

2023

ANNUAL REPORT



**SIoux FALLS
REGIONAL AIRPORT**

Letter from the Chair

The Sioux Falls Regional Airport continues to set new benchmarks as a key transportation hub, achieving another record in commercial passenger traffic for the year. In 2023, Joe Foss Field saw 1,338,514 travelers, marking a 9% increase from the previous year. Notably, the airport handled over 61% of all air travelers in the state, underscoring its vital role in the region.

The development of commercial air service has faced challenges recently, particularly due to a shortage of pilots which has affected airlines' ability to serve smaller communities. While our airport has experienced a reduction in service frequency to hub airports, there has been an increase in aircraft size, ensuring that the number of available seats remains the same or has even increased in some cases. New routes introduced by Allegiant Airlines to destinations such as Ft. Lauderdale, Punta Gorda, and Nashville have contributed to the rise in traveler numbers. The airport is committed to working with airlines to sustain current service levels and secure new routes.

Although the volume of freight and mail transported by air decreased slightly, with more products being shipped by truck, total air freight shipments fell by 7.5% to 59 million pounds, primarily handled by FedEx and UPS. Mail shipments saw a significant drop of 29.4% for the year.

In 2023, the airport initiated one of the most substantial facility projects in its 84-year history: the construction of a 4-level, 950-stall parking structure. This \$62.5 million project, which has been years in the making, began in April and is set for completion in September 2024. Additionally, the airport completed a \$1.2 million replacement of a primary water line serving the east side of the property and conducted an updated Master Plan and Terminal Study with Mead & Hunt engineers. These studies have highlighted the need for a new concourse and aircraft gates to accommodate growing passenger numbers and larger aircraft. The estimated \$130 million required for design and construction will necessitate a joint financing plan involving all levels of government, and airport management is fully engaged in this effort.

As I wrap up my term as chairman and my first five-year tenure as a Commissioner on the Airport Authority Board, I extend my gratitude to my fellow Commissioners—Kent Cutler, Blake Curd, John Taylor, and outgoing Commissioner Lon Stroschein—for their advice and support. I also want to thank Dan Letellier, Richard King, Kristin Elgersma, and our exceptional service and field staff for their assistance this past year.

I deeply appreciate the opportunity to serve as Chairman this past year and look forward to another exciting year in 2024. Thank You.

Eric Ellefson

Eric Ellefson, Chairman

Sioux Falls Regional Airport Authority Commissioners



Eric Ellefson
Airport Authority Chairman
Managing Partner/Click Rain



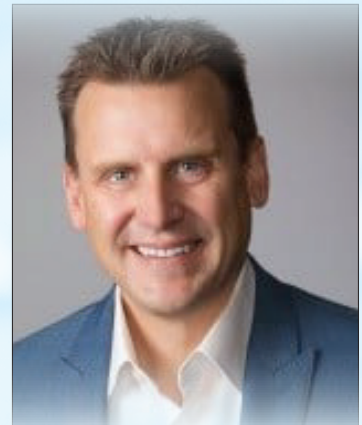
Kent Cutler
Airport Authority Vice-Chair
Attorney/Business Owner



