

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina

FINANCIAL STATEMENTS AND COMPLIANCE

As of and for the Year Ended June 30, 2025

And Reports of Independent Auditor

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina

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Report of Independent Auditor

To the Board Members and Management
New Hanover County Airport Authority
Wilmington, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the New Hanover County Airport Authority (the "Authority"), a component unit of New Hanover County, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental financial data, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying other supplementary information, as listed in the table of contents, and schedule of passenger facility charges, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of passenger facility charges is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2025, 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 grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
September 30, 2025

FINANCIAL SECTION

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2025

As management of the New Hanover County Airport Authority ("Authority"), we offer readers of our financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2025. We encourage readers to read the information presented here in conjunction with the financial statements and accompanying notes to the financial statements, which follow this narrative.

The Authority is responsible for the operation and maintenance of the Wilmington International Airport (ILM) facilities.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$262,421,601 (net position) at June 30, 2025. Of this amount, \$72,460,911 is unrestricted and available to meet ongoing future obligations of the Authority including its share of capital projects.
- Capital asset expenditures for the year ended June 30, 2025 were \$41,278,487 compared to \$23,353,418 expended in the year ended June 30, 2024, as the Authority is still engaged in ongoing construction projects.
- Net position increased \$40,838,397 during the year ended June 30, 2025 compared to an increase of \$24,688,716 during the year ended June 30, 2024. The unrestricted portion of net position increased \$5,821,223 during the year ended June 30, 2025 compared to an increase of \$8,630,581 during the year ended June 30, 2024. Net position invested in capital assets, which is net of related debt, increased \$31,368,528 during the year ended June 30, 2025 compared to an increase of \$12,281,644 during the year ended June 30, 2024.
- Operating income before depreciation and amortization of \$1,894,494 for the current year reflects a decrease of \$1,279,931 from the prior year's operating income before depreciation and amortization of \$3,174,425.
- The statement of cash flows, which identifies the sources and uses of cash activity for the fiscal year, indicates cash and cash equivalents decreased \$16,997,635 from the prior year.

Overview of the Financial Statements

The financial statements of the Authority consist of five components. They are as follows:

- Management's Discussion and Analysis
- Financial Statements
- Notes to the Financial Statements
- Required Supplemental Financial Data
- Other Supplementary Information

Our financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Authority is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These are followed by notes to the financial statements. In addition to the financial statements, this report also contains required supplemental information and other supplemental information that will enhance the reader's understanding of the financial condition of the Authority.

The statement of net position presents information on the Authority's net position – the difference between total assets plus deferred outflows and total liabilities plus deferred inflows. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2025

The statement of revenues, expenses, and changes in net position reports the operating revenues and expenses and nonoperating revenues and expenses of the Authority for the fiscal year with the difference – income or loss before capital contributions – being combined with any capital contributions to determine the change in net position for the fiscal year. That change combined with last year-end net position total reconciles to the net position total at the end of this fiscal year.

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year.

Financial Information

Net Position – The following schedule presents a summary of net position at June 30, 2025 and 2024.

	June 30, 2025	June 30, 2024	Increase (Decrease)
Current and other assets	\$ 136,213,731	\$ 148,753,112	\$ (12,539,381)
Restricted assets	20,053,922	16,405,271	3,648,651
Capital assets, net	181,156,463	148,336,661	32,819,802
Total Assets	337,424,116	313,495,044	23,929,072
Pension deferrals	1,280,133	1,480,560	(200,427)
OPEB deferrals	37,551	66,936	(29,385)
Total Deferred Outflows of Resources	1,317,684	1,547,496	(229,812)
Current liabilities	10,195,066	8,185,219	2,009,847
Net LGERS pension liability	2,417,694	2,368,548	49,146
Total LEO pension liability	52,492	68,834	(16,342)
OPEB liability	208,466	220,402	(11,936)
Unearned grant revenue	-	19,110,947	(19,110,947)
Long-term debt	3,255,231	5,150,605	(1,895,374)
Total Liabilities	16,128,949	35,104,555	(18,975,606)
Pension deferrals	17,811	9,338	8,473
OPEB deferrals	91,336	118,208	(26,872)
Lease deferrals	60,082,103	58,227,225	1,854,878
Total Deferred Inflows of Resources	60,191,250	58,354,771	1,836,479
Net Position:			
Net investment in capital assets	169,906,768	137,641,347	32,265,421
Restricted	20,053,922	16,405,271	3,648,651
Unrestricted	72,460,911	67,536,586	4,924,325
Total Net Position	\$ 262,421,601	\$ 221,583,204	\$ 40,838,397

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2025

Change in Net Position – The following schedule presents a summary of the change in net position for the fiscal years ended June 30, 2025 and 2024:

	For the Years Ended June 30,		Increase
	2025	2024	(Decrease)
Operating Revenues:			
Aviation	\$ 2,435,308	\$ 2,159,424	\$ 275,884
Parking	7,056,587	6,909,071	147,516
Rent	1,757,414	1,501,236	256,178
Commissions	3,287,885	2,627,017	660,868
Security	122,709	601,622	(478,913)
Lease revenue	2,166,697	2,208,758	(42,061)
Miscellaneous	633,791	491,016	142,775
Total Operating Revenues	17,460,391	16,498,144	962,247
Operating Expenses:			
Salaries and employee benefits	5,501,769	4,902,759	599,010
Contracted services	2,721,279	1,961,376	759,903
Utilities	821,049	719,605	101,444
Repairs and maintenance	1,148,434	1,347,544	(199,110)
Other operating expenses	5,373,371	4,392,435	980,936
Depreciation and amortization	8,368,516	8,565,025	(196,509)
Total Operating Expenses	23,934,418	21,888,744	2,045,674
Operating Loss	(6,474,027)	(5,390,600)	(1,083,427)
Nonoperating Revenues (Expense):			
Interest revenue	3,373,291	3,383,314	(10,023)
Lease interest revenue	1,517,241	1,517,291	(50)
Passenger facility charge	3,863,378	3,237,003	626,375
Contract facility charge	2,371,963	1,356,094	1,015,869
Gain on disposal of assets	(502,269)	(45,133)	(457,136)
Air service development revenue	-	371,977	(371,977)
Air service development expense	(18,947)	(333,790)	314,843
Hurricane related revenue	-	15,169	(15,169)
Interest expense	(137,218)	(172,524)	35,306
Lease interest expense	(568)	(1,094)	526
Subscription interest expense	(12,986)	(6,094)	(6,892)
Total Nonoperating Revenues, Net	10,453,885	9,322,213	1,131,672
Income Before Capital Contributions	3,979,858	3,931,613	48,245
Capital contributions	36,858,539	20,757,103	16,101,436
Change in net position	40,838,397	24,688,716	16,149,681
Net position, July 1	221,583,204	195,940,756	25,642,448
Restatement	-	953,732	(953,732)
Net position, July 1, restated	221,583,204	196,894,488	24,688,716
Net Position, June 30	\$ 262,421,601	\$ 221,583,204	\$ 40,838,397

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2025

Payments towards ongoing capital projects resulted in a decrease in current assets of 17.0%. Total assets, however, increased 7.6% due to new capital assets being placed into service. The recognition of \$19,110,947 of unearned grant revenue for the year ended June 30, 2025 contributed to the 54.1% decrease in total liabilities.

