented in Note 11.b. to the financial statements.

Airport fees and charges as well as expenditures are expected to remain relatively constant during fiscal year 2005.

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.

CITY OF CHARLOTTE AIRPORT
STATEMENT OF NET ASSETS
JUNE 30, 2004
(In Thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$ 173,399
Receivables, net of allowance for uncollectibles of \$1,672-	
Accounts	10,770
Other	<u>1,648</u>
Total receivables	12,418
Due from other governmental agencies	218
Restricted assets-	
Cash and cash equivalents	50,969
Investments	<u>28,578</u>
Total restricted assets	<u>79,547</u>
Total current assets	<u>265,582</u>

Noncurrent assets:

Other receivables	52
Deferred charges	6,912
Capital assets (Note 2)-	
Land	209,284
Buildings	471,612
Runways	136,674
Other improvements	28,892
Machinery and equipment	10,330
Construction in progress	<u>45,524</u>
Total capital assets	902,316
Less accumulated depreciation	<u>300,766</u>
Total capital assets, net	<u>601,550</u>
Total noncurrent assets	<u>608,514</u>
Total assets	<u>874,096</u>

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

LIABILITIES

Current liabilities:	
Accounts payable	\$ 11,505
Deposits and retainage payable	1,893
Accrued interest payable	77
Current maturities of long-term liabilities	3,233
Current liabilities payable from restricted assets-	
Accounts payable	54
Deposits and retainage payable	631
Accrued interest payable	7,757
Revenue bonds payable	<u>10,404</u>
Total current liabilities payable from restricted assets	<u>18,846</u>
Total current liabilities	<u>35,554</u>
Noncurrent liabilities (Note 3):	
Revenue bonds payable - net of deferred amount on refunding of \$3,116	391,871
Installment purchases - net of unamortized premium of \$70	1,542
Compensated absences payable	369
Arbitrage payable	<u>2,541</u>
Total noncurrent liabilities	<u>396,323</u>
Total liabilities	<u>431,877</u>

NET ASSETS

Invested in capital assets, net of related debt	274,596
Restricted for:	
Debt service	38,149
Working capital	11,832
Unrestricted	<u>117,642</u>
Total net assets	<u>\$ 442,219</u>

CITY OF CHARLOTTE AIRPORT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004
(In Thousands)

OPERATING REVENUES:

Terminal area	\$ 23,761
Airfield	11,511
Concessions	21,537
Parking	18,211
Maintenance facility	(10,985)
Other	<u>8,947</u>
Total operating revenues	<u>72,982</u>

OPERATING EXPENSES:

Terminal area	23,421
Services facility	11,412
Public airfield facilities	1,025
Fixed base operator area	193
Cargo area	1,784
Depreciation	<u>24,009</u>
Total operating expenses	<u>61,844</u>
Operating income	<u>11,138</u>

NONOPERATING REVENUES (EXPENSES):

Investment earnings	2,372
Interest expense and other charges	(22,563)
Non-airline terminal revenue distribution	(5,707)
Miscellaneous	<u>(894)</u>
Total nonoperating revenues (expenses)	<u>(26,792)</u>

Loss before contributions	(15,654)
CAPITAL CONTRIBUTIONS	<u>1,658</u>
Change in net assets	<u>(13,996)</u>
Total net assets - beginning, as previously reported	450,566
Prior period adjustment	<u>5,649</u>
Total net assets - beginning, as restated	<u>456,215</u>
Total net assets - ending	<u>\$ 442,219</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, 2004
(In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 87,743
Payments to suppliers	(21,184)
Payments to other City funds for services	(5,871)
Payments to employees	(9,915)
Payments to airlines for non-airline terminal revenue distribution	(2,487)
Other receipts (payments)	<u>(528)</u>
Net cash provided by operating activities	<u>47,758</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of capital assets	(32,341)
Principal paid on capital debt	(13,472)
Interest paid on capital debt	(23,359)
Capital contributions	<u>1,340</u>
Net cash used by capital and related financing activities	<u>(67,832)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(41,643)
Proceeds from sale and maturities of investments	36,808
Interest received	<u>2,530</u>
Net cash used by investing activities	<u>(2,305)</u>
Net decrease in cash and cash equivalents	(22,379)
Cash and cash equivalents - beginning of year	<u>246,747</u>
Cash and cash equivalents - end of year	<u>\$ 224,368</u>

