

CITY OF CHARLOTTE AIRPORT  
AN ENTERPRISE FUND OF THE CITY OF CHARLOTTE  
FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2007  
AND INDEPENDENT AUDITORS' REPORT



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## 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 (the "City"), as of June 30, 2007, 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 and do not purport to, and do not present fairly the financial position of the City as of June 30, 2007, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of June 30, 2007, 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. The Certification of Director of Finance 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 not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on it.

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

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

Raleigh, North Carolina  
February 27, 2008

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## 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, 2007. 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 2007 by \$635.7 (net assets). Of this amount, \$188.3 (unrestricted net assets), or 30 percent, is available to support operations and capital programs.
- The overall financial position of the Airport improved in 2007 as evidenced by an increase in total net assets of \$97.0.
- The Airport began collecting Passenger Facility Charges (PFC) on November 1, 2004. Collections during fiscal year 2007 were \$51.5.

### 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, 2007 and 2006 is presented below:

<b>Net Assets</b>		
(in Millions)		
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 503.7	\$ 477.3
Capital assets	<u>693.1</u>	<u>640.3</u>
<b>Total assets</b>	<b><u>1,196.8</u></b>	<b><u>1,117.6</u></b>
Current liabilities	51.0	52.1
Noncurrent liabilities	<u>510.1</u>	<u>526.8</u>
<b>Total liabilities</b>	<b><u>561.1</u></b>	<b><u>578.9</u></b>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	320.9	261.4
Restricted	126.5	86.2
Unrestricted	<u>188.3</u>	<u>191.1</u>
<b>Total net assets</b>	<b><u>\$ 635.7</u></b>	<b><u>\$ 538.7</u></b>

A primary portion of the Airport's net assets (50 percent) is 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 (20 percent) represents resources that are subject to external restrictions. The remaining balance, \$188.3 or 30 percent, consists of unrestricted net assets that may be used to support operations and capital programs.

Restricted net assets increased by \$40.3. This is mainly due to increased collections of passenger facility charges.

**Changes in net assets.** The following table presents the Airport's changes in net assets for fiscal years ended June 30, 2007 and 2006:

**Changes in Net Assets**  
(in Millions)

	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Operating revenues:		
Terminal area	\$ 27.1	\$ 26.7
Airfield	10.0	9.7
Concessions	31.8	26.6
Parking	31.1	26.9
Maintenance facility	7.5	9.4
Other	26.1	23.8
Nonoperating revenue:		
Passenger facility charges	51.5	38.2
Investment earnings	23.7	14.7
Total revenues	<u>208.8</u>	<u>176.0</u>
<b>Expenses</b>		
Operating	88.2	84.6
Interest and other charges	30.2	31.1
Other	15.7	12.9
Total expenses	<u>134.1</u>	<u>128.6</u>
Capital contributions	<u>22.3</u>	<u>11.5</u>
<b>Increase in net assets</b>	<b>97.0</b>	<b>58.9</b>
Net assets – beginning	<u>538.7</u>	<u>479.8</u>
Net assets – ending	<u>\$ 635.7</u>	<u>\$ 538.7</u>

Airport operating revenues were derived primarily from the terminal area, concessions and parking (67 percent). Total revenues increased 19 percent due to increased collections of passenger facility charges and heavier passenger traffic at the Airport which increases revenues such as concessions and parking.

Operating expenses cover a range of areas with the largest being the terminal area. Total operating expenses increased 4 percent, mostly due to a new business valet operation.

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, 2007, the Airport had \$693.1 (net of accumulated depreciation) in capital assets consisting primarily of land, buildings and runways. This amount represents a net increase of \$52.8, or 8 percent over 2006.

This year's major capital asset additions were expansion and improvement of Airport facilities such as a new parking deck. At June 30, 2007, unexpended authorized capital projects totaled \$205.5. 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, 2007, the Airport had \$522.1 of debt outstanding in revenue bonds and installment purchases. This was a decrease of \$16.3, or 3 percent from last year. Details by type of debt are presented in the following table:

<b>Outstanding Debt</b>		
(in Millions)		
	2007	2006
Revenue bonds	\$ 521.6	\$ 537.4
Installment purchases	0.5	1.0
<b>Total</b>	<b>\$ 522.1</b>	<b>\$ 538.4</b>

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 10<sup>th</sup> busiest airport in operations, 18<sup>th</sup> in passengers and 33<sup>rd</sup> in cargo.
- Airport revenues are projected to increase by 19.2 percent due to growth in parking revenues and the Airport's fixed based operator.
- The Airport is expanding its state-of-the-art 26 gate regional concourse and has prepared the area surrounding Concourse E for an ultimate expansion of 50 gates. The first phase is expected to be open fall 2007.
- Planning for a third parallel runway is in process. The 9,000-foot runway is scheduled to be operational in January 2010 and is expected to increase air service by 33 percent.