Capital Assets

During the fiscal year ended June 30, 2025, the Authority expended \$41,278,487 on capital assets. This included \$2,603,648 for airfield improvements, \$35,956,093 for improvements to the roadway and parking infrastructure of the business park, \$973,235 for rental car-related improvements, and \$1,152,122 for other equipment. At June 30, 2025, commitments for future outlays were approximately \$81,522,463.

Long-Term Debt

The aggregate balance of long-term debt at June 30, 2025, is \$5,069,094. The Authority's debt service for the year ended June 30, 2025 was \$2,309,267 for principal and \$137,218 for interest.

Operating revenues for the current year increased 5.8% from the previous year. The increase is due largely to an increase in certain rates and fees that affect revenues that include parking, commissions, and other aviation revenues as well as an increase in passengers as demand for travel increased from the previous year.

Operating expenses for the current year increased 9.3% from the previous year. The increase is due largely to the increased cost of operating a larger facility and expenditures associated with projects that cannot be capitalized.

Nonoperating revenues in the current year include contract facility charges from contracts with rental car agencies, effective February 1, 2024, for ten years, which contain provisions for contract facility charges that are intended to be used for capital improvements and maintenance of rental car facilities.

Economic Factors and Next Year's Budget

Commercial airline passenger traffic at Wilmington International Airport was up 18.9% for the year ended June 30, 2025 compared to the prior fiscal year. Airlines provided a substantial increase in seat capacity and passengers responded positively. Increased passenger numbers along with strong fares are producing high yields for the airlines and is viewed as favorable to the Authority. The continued introduction of additional seats in the market by the airlines looks positive for the future. Long-term forecasts show an increase in passenger traffic nationwide. The Authority expects an increase in traffic for the upcoming year. Revenue streams continue to be strong across all lines of business for the Authority.

The Contract Facility Charge and Passenger Facility Charge collections were in line with expectations and forecasts for future passenger growth should result in strong collections going forward. As a result, the Authority is positioned well for future funding of capital projects and debt service.

Cash reserves along with access to federal and state grants will allow the Authority to continue to fund select capital projects programmed in the Capital Plan.

These factors have been incorporated into the 2026 fiscal year budget.

Requests for Information

The financial report is intended to provide an overview of the finances of the Authority for those with an interest in this organization. Questions concerning any information contained in this report may be directed to the Airport Director, 1740 Airport Boulevard, Wilmington, North Carolina 28405.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
STATEMENT OF NET POSITION

JUNE 30, 2025

ASSETS

Current Assets:

Cash and cash equivalents	\$ 42,739,755
Investments	25,212,558
Trade accounts receivable, net	1,089,751
Current portion of lease receivable	815,095
Lease interest receivable	190,913
Capital grants receivable	1,827,592
Other accounts receivable	402,163
Prepaid expenses	561,082
	<hr/>
Total current assets	72,838,909
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Noncurrent Assets:

Restricted Assets:

Cash - passenger facility charges	13,568,733
Other receivable - passenger facility charges	649,084
Cash - contract facility charges	5,836,105
Lease receivable	63,374,822

Capital assets

Capital assets not being depreciated	128,997,344
Capital assets being depreciated and amortized, net	52,159,119

Total capital assets	<hr/> 181,156,463
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Total noncurrent assets	<hr/> 264,585,207
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Total assets	<hr/> 337,424,116
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Deferred Outflows of Resources

Pension deferrals	1,280,133
OPEB deferrals	37,551
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Total deferred outflows of resources	1,317,684
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The accompanying notes to the financial statements are an integral part of these financial statements.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2025

LIABILITIES

Current Liabilities:

Trade accounts payable	\$ 922,642
Current portion of long-term debt	2,262,729
Construction accounts payable	5,611,475
Current portion of lease liability	4,333
Current portion of subscription liability	115,927
Accrued expenses and other liabilities	1,277,960
	<hr/>
Total current liabilities	10,195,066

Noncurrent Liabilities:

Net LGERS pension liability	2,417,694
Total LEO pension liability	52,492
Total OPEB liability	208,466
Long-term debt	3,255,231
	<hr/>
Total noncurrent liabilities	5,933,883
	<hr/>
Total liabilities	16,128,949

Deferred Inflows of Resources

Pension deferrals	17,811
OPEB deferrals	91,336
Lease deferrals	60,082,103
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Total deferred inflows of resources	60,191,250

Net Position

Net investment in capital assets	169,906,768
Restricted	20,053,922
Unrestricted	72,460,911
	<hr/>
Total net position	<u>\$ 262,421,601</u>

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

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2025

Operating Revenues:	
Aviation	\$ 2,435,308
Parking lot	7,056,587
Rent	1,757,414
Commissions	3,287,885
Security	122,709
Lease revenue	2,166,697
Miscellaneous	633,791
Total Operating Revenues	<u>17,460,391</u>
Operating Expenses:	
Salaries and employee benefits	5,501,769
Contracted services	2,721,279
Utilities	821,049
Repairs and maintenance	1,148,434
Other operating expenses	5,373,371
Depreciation and amortization	8,368,516
Total Operating Expenses	<u>23,934,418</u>
Operating Loss	<u>(6,474,027)</u>
Nonoperating Revenues (Expense):	
Interest revenue	3,373,291
Lease interest revenue	1,517,241
Passenger facility charge	3,863,378
Contract facility charge	2,371,963
Loss on disposal of assets	(502,269)
Air service development expense	(18,947)
Interest expense	(150,772)
Total Nonoperating Revenues	<u>10,453,885</u>
Income before Capital Contributions	<u>3,979,858</u>
Capital Contributions:	
Federal grants	10,618,479
State grants	26,176,162
Other grants	63,898
Total Capital Contributions	<u>36,858,539</u>
Change in Net Position	40,838,397
Net Position:	
Beginning of year	<u>221,583,204</u>
End of year	<u><u>\$ 262,421,601</u></u>

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

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025

Cash flows from operating activities:

Cash received from tenants and concessionaires	\$ 16,478,431
Cash payments to suppliers for goods and services	(10,034,222)
Cash payments to employees for services	(5,218,876)
Other miscellaneous revenue	633,791
Net cash from operating activities	<u>1,859,124</u>

Cash flows from capital and related financing activities:

Proceeds from passenger facility charges	3,778,905
Proceeds from contract facility charges	2,371,963
Proceeds from capital contributions - federal grants	11,548,120
Proceeds from capital contributions - state grants	7,065,215
Proceeds from capital contributions - other grants	63,898
Principal payment on long-term debt	(2,309,267)
Interest payments on long-term debt	(137,218)
Acquisition and construction of capital assets	(39,203,757)
Principal payments on leases	(484,035)
Interest payments on leases	1,488,013
Net cash from capital and related financing activities	<u>(15,818,163)</u>

Cash flows from investing activities:

Purchase of U.S. Treasuries	(25,211,005)
Sale of U.S. Treasuries	18,687,307
Interest on investments	3,373,291
Net cash from investing activities	<u>(3,150,407)</u>

Net change in cash and cash equivalents	(16,997,635)
Cash and cash equivalents beginning of year	<u>79,142,228</u>
Cash and cash equivalents end of year	<u>\$ 62,144,593</u>

Reconciliation to cash and cash equivalents:

Cash and cash equivalents	42,739,755
Cash - passenger facility charges	13,568,733
Cash - contract facility charges	5,836,105
	<u>\$ 62,144,593</u>

