



# SHIOW FALLS REGIONAL AIRPORT

2021 ANNUAL REPORT



# Letter from the Chair

The Sioux Falls Regional Airport continued on a path of recovery from the downturn in passenger traffic and flight operations associated with the pandemic. Passenger enplanements grew to near normal levels as the year progressed. Enplanements totaled 506,211 which was a 72.2% improvement over the prior year and only 13.1% below the levels reached in 2019. The region's limited economic impact from the virus and desire for leisure travel helped our expedited recovery.

2021 did see significant growth in air cargo expanding 17.3% for a total of 59 million pounds transported by Fed Ex and UPS along with 19 million pounds of mail reflecting a 9.4% increase from 2020. The nationwide trend toward e-commerce during the pandemic helped grow our cargo business throughout the year.

The Sioux Falls Airport Authority continued efforts to bolster existing commercial service along with development of new non-stop destinations. Conversations with Allegiant were rewarded with several new destinations announced during the year. Service to Nashville, Austin, Ft. Lauderdale and Orange Country were introduced along with increased flying to Phoenix/Mesa driving the return of leisure travelers. Service on United, American and Delta were impacted however with the shortage of pilots resulting in frequency reductions. The challenge of replacing pilots who did not return after the pandemic is not going to be solved overnight. The lack of available pilots to enter the industry will limit growth in small communities for several years to come.

The Sioux Falls Regional Airport completed several airfield projects in 2021, most importantly the final phase of the reconstruction of our primary runway, 3-21. The \$11.1 million project began in early April and was completed by mid-October. This was the last phase of a multi-year project that invested over \$45 million in the complete reconstruction of the 9,000 ft. runway. Additional projects included the rehabilitation of a portion of taxiway Bravo for \$1.7 million and the repair/rehabilitation of the terminal and cargo aprons. These projects were funded at 90% with the FAA Airport Improvement program along with 3.5% from the State of South Dakota.

As I conclude my year as chairman and the final year of my ten years serving as a Commissioner on the Airport Authority Board, I want to thank my fellow Commissioners; Lon Stroschein, Eric Ellefson, Kent Cutler and Blake Curd for their counsel and support. I would also like to thank Dan Letellier, Richard King and Kristin Elgersma and our great service and field staff for all of their help this past year.

As I look back on the last ten years, I'm proud to have been involved in many outstanding accomplishments and developments at Joe Foss Field. Significant improvements totaling over \$50 million have been invested in terminal facilities which provide an enhanced level of comfort for our growing passenger traffic. New air service to multiple destinations has generated a 35% increase in enplanements over the past ten years with more airline competition and lower air fares. I have also been fortunate to be involved in the journey which has led to the construction award of a new parking structure. The new 4 level parking garage along with a skyway connection will greatly increase the comfort and usability of our airport for many years to come.

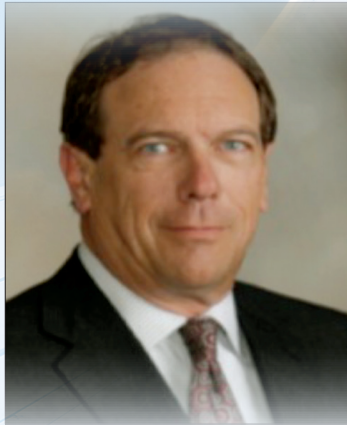
I sincerely appreciate the opportunity to serve as Commissioner and wish everyone at the airport success in the future. Thank You.

*Dave Nelson*

Dave Nelson, *Chairman*



# Sioux Falls Regional Airport Authority Commissioners



Dave Nelson  
Airport Authority Chairman  
Attorney (Retired)