continued on next page

CITY OF CHARLOTTE AIRPORT
STATEMENT OF CASH FLOWS - (Continued)
FOR THE YEAR ENDED JUNE 30, 2004
(In Thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 11,138
Adjustments to reconcile operating income to net cash provided by operating activities-	
Depreciation	24,009
Other receipts (payments)	(528)
Non-airline terminal revenue distribution	(2,487)
Change in assets and liabilities-	
Decrease in receivables	14,761
(Increase) in due from other governmental agencies	(8)
Decrease in other receivables	13
Increase in accounts payable	756
Increase in deposits and retainage payable	67
Increase in compensated absences payable	<u>37</u>
Total adjustments	<u>36,620</u>
Net cash provided by operating activities	<u>\$ 47,758</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, 2004
(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, 2004
(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, 2004 is shown below:

U.S. Government Securities	\$ 17,095
Commercial Paper	<u>11,483</u>
Total	<u>\$ 28,578</u>

c. Capital Assets

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 \$537 for the year ended June 30, 2004.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2004
(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.

Compensated absences payable includes accumulated unpaid vacation leave and sick leave.

e. Noncurrent 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 applicable premiums or discounts and any 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.

The Airport distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Airport's principal ongoing operations. The principal operating revenues of the Airport result from exchange transactions associated with the principal activity of the Airport. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

h. Restatement

The Statement of Revenues, Expenses and Changes in Net Assets has been restated to increase the beginning net assets by \$5,649 for excess depreciation. The depreciation was the result of a misclassification of \$65,305 of land as buildings. The appropriate adjustments to land, buildings and accumulated depreciation are reflected on the Statement of Net Assets.

2. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2004, was as follows:

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 208,865	\$ 419	\$ -	\$ 209,284
Construction in progress	38,778	31,124	24,378	45,524
Total capital assets, not being depreciated	<u>247,643</u>	<u>31,543</u>	<u>24,378</u>	<u>254,808</u>
Capital assets, being depreciated:				
Buildings	451,560	20,602	550	471,612
Runways	133,255	3,419	-	136,674
Other improvements	28,847	45	-	28,892
Machinery and equipment	9,449	1,478	597	10,330
Total capital assets being depreciated	<u>623,111</u>	<u>25,544</u>	<u>1,147</u>	<u>647,508</u>
Less accumulated depreciation for:				
Buildings	202,546	18,180	57	220,669
Runways	57,515	3,813	-	61,328
Other improvements	10,610	1,140	-	11,750
Machinery and equipment	6,740	876	597	7,019
Total accumulated depreciation	<u>277,411</u>	<u>24,009</u>	<u>654</u>	<u>300,766</u>
Total capital assets, being depreciated, net	<u>345,700</u>	<u>1,535</u>	<u>493</u>	<u>346,742</u>
Capital assets, net	<u>\$ 593,343</u>	<u>\$ 33,078</u>	<u>\$ 24,871</u>	<u>\$ 601,550</u>

See Note 1.h. for information on restatement of beginning balances.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