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

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2025

Reconciliation of operating loss to net cash from operating activities:	
Operating loss	\$ (6,474,022)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	8,368,516
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable:	
Trade	(189,210)
Other	(158,959)
Deferred outflows of resources - pensions	200,427
Deferred outflows of resources - OPEB	29,385
Net pension liability	49,146
Total pension liability	(16,342)
OPEB liability	(11,936)
Deferred inflows of resources - pensions	8,473
Deferred inflows of resources - OPEB	(26,872)
Accounts payable	(490,520)
Accrued expenses and other liabilities	50,612
Prepaid expenses	520,426
	<u>1,859,124</u>
Net cash from operating activities	\$ 1,859,124
Noncash investing, capital, and financing activities:	
Payables for construction, retainages, and land acquisition costs	<u>\$ 2,486,845</u>

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

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Nature of operations and summary of significant accounting policies

The accounting policies of New Hanover County Airport Authority (“Authority”), a component unit of New Hanover County, North Carolina, conform to generally accepted accounting principles (“U.S. GAAP”) as applicable to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity – The Authority is a public body and a body corporate and politic created under the laws of the state of North Carolina. The Authority, which consists of individuals appointed by New Hanover County, North Carolina (the “County”) Board of Commissioners, is responsible for the operation and maintenance of the Wilmington International Airport facilities, which are owned by the County. For financial reporting purposes, in conformity with U.S. GAAP, the Authority is a component unit of the County and is included as such in the County’s annual comprehensive financial report. The Authority has separate corporate powers legally separate from the County but the County appoints a majority of the Authority’s governing body and the Authority’s financial burden on behalf of the County.

Basis of Presentation – The accounts of the Authority are organized and operated on a fund basis.

The Authority accounts for its operations in one proprietary fund, an enterprise fund. Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services.

Measurement Focus and Basis of Accounting – The Authority’s proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned. Contributions are recorded when all eligibility requirements have been met. Expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are charges to tenants and concessionaires for services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In accordance with North Carolina General Statutes, the Authority’s fund is maintained during the year using the modified accrual basis of accounting.

Deposits – All deposits of the Authority are made in board-designated official depositories and are secured as required by North Carolina General Statute 159-31. The Authority may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

Cash and Cash Equivalents – For the purpose of reporting cash flows, cash equivalents are short-term (within 90 days), highly liquid investments that are readily convertible to known amounts of cash and acquired within three months of their maturity date. Cash equivalents include restricted cash from receipt of passenger facility charge revenue and designated cash from contract facility charges.

Allowance for Uncollectible Receivables – Trade accounts receivable are reported net of an allowance in the amount of \$50,000 for possible uncollectible accounts. The allowance for uncollectible accounts is based on collection history, aviation industry trends, and current information regarding the credit worthiness of the tenants and others doing business with the Authority.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Nature of operations and summary of significant accounting policies (continued)

Capital Assets – Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of five years. Donated capital assets received are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

The right-to-use assets are initially measured at an amount equal to the initial measurement of the related liability plus any payments made prior to the term, less incentives, and plus ancillary charges necessary to place the asset into service. The right-to-use assets are amortized on a straight-line basis over the life of the related agreement. For additional information, refer to Note 5.

Depreciation is computed by the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Airfield improvements	10 years
Buildings	25 years
Building improvements, including parking facilities	5-15 years
Vehicles	5-20 years
Machinery and equipment	5-15 years

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net asset that applies to a future period and so will not be recognized as an expense until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net asset that applies to a future period and so will not be recognized as revenue until then. Deferred inflows and outflows include contributions to the pension plan made after its measurement date, differences between expected and actual experience related to the pension, and other postemployment benefits (“OPEB”) liabilities, and lease revenues that apply to future periods.

Compensated Absences – Full-time employees accumulate sick leave and personal leave time in varying amounts depending on the length of service and job classification. Part-time permanent employees who work a minimum of 20 hours per week earn personal leave at a pro rata amount of that granted to full-time employees. Personal leave may accumulate to a maximum of 320 hours per employee and is paid to an employee at termination. Accumulated earned personal leave at June 30, 2025, of \$271,030, has been recorded as a liability and included in accrued expenses and other liabilities.

Sick leave accumulation is not limited. Accumulated sick leave at June 30, 2025, amounted to \$673,525. Sick leave does not vest, but any sick leave accumulated at the time of retirement may be used in the determination of the length of service for retirement benefit purposes. A portion of sick leave is recognized as a liability based on the amount expected to be used for time off. Accumulated earned sick leave at June 30, 2025, of \$62,147, has been recorded as a liability and included in accrued expenses and other liabilities.

New Accounting Pronouncement – Compensated Absences – As of July 1, 2024, the Authority adopted the provisions of GASB 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Nature of operations and summary of significant accounting policies (concluded)

Net Position – Net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by balances in long-term debt that were used to fund capital asset acquisitions, and increased by any unspent debt proceeds.

Restricted – This component of net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments (see Note 10 and Note 11) or imposed by law through state statute.

Unrestricted – This component of net position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets", above.

The Authority has designated \$10,000,000 of unrestricted net position as an emergency reserve and also designated \$15,000,000 of unrestricted net position as an operational reserve.

Note 2—Cash and cash equivalents and investments

A summary of cash and cash equivalents are as follows:

Deposits – All of the Authority's deposits are either insured or collateralized under the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agent in the Authority's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the 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.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The Authority relies on the State Treasurer to monitor those financial institutions. As a formal policy, the Authority maintains a list of authorized financial institutions and complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Cash and cash equivalents and investments (continued)

At June 30, 2025, the Authority’s deposits had a carrying amount of \$32,611,519 and a bank balance of \$32,714,780. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The Authority has a petty cash balance of \$1,000.

As of June 30, 2025, the Authority had the following investments:

<u>Investment Type</u>	<u>Measurement Valuation Method</u>	<u>Value at Fair Value June 30, 2025</u>	<u>Maturity 12 months</u>
U.S. Treasuries	Fair Value Level 1	\$ 25,212,558	\$ 25,212,558
NCCMT - Term Portfolio	Amortized Cost	29,532,074	29,532,074
		<u>\$ 54,744,632</u>	<u>\$ 54,744,632</u>

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of Fair Value Hierarchy – Level 1 investment securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk – Interest rate risk is the risk that rising interest rates will adversely affect the fair value of an interest bearing investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority limits the investment portfolio to 24 months.

Credit Risk – The Authority has a formal policy regarding credit risk and has internal management procedures that limits the Authority’s investment to the provisions of G.S. 159-30 and restricted the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations. The Authority’s investment in the NCCMT Government Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2025. The Authority has no formal policy regarding credit risk on its investments.

G.S. 159-30(C) authorizes the Authority to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principle of such obligations is fully guaranteed by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-acceptances; and the North Carolina Capital Management Trust (NCCMT), a SEC registered mutual fund, dedicated to serving North Carolina public units.

The Authority places no formal limit on the amount that the Authority may invest in any one issuer.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 3—Capital assets

The County holds title to certain properties which are reflected as capital assets in the financial statements of the Authority. Under a lease agreement amended in 2022, the County leases the facilities to the Authority for \$1 per year through 2082. The lease gives the Authority full use of the facilities and contains certain restrictions including requiring that the facility be used as an airport, and that the Authority carry insurance, maintain the facilities, notify the County prior to disposing of certain assets, and certain other restrictions. At June 30, 2025, the Authority was in compliance with the terms of the lease.