Lon Stroschein  
Airport Authority Vice-Chair  
Businessman/Live Coach



Eric Ellefson  
Managing Partner-Click Rain



Kent Cutler  
Attorney



Blake Curd  
Orthopedic Surgeon



Dan Letellier  
Executive Director



Richard King  
Deputy Director



# Construction Projects



Runway 3-21 Reconstruction – Phase 3



Taxiway Bravo - Rehab



Terminal & Cargo Apron Rehab



Concourse Remodel





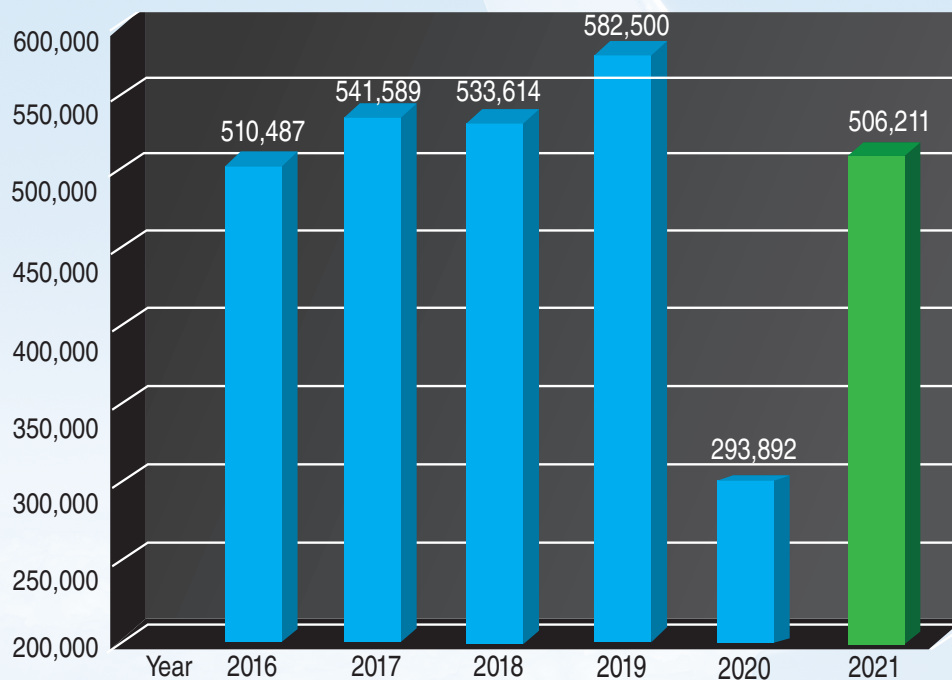
## Flight Activity



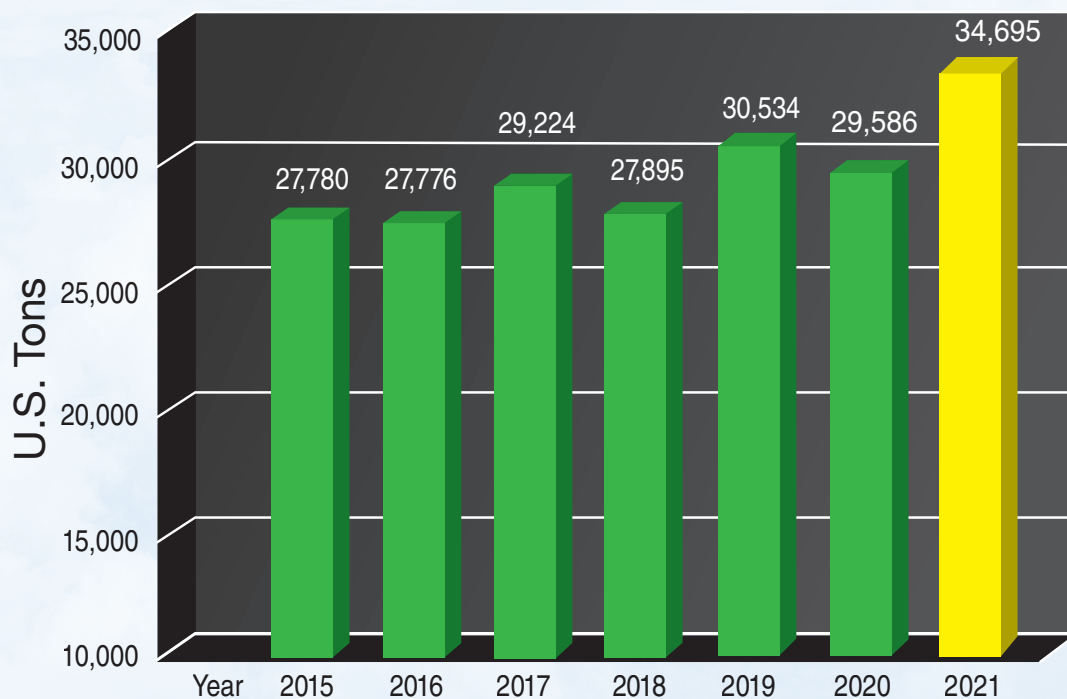


## Operations Summary

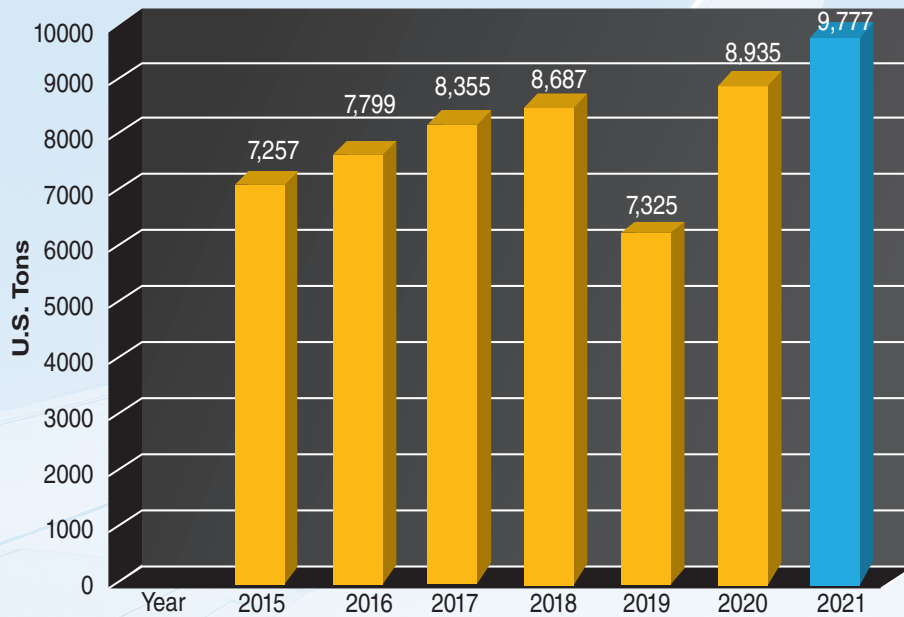
### Passenger Enplanements



### Freight Activity

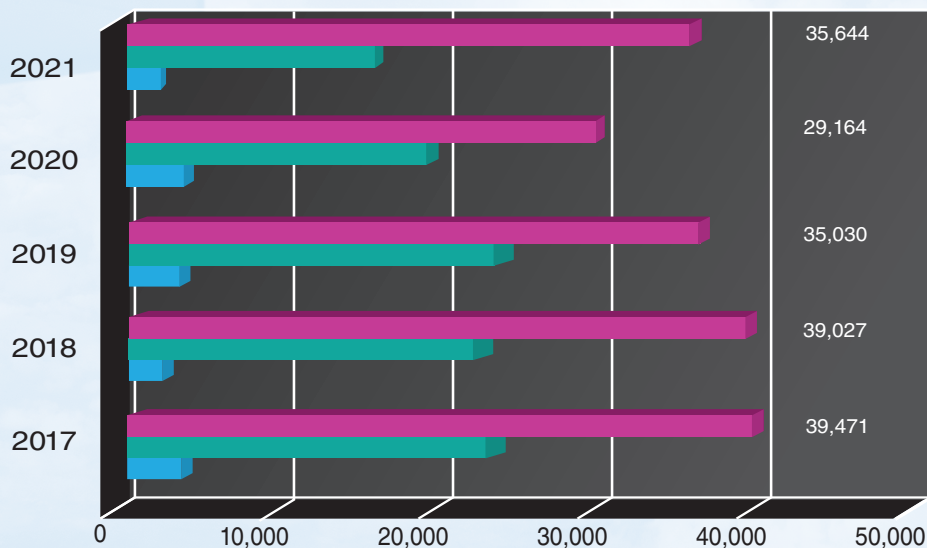
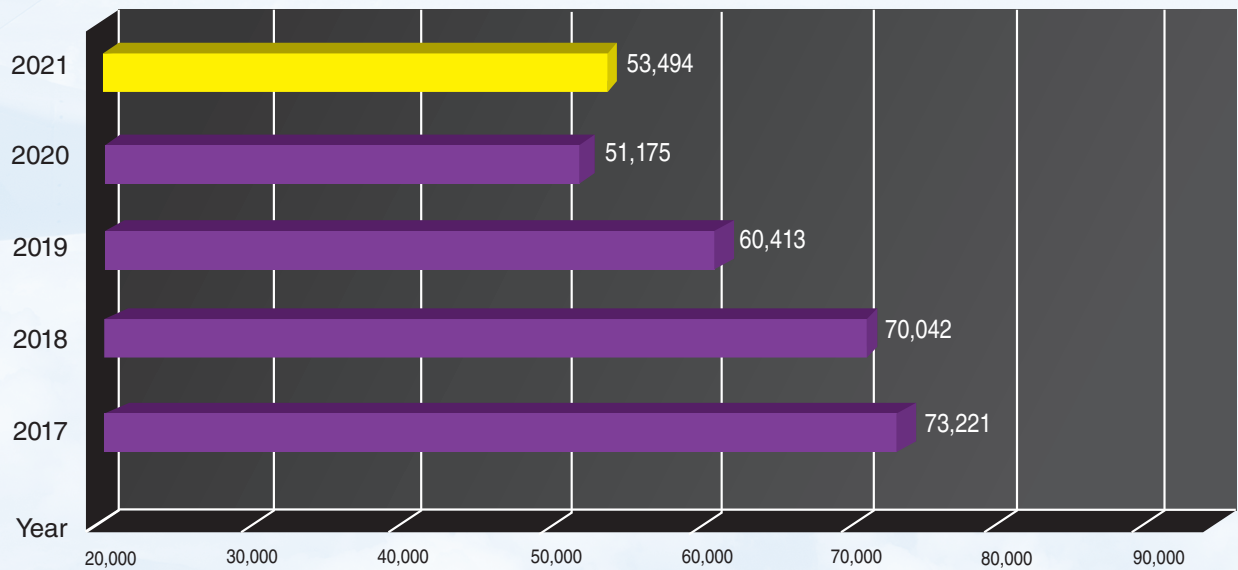