3. NONCURRENT LIABILITIES:

A summary of changes in noncurrent liabilities for the year ended June 30, 2004, follows by type:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds:					
1980 series, 6.0% due 2005	\$ 2,750	\$ -	\$ 1,500	\$ 1,250	\$ 1,250
1998 series, 4.3% due 2005	3,475	-	2,000	1,475	1,475
Total general obligation bonds	<u>6,225</u>	<u>-</u>	<u>3,500</u>	<u>2,725</u>	<u>2,725</u>
Revenue bonds:					
1993 series, variable rate due 2005-2017	87,100	-	3,300	83,800	3,600
1997 series, variable rate due 2005-2018	59,775	-	2,525	57,250	2,675
1998 series, 8.2% to 8.3% due 2005-2006	612	-	222	390	203
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	1,175
1999 series C, 6.9% due 2005	5,995	-	3,470	2,525	2,525
1999 series D, variable rate due 2019-2030	52,270	-	-	52,270	-
2000 series, 7.8% due 2028	34,700	-	-	34,700	-
Total revenue bonds	<u>414,682</u>	<u>-</u>	<u>9,517</u>	<u>405,165</u>	<u>10,178</u>
Less deferred amounts on refunding	3,692	-	297	3,395	279
Total bonds payable net of deferred amounts on refunding	<u>417,215</u>	<u>-</u>	<u>12,720</u>	<u>404,495</u>	<u>12,624</u>
Installment purchases, 2.5% to 5.0 % due 2005-2008	2,386	-	455	1,931	459
Plus unamortized premium	126	-	28	98	28
Total other financing agreements	<u>2,512</u>	<u>-</u>	<u>483</u>	<u>2,029</u>	<u>487</u>
Arbitrage	2,414	169	42	2,541	-
Compensated absences	858	744	707	895	526
Total noncurrent liabilities net of deferred amounts on refunding and unamortized premium	<u>\$ 422,999</u>	<u>\$ 913</u>	<u>\$ 13,952</u>	<u>\$ 409,960</u>	<u>\$ 13,637</u>

a. General Obligation Bonds

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

Year Ended	Principal	Interest	Total
June 30			
2005	<u>\$ 2,725</u>	<u>\$ 138</u>	<u>\$ 2,863</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.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

b. Revenue Bonds

Revenue bond debt service requirements to maturity are as follows:

Year Ended	Principal	Interest	Total
June 30			
2005	\$ 10,178	\$ 15,182	\$ 25,360
2006	8,732	14,979	23,711
2007	9,105	14,296	23,401
2008	9,770	14,125	23,895
2009	10,470	13,942	24,412
2010-2014	65,925	66,422	132,347
2015-2019	68,095	59,357	127,452
2020-2024	39,935	52,589	92,524
2025-2029	171,300	34,557	205,857
2030	11,655	211	11,866
	<u>\$ 405,165</u>	<u>\$ 285,660</u>	<u>\$ 690,825</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.

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

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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, \$30,150 in 2004.
- (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, \$10,332 in 2004.

c. Installment Purchases

Installment purchases debt service requirements to maturity are as follows:

Year Ended	Principal	Interest	Total
2005	\$ 459	\$ 75	\$ 534
2006	470	64	534
2007	489	45	534
2008	513	21	534
	<u>\$ 1,931</u>	<u>\$ 205</u>	<u>\$ 2,136</u>

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 1.05 percent for Series 1993A and 1.10 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 \$83,800 and \$57,250 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 \$16.5 million and \$8.1

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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 more than 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		
2005	\$ 6,275	\$ 1,476	\$ 7,022	\$ 14,773
2006	6,845	1,406	6,688	14,939
2007	7,330	1,330	6,328	14,988
2008	7,905	1,248	5,940	15,093
2009	8,510	1,161	5,522	15,193
2010-2014	54,515	4,205	19,988	78,708
2015-2018	49,670	949	4,447	55,066
Total	<u>\$ 141,050</u>	<u>\$ 11,775</u>	<u>\$ 55,935</u>	<u>\$ 208,760</u>

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.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

The following is a schedule of minimum future rental income on noncancelable operating leases subsequent to June 30, 2004:

2005	\$ 53,153
2006	53,370
2007	52,304
2008	46,167
2009	46,305
2010-2014	201,684
2015-2019	113,521
2020-2024	58,382
2025-2029	<u>41,365</u>
Total minimum future rental income	<u>\$666,251</u>

Of the \$666,251 minimum future rental income on noncancelable operating leases, \$417,249 relates to agreements with US Airways, Inc. See note 11.b. for additional information related to US Airways, Inc.