Blake Curd
Orthopedic Surgeon



John Taylor
Attorney



Lon Stroschein
Author/Live Coach



Dan Letellier
Executive Director



Richard King
Deputy Director

Construction Projects



Parking Garage Construction



Skyway Install



Parking Garage – 2nd Level



Parking Garage – 4th Level



Sand Storage Building



Snow Removal Equipment
Building Addition



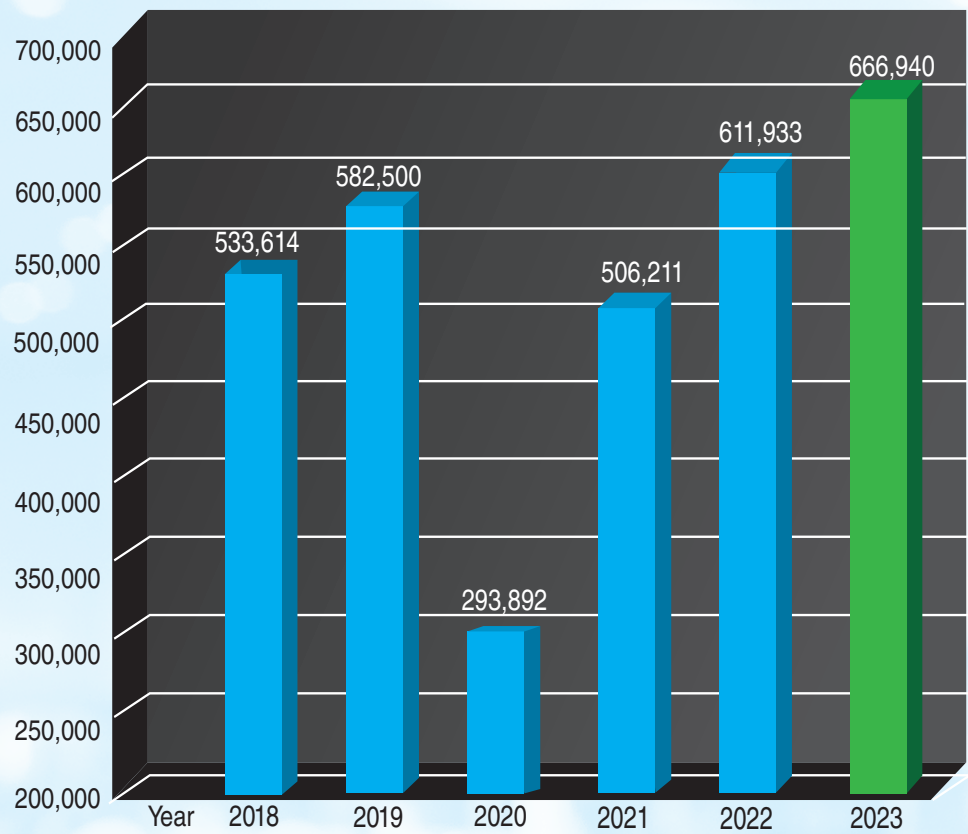
Air Show 2023- The Thunderbirds



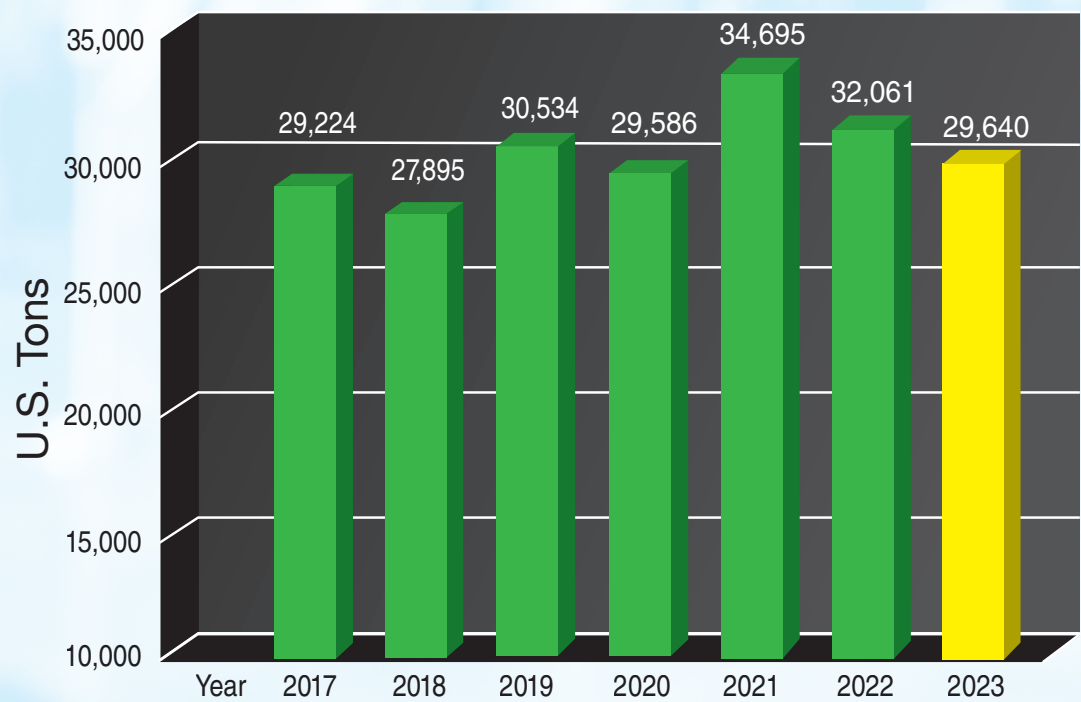
South Dakota Air National Guard – F16

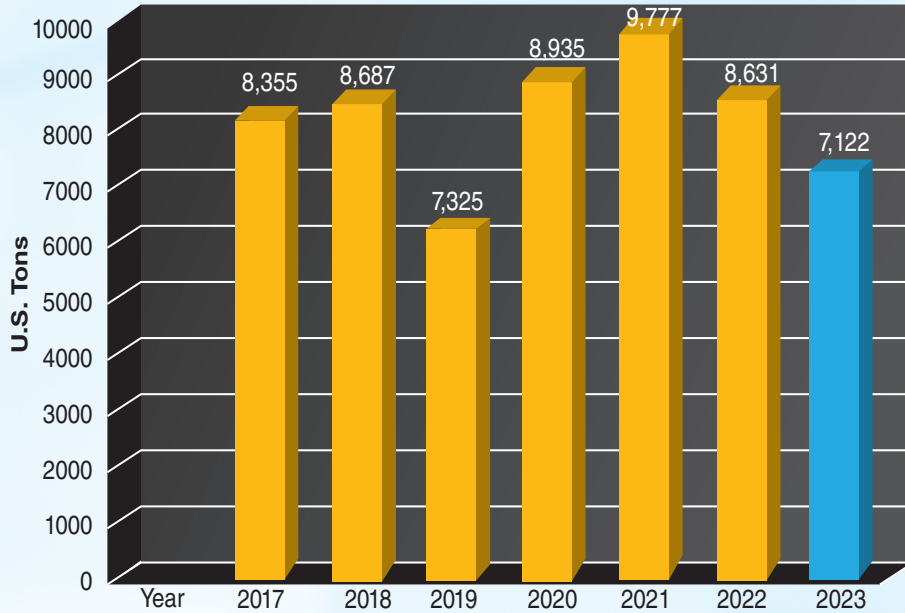


Passenger Enplanements



