



# **SIoux FALLS REGIONAL AIRPORT**



## **2022 ANNUAL REPORT**

# Letter from the Chair

The Sioux Falls Regional Airport benefited from a rebounding economy and pent-up travel demand with very strong passenger traffic, setting a new record for travelers through the airport. Passenger enplanements increased 21.4% from the previous year, hitting a total of 611,933, and combined inbound and outbound travelers totaled a record 1,227,761.

2022 did reflect a slight reduction in total cargo, down 7.5% from the previous year at 64 million pounds transported by Fed Ex and UPS. This is due primarily to the reduction in e-commerce and the return to brick-and-mortar stores. Mail handling totaled 17 million pounds reflecting an 11.7% decrease from 2021. The Sioux Falls Airport Authority continued efforts to bolster existing commercial service along with the development of new non-stop destinations. However, due to staffing challenges among the pilot ranks, new service is more difficult than ever to get off the ground. The airport did benefit from increased flying by Allegiant Airlines and equipment upgrades on American and United to boost overall seat capacity by 5.5%. However, this upgrade in aircraft size came at the cost of fewer frequencies than we have typically had to several hub destinations. The Airport will continue to work with our Congressional Delegation and FAA on new regulations that will boost the supply of pilots and improve air service options to Sioux Falls and many small communities across the country.

The Airport accomplished two significant airfield projects in 2022. A \$4.3 million project to rehabilitate runway 15-33 and adjoining taxiway Alpha. In addition, a \$2.3 million project to replace taxiways Delta/Foxtrot and the removal of taxiway Echo was accomplished to correct a safety concern identified by the FAA. The Airport Authority also purchased two new passenger jet bridges for gates 4 and 6 to replace older units owned by Delta and United Airlines. These projects were financed utilizing the FAA-Airport Improvement Program, funded at 90% with the State of South Dakota matching 5%.

As I conclude my year as chairman and the nine years serving as a Commissioner on the Airport Authority Board, I want to thank my fellow Commissioners; Eric Ellefson, Kent Cutler, Blake Curd, and John Taylor, 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.

Looking back on the last nine years, I'm proud to have been involved in many outstanding accomplishments and developments at Joe Foss Field. The Airport Authority has invested significantly in airfield and terminal improvements over the past ten years to ensure we are the best-run facility in the upper Midwest. One of the best examples is the design and construction of a new parking structure that began in the Fall and will be ready to accept travelers in 2024. This major investment will certainly make our Airport one of the most preferred small-hub airports in the country.

I sincerely appreciate the opportunity to serve as Chairman this past year and look forward to another exciting year in 2023. Thank You.