Contingent rentals that may be received under certain leases based on the tenant's revenues, fuel flow or usage are not included above. Contingent rentals of approximately \$8,742 were received during the year ended June 30, 2004.

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	\$ 3,555
Crash, fire and rescue services	<u>2,316</u>
	<u>\$ 5,871</u>

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, 2004, 2003 and 2002 were \$462, \$421 and \$399, 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 dependents. For retirees with 15 to 20 years of service, the City funds the same

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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 companies administer these benefits pursuant to administrative services agreements. The City maintains insurance coverage with private carriers for life claims, vision claims, and excess coverage for health claims in excess of \$225 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. Employees may purchase additional life insurance up to a maximum of four times their salary. The Airport made payments to the EHLIF for the year ended June 30, 2004 in the amount of \$1,108.

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 excess property damage for buildings and contents, excess workers' compensation, excess vehicle and general liability, property damage, and Airport liability. Insurance coverage includes vehicle and general liability claims in excess of \$2,000 but less than \$22,000 per occurrence, workers' compensation claims in excess of \$400, and property damage claims in excess of \$100. 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, 2004 in the amount of \$1,065.

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 authorized capital projects at June 30, 2004 as follows:

Project Authorization	\$ 468,219
Expended	<u>356,161</u>
Unexpended	<u>\$ 112,058</u>

The Airport has construction and other contractual commitments of approximately \$35 million at June 30, 2004.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

9. MAJOR CUSTOMER:

The Airport derived 18 percent, or \$13,060 of operating revenues, after consideration of the allowance for doubtful accounts, from one customer, US Airways Group, Inc., for the year ended June 30, 2004.

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	\$ 79,201
Nonoperating revenues	1,401
Bond cushion	<u>6,141</u>
Total revenues	86,743

Application of revenues	<u>(35,506)</u>
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Net revenues available for revenue bond debt service (1)	<u>\$ 51,237</u>
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Requirement for Revenue Bond Fund (2)	<u>\$ 23,013</u>
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Debt Service Coverage (1)/(2)	2.2
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11. SUBSEQUENT EVENTS:

a. Revenue Bond Issues

In September 2004, the City issued \$150,775 of Airport Revenue Bonds. The interest rates are 2.31% to 5.25% with final maturity in 2035. The proceeds will be used for airport improvements.

In September 2004, the City issued \$16,160 of Variable Rate Airport Revenue Bonds with final maturity in 2035. The proceeds will be used for airport improvements.

b. Early Debt Extinguishment

In October 2004, the City early extinguished \$6,800 of Airport Revenue Bond debt.

c. US Airways, Inc. Chapter 11 Filing

US Airways, Inc., (US Airways), a wholly owned subsidiary of US Airways Group, Inc., is the major passenger airline serving the Airport. For the fiscal year ended June 30, 2004, US Airways provided 18 percent of the Airport's operating revenues after consideration of the allowance for doubtful accounts.

On September 12, 2004, US Airways and its sister affiliates filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court in the Eastern District of Virginia. Since the filing, there has been no interruption in air service at the Airport by US Airways or any of its affiliates.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

US Airways conducts its passenger air carrier operations at the Airport pursuant to several agreements, the most significant of which is the City of Charlotte's 1985 Airport Agreement and Lease (Airport Agreement), which has also been executed by American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, and United Airlines (collectively, the Signatory Airlines). Pursuant to the Airport Agreement, the Signatory Airlines lease certain premises in the passenger terminal building (terminal) and are obligated to pay landing fees and terminal rentals which, in the aggregate, are sufficient to enable the City to pay the annual operating expenses of the airfield and terminal, and the annual debt service on General Obligation Bonds (G.O. Bonds) and General Airport Revenue Bonds (GARBS) issued by the City to fund airfield and terminal improvements.