## Mail Carried

## Traffic Operations



## Air Traffic Movements

■ Air Carrier  
■ General Av.  
■ Military



# Management's Discussion and Analysis

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. These financial statements include three required statements and the accompany notes to 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.

## FINANCIAL HIGHLIGHTS

The Sioux Falls Regional Airport began to return to more normal levels of flight activity and passenger traffic in 2021. Passenger traffic increased 71.8% versus the prior year and only down 13.1% compared to the last pre-pandemic year of 2019. Total passengers in 2021 total 1,011,470 which was a fairly positive trend versus 2020. Concession's revenue increased a similar

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

|  | 2021                 | 2020                 | 2019                 |
|--|----------------------|----------------------|----------------------|
| <b>Total Assets</b>                    |                      |                      |                      |
| Capital                                | \$146,937,915        | \$135,343,922        | \$127,752,099        |
| Other                                  | 34,650,839           | 26,659,222           | 26,390,562           |
|  | <u>181,588,754</u>   | <u>\$162,003,144</u> | <u>154,142,661</u>   |
| <b>Deferred Outflow of Resources</b>   |                      |                      |                      |
| Related to pension                     | 777,290              | 491,306              | 349,045              |
|  |                      |                      |                      |
| Total assets and deferred outflows     | <u>\$182,366,044</u> | <u>\$162,494,450</u> | <u>\$154,491,706</u> |
| <b>Total Liabilities</b>               |                      |                      |                      |
| Long-term                              | 21,114               | 19,004               | \$17,915             |
| Other                                  | 1,095,209            | 590,804              | 2,137,150            |
|  | <u>1,116,323</u>     | <u>609,808</u>       | <u>2,155,065</u>     |
| <b>Deferred Inflow of Resources</b>    |                      |                      |                      |
| Related to pension                     | 1,183,519            | 476,070              | 203,183              |
|  |                      |                      |                      |
| Total liabilities and deferred inflows | <u>\$2,299,842</u>   | <u>\$1,085,878</u>   | <u>\$2,358,248</u>   |
| <b>Total Net Position</b>              |                      |                      |                      |
| Invested in capital assets             | \$146,277,434        | \$135,343,922        | \$126,020,334        |
| Restricted for capital projects        | 612,882              | 496,924              | 1,712,213            |
| Restricted for pension benefits        | 198,638              | 18,632               | 153,688              |
| Unrestricted                           | 32,977,248           | 25,819,554           | 24,247,223           |
|  | <u>\$180,066,202</u> | <u>\$161,408,572</u> | <u>\$152,133,458</u> |

