RALEIGH-DURHAM AIRPORT AUTHORITY
RDU Airport, North Carolina

Basic Financial Statements
and
Supplemental Information

Year Ended March 31, 2004

RALEIGH-DURHAM AIRPORT AUTHORITY

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Year Ended March 31, 2004

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Members
Raleigh-Durham Airport Authority
RDU Airport, North Carolina

We have audited the accompanying Statement of Net Assets of the Raleigh-Durham Airport Authority (the "Authority") as of and for the year ended March 31, 2004, and the related statement of revenues, expenses and changes in fund net assets and cash flows for the year then ended which collectively comprise the basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2004 and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the basic financial statements, the Authority adopted Governmental Auditing Standards Board (GASB) Statements No. 34, 37 and 38 during the year ended March 31, 2004.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 this information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2004 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Raleigh, North Carolina
July 8, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

The discussion and analysis ("MD&A") provides an overview of the Raleigh-Durham Airport Authority (the "Authority") activities during the fiscal year ended March 31, 2004. The Authority's basic financial statements consist of three components; 1) Management's Discussion and Analysis, 2) financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the Authority. Due to the Authority's required adoption of Governmental Accounting Standards Board ("GASB") Statement No. 34 during this fiscal year, comparative year financial statements are not being presented since a GASB 34 financial statement is not readily comparable to our prior year statements. In addition to the management's discussion and analysis, management has prepared the accompanying Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows.

The MD&A is intended to aid the reader in interpreting the Authority's relative financial position as of the above referenced date. Condensed key financial as well as non-financial information will be highlighted for the reader.

Required Financial Statements

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Balance Sheets include all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine the Authority's overall profitability and credit worthiness. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are on pages 14 to 26 of this report.

Other information

As previously noted, the Authority implemented the new financial statement-reporting model during 2003 - 2004. GASB Statements No. 34, 37, and 38 resulted in many changes to the financial statements. Because of the new reporting model, comparative data for all facets of this report have been modified to conform to the new format.

Background

The Raleigh-Durham International Airport (the "Airport") is located in Wake County, between the Cities of Raleigh and Durham approximately 10 miles from the downtown areas of each of Raleigh and Durham. Interstate 40, a major thoroughfare, is located immediately to the southwest of the Airport and US Highway 70, another major thoroughfare, is located immediately to the northeast of the Airport. William B. Umstead State Park is located to the immediate east of the Airport.

The Airport consists of approximately 5,000 acres, approximately 2,075 of which are developed. The Airport has two active terminals, Terminal A, which consists of approximately 265,000 square feet of floor space, including 23 passenger gates, and Terminal C, which consists of approximately 330,000 square feet of floor space, including 26 passenger gates. The Airport has two primary runways and one secondary runway. In the Fiscal Years ended March 31, 2004 and 2003, 8.0 and 8.3 million passengers, respectively, used the Airport.

Passenger Facility Charges

In February 2003, the Authority received final approval from the FAA to begin charging a $3 passenger facility charge ("PFC") effective May 1st, 2003. The Authority has received approval from the FAA for an increase in the PFC to $4.50 estimated to be effective October 1st, 2004. The net receipts from PFC are restricted to use on FAA approved capital projects.

Financial Highlights, and Analysis

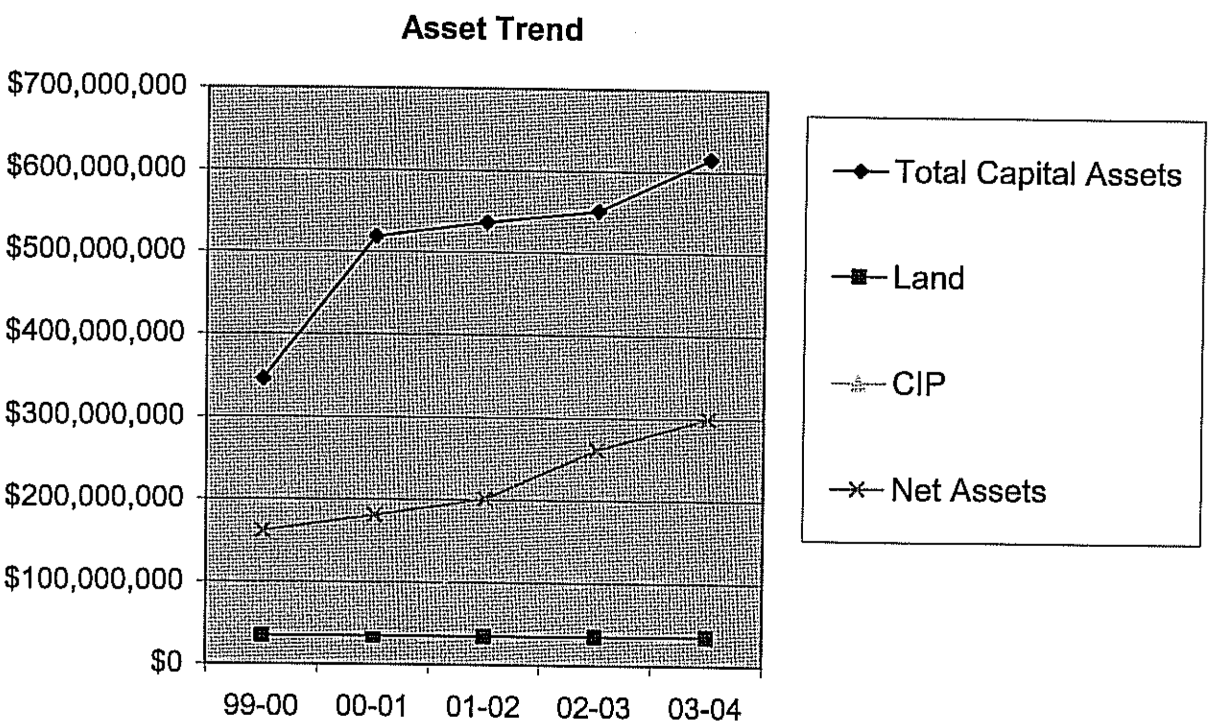
Net Assets

Current Assets increased $10.9 million from the prior year due to an increase in short-term investments. At the close of the fiscal year, actual Operating Expenses (excluding depreciation) were nearly one million dollars under budget. This factor helped hold Operating Expenses (excluding depreciation) to a $1.6 million increase relative to the prior year. The Authority's Operating Revenue versus the prior year increased by $5.6 million while Operating Expenses excluding depreciation increased $1.6 million. Consequently, the Authority was able to increase current assets by 24%. Capital Assets increased by $54 million mainly due to the November 2003 completion of Parking Garage IV, a 6,100 space Terminal Area parking deck. The combined effect was to increase Total Assets for the year by $64 million. Current Liabilities increase by $32 million due primarily to the issuance of another $35 million bond anticipation note. Noncurrent Liabilities decreased by $6.6 million due to the reduction in debt principal and retirement of one of two outstanding General Obligation ("G/O") Bond issues. The combined effect of these items was to increase Net Assets during the fiscal year by $38 million. Net Assets at March 31, 2004 are presented in the table below:

Condensed Statement of Net Assets

	March 31, 2004
Current Assets	$ 56,918,741
Capital Assets	472,967,115
Other Noncurrent Assets	85,118,976
Total Assets	615,004,832
Current Liabilities	96,646,700
Noncurrent Liabilities	218,320,000
Total Liabilities	314,966,700
Net Assets	$ 300,038,132

The following graph depicts the trend in net assets, total capital assets, land and construction in progress ("CIP"). Total capital assets include land, construction in progress, and depreciable capital assets. Total Capital Assets rose 11.5 % or $63.7 million during the fiscal year. CIP decreased largely due to the material completion of the $140 million, 6,100 space Parking Garage IV project. Net assets increased mainly due to the collection of a PFC effective May 2003 and significant increases in short term investments.



Revenues, Expenses, and Change in Fund Net Assets

For the fiscal year ended March 31, 2004, the Authority had a 9% increase, or $5.6 million, in operating revenues due primarily to an increase in parking revenues, terminal revenues, and landing fee revenues compared to the prior year. Operating Expenses (including depreciation) increased $3 million of which $1.4 million was attributable to an increase in depreciation expense. Operating Expenses (excluding depreciation) increased only $1.6 million from the prior year. This increase was held to $1.6 million as a result of actual expenses being nearly one million dollars below budgeted amounts. The combined effect of the above items was a $2.65 million increase in Operating Income relative to the prior period.

Nonoperating Revenues increased $11.6 million almost entirely due to the collection of a $3.00 Passenger Facility Charge (PFC), which became effective May 1st, 2003. Capital Contributions also increased $7.6 million compared to the prior year due to increased Federal Grant entitlement funding draw downs during the current fiscal year. Thus, Total Net Assets increased $38 million during the current fiscal year. The following table depicts these changes:

Condensed Statement of Revenues, Expenses, and Change in Fund Net Assets

	March 31, 2004
Operating Revenues	$67,074,147
Operating Expenses	50,317,303
Operating Income	16,756,844
Nonoperating and Capital Contributions	21,497,506
Increase in Net Assets	$38,254,350

Cash Flows

The Authority's overall liquidity position improved significantly during the fiscal year with a combined increase in unrestricted cash and cash equivalents and short-term investments of approximately $10.6 million. The increase in capital and related financing costs is due primarily to the issuance of an additional $35 million Bond Anticipation Note ("BAN") during the fiscal year. Investing Activities increased due to a significantly higher cash position requiring more investment activity. Due to this increase in investing activities and capital asset additions, Cash and Cash Equivalents fell $7.7 million during the fiscal year. The following is a summary of the change in cash and cash equivalents for the fiscal year ended March 31, 2004:

	March 31, 2004
Net Cash Provided From (Used For):	
Operating Activities	$41,995,172
Capital and Related Financing Activities	(36,032,108)
Investing Activities	(13,690,778)
Net Increase (Decrease)	(7,727,714)
Cash and Cash Equivalents at beginning of year	93,068,900
Cash and Cash Equivalents at end of year	$85,341,186

During the year, the Authority continued to maintain its cash reserve policy to set aside and reserve an operating cash reserve of one times the current fiscal year's annual Operating Budgeted Expenses (excluding depreciation). For FY 2003-2004, this cash reserve amount was approximately $30 million. Authority policy requires that this reserve not be expended, encumbered, or budgeted for any purpose in executing Authority fiscal policy without Board approval and notification of bond rating agencies that maintain bond ratings for the Authority.

Economic Outlook and Capital Development

By the year 2000, the Authority, in response to record setting growth, was considering an extensive redevelopment plan for Terminal A that would ultimately have expanded Terminal A from 23 gates to as many as 40 gates. This plan would have added nearly 1,000,000 square feet of space to Terminal A and would have exceeded one billion dollars in cost.