### 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.

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**CITY OF CHARLOTTE AIRPORT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**  
(In Thousands)

ASSETS

Current assets:	
Cash and cash equivalents	\$ 312,858
Receivables, net of allowance for uncollectibles of \$4,155-	
Accounts	25,025
Other	<u>4,853</u>
Total receivables	29,878
Due from other governmental agencies	1,082
Restricted assets-	
Cash and cash equivalents	113,690
Investments	<u>35,907</u>
Total restricted assets	<u>149,597</u>
Total current assets	<u>493,415</u>
Noncurrent assets:	
Other receivables	15
Deferred charges	10,238
Capital assets (Note 2)-	
Land	228,749
Buildings	498,854
Runways	147,004
Other improvements	64,961
Machinery and equipment	17,295
Construction in progress	<u>112,175</u>
Total capital assets	1,069,038
Less accumulated depreciation	<u>375,952</u>
Total capital assets, net	<u>693,086</u>
Total noncurrent assets	<u>703,339</u>
Total assets	<u>1,196,754</u>

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

LIABILITIES

Current liabilities:	
Accounts payable	\$ 21,621
Deposits and retainage payable	976
Accrued interest payable	7
Current maturities of long-term liabilities	1,153
Current liabilities payable from restricted assets-	
Accounts payable	1,934
Deposits and retainage payable	768
Accrued interest payable	11,949
Revenue bonds payable	12,568
Arbitrage payable	4
Total current liabilities payable from restricted assets	<u>27,223</u>
Total current liabilities	<u>50,980</u>
Noncurrent liabilities (Note 3):	
Revenue bonds payable - net of deferred amounts on refunding and premiums of \$231	509,171
Compensated absences payable	458
Arbitrage payable	449
Total noncurrent liabilities	<u>510,078</u>
Total liabilities	<u>561,058</u>

NET ASSETS

Invested in capital assets, net of related debt	320,914
Restricted for:	
Debt service	38,837
Passenger facility charges	71,257
Working capital	16,345
Unrestricted	<u>188,343</u>
Total net assets	<u>\$ 635,696</u>

**CITY OF CHARLOTTE AIRPORT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(In Thousands)

OPERATING REVENUES:	
Terminal area	\$ 27,074
Airfield	9,973
Concessions	31,835
Parking	31,140
Maintenance facility	7,516
Other	<u>26,073</u>
Total operating revenues	<u>133,611</u>
OPERATING EXPENSES:	
Terminal area	32,984
Services facility	11,678
Public airfield facilities	1,373
Fixed base operator area	14,785
Cargo area	1,771
Depreciation	<u>25,573</u>
Total operating expenses	<u>88,164</u>
Operating income	<u>45,447</u>
NONOPERATING REVENUES (EXPENSES):	
Passenger facility charges	51,468
Investment earnings	23,677
Interest expense and other charges	(30,164)
Non-airline terminal revenue distribution	(15,717)
Miscellaneous	<u>9</u>
Total nonoperating revenues (expenses)	<u>29,273</u>
Income before contributions	74,720
CAPITAL CONTRIBUTIONS	<u>22,265</u>
Change in net assets	<u>96,985</u>
Total net assets - beginning	<u>538,711</u>
Total net assets - ending	<u>\$ 635,696</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, 2007**  
(In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 128,342
Payments to suppliers	(46,274)
Payments to other City funds for services	(7,209)
Payments to employees	(12,717)
Payments to airlines for non-airline terminal revenue distribution	(11,669)
Other receipts	<u>998</u>
Net cash provided by operating activities	<u>51,471</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Passenger facility charges	43,435
Acquisition and construction of capital assets	(81,952)
Principal paid on capital debt	(16,259)
Interest and other charges paid on capital debt	(29,701)
Capital contributions	<u>22,265</u>
Net cash used by capital and related financing activities	<u>(62,212)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(34,801)
Proceeds from sale and maturities of investments	65,596
Interest received	<u>23,379</u>
Net cash provided by investing activities	<u>54,174</u>

Net increase in cash and cash equivalents	43,433
Cash and cash equivalents - beginning of year	<u>383,115</u>
Cash and cash equivalents - end of year	<u>\$ 426,548</u>

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**CITY OF CHARLOTTE AIRPORT**  
**STATEMENT OF CASH FLOWS - (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**(In Thousands)**

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 45,447
Adjustments to reconcile operating income to net cash provided by operating activities-	
Depreciation	25,573
Other receipts	998
Non-airline terminal revenue distribution	(11,669)
Change in assets and liabilities-	
(Increase) in receivables	(5,269)
(Increase) in due from other governmental agencies	(25)
Decrease in other receivables	12
(Decrease) in accounts payable	(2,355)
(Decrease) in deposits and retainage payable	(1,345)
Increase in compensated absences payable	104
Total adjustments	<u>6,024</u>
Net cash provided by operating activities	<u>\$ 51,471</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, 2007**  
**(Dollar Amounts in Thousands)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**a. Reporting Entity**

The accompanying financial statements present only the activities and resources of the City of Charlotte Airport, an enterprise fund of the City of Charlotte, North Carolina, and, accordingly, do not purport to and do not present the financial position of the City of Charlotte, North Carolina.