As of June 30, 2004, the City had \$2,725 of G.O. Bonds and \$284,075 of GARBS outstanding; the proceeds of which were used for airfield and terminal improvements. The G.O. Bonds are general obligations of the City but are payable from Signatory Airlines fees and charges (Airport Fees and Charges) under the Airport Agreement. The GARBS are not general obligations of the City and are payable solely from Airport revenues generated by the airfield and terminal (Airport Revenues). Should US Airways reject the Airport Agreement, the remaining five signatory airlines would be legally required to cover the debt service payments. The City also has \$1,857 in reserve to pay principal of and interest on the G.O. Bonds, and \$36,292 in reserve to pay principal and interest on GARBS.

In addition to the G.O. Bonds and the GARBS, the City has also issued Special Facility Revenue Bonds to finance the construction of crew training, airfield maintenance and other Airport facilities (Special Facilities) that are leased to US Airways. As of June 30, 2004, there were \$121,090 of these Special Facility Revenue Bonds outstanding. The principal and interest payable on the Special Facility Revenue Bonds are not a general obligation of the City, and are not payable from Airport Revenues, but are payable solely from debt service rentals payable by US Airways pursuant to leases executed by US Airways with the City for the Special Facilities. Under the terms of the lease, rental payments to the City contractually matched the related debt payments to be made to the City. The City has recognized debt service rentals on a ratable basis over the life of the leases and recorded a noncurrent receivable from US Airways. As a result of US Airways' recent bankruptcy, the City has determined that the receivable previously recorded has been impaired and has established a reserve for this receivable in the amount of \$23,422 by reducing the related revenue category in the 2004 financial statements. If US Airways does not pay the debt service, the City is not obligated to pay the bondholders. Rather, the City's obligation is to use its best efforts to relet the premises to another tenant, who will pay the debt service.

Under Chapter 11, US Airways must elect to either accept or reject the Airport Agreement, the Special Facility Leases and its other agreements with the City. If US Airways accepts its various agreements with the City, it will be required to pay pre-petition receivable amounts. The pre-petition amount due to the City from US Airways and its affiliates under the various agreements is \$4,056. US Airways filed a motion in October 2004 for an extension of time to assume or reject the leases until the earlier of the date of confirmation of a plan of reorganization or April 30, 2005.

US Airways continues to make full use of the Airport facilities; therefore, pursuant to the agreements described above, it is obligated to make all payments that come due after the petition date of September 12, 2004, until the leases are assumed or rejected.

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, 2004
(In Thousands)

	Included Centers	Excluded Centers	Total
OPERATING REVENUES:			
Terminal area	\$ 23,573	\$ 188	\$ 23,761
Airfield	11,511	-	11,511
Concessions	21,537	-	21,537
Parking	18,211	-	18,211
Maintenance facility	-	(10,985)	(10,985)
Other	4,369	4,578	8,947
Total operating revenues	79,201	(6,219)	72,982
OPERATING EXPENSES:			
Terminal area	21,888	1,533	23,421
Services facility	11,412	-	11,412
Public airfield facilities	1,025	-	1,025
Fixed base operator area	-	193	193
Cargo area	-	1,784	1,784
Depreciation	-	24,009	24,009
Total operating expenses	34,325	27,519	61,844
Operating income (loss)	44,876	(33,738)	11,138
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	1,401	971	2,372
Interest expense and other charges	(14,994)	(7,569)	(22,563)
Non-airline terminal revenue distribution	(5,707)	-	(5,707)
Miscellaneous	(900)	6	(894)
Total nonoperating revenues (expenses)	(20,200)	(6,592)	(26,792)
Income (loss) before contributions	24,676	(40,330)	(15,654)
CAPITAL CONTRIBUTIONS	-	1,658	1,658
Change in net assets before prior period adjustment	24,676	(38,672)	(13,996)
Prior period adjustment	-	5,649	5,649
Change in net assets	\$ 24,676	\$ (33,023)	\$ (8,347)

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, 2004
(In Thousands)