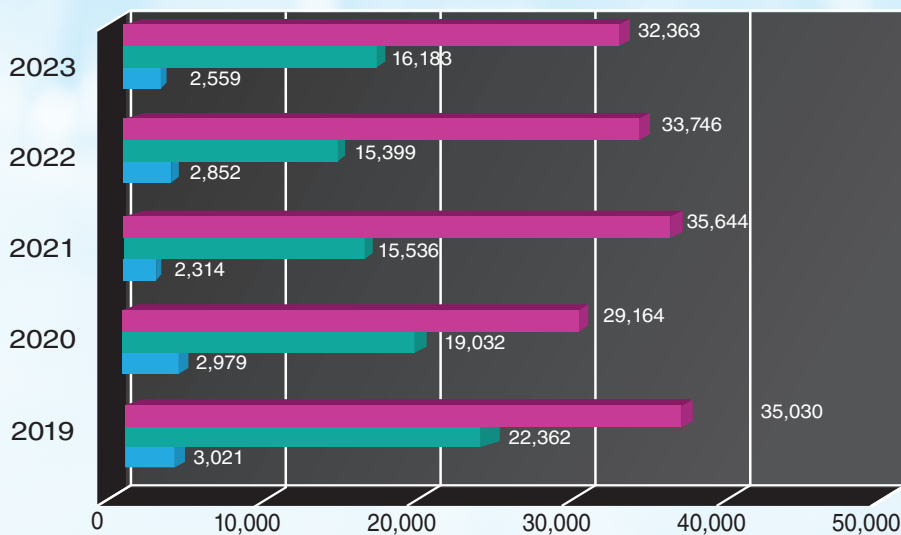
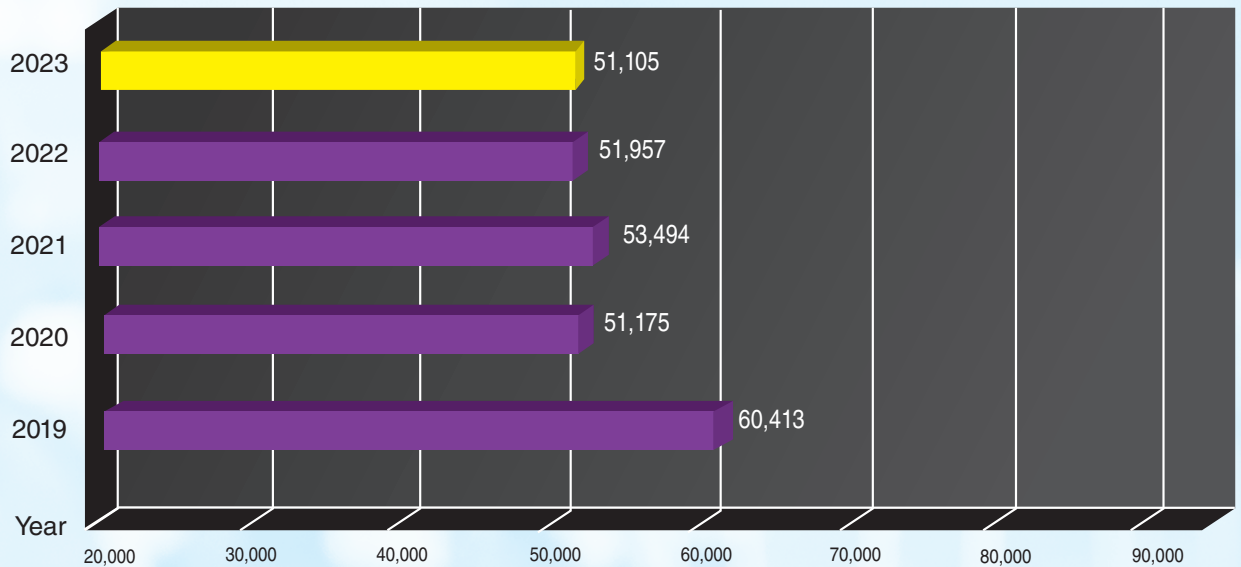
Freight Activity





Mail Carried

Traffic Operations



Air Traffic Movements

■ Air Carrier
■ General Av.
■ Military

Management's Discussion and Analysis

Sioux Falls Regional Airport Authority
December 31, 2023

This discussion and analysis presents the highlights of financial activities and financial position for Sioux Falls Regional Airport Authority ("the Authority"). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, and specific issues related to funds and the economic factors affecting the Authority.