Terminal C was built by American Airlines (AA) in 1987 through a Special Facility Revenue Bond Financing arrangement that provided AA with a forty- year lease, set to expire in 2027. Due to the Authority gaining control of Terminal C effective June 15, 2002, through a leasehold purchase from American Airlines, the Authority was able to more cost effectively and efficiently expand and redevelop Terminal C rather than proceed with the redevelopment of Terminal A. Therefore, major redevelopment of Terminal A was deferred until some point after the redevelopment and expansion of Terminal C. The specific timing of this Terminal A redevelopment will be driven by capacity issues including projected enplanement demand.

Thus, the Authority has turned its attention to a major redevelopment of Terminal C in the coming years under a preliminary project budget of $350 million in 2003 dollars. This cost ceiling was the result of extensive modeling and cost projections to incorporate a costing strategy to maintain the lowest possible cost per enplanement to the airlines.

Budgeted cost per enplanement to the airlines decreased from $5.46 in FY2003-2004 to $4.61 in FY2004-2005, a 15.6 % reduction to the airlines. The Terminal C facility, originally designed to house the American Airlines hub operation, will be reconfigured to support multiple airline operations. Redevelopment work will occur in the ticketing, baggage claim and security checkpoint areas. The Authority has also started construction on redevelopment and expansion of the aircraft parking ramp and taxiway lanes at the north end of Terminal C. This project will make room for an approximately 575-foot extension of the northern concourse that will include additional passenger boarding gates, a new Federal Inspection Service area and additional support facilities.

In addition, the Authority plans to extensively renovate the existing South concourse area. The Authority plans to proceed with these projects as quickly as planning, design, necessary project approvals, and project financing can be completed. Architectural plans have been developed, and preliminary design was presented in early 2004. Visible construction is expected in early 2005 with an estimated completion date of 2009.

The Authority's enplaned passenger growth declined slightly (4.8%) at the end of fiscal year 03-04, relative to the prior period. In the fiscal years ended March 31, 2004 and 2003, 4.0 and 4.2 million passengers, respectively, were enplaned at the Airport. However, positive growth had returned by early 2004 and continues to show strong improvement. In the first quarter of the 2004 calendar year enplanements totaled 906,680, which represented an increase of 2.7% versus the same period in 2003. This trend had increased to a 6.6 % increase through June 2004.

Budget Information for the Fiscal Year Ending March 31, 2005

Budgeted Operating Revenues for the fiscal year ending March 31, 2005 declined $4.4 million or 6.6 % in comparison to the fiscal year ended March 31, 2004. This drop in revenues was primarily due to the following: a reduction in airfield revenues resulting from lower airfield costs required to be recovered from air carriers in the form of landing fees. The Airport's landing fee, effective April 1, 2004 dropped from $1.6942, to $.9658 per thousand pounds of landed weight. This represented a decrease of 43% relative to the prior year rate. As a result of this decrease in rates, airfield landing fee revenue declined $3.9 million for the year ended March 31, 2005. This decrease in rate and recoverable airfield cost was driven by several factors including: 1) a conservative estimate of fiscal year 2003-2004 landed weight resulting in a slight over-recovery or revenue during the past year 2) debt service on the G/O bonds issued in 1983 to finance construction of Runway 5L-23R and its associated taxiways was fully retired during FY 2003-2004) prior year under-recoveries were fully recovered and no such under-recovery was present in the current year calculation. Taking into account this airfield related drop in revenues, all other revenues combined to increase .2% for the fiscal year ended March 31, 2005.

The Authority, as it typically does, has elected to forecast conservatively, especially with respect to revenue generation for the fiscal year ended March 31, 2005. Budgeted Nonoperating Revenues however, increased by $12.5 million due primarily to increased Federal and State Grant funding ($8.5 million) and increased estimated PFC collections ($3.8 million). Thus Total Budgeted Operating Revenue increased $8.1 million or 8.8% for FY 2004-2005. Budgeted Operating Expenses increased $683,000 or 2.3% for the year ended March 31, 2005 relative to the prior year. Total Budgeted Nonoperating Expenses increased $3.9 million or 57%. This was due almost entirely to the exhaustion of the Series 2001A issue capitalized interest fund in FY 2003-2004, which caused an increase in the debt service requirement in FY 2004-2005 of $3.9 million. The combined effect was to increase Net Assets $1.4 million or 4.4%.

Requests for Information

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Raleigh-Durham Airport Authority, P.O. Box 80001, RDU Airport, NC 27623.

RALEIGH-DURHAM AIRPORT AUTHORITY

STATEMENT OF NET ASSETS

March 31, 2004

ASSETS

Current assets	
Cash and cash equivalents	$ 6,703,483
Short-term investments	45,096,490
Accounts receivable for fees and rentals, less allowance for doubtful accounts of $310,404	3,961,851
Grants receivable	684,719
Other current assets	472,198
Total current assets	56,918,741
Restricted assets	
Collateral for general obligation bonds	
Short-term investments	2,075,358
State of North Carolina Underground Storage Tank Trust Fund Deductible	220,000
Passenger Facility Charge Cash and cash equivalents	9,336,032
Passenger Facility Charge Receivable	1,984,700
Aeronautical Facilities Revenue Bonds	
Cash and cash equivalents - Bond Series 2001A and 2003 BAN	57,210,798
Debt Service Reserve Fund - Bond Series 2001A	11,870,873
Total restricted assets	82,697,761
Airport and facilities, net	472,967,115
Debt issue costs, net	2,421,215
TOTAL ASSETS	$ 615,004,832

The accompanying notes are an integral part of these basic financial statements.

RALEIGH-DURHAM AIRPORT AUTHORITY

STATEMENT OF NET ASSETS

March 31, 2004

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	9,364,640
Retainage and construction accounts payable	4,930,019
Accrued employee compensation	1,482,799
Accrued bond interest payable	4,249,242
Current maturities of long-term debt	
Bond Anticipation Note - Series 2003	70,000,000
General Airport Revenue Bonds-Series 2001B	3,295,000
Other long-term debt	1,925,000
General Airport Revenue Bonds-Series 2002A	1,400,000
Total current liabilities	96,646,700
Long-term debt	
General Airport Revenue Bonds-Series 2001 A and B	188,020,000
General Airport Revenue Bonds-Series 2002A	27,300,000
	215,320,000
Unearned revenue	
Unearned rent credit	3,000,000
	3,000,000
TOTAL LIABILITIES	314,966,700
Net Assets	
Invested in capital assets, net of related debt	109,870,086
Restricted	
Collateral for general obligation bond debt retirement	2,075,358
State of North Carolina Underground Storage Tank Trust Fund Deductible	220,000
Aeronautical Facilities Revenue Bond reserves	69,081,671
Passenger Facility Charges	11,320,732
Unrestricted Net assets	107,470,285
TOTAL NET ASSETS	$ 300,038,132

The accompanying notes are an integral part of these basic financial statements.

RALEIGH-DURHAM AIRPORT AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended March 31, 2004

Operating revenues	
Parking	$ 24,801,450
Airfield	11,805,279
General aviation	956,604
Terminals	16,612,556
Air cargo	1,701,728
Fuel Farm	1,069,616
Rental car	9,102,698
Other	1,024,216
Total operating revenues	67,074,147
Operating expenses	
Airport facilities	9,397,740
Administrative	4,100,417
Law enforcement	2,659,697
Airport maintenance	3,147,746
Parking	2,622,633
Emergency services	1,235,362
Visitor services	461,741
Communications	477,917
Operations	987,559
Ground transportation	3,822,417
Subtotal	28,913,229
Depreciation	21,404,074
Total operating expenses	50,317,303
Operating income	16,756,844
Non-operating revenues (expenses)	
Investment interest income	1,721,408
Passenger Facility Charges	11,300,707
Net decrease in fair value of investments	(47,236)
Bond interest expense, net	(3,078,837)
Other, net	408,037
Total non-operating revenues (expenses)	10,304,079
Income before capital contributions	27,060,923
Capital contributions	11,193,427
Increase in net assets	38,254,350
Net Assets, beginning of year	261,783,782
Net Assets, end of year	$ 300,038,132

The accompanying notes are an integral part of these basic financial statements.

RALEIGH-DURHAM AIRPORT AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended March 31, 2004

Cash flows from operating activities	
Cash received from operations	$ 66,194,041
Cash paid to employees	(12,984,713)
Cash paid to suppliers	(11,214,156)
Net cash provided by operating activities	41,995,172
Investing activities	
Purchases of short-term investments	(62,176,886)
Proceeds from maturities of short-term investments	46,857,296
Investment (loss) on valuation account	(47,236)
Interest on cash deposits	1,676,048
Net cash (used in) investing activities	(13,690,778)
Capital and related financing activities	
Proceeds from issuance of Long-Term Debt	
Bond Anticipation Note-Series 2003	70,000,000
Payments of Long-Term Debt	
Bond Anticipation Note-Series 2002	(35,000,000)
General Airport Revenue Bonds-Series 2001 A and B	(3,615,000)
General Airport Revenue Bonds-Series 2002	(1,300,000)
Other Long-Term Debt	(1,820,000)
Other capital and financing costs	
Debt issuance costs	(181,741)
Amortization of debt issuance costs	233,541
Additions to airport and facilities	(82,994,282)
Bond interest paid on long-term debt	(2,966,869)
Passenger facility charges collected	9,316,007
Other, net	408,037
Contributed capital	11,888,199
Net cash used in capital and related financing activities	(36,032,108)
DECREASE IN CASH AND CASH EQUIVALENTS	(7,727,714)
Cash and cash equivalents - beginning of year	93,068,900
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 85,341,186

The accompanying notes are an integral part of these basic financial statements.

RALEIGH-DURHAM AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended March 31, 2004

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$	16,756,844
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		21,404,074
Changes in operating assets and liabilities		
Accounts receivable		(815,906)
Other current assets		(64,201)
Accounts payable		4,424,539
Accrued employee compensation		289,822
Net cash provided by operating activities	$	41,995,172
Supplemental Cash Flow Information		
Non-cash investing, capital and financing activities		
Cash paid for interest	$	2,966,869
Capitalized interest paid	$	7,245,038

The accompanying notes are an integral part of these basic financial statements.

Note 1 – The Authority

In 1939, the General Assembly of the State of North Carolina enacted legislation authorizing the governing bodies of the City of Durham, the City of Raleigh, the County of Durham, and the County of Wake jointly to acquire, establish and operate airports. It was provided that the governing bodies would appoint a joint board to carry out the provisions of the act, and the Raleigh-Durham Airport Authority (the "Authority") is the board so appointed. Legal title to all properties is vested jointly in the governing bodies. Each of the four governing bodies makes an annual appropriation of $12,500, which is accounted for as nonexchange transactions in accordance with Statement No. 33 of the Government Accounting Standards Board.