**b. 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.

**c. 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 NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

All of the City's deposits are either insured or collateralized by using the Pooling Method. 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. The City has no policy regarding custodial credit risk for deposits.

**CITY OF CHARLOTTE AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
**JUNE 30, 2007**  
(Dollar Amounts In Thousands)

Investments

State statute 159-30 authorizes 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.

The restricted investments and maturities at June 30, 2007, were as follows:

Investment type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-3	More than 3
U.S. Agencies	\$ 18,471	\$ -	\$ 13,342 *	\$ 5,129 *
Commercial paper	17,436	17,436	-	-
Total	\$ 35,907	\$ 17,436	\$ 13,342	\$ 5,129

\*Bonds and notes callable in 2007 in the amount of \$9,529 mature February 2009, November 2009 and October 2012.

*Interest Rate Risk.* The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the City's internal investment policy limits the maturity of investments in U.S. Treasuries and Agencies to five years.

*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the City had no formal policy on managing credit risk. As of June 30, 2007, the City's investments in commercial paper were rated P1 by Standard & Poor's (S&P), F1 by Fitch Ratings, and A1 by Moody's Investors Service. The City's investments in U.S. Agencies (Federal Home Loan Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation) are rated AAA by S&P and Aaa by Moody's Investors Service.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2007, the City had no investments subject to custodial credit risk. The City had no formal policy on custodial credit risk. However, the City's internal policy limits custodial credit risk by providing that security in the collateral be delivered to a third party safekeeping bank designated by the City.

*Concentration of Credit Risk.* The City's informal investment policy limits the amount of commercial paper or bankers acceptances to a maximum of 25 percent of the portfolio. For commercial paper, a maximum of \$10 million may be invested in any one issuer. For bankers' acceptances, the maximum investment is limited to 10 percent of the portfolio for any one issuer.

**CITY OF CHARLOTTE AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
**JUNE 30, 2007**  
**(Dollar Amounts In Thousands)**

**d. Capital Assets**

Capital assets are assets with an initial, individual cost of more than \$5 and 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	4-30 years

Net interest cost on debt issued to finance the construction of capital assets was capitalized during the construction period in the amount of \$214 for the year ended June 30, 2007.

**e. 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 43.5 days, is payable upon retirement or death.

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

**f. Noncurrent Liabilities**

Bond premiums and discounts 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.

**g. 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, regulations of other governments or by State Statute.

**h. 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

**CITY OF CHARLOTTE AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
**JUNE 30, 2007**  
(Dollar Amounts In Thousands)

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.

**2. CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 221,023	\$ 7,726	\$ -	\$ 228,749
Construction in progress	59,389	75,183	22,397	112,175
Total capital assets, not being depreciated	<u>280,412</u>	<u>82,909</u>	<u>22,397</u>	<u>340,924</u>
Capital assets, being depreciated:				
Buildings	492,783	6,071	-	498,854
Runways	141,725	5,279	-	147,004
Other improvements	62,628	2,333	-	64,961
Machinery and equipment	13,396	4,117	218	17,295
Total capital assets being depreciated	<u>710,532</u>	<u>17,800</u>	<u>218</u>	<u>728,114</u>
Less accumulated depreciation for:				
Buildings	258,112	17,589	-	275,701
Runways	69,262	4,060	-	73,322
Other improvements	14,708	2,536	-	17,244
Machinery and equipment	8,515	1,388	218	9,685
Total accumulated depreciation	<u>350,597</u>	<u>25,573</u>	<u>218</u>	<u>375,952</u>
Total capital assets, being depreciated, net	<u>359,935</u>	<u>(7,773)</u>	<u>-</u>	<u>352,162</u>
Capital assets, net	<u>\$ 640,347</u>	<u>\$ 75,136</u>	<u>\$ 22,397</u>	<u>\$ 693,086</u>

**CITY OF CHARLOTTE AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS- (Continued)**  
**JUNE 30, 2007**  
(Dollar Amounts In Thousands)

**3. NONCURRENT LIABILITIES:**

A summary of changes in noncurrent liabilities for the year ended June 30, 2007, follows by type:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds:					
1993 series, variable rate due 2008-2017	\$ 76,200	\$ -	\$ 4,300	\$ 71,900	\$ 4,700
1997 series, variable rate due 2008-2018	51,730	-	3,030	48,700	3,205
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, 5.0% to 6.0% due 2008-2029	77,405	-	1,775	75,630	1,865
1999 series D, variable rate due 2019-2030	38,670	-	3,840	34,830	-
2000 series, 7.8% due 2028	34,700	-	-	34,700	-
2004 series A, 4.8% to 5.3% due 2024-2035	87,095	-	-	87,095	-
2004 series B, 4.8% to 5.3% due 2012-2024	48,465	-	-	48,465	-
2004 series C, 3.4% to 4.4% due 2008-2011	13,275	-	2,485	10,790	2,555
2004 series D, variable rate due 2008-2035	15,895	-	340	15,555	350
Total revenue bonds	537,385	-	15,770	521,615	12,675
Less deferred amounts on refunding	2,854	-	262	2,592	262
Plus unamortized premiums	2,871	-	155	2,716	155
Total bonds payable net of deferred amounts on refunding	537,402	-	15,663	521,739	12,568
Installment purchases, 5.0 % due 2008	1,002	-	489	513	513
Plus unamortized premium	42	-	28	14	14
Total installment purchases	1,044	-	517	527	527
Arbitrage	325	128	-	453	4
Compensated absences	980	921	817	1,084	626
Total noncurrent liabilities net of deferred amounts on refunding and unamortized premium	\$ 539,751	\$ 1,049	\$ 16,997	\$ 523,803	\$ 13,725