Management's Discussion and Analysis (MD&A) focuses on current year activities and the resulting changes. Please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

The number of commercial air travelers using Joe Foss Field continued to set records in 2023. The Sioux Falls Regional Airport recorded an all-time record for the number of passengers increasing 9% from the year prior to 1,338,514 total passengers. Concession revenue increased a similar amount with parking revenue up 13.8% compared to the prior year.

The Sioux Falls Regional Airport continued at or above normal flight activity levels for passenger, cargo, military, and general aviation flights. Numerous construction projects were accomplished as well throughout 2023. Work to replace a major waterline serving numerous airfield tenants as well as the terminal was replaced at a cost of \$1,248,835.00. Construction of an addition to the maintenance building which supports snow removal equipment was started with completion expected in 2024 at a cost of \$6.8 million. An expansion of the public Economy Parking Lot was also completed at a cost of \$2,031,914 to ensure adequate parking during the construction of the new four-level parking structure. Work began on the \$63 million parking garage which will provide 975 covered spaces along with a skyway connection to the terminal building. Significant progress was made throughout the year with a completion date of September 2024.

As mentioned, the parking garage project was a main focus throughout the year, however several other significant projects are in the planning or design stage. Design work is underway for an expansion of the cargo apron to allow for additional wide-body cargo aircraft and better parking utilization for feeder aircraft. A more significant project to expand the terminal building to add a new concourse with five and up to six gates is well underway. The airport is working with Mead and Hunt Engineers on the design which will allow the airport to better accommodate the growth that is expected with passenger traffic over the next 10-15 years. Construction of the new concourse and adjoining terminal apron is expected to exceed \$100 million. Funding from Federal, State and

Changes in Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

	2023	2022	2021
Total Assets			
Capital	\$201,242,134	\$156,451,378	\$146,937,915
Other	28,076,236	53,882,216	34,650,839
Total Assets	229,318,370	210,333,594	181,588,754
Deferred Outflow of Resources	639,277	712,127	777,290
Liabilities			
Long-term	3,049,268	27,298	21,114
Other	5,285,573	1,667,522	1,095,209
Total Liabilities	8,334,841	1,694,820	1,116,323
Deferred Inflow of Resources	6,699,082	8,260,367	1,183,519
Net Position			
Net investment in capital assets	\$198,242,134	\$156,451,378	\$146,277,434
Restricted for capital projects	842,925	706,052	612,882
Restricted for pension benefits	222,408	251,892	198,638
Unrestricted	15,616,257	43,681,212	32,977,248
Total Net Position	\$214,923,724	201,090,534	\$180,066,202

Changes in Statement of Revenues, Expenses, and Net Position

	2023	2022	2021
Operating Revenues			
Rentals and commissions, net	\$11,955,288	\$11,207,323	\$ 8,769,361
Landing fees	1,773,861	1,284,506	1,123,330
State security reimbursements	137,425	118,075	127,750
Fines, forfeitures and other revenue	962,160	847,374	602,269
Total Operating Revenues	14,828,734	13,457,278	10,622,710
Operating Expenses			
Depreciation	6,952,830	6,642,811	6,255,454
Personnel	3,306,584	3,022,209	2,518,473
Professional services	1,361,748	1,294,069	961,458
Utilities and bulk energy	854,438	777,704	733,612
Repairs and maintenance	615,856	645,917	426,019
Supplies and materials	1,577,889	1,499,722	1,004,978
Insurance	266,565	242,744	223,090
Other expenses	1,245,509	660,177	423,636
Total Operating Expenses	16,181,419	14,785,353	12,546,720
Operating Loss	\$(1,352,685)	\$(1,328,075)	\$(1,924,010)
Nonoperating Revenues (Expenses)			
Passenger facility charges	\$ 2,722,074	\$ 2,588,347	\$2,236,507
Customer facility charges	893,964	809,313	663,382
Federal and state grants	9,092,838	17,486,154	17,336,698
Taxes, air flight, net	514,973	280,702	315,105
Interest and investment income	2,302,815	1,030,352	9,515
Loss on disposal or retirement of property and equipment	(331,376)	-0	-0
Debt issuance cost	(10,000)	-0	-0
Miscellaneous	587	31,029	20,433
Total Non-Operating Revenues	15,185,875	22,225,897	20,581,640
Change in Net Position	\$13,833,190	\$20,897,822	\$18,657,630

Local governments will be necessary to accomplish this once in a generation project.