Note 2 – Summary of significant accounting policies

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

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

Basis of accounting – All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. As required for periods beginning after June 15, 2000 by Statement 33 of the Government Accounting Standards Board (GASB), *Accounting and Financial Reporting for Nonexchange Transactions*, the Authority recognizes capital contributions as revenue, rather than as contributed capital. Nonexchange transactions for the Authority include Federal and State grants and contributions by the Authority's four owning bodies. The enterprise fund of the Authority is presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period when incurred. As permitted by accounting principles generally accepted in the United States of America, the Authority has elected to apply only applicable FASB statements and interpretations issued before November 30, 1989 in its accounting and reporting practices for its operations.

Budgetary control – The Authority adopts an annual budget ordinance as required by the Local Government Budget and Fiscal Control Act of the North Carolina General Statutes. The budget ordinance is prepared on the modified accrual basis of accounting as required by North Carolina law. This budget is adopted and amended at the functional level with management control on a departmental basis. Expenditures may not legally exceed these levels. Appropriations under this ordinance lapse at year end. The Budget Ordinance is adopted by the Authority at it's March meeting and is entered in the minutes within five days after adoption.

Note 2 – Summary of significant accounting policies (continued)

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

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

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

Airport and facilities – The airport and facilities are recorded at cost. Provision for depreciation has been made to amortize the cost of the assets over their estimated useful lives by the straight-line method.

Depreciation expense was $21,404,074 for 2004.

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

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

Depreciation of airfield and facilities is computed under the straight-line method at various rates considered adequate to allocate the cost over the estimated useful lives of such assets.

The estimated lives by general classifications are as follows:

	Years
Landing field and grounds	5 - 20
Terminal Buildings	5 - 45
Other buildings	5 - 30
Utilities	5 - 20
Equipment	3 - 20

Net Assets – The Authority's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This represents the Authority's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Invested in Capital Assets, Net of Related Debt.

Restricted Net Assets – Restricted net assets include resources in which the Authority is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties. When both restricted and unrestricted assets are available for use, the Authority applies restricted assets first, then applies unrestricted assets as needed.

Note 2 – Summary of significant accounting policies (continued)

Passenger Facility Charges are presented as Restricted Net Assets for Capital Projects based on Federal Aviation Administration (FAA) regulations.

Collateral for General Obligation Bond debt retirement represents investments restricted by bond covenants to be set aside for the retirement of general obligation bonds.

State of North Carolina Underground Storage Tank Trust Fund Deductible represents cash required to be set aside by the North Carolina Department of Environment and Natural Resources related to underground storage tank clean-up costs.

Aeronautical Facilities Revenue Bond reserves represent cash and cash equivalents restricted by the Master Trust Indenture to be expended for the construction of certain airport facilities.

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

Vacation and sick leave compensation – The Authority allows full time employees to accumulate up to 30 days earned vacation leave, and such leave is fully vested when earned provided the employee has completed a mandatory six month probationary period. Accumulated vacation pay is recorded as a current liability and reflected in accrued employee compensation.

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

Revenues and Expenses Classifications – Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Transactions which are financing or investing related and passenger facility charges are reported as non-operating revenues. All expenses related to operating the Authority are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

Revenue Recognition – Revenue is recognized when earned. Parking revenue is recognized when the customers vehicle exits the parking facility. Landing fees are recognized as revenue when the Airport facilities are utilized. Concession revenue is recognized based on reported concessionaire revenue. Rental revenue is recognized over the life of the respective leases. All other revenue is recognized when earned.

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

Note 2 – Summary of significant accounting policies (continued)

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

Concentration of credit risk – For the year ended March 31, 2004, no air carrier accounted for more than 10% of the Authority's operating revenues.

Reclassifications – Certain 2003 information has been reclassified in order to conform to the 2004 presentation.

Use of Estimates – The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reporting amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Passenger Facility Charges – The Federal Aviation Administration (FAA) authoritized the Authority to collect Passenger Facility Charges (PFCs) of $3 per qualifying enplaned passenger commencing May 1, 2003. The net receipts from PFCs are accounted for on the accrual basis of accounting and are restricted to use on FAA approved projects. Aggregate collections and interest thereon from inception through March 31, 2004 were $9,336,032. Net assets related to PFC are restricted for projects that are approved by the FAA.

New pronouncements – The Authority has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* The main difference in the financial statements is in the presentation of equity on the statement of net assets. Contributed capital is no longer separately identified; instead, net assets are broken down into three components: invested in capital assets, net of related debt, restricted and unrestricted. In addition, a management's discussion and analysis is presented.

In addition, the Authority adopted GASB Statement No. 37, *Basic Financial statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,* which amended GASB Statements No. 21 and 34. Finally, the Authority adopted GASB Statement No. 38, *Certain Financial Statement Disclosures,* which modified disclosure requirements related to significant accounting policies, actions taken to address violations of significant finance-related legal and contractual provisions, debt and lease obligations, short term debt, disaggregated of receivable and payable balances and interfund balances and transfers.

Note 3 – Deposits and investments

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

Note 3 – Deposits and investments (continued)

Depositories must collateralize public deposits in excess of federal depository insurance coverage by using one of two options. The Authority's depository uses the Pooling Method, which is a collateral pool, under which all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agent in the Authority's name. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

The State Treasurer does not confirm this information with the Authority or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Authority under the Pooling Method the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At year-end, the Authority's deposits had a carrying amount of $73,392,363 and a statement balance of $74,669,718. Of this bank balance, $200,000 was covered by federal depository insurance while the balance of $74,469,718 was covered by collateral held under the Pooling Method. Approximately $47,324,000 of the bank balance is the Series 2003 Bond Anticipation Note restricted deposit. The Authority is required to maintain a minimum balance of $250,000 in its checking account.

Investments – North Carolina General Statute 159-30(c) authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Cash Management Trust, an SEC registered mutual fund. The carrying value of investments approximates fair value and excludes accrued interest receivable of $131,889 for 2004.

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

	A	B	C	Cost (1)	Fair Value (1)
Unrestricted Funds					
U. S. Government Agencies	$44,998,770	$ -	$ -	$44,998,770	$45,096,220

Note 3 – Deposits and investments (continued)

	A	B	C	Cost (1)	Fair Value (1)
Restricted Funds					
G/O Bond Collateral					
U. S. Government Agencies	$ 2,075,358	$ -	$ -	$ 2,075,358	$ 2,075,850
2001A Debt Service Fund	$ 11,870,873	$ -	$ -	$ 11,870,873	$11,870,873

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

Note 4 – Airport and facilities, net

Changes in Airport and Facilities are as follows:

	March 31, 2003	Additions	Deletions	Transfers	March 31, 2004
Capital Assets not being depreciated					
Land	$35,067,463	$ -	$ -	$ -	$35,067,463
Construction in progress	180,171,142	75,322,381		(141,610,284)	113,883,239
Total capital assets not being depreciated	215,238,605	75,322,381		(141,610,284)	148,950,702
Other capital assets					
Landing field and grounds	280,358,063			130,481,318	410,839,381
Terminal buildings	78,019,287			9,242,049	87,261,336
Other buildings	59,512,805			102,956	59,615,761
Utilities	3,924,926			-	3,924,926
Equipment	10,155,529			1,783,961	11,939,490
Total other capital assets	431,970,610	-	-	141,610,284	573,580,894
Total airport and facilities	647,209,215	75,322,381	-	-	722,531,596
Accumulated depreciation					
Landing field and grounds	(161,117,220)	(12,956,539)			(174,073,759)
Terminal buildings	(33,269,847)	(4,541,221)			(37,811,068)
Other buildings	(23,817,193)	(2,620,971)			(26,438,164)
Utilities	(3,067,556)	(142,613)			(3,210,169)
Equipment	(6,888,591)	(1,142,730)			(8,031,321)
Total accumulated depreciation	(228,160,407)	(21,404,074)	-	-	(249,564,481)
Airport and facilities, net	$419,048,808	$53,918,307	$ -	$ -	$472,967,115

Note 4 – Airport and facilities, net (continued)

During 2004, interest costs of approximately $7,920,000, net of interest earned of approximately $674,962, were capitalized as part of the cost of construction in progress.

Note 5 – Long-term debt

Changes of long-term debt consists of the following:	March, 31 2003	Principal Repayments	New Debt	March, 31 2004
Amounts due to trustee				
Series 2001A 4.00 – 5.50% General Airport Revenue Bonds, maturing in varying installments beginning in 2005 to 2031	$156,975,000	$ -	$ -	$156,975,000
Series 2001B 4.00 – 4.375% General Airport Revenue Bonds, maturing in varying installments beginning in 2002 to 2015	37,955,000	3,615,000	-	34,340,000
Series 2002A 1.15% Adjustable Rate Airport Revenue Bonds, maturing in varying installments beginning in 2003	30,000,000	1,300,000	-	28,700,000
Series 2002B 1.91% Bond Anticipation Note, maturing in 2004	35,000,000	35,000,000	-	-
Series 2003 Bond Anticipation Note (BAN), maturing March 17, 2005	-		70,000,000	70,000,000
Amounts due to the Special Airport District of Durham and Wake Counties				
Series 1992 5.75% General Obligation Bonds, maturing in varying installments beginning in 1994 to 2005	3,745,000	1,820,000	-	1,925,000
Total bond obligations	263,675,000			291,940,000
Less current maturities	41,735,000			76,620,000
	$221,940,000	$41,735,000	$70,000,000	$215,320,000

Note 5 – Long-term debt (continued)

Debt maturities for the next five years and in five-year increments thereafter are as follows:

Year Ending March 31	General Airport Revenue Bond Series 2001A	General Airport Revenue Bond Series 2001B	Adjustable Rate Airport Revenue Bond Series 2002	Amounts Due Special District GO Bond Series 1992	General Airport Revenue Bond Series 2003BAN	Interest
2005	$ -	3,295,000	$1,400,000	$1,925,000	$ 70,000,000	$ 12,344,832
2006	2,840,000	3,425,000	1,500,000	-	-	10,049,613
2007	2,985,000	3,565,000	1,600,000	-	-	9,669,019
2008	3,150,000	3,710,000	1,700,000	-	-	9,312,994
2009	3,320,000	3,630,000	1,800,000	-	-	8,939,094
2010-2014	19,110,000	15,600,000	10,300,000	-	-	39,289,381
2015-2019	24,485,000	1,115,000	10,400,000	-	-	30,051,250
2020-2024	31,525,000	-	-	-	-	22,287,488
2025-2029	40,255,000	-	-	-	-	13,560,750
2030-2034	29,305,000	-	-	-	-	2,978,250
	$156,975,000	$34,340,000	$ 28,700,000	$ 1,925,000	$ 70,000,000	$158,482,670

For the footnote above, interest was calculated for adjustable rate issues Series 2002 and Series 2003 BAN using an estimated rate of 3.00% for their remaining terms.

