

CHARLESTON REGIONAL AIRPORT DISTRICT

**FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2025 AND 2024**

CHARLESTON REGIONAL AIRPORT DISTRICT
FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT 1 - 3

MANAGEMENT'S DISCUSSION AND ANALYSIS 4 - 29

FINANCIAL SECTION

Statements of Net Position 30 and 31

Statements of Revenues, Expenses, and Changes in Net Position 32

Statements of Cash Flows 33 and 34

Notes to Financial Statements 35 - 73

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the District's Total OPEB Liability and Related Ratios 74

Schedules of the District's Proportionate Share of the Net Pension Liability 75

Schedules of District Contributions 76 and 77

SUPPLEMENTARY INFORMATION

Schedule of Operating and Non-operating Revenues – Budget and Actual 78 and 79

Schedule of Operating and Non-operating Expenses – Budget and Actual 80 - 82

PASSENGER FACILITY CHARGE PROGRAM SECTION

Independent Auditor's Report on Compliance for the Passenger Facility Charge

Program and Report on Internal Control over Compliance 83 - 85

Schedule of Expenditures of Passenger Facility Charges 86

Passenger Facility Charges Schedule of Findings and Questioned Costs 87



Independent Auditor's Report

**To the Honorable Members of the
Charleston Regional Aviation Authority
North Charleston, South Carolina**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Charleston Regional Airport District** (the "District") as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2025 and 2024, and the changes in financial position, and cash flows thereof for the years 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 (GAAS) 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that 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 District'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 GAAS 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 GAAS 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 District'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 District'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

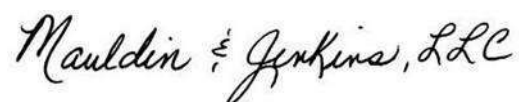
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 4 - 29), the Schedule of Changes in the District's Total OPEB Liability and Related Ratios (on page 74), the Schedules of District's Proportionate Share of the Net Pension Liability (on page 75), and the Schedules of District Contributions (on page 76 and 77) 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 GAAS, 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 District's financial statements. The Schedule of Operating and Non-operating Revenues – Budget and Actual, the Schedule of Operating and Non-operating Expenses – Budget and Actual, and the Schedule of Expenditures of Passenger Facility Charges (as specified by the Federal Aviation Administration in the *Passenger Facility Charge Audit Guide for Public Agencies*), are presented for purposes of additional analysis and are 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Operating and Non-operating Revenues – Budget and Actual, the Schedule of Operating and Non-operating Expenses – Budget and Actual, and the Schedule of Expenditures of Passenger Facility Charges are fairly stated, in all material respects, in relation to the 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 November 10, 2025, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.



Columbia, South Carolina
November 10, 2025

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of the Charleston Regional Airport District (the "District") activities and financial performance provides the reader with an introduction and overview to the financial statements of the District for the fiscal year ended June 30, 2025. MD&A serves as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data and key financial and operational indicators used in the District's budgeting and other management tools are used for this analysis. It has been prepared by the District's management and should be read in conjunction with the basic financial statements and notes thereto, which follow this section.

ORGANIZATION

The District is a political and corporate subdivision of the State of South Carolina whose corporate powers are exercised through the Charleston Regional Aviation Authority ("Authority"). The Authority is composed of six members appointed to four-year terms by the Governor and five ex officio members: The Mayor of the City of Charleston, the Mayor of the City of North Charleston, the Mayor of the Town of Mount Pleasant, the Chairman of the Charleston County Council, and one member selected jointly by the City of Charleston and County of Charleston, or their respective proxies. The Authority is responsible for managing, operating and developing all public airports in the District including Charleston International Airport ("CHS"), Charleston Executive Airport ("JZI" located on Johns Island) and the Mount Pleasant Regional Airport ("LRO"). The Authority coordinates its activities with the Federal Aviation Administration and the South Carolina Aeronautics Commission.

THE CHARLESTON INTERNATIONAL AIRPORT ("CHS")

Charleston International Airport is centrally located in the Charleston metropolitan area in North Charleston, adjacent to Charleston Air Force Base and uses the airfield facilities jointly with the United States Air Force (USAF). The runways, some taxiways, some navigational aids, and other airfield facilities are owned, operated, and maintained by the USAF.

The airport primarily serves passengers whose travel originates or terminates in the Charleston Metropolitan Service Area (MSA). Since 2020, the FAA has designated CHS as a medium hub airport under FAA enplanement criteria. A medium hub airport is a commercial service airport that enplanes at least 0.25% but less than 1% of the national annual passenger boardings in all services and operations of U.S. certified route air carriers within the 50 states, the District of Columbia, and other U.S. territorial possessions, as designated by the FAA. In Fiscal Year 2025, a total of 3.1 million passengers were enplaned on the scheduled, commuter, and charter airlines serving CHS.

The airfield has a main instrument runway which is 9,000 feet long and 200 feet wide and a crosswind runway which is 7,000 feet long and 150 feet wide. The runways are interconnected by a system of taxiways. Each runway is equipped with high intensity runway lighting, and one runway has category II instrument landing systems to permit all-weather operation. All runways are constructed on a firm foundation of compacted base and are of sufficient strength to permit the operation of the largest existing commercial aircraft. The FAA control tower provides airport traffic and radar approach control service.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

The passenger terminal building opened in 1985 and has three levels - apron, concourse and administration levels. The terminal building consists of two concourses (piers) connected to the main core of the Terminal Building. The two-level east pier is referred to as Concourse A, and the two-level west pier is referred to as Concourse B. The lower (apron) level is within the Secure Identification Display Area and contains airline operations offices, storage and utility space, and covered unenclosed space. The second (concourse) level principally contains the secure areas (post security screening checkpoints), including hold rooms, concession spaces, restrooms, and miscellaneous spaces. Federal Inspection Services facilities occupy a large separate section on Concourse B. Airline and airport operational areas are located on the lower apron level of the Terminal building. Authority offices and boardroom occupy the third level.

The terminal building underwent a three-year, \$200 million redevelopment project ending in 2016. This significantly modernized the terminals and added 100,000 square feet and five gates. In fiscal year 2023, the airport added three additional gates on concourse A which increased total gate capacity by 20%. The construction cost for the three-gate expansion was \$11.5 million. In July 2025, the Authority announced its groundbreaking of the West Gate Expansion project. The \$105 million capital expansion is projected to add more than 40,000 square feet of new passenger space and four additional gates, including spacious hold room areas and approximately 4,000 square feet for food and retail concessions. The additional space will also include 23,000 square feet of airline operations space and will be equipped with international arrival capabilities. The new gates will connect directly to CHS's federal inspection station, allowing for the seamless processing of international flights. When completed, the West Gates Expansion is expected to increase the airport's total gate capacity by 15%,

Adjacent to the terminal is an aircraft parking area that is striped for 18 terminal aircraft parking positions and seven overnight aircraft, not including any aircraft parking positions on the cargo ramp. The terminal roadway is constructed on a berm so that the curb, ticket lobby, and bag claim hall are one level above the aircraft apron. Affixed to the terminal building is a curbside area and inner and outer roadways separated by a concrete median. The inner roadway includes a single passenger loading and unloading lane adjacent to the terminal, and three through lanes. The outer roadway is comprised of a single passenger loading and unloading lane adjacent to the median, two through lanes, and a single outer passenger loading lane. The innermost lane is used for valet pickup and drop-off, taxicab pickup, courtesy shuttle pickup, and Charleston Area Regional Transportation Authority (CARTA) buses. The center two lanes are circulating lanes for traffic. The outermost lane is used for ride-share and limousine pickup.

Four public parking lots and a five-level parking deck provide a total of 7,100 parking spaces for Airport patrons as follows:

- Five-Level Parking Deck – approximately 2,400 spaces of public parking and 600 spaces for rental car operations.
- Parking Deck (located across the terminal roadway from the Terminal Building) – approximately 1,300 spaces on three levels.
- Surface Parking Lot (located south of the parking deck) – approximately 2,300 parking spaces (located south of the Surface Parking Lot) contain an additional 500 parking spaces.
- Overflow Parking Lot (located south of the Surface Parking Lot) – containing an additional approximately 1,100 parking spaces.

The CHS campus also includes two employee parking lots, a cell phone lot, and a ride-share staging lot.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

The following four rental car brands operate on-Airport: AvisBudget Group, Enterprise, Hertz, and GSP Transportation. Each brand has passenger-accessible counter space in the rental car pavilion portion of the terminal building. Ready/return spaces are presently located in a surface parking area immediately west of the terminal building. Each rental car company also has a vehicle service area, storage facilities, and administrative offices. Go Rentals currently provides off-Airport car rentals.

In October 2024, CHS announced the groundbreaking of a new six-level parking garage, designed to enhance the airport experience for travelers and accommodate the growing demand for parking. The new parking structure will total approximately 2.4 million square feet and is estimated to cost \$348 million. The new parking garage will feature a total of 5,164 spaces for private vehicles and 2,036 spaces designated for rental cars.

An air cargo building with apron serve incoming and outgoing cargo operations at CHS. The cargo apron is located south of the terminal apron and provides five aircraft parking positions. Further south is a multitenant cargo building in which cargo is handled by FedEx, Delta Air Lines, American Airlines, and Atlas Air.

CHS support facilities consist of aircraft rescue and firefighting facilities, Airport maintenance facilities, and fuel storage facilities. These facilities and operations are controlled by either the USAF or the Authority, with all facilities located within CHS boundary.

General aviation services at CHS are provided by two fixed base operators (FBOs): Atlantic Aviation and Signature Flight Support. Both FBOs are located on the northeast side of the airfield with access to Taxiway G. The FBO facilities consist of three hangars and two terminal buildings totaling 106,000 square feet. The two aircraft parking aprons used by the FBOs provide 74,000 square yards of aircraft parking area.

OTHER SYSTEM AIRPORTS

Charleston Executive Airport ("JZI"). JZI serves as a general aviation reliever airport for Charleston International Airport. JZI encompasses 1,373 acres and has two active runways. The primary runway is 5,350 feet long and is equipped with an FAA Instrument Landing System, Precision Approach Path Indicators at both ends of the primary runway, and a UNICOM. The FBO facility includes a 6,000 square foot terminal, two open-bay hangars, several individual hangars and two ton-unit T-hangars. Airport services provided by the fixed based operator include fuel and major airframe and power plant repairs. Other tenants include the United States Coast Guard and Charleston County Mosquito Abatement.

Mount Pleasant Regional Airport ("LRO"). LRO also serves as a general aviation airport in the County. LRO has a 3,700-foot runway and medium intensity lighting, a rotating beacon, Precision Approach Path Indicators at both runway ends and a UNICOM. The facility also includes a maintenance hangar and six ten-unit T-hangars, two of which are privately owned. LRO airport services are operated by the Authority and include fuel sales and minor repairs.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Berkeley County Airport (MKS). In June 2025, the District entered into an operations agreement with Berkeley County, South Carolina, to serve as the operator of Berkeley County Airport (MKS). Located in Moncks Corner, South Carolina, MKS has been in operation since 1947. The airport is designated as a general aviation airport in the FAA's National Plan of Integrated Airport Systems and classified as a local airport in the FAA General Aviation Airport Asset Study. MKS encompasses approximately 236 acres and features a single runway measuring 5,001 feet in length and 75 feet in width. The airport includes twenty-two open-front executive/box hangars without partition walls, ten T-hangars capable of accommodating smaller general aviation aircraft, and two community hangars suitable for medium-sized aircraft. Ownership and sponsorship of the airport remain with Berkeley County. The operations agreement became effective July 1, 2025, and is subject to final FAA review.

THE JOINT USE AGREEMENT

CHS is a joint-use airport. The airfield is owned and operated by the USAF as part of the Charleston Air Force Base. The District owns and maintains approximately 1,500 acres adjacent to the Charleston Air Force Base. The USAF and the Authority entered into the first Joint Use Agreement in 1952, allowing for the grant to both general aviation and certificated air carriers of certain rights and privileges, including the right to use the airfield. The Authority and the USAF entered into a new Joint Use Agreement in 2008, which supersedes all previous agreements entered between the Authority and the USAF. The Joint Use Agreement has a term of 50 years.

The Joint Use Agreement provides that, within its assigned capabilities, equipment, and available personnel, the USAF will provide aircraft crash, rescue and fire-fighting services for both the Joint Use Area and the Civil Use Area, as those terms are defined in the Joint Use Agreement. Maintenance and service in the Joint Use Area is the responsibility of the USAF, and maintenance and service in the Civil Use Area is the responsibility of the District. In times of war or national emergency, the USAF has the sole discretion pursuant to the Joint Use Agreement to restrict civil operations at the airfield to avoid interference with USAF operations. Significant restrictions have never been imposed since the inception of the Joint Use Agreement, even during the Korean, Vietnam and Middle East conflicts.

AIRPORT FUNDING METHODOLOGY

Airport rate-setting methodologies in the United States are typically characterized as compensatory, residual, or a hybrid approach that incorporates elements of both. These methodologies are established either through bilateral agreements or by ordinance. Air Carriers Ordinance No. 01-02 (the Ordinance) sets forth the methodology used to calculate airline rentals, fees, and charges at the Airport. The Ordinance establishes three airport cost centers for determining rates and charges payable by airlines and other users: the Airfield Area, Terminal Building Area, and Apron and Taxiway Area. Terminal rental rates are determined using a hybrid methodology – primarily compensatory with certain residual features. Apron fees are calculated on a residual basis, ensuring that all costs attributable to the Apron and Taxiway Area are fully recovered. Landing fees are established in accordance with the provisions of the Joint Use Agreement. Additional fees are also assessed for badging and the use of passenger loading bridges.

ECONOMIC OUTLOOK AND AIRPORT ACTIVITY

CHS is South Carolina's largest airport. The airport primarily serves the three-county Charleston-North Charleston Metropolitan Statistical Area (Air Trade Area or MSA) with approximately 830,000 residents according to the most recent census data. The Air Trade Area is presently the 71st largest metropolitan area in the United States according to July 2023 US Census Bureau data. Additionally, according to *World Population Review* the city of Charleston retained its status as the State's largest city in calendar year 2024.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Population growth in the Air Trade Area has consistently outpaced growth in the State and United States. The population in the MSA is projected to grow more rapidly than the United States. The population is expected to increase to almost one million residents by 2031, a CAGR of 1.4% compared to 0.6% for the US. The MSA has a relatively younger and better educated population than the national average. In 2022, according to US Census Bureau data, 39% of residents in the Air Trade Area age 25 years and above had an advanced degree compared to 30.6% and 34.3% for the State and U.S., respectively. Historically, household income in the MSA has been higher than in the State. According to data from economists Woods & Poole, per capita income for the MSA is projected to increase to \$64,433 by 2031 - a projected growth rate of 1.6%. This relatively younger and well-educated population provides a strong workforce base for employment and economic growth, which generally leads to increased air travel demand.

The Air Trade area boasts a diverse mix of industries to include aerospace, automotive, international trade and logistics, and information technology and defense. Top employers in the Air Trade Area include Joint Base Charleston, the Medical University of South Carolina and the Boeing Company.

In 2010, Charleston Air Force Base and the Naval Weapons Station Charleston merged to form Joint Base Charleston. Joint Base Charleston specializes as a logistics, transportation, training and engineering hub. The Air Trade Area is also home to the Naval Information Warfare Center Atlantic which provides capabilities in intelligence, reconnaissance, cyber warfare and enabling technologies. It is estimated that the command generates an estimated \$9.3 billion impact in the U.S., with \$3.2 billion concentrated in the State. This translates to \$1.5 billion in labor income in the State with 76.5% of electronics engineers employed in Charleston.

The Air Trade Area continues to attract major advanced-manufacturing investment. Boeing, one of the region's largest employers, maintains more than 6,500 employees and announced a \$1 billion expansion to support increased 787 Dreamliner production, adding 500 jobs over the next five years. The ongoing economic impact of the Boeing South Carolina operations in the Air Trade Area is estimated to be approximately \$24.8 billion per year. Redwood Materials is investing \$3.5 billion – the largest economic development project in South Carolina history – bringing 1,500 new jobs to the region. Bosch is completing a \$260 million expansion that will add 350 jobs by 2025. Volvo Cars and Mercedes-Benz Vans also remain major employment anchors in the region's manufacturing economy.

The health services industry continues to represent one of the largest employment sectors in the Air Trade Area. The Medical University of South Carolina (MUSC) – the oldest medical school in the South – remains the largest non-federal employer and the second-largest employer overall in the region. MUSC was again ranked the No. 1 hospital in South Carolina for the 9th consecutive year by *U.S. News & World Report* in 2024–2025, reinforcing its importance as a regional healthcare anchor. In 2024 and 2025, the MUSC Board of Trustees approved and advanced more than \$350 million in major capital projects to support the rapid population growth in Berkeley, Charleston, and Dorchester counties.

The MUSC Nexton Medical Center, a new 70-bed acute-care hospital with a 30,000-square-foot cancer center, remains on track to open in Berkeley County. The MUSC Health Kiawah Partner's Pavilion, providing advanced imaging and radiology services, is expected to open in late 2025. MUSC also continued planning in 2025 for additional ambulatory facilities in Summerville and West Ashley to expand access to primary and specialty care.

Roper St. Francis Healthcare, a private nonprofit 657-bed system with three hospitals, is moving forward with its \$1 billion Roper Hospital Medical Campus in North Charleston – one of the largest and most advanced healthcare construction projects on the East Coast. Construction milestones accelerated in 2025, with the system continuing to highlight the new campus as central to serving the area's rapidly growing population and improving regional healthcare capacity.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

The Charleston tourism industry continues to be one of the strongest performers among major tourism-dependent metropolitan areas in the United States. The economic impact of tourism for the Charleston region is estimated to be \$14 billion annually, reflecting continued post-pandemic recovery, higher visitor spending, and strong demand for premium travel experiences. Charleston continues to earn national and international recognition. Condé Nast Traveler named Charleston the No. 1 City in the United States in 2024, marking thirteen No. 1 rankings in the past fourteen years. In 2024, *Travel + Leisure* once again named Charleston the Top U.S. City and ranked it among the Top 25 Best Cities in the World, continuing the city's 11-year streak on the publication's global best-city list.

The hospitality sector within the Air Trade Area remains robust, marked by continued hotel development, renovations, and luxury-brand reinvestment. Leading properties – including Hotel Bennett, Hotel Emeline, and several new boutique hotels – announced expansions, elevated service offerings, and capital improvements to meet sustained demand for high-end accommodations. According to the College of Charleston School of Business Office of Tourism Analysis, the average visitor spent approximately \$1,105 per trip in 2024, with tourism supporting an estimated 60,000 jobs and contributing more than \$4.8 billion in labor earnings across the region. These figures highlight the continued strength and economic significance of tourism in the region's labor market and overall economic vitality.

The airline industry saw a significant recovery in passenger activity beginning in mid-2023 as the world emerged from the pandemic. Globally, full year 2023 traffic was at 94.1% of pre-pandemic (2019) levels. With the rapid resurgence of passenger traffic, the airline industry experienced several economic and operational headwinds in 2023. Specifically, staffing shortages impacted operations and air carrier capacity. Inflationary cost pressures, particularly related to labor and jet fuel, impacted ticket prices in 2022 and 2023. The increase in ticket prices did not have an adverse effect on passenger demand as indicated by the continued strong recovery industry-wide and at CHS.

Airline travel demand continued to be strong in 2024. The International Air Transport Association (IATA) predicted the global airline industry would generate \$30.5 billion in net income in 2024. While the outlook on air travel demand was broadly positive, airlines faced capacity constraints due to supply chain issues as many airlines sought expand fleet despite aircraft manufacturers' difficulty in timely delivery. In the first quarter of 2024, Boeing delivered just 83 aircraft – down from 130 in the first quarter of 2023. Competitor Airbus delivered 142 aircraft, which fell short of its initial expectations for the quarter.

The IATA predicted the global airline industry to generate around \$36 billion in net profit in 2025, slightly below previous forecasts. US carriers are seeing modest capacity growth and some demand softness domestically. For example, scheduled U.S. domestic capacity growth was approximately 1% year-over-year in the first quarter of 2025 according to *Airline Weekly*. Additionally, in January 2025, U.S. domestic passenger numbers were up 5.5% year-over-year, but load factors have dipped slightly (79.1% in January 2025).

Carriers such as American, Delta and Southwest have withdrawn or cut full-year guidance due to macroeconomic concerns, weakening consumer confidence, and foreign-visitor softness. While fuel costs have moderated, airlines are still contending with rising labor and maintenance costs, and yields (revenue per seat) are under pressure, especially for carriers heavily reliant on leisure/discount traffic.

With domestic capacity growth only 1% and some demand softness, airports nationwide may not see aggressive seat growth in 2025. While the mix of passengers is shifting, with premium/business travel and international segments are improving, the economy leisure segments are more exposed to consumer weakness. Consequently, airports with a strong business and/or international base are better positioned.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

The competitive landscape is shifting, with low-cost carriers facing challenges while major airlines adapt to market demands. As of January 2025, Southwest Airlines announced a 4% reduction in capacity as part of a strategy to return to profitability. Alaska Airlines shifted focus to secondary markets with an expected modest 2% growth. Of the legacy carriers, Delta Airlines implemented a shift in focus to growing mid-continent hubs like Atlanta and Minneapolis, American slowed growth at major hubs such as LAX and JFK, while United experienced the fastest growth in capacity at 5%. Spirit Airlines emerged from bankruptcy in March 2025 but filed for Chapter 11 bankruptcy protection in August 2025. Spirit filed its initial bankruptcy filing in November 2024 to reduce its debt position and raise equity capital. However, according to Spirit executives, market pressures facing the airline industry required a subsequent filing in August 2025 to thoroughly evaluate financial options.

Airlines may remain conservative with passenger growth assumptions should be conservative and there could be potential shifts in airline route planning, aircraft usage, and network adjustment that may affect slot usage, gate needs or seasonal volumes throughout calendar year 2025. The cost environment for airlines (labor, maintenance, aircraft supply) suggests airlines may be more disciplined in route expansion and capacity increases, which translates to slower throughput growth, but possibly more stable yields and fewer massive over-build risks.