Capital asset activity for the Authority for the year ended June 30, 2025 follows:

	Balance July 1, 2024	Additions	Disposals	Transfers	Balance June 30, 2025
Capital assets not being depreciated:					
Land	\$ 15,939,523	\$ -	\$ -	\$ -	\$ 15,939,523
Easements	888,167	-	-	-	888,167
Construction in progress	72,542,405	39,739,885	(86,186)	(26,450)	112,169,654
Total capital assets not being depreciated	89,370,095	39,739,885	(86,186)	(26,450)	128,997,344
Capital assets being depreciated and amortized:					
Land improvements	7,006,494	-	-	-	7,006,494
Airfield improvements	117,064,357	-	-	26,450	117,090,807
Buildings and improvements	71,882,330	326,022	(23,167)	-	72,185,185
Vehicles	3,317,009	320,447	-	-	3,637,456
Machinery and equipment	12,854,364	298,743	(164,551)	-	12,988,556
Furniture and fixtures	487,014	-	-	-	487,014
Equipment, right to use asset	60,974	-	(39,442)	-	21,532
Software, subscription right to use asset	562,922	593,390	(13,255)	-	1,143,057
Total capital assets being depreciated and amortized	213,235,464	1,538,602	(240,415)	26,450	214,560,101
Less accumulated depreciation and amortization for:					
Land improvements	1,139,922	571,015	-	-	1,710,937
Airfield improvements	96,492,942	4,275,268	-	-	100,768,210
Buildings and improvements	49,217,872	1,922,378	(23,167)	-	51,117,083
Vehicles	1,402,564	161,025	-	-	1,563,589
Machinery and equipment	5,755,516	1,161,344	(164,551)	-	6,752,309
Furniture and fixtures	5,798	69,574	-	-	75,372
Equipment, right to use asset	35,385	14,151	(39,442)	-	10,094
Software, subscription right to use asset	218,899	193,761	(9,272)	-	403,388
Total accumulated depreciation and amortization	154,268,898	\$ 8,368,516	\$ (236,432)	\$ -	162,400,982
Total capital assets being depreciated, net of accumulated depreciation and amortization	58,966,566				52,159,119
Capital assets, net	\$ 148,336,661				\$ 181,156,463

Note 4—Leases

Lease Receivable – The Authority has entered into lease agreements as Lessor for the use of 23 buildings under varying terms. Lessees are required to make monthly fixed payments as determined by each lease. As of June 30, 2025, the value of the lease receivable is \$7,583,836. The value of the deferred inflow of resources as of June 30, 2025 is \$7,090,686 and the Authority recognized lease revenue of \$875,268 during the fiscal year.

The Authority has entered into lease agreements as Lessor for the use of 26 parcels of land under varying terms. Lessees are required to make monthly fixed payments as determined by each lease. As of June 30, 2025, the value of the lease receivable is \$56,606,081. The value of the deferred inflow of resources as of June 30, 2025 is \$52,991,417 and the Authority recognized lease revenue of \$1,291,429 during the fiscal year.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 4—Leases (continued)

The activity for lease receivables for the year ended June 30, 2025 are as follows:

Principal and Interest Expected to Maturity

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 815,095	\$ 2,780,376	\$ 3,595,471
2027	739,000	2,020,388	2,759,388
2028	786,544	2,002,662	2,789,206
2029	862,079	1,983,055	2,845,134
2030	917,039	1,961,564	2,878,603
2031 - 2035	4,523,514	9,430,285	13,953,799
2036 - 2040	4,410,162	8,815,951	13,226,113
2041 - 2045	6,631,810	7,920,289	14,552,099
2046 - 2050	7,480,155	6,792,941	14,273,096
2051 - 2055	10,723,242	5,311,970	16,035,212
2056 - 2060	10,465,067	3,488,101	13,953,168
2061 - 2065	7,116,588	2,088,874	9,205,462
2066 - 2070	4,621,576	1,202,011	5,823,587
2071 - 2075	4,098,046	319,558	4,417,604
	<u>\$ 64,189,917</u>	<u>\$ 56,118,025</u>	<u>\$ 120,307,942</u>

Regulated Leases Receivable – The Authority entered into regulated leases as Lessor for the use of space at the airport. As of June 30, 2025, the value of the expected future minimum receipts is \$1,945,944. The lessees are required to make monthly fixed payments in accordance with the terms of each lease. The Authority recognized lease revenue of \$612,629 during the fiscal year.

Future minimum expected receipts until maturity are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities Future Minimum Expected Receipts</u>
2026	\$486,486
2027	486,486
2028	486,486
2029	486,486

NEW HANOVER COUNTY AIRPORT AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Retirement plans

North Carolina Local Governmental Employees' Retirement System

Plan Description – The Authority is a participating employer in 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 membership is comprised of general employees and local Law Enforcement Officers ("LEO") of participating governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consist of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Annual Comprehensive Financial Report ("ACFR") for the state of North Carolina. The state's ACFR 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, or at www.osc.nc.gov.

Benefits Provided – LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer.

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Authority's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Authority's contractually required contribution rate for the year ended June 30, 2025, was 13.65% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Authority were \$487,823 for the year ended June 30, 2025.

Refunds of Contributions – Authority employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Retirement plans (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2025, the Authority reported a liability of \$2,417,694 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023, utilizing update procedures incorporating the actuarial assumptions. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2025, the Authority’s proportion was 0.03586%, which is an increase of 0.0001% with its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the Authority recognized pension expense of \$749,765. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 423,671	\$ 2,849
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	328,684	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	39,955	14,962
Authority contributions subsequent to measurement date	487,823	-
	<u>\$ 1,280,133</u>	<u>\$ 17,811</u>

The \$487,823 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,

2026	\$ 247,742
2027	488,963
2028	74,958
2029	<u>(37,164)</u>
	<u>\$ 774,499</u>

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Retirement plans (continued)

Actuarial Assumptions – The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.25%, including inflation and productivity factor
Investment rate of return	6.50%, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general, law enforcement officer), and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2023, valuation were based on the results of an actuarial experience study as of December 31, 2019.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic fixed income	7.0%	5.0%
Inflation sensitive	6.0%	2.7%
	<u>100.0%</u>	

NEW HANOVER COUNTY AIRPORT AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Retirement plans (continued)

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in 2023 and is part of the asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount Rate – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the Authority’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Authority's proportionate share of the net pension liability (asset)	\$ 4,284,225	\$ 2,417,694	\$ 882,216

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Finance Report for the State of North Carolina.

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 0.85% 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.

NEW HANOVER COUNTY AIRPORT AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Retirement plans (continued)

All full-time law enforcement officers of the Authority are covered by the Separation Allowance. At December 31, 2023, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
	<u>1</u>

Basis of Accounting – The Authority has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expense is recorded in these statements on the accrual basis. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust.

Actuarial Assumptions – The entry age actuarial cost method was used in the December 31, 2023 valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 7.75%, including inflation and productivity factor
Discount rate	4.28%

The discount rate is the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Mortality rates are based on the Pub-2010 mortality tables with adjustments for mortality improvements based on MP-2019.

Contributions – The Authority is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis. The Authority paid no benefits for the fiscal year ended June 30, 2025, as there were no eligible retirees. 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2025, the Authority reported a liability of \$52,492. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Authority recognized a change in pension expense of \$4,105.