On May 1, 2002, American prepaid and retired the Series 1995A and 1995B Special Facility Revenue Refunding Bonds totaling $78,300,000. These bonds, which were considered conduit debt, financed the Terminal C Building facilities and equipment, all of which were leased to American for a 40-year period. In June 2002, the Authority entered into an agreement with American to purchase American's remaining interest in Terminal C and the associated facilities for $30,000,000, financed by the Series 2002 Issue.

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

Note 5 – Long-term debt (continued)

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

These bonds have rate covenants associated with them, whereby the Authority must maintain a debt service coverage ratio of no less than 125%. The debt service coverage ratio at March 31, 2004 is calculated as follows:

Net revenues	$ 39,882,326
Annual debt service	18,745,426
Calculated debt service coverage ratio	213%

On June 13, 2002, the Authority issued the $30,000,000 Adjustable Rate Airport Revenue Bonds Series 2002 under the Master Trust Indenture. The Bonds are obligations of the Authority, secured by and payable from the Net Revenues of the Authority, and under certain circumstances, the proceeds of the Bonds, investments earnings, and certain other funds and accounts. The interest rate for the Bonds is set weekly and at March 31, 2004 was 1.03%. The proceeds are to be used to finance a portion of the cost of acquiring and purchasing certain rights and interests of American Airlines, Inc. under the Raleigh-Durham Airport Facilities Lease and Use Agreement dated November 1, 1985, to finance the cost of rehabilitation of certain buildings and equipment related to the forgoing acquisition and purchase, and to finance the cost of certain other capital improvements to aeronautical facilities located at the airport.

On December 18, 2002, the Authority issued the $35,000,000 Bond Anticipation Notes (BAN) Series 2002B under the Master Trust Indenture. The Note is an obligation of the Authority, secured by and payable from the Net Revenues of the Authority, and the proceeds from the Authority's next General Airport Revenue Bond Issue, which had been anticipated to be issued in 2003. The proceeds are to be used to fund the initial costs of constructing a general aviation terminal and an operations center; constructing a ramp expansion, including the relocation of Taxiway D; and improving Terminal C and associated facilities, including architectural, pre-construction and construction.

On December 17, 2003, the Authority paid off the $35,000,000 Series 2002B BAN with the issuance of a $70,000,000 Bond Anticipation Note, Series 2003 ($35 million new funding), under the Master Trust Indenture. This Note is an obligation of the Authority, secured by and payable from the Net Revenues of the Authority, and the proceeds from the Authority's next General Airport Revenue Bond Issue, proposed to be issued in 2005. The proceeds are to be used to fund the initial costs of constructing a general aviation terminal and an operations center; constructing a ramp expansion, including the relocation of Taxiway D; and improving Terminal C and associated facilities, including architectural, pre-construction and construction. This Series 2003 BAN expires March 17, 2005.

Note 5 – Long-term debt (continued)

The General Obligation Bonds were issued by the Special Airport District of Durham and Wake Counties (the "Special District") to provide funds for construction of a new air carrier runway and parking and roadway improvements. The financing agreement calls for the Authority to present, as of March 31 of each year, reasonable evidence to the Special District of its ability to meet these obligations during the Special District's upcoming fiscal year. At March 31, 2004, $2,075,358, was held in a short-term investment to comply with this requirement. This investment is reported under a restricted asset as collateral for General Obligation Bonds in the balance sheets.

On May 12, 1992 and on January 6, 1993, the Special District issued $18,380,000 and $21,940,000 of General Obligation Refunding Bonds, Series 1992 and 1993, respectively. The Series 1992 and 1993 bonds were issued to advance refund $38,360,651 of outstanding General Obligation Bonds, Series 1983 and 1985. The Series 1992 and 1993 bonds have average interest rates of 5.75% and 4.97%, respectively. The net proceeds of $38,225,877 (after payment of $134,774 in issuance costs) plus an additional $2,000,000 of Series 1983 debt service reserve funds were deposited into an irrevocable trust to provide all future debt service payments on the Series 1983 and 1985 Bonds. As a result, the Series 1983 and 1985 Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The Authority made its final payment on the 1993 Series bonds in March 2003. The Authority will also make the final payment on the 1992 Series in March 2004, thus paying off all remaining Special Airport District of Durham and Wake Counties General Obligation Bonds.

Note 6 – Leases

The Authority leases land, buildings and terminal space with a cost of approximately $102 million and a carrying value of approximately $56 million to the airlines, car rental agencies, restaurant and other businesses located at the airport. Revenues from these leases, which are included in buildings and grounds and general aviation revenue, were approximately 25% of airport operating revenues for fiscal year 2003-2004. These leases cover periods ranging up to a maximum of 40 years and contain provisions for fixed and contingent rentals based on revenues. For the years ended March 31, 2004, contingent rentals comprised $13.4 million of the total rental revenues.
Minimum future rentals on noncancelable operating leases for the next five fiscal years are approximately:

Year Ending March 31	Amount
2005	$ 8,441,000
2006	7,884,000
2007	6,938,000
2008	6,555,000
2009	6,546,000
	$ 36,324,000

Note 7 – Employee retirement plans

Local Governmental Employees' Retirement System

Plan Description – The Authority contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – Plan members are required to contribute six percent of their annual covered salary. The Authority is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 4.90% of annual covered payroll. The contribution requirements of members are established and may be amended by the North Carolina General Assembly. The Authority's contributions to LGERS for the years ended March 31, 2004, 2003 and 2002 were $1,149,254, $1,086,950 and $941,035, respectively.

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy – Article 12E of G.S. Chapter 143 requires the Authority to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended March 31, 2004 were $100,101, which consisted of $73,678 from the Authority, and $26,423 from the law enforcement officers.

Law Enforcement Officers Special Separation Allowance

Plan Description – The Authority administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Authority's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Note 7 – Employee retirement plans (continued)

All full-time law enforcement officers of the Authority are covered by the Separation Allowance. At March 31, 2004, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	28
Total	30

A separate report was not issued for the plan.

Summary of Significant Accounting Policies
Basis of Accounting – The Authority has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from operating accounts, which are maintained on the accrual basis of accounting.

Method Used to Value Investments – No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions – The Authority is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the operating budget. The Authority's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

Other Postemployment Benefits
The Authority has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed $20,000. All death benefit payments are made from the Death Benefit Plan. The Authority has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Authority, the Authority does not determine the number of eligible participants. For the fiscal year ended March 31, 2004, the Authority made contributions to the State for death benefits of $27,965.

Note 7 – Employee retirement plans (continued)

The Authority's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.10% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

Note 8 – Commitments and contingencies

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

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

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

Construction commitments – At March 31, 2004, the Authority has contractual commitments for Authority expansion programs of approximately $47 million.

Note 9 – September 11th impact

The terrorist attacks of September 11, 2001 significantly adversely affected the North American transportation system, including operations of the Authority. Specifically, since September 11, 2001, enplanement at the Airport and the receipt of revenues have been adversely affected and may continue to be negatively affected by restrictions on the Airport and the financial condition of the air travel industry. Like many airport operators, the Authority has experienced increased operating costs due to compliance with federally mandated and other security and operating changes. In addition, the Transportation Security Administration (TSA), an agency of the Department of Homeland Security, may require further enhanced security measures and impose additional restrictions on the Airport, which may affect future Authority results. The Authority cannot predict the likelihood of future incidents similar to September 11, 2001, the likelihood of future air transportation disruptions or the impact on airports or airlines from such incidents or disruptions.

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Members
Raleigh-Durham Airport Authority
RDU Airport, North Carolina

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as of and for the year ended March 31, 2004 taken as a whole. The following supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in our 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.

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

Raleigh, North Carolina
July 8, 2004

RALEIGH - DURHAM AIRPORT AUTHORITY

SUMMARY OF OPERATING REVENUES AND EXPENSES

COMPARED WITH BUDGET

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Operating revenues			
Parking	$ 24,801,450	$ 25,000,000	99.2%
Airfield	11,805,279	11,168,587	105.7%
General aviation	956,604	912,070	104.9%
Terminals	16,612,556	16,798,405	98.9%
Air cargo	1,701,728	1,619,575	105.1%
Fuel Farm	1,069,616	1,002,700	106.7%
Rental car	9,102,698	9,221,102	98.7%
Other	1,024,216	1,109,198	92.3%
Total operating revenues	67,074,147	66,831,637	100.4%
Operating expenses			
Complex expenses	9,397,740	9,667,960	97.2%
Department expenses	19,515,489	20,238,540	96.4%
Depreciation Expense	21,404,074	23,549,842	90.9%
Total operating expenses	50,317,303	53,456,342	94.1%
NET OPERATING INCOME	$ 16,756,844	$ 13,375,295	125.3%

RALEIGH - DURHAM AIRPORT AUTHORITY

REVENUES COMPARED WITH BUDGET

PARKING REVENUES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Parking revenues			
Parking fees	$ 24,827,500	$ 25,000,000	99.3%
Contra revenue	(26,050)	-	N/A
TOTAL PARKING REVENUES	$ 24,801,450	$ 25,000,000	99.2%

RALEIGH - DURHAM AIRPORT AUTHORITY

REVENUES COMPARED WITH BUDGET

AIRFIELD REVENUES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Landing fees			
Commercial/Commuter airlines	$ 9,434,682	$ 9,067,047	104.1%
Cargo carriers	949,228	1,097,940	86.5%
Other Airlfield	433,198	-	N/A
Total landing fees	10,817,108	10,164,987	106.4%
Other			
Fuel flowage fees	355,045	400,000	88.8%
DCA Flight Security Charge	629,526	600,000	104.9%
Other airfield revenues	3,600	3,600	100.0%
Total other	988,171	1,003,600	98.5%
TOTAL AIRFIELD REVENUES	$ 11,805,279	$ 11,168,587	105.7%

RALEIGH - DURHAM AIRPORT AUTHORITY
REVENUES COMPARED WITH BUDGET
GENERAL AVIATION REVENUES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
General Aviation			
Fixed space rents	$ 928,986	$ 893,070	104.0%
Percentage rents	27,618	19,000	145.4%
TOTAL GENERAL AVIATION REVENUES	$ 956,604	$ 912,070	104.9%