*Lon Stroschein*

Lon Stroschein, *Chairman*

# Sioux Falls Regional Airport Authority Commissioners



**Lon Stroschein**  
Airport Authority Chairman  
Author/Live Coach



**Eric Ellefson**  
Airport Authority Vice-Chair  
Managing Partner/Click Rain



**Kent Cutler**  
Attorney/Business Owner



**Blake Curd**  
Orthopedic Surgeon



**John Taylor**  
Attorney



**Dan Letellier**  
Executive Director



**Richard King**  
Deputy Director

# Construction Projects



Runway 15-33 Rehabilitation



Jet Bridge Replacement



Taxiway Foxtrot Rehabilitation

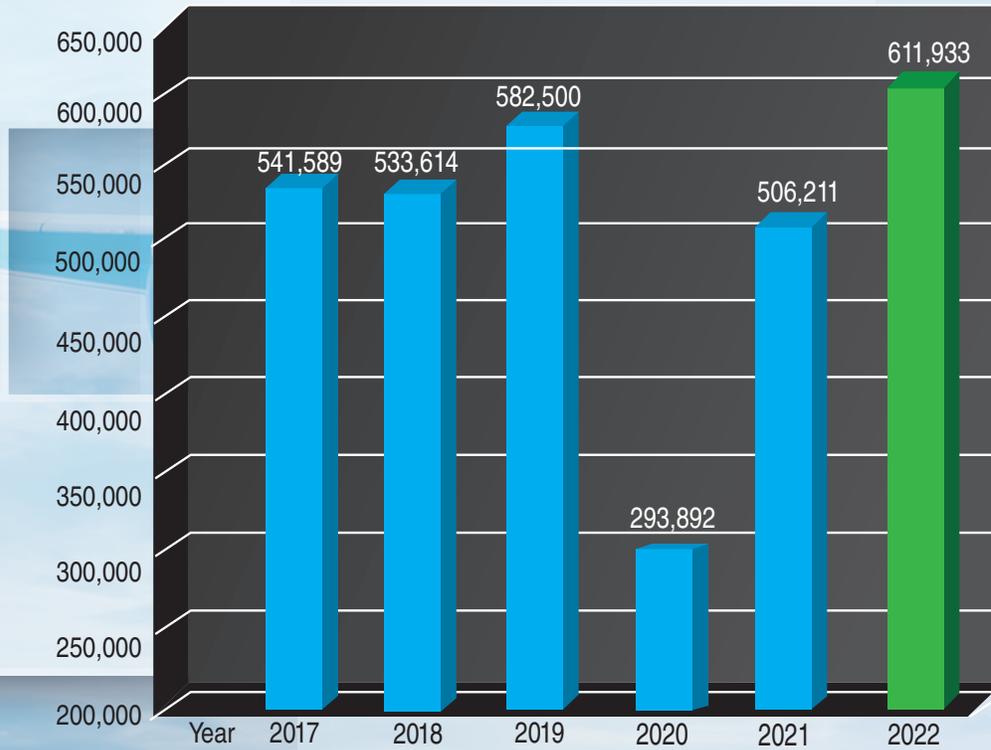


Taxiway Delta Reconstruction

# Flight Activity



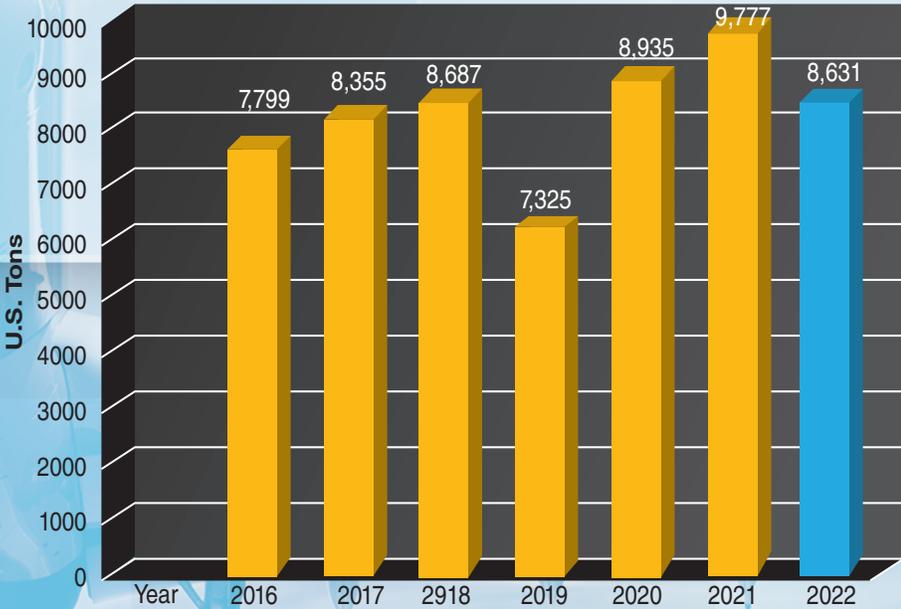