NEW HANOVER COUNTY AIRPORT AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Retirement plans (continued)

The Authority reported \$9,405 as deferred outflows of resources related to pensions resulting from benefit payments and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2026. There are no other amounts reported as deferred inflows of resources related to pensions that will be recognized in pension expense.

Sensitivity of the Authority's Total Pension Liability to Changes in the Discount Rate – The following presents the Authority's total pension liability calculated using the discount rate of 4.28%, as well as what the Authority's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.28%) or one percentage point higher (5.28%) than the current rate:

	<u>1% Decrease (3.28%)</u>	<u>Discount Rate (4.28%)</u>	<u>1% Increase (5.28%)</u>
Total pension liability	\$ 53,207	\$ 52,492	\$ 51,798

Schedule of changes in total pension liability law enforcement officer's special separation allowance:

Beginning balance of the pension liability as of December 31, 2023	\$ 68,834
Interest on the total pension liability	2,377
Differences between expected and actual experience in the measurement of total pension liability	290
Changes of assumptions or other inputs	(199)
Benefit payments	<u>(18,810)</u>
Ending balance of the total pension liability as of December 31, 2024	<u>\$ 52,492</u>

The plan currently uses mortality tables that vary by age and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study as of December 31, 2019.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Retirement plans (continued)

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions – Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 749,765	\$ 4,105	\$ 753,870
Pension liability	2,417,694	52,492	2,470,186
Proportionate share of the net pension liability	0.03586%	n/a	
Deferred outflows of resources:			
Differences between expected and actual experience	423,671	-	423,671
Net difference between projected and actual earnings on plan investments	328,684	-	328,684
Changes in proportion and differences between contributions and proportionate share of contributions	39,957	-	39,957
Benefit payments and administrative costs paid subsequent to the measurement date	487,823	-	487,823
Deferred inflows of resources:			
Differences between expected and actual experience	2,849	-	2,849
Changes in proportion and differences between contributions and proportionate share of contributions	14,962	-	14,962

Supplemental Retirement Income Plan for Law Enforcement Officers:

Plan Description – The Authority contributes to the Supplemental Retirement Income Plan (the “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. The Plan is included in the ACFR for the state of North Carolina. The state’s ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Plan. 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 – Article 12E of G.S. Chapter 143 requires the Authority to contribute each month an amount equal to 5% of each officer’s salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

Neither the Authority nor the LEOs made contributions for the reporting year.

The Authority is only required to make contributions on behalf of the officers. The Authority has elected to contribute on behalf of employees not engaged in law enforcement at the same rate as for law enforcement officers. Authority contributions on behalf of employees not engaged in law enforcement were \$168,238 for the year ended June 30, 2025. The Plan provides for voluntary contributions on the part of all employees. Voluntary contributions by employees not engaged in law enforcement were \$180,195 for the year ended June 30, 2025.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Retirement plans (concluded)

Deferred Compensation Plan – The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all Authority employees, permits them to defer a portion of their salary to future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

Note 6—Other postemployment benefits (“OPEB”)

Healthcare Benefits

Plan Description – Under the terms of an Authority resolution, the Authority administers a single-employer defined benefit healthcare plan. The Authority may amend the benefit provisions. No assets are accumulated in a trust. A separate report was not issued for the plan.

Benefits Provided – The plan provides healthcare benefits to retirees of the Authority who have not yet reached their 65th birthday and who participate in the North Carolina Local Governmental Employees’ Retirement System (“System”). If the retiree’s age and service equal 70 years with 10 years of creditable service, the Authority will pay 100% of the premium not to exceed \$300 per month, and with five years of creditable service, the Authority pays 50% of the premium not to exceed \$150 per month. As of July 1, 2018, this plan was closed to new participants.

Membership of the healthcare benefits plan consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

Retirees receiving benefits	4
Active plan members	22
	<u>26</u>

Total OPEB Liability

The Authority’s total OPEB liability of \$208,466 was measured as of June 30, 2024 based on a June 30, 2024 actuarial valuation.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases	3.25% - 8.41%, including inflation
Discount rate	3.93%
Healthcare cost trend rates	7.00%

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 6—Other postemployment benefits (“OPEB”) (continued)

The discount rate used to measure the total OPEB liability was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

Total OPEB liability		
Balance at June 30, 2023		\$ 220,402
Changes for the year:		
Service cost		7,086
Interest		7,815
Differences between expected and actual experience		4,478
Changes in assumptions or other inputs		(4,315)
Benefit changes		(27,000)
Net changes		<u>(11,936)</u>
Balance at June 30, 2024		<u>\$ 208,466</u>

Changes in assumption and other inputs reflect a change in the discount rate from 3.65% to 3.93%.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments from LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increased used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions used in the June 30, 2023 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2023 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Authority, as well as what the Authority’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB liability	\$ 224,453	\$ 208,466	\$ 194,039

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates – The following presents the total OPEB liability of the Authority, as well as what the Authority’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease (6.00%)	Health Care Cost Trend Rates (7.00%)	1% Increase (8.00%)
Total OPEB liability	\$ 196,407	\$ 208,466	\$ 222,783

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 6—Other postemployment benefits (“OPEB”) (concluded)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the Authority recognized OPEB income of \$3,027. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,819	\$ 72,289
Changes of assumptions	30,732	19,047
	<u>\$ 37,551</u>	<u>\$ 91,336</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

Years Ending June 30:

2026	\$ (17,316)
2027	(12,209)
2028	(14,549)
2029	(7,742)
2030	(1,982)
Thereafter	13
	<u>\$ (53,785)</u>

Note 7—Other employment benefits

The Authority has 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 will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Authority, the Authority does not determine the number of eligible participants. The Authority has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. 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. The Authority considers these contributions to be immaterial.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 8—Long-term debt

The Authority incurred long-term debt in 2014 of \$4,570,000 in order to finance a new consolidated car rental facility construction project. Financing was acquired through an interlocal agreement with New Hanover County. Under the agreement, New Hanover County incurred debt on behalf of the Authority and the Authority agreed to repay all expenses attributable to the debt, including principal, interest, and issuance costs. Interest rates range from 0.69% to 4.29%, as a result of the County's bond refunding with Limited Obligation Bonds in 2014.

The Authority incurred additional long-term debt in 2019 of \$12,790,000 to assist with the financing of the terminal expansion project. Financing was acquired through an interlocal agreement with New Hanover County. Under the agreement, New Hanover County incurred debt on behalf of the Authority, and the Authority agreed to repay all expenses attributable to the debt, including principal, interest, and issuance costs. Interest rates are currently ranging from 3.00% to 5.00%. The Authority had fully drawn upon this loan at June 30, 2025.

The following is a summary of changes in the Authority's long-term debt obligations, as detailed above, all due to New Hanover County, for the fiscal year ended June 30, 2025:

	Balance			Balance	Current
	June 30, 2024	Increases	Decreases	June 30, 2025	Portion
Principal:					
\$ 4,570,000 issue	\$ 1,525,000	\$ -	\$ (305,000)	\$ 1,220,000	\$ 305,000
\$12,790,000 issue	5,853,361	-	(2,004,267)	3,849,094	1,957,729
Lease liability	26,460	-	(14,643)	11,817	4,333
Subscription liability	174,756	593,391	(210,838)	557,309	115,927
	<u>\$ 7,579,577</u>	<u>\$ 593,391</u>	<u>\$ (2,534,748)</u>	<u>\$ 5,638,220</u>	<u>\$ 2,382,989</u>

Debt service requirements are as follows:

Years Ending June 30:	Principal	Interest	Total
2026	\$ 2,262,729	\$ 99,352	\$ 2,362,081
2027	2,196,365	62,757	2,259,122
2028	305,000	25,705	330,705
2029	305,000	13,081	318,081
	<u>\$ 5,069,094</u>	<u>\$ 200,895</u>	<u>\$ 5,269,989</u>

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 8—Long-term debt (concluded)

Lease Liability

The Authority has recorded three active leases for equipment under varying terms. The Authority is required to make monthly fixed payments as determined by each lease.