**a. Revenue Bonds**

Revenue bond debt service requirements to maturity are as follows:

Year Ended	Principal	Interest	Total
June 30			
2008	\$ 12,675	\$ 25,741	\$ 38,416
2009	13,470	25,311	38,781
2010	14,490	24,755	39,245
2011	15,450	24,151	39,601
2012	16,530	23,487	40,017
2013-2017	101,080	105,404	206,484
2018-2022	48,860	87,385	136,245
2023-2027	75,340	72,136	147,476
2028-2032	194,490	19,483	213,973
2033-2035	29,230	2,138	31,368
	<u>\$ 521,615</u>	<u>\$ 409,991</u>	<u>\$ 931,606</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.c. 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

**CITY OF CHARLOTTE AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
**JUNE 30, 2007**  
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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.

In September 2004, the City issued \$166,935 of Airport Revenue Bonds for the purpose of financing or reimbursing the cost of improvements and expansion of the Airport. Of the \$166,935 revenue bonds, \$150,775 had fixed interest rates and \$16,160 had variable interest rates. Interest on the variable rate revenue bonds is determined by a remarketing agent based upon market conditions.

The Airport Special Facility Revenue Bonds are payable solely from and secured solely by a pledge of debt service rentals 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 Revenue Bond Order or Lease. 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 Revenue Bond Order or Lease.

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 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, \$30,292 in 2007.
- (2) In the Operating Fund an amount equal to one-third of the annual budget for current expenses, \$14,845 in 2007.

**CITY OF CHARLOTTE AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
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b. Installment Purchases

Installment purchases debt service requirements are \$513 principal and \$21 interest due 2008.

c. 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 3.73 percent for Series 1993A and 3.80 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 \$71,900 and \$48,700 for Series 1993A and Series 1997A, respectively.

At June 30, the swaps had negative fair values of \$8.9 million and \$4.2 million for Series 1993A and Series 1997A, respectively. Fair values were estimated by the counterparty using mark-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 Aa1 by Moody's and AA+ 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.

**CITY OF CHARLOTTE AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
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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		
2008	\$ 7,905	\$ 4,334	\$ 2,804	\$ 15,043
2009	8,510	4,075	2,607	15,192
2010	9,320	3,740	2,392	15,452
2011	10,050	3,377	2,159	15,586
2012	10,885	2,983	1,774	15,642
2013-2017	68,040	7,875	4,796	80,711
2018	5,890	112	62	6,064
Total	<u>\$ 120,600</u>	<u>\$ 26,496</u>	<u>\$ 16,594</u>	<u>\$ 163,690</u>

d. Early Extinguishment

On February 7, 2007, the City early extinguished \$3,840 of variable rate Airport Revenue Bonds.

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, 2007:

2008	\$ 55,006
2009	48,832
2010	48,952
2011	49,072
2012	34,566
2013-2017	151,181
2018-2022	58,382
2023-2027	58,382
2028	6,337
Total minimum future rental income	<u>\$ 510,710</u>

Of the \$510,710 minimum future rental income on noncancelable operating leases, \$331,551 relates to agreements with US Airways, Inc. See Note 9 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 \$23,035 were received during the year ended June 30, 2007.

**CITY OF CHARLOTTE AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
**JUNE 30, 2007**  
**(Dollar Amounts In Thousands)**

**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	\$ 4,626
Crash, fire and rescue services	<u>2,583</u>
	<u>\$ 7,209</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, Accounting and Financial Reporting Section, 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, 2007, 2006 and 2005 were \$568, \$523 and \$489, 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 or with disability, the City funds 80 percent of the benefit for the retiree. Retirees pay an increased share of the premium if they cover dependents. For retirees with 15 to 20 years of service, the City funds 80 percent of the benefit for the retiree. The retiree pays the full cost for dependents. For retirees with 10 to 15 years of service, the City does not fund any portion of the cost. Retirees with less than 10 years of service are not eligible for health benefits. 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. Separate data for the Airport is not maintained.

**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 \$250 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 both an amount per employee and a proportionate share of the administrative cost. The amount per employee 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

**CITY OF CHARLOTTE AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
**JUNE 30, 2007**  
**(Dollar Amounts In Thousands)**

maximum of four times their salary. The Airport made payments to the EHLIF for the year ended June 30, 2007 in the amount of \$1,578.