The District continues to benefit from limited regional competition, with four commercial airports located approximately 100 miles from CHS. Within this catchment area, CHS remains the dominant commercial airport, capturing approximately 34% of regional enplanements in CY 2024, the highest among peer airports. Enplanements totaled 3.1 million in FY 2025, remaining relatively flat compared with FY 2024, consistent with national trends in moderated domestic air-travel growth.

CHS continues to make strategic investments to attract new air carriers and expand existing service offerings. These initiatives, combined with the airport's strong origin-and-destination demand base, are expected to support sustained long-term growth. Charleston continues to benefit from a robust tourism sector and a diverse set of outdoor and cultural attractions, helping maintain strong leisure demand throughout the year.

While CHS experienced outsized passenger growth during the immediate post-pandemic recovery, industry forecasts suggest that passenger-growth rates will moderate in 2025. U.S. domestic airline capacity is projected to increase by only 2.5%–3% in 2025, reflecting nationwide aircraft-delivery delays, pilot-training constraints, and airlines' efforts to maintain cost discipline. Despite these headwinds, the overall outlook for air travel remains positive, supported by resilient leisure demand, improving business-travel trends, and continued strength in international travel. As a result, CHS expects more stable, sustainable passenger-growth patterns in the years ahead.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

AIRLINES SERVING THE CHARLESTON INTERNATIONAL AIRPORT (“CHS”)

Fourteen scheduled passenger air carriers operate at CHS. These carriers are listed in the table below.

MAINLINE CARRIERS

Alaska
Air Canada
Allegiant
American
Avelo
BermudAir
Breeze
Delta
Frontier
JetBlue
Spirit
Southwest
Sun Country
United

REGIONAL CARRIERS

Air Wisconsin (United)
American Eagle (American)
CommutAir (United)
Delta Connection (Delta)
Endeavor Air (Delta)
Envoy Air (American)
ExpressJet Airlines (United)
GoJet Airlines (Delta, United)
Mesa Airlines (American, United)
Piedmont Airlines (American)
PSA Airlines (American)
Republic Airlines (American, Delta)
Shuttle America (Delta)
Sky West (Delta, United)

The Authority remains committed to expanding air service by strengthening existing routes and introducing new nonstop destinations. Since 2020, CHS has welcomed seven new scheduled airline carriers, reflecting the success of its strategic air-service development efforts. The most recent addition, BermudAir, marks CHS’s second international route and provides travelers with direct access to a highly sought-after island destination. BermudAir also operates service to several key U.S. East Coast markets – including Westchester County, Boston, Fort Lauderdale, Orlando, and Baltimore/Washington – enhancing regional connectivity and supporting Bermuda’s tourism and business economies. Nonstop service between CHS and Bermuda began in April 2025, with flights operating on Saturdays.

Air Canada, the largest airline and flag carrier of Canada, launched service at CHS in March 2024 with daily nonstop flights to Toronto Pearson International Airport. In addition to expanding leisure travel opportunities, this route strengthens CHS’s ability to attract group business, expands international connectivity for Charleston-area residents, and provides seamless access to Air Canada’s extensive global network through its Toronto hub.

With the addition of new carriers and expanded service offerings, CHS served 65 nonstop destinations in FY 2025. For the fiscal year ending June 30, 2025, airlines at CHS operated an average of 86 daily departures, representing a 4% increase over the prior year.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

The three-year compound annual growth rate (CAGR) for enplaned passengers is approximately 5.6%, demonstrating the positive impact of expanded air service and increased carrier presence. CHS anticipates continued passenger growth in FY 2026, though at a more moderate and sustainable pace consistent with national air-travel trends.

| | <u>FY2025</u> | <u>FY2024</u> | <u>FY 2023</u> |
|--------------------------|------------------|---------------|----------------|
| ENPLANEMENTS | 3,154,141 | 3,153,727 | 2,881,158 |
| % increase/(decrease) | 0% | 9% | 13% |
| NUMBER OF FLIGHTS | 31,559 | 30,409 | 28,529 |
| % increase/(decrease) | 4% | 7% | (1%) |
| TAKE-OFF WEIGHT | 4,656,323 | 4,449,615 | 4,199,702 |
| % increase/(decrease) | 5% | 6% | 15% |
| DAILY DEPARTURES | 86 | 83 | 78 |
| % increase/(decrease) | 4% | 6% | (1%) |

Airline market share for enplaned passengers and gross takeoff weight is presented for fiscal years 2023 through 2025. The diverse mix of legacy and low-cost carriers operating at CHS continues to enhance overall air service quality and promote healthy competition, both of which contribute to a positive travel experience for the public.

In fiscal years 2025, 2024, and 2023, American Airlines and its affiliates remained the leading carrier at CHS, accounting for 25% of all enplaned passengers each year. Delta Air Lines ranked second during this period, capturing 24%, 22%, and 23% of enplanements, respectively. Among the low-cost carriers serving the market, Breeze Airways continues to demonstrate strong performance, increasing its market share from 9% in FY 2023 to approximately 11% in FY 2025, outpacing other LCCs in growth.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

The Details follow:

Historical Enplanements by Airline

| Airline | FY 2025 Enplanements | Share | FY 2024 Enplanements | Share | FY 2023 Enplanements | Share |
|----------------------------------|-------------------------|--------|-------------------------|--------|-------------------------|--------|
| American Airlines ¹ | 783,325 | 24.83% | 776,616 | 24.63% | 700,908 | 24.33% |
| Delta Air Lines ¹ | 752,306 | 23.85% | 701,411 | 22.24% | 652,465 | 22.65% |
| Southwest Airlines | 434,358 | 13.77% | 451,870 | 14.33% | 423,608 | 14.70% |
| United Airlines ¹ | 394,596 | 12.51% | 408,589 | 12.96% | 406,783 | 14.12% |
| JetBlue Airlines | 199,873 | 6.34% | 207,575 | 6.58% | 270,376 | 9.38% |
| Breeze Airways | 335,709 | 10.64% | 314,012 | 9.96% | 264,378 | 9.18% |
| Alaska Airlines | 51,365 | 1.63% | 54,634 | 1.73% | 54,495 | 1.89% |
| Allegiant Airlines | 21,386 | 0.68% | 23,783 | 0.75% | 28,479 | 0.99% |
| Spirit Airlines ² | 131,086 | 4.16% | 161,097 | 5.11% | 27,586 | 0.96% |
| Avelo ³ | 15,521 | 0.49% | 17,105 | 0.54% | 15,303 | 0.53% |
| Air Canada ⁴ | 8,696 | 0.28% | - | 0.00% | - | 0.00% |
| Frontier Airlines | 16,820 | 0.53% | 16,446 | 0.52% | 12,263 | 0.43% |
| Suncountry Airlines ³ | 7,214 | 0.23% | 8,866 | 0.28% | 7,818 | 0.27% |
| Other ⁵ | 1,886 | 0.06% | 11,723 | 0.37% | 16,696 | 0.58% |
| Total | 3,154,141 | 100% | 3,153,727 | 100% | 2,881,158 | 100% |

Note:

1. Includes commuter and regional airlines
2. Spirit Airlines began service in 2022.
3. Avelo and Sun Country began service in 2022.
4. Air Canada began service in 2024.
5. Includes charter flights and BermudAir. BermudAir began service in 2025.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Historical Gross Takeoff Weight (GTOW) By Airline

| <u>Airline</u> | <u>FY 2025 GTOW</u> | <u>Share</u> | <u>FY 2024 GTOW</u> | <u>Share</u> | <u>FY 2023 GTOW</u> | <u>Share</u> |
|----------------------------------|-------------------------|--------------|-------------------------|--------------|-------------------------|--------------|
| American Airlines ¹ | 1,103,443 | 25.60% | 1,021,656 | 24.61% | 964,815 | 24.71% |
| Delta Air Lines ¹ | 945,958 | 21.94% | 860,034 | 20.72% | 818,681 | 20.97% |
| United Airlines ¹ | 551,751 | 12.80% | 558,709 | 13.46% | 571,029 | 14.62% |
| Southwest Airlines | 604,222 | 14.02% | 595,753 | 14.35% | 560,962 | 14.37% |
| JetBlue Airlines | 253,779 | 5.89% | 291,789 | 7.03% | 403,868 | 10.34% |
| Breeze Airways | 543,004 | 12.60% | 476,077 | 11.47% | 388,934 | 9.96% |
| Alaska Airlines | 56,115 | 1.30% | 55,217 | 1.33% | 54,585 | 1.40% |
| Spirit ² | 151,063 | 3.50% | 184,446 | 4.44% | 35,939 | 0.92% |
| Allegiant Airlines | 28,683 | 0.67% | 33,016 | 0.80% | 34,846 | 0.89% |
| Avelo ³ | 22,250 | 0.52% | 23,706 | 0.57% | 22,639 | 0.58% |
| Air Canada ⁴ | 13,950 | 0.32% | 0 | 0.00% | 0 | 0.00% |
| Frontier Airlines | 21,072 | 0.49% | 22,024 | 0.53% | 15,923 | 0.41% |
| Suncountry Airlines ³ | 8,339 | 0.19% | 8,778 | 0.21% | 8,339 | 0.21% |
| Other ⁵ | 7,395 | 0.17% | 20,200 | 0.49% | 24,088 | 0.62% |
| Total | 4,311,023 | 100% | 4,151,405 | 100% | 3,904,650 | 100% |

Note:

1. Includes commuter and regional airlines
2. Spirit Airlines began service in 2022.
3. Avelo and Sun Country began service in 2022.
4. Air Canada began service in 2024.
5. Includes charter flights and BermudAir. BermudAir began service in 2025.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF ANNUAL FINANCIAL REPORT

The District is a business-type entity; therefore, its basic financial statements consist of three primary statements accompanied by notes to the financial statements. These statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. All financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB).

The Statement of Net Position presents the District's assets, liabilities, deferred inflows and outflows of resources, and net position as of the end of the fiscal period. Prepared on a full-accrual, historical-cost basis, this statement provides insight into the nature and amounts of the District's economic resources and obligations at year-end.

The Statement of Revenues, Expenses, and Changes in Net Position reports the revenues and expenses recognized during the fiscal period and the resulting changes in net position. All changes in net position are recorded when the underlying event occurs, regardless of the timing of related cash flows. This statement also provides information on the District's cost-recovery process. Rates and charges are established under the airline ordinance, which is designed to allocate costs not covered by non-airline revenues and to annually compute terminal rents and apron fees sufficient to reimburse the District for its operating and capital requirements.

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal period, classified into operating, investing, and financing activities. This statement reports cash flows without regard to the earnings process, the timing of obligations, or non-cash expenses such as depreciation.

The Notes to the Financial Statements include essential disclosures and additional information necessary for a comprehensive understanding of the District's financial statements. The notes detail the District's significant accounting policies, key account balances and activities, material risks, commitments, obligations, contingencies, and any subsequent events. The financial statements were prepared from the District's detailed books and accounting records.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

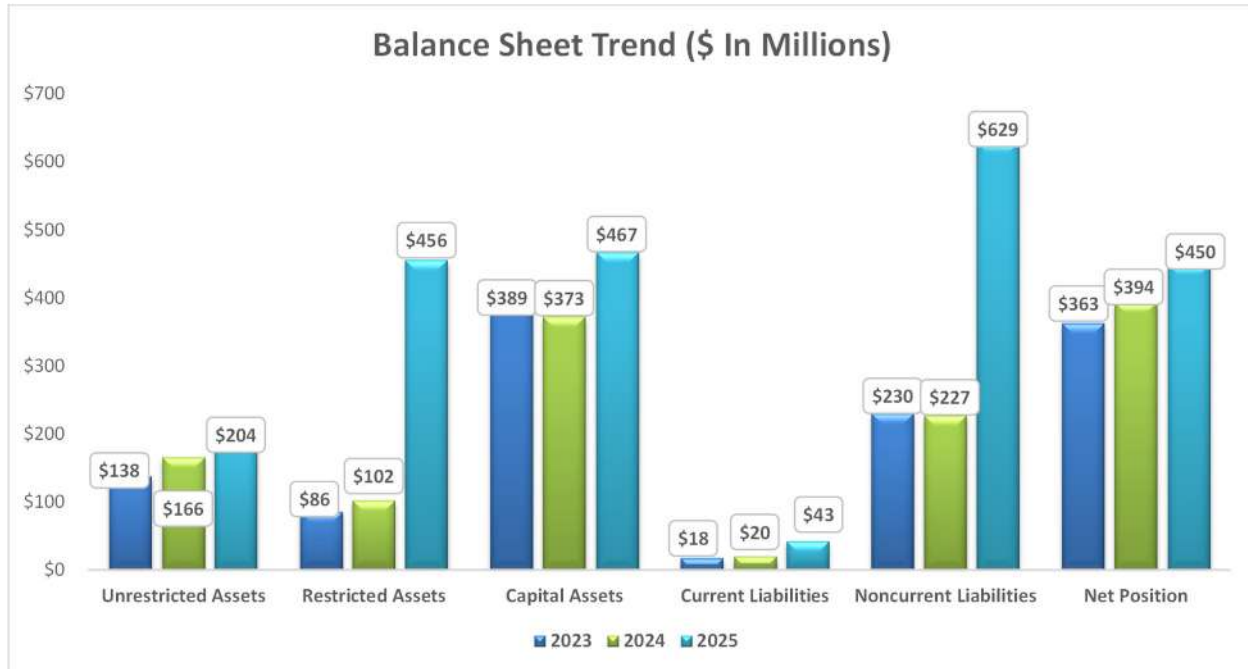
FINANCIAL POSITION SUMMARY

As of June 30, 2025, the District's assets exceeded liabilities by \$449.5 million, an increase of \$55.6 million from June 30, 2024. A condensed historical summary of the District's Statement of Net Position as of June 30, 2025, 2024, and 2023 is shown below:

| | <u>FY25</u> | <u>FY24</u> | <u>FY23</u> |
|--|-------------------------------|-----------------------------|-----------------------------|
| ASSETS: | | | |
| Current Unrestricted Assets | <u>\$203,580,092</u> | <u>\$165,942,023</u> | <u>\$137,849,846</u> |
| Current Restricted Assets | 455,881,627 | 102,343,023 | 85,728,581 |
| Property, Plant & Equipment | 467,354,264 | 372,503,296 | 388,662,860 |
| Non-current Assets, Other | 58,119,041 | 27,680,249 | 23,370,182 |
| Deferred Outflows | <u>10,656,306</u> | <u>10,301,788</u> | <u>8,690,029</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u>\$1,195,591,330</u> | <u>\$678,770,379</u> | <u>\$644,301,498</u> |
| LIABILITIES: | | | |
| Current Liabilities (payable from Unrestricted Assets) | <u>\$19,658,757</u> | <u>\$11,402,381</u> | <u>\$9,229,085</u> |
| Current Liabilities (payable from Restricted Assets) | 22,912,331 | 8,855,646 | 8,742,850 |
| Noncurrent Liabilities | 601,267,428 | 199,494,811 | 205,224,462 |
| Deferred Inflows | 74,160,662 | 37,044,918 | 32,747,830 |
| Pension Obligation | <u>28,007,456</u> | <u>27,956,662</u> | <u>25,219,504</u> |
| TOTAL LIABILITIES | <u>746,006,634</u> | <u>284,754,418</u> | <u>281,163,731</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 129,590,498 | 167,476,057 | 182,613,914 |
| Restricted by bond covenant | 124,403,429 | 48,743,943 | 27,404,310 |
| Restricted by contributor | 68,804,760 | 54,892,512 | 38,571,308 |
| Unrestricted | <u>126,786,009</u> | <u>122,903,449</u> | <u>114,548,235</u> |
| TOTAL NET POSITION | <u>\$449,584,696</u> | <u>\$394,015,961</u> | <u>\$363,137,767</u> |
| | | | |

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS



Current unrestricted assets consist of cash and investments, accounts receivable, and inventory. Unrestricted assets increased approximately \$37.6 million from fiscal year 2024 to 2025. Of this increase, unrestricted cash and investments accounted for roughly \$30.1 million, primarily driven by higher net cash provided by operations. Stronger operating revenues, including hold room fees, landed weight fees, concessions, and other rental activities – resulting from increased rental rates and continued passenger growth, contributed to this operational cash flow increase. Additionally, higher operating cash flows and grant revenues expanded the surplus available for capital project reserves. The \$6.5 million increase in lease receivables reflects the higher present value of future lease payments associated with concessionaire and commercial leases.

Between fiscal years 2023 and 2024, unrestricted assets increased approximately \$28.1 million. Unrestricted cash and investments accounted for \$26.7 million of this growth, driven primarily by higher net cash provided by operations. The \$1.9 million increase in unrestricted investments reflects the rise in the market value of these holdings. Accounts receivable balances also increased by \$1.5 million during this period, largely due to higher operating revenues including hold room fees, landed weight fees, and concession revenues, resulting from increased rental rates and continued passenger growth.

Restricted assets consist of cash, investments, and accounts receivable that are restricted primarily for bond covenants, debt service, and capital construction. Between fiscal years 2024 and 2025, restricted assets increased by \$353.5 million. Restricted cash increased by \$277.3 million, driven largely by net cash received from the debt issuance completed in September 2024 and by passenger facility charge (PFC) collections. Restricted investments increased by \$76.4 million, reflecting the establishment of additional debt service reserves associated with the 2024 bond issuance.

Between fiscal years 2023 and 2024, restricted assets increased by \$16.6 million. Restricted cash increased by \$15.3 million, driven primarily by \$6.4 million in net cash provided by noncapital financing activities and by continued passenger facility charge (PFC) collections. Restricted investments increased by \$1.0 million, reflecting the rise in the market value of investment holdings.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Current liabilities payable from unrestricted assets consist primarily of accounts payable, payroll-related liabilities, and accrued compensated absences. Current liabilities increased approximately \$8.2 million between fiscal years 2024 and 2025, driven largely by a \$7.7 million increase in construction-related payables. The remaining increase relates to higher payroll-related liabilities. Accrued compensated absences and payroll liabilities increased by approximately \$0.5 million due to higher compensation expenses and the implementation of GASB Statement No. 101, *Compensated Absences*. GASB 101, effective July 1, 2023, requires governments to recognize a liability for compensated absences when the employer expects to settle the benefits through cash payments for leave taken, payouts of unused leave at termination or retirement, or other non-cash settlements. The increase in construction payables reflects the growth in capital activity, primarily associated with the parking garage expansion project.

Between fiscal years 2023 and 2024, current liabilities increased by approximately \$2.1 million, driven by a \$3.4 million increase in construction-related payables. This increase was partially offset by a \$1.2 million decrease in trade accounts payable. The growth in construction-related payables reflects heightened capital construction activity during the last quarter of fiscal year 2024, while the reduction in trade payables is attributable to the timing of certain vendor payments.

Current liabilities payable from restricted assets are primarily related to debt service obligations. These liabilities increased by approximately \$14.1 million due to debt service payments associated with the District's 2024 bond issuance. Noncurrent liabilities consist primarily of long-term debt outstanding from the District's 2023, 2019, and 2024 bond issuances. The \$401 million increase in noncurrent liabilities is attributable to the issuance of the 2024 revenue bonds, which were issued to support the parking garage expansion and the baggage handling system capital projects.

Noncurrent liabilities consist primarily of long-term debt outstanding from the District's 2022 and 2019 bond issuances. Noncurrent liabilities decreased approximately \$3.0 million between fiscal years 2023 and 2024. Principal payments on long-term debt reduced outstanding balances by approximately \$5.7 million during fiscal year 2024. This decrease was partially offset by an increase of approximately \$2.7 million in the District's net pension liability. See Note 9 for additional information regarding the District's pension plans and related liabilities.