	General Obligation Bond Fund				
	1980 and 1998 Accounts	1980 Reserve Account	2003 Lease Purchase	Revenue Fund	Operating Fund
Beginning balance	\$ -	\$ 2,888	\$ 2	\$ 15,704	\$ -
Deposits:					
Operating revenue	-	-	-	76,737	-
Investment earnings	-	63	2	475	-
Interfund transfers	3,810	-	518	-	35,297
Transfers from capital project	-	-	16	-	-
Transfers from trustee	-	-	-	1,246	-
Total deposits	3,810	63	536	78,458	35,297
Withdrawals:					
Operating expense	-	-	-	-	35,297
Interfund transfers	-	-	-	46,374	-
Transfers to capital project	-	-	-	-	-
Other debt expenditures	-	-	1	-	-
Interest	310	-	82	-	-
Principal	3,500	-	455	-	-
Transfers to trustee	-	-	-	23,616	-
Distribution to airlines of 40 percent share of excess non-airline terminal revenue	-	-	-	-	-
Total withdrawals	3,810	-	538	69,990	35,297
Ending balance	\$ -	\$ 2,951	\$ -	\$ 24,172	\$ -

<u>Operating Fund Reserve</u>	<u>Renewal and Improvement Fund</u>	<u>Discretionary Fund</u>	<u>Total</u>
\$ 9,799	\$ 1,500	\$ 50,233	\$ 80,126
-	-	-	76,737
-	-	1,296	1,836
533	-	6,216	46,374
-	-	-	16
-	-	-	<u>1,246</u>
533	-	7,512	126,209
-	-	-	35,297
-	-	-	46,374
-	-	38,493	38,493
-	-	-	1
-	-	-	392
-	-	-	3,955
-	-	-	23,616
-	-	<u>2,487</u>	<u>2,487</u>
-	-	<u>40,980</u>	<u>150,615</u>
<u>\$ 10,332</u>	<u>\$ 1,500</u>	<u>\$ 16,765</u>	<u>\$ 55,720</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, 2004
(In Thousands)

	<u>Refunding Bond Fund</u>			<u>Total</u>
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Reserve Account</u>	
Beginning balance	\$ 599	\$ 3,338	\$ 11,431	\$ 15,368
Deposits:				
Transfers from City	5,389	3,827	-	9,216
Investment earnings	<u>12</u>	<u>21</u>	<u>300</u>	<u>333</u>
Total deposits	5,401	3,848	300	9,549
Withdrawals:				
Interest	5,245	-	-	5,245
Principal	-	3,300	-	3,300
Transfers to City	18	28	534	580
Liquidity and remarketing fees	<u>76</u>	<u>227</u>	<u>-</u>	<u>303</u>
Total withdrawals	<u>5,339</u>	<u>3,555</u>	<u>534</u>	<u>9,428</u>
Ending balance	<u>\$ 661</u>	<u>\$ 3,631</u>	<u>\$ 11,197</u>	<u>\$ 15,489</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, 2004
(In Thousands)

	Refunding Bond Fund			Total
	Interest Account	Principal Account	Reserve Account	
Beginning balance	\$ 384	\$ 2,554	\$ 6,389	\$ 9,327
Deposits:				
Transfers from City	3,430	2,789	-	6,219
Investment earnings	<u>8</u>	<u>16</u>	<u>249</u>	<u>273</u>
Total deposits	3,438	2,805	249	6,492
Withdrawals:				
Interest	3,330	-	-	3,330
Principal	-	2,525	-	2,525
Transfers to City	12	21	307	340
Liquidity and remarketing fees	<u>52</u>	<u>114</u>	<u>-</u>	<u>166</u>
Total withdrawals	<u>3,394</u>	<u>2,660</u>	<u>307</u>	<u>6,361</u>
Ending balance	<u>\$ 428</u>	<u>\$ 2,699</u>	<u>\$ 6,331</u>	<u>\$ 9,458</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, 2004
(In Thousands)

	<u>Refunding Bond Fund</u>		
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Total</u>
Beginning balance	\$ 2,408	\$ 705	\$ 3,113
Deposits:			
Payments from US Airways Group, Inc.	5,310	705	6,015
Investment earnings	<u>1</u>	<u>-</u>	<u>1</u>
Total deposits	5,311	705	6,016
Withdrawals:			
Interest	5,311	483	5,794
Principal	<u>-</u>	<u>222</u>	<u>222</u>
Total withdrawals	<u>5,311</u>	<u>705</u>	<u>6,016</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, 2004
(In Thousands)