In 2023 the largest operating revenue source was parking lot revenue at \$6,601,730 up 11.5% from 2022. The Authority's second largest operating revenue source was airline fees and are negotiated based on actual costs. The Authority's third largest operating revenue source was car rental commissions, up 3.2% versus the prior year. In 2023, on site-car rental agency revenue reported to the Authority totaled \$20,003,495 resulting in commissions paid to the Authority of \$2,097,936.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statements of Net Position provides information about the liquidity and solvency of the Authority by indicating the nature and the amounts of investments in resources (assets), its deferred outflows of resources, obligations to Authority creditors (liabilities), its deferred inflows of resources and its resulting net position. Net position represents the amount of total assets, plus deferred outflows of resources, less total liabilities, less deferred inflows of resources. The organization of the statement separates assets and liabilities into current and non-current components.

The Statements of Revenues, Expenses, and Changes in Net Position provides information for all of the revenues and expenses in order to measure the success of the Authority's operations over the past year. This statement is organized by separating operating revenues and expenses from nonoperating revenues and expenses. Transactions which are reported as capital and related financing activities, non-capital financing activities, or investing activities are reported as components of nonoperating revenues.

The Statements of Cash Flows provides information about the net change in the Authority's cash and cash equivalents and is presented using the direct method of reporting. It provides information about the Authority's cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities. Cash receipts and payments are presented in this statement to arrive at the net increase or decrease in cash and cash equivalents for each year.

These statements provide long-term and short-term information about the Authority's financial status. These statements are accompanied by a complete set of Notes to the Financial Statements that communicate information essential for fair presentation of the basic financial statements. As such, the Notes form an integral part of the basic financial statements.

Sioux Falls Regional Airport Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2022 and 2021

Sioux Falls Regional Airport Authority - Statements of Net Position
December 31, 2022 and 2021

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$16,885,371	\$34,816,900
Restricted cash	842,925	706,052
Accounts receivable	738,848	744,879
Grants receivable	1,236,248	4,396,303
Interest receivable	74,562	77,976
Passenger facility charges receivable	407,193	379,681
Customer facility charges receivable	73,950	111,786
Current portion of leases receivable	761,018	1,313,364
Inventories	164,674	178,709
Prepaid expenses	95,443	80,896
Total current assets	<u>\$21,280,232</u>	<u>\$42,806,546</u>
Investments		
Certificates of deposit	745,741	4,264,861
Other Assets		
Long-term leases receivable	6,041,937	6,802,955
Pension asset	8,326	7,854
Total other assets	6,050,263	6,810,809
Capital Assets		
Land	1,152,384	1,152,384
Construction in progress	57,579,384	9,135,037
Buildings	63,434,747	64,435,158
Improvements other than buildings	144,740,259	156,665,407
Machinery and equipment	13,306,972	12,786,289
	280,213,746	244,174,275
Less accumulated depreciation	<u>(78,971,612)</u>	<u>(87,722,897)</u>
Total capital assets	<u>201,242,134</u>	<u>156,451,378</u>
Total assets	<u>\$ 229,318,370</u>	<u>\$210,333,594</u>
Deferred Outflow of Resources		
Related to pension	639,277	712,127
	2023	2022
Liabilities		
Current Liabilities		
Accounts payable	\$ 5,134,583	\$ 1,532,565
Accrued salaries	63,109	47,076
Compensated absences	87,881	87,881
Total current liabilities	<u>5,285,573</u>	<u>1,667,522</u>
Long-Term Liabilities		
Notes payable	3,000,000	-0
Compensated absences - long-term	49,268	27,298
Total long-term liabilities	<u>3,049,268</u>	<u>27,298</u>
Total liabilities	<u>8,334,841</u>	<u>1,694,820</u>
Deferred Inflow of Resources		
Related to pension	425,195	468,089
Related to leases	6,273,887	7,792,278
Total liabilities and deferred inflow of resources	<u>6,699,082</u>	<u>8,260,367</u>
Net Position		
Net investment in capital assets	198,242,134	156,451,378
Restricted for capital projects	842,925	706,052
Restricted for pension benefits	222,408	251,892
Unrestricted	15,616,257	43,681,212
Total net position	<u>\$214,923,724</u>	<u>\$201,090,534</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$229,957,647</u>	<u>\$211,045,721</u>