## Passenger Enplanements



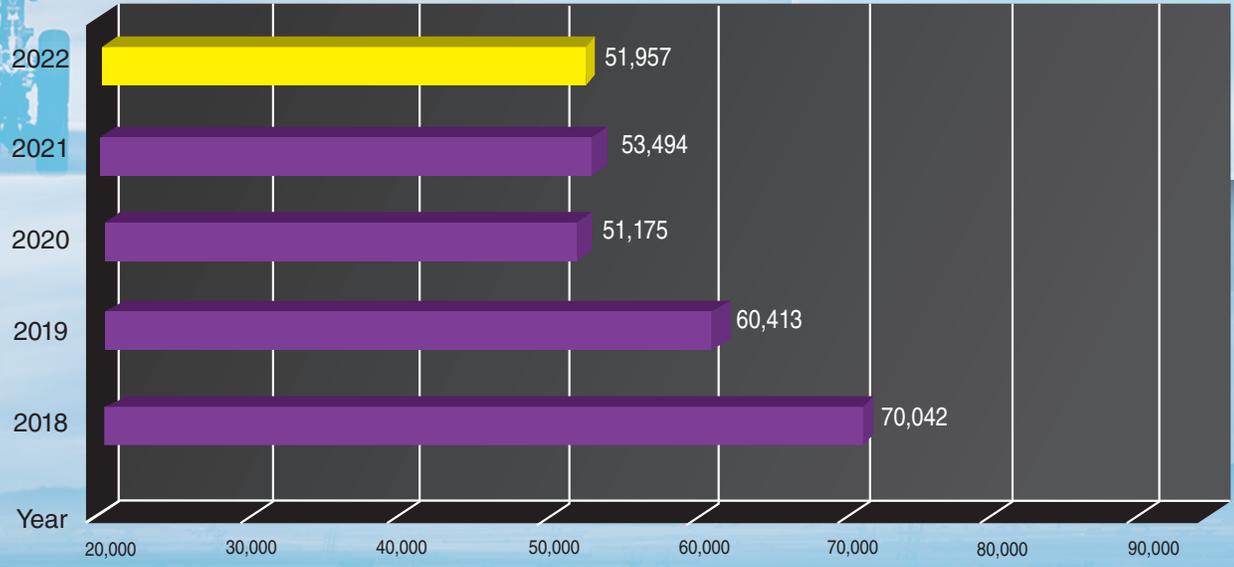
## Freight Activity



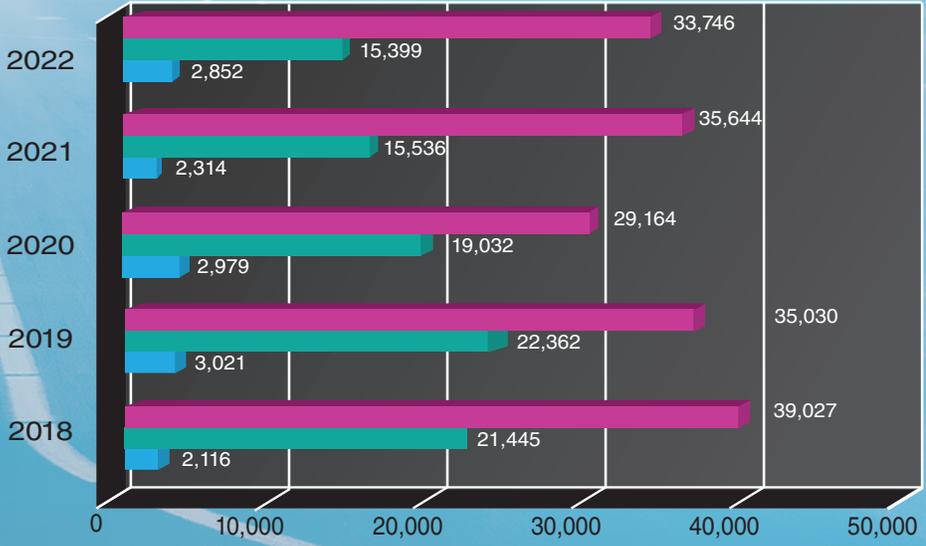
# Mail Carried



# Traffic Operations



# Air Traffic Movements



- Air Carrier
- General Av.
- Military

# Management's Discussion and Analysis

This discussion and analysis 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 Sioux Falls Regional Airport reported strong passenger traffic in 2022 setting a new record for the number of travelers using the airport. Total passenger traffic increased 21.4% vs. the previous year with a total of 1,227,761 passengers through the airport. Concession revenue increased a similar amount with parking revenue up 45.8% compared to the prior year.