A portion of the District's net position (28% as of June 30, 2025) is restricted by bond covenants. These amounts are restricted for capital construction and debt service. Another significant portion of the District's net position (29% as of June 30, 2025) represents its net investment in capital assets – such as land, buildings, improvements, and equipment – net of the outstanding debt used to acquire those assets. These capital assets are essential for providing services to passengers and visitors at the Airport and are therefore not available for future spending. Although the net investment in capital assets is reported net of related debt, the resources needed to repay that debt must be generated annually through operations. An additional portion of net position (15% as of June 30, 2025) is restricted by contributors. The remaining unrestricted net position is available to meet any of the District's ongoing obligations.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

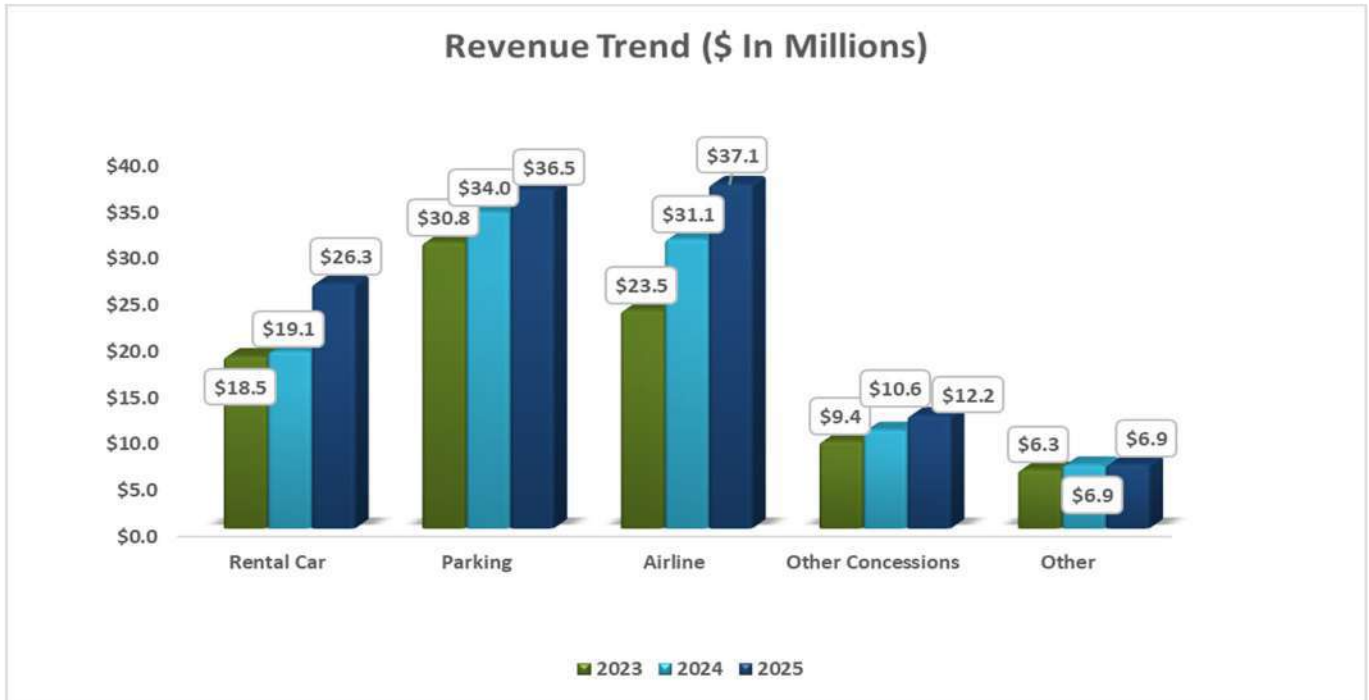
SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the District, as well as the nonoperating revenue and expenses. Operating revenues include both airline and non-airline revenues. Airline revenues consist primarily of apron fees, landing and related fees, and terminal building rentals and fees. Non-airline revenues include parking fees, concession fees, and car rental revenues. Nonoperating revenues consists primarily of passenger facility charges (PFC), federal and state grants and interest income. Interest expense is the most significant nonoperating expense. A summary of all revenue for the year ending June 30, 2025, and the amount and percentage of change in relation to prior year amounts follow:

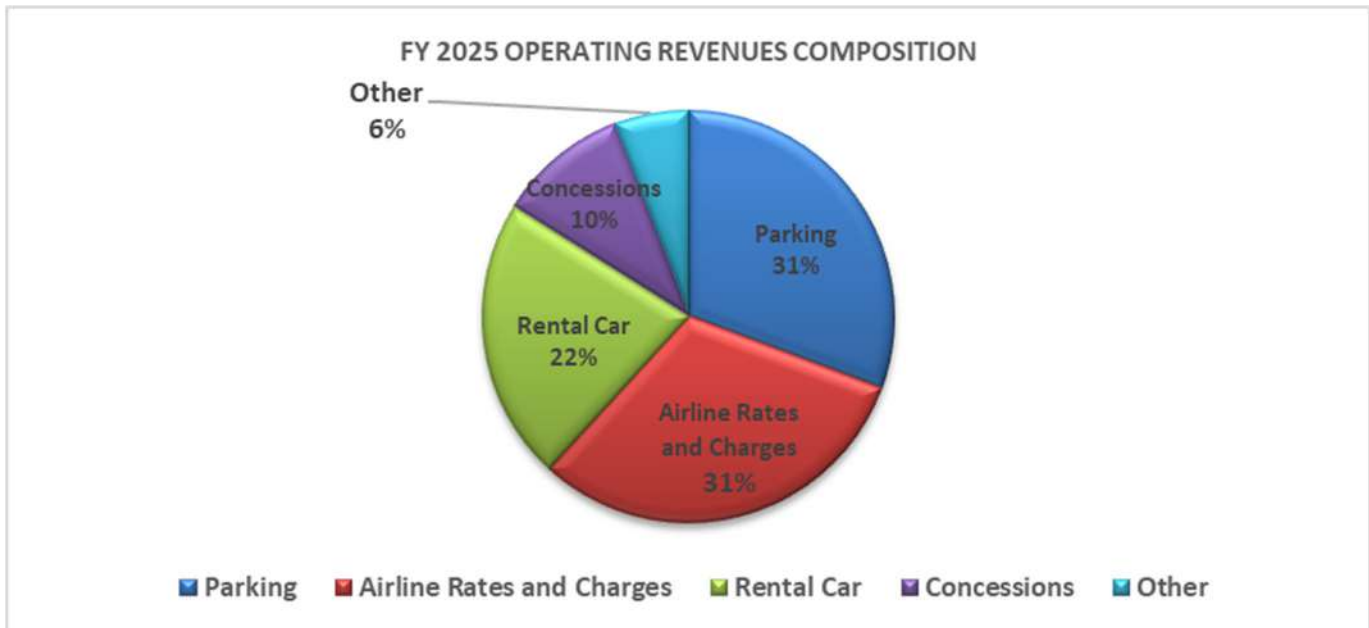
| | | | | Increase (Decrease) | Percent Increase (Decrease) |
|--|---------------|---------------------|---------------|------------------------|-----------------------------------|
| OPERATING REVENUE | 2025 | Percent of Total | 2024 | 2024 | |
| Aviation support | \$1,420,273 | 0.8% | \$1,342,586 | \$77,687 | 5.8% |
| Domestic and international terminal | 59,912,912 | 35.7% | 52,119,876 | 7,793,036 | 15.0% |
| Airfield area | 919,083 | 0.5% | 835,618 | 83,465 | 10.0% |
| Apron and taxiway | 424,315 | 0.3% | 636,222 | (211,907) | -33.3% |
| Airline service area | 271,235 | 0.2% | 271,525 | (290) | -0.1% |
| Fuel storage | 2,443,936 | 1.5% | 2,455,479 | (11,543) | -0.5% |
| Reliever airports | 1,426,607 | 0.8% | 1,208,215 | 218,392 | 18.1% |
| Commercial/industrial area | 15,676,364 | 9.3% | 8,779,639 | 6,896,725 | 78.6% |
| Parking/roadway area | 36,503,400 | 21.7% | 34,032,686 | 2,470,714 | 7.3% |
| TOTAL OPERATING REVENUE | 118,998,125 | 70.8% | 101,681,846 | 17,316,279 | 17.0% |
| NON-OPERATING INCOME | | | | | |
| Interest income | 6,888,248 | 4.1% | 2,862,461 | 4,025,787 | 140.6% |
| Gain (loss) on disposition of property, plant and equipment | (13,289) | 0.0% | - | (13,289) | 0.0% |
| Other income | 4,828,134 | 2.9% | 6,207,984 | (1,379,850) | 100.0% |
| Passenger Facility Charge | 12,564,117 | 7.5% | 12,435,987 | 128,130 | 1.0% |
| Unrealized/Realized Gain on Investments | 998,137 | 0.6% | 1,911,871 | (913,734) | -47.8% |
| Capital Contributions | 23,729,260 | 14.1% | 1,854,672 | 21,874,588 | 1179.4% |
| TOTAL NON-OPERATING INCOME | 48,994,607 | 29.2% | 25,272,975 | 23,721,632 | 93.9% |
| TOTAL REVENUES | \$167,992,732 | 100.0% | \$126,954,821 | \$41,037,911 | 32.2% |

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

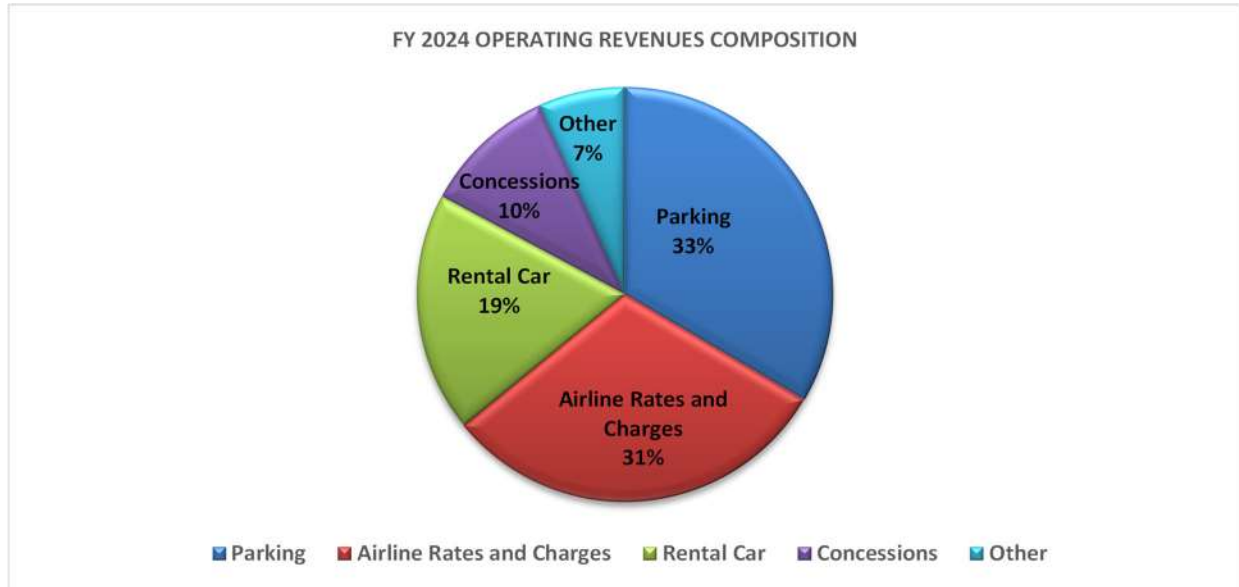


The charts below illustrate the sources of total operating revenue for fiscal years 2025 and 2024.



CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS



Operating revenues increased approximately \$17.3 million and \$13.2 million for fiscal years 2025 and 2024, respectively.

Airline revenue consisting of apron fees, terminal rent, and landing fee accounted for 31% of operating revenues in fiscal year 2025. These fees are reported net of concession revenues. Airline revenues increased approximately \$6.1 million in fiscal year 2025, primarily due to higher terminal rental rates. In accordance with the Rate Ordinance, terminal rates increased from \$232 per square foot in 2024 to \$269 per square foot in 2025, reflecting the need to recover higher terminal operating expenses. Apron fees decreased from \$0.16 to \$0.10 per 1,000 pounds of gross landed weight in fiscal year 2025, driven by lower apron operating costs. The lower rate, combined with increased apron fee incentives, resulted in a \$0.2 million decrease in apron revenue. Landing fee rates, which are fixed under the Joint Use Agreement, remained unchanged; however, landing fee revenues increased by approximately \$73,000 due to a 4% increase in landed weight volume.

For fiscal year 2024, airline revenues increased approximately \$7.7 million, driven primarily by higher terminal rental rates. Terminal rates increased from \$172 per square foot in 2023 to \$232 per square foot in 2024, reflecting the greater share of operating expenses that needed to be recovered as airline activity continued to grow. Apron fees decreased from \$0.19 to \$0.16 per 1,000 pounds of gross landed weight in fiscal year 2024 due to lower operating expenses. The lower rate, combined with higher apron fee incentives, resulted in a \$0.1 million decline in apron revenues. Landing fee rates, which are fixed under the Joint Use Agreement, remained unchanged; however, landing fee revenues increased by approximately \$54,000 because of a 6% increase in landed weight volume.

Parking revenues increased by \$2.4 million in fiscal year 2025 and by \$3.2 million in fiscal year 2024. Parking revenues are highly sensitive to passenger traffic levels. Although fiscal year 2025 experienced flat enplanement growth, the Authority implemented rate increases for certain parking and ground transportation products, which contributed to the overall revenue increase. In fiscal year 2024, enplaned passengers grew by 9%, driven by higher travel demand and expanded air service offerings, including additional carriers and new nonstop destinations at CHS. This strong passenger growth resulted in the \$3.2 million increase in parking revenues for the year.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Rental car revenues include facility and ground rental revenues, as well as customer facility charge (CFC) revenues. Facility and ground rental agreements include a variable component based on a percentage of gross rental car revenues. Rental car revenues increased by \$7.3 million in fiscal year 2025 and by \$0.5 million in fiscal year 2024. The significant increase in fiscal year 2025 is primarily due to the CFC rate change, which increased from \$5 per transaction day to \$10 per transaction day effective July 1, 2024. This increase was implemented in part to support the parking garage expansion and the CONRAC facility project. For fiscal year 2024, the increase in rental car revenues was driven by higher passenger traffic. Although revenues increased in 2024, revenue per enplaned passenger decreased slightly from \$37 to \$34, indicating that rental car pricing and demand are beginning to stabilize following the industry-wide shortages experienced in recent years.

Concession revenues consist of food and beverage concessions, retail concessions, and advertising revenues. These revenues increased by \$1.5 million in fiscal year 2025 and by \$1.2 million in fiscal year 2024. The fiscal year 2025 increase was driven primarily by a \$1.2 million rise in food and beverage concession revenues. During 2025, the Airport refreshed several food and beverage offerings with the opening of Ashley Cooper Provisions and Kardea Brown's Southern Kitchen. Ashley Cooper Provisions, located in the Terminal A–B connector, features a 50-seat area overlooking the airfield and offers a family-friendly rooftop ambiance. Kardea Brown's Southern Kitchen, located in the Central Marketplace, provides Lowcountry and Gullah-inspired cuisine.

In fiscal year 2024, food and beverage concession revenues increased by \$0.5 million, while retail concessions grew by approximately \$0.4 million. These increases were supported by the introduction of new concession offerings, including two national brands, and higher overall sales. Chick-fil-A opened in January 2024, serving passengers on both the airside and landside areas of the terminal, and Starbucks began operations on the airside in June 2024. Continued growth in passenger traffic also contributed to the increase in concession revenues.

Other operating revenues consist primarily of airline service, general aviation, kitchen operation and fuel flowage revenues. Airline service revenue is primarily related to air cargo operations. General aviation revenue is comprised of income generated from fixed based operations. These revenues include ground rental, hanger rental, and fuel flowage fees. Other operating revenues increased \$66 thousand and \$0.5 million for fiscal years 2025 and 2024, respectively.

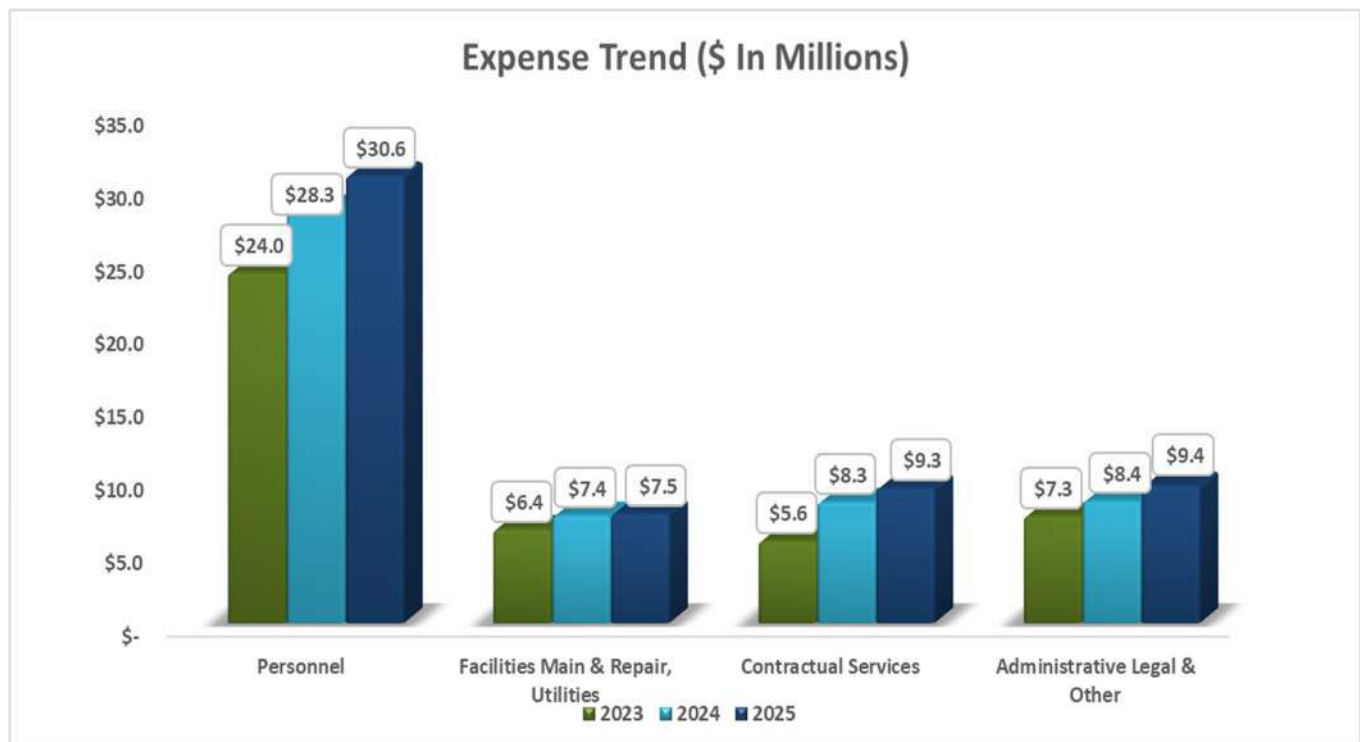
Other operating revenues were flat for fiscal year 2025. Increased fuel flowage (\$0.3 million) and general aviation revenues (\$0.1 million) is primarily attributable to the increase in other operating revenues for fiscal year 2024. Fuel flowage revenues increased due to the 9% increase in passenger activity. General aviation revenues increased primarily due to increased hangar and fuel flowage revenues.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

A summary of expenses for the year ending June 30, 2025, and the amount and percentage of change in relation to prior year amounts follows:

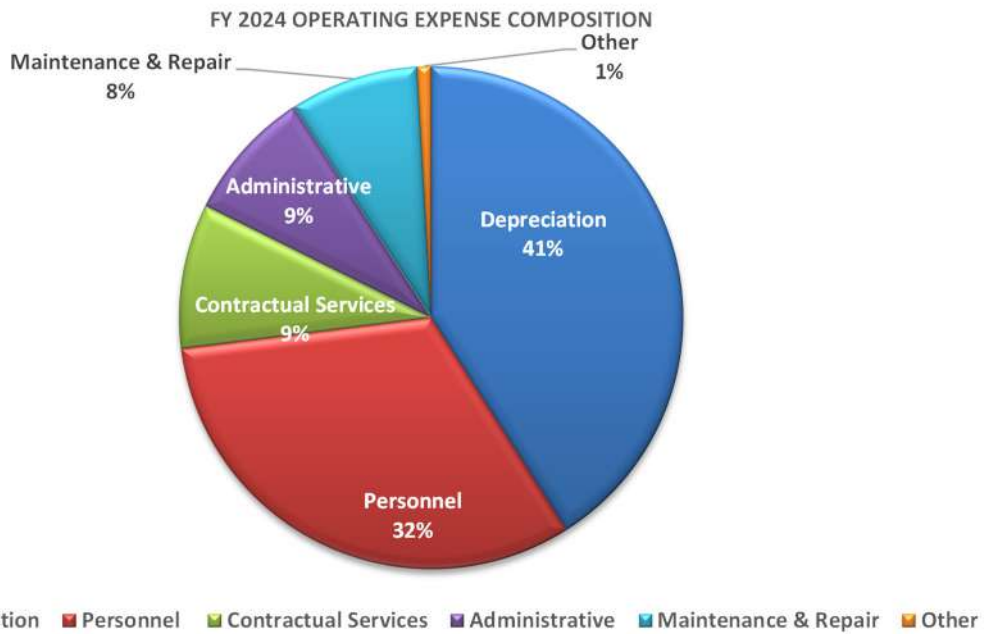
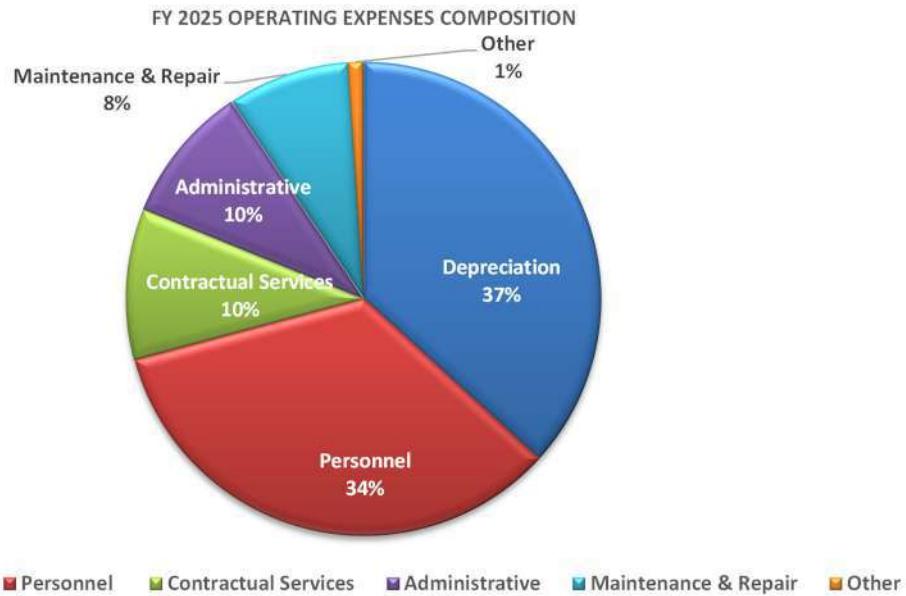
| | | Percent | | Increase | Percent |
|--|----------------------|---------------|---------------------|---------------------|---------------|
| | 2025 | of Total | 2024 | (Decrease) | Increase |
| | | | | 2024 | (Decrease) |
| OPERATING EXPENSES | | | | | |
| Personnel services | \$30,611,725 | 27.2% | \$28,564,197 | \$2,047,528 | 7.2% |
| Administrative services | 5,845,501 | 5.2% | 5,120,992 | 724,509 | 14.1% |
| Utilities | 2,576,876 | 2.3% | 2,680,187 | (103,311) | -3.9% |
| Building repairs and maintenance | 2,143,049 | 1.9% | 1,953,292 | 189,757 | 9.7% |
| Heating, ventilation, and air conditioning | 208,471 | 0.2% | 195,648 | 12,823 | 6.6% |
| Field maintenance | 467,018 | 0.4% | 502,280 | (35,262) | -7.0% |
| Vehicle maintenance | 419,942 | 0.4% | 394,810 | 25,132 | 6.4% |
| Loading bridges | 73,945 | 0.1% | 69,176 | 4,769 | 6.9% |
| Supplies | 1,610,002 | 1.5% | 1,568,311 | 41,691 | 2.7% |
| Contractual services | 9,279,901 | 8.3% | 8,301,970 | 977,931 | 11.8% |
| Insurance | 1,096,182 | 1.0% | 925,441 | 170,741 | 18.4% |
| Professional services | 1,201,715 | 1.1% | 1,273,117 | (71,402) | -5.6% |
| Legal services | 356,461 | 0.3% | 254,899 | 101,562 | 39.8% |
| Other expenses | 931,988 | 0.8% | 811,192 | 120,796 | 14.9% |
| TOTAL OPERATING EXPENSES | 56,822,776 | 50.6% | 52,615,512 | 4,207,265 | 8.0% |
| Depreciation | 33,039,248 | 29.4% | 36,528,333 | (3,489,085) | -9.6% |
| NON-OPERATING EXPENSES | | | | | |
| Interest expense | 20,694,200 | 18.4% | 6,932,782 | 13,761,418 | 198.5% |
| Miscellaneous non-operating expenses | 1,867,773 | 1.6% | - | 1,867,773 | 100.0% |
| TOTAL NON-OPERATING EXPENSES | 22,561,973 | 20.0% | 6,932,782 | 15,629,191 | 225.4% |
| TOTAL EXPENSES | \$112,423,997 | 100.0% | \$96,076,627 | \$16,347,371 | 17.0% |



The charts below illustrate the sources of total operating expenses for fiscal years 2025 and 2024.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS



CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses (less depreciation) increased by \$4.2 million between fiscal year 2025 and fiscal year 2024. This increase is primarily attributable to increased personnel (\$2.0 million), administrative (\$1.0 million), and contractual services expenses (\$0.9 million). The increased expenses are the result of the following:

- **Personnel:** Personnel cost growth reflected merit increases effective July 1 and higher incentive payouts (\$1.7 million), partially offset by a \$0.3 million reduction in other payroll-related charges.
- **Administrative:** Administrative expenses were higher, driven by increased air service development (\$0.2 million) and public relations initiatives of \$0.4 million.
- **Contractual Services:** Contractual expenses rose mainly due to higher environmental services (\$0.3 million), technology-related costs (\$1.4 million), and storm-related expenses (\$0.2 million). Environmental service costs increased due to higher stormwater and disposal fees, while technology costs grew with expanded investments in digital and cloud-based terminal software. These increases were partially offset by a \$0.9 million reduction in consultant-related costs.