	2023	2022	Dollar Change	Percentage Change
Operating Revenues				
Rentals and commissions, net	\$ 11,955,288	\$11,207,323	\$747,965	6.7%
Landing fees	1,773,861	1,284,506	489,355	38.1%
State security reimbursements	137,425	118,075	19,350	16.4%
Fines, forfeitures and other revenue	962,160	847,374	114,786	13.5%
Total operating revenues	<u>14,828,734</u>	<u>13,457,278</u>	<u>1,371,456</u>	<u>10.2%</u>
Operating Expenses				
Depreciation	6,952,830	6,642,811	310,019	4.7%
Personnel	6,952,830	3,022,209	3,930,621	130.1%
Professional services	1,361,748	1,294,069	67,679	5.2%
Utilities and bulk energy	854,438	777,704	76,734	9.9%
Repairs and maintenance	615,856	645,917	(30,061)	-4.7%
Supplies and materials	1,577,889	1,499,722	78,167	5.2%
Insurance	266,565	242,744	23,821	9.8%
Other expenses	1,245,509	660,177	585,332	88.7%
Total operating expenses	<u>19,827,665</u>	<u>14,785,353</u>	<u>5,042,312</u>	<u>34.1%</u>
Operating Income (Loss)	<u>(4,998,931)</u>	<u>(1,328,075)</u>	<u>(3,670,856)</u>	<u>276.4%</u>
Nonoperating Revenues (Expenses)				
Passenger facility charges	2,722,074	2,588,347	(3,670,856)	5.2%
Customer facility charges	893,964	809,313	84,651	10.5%
Federal and state grants	9,092,838	17,486,154	(8,393,316)	-48.0%
Taxes - air flight	514,973	280,702	234,271	83.5%
Interest and investment income	2,302,815	1,030,362	1,272,453	123.5%
Miscellaneous	587	31,029	(30,442)	-98.1%
Loss on disposal or retirement of property and equipment	(331,376)	-0	(331,376)	??%
Loan fees	(10,000)	-0		
Total non-operating revenues	<u>15,185,875</u>	<u>22,225,897</u>	<u>(7,040,022)</u>	<u>-31.7%</u>
Change in Net Position	<u>10,186,944</u>	<u>20,897,822</u>	<u>\$(10,710,878)</u>	<u>-51.3%</u>
Total Net Position, Beginning of Year	<u>201,090,534</u>	<u>180,192,712</u>		
Total Net Position, End of Year	<u>\$211,277,478</u>	<u>\$201,090,534</u>		

Sioux Falls Regional Airport Authority - Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2023	2022
Operating Activities		
Cash received by providing services	\$ 8,157,448	\$ 7,406,607
Cash received from parking lot customers	6,294,065	5,569,500
Cash received for reimbursements	137,425	135,935
Payments to personnel	(6,885,343)	(3,075,187)
Payments to suppliers	(6,171,226)	(4,213,598)
Net Cash from Operating Activities	<u>1,532,369</u>	<u>5,823,257</u>
Non-Capital Financing Activities		
Taxes - air flight	514,973	280,702
Other contributions	8,890,405	8,078,767
Net Cash from Non-Capital Financing Activities	<u>9,405,378</u>	<u>8,359,469</u>
Capital and Related Financing Activities		
Proceeds from contributions	3,363,075	6,422,519
Proceeds from passenger facility charges	2,694,562	2,577,119
Proceeds from customer facility charges	931,800	748,134
Proceeds from the issuance of debt	3,000,000	-0
Debt issuance costs	(10,000)	-0
Proceeds from sale of property and equipment	25,000	-0
Purchases of property and equipment	(48,208,435)	(16,419,109)
Net Cash (used for) from Capital and Related Financing Activities	<u>(38,203,998)</u>	<u>(6,671,337)</u>
Investing Activities		
Redemptions of certificates of deposit	3,649,462	3,383,793
Purchases of certificates of deposit	(130,342)	(3,000,000)
Interest received	2,306,229	953,919
Net Cash from Investing Activities	<u>5,825,349</u>	<u>1,337,712</u>
Net Change in Cash and Cash Equivalents	<u>(21,440,902)</u>	<u>8,849,101</u>
Cash and Cash Equivalents at Beginning of Year	<u>35,522,952</u>	<u>26,673,851</u>
Cash and Cash Equivalents at End of Year	<u>\$ 14,082,050</u>	<u>\$ 35,522,952</u>
Supplemental Disclosure of Cash Flow Information		
Cash and cash equivalents consist of the following		
Cash and cash equivalents	\$16,885,371	\$ 34,816,900
Restricted Cash	842,925	706,052
	<u>\$17,728,296</u>	<u>\$ 35,522,952</u>

Sioux Falls Regional Airport Authority - Statements of Cash Flows, (cont.)
Years Ended December 31, 2022 and 2021