RALEIGH - DURHAM AIRPORT AUTHORITY

REVENUES COMPARED WITH BUDGET

TERMINAL REVENUES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Terminal A Complex			
Fixed space rents			
AirTran Airways	$ 268,197	$ 275,510	97.3%
Anton Airfood	51,535	51,535	100.0%
Aeronautical Radio	6,000	600	1000.0%
Air Canada	135,177	117,800	114.8%
Air Midwest	4,198	6,600	63.6%
Atlantic Coast Airlines	413,370	446,261	92.6%
America West	319,395	329,647	96.9%
CLS Management	6,000	6,000	100.0%
Continental Airlines	874,580	909,096	96.2%
Delta Airlines	1,299,375	1,439,451	90.3%
DAL Global Services	1,200	1,200	100.0%
Gearbuck Aviation Services	1,200	1,200	100.0%
Elizabeth Chapel Church	300	300	100.0%
Globe Airport Security	26,320	26,320	100.0%
Iskcon	300	300	100.0%
Lee Airport Concessions	10,820	10,820	100.0%
Northwest Airlines	542,857	592,338	91.6%
Paradies Shops	22,581	70,710	31.9%
Southwest Airlines	1,168,581	1,124,752	103.9%
State Employee's Credit Union	1,579	1,579	100.0%
US Airways	1,358,031	1,455,642	93.3%
Transportation Security Administration	44,296	44,292	100.0%
Wachovia	1,315	1,315	100.0%
Total fixed space rents	6,557,207	6,913,268	94.8%

RALEIGH - DURHAM AIRPORT AUTHORITY
REVENUES COMPARED WITH BUDGET
TERMINAL REVENUES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Percentage rents			
Airport Channel	13,500	8,000	168.8%
AJ Tavern/Greenleaf's	175,170	135,100	129.7%
A&W All American Food	45,231	44,700	101.2%
ACC Shop	55,206	53,400	103.4%
A Southern Season	64,057	51,600	124.1%
Brooks Brothers	67,302	53,600	125.6%
CLS Management	9,600	30,000	32.0%
Carolina Varsity Bar	310,686	306,700	101.3%
Classic Food Services	14,685	10,000	146.9%
Godfather's	37,899	36,100	105.0%
Golden Corral	65,760	65,500	100.4%
WH Smith Books Company	65,572	68,800	95.3%
Interspace Airport Advertising	515,040	495,700	103.9%
Jump	16,016	16,400	97.7%
Lee Airport Concessions:			
Gelato Amare	2,669	17,300	15.4%
Natural Snacks	35,426	28,000	126.5%
Edy's Ice Cream	24,661	-	N/A
Vie De France	70,959	46,900	151.3%
Lone Wolf Publishing	4,202	3,000	140.1%
Majestic Terminal Services	12,250	-	N/A
PGA Tour Shop	38,457	17,400	221.0%
Popeye's Chicken	97,050	90,000	107.8%
Rapido's	41,331	39,200	105.4%
RDU Press Plus	669,190	523,900	127.7%
Smarte Cart	11,656	13,100	89.0%
Superior Shine	26,832	9,300	288.5%
The Book Cellar	37,937	29,100	130.4%
Telephones - AT&T	19,864	44,000	45.1%
Telephones - Kellee Communications	37,965	25,700	147.7%
Travelex America	37,923	-	N/A
Checkpoint Mailers	2,073	-	N/A
Traveling Grace Massage	13,803	-	N/A
24-Hour Flower	4,157	3,100	134.1%
Total percentage rents	2,644,129	2,265,600	116.7%

RALEIGH - DURHAM AIRPORT AUTHORITY
REVENUES COMPARED WITH BUDGET
TERMINAL REVENUES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Miscellaneous rents			
Utilities	46,902	60,000	78.2%
Janitorial	246,508	200,000	123.3%
Total miscellaneous rents	293,410	260,000	112.9%
Total Terminal A Complex revenues	9,494,746	9,438,868	100.6%
Terminal C Complex			
Fixed space rents			
Aeronautical Radio	6,000	7,267	82.6%
American Airlines	3,562,259	3,924,623	90.8%
American Eagle Airlines	107,188	135,492	79.1%
Charter Express	8,498	25,528	33.3%
CLS Management - Travelex	6,000	3,000	200.0%
Anton Airfood	81,446	81,446	100.0%
Fleet Delivery Service	2,302	2,302	100.0%
Iskcon	300	300	100.0%
State Employees' Credit Union - ATM	2,760	2,760	100.0%
Lee Airport Concessions	17,320	17,320	100.0%
Paradies	1,482	8,892	16.7%
RDU Air Ventures	20,961	20,961	100.0%
Transportation Security Administration	48,601	27,843	174.6%
Total fixed space rents	3,865,117	4,257,734	90.8%

RALEIGH - DURHAM AIRPORT AUTHORITY
REVENUES COMPARED WITH BUDGET
TERMINAL REVENUES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Percentage rents			
24-Hour Flower	1,805	1,440	125.3%
Anton's Airfood:			
Cyber Café	236,757	181,800	130.2%
Jersey Mike's	52,895	25,100	210.7%
Pinehurst Microbrewery	52,956	16,800	315.2%
Maui Taco	28,825	13,200	218.4%
Airport Channel	-	4,000	-
Classic Food Services	5,219	-	N/A
Cash Plaace	2,656	2,400	110.7%
Interspace Airport Advertising	335,021	260,800	128.5%
Lee Airport Concessions:			
Seattle's Best Coffee	21,201	13,900	152.5%
Vie De France	27,699	26,300	105.3%
RDU Air Ventures:			
Hudson Books & News	207,795	105,300	197.3%
Smarte Cart	3,081	3,300	93.4%
Travelex	4,097	4,000	102.4%
The Paradies Shops:			
ACC Shop	39,009	31,200	125.0%
A Southern Season	67,689	65,000	104.1%
Telephones - Kellee Communications	7,345	5,300	138.6%
Telephones - AT&T	9,297	-	N/A
Checkpoint Mailers	492	-	N/A
Sky Chefs	512,668	503,900	101.7%
Total percentage rents	1,616,507	1,263,740	127.9%

RALEIGH - DURHAM AIRPORT AUTHORITY

REVENUES COMPARED WITH BUDGET

TERMINAL REVENUES

Year Ended March 31, 2004

Miscellaneous rents	Actual	Budget	Percent of Budget
FIS international passenger deplaning fee	498,250	500,000	99.7%
Janitorial Revenues	178,004	75,000	237.3%
Security- Checkpoint/Space- Terminals A & C	758,941	772,794	98.2%
Security-L/E Cost Recovery - Terminals A & C	171,145	157,292	108.8%
Colonial Pipeline	12,068	12,068	100.0%
U.S. Postal Service	17,778	17,778	100.0%
Transportation Security Administration - CTX Space	-	303,131	-
Total miscellaneous rents	1,636,186	1,838,063	89.0%
Total Terminal C Complex revenues	7,117,810	7,359,537	96.7%
TOTAL TERMINAL REVENUES	$ 16,612,556	$ 16,798,405	98.9%

RALEIGH - DURHAM AIRPORT AUTHORITY

REVENUES COMPARED WITH BUDGET

AIR CARGO REVENUES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
North Cargo Complex			
Fixed space rents			
Airborne Express	$ 107,808	$ 107,808	100.0%
BAX Global	100,027	123,469	81.0%
Emery Worldwide	168,528	168,527	100.0%
Kellee Communications Group	5,269	5,043	104.5%
Federal Express	299,498	299,498	100.0%
United Parcel Service	217,123	217,123	100.0%
Worldwide Flight Services	31,439	-	N/A
Total North Cargo Complex revenues	929,692	921,468	100.9%
South Cargo Complex			
Fixed space rents			
American Airlines	372,149	265,900	140.0%
Anton Airfood	64,699	100,525	64.4%
Delta Airlines	83,266	79,641	104.6%
Paradies	54,468	56,719	96.0%
Quantem Aviation	139,390	138,515	100.6%
Southwest Airlines	55,249	54,799	100.8%
Swissport CFE, Inc.	1,200	1,200	100.0%
WH Smith Books Company	1,615	808	199.9%
Total South Cargo Complex revenues	772,036	698,107	110.6%
TOTAL AIR CARGO REVENUES	$ 1,701,728	$ 1,619,575	105.1%

RALEIGH - DURHAM AIRPORT AUTHORITY

REVENUES COMPARED WITH BUDGET

FUEL FARM REVENUES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Fuel Farm			
License Fee - Worldwide	$ 1,200	$ 1,200	100.0%
Jet A Fuel Thru Put	1,067,812	1,000,000	106.8%
Glycol Thru Put	604	1,500	40.3%
TOTAL FUEL FARM REVENUES	$ 1,069,616	$ 1,002,700	106.7%

RALEIGH - DURHAM AIRPORT AUTHORITY

REVENUES COMPARED WITH BUDGET

RENTAL CAR REVENUES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Fixed space rents			
Alamo Rent-A-Car	$ 21,327	$ 21,327	100.0%
Avis Rent-A-Car	45,689	45,690	100.0%
Budget Rent-A-Car	29,119	29,119	100.0%
Dollar Rent-A-Car	13,216	13,216	100.0%
Enterprise Car Rental	10,363	10,363	100.0%
The Hertz Corporation	81,103	81,102	100.0%
National Car Rental	42,837	42,837	100.0%
Triangle Rent-A-Car	12,448	12,448	100.0%
Total fixed space rents	256,102	256,102	100.0%
Percentage rents			
Alamo Rent-A-Car	670,898	520,000	129.0%
Avis Rent-A-Car	1,762,516	1,903,000	92.6%
Budget Rent-A-Car	753,753	852,000	88.5%
Dollar Rent-A-Car	569,971	602,000	94.7%
Enterprise Car Rental	533,978	474,000	112.7%
The Hertz Corporation	2,714,283	2,844,000	95.4%
National Car Rental	1,144,692	987,000	116.0%
Triangle Rent-A-Car	192,704	238,000	81.0%
Off Airport - Thrifty	503,801	545,000	92.4%
Total percentage rents	8,846,596	8,965,000	98.7%
TOTAL RENTAL CAR REVENUES	$ 9,102,698	$ 9,221,102	98.7%

RALEIGH - DURHAM AIRPORT AUTHORITY
REVENUES COMPARED WITH BUDGET
OTHER REVENUES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Fixed space rents			
NC Department of Transportation	$ 33,146	$ 31,019	106.9%
Research Triangle Regional Partnership	37,371	39,179	95.4%
Off airport businesses	74,304	70,000	106.1%
Total fixed rents	144,821	140,198	103.3%
Percentage rents			
Off airport - Thrifty parking	36,950	49,000	75.4%
Off airport - Pre-flight parking	181,374	200,000	90.7%
Total percentage rents	218,324	249,000	87.7%
Other miscellaneous rents			
ID badges	56,145	50,000	112.3%
Dulles Taxi Concession Fees	11,602	30,000	38.7%
Employee parking lot	353,861	340,000	104.1%
Total miscellaneous rents	421,608	420,000	100.4%
Utilities complex revenue	239,463	300,000	79.8%
TOTAL OTHER REVENUES	$ 1,024,216	$ 1,109,198	92.3%