## Changes in Statement of Revenues, Expenses, and Net Position

|  | 2021                 | 2020                 | 2019               |
|--|----------------------|----------------------|--------------------|
| <b>Operating Revenues</b>                                  |                      |                      |                    |
| Rentals and commissions, net                               | \$8,769,361          | \$5,790,691          | \$9,140,887        |
| Landing fees   | 1,123,330            | 884,217              | 1,055,511          |
| State security reimbursements                              | 127,750              | 118,400              | 128,205            |
| Fines, forfeitures and other revenue                       | 63,636               | 36,008               | 76,294             |
|  | <u>10,084,077</u>    | <u>6,829,315</u>     | <u>9,262,763</u>   |
| <b>Operating Expenses</b>                                  |                      |                      |                    |
| Depreciation   | 6,255,454            | 5,823,363            | 5,472,787          |
| Personnel  | 2,518,473            | 2,582,910            | 2,580,644          |
| Professional services                                      | 961,458              | 790,674              | 840,379            |
| Utilities and bulk energy                                  | 733,612              | 654,703              | 628,726            |
| Repairs and maintenance                                    | 426,019              | 370,000              | 456,347            |
| Supplies and materials                                     | 466,345              | 277,756              | 148,896            |
| Insurance  | 223,090              | 187,599              | 174,663            |
| Other expenses   | 423,636              | 336,930              | 553,769            |
|  | <u>12,008,087</u>    | <u>11,023,935</u>    | <u>10,856,211</u>  |
| <b>Operating (Loss) Income</b>                             | <u>\$(1,924,010)</u> | <u>\$(4,194,619)</u> | <u>\$(455,314)</u> |
|  | <b>2021</b>          | <b>2020</b>          | <b>2019</b>        |
| <b>Nonoperating Revenues (Expenses)</b>                    |                      |                      |                    |
| Passenger facility charges                                 | 2,236,507            | \$1,812,919          | \$2,453,168        |
| Customer facility charges                                  | 663,382              | 527,211              | 957,264            |
| Federal and state grants                                   | 4,859,325            | 4,953,305            | -                  |
| Taxes, air flight, net                                     | 315,105              | 333,195              | 394,832            |
| Interest and investment income                             | 9,515                | 173,407              | 566,128            |
| Loss on disposal or retirement of property and equipment   | -                    | 2,500                | 8,095              |
| Miscellaneous  | 20,433               | 8,180                | 3,080              |
|  | <u>8,104,267</u>     | <u>7,216,717</u>     | <u>4,382,567</u>   |
| <b>Change in Net Position Before Capital Contributions</b> | <u>6,180,257</u>     | <u>3,022,098</u>     | <u>3,927,253</u>   |
| Capital contributions                                      | 12,477,373           | 6,253,016            | 4,256,425          |
| <b>Change in Net Position</b>                              | <u>\$18,657,630</u>  | <u>\$9,275,114</u>   | <u>\$8,183,678</u> |

The Authority's total net position increased \$18,657,630 or 11.5% over the course of this year's operations.

amount with parking revenue up 68.5% compared to the prior year.

The following tables show the significant changes that have taken place over the past three fiscal years ended December 31, 2021, 2020 and 2019.

## FINANCIAL HIGHLIGHTS - 2021

The Sioux Falls Regional Airport continued to recover from the impacts of the pandemic with passenger traffic and flight operations returning to near normal levels. Projects to replace airfield infrastructure was a focus in 2021. The last significant phase to reconstruction of runway 3/21 was completed with a total cost of \$11,080,932.00. This project was funded up to 90% with an FAA Airport Improvement Program grant and 5% from the State DOT. Additional projects included the rehabilitation of our terminal and cargo aprons at a cost of \$1,150,000 along with the rehab of taxiway bravo totaling \$1,783,385. The apron project was funded utilizing the CARES Act grant and taxiway Bravo utilizing FAA-AIP funds at 100%.