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 its 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 \$500, property damage claims in excess of \$100 and flood insurance \$100,000 in all flood zones, except \$5,000 in flood zone A in excess of \$500. Settled claims have not exceeded insurance coverage in the past three years. The actuarially determined losses for the remaining risks and deductible amounts are funded in the RMF. 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, 2007 in the amount of \$1,655.

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 received a number of federal and state grants for specific purposes that are subject to review by the grantor agencies. Such reviews could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under terms of the grants. The City management believes that such disallowances, if any, would not be significant.

The Airport has authorized capital projects at June 30, 2007 as follows:

Project Authorization	\$ 678,558
Expended	<u>473,056</u>
Unexpended	<u>\$ 205,502</u>

The Airport has construction and other contractual commitments of approximately \$77 million at June 30, 2007.

9. MAJOR CUSTOMER:

US Airways, Inc. (US Airways), a wholly owned subsidiary of US Airways Group, Inc., is the major passenger airline serving Charlotte/Douglas International Airport (Airport). For the fiscal year ended June 30, 2007, US Airways and its affiliates provided 23% of the Airport's operating revenues.

The Airport has served as a primary connecting passenger hub for US Airways and its predecessors US Air and Piedmont Airlines since 1982. Since that time, US Airways and the airlines doing business as US Airways Express have dominated the market share at the Airport in terms of enplaned passengers.

Following its emergence from Chapter 11 bankruptcy and merger with American West Airlines on September 27, 2005, US Airways has announced its continued commitment to using the Airport as its largest hub and has expanded the level of commercial activity at the Airport. The number of US Airways enplanements at the airport increased from 12.0 million in fiscal year ending June 30, 2005 to an estimated 13.1 million in fiscal year ending June 30, 2007, which represents an

**CITY OF CHARLOTTE AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
**JUNE 30, 2007**  
**(Dollar Amounts In Thousands)**

average growth rate of 4.5% per year. Notwithstanding this growth, US Airways market share has decreased from 88.7% to 86.5% during the same time period. This decrease is the result of new and expanded service by the other airlines operating at the Airport and new entrants initiating service at the Airport during that time.

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 Airport Revenue Bonds (GARBS) issued by the City to fund airfield and terminal improvements.

As of June 30, 2007, the City had \$400,915 of GARBS outstanding; the proceeds of which were used for airfield and terminal improvements. On August 16, 2007 the City issued an additional Series 2007A GARBS in the amount of \$99,995 and 2007B GARBS in the amount of \$47,570. The GARBS are not general obligations of the City and are payable solely from revenues generated by the City in the airfield and terminal. The City has \$38,837 in reserve to pay principal and interest on GARBS. See Note 12 for additional information on the 2007 GARBS.

In addition to 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 by the City. As rental for the Special Facilities, US Airways is obligated to pay directly to the City a Ground Rental and an Airport Service Fee Rental. In addition, US Airways is obligated to pay directly to a Trustee for the benefit of bondholders a facility rental (Special Facilities Debt Service Rental) in an amount equal to the annual installments of principal and interest on the Special Facility Revenue Bonds. The Special Facilities Debt Service Rental is not a general obligation of the City. If US Airways fails to pay the Special Facilities Debt Service Rentals, the City is obligated to use reasonable efforts to re-let the Special Facilities to another tenant and apply the debt service rentals from such re-letting to the payment of the principal and interest on the Special Facility Revenue Bonds. The City is not obligated to make any payments relating to the Special Facilities or the Special Facility Revenue Bonds except for such debt service rentals as it receives from the tenant of the Special Facilities. As of June 30, 2007, there was \$120,700 of Special Facility Revenue Bonds outstanding. The Special Facility Revenue Bonds provide for the semi-annual payment of interest with a lump-sum payment of principal on the maturity date of the bonds. The Special Facility Revenue Bonds mature on July 1, 2027 and February 1, 2028.

**CITY OF CHARLOTTE AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
**JUNE 30, 2007**  
(Dollar Amounts In Thousands)

**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	\$ 104,458
Nonoperating revenues	4,178
Bond cushion	<u>8,544</u>
Total revenues	117,180
Application of revenues	<u>(45,432)</u>
Net revenues available for revenue bond debt service (1)	<u>\$ 71,748</u>
Requirement for Revenue Bond Fund (2)	<u>\$ 18,285</u>
Debt Service Coverage (1)/(2)	3.9

**11. PASSENGER FACILITY CHARGES:**

The Federal Aviation Administration (FAA) authorized the Airport to collect Passenger Facility Charges (PFC) of \$3 per qualifying enplaned passenger commencing November 1, 2004. The net receipts from PFC are accounted for on the accrual basis of accounting and are restricted to use on FAA approved projects. The Airport has been authorized to collect PFC in the aggregate amount of \$514,702. Collections during fiscal year 2007 were \$51,468 and aggregate collections from inception through June 30, 2007 were \$107,750.

**12. SUBSEQUENT EVENTS:**

In August 2007, the City issued \$99,995 of Airport Revenue and Refunding Revenue Bonds. The interest rates are 4.00 percent to 4.25 percent with a final maturity in 2038. The proceeds will be used to refund, in advance of their maturity, Airport Revenue Bonds Series 1999A and finance the acquisition, rehabilitation, renovation, expansion and construction of certain improvements to the Airport, consisting primarily of a new runway, multi-level parking deck, concourse restrooms, terminal signage and land acquisition.