RALEIGH - DURHAM AIRPORT AUTHORITY

COMPARATIVE SUMMARIES OF OPERATING EXPENSES BY COST CENTER

Years Ended March 31, 2004 and 2003

	Amount		Percent of Total Operating Expenses	
	2004	2003	2004	2003
Operating expenses				
Airport facilities	$ 9,397,740	$ 7,600,242	18.6%	16.1%
Administrative	4,100,417	3,861,780	8.1%	8.2%
Law enforcement	2,659,697	3,092,642	5.3%	6.5%
Airport maintenance	3,147,746	2,935,763	6.3%	6.2%
Parking	2,622,633	2,688,337	5.2%	5.7%
Emergency services	1,235,362	1,146,471	2.5%	2.4%
Visitor services	461,741	440,341	0.9%	0.9%
Communications	477,917	470,381	0.9%	1.0%
Operations	987,559	901,934	2.0%	1.9%
Grounds transportation division	3,822,417	4,206,882	7.6%	8.9%
Depreciation	21,404,074	19,980,933	42.5%	42.2%
Total operating expenses	$ 50,317,303	$ 47,325,706	100.0%	100.0%

RALEIGH - DURHAM AIRPORT AUTHORITY

SUMMARY OF OPERATING EXPENSES BY COST CENTER

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Operating expenses (excluding depreciation)			
Airport facilities	$ 9,397,740	$ 9,667,960	97.2%
Administrative	4,100,417	4,295,600	95.5%
Law enforcement	2,659,697	2,640,000	100.7%
Airport maintenance	3,147,746	3,214,700	97.9%
Parking	2,622,633	2,900,000	90.4%
Emergency services	1,235,362	1,229,000	100.5%
Visitor services	461,741	510,500	90.4%
Communications	477,917	509,000	93.9%
Operations	987,559	996,740	99.1%
Ground transportation	3,822,417	3,943,000	96.9%
Total operating expenses (excluding depreciation)	28,913,229	29,906,500	96.7%
Depreciation			
Airport facilities	13,600,877	17,885,573	76.0%
Administrative	291,607	225,676	129.2%
Law enforcement	52,903	45,759	115.6%
Airport maintenance	205,470	175,995	116.7%
Parking	6,887,455	4,851,009	142.0%
Emergency services	197,358	197,358	100.0%
Communications	147,532	147,534	100.0%
Operations	20,872	20,938	99.7%
Total depreciation	21,404,074	23,549,842	90.9%
TOTAL OPERATING EXPENSES	$ 50,317,303	$ 53,456,342	94.1%

RALEIGH - DURHAM AIRPORT AUTHORITY

EXPENSES COMPARED WITH BUDGET

AIRPORT FACILITIES OPERATING EXPENSES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Airport facilities			
Airfield complex			
Contracted services	$ -	$ 1,000	-
Contracted Services - Leased Employees	150,352	159,600	94.2%
Electricity	84,784	84,800	100.0%
Fuel - vehicles and equipment	404	1,000	40.4%
Repairs and maintenance			
Equipment	911	10,000	9.1%
General	744	32,000	2.3%
Snow removal	162,086	-	N/A
Supplies	138,070	148,200	93.2%
Telephone	1,216	1,600	76.0%
Insurance	233,995	230,300	101.6%
Total airfield complex	772,562	668,500	115.6%
Terminal A complex			
Contracted Services	906	1,831	49.5%
Electricity	797,380	837,500	95.2%
Fuel - natural gas	128,462	92,100	139.5%
Fuel - vehicles and equipment	276	700	39.4%
Liability Insurance	106,683	105,000	101.6%
Insurance claim	694	5,000	13.9%
Permit administration	2,038	2,050	99.4%
Repairs and maintenance/buildings and grounds			
Public address and music system rental	11,124	12,000	92.7%
Elevators/escalators	77,397	86,000	90.0%
General	102,531	113,000	90.7%
HVAC	51,762	100,000	51.8%
Janitorial	1,113,497	1,074,200	103.7%
Waste Disposal	106,032	117,800	90.0%
Supplies	30,029	93,819	32.0%
Telecommunications	3,796	2,400	158.2%
Total Terminal A complex	2,532,607	2,643,400	95.8%

RALEIGH - DURHAM AIRPORT AUTHORITY

EXPENSES COMPARED WITH BUDGET

AIRPORT FACILITIES OPERATING EXPENSES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Terminal C complex			
Contracted services	253	253	100.0%
Electricity	797,670	833,000	95.8%
Fuel - natural gas	122,838	84,377	145.6%
Fuel - vehicles and equipment	241	600	40.2%
Liability Insurance	132,994	130,900	101.6%
Insurance claim	694	5,000	13.9%
Permit administration	1,480	1,598	92.6%
Repairs and maintenance/buildings and grounds			
Public address and music system rental	680	4,000	17.0%
Elevators/escalators	62,495	67,700	92.3%
General	80,518	89,750	89.7%
HVAC	64,193	84,700	75.8%
Janitorial	799,510	770,000	103.8%
Waste Disposal	62,554	91,400	68.4%
Supplies	29,579	83,272	35.5%
Total Terminal C complex	2,155,699	2,246,550	96.0%
Cargo complex			
North Cargo			
General repairs and maintenance	17,594	10,850	162.2%
Fuel - Natural Gas	536	-	N/A
Electricity	66,406	44,100	150.6%
Liability Insurance	14,119	13,900	101.6%
Insurance claim	173	1,250	13.8%
Permit administration	118	118	100.0%
Repairs and maintenance/Elevators/escalators	1,720	1,750	98.3%
Repairs and maintenance/HVAC	45	1,500	3.0%
Waste disposal	1,613	2,200	73.3%
Supplies	821	1,482	55.4%
Total North Cargo	103,145	77,150	133.7%

RALEIGH - DURHAM AIRPORT AUTHORITY
EXPENSES COMPARED WITH BUDGET
AIRPORT FACILITIES OPERATING EXPENSES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
South Cargo			
Liability Insurance	28,140	27,700	101.6%
Insurance Claim	167	1,200	13.9%
Telecommunications	926	1,200	77.2%
Repairs and maintenance/HVAC	19	100	19.0%
Fuel - Natural Gas	37,588	44,100	85.2%
Electricity - MP4	4,077	11,700	34.8%
Total South Cargo	70,917	86,000	82.5%
Total Cargo Complex	174,062	163,150	106.7%
Fuel Farm Complex			
Insurance	18,801	18,500	101.6%
Electricity	67,806	67,000	101.2%
Operation/Management Fees	991,306	1,000,000	99.1%
Total Fuel Farm Complex	1,077,913	1,085,500	99.3%
General aviation complex			
Telecommunications	2,433	3,200	76.0%
Electricity	9,202	7,000	131.5%
Elevator/escalator repairs and maintenance	1,800	1,900	94.7%
Fuel - Natural Gas	6,207	-	N/A
Small Equipment	279	300	93.0%
General repairs and maintenance	400	1,000	40.0%
HVAC repairs and maintenance	2,617	4,800	54.5%
Janitorial repairs and maintenance	4,717	3,800	124.1%
Supplies	505	880	57.4%
Liability Insurance	22,348	22,000	101.6%
Insurance claim	347	2,500	13.9%
Permit administration	168	220	76.4%
Total general aviation complex	51,023	47,600	107.2%

RALEIGH - DURHAM AIRPORT AUTHORITY
EXPENSES COMPARED WITH BUDGET
AIRPORT FACILITIES OPERATING EXPENSES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Rental car complex			
Electricity	155	-	N/A
Liability Insurance	3,047	3,000	101.6%
Insurance claim	139	1,000	13.9%
Total rental car complex	3,341	4,000	83.5%
Office & Other Buildings complex			
Electricity	13,696	18,000	76.1%
Fuel - natural gas	2,044	3,200	63.9%
Fuel - vehicle and equipment	392	3,400	11.5%
Permit administration	193	200	96.5%
Repairs and maintenance			
Elevators/escalators	1,680	1,750	96.0%
General	31,214	36,950	84.5%
Janitorial	16,275	15,850	102.7%
HVAC	8,133	10,000	81.3%
Waste disposal	20,415	23,400	87.2%
Supplies	8,490	14,500	58.6%
Liability Insurance	12,900	12,700	101.6%
Insurance claim	139	1,000	13.9%
Telecommunications	2,293	3,200	71.7%
Total office & other complex	117,864	144,150	81.8%
Ground transportation complex			
RDU Parking			
Electricity	622,884	724,000	86.0%
Other Contracted Services	1,900	2,000	N/A
Fuel - Vehicles & Equipment	1,285	1,500	85.7%
Liability Insurance	219,462	216,000	101.6%
Insurance claim	1,388	10,000	13.9%
Permit administration	1,446	1,450	99.7%
Repairs and maintenance			
Elevators/Escalators	56,534	63,900	88.5%
Equipment	254	600	42.3%
General	2,412	22,650	10.6%
HVAC	-	1,000	-
Snow Removal	68,657	-	N/A
Janitorial	10,881	10,973	99.2%
Supplies	38,310	37,250	102.8%
Telecommunications	8,948	3,500	255.7%
Total RDU Parking	1,034,361	1,094,823	94.5%

RALEIGH - DURHAM AIRPORT AUTHORITY
EXPENSES COMPARED WITH BUDGET
AIRPORT FACILITIES OPERATING EXPENSES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Taxi Operation			
Supplies	89	-	N/A
Janitorial - Repair & Maintenance	11,931	15,677	76.1%
Waste Disposal - Repair & Maintenance	1,410	2,200	64.1%
Liability Insurance	1,012	1,000	101.2%
Total Taxi Operation	14,442	18,877	76.5%
Ground Transportation Other			
Supplies	24,485	26,750	91.5%
General - Repair & Maintenance	2,427	5,350	45.4%
Equipment - Repair & Maintenance	3,065	9,400	32.6%
Landscaping Contract	820,573	865,410	94.8%
Total Ground Transportation	850,550	906,910	93.8%
Total Ground Transportation Complex	864,992	925,787	93.4%
Utilities complex			
Electricity	4,684	5,000	93.7%
Fuel - vehicles and equipment	34	100	34.0%
Liability Insurance	996	1,000	99.6%
Supplies	4,739	11,450	41.4%
Water and sewer	582,293	600,000	97.0%
Repairs and maintenance			
General	19,933	23,150	86.1%
Water system	29	3,000	1.0%
Telephone	608	800	76.0%
Total utilities complex	613,316	644,500	95.2%
TOTAL AIRPORT FACILITIES	$ 9,397,740	$ 9,667,960	97.2%