The Sioux Falls Regional Airport returned to normal activity levels recovering completely from the travel impacts related to the corona virus. Several significant airfield projects were accomplished throughout the year including a \$4.3 million project to rehabilitate runway 15-33 as well as the adjoining taxiway Alpha. An identified safety concern was also addressed with the reconstruction of taxiways Delta and Foxtrot and the removal of taxiway Echo at a cost of \$2.3 million. The Airport Authority also acquired two new passenger jet bridges in the amount of \$1.6 million for use primarily by Delt and United Airlines to replace equipment that was 40 years old. These projects were funded utilizing the FAA – Airport Improvement Program which funded the projects at 90% with the State of South Dakota funding a 5% match.

A major project for the Airport Authority moved forward during 2022, with completion of design and construction award for a new 4-level, 975-stall parking garage. Henry Carlson Construction was awarded the project at a cost of \$62.5 million. The project also includes a skyway connection from the parking garage to the main terminal and will have escalators and elevators to assist with passenger flow. Main construction will begin in April of 2023 with completion in the fall of 2024.

In 2022 the largest operating revenue source was parking lot revenue at \$5,920,487 up 44.7% from 2021. The Authority's second largest operating revenue source was airline fees and are negotiated based on actual

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

	2022	2021	2020
<b>Total Assets</b>			
Capital	\$156,451,378	\$146,937,915	\$135,343,922
Other	53,882,216	34,650,839	26,659,222
Total Assets	210,333,594	181,588,754	\$162,003,144
<b>Deferred Outflow of Resources</b>	712,127	777,290	491,306
<b>Liabilities</b>			
Long-term	27,298	21,114	19,004
Other	1,667,522	1,095,209	590,804
Total Liabilities	1,694,820	1,116,323	609,808
<b>Deferred Inflow of Resources</b>	8,260,367	1,183,519	476,070
<b>Net Position</b>			
Invested in capital assets	\$156,451,378	\$146,277,434	\$135,343,922
Restricted for capital projects	706,052	612,882	496,924
Restricted for pension benefits	251,892	198,638	18,632
Unrestricted	43,681,212	32,977,248	25,819,554
Total Net Position	201,090,534	\$180,066,202	\$161,408,572

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

	2022	2021	2020
<b>Operating Revenues</b>			
Rentals and commissions, net	\$11,207,323	\$8,769,361	\$5,790,691
Landing fees	1,284,506	1,123,330	884,217
State security reimbursements	118,075	127,750	118,400
Fines, forfeitures and other revenue	847,374	602,269	456,392
Total Operating Revenues	13,457,278	10,622,710	7,249,700
<b>Operating Expenses</b>			
Depreciation	6,642,811	6,255,454	5,823,363
Personnel	3,022,209	2,518,473	2,582,910
Professional services	1,294,069	961,458	790,674
Utilities and bulk energy	777,704	733,612	654,703
Repairs and maintenance	645,917	426,019	370,000
Supplies and materials	1,499,722	1,004,978	698,141
Insurance	242,744	223,090	187,599
Other expenses	660,177	423,636	336,930
Total Operating Expenses	14,785,353	12,546,720	11,444,320
<b>Operating Loss</b>	\$(1,328,075)	\$(1,924,010)	\$(4,194,620)
<b>Nonoperating Revenues (Expenses)</b>			
Passenger facility charges	\$2,588,347	\$2,236,507	\$1,218,919
Customer facility charges	809,313	663,382	527,211
Federal and state grants	17,486,154	17,336,698	11,206,321
Taxes, air flight, net	280,702	315,105	333,195
Interest and investment income	1,030,352	9,515	173,407
Loss on disposal or retirement of property and equipment	-0	-0	2,500
Miscellaneous	31,029	20,433	8,180
Total Non-Operating Revenues	22,225,897	20,581,640	13,469,733
<b>Change in Net Position</b>	\$20,897,822	\$18,657,630	\$9,275,114

costs. The Authority's third largest operating revenue source was car rental commissions, up 18.8% versus the prior year. In 2022, on site-car rental agency revenue reported to the Authority totaled \$19,388,849 resulting in commissions paid to the Authority of \$2,036,857.

## 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.

The following tables show the significant changes that have taken place over the past three fiscal years ended December 31, 2022, 2021 and 2020.