Principal and Interest Requirements to Maturity

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	\$ 4,333	\$ 263	\$ 4,596
2027	4,450	146	4,596
2028	3,034	31	3,065
	\$ 11,817	\$ 440	\$ 12,257

Subscription Liability

The Authority has recorded 13 active subscriptions for software under varying terms. The Authority is required to make regular fixed payments as determined by each subscription. The subscriptions are amortized on a straight-line basis over the terms of the related subscriptions.

Variable Subscriptions

The Authority has entered into two subscription agreements with variable payment terms. These subscription agreements are not included in the measurement of the subscription liability. Rather, payments under these variable payment subscription agreements are recorded as expenses. The Authority recorded \$89,102 of expense related to variable payment subscription agreements during the fiscal year.

Principal and Interest Payments to Maturity

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	\$ 115,927	\$ 15,763	\$ 131,690
2027	110,985	12,729	123,714
2028	78,246	9,668	87,914
2029	78,588	7,412	86,000
2030	26,857	5,143	32,000
2031 - 2035	146,706	13,294	160,000
	\$ 557,309	\$ 64,009	\$ 621,318

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 9—Contingencies

Federal and State Financial Assistance – Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Authority management believes disallowances, if any, will not be significant. No provision has been made in the accompanying financial statements for the refund of grant monies.

Also, under the terms of federal and state assistance programs, capital assets acquired partially, or entirely with federal or state funds have asset disposition restrictions which provide for the disposition of assets or proceeds from the approved sales in accordance with federal or state regulations.

Risk Management – The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Through commercial coverage, the Authority has replacement cost coverage for owned property in the amount of \$106.6 million, auto liability coverage of \$1 million with physical damage on owned autos paid at actual cash value, public officials liability and employment practices liability coverage of \$2 million, crime coverage of \$1 million per occurrence, and workers’ compensation coverage up to the statutory limits; and health and dental insurance for Authority employees. The Authority carries commercial coverage for all other risks of loss, including airport liability coverage of \$100 million per occurrence. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

The Authority carries earth movement/flood insurance through Amwins Insurance Brokerage, LLC. subject to a limit of \$10 million for any one occurrence.

The Finance Director is bonded for \$1 million. All remaining employees that have access to funds are bonded through the aforementioned crime package.

Note 10—Passenger facility charges

The Federal Aviation Administration (“FAA”), under applicable regulations, can approve the collection and use of passenger facility charges (“PFC”). Air carriers are responsible for the collection of PFC and are required to submit to the Authority the revenue collected by the last day of each month following the month in which PFC was recorded in the carrier’s accounting system. The Authority may use PFC revenue only for FAA-approved airport improvement projects, including debt service on indebtedness incurred to carry out such projects, and deposits PFC revenues in a restricted bank account until disbursed in payment of eligible costs of these capital projects.

The Authority was approved by the FAA to impose a passenger facility charge of \$4.50 per enplaning passenger. Total approved PFC revenue to be collected is \$57,992,587. The estimated charge expiration date is January 1, 2029.

For the year ended June 30, 2025, \$24,750 of PFC funds were disbursed.

The Authority also records a restriction of net position in an amount equal to the balance in the restricted bank account plus any PFC receivables at year-end, which were \$13,568,733 and \$649,084 respectively, at June 30, 2025.

PFC revenue for 2025 is summarized as follows:

PFC earned	\$ 3,340,834
Interest earned on restricted bank account	522,544
	<u>\$ 3,863,378</u>

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 11—Contract facility charges

Contracts with rental car agencies, effective February 1, 2024, for ten years, contain provisions for contract facility charges at a rate of \$6.50 per contract day that are intended to be used for capital improvements, maintenance of rental car facilities, and debt service for construction of rental car facilities.

The Authority also records a restriction of net position in an amount equal to the balance in the restricted bank account at year-end, which was \$5,836,105 at June 30, 2025.

CFC revenue for 2025 is summarized as follows:

CFC earned	\$ 2,371,961
Interest earned on restricted bank account	245,075
	<u>\$ 2,617,036</u>

Note 12—Commitments

The Authority has also entered into other contracts and agreements as of June 30, 2025, primarily related to construction projects and equipment, with the remaining commitment under these contracts and agreements aggregating approximately \$81,522,463.

Note 13—Recently issued pronouncements

GASB has issued several pronouncements prior to June 30, 2025, that have effective dates applicable to future years and may impact future financial presentations. Of these pronouncements, the following may have an impact on future financial presentations:

GASB Statement Number 103, *Financial Reporting Model Improvements*, will be effective for the Authority beginning with its year ending June 30, 2026.

GASB Statement Number 104, *Disclosure of Certain Capital Assets*, will be effective for the Authority beginning with its year ending June 30, 2026.

Note 14—Subsequent events

The Authority has evaluated all subsequent events for potential recognition and disclosure through September 30, 2025, the date these financial statements will be available.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the net pension liability (asset) (%)	0.03586%	0.03576%	0.03335%	0.03366%	0.03337%	0.04082%	0.04059%	0.04244%	0.04231%	0.03964%
Authority's proportion of the net pension liability (asset) (\$)	\$ 2,417,694	\$ 2,368,548	\$ 1,881,416	\$ 516,208	\$ 1,192,452	\$ 1,114,762	\$ 962,934	\$ 648,366	\$ 897,960	\$ 177,902
Authority's covered-employee payroll	\$ 3,261,888	\$ 3,039,926	\$ 2,709,718	\$ 2,762,845	\$ 2,694,334	\$ 2,932,806	\$ 2,829,763	\$ 2,689,850	\$ 2,689,289	\$ 2,520,623
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	74.12%	77.91%	69.43%	18.68%	44.26%	38.01%	34.03%	24.10%	33.39%	7.06%
Plan fiduciary net position as a percentage of total pension liability	83.30%	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

* The amounts presented for each fiscal year were determined as of June 30.