RALEIGH - DURHAM AIRPORT AUTHORITY
EXPENSES COMPARED WITH BUDGET
ADMINISTRATIVE EXPENSES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Administrative			
Major Capital Improvements Program			
Salaries	$ 378,553	$ 385,975	98.1%
Health insurance	13,073	19,200	68.1%
Retirement	36,832	32,375	113.8%
Social security	26,132	26,600	98.2%
	454,590	464,150	97.9%
Less amount capitalized as airport development	454,590	464,150	97.9%
Net operating major capital improvements program	-	-	N/A
Facilities and Environmental			
Salaries	288,588	323,400	89.2%
Retirement	40,786	40,325	101.1%
Health insurance	29,592	31,000	95.5%
Social security	31,622	32,675	96.8%
Contracted services	8,137	9,966	81.6%
Fuel - natural gas	2,213	1,800	122.9%
Professional/Education	1,700	2,134	79.7%
Uniforms	110	400	27.5%
Travel	768	1,425	53.9%
Electricity	14,208	15,500	91.7%
Telecommunications	16,535	15,400	107.4%
Small equipment	263	575	45.7%
Repairs and maintenance			
Computer Software	5,450	6,000	90.8%
Janitorial	77,209	75,600	102.1%
Supplies	3,556	3,900	91.2%
Printer supplies	528	1,000	52.8%
Printing	-	200	-
Postage	481	900	53.4%
Computer Software	3,902	4,000	97.6%
Copiers	2,887	3,200	90.2%
Liability Insurance	44,100	43,400	101.6%
Legal fees	2,241	10,000	22.4%
Permit administration	3,609	4,000	90.2%
Total facilities and environmental	578,485	626,800	92.3%

RALEIGH - DURHAM AIRPORT AUTHORITY

EXPENSES COMPARED WITH BUDGET

ADMINISTRATIVE EXPENSES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Airport director's office			
Salaries	495,660	551,875	89.8%
Retirement	46,889	53,450	87.7%
Health insurance	14,940	18,700	79.9%
Social security	31,388	32,125	97.7%
Professional/Education	50,867	46,916	108.4%
Travel	15,683	17,000	92.3%
Electricity	26,587	31,500	84.4%
Telecommunications	4,956	4,600	107.7%
Advertising	122	200	61.0%
Promotional	4,667	6,000	77.8%
Fuel - natural gas	2,213	1,800	122.9%
Supplies	2,318	2,400	96.6%
Printing	-	100	-
Postage	1,293	2,250	57.5%
Copiers	2,887	3,300	87.5%
Liability Insurance	35,967	35,400	101.6%
Legal fees	148,143	144,000	102.9%
Authority Per Diem	-	4,800	-
Moving Expenses	6,676	5,084	131.3%
Unemployment compensation	35,186	35,200	100.0%
Total airport director's office	926,442	996,700	93.0%

RALEIGH - DURHAM AIRPORT AUTHORITY
EXPENSES COMPARED WITH BUDGET
ADMINISTRATIVE EXPENSES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Customer service and organizational support			
Salaries	388,638	404,875	96.0%
Retirement	32,260	34,975	92.2%
Health insurance	22,266	26,075	85.4%
Social security	27,632	29,975	92.2%
Tuition assistance	6,938	10,000	69.4%
Contracted services	39,810	41,000	97.1%
Copiers	4,331	5,000	86.6%
Postage	4,081	4,400	92.8%
Professional/Education	4,510	6,400	70.5%
Travel	4,111	7,800	52.7%
Telecommunications	6,956	9,000	77.3%
Small Equipment	948	1,000	94.8%
Promotional	15,767	19,450	81.1%
Software	3,007	5,950	50.5%
Printing	19,908	36,000	55.3%
Supplies	2,349	2,600	90.3%
Total customer service and organizational support	583,512	644,500	90.5%
Noise			
Salaries	43,873	45,525	96.4%
Retirement	4,421	4,500	98.2%
Health insurance	4,552	4,950	92.0%
Social security	3,060	3,475	88.1%
Advertising	8,091	8,125	99.6%
Contracted services	36,532	37,765	96.7%
Professional/Education	1,457	1,800	80.9%
Repairs and maintenance - equipment	-	100	-
Travel	994	1,010	98.4%
Supplies	360	355	101.4%
Copiers	962	1,200	80.2%
Legal fees	-	1,300	-
Postage	4,541	4,550	99.8%
Printing	4,330	4,425	97.9%
Small equipment	15	20	75.0%
Liability Insurance	817	900	90.8%
Total noise	114,005	120,000	95.0%

RALEIGH - DURHAM AIRPORT AUTHORITY
EXPENSES COMPARED WITH BUDGET
ADMINISTRATIVE EXPENSES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Administration			
Salaries	346,956	330,625	104.9%
Retirement	25,603	25,100	102.0%
Health insurance	61,243	31,975	191.5%
Social security	24,030	25,300	95.0%
Employee assistance program	5,000	6,000	83.3%
Legal fees	13,820	25,000	55.3%
Professional/Education	7,126	9,000	79.2%
Physical Examinations	-	150	-
Small Equipment	5,998	3,500	171.4%
Software	2,140	4,600	46.5%
Travel	3,820	3,900	97.9%
Telecommunications	7,020	6,800	103.2%
Supplies	2,003	2,450	81.8%
Printing	4,426	5,000	88.5%
Copiers	3,369	3,000	112.3%
Postage	2,081	2,000	104.1%
Contracted services	19,080	46,000	41.5%
Promotional	7,623	8,600	88.6%
Advertising	18,103	25,000	72.4%
Total administration	559,441	564,000	99.2%

RALEIGH - DURHAM AIRPORT AUTHORITY
EXPENSES COMPARED WITH BUDGET
ADMINISTRATIVE EXPENSES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Finance			
Salaries	704,834	713,275	98.8%
Retirement	61,644	62,050	99.3%
Health insurance	48,058	57,150	84.1%
Social security	49,896	54,575	91.4%
Professional/Education	5,304	9,200	57.7%
Oracle ASP services	195,815	177,700	110.2%
Travel	4,682	7,000	66.9%
Telecommunications	17,625	14,200	124.1%
Repairs and maintenance - equipment	125	250	50.0%
Small equipment	2,286	4,650	49.2%
Supplies	4,483	7,400	60.6%
Printing	4,082	5,000	81.6%
Copiers	6,738	7,200	93.6%
Software	10,108	10,200	99.1%
Hardware maintenance	1,835	2,450	74.9%
Media and documentation	59	100	59.0%
Printer supplies	4,613	7,100	65.0%
Postage	3,234	3,600	89.8%
Audit	26,500	26,500	100.0%
Contracted services	16,599	2,500	664.0%
Total finance	1,168,520	1,172,100	99.7%
Business development			
Salaries	131,019	126,550	103.5%
Retirement	12,646	12,550	100.8%
Health insurance	7,129	7,800	91.4%
Social security	9,249	9,700	95.4%
Copying	1,444	1,500	96.3%
Postage	562	800	70.3%
Professional/education	1,498	2,300	65.1%
Printing	(518)	-	N/A
Supplies	884	1,700	52.0%
Telecommunications	3,058	2,800	109.2%
Travel	3,041	5,800	52.4%
Total business development	170,012	171,500	99.1%
TOTAL ADMINISTRATIVE	$ 4,100,417	$ 4,295,600	95.5%

RALEIGH - DURHAM AIRPORT AUTHORITY

EXPENSES COMPARED WITH BUDGET

OPERATIONS EXPENSES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Operations			
Salaries	$ 608,127	$ 565,400	107.6%
Retirement/ 401K Match	44,203	41,250	107.2%
Health insurance	46,374	52,300	88.7%
Social security	43,044	43,250	99.5%
Contracted services	175,487	201,240	87.2%
Physical examinations	160	200	80.0%
Professional/Education	2,889	10,000	28.9%
Travel	5,977	10,000	59.8%
Telecommunications	13,277	14,800	89.7%
Repairs and maintenance - equipment	2,171	6,000	36.2%
Small equipment	4,061	6,800	59.7%
Supplies	20,593	20,000	103.0%
Copiers	1,444	2,000	72.2%
Postage	570	1,200	47.5%
Liability Insurance	15,850	15,600	101.6%
Permit administration	25	200	12.5%
Printing	1,354	4,000	33.9%
Uniforms	1,953	2,500	78.1%
TOTAL OPERATIONS	$ 987,559	$ 996,740	99.08%

RALEIGH - DURHAM AIRPORT AUTHORITY

EXPENSES COMPARED WITH BUDGET

LAW ENFORCEMENT EXPENSES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Law enforcement			
Salaries	$ 2,074,710	$ 1,998,625	103.8%
Retirement/ 401K Match	145,261	158,675	91.5%
Health insurance	125,103	136,225	91.8%
Social security	154,007	150,075	102.6%
Professional/Education	6,198	12,114	51.2%
K-9 program	3,962	5,000	79.2%
Travel	4,543	9,000	50.5%
Physical examinations	15,491	17,250	89.8%
Telecommunications	19,169	19,500	98.3%
Repairs and maintenance - equipment	1,948	4,000	48.7%
Small equipment	4,152	6,500	63.9%
Supplies	19,733	26,886	73.4%
Uniforms	17,672	25,000	70.7%
Printing	2,009	3,000	67.0%
Copying	6,256	7,200	86.9%
Postage	281	500	56.2%
Liability Insurance	57,402	56,500	101.6%
Police identification systems	1,800	3,950	45.6%
TOTAL LAW ENFORCEMENT	$ 2,659,697	$ 2,640,000	100.7%