In August 2007, the City issued \$47,570 of variable rate Airport Revenue Bonds with a final maturity in 2038. The proceeds will be used to finance the acquisition, rehabilitation, renovation, expansion and construction of certain improvements to the Airport, consisting primarily of a new runway, multi-level parking deck, concourse restrooms, terminal signage and land acquisition.

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, 2007**  
(In Thousands)

	Included Centers	Excluded Centers	Total
<b>OPERATING REVENUES:</b>			
Terminal area	\$ 26,738	\$ 336	\$ 27,074
Airfield	9,973	-	9,973
Concessions	31,835	-	31,835
Parking	31,140	-	31,140
Maintenance facility	-	7,516	7,516
Other	4,772	21,301	26,073
Total operating revenues	<u>104,458</u>	<u>29,153</u>	<u>133,611</u>
<b>OPERATING EXPENSES:</b>			
Terminal area	31,309	1,675	32,984
Services facility	11,678	-	11,678
Public airfield facilities	1,373	-	1,373
Fixed base operator area	-	14,785	14,785
Cargo area	-	1,771	1,771
Depreciation	-	25,573	25,573
Total operating expenses	<u>44,360</u>	<u>43,804</u>	<u>88,164</u>
Operating income (loss)	<u>60,098</u>	<u>(14,651)</u>	<u>45,447</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Passenger facility charges	-	51,468	51,468
Investment earnings	4,178	19,499	23,677
Interest expense and other charges	(22,617)	(7,547)	(30,164)
Non-airline terminal revenue distribution	(15,717)	-	(15,717)
Miscellaneous	-	9	9
Total nonoperating revenues (expenses)	<u>(34,156)</u>	<u>63,429</u>	<u>29,273</u>
Income before contributions	25,942	48,778	74,720
<b>CAPITAL CONTRIBUTIONS</b>	<u>-</u>	<u>22,265</u>	<u>22,265</u>
Change in net assets	<u>\$ 25,942</u>	<u>\$ 71,043</u>	<u>\$ 96,985</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, 2007  
(In Thousands)

	<u>General Obligation Bond Fund</u>			
	<u>1980 Reserve Account</u>	<u>2003 Lease Purchase</u>	<u>Revenue Fund</u>	<u>Operating Fund</u>
Beginning balance	\$ 1,198	\$ -	\$ 45,576	\$ -
Deposits:				
Operating revenue	-	-	103,221	-
PFC revenue	-	-	-	-
Investment earnings	55	-	2,387	-
Interfund transfers	-	534	-	46,584
Intrafund transfers	-	3	-	-
Transfers from capital project	-	-	-	-
Transfers from trustee	-	-	1,130	-
Total deposits	55	537	106,738	46,584
Withdrawals:				
Operating expense	-	-	-	46,584
Interfund transfers	-	-	76,974	-
Intrafund transfers	3	-	-	-
Transfers to capital project	-	-	-	-
Other debt expenditures	-	3	-	-
Interest	-	45	-	-
Principal	-	489	-	-
Transfers to trustee	-	-	18,644	-
Distribution to airlines of 40 percent share of excess non-airline terminal revenue	-	-	-	-
Total withdrawals	3	537	95,618	46,584
Ending balance	\$ 1,250	\$ -	\$ 56,696	\$ -

Operating Fund Reserve	Renewal and Improvement Fund	Discretionary Fund	PFC Fund	Total
\$ 14,162	\$ 1,500	\$ 72,022	\$ 33,079	\$ 167,537
-	-	-	-	103,221
-	-	-	43,435	43,435
-	-	5,260	2,220	9,922
683	-	29,173	-	76,974
-	-	-	-	3
-	-	2,768	-	2,768
-	-	-	-	1,130
683	-	37,201	45,655	237,453
-	-	-	-	46,584
-	-	-	-	76,974
-	-	-	-	3
-	-	71,167	-	71,167
-	-	-	-	3
-	-	-	-	45
-	-	-	-	489
-	-	-	16,140	34,784
-	-	11,873	-	11,873
-	-	83,040	16,140	241,922
<u>\$ 14,845</u>	<u>\$ 1,500</u>	<u>\$ 26,183</u>	<u>\$ 62,594</u>	<u>\$ 163,068</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, 2007**  
(In Thousands)

	<u>Refunding Bond Fund</u>			
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Reserve Account</u>	<u>Total</u>
Beginning balance	\$ 1,297	\$ 4,413	\$ 11,235	\$ 16,945
Deposits:				
Transfers from City	4,559	4,922	-	9,481
Investment earnings	<u>57</u>	<u>74</u>	<u>536</u>	<u>667</u>
Total deposits	4,616	4,996	536	10,148
Withdrawals:				
Interest	4,496	-	-	4,496
Principal	-	4,300	-	4,300
Other debt expenditures	-	222	-	222
Transfers to City	<u>-</u>	<u>-</u>	<u>342</u>	<u>342</u>
Total withdrawals	<u>4,496</u>	<u>4,522</u>	<u>342</u>	<u>9,360</u>
Ending balance	<u>\$ 1,417</u>	<u>\$ 4,887</u>	<u>\$ 11,429</u>	<u>\$ 17,733</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, 2007**  
(In Thousands)