Plan fiduciary net position as a percentage of total pension liability

** This will be the same percentage for all participant employers in the LGERS plan.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
THE AUTHORITY'S CONTRIBUTIONS

LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 487,823	\$ 420,525	\$ 369,351	\$ 309,409	\$ 282,761	\$ 244,405	\$ 232,564	\$ 217,415	\$ 200,857	\$ 183,880
Contributions in relation to the contractually required contribution	487,823	420,525	369,351	309,409	282,761	244,405	232,564	217,415	200,857	183,880
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 3,573,791	\$ 3,261,888	\$ 3,039,926	\$ 2,709,718	\$ 2,762,845	\$ 2,694,334	\$ 2,932,806	\$ 2,829,763	\$ 2,689,850	\$ 2,689,289
Contributions as a percentage of covered-employee payroll	13.65%	12.89%	12.15%	11.42%	10.23%	9.07%	7.93%	7.68%	7.47%	6.84%

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY

LAST NINE FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Beginning total pension liability	\$ 68,834	\$ 83,748	\$ 85,138	\$ 87,249	\$ 170,721	\$ 147,030	\$ 135,022	\$ 123,466	\$ 111,591
Service cost	-	-	-	3,230	1,913	10,426	10,200	9,766	10,332
Interest on the total pension liability	2,377	3,204	1,704	1,607	5,566	5,352	4,267	4,766	3,984
Differences between expected and actual experience in the measurement of the total pension liability	290	309	19,762	1,718	(117,788)	4,111	2,322	(12,989)	-
Changes of assumptions or other inputs	(199)	383	(4,046)	(708)	26,837	3,802	(4,781)	10,013	(2,441)
Benefit payments	(18,810)	(18,810)	(18,810)	(7,958)	-	-	-	-	-
Ending total pension liability	<u>\$ 52,492</u>	<u>\$ 68,834</u>	<u>\$ 83,748</u>	<u>\$ 85,138</u>	<u>\$ 87,249</u>	<u>\$ 170,721</u>	<u>\$ 147,030</u>	<u>\$ 135,022</u>	<u>\$ 123,466</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

This schedule is intended to show information for 10 years, additional years will be displayed as they become available.

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL

LAST NINE FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 52,492	\$ 68,834	\$ 83,748	\$ 85,138	\$ 87,249	\$ 170,721	\$ 147,030	\$ 135,022	\$ 123,466
Covered-employee payroll	-	-	-	36,517	111,200	571,023	522,083	547,890	567,747
Total pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	233.15%	78.46%	29.90%	28.16%	24.64%	21.75%

Notes to the Schedules:

The Authority has no assets accumulated in a trust to pay related benefits.

This schedule is intended to show information for 10 years, additional years will be displayed as they become available.

Note: Covered payroll includes accruals (i.e. it is the payroll expense reported in the financials).

The covered payroll used to determine the LEO contributions is actual payroll paid during the year.

The two amounts may differ.

Source of 'covered payroll' figure is the "325i LGERS Contributions FY25.xlsx" spreadsheet created by Comptroller

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST EIGHT FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability:								
Service cost	\$ 7,086	\$ 11,428	\$ 14,346	\$ 21,117	\$ 16,462	\$ 20,181	\$ 20,509	\$ 21,557
Interest	7,815	8,506	5,691	7,196	9,915	11,514	10,498	9,035
Differences between expected and actual experience	4,478	(19,850)	5,185	(112,238)	(2,865)	(48,222)	3,481	3,119
Changes in assumptions	(4,315)	1,815	(26,341)	44,856	28,364	6,321	(7,795)	(12,916)
Benefit payments	(27,000)	(20,500)	(17,900)	(14,700)	(13,700)	(24,100)	(27,100)	(25,100)
Net Change in Total OPEB Liability	(11,936)	(18,601)	(19,019)	(53,769)	38,176	(34,306)	(407)	(4,305)
Total OPEB liability - beginning	220,402	239,003	258,022	311,791	273,615	307,921	308,328	312,633
Total OPEB Liability - Ending	\$ 208,466	\$ 220,402	\$ 239,003	\$ 258,022	\$ 311,791	\$ 273,615	\$ 307,921	\$ 308,328
Covered payroll	\$ 1,620,245	\$ 1,620,245	\$ 2,118,082	\$ 2,118,082	\$ 2,721,309	\$ 2,721,309	\$ 2,440,968	\$ 2,440,968
Total OPEB liability as a percentage of covered payroll	12.87%	13.60%	11.28%	12.18%	11.46%	10.05%	12.61%	12.63%

Note to Schedule:

Changes of assumption. Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2017	3.01%
2018	3.56%
2019	3.89%
2020	3.50%
2021	2.21%
2022	2.16%
2023	3.54%
2024	3.65%
2025	3.93%

This schedule is intended to show information for 10 years, additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
OPERATING FUND

YEAR ENDED JUNE 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating Revenues:			
Aviation revenue	\$ 2,130,300	\$ 2,435,308	\$ 305,008
Parking lot	6,770,880	7,056,587	285,707
Rent	4,477,219	1,446,415	(3,030,804)
Commissions	2,832,600	3,287,885	455,285
Security	-	122,709	122,709
Business park	28,550	310,999	282,449
Miscellaneous	443,265	633,786	190,521
Total Operating Revenues	<u>16,682,814</u>	<u>15,293,689</u>	<u>(1,389,125)</u>
Operating Expenditures:			
Advertising and marketing	965,000	902,865	62,135
Business park	350,000	340,313	9,687
Contracted services	2,815,300	2,721,279	94,021
Dues and subscriptions	20,000	14,855	5,145
Economic development	1,250,000	1,228,584	21,416
Insurance	1,145,000	1,139,665	5,335
Lease payments	30,600	22,408	8,192
Maintenance:			
Vehicle	103,000	43,604	59,396
Equipment	387,000	365,899	21,101
Building and grounds	814,000	738,931	75,069
Professional services	1,247,000	1,186,578	60,422
Salaries and employee benefits	5,547,000	5,241,210	305,790
Supplies	83,000	63,010	19,990
Travel	274,000	256,725	17,275
Uniforms	45,000	25,746	19,254
Utilities	840,000	821,049	18,951
Vehicle operation	84,000	79,758	4,242
Other	126,500	112,854	13,646
Total Operating Expenditures	<u>16,126,400</u>	<u>15,305,333</u>	<u>821,067</u>
Excess of Operating Revenues Over Operating Expenditures	<u>556,414</u>	<u>(11,644)</u>	<u>(568,058)</u>

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
OPERATING FUND (CONTINUED)

YEAR ENDED JUNE 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Nonoperating Revenues (Expenditures):			
Air service development revenue	\$ -	\$ 130,758	\$ 130,758
Air service development expense	-	(18,947)	(18,947)
Interest revenue	1,700,000	3,373,291	1,673,291
Principal payments on long-term debt	(2,310,000)	(2,309,297)	703
Hurricane related revenue	-	-	-
Hurricane related expense	-	-	-
Interest on long-term debt	(623,668)	(137,218)	486,450
Total Nonoperating Revenue (Expenditures), Net	<u>(1,233,668)</u>	<u>1,038,587</u>	<u>2,272,255</u>
Excess of Revenues Over (Under) Expenditures	<u>(677,254)</u>	<u>1,026,943</u>	<u>1,704,197</u>
Other Financing Sources (Uses):			
Operating transfers - out:			
Capital Projects Fund	(5,500,000)	(2,833,135)	2,666,865
Appropriated fund balance	6,123,001	-	(6,123,001)
Total Other Financing Sources (Uses), Net	<u>623,001</u>	<u>(2,833,135)</u>	<u>(3,456,136)</u>
Net Change in Fund Balance	<u>\$ (54,253)</u>	<u>(1,806,192)</u>	<u>\$ (1,751,939)</u>
Reconciliation from Budgetary Basis (Modified Accrual):			
to Full Accrual Basis			
Capital contributions in project fund		36,727,781	
Lease revenue		2,166,697	
Lease interest revenue		1,517,241	
Lease interest expense		(568)	
Subscription interest expense		(12,986)	
PFC revenues in project fund		3,863,378	
CFC revenues in project fund		2,371,963	
Depreciation and amortization		(8,368,516)	
Operating transfers to Capital Projects Fund		2,833,135	
Decrease in deferred outflows of resources - pensions		(200,427)	
Decrease in deferred outflows of resources - OPEB		(29,385)	
Increase in net pension liability		(49,146)	
Increase in deferred inflows of resources - pensions		(8,473)	
Decrease in deferred inflows of resources - OPEB		26,872	
Principal payments on long-term debt		2,309,297	
Change in Net Position		<u>\$ 40,838,402</u>	