Operating expenses (less depreciation) increased by \$9.0 million between fiscal year 2024 and fiscal year 2023. This increase is primarily attributable to increased personnel (\$4.4 million), contractual services (\$2.7 million), administrative (\$1.1 million) and facilities maintenance (\$0.9 million) expenses. The increased expenses are a result of the following:

- **Personnel:** Salary expenses increased \$2.5 million. Salary recommendations from the most recent compensation study were implemented in the first quarter of fiscal year 2024, resulting in an average 8% increase in employees' wages. Benefit expenses, to include pension costs, increased approximately \$1.8 million as a result of higher compensation and health care costs.
- **Contractual Services:** Expenses increased due to higher janitorial expenses of \$0.7 million, a result of cost escalation related to supply and labor cost. Increases in landside (\$0.5 million) and information technology (\$0.4 million) contractual expenses also contributed to the increase in expenses. Landside contractual expenses are for passenger baggage handling services. Information technology contractual expenses were primarily related to cloud-based software and other licensing fees.
- **Administrative:** Administrative expenses increased due to increased credit card processing fees (\$0.1 million), employee training expenses (\$0.1 million) and increased air service development expenses (\$0.9 million).
- **Facilities Maintenance:** Higher utilities (\$0.3 million) and baggage handling maintenance (\$0.3 million) expenses attributed to the increase in maintenance expenses. The increase in airline traffic has had an escalatory impact on these maintenance expenses. Airfield maintenance expenses increased approximately \$0.2 million due to the completion of special maintenance projects.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

A condensed summary of the District's increase in net position as of June 30, 2025, 2024, and 2023 is shown below:

| | FY2025 | FY 2024 | FY 2023 |
|--------------------------------------|---------------|---------------|---------------|
| Operating revenues | \$118,998,125 | \$101,681,846 | \$88,486,184 |
| Operating expenses | (56,822,776) | (52,615,512) | (43,346,714) |
| Operating income before depreciation | 62,175,349 | 49,066,334 | 45,139,470 |
| Depreciation | (33,039,248) | (36,528,333) | (35,581,996) |
| Operating income | 29,136,101 | 12,538,001 | 9,557,474 |
| Non-Operating (expenses) revenues | 2,703,374 | 16,485,521 | 8,101,705 |
| | 31,839,475 | 29,023,522 | 17,659,179 |
| Capital contributions | 23,729,260 | 1,854,672 | 34,101,398 |
| (Decrease) Increase in net position | 55,568,735 | 30,878,194 | 51,760,577 |
| Net position, beginning restated | - | - | (941,786.00) |
| Net position, beginning of year | 394,015,961 | 363,137,767 | 312,318,976 |
| Net position, end of year | \$449,584,696 | \$394,015,961 | \$363,137,767 |

The increase in net position for fiscal year 2025 was \$55.5 million, an increase of \$24.7 million compared to fiscal year 2024. The increase is primarily driven by a \$21.3 million increase in capital contributions and a \$16.4 million increase in operating income, partially offset by a \$13.2 million decrease in non-operating income.

The increase in net position for fiscal year 2024 was \$30.1 million, a decrease of \$20.8 million compared to fiscal year 2023. This decline was due to a \$32.4 million decrease in capital contributions, partially offset by a \$3.2 million increase in operating income and an \$8.6 million increase in non-operating income.

Operating income before depreciation increased by \$13.1 million between fiscal years 2025 and 2024, primarily due to a 12% increase in operating revenues. Revenues sensitive to enplanement volume – parking, rental car, and concessions – accounted for approximately \$11.3 million of this growth. Airline revenues increased by \$5.9 million, driven by higher terminal rental rates needed to support increased terminal-related operating expenses.

Operating income before depreciation increased by \$3.9 million between fiscal years 2024 and 2023, attributable to a 15% increase in operating revenues. Enplanement-sensitive revenues (parking, rental car, and fuel flowage) contributed approximately 41% of the increase, while airline revenues accounted for 58%, reflecting the higher share of operating expenses recovered through terminal rental rates.

Non-operating income for fiscal year 2025 decreased primarily due to a \$13.8 million increase in interest expense. The higher interest expense is largely attributable to a \$13.7 million increase in capitalized interest related to the 2024 debt issuance. Under GASB standards, interest incurred during construction is recognized as an expense in the period incurred for enterprise funds, rather than being capitalized as part of the asset's historical cost. In addition, the District's bond resolution requires capitalized interest paid from capitalized interest funds on deposit to be subtracted from interest expense when calculating annual debt service for rate covenant purposes.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

For fiscal year 2024, non-operating income increased due to higher Passenger Facility Charge (PFC) revenues, increased investment income, and reduced interest expense. PFC revenues increased by \$1.0 million as a result of higher enplanement volumes. Investment income increased by \$1.9 million due to rising interest rates and favorable market performance. Interest expense decreased by \$1.2 million because of favorable debt restructuring transactions (Note 5). Revenues from county fees increased by approximately \$0.6 million.

For fiscal year 2025, capital contributions increased due to higher state grant funding reserved for specific capital projects. In contrast, capital contributions decreased in fiscal year 2024, primarily because COVID-19 relief funds available in fiscal year 2023 were fully expended.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

Property and equipment are recorded at historical cost. Capital acquisitions are funded through a combination of federal grants, debt financing, and airport revenues. During the fiscal year ended June 30, 2025, the District incurred \$120.2 million in capital expenditures, primarily related to the third parking garage expansion.

In 2023, the District completed an update to its Terminal Area Plan (TAP) to evaluate long-term development strategies needed to meet current and future terminal capacity demands. The TAP assessed existing facility conditions, analyzed the ability of current infrastructure to accommodate projected passenger growth, and identified alternatives to expand capacity. The plan recommends implementing improvements in phases, with Phase 1 projects scheduled for completion in years 1–5 and Phase 2 projects scheduled for years 5–10.

Major Phase 1 initiatives include the East Concourse Expansion, the Parking Garage Expansion with a Consolidated Rental Car Facility (CONRAC), and the West Gate Expansion. Additional planned improvements include the development of two new remain-overnight aircraft positions and expansions to baggage handling facilities. The estimated cost of the capital program for fiscal years 2025 through 2029, including all Phase 1 projects, is approximately \$1.3 billion.

The Authority anticipates financing these projects through a combination of new debt issuances, federal and state grants, passenger facility charges, customer facility charges, and cash reserves.

In October 2024, the Authority broke ground on a new six-level parking garage designed to improve passenger experience and meet growing parking demand. The \$348 million facility will total 2.4 million square feet and will significantly expand parking capacity, offering 5,164 private-vehicle spaces and 2,036 rental spaces. The inclusion of a CONRAC will streamline rental car operations by consolidating pick-up and return functions into a single location. With modern design features and sustainability elements, the project is intended to enhance safety, efficiency, and customer convenience. The new parking garage is expected to open in spring 2027.

During the fiscal year ended June 30, 2024, the District incurred \$17.2 million in capital expenditures. Notable investments included \$4.2 million for terminal expansion enabling projects, \$2.9 million for the CHS terminal annex buildout, and \$1.2 million for the expansion of the Economy B parking lot.

The Authority received approximately \$22.4 million in state funding in fiscal year 2025. These funds have been reserved to support the West Gate Expansion project, expected to be completed by January 2027. No federal grants were awarded during fiscal year 2024.

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

LONG-TERM DEBT ADMINISTRATION

In 2013, the Airport issued \$174,485,000 in Airport System Revenue Bonds dated September 5, 2013, maturing annually from 2017 through 2043. Proceeds from this issuance funded the Terminal Redevelopment and Improvement Program (TRIP), which was completed in late 2015.

In September 2022, the Series 2013 bonds were refunded, reducing total debt service payments by approximately \$26 million over the remaining term of the bonds. The refunding resulted in annual debt service savings of approximately \$2.6 million. The principal amount of the refunded bonds was \$151 million. See Note 5 for additional information.

In 2019, the Airport issued \$64,715,000 in Airport System Revenue Bonds dated February 13, 2019, maturing annually from 2023 through 2048. Proceeds were used to finance the construction of a new parking structure, which opened in fall 2020.

In June 2023, the Authority utilized excess cash reserves to complete a partial defeasance of approximately \$16.7 million of Series 2019 principal. This defeasance corresponds to principal payments due between July 1, 2024, and July 1, 2033, and will reduce debt service requirements by approximately \$2.0 million over this period.

In July 2024, the Authority entered into a loan agreement with a financial institution to establish a \$70 million revolving line of credit. The District intends to use this line of credit to support the West Gate Expansion project.

In September 2024, the District issued \$370.5 million in Airport Revenue Bonds – comprising \$93.8 million of Series 2024A, \$191.2 million of Series 2024B, and \$85.4 million of Series 2024C bonds. These bonds were issued to finance the expansion of the East Concourse, the construction of a six-level, 2.4-million-square-foot parking garage, the buildout of the consolidated rental car and administrative spaces, and the construction of a new baggage handling system.

See Note 5 for further discussion.

A summary of debt outstanding as of June 30, 2025, 2024, 2023 and 2022 is provided below:

| Fiscal Year | 2024 | 2024L | 2023 | 2019 | 2013 |
|--|---------------|-------------|---------------|--------------|---------------|
| | Revenue Bond | LOC | Revenue Bond | Revenue Bond | Revenue Bond |
| FY 2025 | \$370,560,000 | \$3,050,000 | \$143,660,000 | \$46,730,000 | \$0 |
| FY 2024 | \$0 | \$0 | \$148,920,000 | \$46,730,000 | \$0 |
| FY 2023 | \$0 | \$0 | \$151,500,000 | \$55,742,898 | \$0 |
| FY 2022 | \$0 | \$0 | \$0 | \$73,119,594 | \$154,407,660 |
| Amounts in table include unamortized bond discount and unamortized bond premium. | | | | | |

CHARLESTON REGIONAL AVIATION AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

The table below presents the District's debt service coverage and cost per enplanement for fiscal years 2023 through 2025.

| | FY 2023 | FY 2024 | FY 2025 |
|--|----------------------|----------------------|----------------------|
| Total Revenues | \$ 88,486,184 | \$ 101,681,846 | \$ 118,998,125 |
| Less: Operating Expenses | 43,346,714 | 52,615,512 | 56,822,776 |
| Net Revenues | \$ 45,139,470 | \$ 49,066,334 | \$ 62,175,349 |
| Rolling Coverage Account | \$ 3,000,000 | \$ 3,000,000 | \$ 3,000,000 |
| Revenue Bond Debt Service (Paid From Net Revenues) | \$ 8,953,573 | \$ 8,629,897 | \$ 7,877,552 |
| Revenue Bond Debt Service (Paid From PFCs) | 4,631,178 | 3,708,599 | 4,488,002 |
| Less: PFC Applied to Debt Service | 4,631,178 | 3,708,599 | 4,488,002 |
| Net Revenue Bond Debt Service | \$ 8,953,573 | \$ 8,629,897 | \$ 7,877,552 |
| Debt Service Coverage Ratio | 5.04 | 5.69 | 7.89 |
| Debt Service Coverage Ratio-Includes Coverage Deposit Account | 5.38 | 6.03 | 8.27 |
| Cost Per Enplanement | \$ 9.17 | \$ 10.24 | \$ 12.64 |

Please see the notes to the financial statements for more detailed information on long-term debt activity.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Director of Airports, Charleston Regional Aviation Authority, 5500 International Boulevard, #101, Charleston, South Carolina 29418.

Respectfully submitted,

Brandy L. James, CPA

Brandy L. James, CPA
Vice President & Chief Financial Officer

FINANCIAL SECTION

CHARLESTON REGIONAL AIRPORT DISTRICT

STATEMENTS OF NET POSITION

JUNE 30, 2025 AND 2024

| | 2025 | 2024 |
|--|----------------------|----------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Current assets: | | |
| Unrestricted assets: | | |
| Cash and cash equivalents | \$ 133,761,122 | \$ 105,055,294 |
| Investments | 43,820,449 | 41,668,245 |
| Accounts receivable - customer (less allowance for doubtful accounts of \$83,639 for 2025 and 2024, respectively) | 7,106,392 | 7,093,324 |
| Inventories of materials and supplies | 1,283,884 | 997,000 |
| Prepaid expenses | 1,159,189 | 1,189,857 |
| Leases receivable | 15,899,685 | 9,390,803 |
| Due from other governments | 549,371 | 547,500 |
| Restricted assets: | | |
| Cash and cash equivalents | 63,191,640 | 60,065,396 |
| Investments | 390,820,095 | 39,905,847 |
| Passenger facility charge receivable | 1,869,892 | 2,371,780 |
| Total current assets | <u>659,461,719</u> | <u>268,285,046</u> |
| Non-current assets: | | |
| Leases receivable, net of current portion | 57,959,932 | 27,680,249 |
| Other assets | 159,109 | - |
| Capital assets: | | |
| Non-depreciable | 165,726,726 | 48,361,654 |
| Depreciable, net of accumulated depreciation and amortization | 301,627,538 | 324,141,642 |
| Total non-current assets | <u>525,473,305</u> | <u>400,183,545</u> |
| Total assets | <u>1,184,935,024</u> | <u>668,468,591</u> |
| Deferred outflows of resources: | | |
| Pension | 7,238,310 | 6,892,496 |
| Other postemployment benefits | 527,265 | 367,740 |
| Deferred charge on refunding | 2,890,731 | 3,041,552 |
| Total deferred outflows of resources | <u>\$ 10,656,306</u> | <u>\$ 10,301,788</u> |

| | 2025 | 2024 |
|--|-----------------------|-----------------------|
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Current liabilities: | | |
| Payable from unrestricted assets: | | |
| Accounts payable and accrued liabilities | \$ 2,030,386 | \$ 1,844,394 |
| Accrued salaries and other liabilities | 969,028 | 890,331 |
| Accrued compensated absences | 2,850,981 | 2,325,688 |
| Due to other governments | 232,546 | 219,217 |
| Deposits | 825,545 | 1,041,987 |
| Capital improvements contracts payable | 3,784,017 | 4,510,705 |
| Retainage payable | 8,966,254 | 570,059 |
| Payable from restricted assets: | | |
| Subscription liability | 224,480 | - |
| Revenue bonds payable | 5,435,000 | 5,260,000 |
| Accrued revenue bonds interest payable | 17,252,851 | 3,595,646 |
| Total current liabilities | <u>42,571,088</u> | <u>20,258,027</u> |
| Non-current liabilities: | | |
| Subscription liability | 2,084,752 | - |
| Revenue bonds payable | 594,270,110 | 197,728,027 |
| Line of credit | 3,050,000 | - |
| Net pension liability | 28,007,456 | 27,956,662 |
| Total other postemployment benefits liability | 1,862,566 | 1,766,784 |
| Total non-current liabilities | <u>629,274,884</u> | <u>227,451,473</u> |
| Total liabilities | <u>671,845,972</u> | <u>247,709,500</u> |
| Deferred inflows of resources: | | |
| Lease receipts | 72,234,542 | 36,046,487 |
| Pension | 1,243,389 | 320,612 |
| Other postemployment benefits | 682,731 | 677,819 |
| Total deferred inflows of resources | <u>74,160,662</u> | <u>37,044,918</u> |
| Net position: | | |
| Net investment in capital assets | 129,590,498 | 167,476,057 |
| Restricted by: | | |
| Bond covenant | 124,403,429 | 48,743,943 |
| Contributor | 68,804,760 | 54,892,512 |
| Unrestricted | 126,786,009 | 122,903,449 |
| Total net position | <u>\$ 449,584,696</u> | <u>\$ 394,015,961</u> |

CHARLESTON REGIONAL AIRPORT DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

| | 2025 | 2024 |
|---|-----------------------|-----------------------|
| Operating revenues: | | |
| Aviation support | \$ 1,420,273 | \$ 1,342,586 |
| Domestic and international terminal | 59,912,912 | 52,119,876 |
| Airfield area | 919,083 | 835,618 |
| Apron and taxiway | 424,315 | 636,222 |
| Airline service area | 271,235 | 271,525 |
| Fuel storage | 2,443,936 | 2,455,479 |
| Reliever airports | 1,426,607 | 1,208,215 |
| Commercial/industrial area | 15,676,364 | 8,779,639 |
| Parking/roadway area | 36,503,400 | 34,032,686 |
| Total operating revenues | <u>118,998,125</u> | <u>101,681,846</u> |
| Operating expenses: | | |
| Personnel services | 30,611,725 | 28,564,197 |
| Administrative services | 5,845,501 | 5,120,992 |
| Utilities | 2,576,876 | 2,680,187 |
| Building repairs and maintenance | 2,143,049 | 1,953,292 |
| Heating, ventilation, and air conditioning | 208,471 | 195,648 |
| Field maintenance | 467,018 | 502,280 |
| Vehicle maintenance | 419,942 | 394,810 |
| Loading bridges | 73,945 | 69,176 |
| Supplies | 1,610,002 | 1,568,311 |
| Contractual services | 9,279,901 | 8,301,970 |
| Insurance | 1,096,182 | 925,441 |
| Professional services | 1,201,715 | 1,273,117 |
| Legal services | 356,461 | 254,899 |
| Other expenses | 931,988 | 811,192 |
| Depreciation | 33,039,248 | 36,528,333 |
| Total operating expenses | <u>89,862,024</u> | <u>89,143,845</u> |
| Operating income | <u>29,136,101</u> | <u>12,538,001</u> |
| Non-operating revenues (expenses): | | |
| Passenger facility charges | 12,564,117 | 12,435,987 |
| Investment income | 6,888,248 | 2,862,461 |
| Unrealized and realized gain on investments | 998,137 | 1,911,871 |
| Loss on disposal of capital assets | (13,289) | - |
| Interest expense | (20,694,200) | (6,932,242) |
| Cost of bond issuance and fiscal agent fees | (1,867,773) | (540) |
| Other | 4,828,134 | 6,207,984 |
| Total non-operating revenues, net | <u>2,703,374</u> | <u>16,485,521</u> |
| Income before capital contributions | <u>31,839,475</u> | <u>29,023,522</u> |
| Capital contributions | <u>23,729,260</u> | <u>1,854,672</u> |
| Change in net position | <u>55,568,735</u> | <u>30,878,194</u> |
| Total net position, beginning of year, as previously reported | 394,015,961 | 364,079,553 |
| Restatement for change in accounting principle | - | (941,786) |
| Total net position, beginning of year, as adjusted | <u>394,015,961</u> | <u>363,137,767</u> |
| Total net position, end of year | <u>\$ 449,584,696</u> | <u>\$ 394,015,961</u> |

See Notes to Financial Statements.