RALEIGH - DURHAM AIRPORT AUTHORITY
EXPENSES COMPARED WITH BUDGET
AIRPORT MAINTENANCE EXPENSES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Airport maintenance			
Salaries	$ 1,635,066	$ 1,672,925	97.7%
Retirement/ 401K Match	132,829	130,950	101.4%
Health insurance	136,411	154,675	88.2%
Social security	118,933	127,950	93.0%
Contracted services	1,250	1,800	69.4%
Professional/Education	1,034	1,500	68.9%
Physical examinations	1,426	2,500	57.0%
Telecommunications	19,971	20,000	99.9%
Printing	287	312	N/A
Postage	1,027	1,000	102.7%
Travel	961	2,600	37.0%
Electricity	49,696	54,200	91.7%
Repairs and maintenance			
Janitorial	43,869	44,200	99.3%
Waste disposal	1,738	2,200	79.0%
Equipment	573	600	95.5%
Fuel	21,282	21,400	99.4%
Small equipment	11,987	19,000	63.1%
Supplies	9,773	19,888	49.1%
Copiers	4,139	4,200	98.5%
Liability Insurance	74,580	73,400	101.6%
Uniforms	22,677	23,000	98.6%
Total airport maintenance	2,289,509	2,378,300	96.3%
Fleet maintenance			
Salaries	307,087	272,400	112.7%
Health insurance	18,863	21,450	87.9%
Social security	22,618	20,850	108.5%
Retirement/ 401K Match	26,544	23,550	112.7%
Fuel - vehicles and equipment	237,600	241,000	98.6%
Professional/Education	57	400	14.3%
Physical examinations	-	250	-
Repairs and maintenance - equipment	45,477	46,300	98.2%
Supplies	186,696	196,000	95.3%
Uniforms	3,636	3,700	98.3%
Insurance	7,218	7,100	101.7%
Small equipment	2,441	2,900	84.2%
Travel	-	500	-
Total fleet maintenance	858,237	836,400	102.6%
TOTAL AIRPORT MAINTENANCE	$ 3,147,746	$ 3,214,700	97.9%

RALEIGH - DURHAM AIRPORT AUTHORITY
EXPENSES COMPARED WITH BUDGET
PARKING EXPENSES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Parking			
Salaries	$ 1,060,609	$ 970,425	109.3%
Retirement/ 401K Match	80,242	67,450	119.0%
Health insurance	75,656	89,075	84.9%
Social security	77,874	74,250	104.9%
Abandoned vehicles	230	1,500	15.3%
Advertising	175	200	87.5%
Professional/Education	1,736	20,400	8.5%
Travel	2,663	10,000	26.6%
Electricity	5,815	5,000	116.3%
Telecommunications	35,050	39,400	89.0%
Repairs and maintenance			
Computer Hardware	1,399	-	N/A
Janitorial	37,212	38,350	97.0%
Waste disposal	927	16,500	5.6%
Equipment	186	1,000	18.6%
Supplies	15,879	28,000	56.7%
Physical examinations	160	350	45.7%
Small equipment	9,506	11,000	86.4%
Software	-	3,000	-
Printing	443	1,700	26.1%
Postage	811	1,200	67.6%
Copiers	6,703	10,500	63.8%
Credit Card Fees	321,125	275,000	116.8%
Liability Insurance	24,080	23,700	101.6%
Contracted services	835,903	1,120,000	74.6%
Hardware/computer	2,100	5,000	42.0%
Hardware/maintenance	-	46,000	-
Printer supplies	25,261	36,200	69.8%
Uniforms	888	4,800	18.5%
TOTAL PARKING	$ 2,622,633	$ 2,900,000	90.4%

RALEIGH - DURHAM AIRPORT AUTHORITY

EXPENSES COMPARED WITH BUDGET

EMERGENCY SERVICES EXPENSES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Emergency services			
Salaries	$ 905,703	$ 884,650	102.4%
Retirement/ 401K Match	72,630	69,975	103.8%
Health insurance	68,009	75,425	90.2%
Social security	65,422	66,050	99.0%
Professional/Education	11,089	13,000	85.3%
Travel	5,433	8,300	65.5%
Telephone	15,557	13,600	114.4%
Fuel - Natural Gas	6,367	4,500	141.5%
Physical examinations	5,715	7,250	78.8%
Repairs and maintenance - equipment	6,756	8,000	84.5%
Repairs and maintenance - waste disposal	531	500	106.2%
Supplies	13,345	18,000	74.1%
Uniforms	13,677	14,000	97.7%
Small equipment	12,045	12,500	96.4%
Printing	-	300	-
Copiers	3,467	3,800	91.2%
Postage	147	150	98.0%
Liability Insurance	29,469	29,000	101.6%
TOTAL EMERGENCY SERVICES	$ 1,235,362	$ 1,229,000	100.5%

RALEIGH - DURHAM AIRPORT AUTHORITY
EXPENSES COMPARED WITH BUDGET
VISITOR SERVICES EXPENSES
Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Visitor services			
Salaries	$ 338,389	$ 367,525	92.1%
Retirement	26,905	29,175	92.2%
Health insurance	35,387	43,000	82.3%
Accident insurance	-	300	-
Social security	25,075	28,100	89.2%
Advertising	1,408	1,001	140.7%
Contracted services	-	1,300	-
Professional/Education	2,018	2,500	80.7%
Promotional	6,127	6,700	91.4%
Travel	895	2,949	30.3%
Telecommunications	7,658	8,550	89.6%
Small equipment	894	1,000	89.4%
Supplies	1,664	1,800	92.4%
Uniforms	1,852	2,250	82.3%
Printing	2,304	3,300	69.8%
Copiers	962	1,000	96.2%
Postage	242	250	96.8%
Liability Insurance	9,961	9,800	101.6%
TOTAL VISITOR SERVICES	$ 461,741	$ 510,500	90.4%

RALEIGH - DURHAM AIRPORT AUTHORITY

EXPENSES COMPARED WITH BUDGET

COMMUNICATIONS EXPENSES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Communications			
Salaries	$ 313,269	$ 319,000	98.2%
Retirement/ 401K Match	21,501	20,200	106.4%
Health insurance	25,989	32,750	79.4%
Social security	22,322	24,400	91.5%
DCI Access Fees	900	3,950	22.8%
Professional/Education	40	1,100	3.6%
Travel	712	3,619	19.7%
Telecommunications	46,588	49,600	93.9%
Repairs and maintenance - equipment	31,416	33,084	95.0%
Supplies	1,230	1,230	100.0%
Physical examinations	1,585	1,785	88.8%
Postage	136	150	90.7%
Small equipment	5,995	11,482	52.2%
Uniforms	443	950	46.6%
Liability Insurance	5,791	5,700	101.6%
TOTAL COMMUNICATIONS	$ 477,917	$ 509,000	93.9%

RALEIGH - DURHAM AIRPORT AUTHORITY

EXPENSES COMPARED WITH BUDGET

GROUNDS TRANSPORTATION DIVISION EXPENSES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Ground transportation			
Salaries	$ 302,478	$ 320,775	94.3%
Health insurance	27,097	26,650	101.7%
Retirement/ 401K Match	18,883	21,700	87.0%
Social security	21,869	24,525	89.2%
Copiers	3,850	4,500	85.6%
Liability Insurance	72,447	71,300	101.6%
Physical examinations	2,370	2,500	94.8%
Postage	414	2,000	20.7%
Printing	4,629	5,650	81.9%
Professional/Education	986	3,000	32.9%
Contracted services - Bus Drivers	1,407,778	1,553,000	90.6%
Repairs and maintenance - equipment	22,296	24,000	92.9%
Repairs and maintenance - janitorial	9,379	9,000	104.2%
Shuttle van rental	783,391	737,300	106.3%
Small equipment	953	953	100.0%
Supplies	6,795	7,350	92.4%
Telecommunications	13,063	14,800	88.3%
Travel	1,074	4,500	23.9%
Uniforms	10,309	11,997	85.9%
Total ground transportation	2,710,061	2,845,500	95.2%

RALEIGH - DURHAM AIRPORT AUTHORITY

EXPENSES COMPARED WITH BUDGET

GROUNDS TRANSPORTATION DIVISION EXPENSES

Year Ended March 31, 2004

	Actual	Budget	Percent of Budget
Traffic control			
Salaries	849,719	815,900	104.1%
Health insurance	84,234	97,925	86.0%
Retirement/ 401K Match	66,548	63,000	105.6%
Social security	61,310	62,500	98.1%
Contracted services	4,469	6,071	73.6%
Professional dues and education	1,096	1,600	68.5%
Liability Insurance	21,641	21,300	101.6%
Physical exam	3,040	4,000	76.0%
Printing	1,522	3,350	45.4%
Repairs and maintenance - equipment	498	554	89.9%
Small equipment	1,384	1,400	98.9%
Supplies	2,476	2,400	103.2%
Travel	193	2,500	7.7%
Uniforms	14,226	15,000	94.8%
Total traffic control	1,112,356	1,097,500	101.4%
TOTAL GROUNDS TRANSPORTATION DIVISION	$ 3,822,417	$ 3,943,000	96.9%

RALEIGH - DURHAM AIRPORT AUTHORITY

DETAILS OF AIRPORT AND FACILITIES

Year Ended March 31, 2004

	Total	Authority Funds	Federal and State Funds
Land	$ 35,067,463	$ 33,288,116	$ 1,779,347
Landing field and grounds	410,839,381	348,067,482	62,771,899
Terminal buildings	87,261,336	86,985,066	276,270
Other buildings	59,615,761	53,034,597	6,581,164
Utilities	3,924,926	3,719,413	205,513
Equipment	11,939,490	11,886,004	53,486
Construction in progress	113,883,239	88,623,469	25,259,770
TOTAL DETAILS OF AIRPORT AND FACILITIES	$ 722,531,596	$ 625,604,147	$ 96,927,449

RALEIGH - DURHAM AIRPORT AUTHORITY
SUMMARY OF DEPRECIATION
Year Ended March 31, 2004

Departmental	
Administrative	$ 291,607
Parking	6,887,445
Emergency services	197,358
Airport maintenance	205,470
Law enforcement	52,903
Facilities and environmental	88,901
Operations	20,872
Communications	147,532
Total departmental	7,892,088
Nondepartmental	
Airfield complex	2,241,378
Terminal A complex	
Buildings and improvements	3,310,446
Terminal C complex	
Buildings and improvements	1,300,610
General aviation complex	
Buildings and improvements	58,790
Cargo complex	
Buildings and improvements	1,397,402
Ground transportation complex	
Roadways	3,308,430
Fuel Farm complex	73,500
Office & Other Buildings complex	1,438,007
Utilities complex	260,952
Rental Car complex	122,471
TOTAL DEPRECIATION	$ 21,404,074

RALEIGH - DURHAM AIRPORT AUTHORITY

SUMMARY OF CAPITAL PROJECTS FUNDS

SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET

Year Ended March 31, 2004

		Expenditures			Unexpended
	Budget	Prior Year	Current Year	Total	Budget March 31, 2004
General Airport Projects	$ 28,475,000	$ 23,016,115	$ 2,043,038	$ 25,059,153	$ 3,415,847
Terminal Area Projects	72,820,000	10,779,076	22,594,997	33,374,073	39,445,927
Non-Terminal Area Projects	94,250,000	54,922,799	18,381,733	73,304,532	20,945,468
General Airport Revenue Bond Projects	140,600,000	98,112,485	32,302,613	130,415,098	10,184,902
TOTAL CAPITAL PROJECTS	$ 336,145,000	$ 186,830,475	$ 75,322,381	$ 262,152,856	$ 73,992,144