Design continues on a very significant project to construct a new parking structure planned for 2023. The 4-level, 1000 stall garage will provide a much need facility improvement along with additional parking which is necessary to accommodate the projected growth in traffic. The project is scheduled to be bid in Spring of 2022 with an expected award shortly after. Current estimates for construction of the garage total \$41 million with an alternate to add a skyway connection for an additional \$6 million. Inflationary pressures along with supply chain issues may increase the cost further.

In 2021 the largest operating revenue source was parking lot revenue at \$4,091,190 up 68.5% from 2020. 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 68.2% versus the prior year. In 2021, on site-car rental agency revenue reported to the Authority totaled \$16,320,284 resulting in commissions paid to the Authority of \$1,712,375.

The Sioux Falls Regional Airport continues on firm footing as a result of a strong net position and health economy which. This has led to a robust return to pre-pandemic level of flight operations, seat availability and traffic driving increased airport revenues. Federal grants under the CARES, CRSSA and ARPA programs have assisted with reimbursement of operations and maintenance expenses limiting the impact of the pandemic on the airport's financial situation.



**Sioux Falls Regional Airport Authority - Statements of Net Position**  
December 31, 2021 and 2020

|  | 2021          | 2020          |
|--|---------------|---------------|
| <b>Assets</b>                                  |               |               |
| <b>Current Assets</b>                          |               |               |
| Cash and cash equivalents                      | \$26,060,969  | \$19,007,648  |
| Restricted cash                                | 612,882       | 496,924       |
| Accounts receivable                            | 595,603       | 309,965       |
| Grants receivable                              | 1,380,406     | 1,820,541     |
| Interest receivable                            | 1,543         | 11,083        |
| Passenger facility charges receivable          | 368,453       | 185,075       |
| Customer facility charges receivable           | 50,607        | 33,962        |
| Inventories                                    | 214,781       | 102,608       |
| Prepaid expenses                               | 112,074       | 183,906       |
| Total current assets                           | 29,397,318    | 22,117,989    |
| <b>Investments</b>                             |               |               |
| Certificates of deposit                        | 4,648,654     | 4,504,204     |
| <b>Other Assets</b>                            |               |               |
| Pension asset                                  | 604,867       | 3,396         |
| <b>Capital Assets</b>                          |               |               |
| Land   | 1,152,384     | 1,152,384     |
| Buildings                                      | 64,416,630    | 64,367,949    |
| Improvements other than buildings              | 148,485,277   | 133,759,511   |
| Machinery and equipment                        | 10,897,172    | 9,952,532     |
| Construction in progress                       | 3,066,538     | 936,178       |
|  | 228,018,001   | (74,824,632)  |
| Less accumulated depreciation                  | (81,080,086)  |               |
| Total capital assets                           | 146,937,915   | 135,343,922   |
| Total assets                                   | 181,588,754   | 162,003,144   |
| <b>Deferred Outflow of Resources</b>           |               |               |
| Related to pension                             | 777,290       | 491,306       |
| Total assets and deferred outflow of resources | \$182,366,044 | \$162,494,450 |
| =  |               |               |

|   | 2021          | 2020          |
|---|---------------|---------------|
| <b>Liabilities</b>  |               |               |
| <b>Current Liabilities</b>  |               |               |
| Accounts payable  | \$954,344     | \$462,728     |
| Accrued salaries  | 29,336        | 24,323        |
| Compensated absences  | 111,529       | 103,753       |
| Total current liabilities   | 1,095,209     | 580,804       |
| <b>Long-Term Liabilities</b>                                      |               |               |
| Compensated absences - long-term                                  | 21,114        | 19,004        |
| Total liabilities   | 1,116,323     | 609,808       |
| <b>Deferred Inflow of Resources</b>                               |               |               |
| Related to pension  | 1,183,519     | 476,070       |
| Total liabilities and deferred inflow of resources                | 2,299,842     | 1,085,878     |
| <b>Net Position</b>   |               |               |
| Invested in capital assets  | 146,277,434   | 135,343,922   |
| Restricted for capital projects                                   | 612,882       | 496,924       |
| Restricted for pension benefits                                   | 198,638       | 18,632        |
| Unrestricted  | 32,977,248    | 25,549,094    |
| Total net position  | 180,066,202   | 161,408,572   |
| Total liabilities, deferred inflow of resources, and net position | \$182,366,044 | \$162,494,450 |