CHARLESTON REGIONAL AIRPORT DISTRICT

STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

| | 2025 | 2024 |
|--|----------------|----------------|
| Cash Flows from Operating Activities: | | |
| Receipts from customers and users | \$ 118,008,996 | \$ 100,425,805 |
| Payments to suppliers | (26,267,946) | (24,777,415) |
| Payments to employees | (29,438,809) | (27,471,984) |
| Net cash provided by operating activities | 62,302,241 | 48,176,406 |
| Cash Flows from Investing Activities: | | |
| Purchases of investments | (462,955,147) | (57,733,291) |
| Proceeds from sale of investments | 110,886,832 | 56,661,429 |
| Income from investments | 6,888,248 | 2,862,461 |
| Net cash provided (used) by investing activities | (345,180,067) | 1,790,599 |
| Cash Flows from Noncapital Financing Activities: | | |
| Other receipts from County fees and grants | 4,826,263 | 5,660,484 |
| Net cash provided by noncapital financing activities | 4,826,263 | 5,660,484 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Proceeds from passenger facility charges | 13,066,005 | 12,204,346 |
| Proceeds from government grant contributions | 23,729,260 | 1,854,672 |
| Acquisition and construction of capital assets | (117,703,206) | (17,286,425) |
| Proceeds from issuance of revenue bonds | 370,560,000 | 148,920,000 |
| Principal payments on revenue bonds | (5,260,000) | (152,765,000) |
| Interest and issuance costs paid on revenue bonds | (9,163,817) | (8,494,037) |
| Proceeds from the sale of capital assets | 2,500 | - |
| Draws from line of credit | 3,050,000 | - |
| Proceeds from the issuance of bond premiums | 31,826,953 | - |
| Principal payments on subscriptions | (224,060) | - |
| Net cash provided (used) in capital and related financing activities | 309,883,635 | (15,566,444) |
| Net increase in cash and cash equivalents | 31,832,072 | 40,061,045 |
| Cash and cash equivalents: | | |
| Beginning of year | 165,120,690 | 125,059,645 |
| End of year | \$ 196,952,762 | \$ 165,120,690 |
| Classified as: | | |
| Cash and cash equivalents | \$ 133,761,122 | \$ 105,055,294 |
| Restricted assets, cash and cash equivalents | 63,191,640 | 60,065,396 |
| | \$ 196,952,762 | \$ 165,120,690 |

See Notes to Financial Statements.

| | 2025 | 2024 |
|---|----------------------|----------------------|
| Cash Flows from Operating Activities: | | |
| Operating income | \$ 29,136,101 | \$ 12,538,001 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 33,039,248 | 36,528,333 |
| Changes in assets and liabilities: | | |
| Increase in accounts receivable | (13,068) | (1,463,229) |
| Increases in leases receivable | (36,788,565) | (4,170,905) |
| Increase in other assets | (159,109) | - |
| (Increase) decrease in inventories | (286,884) | 405,623 |
| Decrease in prepaid expenses | 30,668 | 35,744 |
| Increase in deferred outflows of resources - pension | (345,814) | (1,823,974) |
| (Increase) decrease in deferred outflows of resources - other postemployment benefits | (159,525) | 61,395 |
| Increase (decrease) in accounts payable and accrued liabilities | 264,689 | (1,154,101) |
| Increase in net pension liability | 50,794 | 2,737,158 |
| Increase (decrease) in total other postemployment benefits liability | 95,782 | (59,780) |
| Increase in compensated absences | 525,293 | 447,628 |
| Decrease in deposits and unearned revenue | (216,442) | (208,781) |
| Increase in amounts due to other governments | 13,329 | 6,206 |
| Increase in deferred inflows of resources - lease receipts | 36,188,055 | 4,586,874 |
| Increase (decrease) in deferred inflows of resources - pension | 922,777 | (205,315) |
| Increase (decrease) in deferred inflows of resources - other postemployment benefits | 4,912 | (84,471) |
| Net cash provided by operating activities | <u>\$ 62,302,241</u> | <u>\$ 48,176,406</u> |
| Noncash Capital and Related Financing Activities: | | |
| Unrealized increase in fair value of investments | \$ 998,137 | \$ 1,911,871 |
| Acquisition of subscription assets | 2,533,292 | - |
| Initiation of subscription liabilities | (2,533,292) | - |
| Net noncash capital and related financing activities | <u>\$ 998,137</u> | <u>\$ 1,911,871</u> |

CHARLESTON REGIONAL AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to local governmental entities. The following is a summary of the more significant accounting policies:

Reporting Entity

The Charleston Regional Airport District (the “District”) owns and operates the Charleston International Airport, Charleston Executive Airport (Johns Island), and the Mt. Pleasant Regional Airport (formerly East Cooper). Chartered in 1970 by the State of South Carolina, it is responsible for managing, operating, and developing all public airports in the District and supervising the financial operations of the District. The District coordinates its activities with the Federal Aviation Administration and the South Carolina Division of Aeronautics.

The District is a municipal corporation established by the General Assembly of the State of South Carolina in 1970 and is governed by the Charleston Regional Aviation Authority (the “Authority”). The Authority was renamed during fiscal year 2025 after an act of the South Carolina General Assembly (Act 76) from the Charleston County Aviation Authority to the Charleston Regional Aviation Authority. The Authority is composed of six members appointed to four-year terms by the Governor and five ex-officio members: the Mayor of the City of Charleston, the Mayor of the City of North Charleston, the Mayor of the District of Mount Pleasant, the Chairman of the Charleston County Council, and one member selected jointly by the City of Charleston and County of Charleston, or their respective proxies.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Government Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, as amended, which defines a primary government as an entity with a governing body elected in a general election and which is legally separate and fiscally independent. Any entity that does not meet the above criteria is potentially a component unit of a primary government.

A component unit is a legally separate entity for which a primary government is financially accountable by virtue of the fact that it both appoints the governing board and is able to impose its will on the component unit, or the fact that it provides financial benefits or imposes a financial burden on the primary government.

Based on the above requirements, there are no entities which meet the criteria detailed above for inclusion with the District’s financial statements as component units, nor is the District considered a component unit.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation

Proprietary funds are accounted for using the *flow of economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The accounting objective of this measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Enterprise funds are a type of proprietary fund used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

The District accounts for its activities in an enterprise fund.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally 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 District are terminal, parking lot, and roadway revenues. Operating expenses for proprietary funds include the cost to provide services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, including restricted assets, with original maturities of three months or less from the date of acquisition.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, investments are carried at fair value.

The District has a number of financial instruments, none of which are held for trading purposes. Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts, such as nonnegotiable certificates of deposits and repurchase agreements, are reported at cost which approximates fair value. See Note 2 for additional information.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Customer receivables are shown as net of an allowance for uncollectibles. At year-end, the allowance account is adjusted to an amount based on prior years' experience and an analysis of specific accounts. The allowance for uncollectible accounts was \$83,639 at June 30, 2025 and 2024.

Funds that have been expended in accordance with grant requirements, but have not yet been reimbursed by grant funds, are recorded as governmental grants receivable.

Inventory and Prepaid Assets

Inventories consist of various spare parts and supplies used in the maintenance of the airport system and gasoline and fuel inventory as a reliever airport and are valued at the lower of cost (first-in, first-out) or market. Inventories are reported as expenses when they are consumed.

Certain payments to vendors reflect expenses applicable to future accounting periods and are recorded as prepaid items in the financial statements. Prepaid items are accounted for using the consumption method.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets, which also include right-to-use assets, are defined by the District as assets with an initial individual cost of more than \$150,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Assets donated to the District are recorded at their acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the respective assets were charged to expense in the current period. Gains and losses arising from the sale or disposition of capital assets are included in the change in net position.

Major expenditures for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of assets is included in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|--|------------------------|
| Terminal building, improvements, and land improvements | 15 - 40 years |
| Other buildings and improvements | 15 - 25 years |
| Runways, taxiways, aprons, and airfield lighting | 10 - 20 years |
| Vehicles, furniture, and equipment | 5 - 10 years |
| Parking lot and parking lot equipment | 5 - 10 years |
| Right-to-use subscription assets | 10 years |

Restricted Assets

Certain proceeds from the issuance of the District's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

- The Construction Fund is used to pay the costs of the District's projects as provided in the provisions of the bond covenants.
- The Gross Revenue Fund receives the revenues to be distributed in the following order as provided in the provisions of the bond covenants:
 - Operation and Maintenance Reserve Account – an amount equal to three months of the annual budgeted operation and maintenance reserve
 - Debt Service and Debt Service Reserve Accounts – balance equal to the accrued aggregate debt service

Funds collected under the passenger facility charge program are restricted by law for specific airport improvement projects. All donor restricted support is reflected as restricted assets.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Prior to the end of each fiscal year, an appropriated budget for the subsequent fiscal year is presented and approved by the District to be used as a management tool. All annual appropriations lapse at year-end other than the capital budget.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position reports a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. Four items relating to the District's Retirement Plans, two items relating to the District's other postemployment benefits (OPEB) plan, and one item relating to the District's deferred charge on refunding qualify for reporting in this category and are combined in the Statements of Net Position under the heading "Pension", "Other postemployment benefits", and "Deferred charge on refunding", respectively. The first item, experience losses, result from periodic studies by the actuary of the Retirement and OPEB Plans, which adjust these liabilities for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension and OPEB expense, respectively, over the expected remaining service lives of the plan members. The second item, changes of actuarial assumptions, adjusts the net pension liabilities and total OPEB liability and are amortized into pension and OPEB expense over the expected remaining service lives of plan members. The third item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions and is recorded as a deferred outflow of resources and is amortized into pension expense over the expected remaining lives of the plan members. Additionally, any contributions made by the District to the pension plan before year-end but subsequent to the measurement date of the District's net pension liability are reported as deferred outflows of resources. The fourth item, deferred charge on refunding, result from the difference between the net carrying amount of the refunded debt and the acquisition value of the refunding debt issued in a bond refunding transaction. These deferred charges are amortized using the straight-line method over the shorter of either the refunded or refunding bonds maturity dates.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statements of Net Position reports a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Two items relating to the District's Retirement Plans, two items relating to the District's other postemployment benefits plan, and one item relating to deferred lease receipts qualify for reporting in this category and are combined in the Statements of Net Position under the heading "Pension" "Other postemployment benefits", and "Lease receipts", respectively. The first item, experience gains, result from periodic studies by the actuary of the Retirement and Other Postemployment Benefit Plans, which adjust the net pension and total OPEB liabilities for actual experience for certain trend information that was previously assumed. These experience gains are recorded as deferred inflows of resources and are amortized into pension and OPEB expense over the expected remaining service lives of the plan members. The second item, changes in actuarial assumptions, adjusts the total OPEB liability and is amortized into OPEB expense over the expected remaining service lives of plan members. The third item, differences between projected investment return on pension investments and actual return on those investments, is deferred and amortized against pension expense over a five-year period, resulting in recognition as a deferred inflow of resources. The fifth item, deferred lease receipts, is amortized into revenue using the straight-line method over the associated lease term.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay vests when earned. Vacation pay is accrued when earned and employees can only carry over a maximum of 100% of their allowed annual leave. Any amount of leave exceeding the annual maximum amount will be forfeited when the payroll year ends. Vacation pay within the annual carryover limit is reported as a liability. In addition, the compensated absences liability includes a portion of sick leave of which the District expects to pay out in the future in accordance with GASB Statement No. 101, *Compensated Absences*.

Unearned Revenue

Unearned revenue consists of amounts paid by the customers of the District. The prepayments are primarily for rents to be earned by the District in July of the following fiscal year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

Long-term debt and other obligations financed by the District are reported as liabilities in the Statements of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed in the year incurred with the exception of prepaid bond insurance which is amortized over the life of the bonds. Accordingly, the unamortized prepaid bond insurance balance is reported in the Statements of Net Position as "Other assets".

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position Classification

Net position is classified and displayed in three components within the Statements of Net Position. These three classifications are as follows:

- a) Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b) Restricted net position consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of changes in the District's financial position and operations. Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Landing Fees Paid to USAF

The District operates a joint-use airfield in conjunction with the United States Air Force (USAF). Under the joint-use agreement, the District will make payments equal to one-half of the total landing fees. These fees are included in other expenses on the Statements of Revenues, Expenses, and Changes in Net Position.

Lease Accounting

Revenue from terminal building space rentals and other leased sites is accounted for in accordance with GASB Statement No. 87, *Leases*. Base monthly rentals are computed on the square footage occupied by the tenant times the rent per square foot. Tenant leases, with the exception of airline leases, are normally for periods of three to five years with options to renew. At June 30, 2025 and 2024, the airlines operating within the District consisted of Alaska Airlines, American Airlines, Avelo Airlines, Breeze Airways, Delta Airlines, Frontier Airlines, JetBlue Airways, Silver Airways, Southwest Airlines, Sun Country Airlines, and United Airlines. The airlines are subject to Ordinance #2001-02 *Air Carriers*, which places airline rentals on a month-to-month rental term. The District groups its leases for the purposes of disclosure into regulated leases and non-regulated leases. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments: (1) The District uses the interest rate it is charging the lessee as the discount rate. When the lease agreement does not specify an interest rate to be charged, the District generally uses its estimated incremental borrowing rate as the discount rate for leases; (2) the lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments the District is reasonably certain to receive. The District monitors changes in circumstances that would require a re-measurement of its lease and will re-measure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. Refer to Note 4 for additional disclosures relative to the District's leasing activities.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subscription-Based Information Technology Arrangement (SBITA)

The District is a party in certain noncancellable Subscription-Based Information Technology Arrangements (SBITAs). The District recognizes a subscription liability and subscription asset in the government-wide financial statements. The District recognizes subscription liabilities with an initial individual value of \$150,000 or more. At the commencement of a SBITA, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) payments: The District uses its incremental borrowing rate as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option prices that the District is reasonably certain to exercise. The District monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. Subscription assets are reported with other capital assets in the Statements of Net Position.

Capital Contributions

The District receives federal grants to finance a portion of the airport improvements constructed by the District. The contributions are recorded when grant expenditures are made and grant funds are earned. Capital contributions were \$23,729,260 and \$1,854,672 for the years ended June 30, 2025 and 2024, respectively.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2025 and 2024 are summarized as follows:

| | 2025 | 2024 |
|--|-----------------------|-----------------------|
| As reported in the <i>Statements of Net Position</i> : | | |
| Cash and cash equivalents | \$ 133,761,122 | \$ 105,055,294 |
| Investments | 43,820,449 | 41,668,245 |
| Restricted cash and cash equivalents | 63,191,640 | 60,065,396 |
| Restricted investments | 390,820,095 | 39,905,847 |
| | <u>\$ 631,593,306</u> | <u>\$ 246,694,782</u> |
| Cash deposited with financial institutions | \$ 196,952,762 | \$ 165,120,690 |
| U.S. Government and Agencies | 79,003,005 | 59,435,927 |
| Money market mutual funds | 355,637,539 | 22,138,165 |
| | <u>\$ 631,593,306</u> | <u>\$ 246,694,782</u> |

Custodial Credit Risk – Deposits and Investments. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Deposits of the District are subject to South Carolina state statutes for custodial credit risk. The statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. In accordance with the aforementioned statute, the District's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in demand or time deposits, continuously and fully secured with direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District has an informal investment policy that limits investment to instruments with primarily short-term maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information regarding interest rate risk can be found on the following page.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has adopted an informal investment policy in accordance with state statutes, which authorize the District to invest in the following:

1. Obligations of the United States and agencies thereof;
2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;
3. General obligations of the State of South Carolina or any of its political units;
4. Banks and savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
5. Certificates of deposit and repurchase agreements collateralized by securities, of the type described in (1) and (2) on the preceding page held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
6. No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

Additional information regarding the District's exposure to interest rate risk and credit risk is as follows at June 30, 2025:

| <u>Investment</u> | <u>Fair Value</u> | <u>Percentage of Portfolio</u> | <u>Credit Rating</u> | <u>Weighted Average Maturity (Years)</u> |
|------------------------------|------------------------------|------------------------------------|----------------------|--|
| U.S. Government and Agencies | \$ 79,003,005 | 18.18% | AAA | 2.15 |
| Money market mutual funds | <u>355,637,539</u> | 81.82% | N/A | - |
| Total investments | <u><u>\$ 434,640,544</u></u> | | | |

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Additional information regarding the District's exposure to interest rate risk and credit risk is as follows at June 30, 2024:

| <u>Investment</u> | <u>Fair Value</u> | <u>Percentage of Portfolio</u> | <u>Credit Rating</u> | <u>Weighted Average Maturity (Years)</u> |
|------------------------------|----------------------|------------------------------------|----------------------|--|
| U.S. Government and Agencies | \$ 59,435,927 | 72.86% | AAA | 1.25 |
| Money market mutual funds | 22,138,165 | 27.14% | N/A | - |
| Total investments | <u>\$ 81,574,092</u> | | | |

Fair Value Measurements. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2025:

| <u>Investment</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Fair Value</u> |
|---|-----------------------|----------------|----------------|-----------------------|
| U.S. Government and Agencies | \$ 79,003,005 | \$ - | \$ - | \$ 79,003,005 |
| Money market mutual funds | 355,637,539 | - | - | 355,637,539 |
| Total investments measured at fair value | <u>\$ 434,640,544</u> | <u>\$ -</u> | <u>\$ -</u> | |
| Total investments | | | | <u>\$ 434,640,544</u> |

The District has the following recurring fair value measurements as of June 30, 2024:

| <u>Investment</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Fair Value</u> |
|---|----------------------|----------------|----------------|----------------------|
| U.S. Government and Agencies | \$ 59,435,927 | \$ - | \$ - | \$ 59,435,927 |
| Money market mutual funds | 22,138,165 | - | - | 22,138,165 |
| Total investments measured at fair value | <u>\$ 81,574,092</u> | <u>\$ -</u> | <u>\$ -</u> | |
| Total investments | | | | <u>\$ 81,574,092</u> |

The U.S. Government and Agencies and Money Market Mutual Fund investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

The District has no investments classified in Level 2 or Level 3 of the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS

A summary of changes in capital assets at June 30, 2025, follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|----------------------|---------------|-------------|-------------|-------------------|
| Capital assets, not being depreciate or amortized: | | | | | |
| Land | \$ 24,551,131 | \$ - | \$ - | \$ - | \$ 24,551,131 |
| Construction in progress | 23,810,523 | 125,372,713 | - | (8,007,641) | 141,175,595 |
| Total | 48,361,654 | 125,372,713 | - | (8,007,641) | 165,726,726 |
| Capital assets, being depreciated or amortized: | | | | | |
| Runways, taxiways, aprons, and airfield lighting | 135,602,392 | - | (2,779,297) | 615,529 | 133,438,624 |
| Land improvements | 652,247 | - | - | - | 652,247 |
| Terminal buildings and improvements | 491,198,324 | - | (16,540) | 635,526 | 491,817,310 |
| Parking lots and improvements | 33,950,004 | - | (113,611) | 144,250 | 33,980,643 |
| Furniture and equipment | 49,524,618 | - | (2,161,019) | 6,142,867 | 53,506,466 |
| Vehicles | 4,219,810 | - | (149,730) | 469,469 | 4,539,549 |
| Subscription assets | - | 2,533,292 | - | - | 2,533,292 |
| Total | 715,147,395 | 2,533,292 | (5,220,197) | 8,007,641 | 720,468,131 |
| Less accumulated depreciation and amortization for: | | | | | |
| Runways, taxiways, aprons, and airfield lighting | (95,764,648) | (4,676,807) | 2,779,297 | - | (97,662,158) |
| Land improvements | (572,439) | (16,306) | - | - | (588,745) |
| Terminal buildings and improvements | (232,030,382) | (22,815,268) | 4,066 | - | (254,841,584) |
| Parking lots and improvements | (29,354,287) | (797,362) | 113,611 | - | (30,038,038) |
| Furniture and equipment | (30,036,891) | (3,886,385) | 2,157,704 | - | (31,765,572) |
| Vehicles | (3,247,106) | (593,791) | 149,730 | - | (3,691,167) |
| Subscription assets | - | (253,329) | - | - | (253,329) |
| Total | (391,005,753) | (33,039,248) | 5,204,408 | - | (418,840,593) |
| Total capital assets, being depreciated and amortized, net | 324,141,642 | (30,505,956) | (15,789) | 8,007,641 | 301,627,538 |
| Total capital assets, net | \$ 372,503,296 | \$ 94,866,757 | \$ (15,789) | \$ - | \$ 467,354,264 |

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets at June 30, 2024, follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|-----------------------|------------------------|-------------|---------------------|-----------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 24,551,131 | \$ - | \$ - | \$ - | \$ 24,551,131 |
| Construction in progress | 13,925,845 | 20,368,769 | - | (10,484,091) | 23,810,523 |
| Total | <u>38,476,976</u> | <u>20,368,769</u> | <u>-</u> | <u>(10,484,091)</u> | <u>48,361,654</u> |
| Capital assets, being depreciated: | | | | | |
| Runways, taxiways, aprons, and airfield lighting | 134,581,899 | - | - | 1,020,493 | 135,602,392 |
| Land improvements | 652,247 | - | - | - | 652,247 |
| Terminal buildings and improvements | 484,153,477 | - | - | 7,044,847 | 491,198,324 |
| Parking lots and improvements | 33,730,904 | - | - | 219,100 | 33,950,004 |
| Furniture and equipment | 48,101,298 | - | - | 1,423,320 | 49,524,618 |
| Vehicles | 3,443,479 | - | - | 776,331 | 4,219,810 |
| Total | <u>704,663,304</u> | <u>-</u> | <u>-</u> | <u>10,484,091</u> | <u>715,147,395</u> |
| Less accumulated depreciation for: | | | | | |
| Runways, taxiways, aprons, and airfield lighting | (91,140,780) | (4,623,868) | - | - | (95,764,648) |
| Land improvements | (556,133) | (16,306) | - | - | (572,439) |
| Terminal buildings and improvements | (208,980,143) | (23,050,239) | - | - | (232,030,382) |
| Parking lots and improvements | (26,008,161) | (3,346,126) | - | - | (29,354,287) |
| Furniture and equipment | (25,224,688) | (4,812,203) | - | - | (30,036,891) |
| Vehicles | (2,567,515) | (679,591) | - | - | (3,247,106) |
| Total | <u>(354,477,420)</u> | <u>(36,528,333)</u> | <u>-</u> | <u>-</u> | <u>(391,005,753)</u> |
| Total capital assets, being depreciated, net | <u>350,185,884</u> | <u>(36,528,333)</u> | <u>-</u> | <u>10,484,091</u> | <u>324,141,642</u> |
| Total capital assets, net | <u>\$ 388,662,860</u> | <u>\$ (16,159,564)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 372,503,296</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 4. LEASES

The District leases terminal space, land, buildings, and equipment, as lessor, under various lease agreements. The District's leases have been categorized as follows:

1. Included
2. Excluded - short-term
3. Excluded - regulated

Included Leases

In accordance with GASB Statement No. 87, the District recognizes a lease receivable and a deferred inflow of resources for leases the District categorized as Included. For these leases, the District reported a lease receivable of \$73.9 million as of June 30, 2025, and \$37.1 million as of June 30, 2024.