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

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$34,816,900	\$26,060,969
Restricted cash	706,052	612,882
Accounts receivable	744,879	595,603
Grants receivable	4,396,303	1,380,406
Interest receivable	77,976	1,543
Passenger facility charges receivable	379,681	368,453
Customer facility charges receivable	111,786	50,607
Current portion of leases receivable	1,313,364	-0
Inventories	178,709	214,781
Prepaid expenses	80,896	112,074
Total current assets	<u>\$42,806,546</u>	<u>\$29,397,318</u>
<b>Investments</b>		
Certificates of deposit	4,264,861	4,648,654
<b>Other Assets</b>		
Long-term leases receivable	6,802,955	-0
Pension asset	7,854	604,867
Total other assets	6,810,809	604,867
<b>Capital Assets</b>		
Land	1,152,384	1,152,384
Construction in progress	9,135,037	3,066,538
Buildings	64,435,158	64,416,630
Improvements other than buildings	156,665,407	148,485,277
Machinery and equipment	12,786,289	10,897,172
	244,174,275	228,018,001
Less accumulated depreciation	(87,722,897)	(81,080,086)
Total capital assets	<u>156,451,378</u>	<u>146,937,915</u>
Total assets	<u>\$210,333,594</u>	<u>\$181,588,754</u>
Deferred Outflow of Resources		
Related to pension	712,127	777,290

	2022	2021
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,532,565	\$ 954,344
Accrued salaries	47,076	29,336
Compensated absences	87,881	111,529
Total current liabilities	1,667,522	1,095,209
<b>Long-Term Liabilities</b>		
Compensated absences - long-term	27,298	21,114
Total liabilities	1,694,820	1,116,323
<b>Deferred Inflow of Resources</b>		
Related to pension	468,089	1,183,519
Related to leases	7,792,278	-0
Total liabilities and deferred inflow of resources	8,260,367	1,183,519
<b>Net Position</b>		
Invested in capital assets	156,451,378	146,277,434
Restricted for capital projects	706,052	612,882
Restricted for pension benefits	251,892	198,638
Unrestricted	43,681,212	32,977,248
Total net position	<u>\$201,090,534</u>	<u>\$180,066,202</u>

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

	2022	2021	Dollar Change	Percentage Change
<b>Operating Revenues</b>				
Rentals and commissions, net	\$ 11,207,323	\$ 8,769,361	\$ 2,437,962	27.8%
Landing fees	1,284,506	1,123,330	161,176	14.3%
State security reimbursements	118,075	127,750	(9,675)	-7.6%
Fines, forfeitures and other revenue	847,374	602,269	245,105	40.7%
Total operating revenues	<u>13,457,278</u>	<u>10,622,710</u>	<u>2,834,568</u>	<u>26.7%</u>
<b>Operating Expenses</b>				
Depreciation	6,642,811	6,255,454	387,357	6.2%
Personnel	3,022,209	2,518,473	503,736	20.0%
Professional services	1,294,069	961,458	332,611	34.6%
Utilities and bulk energy	777,704	733,612	44,092	6.0%
Repairs and maintenance	645,917	426,019	219,898	51.6%
Supplies and materials	1,499,722	1,004,978	494,744	40.2%
Insurance	242,744	223,090	19,654	8.8%
Other expenses	660,177	423,636	236,541	55.8%
Total operating expenses	<u>14,785,353</u>	<u>12,546,720</u>	<u>2,238,633</u>	<u>17.8%</u>
Operating Income (Loss)	<u>(1,328,075)</u>	<u>(1,924,010)</u>	<u>595,935</u>	<u>-31.0%</u>
<b>Nonoperating Revenues (Expenses)</b>				
Passenger facility charges	2,588,347	2,236,507	351,840	15.7%
Customer facility charges	809,313	663,382	145,931	22.0%
Federal and state grants	17,486,154	17,336,698	149,456	0.9%
Taxes - air flight	280,702	315,105	(34,403)	-10.9%
Interest and investment income	1,030,362	9,515	1,020,837	10728.7%
Miscellaneous	31,029	20,433	10,596	51.9%
Total non-operating revenues	<u>22,225,897</u>	<u>20,581,640</u>	<u>1,644,257</u>	<u>8.0%</u>
Change in Net Position	20,897,822	18,657,630	2,240,192	12.0%
Total Net Position, Beginning of Year	180,192,712	161,408,572		
Total Net Position, End of Year	<u>\$ 201,090,534</u>	<u>\$ 180,066,202</u>		