**Sioux Falls Regional Airport Authority**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
Years Ended December 31, 2021 and 2020

|  | 2021          | 2020          | Dollar Change | Percentage Change |
|--|---------------|---------------|---------------|-------------------|
| <b>Operating Revenues</b>                                  |               |               |               |                   |
| Rentals and commissions, net                               | \$8,769,361   | \$5,790,691   | \$2,978,670   | 51.4%             |
| Landing fees   | 1,123,330     | 884,217       | 239,113       | 27.0%             |
| State security reimbursements                              | 127,750       | 118,400       | 9,350         | 7.9%              |
| Fines, forfeitures and other revenue                       | 63,636        | 36,008        | 27,628        | 76.7%             |
| Total operating revenues                                   | 10,084,077    | 6,829,316     | 3,254,761     | 47.7%             |
| <b>Operating Expenses</b>                                  |               |               |               |                   |
| Depreciation   | 6,255,454     | 5,823,363     | 432,091       | 7.4%              |
| Personnel  | 2,518,473     | 2,582,910     | (64,437)      | -2.5%             |
| Professional services                                      | 961,458       | 790,674       | 170,784       | 21.6%             |
| Utilities and bulk energy                                  | 733,612       | 654,708       | 78,909        | 12.1%             |
| Repairs and maintenance                                    | 426,019       | 370,000       | 56,019        | 15.1%             |
| Supplies and materials                                     | 66,345        | 277,756       | 188,589       | 67.9%             |
| Insurance  | 223,090       | 187,599       | 35,491        | 18.9%             |
| Other expenses   | 423,636       | 336,930       | 86,706        | 25.7%             |
| Total operating expenses                                   | 12,008,087    | 11,023,935    | 984,152       | 8.9%              |
| Operating Income (Loss)                                    | (1,924,010)   | (4,194,619)   | 2,270,609     | -54.1%            |
| <b>Nonoperating Revenues (Expenses)</b>                    |               |               |               |                   |
| Passenger facility charges                                 | 2,236,507     | 1,218,919     | 1,017,588     | 83.5%             |
| Customer facility charges                                  | 663,382       | 527,211       | 136,171       | 25.8%             |
| Federal and state grants                                   | 4,859,325     | 4,953,305     | (93,980)      | 100.0%            |
| Taxes - air flight, net                                    | 315,105       | 333,195       | (18,090)      | -5.4%             |
| Interest and investment income                             | 9,515         | 173,407       | (163,892)     | -94.5%            |
| Miscellaneous  | 20,433        | 8,180         | 12,253        | 149.8%            |
| Gain on disposal or retirement of property and equipment   | -             | 2,500         | (2,500)       | -100.0%           |
| Total nonoperating revenues                                | 8,104,267     | 7,216,717     | 887,550       | 12.3%             |
| <b>Change in Net Position Before Capital Contributions</b> |               |               |               |                   |
| Capital Contributions                                      | 6,180,257     | 3,022,098     | 3,158,159     | 104.5%            |
| Capital Contributions                                      | 12,477,373    | 6,253,016     | 6,224,357     | 99.5%             |
| Change in Net Position                                     | 18,657,630    | 9,275,114     | \$9,382,516   | 101.2%            |
| Total Net Position, Beginning of Year                      | 161,408,572   | 152,133,458   |               |                   |
| Total Net Position, End of Year                            | \$180,066,202 | \$161,408,572 |               |                   |