	<u>Revenue Bond Fund</u>		
	<u>Interest Account</u>	<u>Reserve Account</u>	<u>Total</u>
Beginning balance	\$ 235	\$ 805	\$ 1,040
Deposits:			
Transfers from City	457	-	457
Investment earnings	<u>1</u>	<u>2</u>	<u>3</u>
Total deposits	458	2	460
Withdrawals:			
Interest	457	-	457
Transfers to City	<u>2</u>	<u>7</u>	<u>9</u>
Total withdrawals	<u>459</u>	<u>7</u>	<u>466</u>
Ending balance	<u>\$ 234</u>	<u>\$ 800</u>	<u>\$ 1,034</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, 2004
(In Thousands)

	<u>Revenue Bond Fund</u>			<u>Total</u>
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Reserve Account</u>	
Beginning balance	\$ 2,344	\$ -	\$ 6,355	\$ 8,699
Deposits:				
Transfers from City	4,633	1,175	-	5,808
Investment earnings	<u>12</u>	<u>1</u>	<u>49</u>	<u>62</u>
Total deposits	4,645	1,176	49	5,870
Withdrawals:				
Interest	4,633	-	-	4,633
Transfers to City	<u>27</u>	<u>-</u>	<u>75</u>	<u>102</u>
Total withdrawals	<u>4,660</u>	<u>-</u>	<u>75</u>	<u>4,735</u>
Ending balance	<u>\$ 2,329</u>	<u>\$ 1,176</u>	<u>\$ 6,329</u>	<u>\$ 9,834</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, 2004
(In Thousands)

	Revenue Bond Fund			Total
	Interest Account	Principal Account	Reserve Account	
Beginning balance	\$ 212	\$ 3,500	\$ 1,490	\$ 5,202
Deposits:				
Transfers from City	173	1,123	-	1,296
Investment earnings	1	18	88	107
Total deposits	174	1,141	88	1,403
Withdrawals:				
Interest	290	-	-	290
Principal	-	3,470	-	3,470
Transfers to City	1	29	88	118
Total withdrawals	291	3,499	88	3,878
Ending balance	\$ 95	\$ 1,142	\$ 1,490	\$ 2,727

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, 2004
(In Thousands)

	Revenue Bond Fund				Total
	Interest Account	Principal Account	Reserve Account	Construction Account	
Beginning balance	\$ -	\$ -	\$ 8,170	\$ 24,613	\$ 32,783
Deposits:					
Transfers from City	533	87	-	-	620
Investment earnings	-	-	63	186	249
Total deposits	533	87	63	186	869
Withdrawals:					
Construction expense	-	-	-	8,483	8,483
Interest	486	-	-	-	486
Transfers to City	-	-	97	-	97
Liquidity and remarketing fees	47	87	-	-	134
Total withdrawals	533	87	97	8,483	9,200
Ending balance	\$ -	\$ -	\$ 8,136	\$ 16,316	\$ 24,452

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, 2004
(In Thousands)

	Revenue	Construction Fund		Total
	Bond Fund	Improvements	Special	
	Interest	Account	Facility	
	Account	Account	Account	
Beginning balance	\$ -	\$ 10,348	\$ 610	\$ 10,958
Deposits:				
Payments from US Airways Group, Inc.	2,734	-	-	2,734
Investment earnings	-	85	2	87
Total deposits	2,734	85	2	2,821
Withdrawals:				
Construction expense	-	106	2	108
Interest	2,734	-	-	2,734
Total withdrawals	2,734	106	2	2,842
Ending balance	\$ -	\$ 10,327	\$ 610	\$ 10,937

**CITY OF CHARLOTTE AIRPORT
CERTIFICATION OF DIRECTOR OF FINANCE
FOR THE YEAR ENDED JUNE 30, 2004**

1. As of June 30, 2004 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, 2003 to June 30, 2004 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