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

	2022	2021
<b>Operating Activities</b>		
Cash received by providing services	\$ 7,406,607	\$ 5,875,524
Cash received from parking lot customers	5,569,500	3,812,892
Cash received for reimbursements	135,935	128,270
Payments to personnel	(3,075,187)	(2,683,580)
Payments to suppliers	(4,213,598)	(3,322,698)
Net Cash from Operating Activities	5,823,257	3,810,408
<b>Non-Capital Financing Activities</b>		
Taxes - air flight	280,702	315,105
Other contributions	18,337,451	4,717,060
Net Cash from Non-Capital Financing Activities	18,618,153	5,032,165
<b>Capital and Related Financing Activities</b>		
Proceeds from contributions	(3,836,165)	13,080,116
Proceeds from passenger facility charges	2,577,119	2,053,129
Proceeds from customer facility charges	748,134	646,737
Proceeds from sale of property and equipment	(16,419,109)	(17,459,426)
Net Cash (used for) from Capital and Related Financing Activities	(16,930,021)	(1,547,899)
<b>Investing Activities</b>		
Redemptions of certificates of deposit	3,383,793	2,520,550
Purchases of certificates of deposit	(3,000,000)	(2,665,000)
Interest received	953,919	19,055
Net Cash from Investing Activities	1,337,712	(125,395)
Net Change in Cash and Cash Equivalents	8,849,101	7,169,279
Cash and Cash Equivalents at Beginning of Year	26,673,851	19,504,572
Cash and Cash Equivalents at End of Year	<u>\$ 35,522,952</u>	<u>\$ 26,673,851</u>
Supplemental Disclosure of Cash Flow Information		
Cash and cash equivalents consist of the following		
Cash and cash equivalents	\$ 34,816,900	\$ 26,060,969
Restricted Cash	706,052	612,882
	<u>\$ 35,522,952</u>	<u>\$ 26,673,851</u>

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

	2022	2021
<b>Reconciliation of Operating Income (Loss) to Net Cash from</b>		
<b>Operating Activities:</b>		
Operating Income (Loss)	\$ (1,328,075)	\$ (1,924,010)
<b>Adjustments to Reconcile Operating Income (Loss) to Net</b>		
<b>Cash from Operating Activities:</b>		
Depreciation	6,642,811	6,255,454
Changes in Assets and Liabilities		
Accounts receivable	(149,276)	(285,638)
Inventories	36,072	(112,173)
Prepaid expenses	31,178	(59,713)
Lease receivable	(8,116,319)	-0
Lease related deferred outflow of resources	7,918,788	-0
Accounts payable	841,056	101,595
Related to pension	(53,254)	(180,006)
Accrued expenses	276	14,899
Net Cash from Operating Activities	<u>\$5,823,258</u>	<u>\$3,810,408</u>
<b>Supplemental Disclosure of Noncash Financing Activities</b>		
Capital asset additions included in accounts payable	<u>\$ 397,646</u>	<u>\$ 660,481</u>

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, 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. 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, 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.

#### 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.

#### 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

## 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 non-operating 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, 2022, accounts receivable were generally due 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.

# Sioux Falls Regional Airport Authority

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.

## 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. 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.

## 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.

## Implementation of GASB Statement No. 87

As of January 1, 2022, the Authority adopted GASB Statement No. 87, Leases. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets 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. There was no impact to beginning net position from the implementation of this standard. See additional disclosures required by this standard in Note 5.

## 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, 2022, \$35,209,742 of the Authority's bank balance of \$35,459,742 was exposed to custodial credit risk as follows:

	2022	2021
Uninsured and Collateral Held by Pledging Bank	\$35,209,742	\$26,797,867
Uninsured and collateral held by the pledging bank's trust department not in the Authority's name	422,681	87,432
	<u>\$35,632,423</u>	<u>\$26,885,299</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, 2022 \$706,052 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 December 31, 2022	Fair Value December 31, 2021
Certificates of deposit U.S. Agency securities	\$4,264,861	\$4,648,654



## **SIoux FALLS REGIONAL AIRPORT**

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