	<u>Refunding Bond Fund</u>			
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Reserve Account</u>	<u>Total</u>
Beginning balance	\$ 922	\$ 3,110	\$ 6,611	\$ 10,643
Deposits:				
Transfers from City	2,873	3,364	-	6,237
Investment earnings	<u>37</u>	<u>52</u>	<u>273</u>	<u>362</u>
Total deposits	2,910	3,416	273	6,599
Withdrawals:				
Interest	2,832	-	-	2,832
Principal	-	3,030	-	3,030
Other debt expenditures	-	159	-	159
Transfers to City	<u>-</u>	<u>-</u>	<u>268</u>	<u>268</u>
Total withdrawals	<u>2,832</u>	<u>3,189</u>	<u>268</u>	<u>6,289</u>
Ending balance	<u>\$ 1,000</u>	<u>\$ 3,337</u>	<u>\$ 6,616</u>	<u>\$ 10,953</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, 2007**  
(In Thousands)

	<u>Refunding Bond Fund</u>		
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Total</u>
Beginning balance	\$ 2,429	\$ 15	\$ 2,444
Deposits:			
Payments from US Airways Group, Inc.	4,822	-	4,822
Investment earnings	<u>6</u>	<u>-</u>	<u>6</u>
Total deposits	4,828	-	4,828
Withdrawals:			
Interest	4,816	-	4,816
Other debt expenditures	<u>6</u>	<u>-</u>	<u>6</u>
Total withdrawals	<u>4,822</u>	<u>-</u>	<u>4,822</u>
Ending balance	<u>\$ 2,435</u>	<u>\$ 15</u>	<u>\$ 2,450</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, 2007**  
(In Thousands)

	<u>Revenue Bond Fund</u>		
	<u>Interest Account</u>	<u>Reserve Account</u>	<u>Total</u>
Beginning balance	\$ 236	\$ 835	\$ 1,071
Deposits:			
Transfers from City	460	-	460
Investment earnings	<u>6</u>	<u>38</u>	<u>44</u>
Total deposits	466	38	504
Withdrawals:			
Interest	457	-	457
Other debt expenditures	3	-	3
Transfers to City	<u>-</u>	<u>37</u>	<u>37</u>
Total withdrawals	<u>460</u>	<u>37</u>	<u>497</u>
Ending balance	<u>\$ 242</u>	<u>\$ 836</u>	<u>\$ 1,078</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, 2007**  
(In Thousands)

	Revenue Bond Fund			Total
	Interest Account	Principal Account	Reserve Account	
Beginning balance	\$ 2,285	\$ 1,802	\$ 6,572	\$ 10,659
Deposits:				
Transfers from City	4,416	1,865	-	6,281
Investment earnings	<u>56</u>	<u>46</u>	<u>297</u>	<u>399</u>
Total deposits	4,472	1,911	297	6,680
Withdrawals:				
Interest	4,455	-	-	4,455
Principal	-	1,775	-	1,775
Other debt expenditures	4	-	-	4
Transfers to City	<u>-</u>	<u>-</u>	<u>291</u>	<u>291</u>
Total withdrawals	<u>4,459</u>	<u>1,775</u>	<u>291</u>	<u>6,525</u>
Ending balance	<u>\$ 2,298</u>	<u>\$ 1,938</u>	<u>\$ 6,578</u>	<u>\$ 10,814</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, 2007**  
(In Thousands)

	Revenue Bond Fund				Total
	Interest Account	Principal Account	Reserve Account	Construction Account	
Beginning balance	\$ 1	\$ -	\$ 6,590	\$ 8,934	\$ 15,525
Deposits:					
Transfers from City	1,352	146	-	-	1,498
Reimbursement from City	-	3,840	-	-	3,840
Investment earnings	-	-	331	295	626
Total deposits	1,352	3,986	331	295	5,964
Withdrawals:					
Construction expense	-	-	-	6,121	6,121
Interest	1,352	-	-	-	1,352
Principal	-	3,840	-	-	3,840
Other debt expenditures	-	146	-	-	146
Transfers to City	-	-	192	-	192
Total withdrawals	1,352	3,986	192	6,121	11,651
Ending balance	\$ 1	\$ -	\$ 6,729	\$ 3,108	\$ 9,838