	2023	2022
Reconciliation of Operating Income (Loss) to Net Cash from		
Operating Activities:		
Operating Income (Loss)	\$ (4,998,931)	\$ (1,328,075)
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash from Operating Activities:		
Depreciation	6,952,830	6,642,811
Changes in Assets and Liabilities		
Accounts receivable	6,031	(149,276)
Inventories	14,035	36,072
Prepaid expenses	(14,547)	31,178
Lease receivable	1,313,364	(8,116,319)
Lease related deferred outflow of resources	(1,518,391)	7,918,788
Accounts payable	(289,509)	841,056
Related to pension	29,484	(53,254)
Accrued expenses	38,003	276
Net Cash from Operating Activities	\$ 1,532,369	\$ 5,823,258
Supplemental Disclosure of Noncash Financing Activities		
Capital asset additions included in accounts payable	\$ 4,289,173	\$ 397,646

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity

The Sioux Falls Regional Airport Authority (the Authority) was created June 10, 1986, pursuant to South Dakota State law, to operate the affairs of the airport located in Sioux Falls, South Dakota. The Authority is managed by a Board of Commissioners whose members are appointed by the City Council of the City of Sioux Falls. The Authority is not financially accountable for any other organization, nor is the Authority a component unit of any other primary governmental entity.

Basis of Accounting

The financial statements of the Sioux Falls Regional Airport Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to a governmental entity proprietary fund. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's financial statements contain a statement of net position, a statement of revenue, expenses, and changes in net position, and a statement of cash flows.

The Authority's policy is to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. Also, transactions for which cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are reported as components of nonoperating revenues. The Authority reports all other revenues received as operating revenues.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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.

Cash and Cash Equivalents and Restricted Cash

For purposes of the statements of cash flows, the Authority considers all highly liquid investments with a term to maturity of three months or less when purchased to be cash equivalents.

Restricted cash of the Authority relates to funds set aside from customer facility charges for capital developments and improvements for the Quick Turn Around Facility and other rental car operations.

Receivables and Credit Policies

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. At December 31, 2023 and 2022, accounts receivable were generally due from lessees in the airline and car rental industries. Unpaid accounts receivable over 30 days do not bear interest. Accounts receivable are stated at the amount billed to the customer. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. The Authority performs periodic credit evaluations of its lessees' financial condition and generally does not require collateral. The carrying amount of accounts receivable

is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. If accounts become uncollectible, they are charged to operations when that determination is made. At December 31, 2023 and 2022, all accounts were considered collectible and therefore an allowance for doubtful accounts is not provided.

Inventories

Inventories are valued at the lower of cost, (first-in, first-out method) or net realizable value and consist of supplies, fuel, and deicer fluid.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. Prepaid expenses are reported using the consumption method and recorded as an expense at the time of consumption.

Lease Receivables

Lease receivables are recorded by the Authority as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the Authority charges the lessee.

Capital Assets

Property and equipment is stated at cost. Expenses over \$3,500 for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenses for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

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

Buildings	20 - 50 years
Improvements, other than buildings	5 - 50 years
Machinery and equipment	5 - 30 years

The Authority reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at December 31, 2023 and 2022.

Investments

The Authority invests in certificates of deposits. Investments are valued at their fair value on the statements of net position. Realized and unrealized gains and losses are included in interest and investment income on the statements of revenues, expenses, and changes in net position.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension revenue, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. The Authority contributions and net pension asset are recognized on an accrual basis of accounting. Investments are reported at fair value.

Compensated Absences

Annual leave is earned by the employees based on years of service. Generally, employees earn two weeks for one to five years of service, 15 days for six to ten years, and one day per year thereafter to a maximum of twenty-five days. The vacation year is a calendar year and starts on January 1 of each year based on the vacation earned from the previous year. Upon termination, employees are entitled to receive compensation for their accrued annual leave balance. Employees who have been continuously employed by the Authority for at least 20 years, accumulated 1,000 hours of sick leave prior to their retirement or death will receive payment for one-fourth of their accrued sick leave hours paid at their regular base hourly rate of pay at the date of retirement or death.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Issuance costs are expensed as they are incurred.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Authority after the measurement date but before the end of the Authority's reporting period.

Sioux Falls Regional Airport Authority

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, and other unrecognized items not yet credited to pension expense. Deferred inflows related to leases where the Authority is the lessor are recognized as an inflow of resources (revenue) on the straight-line basis over the term of the lease.

Operating Revenue and Expenses

The Authority recognizes operating revenue and expenses when persuasive evidence of an arrangement exists, services have been provided, the fee is fixed or determinable and collectability is reasonably assured. Operating revenue is comprised of rentals and commissions of airport facilities as well as landing fees from airline operations, state security reimbursements, and fines and forfeitures. All other revenue is considered non-operating.

Air Flight Property Taxes

Air flight property taxes are assessed by the State of South Dakota and certified to the respective County Auditor no later than the fourth Monday in August of each year. The air flight taxes are due and payable on January 1 of the following year, at which time the tax lien on the property attaches as an enforceable lien. The County bills and collects the taxes and remits them to the Authority.

Federal and State Grants

The Authority receives federal financial assistance from the U. S. Department of Transportation Security Administration and state financial assistance from the South Dakota Department of Transportation. The funds are provided to finance capital improvements and are not intended to finance current operations. Accordingly, these federal and state grant funds are recorded as capital contributions.