The leases held by the District do not have an implicit rate of return, therefore, the District used its incremental borrowing rate of 3.26% to discount the leases receivable to the net present value.

GASB Statement No. 87 "included leases" are summarized as follows:

Concessions

The District leases concession space located in the terminals. The terms of the concession lease agreements include a fixed revenue component or Minimum Annual Guarantee (MAG).

Real Estate

The District leases land for terms that range from 20 to 50 years. The terms of the real estate leases include a fixed revenue component based on acreage.

Rental Car

The District leases land and buildings for rental car services for 5-year terms. The terms of the fixed facility and ground-rental car leases include a fixed revenue component that is based on square footage for facility rent, acreage for ground rent, and Minimum Annual Guarantee (MAG).

The terms of the facility and ground-rental car lease agreements include a variable revenue component based on a percentage of gross revenue.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. LEASES (CONTINUED)

Included Leases (Continued)

Buildings

The District leases buildings and space located outside of the terminals for terms that range from 10 to 40 years. The terms of the buildings and space leases included a fixed revenue component based on square footage.

For the fiscal years ended June 30, 2025 and 2024, the District recognized lease-related inflows from lease revenue and interest revenue in the amount of approximately \$18.3 million and \$10.7 million, respectively.

Excluded - Short-term Leases

In accordance with GASB Statement No. 87, the District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Excluded - Regulated Leases

Finally, the District is the lessor in certain leasing arrangements as defined by GASB Statement No. 87, paragraphs 42 and 43 defined therein as *Regulated Leases*. In accordance with GASB Statement No. 87, the District does not recognize a lease receivable and deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, such as requirements from the U. S. Department of Transportation and the Federal Aviation Administration. All regulated leases between the District and air carriers or other aeronautical users and under the terms of the agreements the lessees have exclusive use of certain airport infrastructure. During the fiscal years ended June 30, 2025 and 2024, the District recognized revenues from regulated leases in the amount of \$36,011,752 and \$31,038,851, respectively. These leases are subject to renewal by the District via a Board ordinance. Minimum future lease payments under regulated lease agreements as of June 30, 2025, are as follows:

Year ending June 30,

| | |
|-------------|----------------------|
| 2026 | \$ 659,377 |
| 2027 | 659,377 |
| 2028 | 659,377 |
| 2029 | 441,027 |
| 2030 | 421,177 |
| 2031 - 2035 | 2,105,887 |
| 2036 - 2040 | 2,102,601 |
| 2041 - 2045 | 2,089,456 |
| 2046 - 2050 | 1,009,904 |
| Total | <u>\$ 10,148,183</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2025, is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|----------------------------------|-----------------------|-----------------------|------------------------|-----------------------|------------------------|
| Revenue bonds payable | \$ 195,650,000 | \$ 370,560,000 | \$ (5,260,000) | \$ 560,950,000 | \$ 5,435,000 |
| Deferred amounts: | | | | | |
| Unamortized premium | 7,338,027 | 31,826,953 | (409,870) | 38,755,110 | - |
| Revenue bonds, net | 202,988,027 | 402,386,953 | (5,669,870) | 599,705,110 | 5,435,000 |
| Line of credit | - | 3,050,000 | - | 3,050,000 | - |
| Net pension liability | 27,956,662 | 5,035,335 | (4,984,541) | 28,007,456 | - |
| Total OPEB liability | 1,766,784 | 409,578 | (313,796) | 1,862,566 | - |
| Compensated absences | 2,325,688 | 525,293 | - | 2,850,981 | 2,850,981 |
| Subscription liability (Note 11) | - | 2,533,292 | (224,060) | 2,309,232 | 224,480 |
| Total long-term liabilities | <u>\$ 235,037,161</u> | <u>\$ 413,940,451</u> | <u>\$ (11,192,267)</u> | <u>\$ 637,785,345</u> | <u>\$ 8,510,461</u> |

A summary of changes in long-term liabilities for the year ended June 30, 2024, is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|-----------------------------|-----------------------|-----------------------|-------------------------|-----------------------|------------------------|
| Revenue bonds payable | \$ 199,495,000 | \$ 148,920,000 | \$ (152,765,000) | \$ 195,650,000 | \$ 5,260,000 |
| Deferred amounts: | | | | | |
| Unamortized premium | 7,747,898 | - | (409,871) | 7,338,027 | - |
| Revenue bonds, net | 207,242,898 | 148,920,000 | (153,174,871) | 202,988,027 | 5,260,000 |
| Net pension liability | 25,219,504 | 5,915,389 | (3,178,231) | 27,956,662 | - |
| Total OPEB liability | 1,826,564 | 138,220 | (198,000) | 1,766,784 | - |
| Compensated absences | 936,274 | 1,759,733 | (370,319) | 2,325,688 | 2,325,688 |
| Total long-term liabilities | <u>\$ 235,225,240</u> | <u>\$ 156,733,342</u> | <u>\$ (156,921,421)</u> | <u>\$ 235,037,161</u> | <u>\$ 7,585,688</u> |

Revenue Bonds

| Description | Original Issue | Due Date | Interest Rates | 2025 | 2024 |
|---|----------------|----------|-----------------|-----------------------|-----------------------|
| Series 2019 | \$ 64,715,000 | 2049 | 5.00% | \$ 46,730,000 | \$ 46,730,000 |
| Series 2023A | 118,985,000 | 2042 | 3.26% | 113,750,000 | 118,985,000 |
| Series 2023B | 29,935,000 | 2044 | 3.26% | 29,910,000 | 29,935,000 |
| Series 2024A | 93,880,000 | 2054 | 5.25% | 93,880,000 | - |
| Series 2024B | 191,205,000 | 2054 | 5.00% - 5.25% | 191,205,000 | - |
| Series 2024C | 85,475,000 | 2054 | 4.065% - 5.082% | 85,475,000 | - |
| Total revenue bonds outstanding | | | | 560,950,000 | 195,650,000 |
| Plus: Deferred amounts for issuance premium | | | | 38,755,110 | 7,338,027 |
| Revenue bonds payable | | | | <u>\$ 599,705,110</u> | <u>\$ 202,988,027</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds (Continued)

The District issues bonds to provide funds for various projects. The revenue bonds outstanding as of June 30, 2025 and 2024 are as follows:

On February 13, 2019, the District issued \$64,715,000 Series 2019 airport revenue bonds to finance a portion of the cost of the design and construction of a five-level parking deck to provide approximately 2,400 spaces of public parking and approximately 600 spaces for rental car operations. Interest costs at a rate of 5.00% are due semiannually beginning July 1, 2019. During fiscal year 2023, the District irrevocably placed cash, from its own existing resources, with an escrow agent in a trust solely for satisfying certain scheduled future payments of principal on the defeased debt by purchasing securities backed by the U.S. government in an in-substance defeasance transaction. The portion of the 2019 bonds that was defeased is representative of the principal amounts due on the bonds from July 1, 2024, to July 1, 2033 (amounting to \$16,720,000), at which point the District will resume making principal payments until final maturity on July 1, 2048. Accordingly, the trust account assets for the Series 2019 airport revenue bonds and the liability for those defeased bonds are not included in the District's financial statements. As of June 30, 2024, the defeased bonds outstanding amounted to \$15,390,000. The remaining outstanding 2019 bonds are limited obligations of the District, payable solely from net revenues.

On July 1, 2023, the District issued \$118,985,000 Series 2023A and \$29,935,000 Series 2023B direct borrowing airport revenue refunding bonds to refund (or "exchange") the 2022A and 2022B direct borrowing airport revenue refunding bonds. The 2022A and 2022B bonds were issued as taxable bonds and were exchanged with the same lender for tax-exempt (2023A AMT and 2023B Non-AMT) bonds. Under the terms of the direct borrowing agreement, the 2022 bonds were cancelled via the issuance of the 2023 bonds. The District will continue to acquire and construct certain improvements to the Charleston International Airport pursuant to a capital improvement plan known as the Terminal Redevelopment and Improvement Program for which the 2013A and 2013B bonds were originally issued (refunded by the 2022A and 2022B bonds). Interest at a rate of 3.26% is due semiannually beginning on January 1, 2023. Principal payments commence on July 1, 2024, and continue until maturity on July 1, 2043. The 2023 refunding reduced the District's interest rate from 4.33%. The bonds are limited obligations of the District, payable solely from net revenues.

On September 25, 2024, the District issued \$93,880,000 Series 2024A, \$191,205,000 Series 2024B, and \$85,475,000 Series 2024C airport revenue refunding bonds. These bonds have been issued by the District to finance the expansion of the Airport's East Concourse, to construct a six-level, 2.4 million square foot parking garage, to upfit consolidated rental car and administrative space, and to construct a new baggage handling system. Interest payable is due semiannually beginning on July 1, 2025. Principal payments commence on July 1, 2025, and continue until maturity on July 1, 2054. The 2024A and 2024B series bonds were issued at a premium of \$8,662,235 and \$23,164,718, respectively, which will be amortized over the life of the bonds using the effective interest method. The bonds are limited obligations of the District, payable solely from net revenues.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds (Continued)

As of June 30, 2025, revenue bond debt service requirements to maturity are as follows:

| <u>Year ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|-----------------------|-----------------------|-------------------------|
| 2026 | \$ 5,435,000 | \$ 30,105,795 | \$ 35,540,795 |
| 2027 | 5,610,000 | 25,626,407 | 31,236,407 |
| 2028 | 5,795,000 | 25,440,506 | 31,235,506 |
| 2029 | 11,960,000 | 25,106,717 | 37,066,717 |
| 2030 | 12,440,000 | 24,617,632 | 37,057,632 |
| 2031 - 2035 | 70,190,000 | 114,928,421 | 185,118,421 |
| 2036 - 2040 | 85,885,000 | 98,870,927 | 184,755,927 |
| 2041 - 2045 | 119,550,000 | 76,699,086 | 196,249,086 |
| 2046 - 2050 | 106,810,000 | 49,954,337 | 156,764,337 |
| 2051 - 2055 | 137,275,000 | 18,638,994 | 155,913,994 |
| Plus deferred amounts for issuance premium | 38,755,110 | - | 38,755,110 |
| Total | <u>\$ 599,705,110</u> | <u>\$ 489,988,822</u> | <u>\$ 1,089,693,932</u> |

The outstanding revenue bonds of the District were approved through a master bond resolution approved by the District's Board. There are a number of circumstances in the master and supplemental bond resolutions considered to be events of default and remedies to such events. Such remedies include (1) by suit, action or proceeding, enforce all rights of the bondholders, and require the District to carry out any agreements with or for the benefit of the bondholders and to perform its or their duties under any law to which it is subject and the bond resolution and (2) in the enforcement of any remedy under the bond resolution, the Trustee is entitled to sue for, enforce payment on, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the District for principal amount, redemption premium, interest or otherwise. The outstanding bonds are limited obligations of the District and are secured by a pledge of the net revenues of the airport.

Line of Credit

In July 2024, the District entered into a loan agreement with a financial institution to borrow up to \$70 million evidenced by a revolving line of credit promissory note. The loan was entered into by the District for the purposes of making certain upfits and/or renovations to the Airport, as well as financing certain initial costs related to the District's planned garage project. The loan was approved through a master bond resolution approved by the District's Board. There are a number of circumstances in the master and supplemental bond resolutions considered to be events of default and remedies to such events which have been previously disclosed. The loan is secured by a junior lien pledge of net revenues as that term is defined in the Master Bond Resolution.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

Line of Credit (Continued)

Interest on the loan accrues at a rate per annum calculated by the lender according to the following formula: (A) the sum of (i) Term SOFR plus (ii) 130 basis points (1.30%), which is then (B) multiplied by 0.76, which is then (C) multiplied by the Margin Rate Factor (which shall initially be 1.0). Interest is payable monthly beginning on September 1, 2024. The entire outstanding principal balance is due and payable in full on July 25, 2027. For the fiscal year ended June 30, 2025, the District made interest payments on this loan in the amount of \$118,108.

NOTE 6. RESTRICTED NET POSITION

The balances of the restricted net position accounts are as follows:

| | 2025 | 2024 |
|-----------------------------------|----------------|----------------|
| Restricted by bond covenant for: | | |
| Operations and maintenance | \$ 9,995,635 | \$ 8,754,493 |
| Debt service | 114,331,535 | 39,989,450 |
| Capital projects | 76,259 | - |
| Total restricted by bond covenant | 124,403,429 | 48,743,943 |
| Restricted by contributor for: | | |
| Beautification of airport | 42,577 | 42,577 |
| Capital projects | 68,700,208 | 54,812,421 |
| Police forfeitures | 61,975 | 37,514 |
| Total restricted by contributor | 68,804,760 | 54,892,512 |
| Total restricted net position | \$ 193,208,189 | \$ 103,636,455 |

NOTE 7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. For all of these risks, the District carries commercial insurance and is a member of the State of South Carolina Insurance Reserve Fund. The District pays an annual premium to the State Insurance Reserve Fund for its general insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

In addition, the District insures the risk of job-related injury or illness of its employees through the South Carolina Accident Fund. The District pays an annual premium to the State Accident Fund for its insurance coverage. Additional premium assessments may be required for workers' compensation claims based on the District's claims experience. The District has not significantly reduced insurance coverages from the previous year and settled claims in excess of insurance coverage for the last three years were immaterial. For each of the insurance programs and public entity risk pools in which they participate, the District has effectively transferred all risk with no liability for unfunded claims, other than ordinary policy deductibles.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. CONTINGENT LIABILITIES AND COMMITMENTS

Federal Grants. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the District. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Litigation. The District is party to various legal proceedings, which normally occur in governmental operations. Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending. Although the outcome of these lawsuits is not presently determinable, it is the opinion of legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

Construction Commitments. At June 30, 2025 and 2024, the District has commitments under contracts for construction of various projects not completed of \$323,240,188 and \$21,360,409, respectively.

NOTE 9. PENSION PLANS

Overview

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as a custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as a co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Overview (Continued)

PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR of the state.

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly at or after the general election in November 2012. The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and first-term individuals elected to the South Carolina General Assembly at or after the general election in November 2012. A member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

PORS - To be eligible for South Carolina Police Officers Retirement System (PORS) membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty. The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Contributions (Continued)

Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Effective July 1, 2017, employee rates were increased and capped at 9 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS until reaching 18.56 percent for SCRS and 21.24 percent for PORS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year, if necessary, in order to improve the funding of the plans. That statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded. For the years ended June 30, 2025 and 2024, the District contributed \$2,533,304 and \$2,410,322 to the SCRS plan, respectively, and \$849,130 and \$754,876 to the PORS plan, respectively.

Required employee contribution rates during the years ended June 30, 2025 and 2024 are as follows:

South Carolina Retirement System

| | 2025 | 2024 |
|----------------------|--------------|-------------|
| Employee class two | 9.00% | 9.00% |
| Employee class three | 9.00% | 9.00% |

South Carolina Police Officers Retirement System

| | | |
|----------------------|--------------|-------|
| Employee class two | 9.75% | 9.75% |
| Employee class three | 9.75% | 9.75% |

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Contributions (Continued)

Required employer contribution rates during the years ended June 30, 2025 and 2024 are as follows:

South Carolina Retirement System

| | 2025 | 2024 |
|-----------------------------------|---------------|-------------|
| Employer class two | 18.41% | 18.41% |
| Employer class three | 18.41% | 18.41% |
| Employer incidental death benefit | 0.15% | 0.15% |

South Carolina Police Officers Retirement System

| | | |
|-----------------------------------|---------------|--------|
| Employer class two | 20.84% | 20.84% |
| Employer class three | 20.84% | 20.84% |
| Employer incidental death benefit | 0.20% | 0.20% |
| Employer accidental death program | 0.20% | 0.20% |

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The GASB Statement No. 67 valuation report prepared as of June 30, 2024, is based on the experience study report for the period ending June 30, 2019. A more recent experience report on the Systems was issued for the period ending June 30, 2023, and will be used for future valuations.

The June 30, 2024, (the measurement date), total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2023, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board, which utilized membership data as of July 1, 2023. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2024, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS. There was no legislation enacted during the 2024 legislative session that had a material change in the benefit provisions for any of the systems.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

Assumptions and methods used in the July 1, 2023, valuation for the SCRS and PORS plans are as follows:

| | SCRS | PORS |
|----------------------------|-----------------------------------|-----------------------------------|
| | Entry Age Normal | Entry Age Normal |
| Actuarial cost method | | |
| Actuarial assumptions: | | |
| Investment rate of return | 7.00% | 7.00% |
| Projected salary increases | 3.0% to 11.0% (varies by service) | 3.5% to 10.5% (varies by service) |
| Includes inflation at | 2.25% | 2.25% |
| Benefit adjustments | Lesser of 1% or \$500 annually | Lesser of 1% or \$500 annually |

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

| Former Job Class | Males | Females |
|---|---------------------------------------|---|
| General Employees and Members of the General Assembly | 2020 PRSC Males multiplied by 97% | 2020 PRSC Females multiplied by 107% |
| Public Safety and Firefighters | 2020 PRSC Males multiplied by 127% | 2020 PRSC Females multiplied by 107% |

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 20-year capital market assumptions. The actuarial long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2024 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

| Allocation/Exposure | Policy Target | Expected Arithmetic Real Rate of Return | Long-term Expected Portfolio Real Rate of Return |
|----------------------------------|---------------|---|--|
| Public equity | 46.0% | 6.23% | 2.86% |
| Bonds | 26.0% | 2.60% | 0.68% |
| Private equity | 9.0% | 9.60% | 0.86% |
| Private debt | 7.0% | 6.90% | 0.48% |
| Real estate | 12.0% | | |
| Real estate | 9.0% | 4.30% | 0.39% |
| Infrastructure | 3.0% | 7.30% | 0.22% |
| | 100% | | |
| Total expected real return | | | 5.49% |
| Inflation for actuarial purposes | | | 2.25% |
| Total expected nominal return | | | 7.74% |

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the District's fiduciary net position was projected to be available to make all projected future benefit payments of 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.

The following table presents the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2025:

| Sensitivity of the Net Pension Liability to Changes in the Discount Rate | | | |
|---|--------------------|----------------------|--------------------|
| | 1% Decrease | Current | 1% Increase |
| | (6.00%) | Discount Rate | (8.00%) |
| | | (7.00%) | |
| SCRS | \$ 28,675,741 | \$ 22,128,273 | \$ 16,098,573 |
| PORS | 8,517,810 | 5,879,183 | 3,718,010 |

The following table presents the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2024:

| Sensitivity of the Net Pension Liability to Changes in the Discount Rate | | | |
|---|--------------------|----------------------|--------------------|
| | 1% Decrease | Current | 1% Increase |
| | (6.00%) | Discount Rate | (8.00%) |
| | | (7.00%) | |
| SCRS | \$ 29,179,643 | \$ 22,583,196 | \$ 17,100,457 |
| PORS | 7,580,086 | 5,373,466 | 3,565,969 |

Net Pension Liability

The most recent annual actuarial valuation report adopted by the PEBA Board and Budget and Control Board is as of July 1, 2023. The net pension liability of the System was, therefore, determined based on the July 1, 2023 actuarial valuations, using membership data as of July 1, 2023, projected forward to the end of the fiscal year, and financial information of the pension trust fund as of June 30, 2024, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by the System's consulting actuary, Gabriel, Roeder, Smith and Company.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Net Pension Liability (Continued)

For the District's fiscal year ending June 30, 2025, the District's proportionate share of the collective net pension liability for the SCRS and the PORS is as follows:

| | SCRS | PORS |
|---|---------------------------------|--------------------------------|
| Total pension liability | \$ 61,369,806,968 | \$ 10,177,904,231 |
| Plan fiduciary net position | <u>37,919,492,371</u> | <u>7,178,118,865</u> |
| Employers' net pension liability | <u><u>\$ 23,450,314,597</u></u> | <u><u>\$ 2,999,785,366</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 61.8% | 70.5% |
| District's proportionate share of the collective net pension liability | 0.094362% | 0.195987% |

For the District's fiscal year ending June 30, 2024, the District's proportionate share of the collective net pension liability for the SCRS and the PORS is as follows:

| | SCRS | PORS |
|---|---------------------------------|--------------------------------|
| Total pension liability | \$ 58,464,402,454 | \$ 9,450,021,576 |
| Plan fiduciary net position | <u>34,286,961,942</u> | <u>6,405,925,370</u> |
| Employers' net pension liability | <u><u>\$ 24,177,440,512</u></u> | <u><u>\$ 3,044,096,206</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 58.6% | 67.8% |
| District's proportionate share of the collective net pension liability | 0.093406% | 0.176521% |

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources Related to Pensions and Pension Expense

For the year ended June 30, 2025, the District recognized its proportionate share of collective pension expense of \$2,135,826 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of \$837,904 for a total of \$2,973,730 for the SCRS plan. Additionally, for the year ended June 30, 2025, the District recognized its proportionate share of collective pension expense of \$746,235 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of \$352,802 for a total of \$1,099,037 for the PORs plan. Total pension expense for both plans was \$4,072,767 for the fiscal year ended June 30, 2025.

For the year ended June 30, 2024, the District recognized its proportionate share of collective pension expense of \$2,229,933 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of \$830,355 for a total of \$3,060,288 for the SCRS plan. Additionally, for the year ended June 30, 2024, the District recognized its proportionate share of collective pension expense of \$632,386 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of \$186,840 for a total of \$819,226 for the PORs plan. Total pension expense for both plans was \$3,879,514 for the fiscal year ended June 30, 2024.

THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources Related to Pensions and Pension Expense (Continued)

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS pension plans, respectively, from the following sources:

| SCRS | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 727,213 | \$ 27,463 |
| Changes of assumptions | 390,118 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 852,609 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,410,636 | - |
| Employer contributions subsequent to the measurement date | 2,533,304 | - |
| Total | <u>\$ 5,061,271</u> | <u>\$ 880,072</u> |
| PORS | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 552,132 | \$ 33,706 |
| Changes of assumptions | 128,000 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 329,611 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 647,777 | - |
| Employer contributions subsequent to the measurement date | 849,130 | - |
| Total | <u>\$ 2,177,039</u> | <u>\$ 363,317</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources Related to Pensions and Pension Expense (Continued)

District contributions subsequent to the measurement date of \$2,533,304 and \$849,130 for the SCRS and PORS plan, respectively, are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS pension plans, respectively, from the following sources:

SCRS

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 392,083 | \$ 62,627 |
| Changes of assumptions | 346,007 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 30,911 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,172,377 | 147,061 |
| Employer contributions subsequent to the measurement date | 2,410,322 | - |
| Total | <u>\$ 5,320,789</u> | <u>\$ 240,599</u> |

PORS

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 252,880 | \$ 66,243 |
| Changes of assumptions | 116,949 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 9,222 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 447,002 | 4,548 |
| Employer contributions subsequent to the measurement date | 754,876 | - |
| Total | <u>\$ 1,571,707</u> | <u>\$ 80,013</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources Related to Pensions and Pension Expense (Continued)

The \$2,410,322 and \$754,876 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date for the SCRS and PORs plans, respectively, during the year ended June 30, 2024, were recognized as a reduction of the net pension liabilities during the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension as follows:

| | SCRS | |
|----------------------------|-----------|--------------|
| | 2025 | 2024 |
| Year ended June 30: | | |
| 2025 | \$ - | \$ 1,191,377 |
| 2026 | 603,352 | 425,349 |
| 2027 | 1,255,500 | 1,066,389 |
| 2028 | 12,946 | (13,247) |
| 2029 | (223,903) | - |

| | PORS | |
|----------------------------|----------|------------|
| | 2025 | 2024 |
| Year ended June 30: | | |
| 2025 | \$ - | \$ 356,660 |
| 2026 | 270,786 | 37,406 |
| 2027 | 622,938 | 348,374 |
| 2028 | 158,016 | (5,622) |
| 2029 | (87,148) | - |

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued ACFR containing financial statements and required supplementary information for SCRS and PORS. The ACFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Deferred Compensation Plans

The District offers its employees deferred compensation plans, offered through the State of South Carolina, created in accordance with Internal Revenue Code Sections 457 and 401(k). The plans, available to all regular full-time and part-time employees, permit participants to defer a portion of their salaries until future years. The 457 plan is not available to the employee or his beneficiaries until termination, retirement, death, disability, or an approved hardship. The 401(k) plan has the same eligibility requirements as the 457 plan, although the withdrawal provisions are more lenient under the 401(k) plan.

All amounts of compensation deferred under the plans are held in trusts for the contributing employee and are not subject to claims of the employer's general creditors. The plans are administered by the State of South Carolina.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The District, authorized by its Board of Directors, offers its retired employees a defined benefit plan for health insurance benefits (the "Plan"). The Plan is considered a single employer defined benefit plan and is administered by the District. The Plan does not issue a stand-alone report. Under the Plan, a retired employee can receive \$10 per month for pre-Medicare retirees for each year of service up to a maximum of \$250 per month toward District-provided health insurance. When a retiree reaches age 65 and is eligible for Medicare, the insurance premium is reduced to 75% of the full premium. Therefore, the contribution can be reduced to \$7.50 per month for each year of service, but to a maximum of \$188 per month.

Plan Membership. The Plan has 277 covered members for the year ended June 30, 2025; 50 members are retirees receiving benefits and 227 are active participants and dependents for the year ended June 30, 2025.

Funding Policy and Contributions. The District currently pays for other post-employment benefits on a pay-as-you-go basis. For the years ended June 30, 2025 and 2024, the District paid \$133,172 and \$139,065, respectively, toward the cost of retiree health insurance for eligible retired employees. The District's obligation to contribute to the Plan was established and may be amended by the Authority. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability. The District's total OPEB liability was measured as of June 30, 2025, and was determined by an actuarial valuation as of June 30, 2025.

Actuarial Assumptions. The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------|---|
| Discount rate: | 4.71% as of June 30, 2025 |
| | 3.97% as of June 30, 2024 |
| Healthcare cost trend rate: | 6.30% - 4.25%, Ultimate Trend by 2038 |
| Inflation rate: | 3.00% |
| Salary increase: | 3.50% per annum |
| Participation rate: | 35.00% of all eligible employees and their dependents |

Mortality rates were based on the rates used in for the July 1, 2024 SCRS and PORS pension plan valuations applied on a gender-specific basis. The Plan has not had a formal experience study performed.

Discount Rate. The discount rate used to measure the total OPEB liability was 4.71% and 3.97% as of June 30, 2025 and 2024, respectively. This rate was determined using an index rate of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA or higher – which was 4.71% and 3.97% as determined by the Bond Buyer 20-Bond GO Index Rate as of June 30, 2025 and 2024, respectively.

Changes in the Total OPEB Liability. The changes in the total OPEB liability of the District for the years ended June 30, 2025 and 2024, were as follows:

| | Total OPEB Liability | |
|---|-----------------------------|---------------------|
| | 2025 | 2024 |
| Balances beginning of year | \$ 1,766,784 | \$ 1,826,564 |
| Changes for the year: | | |
| Service cost | 73,015 | 74,065 |
| Interest | 67,524 | 64,155 |
| Difference between actual and expected experience | 269,039 | - |
| Assumption changes | (180,624) | (58,935) |
| Benefit payments and implicit subsidy | (133,172) | (139,065) |
| Net changes | 95,782 | (59,780) |
| Balances end of year | \$ 1,862,566 | \$ 1,766,784 |

The required Schedule of Changes in the District's Total OPEB Liability and Related Ratios immediately following the notes to the financial statements presents multiyear trend information about the total OPEB liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the District as of June 30, 2025, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.71%) or 1-percentage-point higher (5.71%) than the current discount rate:

| Sensitivity of the Total OPEB Liability to Changes in the Discount Rate | | | |
|--|--------------------------------|--|--------------------------------|
| Fiscal Year | 1% Decrease (3.71%) | Current Discount Rate (4.71%) | 1% Increase (5.71%) |
| 2025 | \$ 2,062,303 | \$ 1,862,566 | \$ 1,693,193 |

The following presents the total OPEB liability of the District as of June 30, 2024, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.97%) or 1-percentage-point higher (4.97%) than the current discount rate:

| Sensitivity of the Total OPEB Liability to Changes in the Discount Rate | | | |
|--|--------------------------------|--|--------------------------------|
| Fiscal Year | 1% Decrease (2.97%) | Current Discount Rate (3.97%) | 1% Increase (4.97%) |
| 2024 | \$ 1,961,989 | \$ 1,766,784 | \$ 1,601,316 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the District as of June 30, 2025 and 2024, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate | | | |
|---|--|--|--|
| Fiscal Year | 1% Decrease (5.10% decreasing to 3.25%) | Current Healthcare Cost Trend Rates (6.10% decreasing to 4.25%) | 1% Increase (7.10% decreasing to 5.25%) |
| 2025 | \$ 1,809,733 | \$ 1,862,566 | \$ 1,923,734 |

| Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate | | | |
|---|--|--|--|
| Fiscal Year | 1% Decrease (4.75% decreasing to 3.00%) | Current Healthcare Cost Trend Rates (5.75% decreasing to 4.00%) | 1% Increase (6.75% decreasing to 5.00%) |
| 2024 | \$ 1,721,821 | \$ 1,766,784 | \$ 1,819,791 |

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates (Continued). Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2025 and 2024, and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the years ended June 30, 2025 and 2024, the District recognized OPEB expense as follows:

| Description | 2025 | 2024 |
|---|------------------|------------------|
| Service cost (annual cost of current service) | \$ 73,015 | \$ 74,065 |
| Interest on the total OPEB liability | 67,524 | 64,155 |
| Recognition of current year amortization - difference between expected and actual experience & assumption changes | (66,198) | (82,011) |
| Total aggregate OPEB expense | <u>\$ 74,341</u> | <u>\$ 56,209</u> |

At June 30, 2025, the District 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 | \$ 272,992 | \$ 318,366 |
| Changes of assumptions | 254,273 | 364,365 |
| Total | <u>\$ 527,265</u> | <u>\$ 682,731</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

At June 30, 2024, the District reported 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 | \$ 70,617 | \$ 398,352 |
| Changes of assumptions | 297,123 | 279,467 |
| Total | <u>\$ 367,740</u> | <u>\$ 677,819</u> |

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

| Year ended June 30: | 2025 | 2024 |
|---------------------|-------------|-------------|
| 2025 | \$ - | \$ (82,011) |
| 2026 | (66,198) | (82,011) |
| 2027 | (66,198) | (82,011) |
| 2028 | (33,198) | (49,011) |
| 2029 | (643) | (16,456) |
| Thereafter | 10,771 | 1,421 |

NOTE 11. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENT (SBITA)

The District recognizes a subscription asset and liability at the commencement of the subscription-based information technology arrangement (SBITA), with certain exceptions for short-term agreements. The subscription asset is measured at the amount of the initial measurement of the subscription liability, plus any payments associated with the SBITA made to the vendor at the commencement of the subscription payments term and capitalizable initial implementation costs. The SBITA liability is measured at the present value of the subscription payments expected to be made during the subscription term.

For these agreements, the District is reporting SBITA assets of \$2,279,963, net of accumulated amortization in the amount of \$253,329 for fiscal year 2025. For fiscal year 2025 the District reported amortization expense of \$253,329 and interest expense of \$78,362 related to subscription payments made during the year. The subscriptions held by the District use a discount rate of 3.26% for fiscal year 2025

NOTES TO FINANCIAL STATEMENTS

NOTE 11. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENT (SBITA)

As of June 30, 2025, future payments are as follows:

| Year ending June 30, | Principal | Interest | Total |
|----------------------|---------------------|-------------------|---------------------|
| 2026 | \$ 224,480 | \$ 71,379 | \$ 295,859 |
| 2027 | 231,910 | 63,931 | 295,841 |
| 2028 | 239,432 | 56,389 | 295,821 |
| 2029 | 247,508 | 48,292 | 295,800 |
| 2030 | 255,699 | 40,079 | 295,778 |
| 2031 - 2034 | 1,110,203 | 72,685 | 1,182,888 |
| Total | <u>\$ 2,309,232</u> | <u>\$ 352,755</u> | <u>\$ 2,661,987</u> |

NOTE 12. CHANGE IN ACCOUNTING PRINCIPLE

The District has determined that a restatement to its July 1, 2023, beginning net position was required to recognize the change in accounting principle due to the implementation of GASB Statement No. 101, *Compensated Absences*, through which the accounting for compensated absences and the related disclosure requirements were modified. The implementation of GASB Statement No. 101 requires retroactive implementation to the earliest period presented during the year of implementation. As a result, the District has determined a restatement as of July 1, 2023, which is as follows:

| | |
|---|-----------------------|
| Net position, as previously reported at July 1, 2023 | \$ 364,079,553 |
| Change in accounting principle due to the implementation of GASB Statement No. 101: | |
| Compensated absences at June 30, 2023 | (941,786) |
| Net position, as restated at July 1, 2023 | <u>\$ 363,137,767</u> |

NOTE 13. SUBSEQUENT EVENTS

Subsequent to June 30, 2025, the following transactions occurred:

- In June of 2025, the District entered into an agreement with Berkeley County, South Carolina, to operate the Berkeley County Airport. The term of this agreement begins on July 1, 2025, for a period of forty years with options to renew for additional five year periods thereafter. The District has agreed to pay no fees to Berkeley County until the Berkeley County Airport becomes profitable. Once the Berkeley County Airport becomes profitable, the District has agreed to pay Berkeley County 50% of all profits made in the year of operation.

REQUIRED SUPPLEMENTARY INFORMATION

CHARLESTON REGIONAL AIRPORT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE FISCAL YEAR ENDED JUNE 30,

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB liability | | | | | | | | | |
| Service cost | \$ 73,015 | \$ 74,065 | \$ 72,131 | \$ 87,984 | \$ 123,307 | \$ 120,641 | \$ 131,183 | \$ 126,296 | \$ 121,930 |
| Interest on total OPEB liability | 67,524 | 64,155 | 59,960 | 41,809 | 47,169 | 76,561 | 74,499 | 72,662 | 62,709 |
| Assumption changes | (180,624) | (58,935) | (53,152) | (269,267) | 12,498 | 387,474 | 118,734 | (84,899) | - |
| Difference between actual and expected experience | 269,039 | - | 107,707 | - | (307,647) | (447,644) | - | - | - |
| Benefit payments | (133,172) | (139,065) | (106,818) | (98,289) | (50,033) | (59,980) | (72,237) | (70,860) | (60,000) |
| Net change in total OPEB liability | 95,782 | (59,780) | 79,828 | (237,763) | (174,706) | 77,052 | 252,179 | 43,199 | 124,639 |
| Total OPEB liability - beginning | 1,766,784 | 1,826,564 | 1,746,736 | 1,984,499 | 2,159,205 | 2,082,153 | 1,829,974 | 1,786,775 | 1,662,136 |
| Total OPEB liability - ending | \$ 1,862,566 | \$ 1,766,784 | \$ 1,826,564 | \$ 1,746,736 | \$ 1,984,499 | \$ 2,159,205 | \$ 2,082,153 | \$ 1,829,974 | \$ 1,786,775 |
| Covered-employee payroll | \$ 15,496,684 | \$ 14,212,243 | \$ 14,212,243 | \$ 10,904,711 | \$ 10,904,711 | \$ 9,653,864 | \$ 14,547,751 | \$ 9,653,864 | \$ 8,996,000 |
| Total OPEB liability as a percentage of covered-employee payroll | 12.02% | 12.43% | 12.85% | 16.02% | 18.20% | 22.37% | 14.31% | 18.96% | 19.86% |

The above schedule will present 10 years of information once it is accumulated.

The District is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

The discount rate changed from 3.58% as of June 30, 2017, to 3.87% as of June 30, 2018.

The discount rate changed from 3.87% as of June 30, 2018, to 3.50% as of June 30, 2019.

The discount rate changed from 3.50% as of June 30, 2019, to 2.21% as of June 30, 2020.

The discount rate changed from 2.21% as of June 30, 2020, to 2.16% as of June 30, 2021.

The discount rate changed from 2.16% as of June 30, 2021, to 3.54% as of June 30, 2022.

The discount rate changed from 3.54% as of June 30, 2022, to 3.65% as of June 30, 2023.

The discount rate changed from 3.65% as of June 30, 2023, to 3.97% as of June 30, 2024.

The discount rate changed from 3.97% as of June 30, 2024, to 4.71% as of June 30, 2025.

The assumptions used in the preparation of the above schedule are disclosed in Note 10 to the financial statements.

CHARLESTON REGIONAL AIRPORT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE PLAN YEARS ENDED JUNE 30,

South Carolina Retirement System

| Plan Year Ended June 30, | District's proportion of the net pension liability | District's proportion share of the net pension liability | District's covered payroll | District's share of the net pension liability as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|-----------------------------|---|---|-------------------------------|--|--|
| 2024 | 0.094362% | \$ 22,128,273 | \$ 12,986,649 | 170.4% | 61.8% |
| 2023 | 0.093406% | 22,583,196 | 11,808,320 | 191.2% | 58.6% |
| 2022 | 0.084032% | 20,371,168 | 10,007,249 | 203.6% | 57.1% |
| 2021 | 0.078695% | 17,030,523 | 8,927,428 | 190.8% | 60.7% |
| 2020 | 0.081380% | 20,793,932 | 9,079,003 | 229.0% | 50.7% |
| 2019 | 0.080090% | 18,287,893 | 8,457,262 | 216.2% | 54.4% |
| 2018 | 0.081730% | 18,312,069 | 8,468,781 | 216.2% | 54.1% |
| 2017 | 0.079030% | 17,790,924 | 7,818,988 | 227.5% | 53.3% |
| 2016 | 0.072086% | 15,397,463 | 6,993,116 | 220.2% | 52.9% |
| 2015 | 0.069670% | 13,214,010 | 6,532,765 | 202.3% | 57.0% |

South Carolina Police Officers Retirement System

| Plan Year Ended June 30, | District's proportion of the net pension liability | District's proportion share of the net pension liability | District's covered payroll | District's share of the net pension liability as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|-----------------------------|---|---|-------------------------------|--|--|
| 2024 | 0.19599% | \$ 5,879,183 | \$ 3,865,794 | 152.1% | 70.5% |
| 2023 | 0.17652% | 5,373,466 | 3,092,810 | 173.7% | 67.8% |
| 2022 | 0.16167% | 4,848,336 | 2,558,523 | 189.5% | 66.4% |
| 2021 | 0.15698% | 4,038,913 | 2,360,465 | 171.1% | 70.4% |
| 2020 | 0.14821% | 4,915,045 | 2,238,970 | 219.5% | 58.8% |
| 2019 | 0.15224% | 4,363,054 | 2,208,153 | 197.6% | 62.7% |
| 2018 | 0.14915% | 4,226,119 | 2,064,407 | 204.7% | 61.7% |
| 2017 | 0.15823% | 4,334,807 | 2,056,936 | 210.7% | 60.9% |
| 2016 | 0.15807% | 4,009,456 | 2,002,964 | 200.2% | 60.4% |
| 2015 | 0.14364% | 3,130,573 | 1,779,506 | 175.9% | 64.6% |

The assumptions used in the preparation of the above schedule are disclosed in Note 9 to the financial statements.

CHARLESTON REGIONAL AIRPORT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF DISTRICT CONTRIBUTIONS FOR THE FISCAL YEARS ENDED JUNE 30,

South Carolina Retirement System

| Fiscal Year Ended June 30, | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | District's covered payroll | Contributions as a percentage of covered payroll |
|-------------------------------|---|--|--|-------------------------------|--|
| 2025 | \$ 2,533,304 | \$ 2,533,304 | \$ - | \$ 13,649,265 | 18.56% |
| 2024 | 2,410,322 | 2,410,322 | - | 12,986,649 | 18.56% |
| 2023 | 2,073,541 | 2,073,541 | - | 11,808,320 | 17.56% |
| 2022 | 1,657,200 | 1,657,200 | - | 10,007,249 | 16.56% |
| 2021 | 1,389,108 | 1,389,108 | - | 8,927,428 | 15.56% |
| 2020 | 1,412,693 | 1,412,693 | - | 9,079,003 | 15.56% |
| 2019 | 1,231,378 | 1,231,378 | - | 8,457,262 | 14.56% |
| 2018 | 1,148,367 | 1,148,367 | - | 8,468,781 | 13.56% |
| 2017 | 903,875 | 903,875 | - | 7,818,988 | 11.56% |
| 2016 | 773,439 | 773,439 | - | 6,993,116 | 11.06% |

South Carolina Police Officers Retirement System

| Fiscal Year Ended June 30, | Statutorily required contribution | Contributions in relation to the actuarially required contribution | Contribution deficiency (excess) | District's covered payroll | Contributions as a percentage of covered payroll |
|-------------------------------|---|--|--|-------------------------------|--|
| 2025 | \$ 849,130 | \$ 849,130 | \$ - | \$ 3,997,788 | 21.24% |
| 2024 | 754,876 | 754,876 | - | 3,865,794 | 19.53% |
| 2023 | 619,766 | 619,766 | - | 3,092,810 | 20.04% |
| 2022 | 492,260 | 492,260 | - | 2,558,523 | 19.24% |
| 2021 | 430,550 | 430,550 | - | 2,360,465 | 18.24% |
| 2020 | 408,388 | 408,388 | - | 2,238,970 | 18.24% |
| 2019 | 380,685 | 380,685 | - | 2,208,153 | 17.24% |
| 2018 | 338,259 | 338,259 | - | 2,064,407 | 16.39% |
| 2017 | 292,908 | 292,908 | - | 2,056,936 | 14.24% |
| 2016 | 275,207 | 275,207 | - | 2,002,964 | 13.74% |

CHARLESTON REGIONAL AIRPORT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF DISTRICT CONTRIBUTIONS FOR THE FISCAL YEARS ENDED JUNE 30,

Actuarial assumptions used in determining the statutorily required contribution are as follows:

| System | SCRS | PORS |
|------------------------|---|---|
| Calculation date | July 1, 2022 | July 1, 2022 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal |
| Asset valuation method | 5-year Smoothed | 5-year Smoothed |
| Amortization method | Level % of pay | Level % of pay |
| Amortization period | 25 years maximum, closed period | 25 years maximum, closed period |
| Investment return | 7.00% | 7.00% |
| Inflation | 2.25% | 2.25% |
| Salary increases | 3.00% plus step-rate increases for members with less than 21 years of service. | 3.50% plus step-rate increases for members with less than 21 years of service. |
| Mortality | 2020 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale UMP from the year 2020. Male rates are multiplied by 97% for non-educators and 95% for educators. Female rates multiplied by 107% for non-educators and 94% for educators. | 2020 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale UMP from the year 2020. Male rates are multiplied by 127% and female rates are multiplied by 107%. |