**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, 2007**  
(In Thousands)

	Revenue Bond Fund	Construction Fund		Total
	Interest Account	Improvements Account	Special Facility Account	
Beginning balance	\$ 22	\$ 10,335	\$ 638	\$ 10,995
Deposits:				
Payments from US Airways Group, Inc.	2,693	-	-	2,693
Investment earnings	<u>4</u>	<u>526</u>	<u>32</u>	<u>562</u>
Total deposits	2,697	526	32	3,255
Withdrawals:				
Interest	2,689	-	-	2,689
Other debt expenditures	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>
Total withdrawals	<u>2,693</u>	<u>-</u>	<u>-</u>	<u>2,693</u>
Ending balance	<u>\$ 26</u>	<u>\$ 10,861</u>	<u>\$ 670</u>	<u>\$ 11,557</u>

**CITY OF CHARLOTTE AIRPORT**  
**SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS**  
**ESTABLISHED BY THE 1985 REVENUE BOND ORDER**  
**FOR THE 2004A AIRPORT REVENUE BONDS**  
**FUNDS HELD BY TRUSTEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(In Thousands)

	<u>Revenue Bond Fund</u>		
	<u>Interest Account</u>	<u>Construction Account</u>	<u>Total</u>
Beginning balance	\$ 2,209	\$ 30,888	\$ 33,097
Deposits:			
Transfers from City	4,348	-	4,348
Investment earnings	<u>54</u>	<u>1,505</u>	<u>1,559</u>
Total deposits	4,402	1,505	5,907
Withdrawals:			
Construction expense	-	3,681	3,681
Interest	<u>4,348</u>	<u>-</u>	<u>4,348</u>
Total withdrawals	<u>4,348</u>	<u>3,681</u>	<u>8,029</u>
Ending balance	<u>\$ 2,263</u>	<u>\$ 28,712</u>	<u>\$ 30,975</u>

**CITY OF CHARLOTTE AIRPORT**  
**SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS**  
**ESTABLISHED BY THE 1985 REVENUE BOND ORDER**  
**FOR THE 2004B AIRPORT REVENUE BONDS**  
**FUNDS HELD BY TRUSTEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(In Thousands)

	<u>Revenue Bond Fund</u>		
	<u>Interest Account</u>	<u>Construction Account</u>	<u>Total</u>
Beginning balance	\$ 1,278	\$ 44,756	\$ 46,034
Deposits:			
Transfers from City	2,517	-	2,517
Investment earnings	<u>32</u>	<u>2,644</u>	<u>2,676</u>
Total deposits	2,549	2,644	5,193
Withdrawals:			
Construction expense	-	2,171	2,171
Interest	<u>2,517</u>	<u>-</u>	<u>2,517</u>
Total withdrawals	<u>2,517</u>	<u>2,171</u>	<u>4,688</u>
Ending balance	<u>\$ 1,310</u>	<u>\$ 45,229</u>	<u>\$ 46,539</u>

**CITY OF CHARLOTTE AIRPORT**  
**SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS**  
**ESTABLISHED BY THE 1985 REVENUE BOND ORDER**  
**FOR THE 2004C AIRPORT REVENUE BONDS**  
**FUNDS HELD BY TRUSTEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(In Thousands)

	<u>Revenue Bond Fund</u>		
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Total</u>
Beginning balance	\$ 251	\$ 2,518	\$ 2,769
Deposits:			
Transfers from City	421	2,555	2,976
Investment earnings	<u>5</u>	<u>64</u>	<u>69</u>
Total deposits	426	2,619	3,045
Withdrawals:			
Interest	457	-	457
Principal	<u>-</u>	<u>2,485</u>	<u>2,485</u>
Total withdrawals	<u>457</u>	<u>2,485</u>	<u>2,942</u>
Ending balance	<u>\$ 220</u>	<u>\$ 2,652</u>	<u>\$ 2,872</u>

**CITY OF CHARLOTTE AIRPORT**  
**SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS**  
**ESTABLISHED BY THE 1985 REVENUE BOND ORDER**  
**FOR THE 2004D AIRPORT REVENUE BONDS**  
**FUNDS HELD BY TRUSTEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(In Thousands)

	<u>Revenue Bond Fund</u>			<u>Total</u>
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Construction Account</u>	
Beginning balance	\$ -	\$ 342	\$ 7,635	\$ 7,977
Deposits:				
Transfers from City	564	422	-	986
Investment earnings	<u>-</u>	<u>9</u>	<u>285</u>	<u>294</u>
Total deposits	564	431	285	1,280
Withdrawals:				
Construction expense	-	-	3,020	3,020
Interest	564	-	-	564
Principal	-	340	-	340
Other debt expenditures	<u>-</u>	<u>72</u>	<u>-</u>	<u>72</u>
Total withdrawals	<u>564</u>	<u>412</u>	<u>3,020</u>	<u>3,996</u>
Ending balance	<u>\$ -</u>	<u>\$ 361</u>	<u>\$ 4,900</u>	<u>\$ 5,261</u>

**CITY OF CHARLOTTE AIRPORT  
CERTIFICATION OF DIRECTOR OF FINANCE  
FOR THE YEAR ENDED JUNE 30, 2007**

1. As of June 30, 2007 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, 2006 to June 30, 2007 no default, as defined in the 1985 Revenue Bond Order or the 1987 Special Facility Revenue Bond Order, occurred.

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Greg C. Gaskins  
Director of Finance

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