NEW HANOVER COUNTY AIRPORT AUTHORITY
A Component Unit of New Hanover County, North Carolina
SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL (NON-GAAP)
CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2025

	Grant Project Authorization	Actual			Variance Positive Negative
		Prior Years	Current Year	Totals to Date	
Revenues:					
Restricted Intergovernmental:					
Federal grants	\$ 22,293,632	\$ 2,789,143	\$ 10,715,789	\$ 13,504,932	\$ (8,788,700)
State grants	29,125,415	2,829,053	26,240,060	29,069,113	(56,302)
PFC revenues	26,225,378	20,929,231	3,863,378	24,792,609	(1,432,769)
CFC revenues	16,525,000	10,257,923	2,371,963	12,629,886	(3,895,114)
Total Revenues	94,169,425	36,805,350	43,191,190	79,996,540	(14,172,885)
Expenditures:					
Airfield improvements	25,101,889	15,004,286	2,603,648	17,607,934	7,493,955
Land, easements, and improvements	7,840,850	6,277,552	-	6,277,552	1,563,298
Business park buildings and improvements	50,840,976	9,320,423	35,956,093	45,276,516	5,564,460
Rental car service center	5,981,825	4,648,690	973,235	5,621,925	359,900
Other equipment and improvements	1,257,122	882,148	1,152,122	2,034,270	(777,148)
Total Expenditures	91,022,662	36,133,099	40,685,098	76,818,197	14,204,465
Excess of Revenues (Under) Over Expenditures	3,146,763	672,251	2,506,092	3,178,343	31,580
Other Financing Sources:					
Operating transfers - in	3,112,327	36,706,789	2,833,135	39,539,924	(36,427,597)
Release of debt proceeds					
by County	4,500,000	4,500,000	-	4,500,000	-
Net Change in Fund Balance	\$ 10,759,090	\$ 41,879,040	\$ 5,339,227	\$ 47,218,267	\$ (36,396,017)

COMPLIANCE SECTION

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board Members
New Hanover County Airport Authority
Wilmington, North Carolina

We have audited, in accordance with the 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, the financial statements of New Hanover County Airport Authority (the "Authority"), a component unit of New Hanover County, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 30, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Raleigh, North Carolina
September 30, 2025

**COMPLIANCE SECTION RELATED TO
PASSENGER FACILITY CHARGE**

Report of Independent Auditor on Compliance for the Passenger Facility Charge Program and on Internal Control over Compliance Required by the Passenger Facility Program Audit Guide for Public Agencies

To the Board Members and Management
New Hanover County Airport Authority
Wilmington, North Carolina

Report on Compliance for the Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited the New Hanover County Airport Authority's (the "Authority"), a component unit of New Hanover County, North Carolina, compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by Federal Aviation Administration (the "Guide"), that could have a direct and material effect on the Authority's Passenger Facility Charge Program for the year ended June 30, 2025.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge Program for the year ended June 30, 2025.

Basis for Opinion on the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Our responsibilities under those standards and the Guide are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Passenger Facility Charge Program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Authority's Passenger Facility Charge Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the Passenger Facility Charge Program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of The Passenger Facility Charge Program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Passenger Facility Charge Program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Passenger Facility Charge Program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Raleigh, North Carolina
September 30, 2025

NEW HANOVER COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

Section I—Passenger Facility Charge Program

Internal control over Passenger Facility Charge Program:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses yes none reported

Noncompliance material to Passenger Facility Charge Program yes no

Type of auditor's report issued on compliance for Passenger Facility Charge Program: **Unmodified**

Section II—Financial statement findings

None reported.

Section III—Passenger Facility Charge Program findings and questioned costs

None reported.

NEW HANOVER COUNTY AIRPORT AUTHORITY
SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2025

None reported.

NEW HANOVER COUNTY AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES - REVENUES AND EXPENDITURES

YEAR ENDED JUNE 30, 2025 AND EACH QUARTER DURING THE YEAR ENDED JUNE 30, 2025

	Quarter Ended				Year Ended June 30, 2025
	September 30, 2024	December 31, 2024	March 31, 2025	June 30, 2025	
Revenues:					
Receipts ¹	\$ 851,003	\$ 742,873	\$ 710,697	\$ 951,788	\$ 3,256,361
Interest	150,301	122,995	119,168	130,080	522,544
Total Revenues	<u>1,001,304</u>	<u>865,868</u>	<u>829,865</u>	<u>1,081,868</u>	<u>3,778,905</u>
Expenditures:					
23-09-C-00-ILM					
PFC administrative expenses	23,650	1,100	-	-	24,750
Apron expansion	-	-	-	-	-
Wildlife mitigation	-	-	-	-	-
Total Application 23-09-C-00-ILM	<u>23,650</u>	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>24,750</u>
Total Expenditures	<u>23,650</u>	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>24,750</u>
Net PFC Inflows (Outflows)	<u>\$ 977,654</u>	<u>\$ 864,768</u>	<u>\$ 829,865</u>	<u>\$ 1,081,868</u>	<u>\$ 3,754,155</u>

Revenues received and expenditures spent on approved projects in the schedule above agree to the Passenger Facility Charge Quarterly Status Reports (PFC Reports) submitted by the New Hanover County Airport Authority to the Federal Aviation Administration (FAA).

¹ PFC revenues are shown on this schedule when the cash is received (cash basis).

NEW HANOVER COUNTY AIRPORT AUTHORITY
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES –
REVENUES AND EXPENDITURES

YEAR ENDED JUNE 30, 2025

Note 1—Basis of presentation

The accompanying schedule of passenger facility charges is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (“FAA”).

Note 2—Passenger facility charges

The Authority was authorized to impose a passenger facility charge to a maximum of \$7,984,994 under application 98-03-C-00-ILM, as amended; \$5,474,351 under application 03-04-C-00-ILM, as amended; \$5,408,898 under application 07-05-C-00-ILM, as amended; \$3,257,104 under application 14-06-C-00-ILM, as amended; \$697,586 under application 16-07-U-00-ILM, as amended; and \$23,310,725 under application 19-08-C-00-ILM, as amended. There were no current year expenditures from these funds.

Revenue from passenger facility charges for the year ended June 30, 2025 consists of \$3,340,834 for passenger facility charges plus \$522,544 of interest earnings from the restricted bank account. Passenger facility charges are administered by the FAA but are not considered federal awards. The Authority’s presentation in this schedule is in accordance with FAA requirements.

Expenditures are reported on the schedule only at such time as there is an approved award and as activity occurs that obligates the Authority to make a payment, not when the award has been received. As a result, certain passenger facility charges expenditures are reported as reimbursements that have been recorded in a prior year. In the 2025 schedule, no passenger facility charges expenditures reported were expended in a previous year.

A reconciliation between cash collections and revenue on the accrual basis is as follows:

Passenger Facility Charges:	
Cash collections per Schedule of Passenger Facility Charges	\$ 3,256,361
Less prior year accrual	(564,611)
Add current year accrual	649,084
Passenger Facility Charges Interest:	
Cash collections per Schedule of Passenger Facility Charges	522,544
Amount per Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 3,863,378</u>