The Authority also received federal assistance from the federal government under the CARES Act and Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) and American Rescue Plan Act (Arp Act). These funds may be used to finance current operations. Accordingly, these federal funds are recorded as non-operating revenues.

Passenger Facility Charges

The Authority has received approval from the Federal Aviation Administration (FAA) to impose a passenger facility charge (PFC) up to \$4.50 for each enplaned passenger that utilizes the Sioux Falls Regional Airport. The charge is collected by all carriers and remitted to the Authority, less a \$0.11 per passenger handling fee. The proceeds from the PFC's are restricted for use by the Authority for certain FAA approved projects per Code of Federal Regulations (C.F.R.) 158.13. PFC proceeds are recorded as non-operating revenues.

Customer Facility Charges

The Authority began assessing a customer facility charge (CFC) to rental car concessionaires. Current charges are \$3.00 per day with a limit of 14 days. The proceeds from the CFC's are restricted for rental car facilities construction projects. CFC proceeds are recorded as non-operating revenues.

Income Taxes

On June 15, 1988, the Authority received a ruling from the Internal Revenue Service determining that the Authority is a political subdivision and is not required to file a federal tax return.

Reclassifications

Certain reclassification of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net position.

Note 2 - Bank Deposits and Investments

The Authority's deposits are made and held in qualified public depositories. In South Dakota, qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 110% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota. The Authority has entered into a general depository agreement in which deposits in excess of the amounts insured by the FDIC shall be fully and continually secured by the bank by the deposit or setting aside of collateral of the types and in the manner as is prescribed by State law for the security of public funds.

The Authority follows an investment policy to maintain an investment portfolio consisting of government backed securities, securities issued by government-sponsored enterprises or federally related institutions that are guaranteed directly or indirectly by the U.S. government (U.S. Agencies), and certificates of deposit.

SDCL 4-5-6 permits public funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end; no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4 5 9 requires that investments shall be in the physical custody of the Authority or may be deposited in a safekeeping account with any bank or trust company designated by the Authority as its fiscal agent.

Credit Risk - The credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investments in certificates of deposit were fully insured by the Federal Deposit Insurance Company (FDIC). Insured deposits are backed by the full faith and credit of the U.S. Government.

Custodial Credit Risk - The custodial credit risk is the risk that, in the event of a depository failure, the Authority will not be able to recover deposits. Authority deposits in excess of depository insurance must be 110 percent collateralized. As of December 31, 2023, \$16,665,108 of the Authority's bank balance of \$16,915,108 was exposed to custodial credit risk. As of December 31, 2022, \$35,209,742 of the Authority's bank balance of \$35,459,742 was exposed to custodial credit risk. At December 31, 2023 and 2022, the amounts in excess of FDIC limits were adequately covered by collateral with securities held by the pledging financial institution.

Exposure to custodial credit risk is summarized below:

	2023	2022
Uninsured and Collateral Held by Pledging Bank	\$ 16,665,108	\$ 35,209,742
Uninsured and Collateral held by the Pledging Bank's Trust Department Not in the Authority's Name	828,800	422,681
	<u>\$ 17,493,908</u>	<u>\$ 35,632,423</u>

Concentration of Credit Risk - The risk of loss attributed to the magnitude of an investment in a single issuer. The Authority does not have a policy regarding concentration of credit risk.

Interest Rate Risk - The interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, then the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Authority's investment policy, the Authority minimizes the market value risk of investments in the portfolio by structuring its investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

As of December 31, 2023 and 2022, CFC contributions of \$842,925 and \$706,052, respectively, are considered restricted cash for rental car construction projects at the Authority under the CFC program requirements.

Note 3 - Fair Value Measurements

The Authority's investments are measured at fair value and are classified according to the following hierarchy:

- Level 1 - Investments reflect prices quoted in active markets.
- Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active.
- Level 3 - Investments reflect prices based upon unobservable sources.

First Premier Bank in Sioux Falls uses a pricing service to value investments. This service uses market approach pricing which utilizes models and pricing systems as well as mathematical tools and pricing analyst judgment. All investments are priced by this service, which is not quoted prices in an active market, but rather significant other observable inputs; therefore, the investments in certificates of deposit are categorized as level 2.

The fair value of investments at December 31, 2023, is as follows:

	Fair Value	Less than 1 Year	1-5 Years
Investment Type			
Certificates of Deposit	<u>\$ 745,741</u>	<u>\$ 745,741</u>	<u>\$ -0</u>

The fair value of investments at December 31, 2022 is as follows:

	Fair Value	Less than 1 Year	1-5 Years
Investment Type			
Certificates of Deposit	<u>\$4,264,861</u>	<u>\$3,544,597</u>	<u>\$ 720,264</u>



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