**Sioux Falls Regional Airport Authority - Statements of Cash Flows**  
Years Ended December 31, 2021 and 2020

|   | 2021         | 2020         |
|---|--------------|--------------|
| <b>Operating Activities</b>                                       |              |              |
| Cash received by providing services                               | \$5,875,524  | \$4,864,542  |
| Cash received from parking lot customers                          | 3,812,892    | 2,209,941    |
| Cash received for reimbursements                                  | 128,270      | 118,050      |
| Payments to personnel   | (2,683,580)  | (2,511,716)  |
| Payments to suppliers   | (3,322,698)  | (2,620,871)  |
| Net Cash from Operating Activities                                | 3,810,408    | 2,059,946    |
| <b>Non-Capital Financing Activities</b>                           |              |              |
| Taxes - air flight  | 315,105      | 333,195      |
| Other contributions   | 4,717,060    | 4,180,475    |
| Net Cash from Non-Capital Financing Activities                    | 5,032,165    | 4,513,670    |
| <b>Capital and Related Financing Activities</b>                   |              |              |
| Proceeds from contributions                                       | 13,080,116   | 6,471,115    |
| Proceeds from passenger facility charges                          | 2,053,129    | 1,437,264    |
| Proceeds from customer facility charges                           | 646,737      | 590,857      |
| Proceeds from sale of property and equipment                      | -            | 2,500        |
| Prepaid engineering services relating to capital assets           | 131,545      | (131,545)    |
| Purchases of property and equipment                               | (17,459,426) | 14,876,491   |
| Net Cash (used for) from Capital and Related Financing Activities | (1,547,899)  | (6,506,300)  |
| <b>Investing Activities</b>                                       |              |              |
| Redemptions of certificates of deposit                            | 2,520,550    | 3,250,543    |
| Purchases of certificates of deposit                              | (2,665,000)  | (3,490,000)  |
| Interest received   | 19,055       | 179,777      |
| Net Cash from Investing Activities                                | (125,395)    | (59,680)     |
| Net Change in Cash and Cash Equivalents                           | 7,169,279    | 7,636        |
| Cash and Cash Equivalents at Beginning of Year                    | 19,504,572   | 19,496,936   |
| <b>Cash and Cash Equivalents at End of Year</b>                   | \$26,673,851 | \$19,504,572 |



**Sioux Falls Regional Airport Authority - Statements of Cash Flows, (cont.)**  
Years Ended December 31, 2021 and 2020

|  | 2021           | 2020          |
|--|----------------|---------------|
| <b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:</b>        |                |               |
| Operating Income (Loss)  | \$ (1,924,010) | \$(4,194,619) |
| <b>Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:</b> |                |               |
| Depreciation   | 6,255,454      | 5,823,363     |
| Changes in Assets and Liabilities  |                |               |
| Accounts receivable  | (285,638)      | 380,887       |
| Inventories  | (112,173)      | (1,180)       |
| Prepaid expenses   | (59,713)       | 391           |
| Accounts payable   | 101,595        | (20,090)      |
| Related to pension   | (180,006)      | 135,056       |
| Accrued expenses   | 14,899         | (63,862)      |
| Net Cash from Operating Activities   | \$3,810,408    | \$2,059,946   |
| Supplemental Disclosure of Noncash Financing Activities  |                |               |
| Capital asset additions included in accounts payable   | \$ 660,481     | \$ 270,460    |

## 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

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.

### 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, 2021 and 2020, 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, 2021 and 2020, 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.

### Property and Equipment

Property and equipment is stated at cost. Expenditures over \$3,500 for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures 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, 2021 and 2020.

### 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.

### Accrued Absences and Sick Leave

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.

### 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. 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.



# Sioux Falls Regional Airport Authority

## 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.

## 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.

## 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/expenditure) 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.

## 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.

## 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 assets.

## Recent Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, Leases. The statement is meant to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow resource, thereby enhancing the relevance and consistency of information about governments' leasing activities. Statement 87 is effective for fiscal years beginning after June 15, 2021. The Authority is currently evaluating the impact of this statement on the financial statements when implemented.

## 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 100% 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 100 percent collateralized. As of December 31, 2021, \$26,797,867 of the Authority's bank balance of \$27,047,867 was exposed to custodial credit risk. As of December 31, 2020, \$19,148,540 of the Authority's bank balance of \$19,398,540 was exposed to custodial credit risk as follows:

|   | 2021                | 2020                |
|---|---------------------|---------------------|
| Uninsured and collateral held by pledging bank  | \$26,797,867        | \$19,148,540        |
| Uninsured and collateral held by the pledging bank's trust department not in the Authority's name | 87,432              | 232,414             |
|   | <u>\$26,885,299</u> | <u>\$19,380,954</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, 2021 and 2020, \$612,882 and \$496,924, respectively of CFC contributions 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 are as follows:

|  | Fair Value<br>December 31,<br>2021 | Fair Value<br>December 31,<br>2020 |
|--|------------------------------------|------------------------------------|
| Certificates of deposit U.S. Agency securities | <u>\$4,648,654</u>                 | <u>\$4,504,204</u>                 |





## **SIOUX FALLS REGIONAL AIRPORT**

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