SUPPLEMENTARY INFORMATION

CHARLESTON REGIONAL AIRPORT DISTRICT

SCHEDULE OF OPERATING AND NON-OPERATING REVENUES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2025

| | Budget | Actual | Variance |
|--|--------------|--------------|-------------|
| Operating revenues: | | | |
| Aviation support | | | |
| Fixed base operator | \$ 1,354,582 | \$ 1,420,273 | \$ 65,691 |
| Total aviation support | 1,354,582 | 1,420,273 | 65,691 |
| Domestic and international terminal | | | |
| Airline space rent | 35,524,523 | 35,768,368 | 243,845 |
| Domestic gate fees | 11,000 | 13,200 | 2,200 |
| Other terminal space rent | 702,000 | 786,255 | 84,255 |
| Ground support service | 443,000 | 446,237 | 3,237 |
| Food, beverage, news, and gifts | 8,380,000 | 6,324,633 | (2,055,367) |
| Advertising | 1,359,000 | 1,213,200 | (145,800) |
| Other concession rental | 75,000 | 60,104 | (14,896) |
| Rental car revenue | 12,822,000 | 14,220,892 | 1,398,892 |
| Transportation Security Administration payment for mandated services | - | 9,867 | 9,867 |
| Badging | - | 216,864 | 216,864 |
| VIP lounge | 435,000 | 523,995 | 88,995 |
| Miscellaneous income | 419,000 | 329,297 | (89,703) |
| Total domestic and international terminal | 60,170,523 | 59,912,912 | (257,611) |
| Airfield area | | | |
| Airline landing fees | 861,000 | 848,719 | (12,281) |
| Other landing fees | 61,000 | 70,364 | 9,364 |
| Total airfield area | 922,000 | 919,083 | (2,917) |
| Apron and taxiway | | | |
| Airline apron use fees | 658,000 | 424,315 | (233,685) |
| Total apron and taxiway | 658,000 | 424,315 | (233,685) |
| Airline service area | | | |
| Other parking and ramp fees | 16,000 | 16,257 | 257 |
| International kitchen | 951,000 | - | (951,000) |
| Cargo building rent | 255,000 | 254,978 | (22) |
| Total airline service area | 1,222,000 | 271,235 | (950,765) |
| Fuel storage | | | |
| Fuel storage facility | 2,516,000 | 2,443,936 | (72,064) |
| Total fuel storage | 2,516,000 | 2,443,936 | (72,064) |
| Reliever airports | | | |
| Reliever airports | 1,180,000 | 1,426,607 | 246,607 |
| Total reliever airports | 1,180,000 | 1,426,607 | 246,607 |
| Commercial/industrial area | | | |
| Sales and meals | - | 738,214 | 738,214 |
| Rental car service area | 201,000 | 187,234 | (13,766) |
| Customer facility charge | 7,507,000 | 14,366,994 | 6,859,994 |
| Other property rentals | 202,000 | 383,922 | 181,922 |
| Total commercial/industrial area | 7,910,000 | 15,676,364 | 7,766,364 |

(Continued)

CHARLESTON REGIONAL AIRPORT DISTRICT

SCHEDULE OF OPERATING AND NON-OPERATING REVENUES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2025

| | Budget | Actual | Variance |
|---|----------------|----------------|---------------|
| Operating revenues (Continued): | | | |
| Parking/roadway area | | | |
| Off airport rental car charge | \$ 305,000 | \$ 650,664 | \$ 345,664 |
| Valet parking | 2,750,000 | 3,291,463 | 541,463 |
| Rental car ready spaces | 350,000 | 371,211 | 21,211 |
| Automobile parking | 28,800,000 | 28,468,236 | (331,764) |
| Ground transportation | 4,426,400 | 3,721,826 | (704,574) |
| Total parking/roadway area | 36,631,400 | 36,503,400 | (128,000) |
| Total operating revenues | 112,564,505 | 118,998,125 | 6,433,620 |
| Non-operating revenues: | | | |
| Passenger facility charges | 13,348,800 | 12,564,117 | (784,683) |
| Unrealized/realized gain on investments | - | 998,137 | 998,137 |
| Investment income | 2,960,000 | 6,888,248 | 3,928,248 |
| Gain on disposal of assets | - | (13,289) | (13,289) |
| Other | 6,583,000 | 4,828,134 | (1,754,866) |
| Total non-operating revenues | 22,891,800 | 25,265,347 | 2,373,547 |
| Revenue before capital contributions | 135,456,305 | 144,263,472 | 8,807,167 |
| Capital contributions | - | 23,729,260 | 23,729,260 |
| Total revenues | \$ 135,456,305 | \$ 167,992,732 | \$ 32,536,427 |

CHARLESTON REGIONAL AIRPORT DISTRICT

**SCHEDULE OF OPERATING AND NON-OPERATING EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

| | Total | | Aviation | Domestic and | Airfield | Apron and | Airline | Fuel | Reliever | Commercial/ | Parking/ |
|---|---------------|---------------|------------|---------------|----------|------------|------------|------------|------------|-------------|--------------|
| | Budget | Actual | Support | International | Area | Taxiway | Service | Storage | Airports | Industrial | Roadway |
| | | | | Terminal | | | Area | | | Area | Area |
| Operating expenses: | | | | | | | | | | | |
| Personnel services | | | | | | | | | | | |
| Salaries | \$ 19,508,855 | \$ 21,944,181 | \$ 612,658 | \$ 15,071,636 | \$ - | \$ 204,220 | \$ 408,405 | \$ 204,254 | \$ 612,658 | \$ 574,866 | \$ 4,255,484 |
| Fringe benefits | 8,547,247 | 8,667,544 | 133,318 | 7,284,340 | - | 44,439 | 88,879 | 44,439 | 133,318 | 101,610 | 837,201 |
| Total personnel services | 28,056,102 | 30,611,725 | 745,976 | 22,355,976 | - | 248,659 | 497,284 | 248,693 | 745,976 | 676,476 | 5,092,685 |
| Administrative services | | | | | | | | | | | |
| Office supplies | 38,660 | 28,725 | - | 28,725 | - | - | - | - | - | - | - |
| Postage and delivery | 10,500 | 15,914 | - | 15,914 | - | - | - | - | - | - | - |
| Meetings, conference, travel (staff) | 432,491 | 359,749 | - | 346,176 | - | - | - | - | - | - | 13,573 |
| Meetings, conference, travel (Authority) | 20,000 | 72,517 | - | 72,517 | - | - | - | - | - | - | - |
| Subscriptions and publications | 11,093 | 12,481 | - | 12,481 | - | - | - | - | - | - | - |
| Membership and dues | 156,318 | 154,978 | - | 153,853 | - | - | - | - | - | - | 1,125 |
| Public information and advertising | 299,085 | 76,344 | - | 76,344 | - | - | - | - | - | - | - |
| Equipment maintenance and repairs | 227,100 | 190,749 | - | 137,860 | - | - | - | - | 31,698 | - | 21,191 |
| Equipment and furnishings | 82,849 | 32,272 | - | 30,627 | - | - | - | - | - | - | 1,645 |
| Equipment supplies | 46,900 | 34,693 | - | 19,442 | - | - | - | - | - | - | 15,251 |
| Printing and copying | 47,600 | 40,369 | - | 34,292 | - | - | - | - | 1,153 | - | 4,924 |
| Per diem | 3,000 | - | - | - | - | - | - | - | - | - | - |
| Computer supplies and service | 292,700 | 276,838 | - | 274,986 | - | - | - | - | - | - | 1,852 |
| Training | 269,859 | 105,110 | - | 102,503 | - | - | - | - | - | - | 2,607 |
| Communications equipment | 9,300 | 4,897 | - | 4,897 | - | - | - | - | - | - | - |
| Bank service charges | 1,082,500 | 1,135,301 | - | 25,156 | - | - | - | - | 27,535 | - | 1,082,610 |
| Customer service program | 160,500 | 111,228 | - | 111,228 | - | - | - | - | - | - | - |
| Air service development | 534,000 | 2,118,128 | - | 2,118,128 | - | - | - | - | - | - | - |
| Public relations | 732,800 | 858,882 | - | 858,882 | - | - | - | - | - | - | - |
| Airline Incentives | 1,800,000 | - | - | - | - | - | - | - | - | - | - |
| Other administrative services | 86,285 | 216,326 | - | 209,513 | - | - | - | - | 427 | - | 6,386 |
| Total administrative services | 6,343,540 | 5,845,501 | - | 4,633,524 | - | - | - | - | 60,813 | - | 1,151,164 |
| Utilities | | | | | | | | | | | |
| Electricity | 2,120,880 | 1,825,525 | - | 1,563,601 | - | 8,278 | 17,935 | - | 44,679 | 2,668 | 188,364 |
| Telephone | 402,560 | 263,775 | - | 254,706 | - | - | - | - | 9,069 | - | - |
| Water and sewage | 203,500 | 202,261 | - | 195,617 | - | - | 6,644 | - | - | - | - |
| Street lighting | 80,000 | 28,362 | - | - | - | - | - | - | - | - | 28,362 |
| Gas | 215,000 | 256,953 | - | 256,953 | - | - | - | - | - | - | - |
| Total utilities | 3,021,940 | 2,576,876 | - | 2,270,877 | - | 8,278 | 24,579 | - | 53,748 | 2,668 | 216,726 |
| Building repairs and maintenance | | | | | | | | | | | |
| Contractual services | 254,000 | 188,117 | - | 187,514 | - | - | - | - | - | 344 | 259 |
| Parts and supplies | 185,500 | 174,309 | - | 169,056 | - | - | - | - | 2,381 | - | 2,872 |
| Special maintenance projects | 1,957,500 | 669,334 | - | 571,648 | - | - | 30,075 | - | - | - | 67,611 |
| Baggage Handling System | 1,500,000 | 1,111,289 | - | 1,111,289 | - | - | - | - | - | - | - |
| Total building repairs and maintenance | 3,897,000 | 2,143,049 | - | 2,039,507 | - | - | 30,075 | - | 2,381 | 344 | 70,742 |
| Heating, ventilation, and air conditioning | | | | | | | | | | | |
| Contractual services | 161,000 | 148,310 | - | 146,996 | - | - | - | - | - | 1,314 | - |
| Parts and supplies | 68,000 | 60,161 | - | 56,644 | - | - | - | - | 152 | 661 | 2,704 |
| Total heating, ventilation, and air conditioning | 229,000 | 208,471 | - | 203,640 | - | - | - | - | 152 | 1,975 | 2,704 |
| Field maintenance | | | | | | | | | | | |
| Contractual services | 337,500 | 93,688 | - | 28,138 | - | - | - | - | 3,100 | - | 62,450 |
| Supplies | 84,000 | 31,515 | - | 9,855 | - | 9,382 | - | - | 193 | - | 12,085 |
| Special maintenance projects | 606,000 | 341,815 | - | - | - | - | - | - | 205,612 | - | 136,203 |
| Total field maintenance | 1,027,500 | 467,018 | - | 37,993 | - | 9,382 | - | - | 208,905 | - | 210,738 |

(Continued)

CHARLESTON REGIONAL AIRPORT DISTRICT

**SCHEDULE OF OPERATING AND NON-OPERATING EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

| | Total | | Aviation Support | Domestic and International Terminal | Airfield Area | Apron and Taxiway | Airline Service Area | Fuel Storage | Reliever Airports | Commercial/ Industrial Area | Parking/ Roadway Area |
|--|------------|-----------|---------------------|---|------------------|----------------------|----------------------------|-----------------|----------------------|-----------------------------------|-----------------------------|
| | Budget | Actual | | | | | | | | | |
| Operating expenses (Continued): | | | | | | | | | | | |
| Vehicle maintenance | | | | | | | | | | | |
| Contractual services | \$ 87,000 | \$ 44,356 | \$ - | \$ 44,356 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Parts and supplies | 126,000 | 136,672 | - | 136,672 | - | - | - | - | - | - | - |
| Fuel and oil | 375,000 | 238,914 | - | 238,914 | - | - | - | - | - | - | - |
| Total vehicle maintenance | 588,000 | 419,942 | - | 419,942 | - | - | - | - | - | - | - |
| Loading bridges | | | | | | | | | | | |
| Contractual services | 10,000 | - | - | - | - | - | - | - | - | - | - |
| Parts and supplies | 50,000 | 73,945 | - | 73,945 | - | - | - | - | - | - | - |
| Total loading bridges | 60,000 | 73,945 | - | 73,945 | - | - | - | - | - | - | - |
| Supplies | | | | | | | | | | | |
| Uniform and personal equipment | 211,222 | 194,712 | - | 171,024 | - | - | - | - | 400 | - | 23,288 |
| Janitorial supplies | 368,500 | 311,450 | - | 307,977 | - | - | - | - | 3,473 | - | - |
| Small tools | 10,000 | 6,251 | - | 6,251 | - | - | - | - | - | - | - |
| Safety supplies | 51,557 | 39,808 | - | 39,639 | - | - | - | - | 169 | - | - |
| Security supplies | 266,908 | 239,684 | - | 239,684 | - | - | - | - | - | - | - |
| Kitchen and other supplies | 844,000 | 818,097 | - | 814,329 | - | - | - | - | 3,768 | - | - |
| Total supplies | 1,752,187 | 1,610,002 | - | 1,578,904 | - | - | - | - | 7,810 | - | 23,288 |
| Contractual services | | | | | | | | | | | |
| Janitorial | 3,432,000 | 3,565,055 | - | 3,565,055 | - | - | - | - | - | - | - |
| Trash pickup | 119,400 | 88,720 | - | 87,231 | - | - | - | - | 1,489 | - | - |
| Exterminating | 18,000 | 17,720 | - | 15,639 | - | - | 735 | - | - | - | 1,346 |
| Environmental | 326,750 | 496,601 | - | 493,975 | - | - | - | - | 2,626 | - | - |
| Interior landscaping | 19,295 | 16,887 | - | 16,887 | - | - | - | - | - | - | - |
| Exterior landscaping | 317,680 | 220,882 | - | 220,882 | - | - | - | - | - | - | - |
| Elevators | 87,000 | 65,051 | - | 32,911 | - | - | - | - | - | - | 32,140 |
| Other contractual services | 5,839,141 | 4,808,985 | - | 4,118,170 | - | - | 28,520 | - | 117,054 | - | 545,241 |
| Total contractual services | 10,159,266 | 9,279,901 | - | 8,550,750 | - | - | 29,255 | - | 121,169 | - | 578,727 |
| Insurance | | | | | | | | | | | |
| Vehicle | 108,759 | 74,032 | - | 74,032 | - | - | - | - | - | - | - |
| Building | 658,654 | 559,371 | - | 559,371 | - | - | - | - | - | - | - |
| Honesty bond | 1,265 | 1,500 | - | 1,500 | - | - | - | - | - | - | - |
| Tort liability | 141,035 | 98,977 | - | 98,977 | - | - | - | - | - | - | - |
| Public entity | 122,304 | 95,977 | - | 95,977 | - | - | - | - | - | - | - |
| Aviation | 161,775 | 132,306 | - | 132,306 | - | - | - | - | - | - | - |
| Data processing | 57,962 | 53,226 | - | 53,226 | - | - | - | - | - | - | - |
| Inland marine | 55,104 | 40,682 | - | 40,682 | - | - | - | - | - | - | - |
| Cyber liability | 36,225 | 31,800 | - | 31,800 | - | - | - | - | - | - | - |
| Other insurance | 8,956 | 8,311 | - | 8,311 | - | - | - | - | - | - | - |
| Total insurance | 1,352,039 | 1,096,182 | - | 1,096,182 | - | - | - | - | - | - | - |

(Continued)

CHARLESTON REGIONAL AIRPORT DISTRICT

**SCHEDULE OF OPERATING AND NON-OPERATING EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

| | Total | | Aviation Support | Domestic and International Terminal | Airfield Area | Apron and Taxiway | Airline Service Area | Fuel Storage | Reliever Airports | Commercial/ Industrial Area | Parking/ Roadway Area |
|---|-----------------------|-----------------------|---------------------|---|-------------------|----------------------|----------------------------|---------------------|----------------------|-----------------------------------|-----------------------------|
| | Budget | Actual | | | | | | | | | |
| Operating expenses (Continued): | | | | | | | | | | | |
| Professional services | | | | | | | | | | | |
| Management consulting | \$ 1,486,800 | \$ 1,086,154 | \$ - | \$ 1,086,154 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Nonmanagement consulting | 10,000 | - | - | - | - | - | - | - | - | - | - |
| Accounting | 60,000 | 74,000 | - | 74,000 | - | - | - | - | - | - | - |
| Miscellaneous architectural and engineering | 287,500 | 38,573 | - | 37,720 | - | - | - | - | 853 | - | - |
| Appraisal | 35,000 | 2,988 | - | 2,988 | - | - | - | - | - | - | - |
| Total professional services | <u>1,879,300</u> | <u>1,201,715</u> | <u>-</u> | <u>1,200,862</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>853</u> | <u>-</u> | <u>-</u> |
| Legal services | <u>750,000</u> | <u>356,461</u> | <u>-</u> | <u>356,461</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other expenses | | | | | | | | | | | |
| Contingencies | 457,938 | 468,395 | - | 322,930 | - | - | - | - | 113,119 | - | 32,346 |
| Payment to USAF | 400,000 | 465,563 | - | - | 465,563 | - | - | - | - | - | - |
| Bad debt | - | (1,970) | - | (1,970) | - | - | - | - | - | - | - |
| Total other expenses | <u>857,938</u> | <u>931,988</u> | <u>-</u> | <u>320,960</u> | <u>465,563</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>113,119</u> | <u>-</u> | <u>32,346</u> |
| Operating expenses before depreciation expense | <u>59,973,812</u> | <u>56,822,776</u> | <u>745,976</u> | <u>45,139,523</u> | <u>465,563</u> | <u>266,319</u> | <u>581,193</u> | <u>248,693</u> | <u>1,314,926</u> | <u>681,463</u> | <u>7,379,120</u> |
| Depreciation expense | <u>38,098,000</u> | <u>33,039,248</u> | <u>129,155</u> | <u>18,706,003</u> | <u>-</u> | <u>3,346,826</u> | <u>50,241</u> | <u>783,279</u> | <u>2,111,983</u> | <u>1,000,249</u> | <u>6,911,512</u> |
| Total operating expenses | <u>98,071,812</u> | <u>89,862,024</u> | <u>875,131</u> | <u>63,845,526</u> | <u>465,563</u> | <u>3,613,145</u> | <u>631,434</u> | <u>1,031,972</u> | <u>3,426,909</u> | <u>1,681,712</u> | <u>14,290,632</u> |
| Non-operating expenses: | | | | | | | | | | | |
| Interest expense | 6,919,816 | 20,694,200 | - | 20,694,200 | - | - | - | - | - | - | - |
| Cost of bond issuance | - | 1,867,773 | - | 1,867,773 | - | - | - | - | - | - | - |
| Total non-operating expenses | <u>6,919,816</u> | <u>22,561,973</u> | <u>-</u> | <u>22,561,973</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenses | <u>\$ 104,991,628</u> | <u>\$ 112,423,997</u> | <u>\$ 875,131</u> | <u>\$ 86,407,499</u> | <u>\$ 465,563</u> | <u>\$ 3,613,145</u> | <u>\$ 631,434</u> | <u>\$ 1,031,972</u> | <u>\$ 3,426,909</u> | <u>\$ 1,681,712</u> | <u>\$ 14,290,632</u> |



Independent Auditor's Report on Compliance for the Passenger Facility Charge Program and Report on Internal Control over Compliance

**To the Honorable Members of the
Charleston Regional Aviation Authority
North Charleston, South Carolina**

Report on Compliance for Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited **Charleston Regional Airport District's** (the "District") compliance with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (the "Guide"), issued by the Federal Aviation Administration, that could have a direct and material effect on the District's passenger facility charge program for the year ended June 30, 2025.

In our opinion, the District 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide, issued by the Federal Aviation Administration. 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 District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that 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 District'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 District'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 District'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 GAAS, *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 District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 District'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 District'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 District'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.

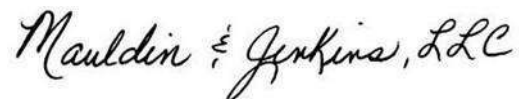
Report on Internal Control over Compliance

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 Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration. Accordingly, this report is not suitable for any other purpose.



Columbia, South Carolina
November 10, 2025

PASSENGER FACILITY CHARGE PROGRAM SECTION

CHARLESTON REGIONAL AIRPORT DISTRICT

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

| Quarter Ended | PFC Charges Received | Interest Earned | Total Received | Expenditures on Approved Projects | Net Program Activity |
|--|----------------------|-----------------|----------------|-----------------------------------|----------------------|
| Beginning balance | \$ 95,900,859 | \$ 33,018 | \$ 95,933,877 | \$ 54,739,584 | \$ 41,194,293 |
| Reversal of prior year accrual | (2,140,139) | \$ - | \$ (2,140,139) | \$ - | \$ (2,140,139) |
| 09/30/2023 | 3,432,966 | 2,392 | 3,435,358 | - | 3,435,358 |
| 12/31/2023 | 2,605,441 | 1,815 | 2,607,256 | 2,622,339 | (15,083) |
| 03/31/2024 | 2,818,198 | 2,637 | 2,820,835 | 1,086,260 | 1,734,575 |
| 06/30/2024 | 3,337,918 | 2,979 | 3,340,897 | - | 3,340,897 |
| Current year accrual | 2,371,780 | - | 2,371,780 | - | 2,371,780 |
| Total 2024 | 12,426,164 | 9,823 | 12,435,987 | 3,708,599 | 8,727,388 |
| Total program to date as of June 30, 2024 | 108,327,023 | 42,841 | 108,369,864 | 58,448,183 | 49,921,681 |
| Reversal of prior year accrual | (2,371,780) | - | (2,371,780) | - | (2,371,780) |
| 09/30/2024 | 3,150,085 | 192,795 | 3,342,880 | 3,440,110 | (97,230) |
| 12/31/2024 | 2,949,605 | 224,724 | 3,174,329 | - | 3,174,329 |
| 03/31/2025 | 2,578,907 | 201,609 | 2,780,516 | - | 2,780,516 |
| 06/30/2025 | 3,562,408 | 205,872 | 3,768,280 | - | 3,768,280 |
| Current year accrual | 1,869,892 | - | 1,869,892 | - | 1,869,892 |
| Total 2025 | 11,739,117 | 825,000 | 12,564,117 | 3,440,110 | 9,124,007 |
| Total program to date as of June 30, 2025 | \$ 120,066,140 | \$ 867,841 | \$ 120,933,981 | \$ 61,888,293 | \$ 59,045,688 |

CHARLESTON REGIONAL AIRPORT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements prepared were prepared in accordance with GAAP. Unmodified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Passenger Facility Charges

Internal control over passenger facility charges program:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for passenger facility charges: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the *Passenger Facility Charge Audit Guide for Public Agencies*? ☐ Yes ☒ No

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III PASSENGER FACILITY CHARGES FINDINGS AND QUESTIONED COSTS

None reported.