



Financial Statements

December 31, 2023 and 2022

Sioux Falls Regional Airport Authority

Sioux Falls Regional Airport Authority

Table of Contents

December 31, 2023 and 2022

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	4
Financial Statements	
Statements of Net Position.....	9
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows.....	12
Notes to Financial Statements	14
Required Supplementary Information	
Schedule of Authority’s Contributions.....	31
Schedule of Authority’s Proportionate Share of the Net Pension Liability (Asset)	32
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34
Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance	36
Supplemental Information	
Schedule of Expenditures of Federal Awards	39
Notes to Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41



Independent Auditor's Report

The Board of Commissioners
Sioux Falls Regional Airport Authority
Sioux Falls, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Sioux Falls Regional Airport Authority ("the Authority") as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 8, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota
May 8, 2024

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 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.

The following tables show the significant changes that have taken place over the past three fiscal years ended December 31, 2023, 2022 and 2021.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			*
Capital	\$ 201,242,134	\$ 156,451,378	\$ 146,937,915
Other	28,076,236	53,882,216	34,650,839
Total assets	<u>229,318,370</u>	<u>210,333,594</u>	<u>181,588,754</u>
Deferred Outflow of Resources	<u>639,277</u>	<u>712,127</u>	<u>777,290</u>
Liabilities			
Long-term	3,049,268	27,298	21,114
Other	5,285,573	1,667,522	1,095,209
Total liabilities	<u>8,334,841</u>	<u>1,694,820</u>	<u>1,116,323</u>
Deferred Inflow of Resources	<u>6,699,082</u>	<u>8,260,367</u>	<u>1,183,519</u>
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	<u>\$ 214,923,724</u>	<u>\$ 201,090,534</u>	<u>\$ 180,066,202</u>

*The Authority elected not to restate the 2021 financial statements for GASB 87; as such, the statements may not be comparable.

Sioux Falls Regional Airport Authority
Management's Discussion and Analysis
December 31, 2023 and 2022

Changes in Statement of Revenues, Expenses, and Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
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	<u>14,828,734</u>	<u>13,457,278</u>	<u>10,622,710</u>
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	<u>16,181,419</u>	<u>14,785,353</u>	<u>12,546,720</u>
Operating Loss	<u>(1,352,685)</u>	<u>(1,328,075)</u>	<u>(1,924,010)</u>
Nonoperating Revenues			
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)	-	-
Debt issuance costs	(10,000)	-	-
Miscellaneous	587	31,029	20,433
Total nonoperating revenues	<u>15,185,875</u>	<u>22,225,897</u>	<u>20,581,640</u>
Change in Net Position	<u>\$ 13,833,190</u>	<u>\$ 20,897,822</u>	<u>\$ 18,657,630</u>

*The Authority elected not to restate the 2021 financial statements for GASB 87; as such, the statements may not be comparable.

The Authority's total net position increased \$13,833,190 or 6.9% over the course of this year's operations.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2023, the Authority had net investments in capital assets of \$156,451,378 as reflected in the following table. Total depreciation expense for the year ended December 31, 2023, was \$6,952,830.

	2023	2022	2021
Land	\$ 1,152,384	\$ 1,152,384	\$ 1,152,384
Construction in Progress	57,579,384	9,135,037	3,066,538
Buildings	63,434,747	64,435,158	64,416,630
Improvements, Other Than Buildings	144,740,259	156,665,407	148,485,277
Machinery and Equipment	13,306,972	12,786,289	10,897,172
Accumulated Depreciation	(78,971,612)	(87,722,897)	(81,080,086)
Total capital assets	\$ 201,242,134	\$ 156,451,378	\$ 146,937,915

Long-Term Liabilities

At year end, the Authority had long term liabilities of \$3,137,149, consisting of notes payable of \$3,000,000 and compensated absences of \$137,149. More detailed information about the Authority's long-term liabilities is presented in Note 6 to the financial statements.

Factors Bearing on the Authority's Future

The Sioux Falls Regional Airport continues on firm footing as a result of a strong net position and robust local economy. The region continues to see a 3-4% increase in new residents moving to the area which drives additional leisure and business travel. The airport expects to see continued enplanement and revenue growth into the future.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance and Administration Manager, 2801 N Jaycee Lane, Sioux Falls SD 57104 or visit the Authority's web site at www.sfairport.com.

Sioux Falls Regional Airport Authority
Statements of Net Position
December 31, 2023 and 2022

	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	21,280,232	42,806,546
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	(78,971,612)	(87,722,897)
Total capital assets	201,242,134	156,451,378
Total assets	229,318,370	210,333,594
Deferred Outflow of Resources		
Related to pension	639,277	712,127

Sioux Falls Regional Airport Authority
 Statements of Net Position
 December 31, 2023 and 2022

	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	5,285,573	1,667,522
Long-Term Liabilities		
Notes payable	3,000,000	-
Compensated absences - long-term	49,268	27,298
Total long-term liabilities	3,049,268	27,298
Total liabilities	8,334,841	1,694,820
Deferred Inflow of Resources		
Related to pension	425,195	468,089
Related to leases	6,273,887	7,792,278
Total deferred inflow of resources	6,699,082	8,260,367
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	\$ 214,923,724	\$ 201,090,534

Sioux Falls Regional Airport Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Rentals and commissions, net	\$ 11,955,288	\$ 11,207,323
Landing fees	1,773,861	1,284,506
State security reimbursements	137,425	118,075
Fines, forfeitures and other revenue	962,160	847,374
Total operating revenues	14,828,734	13,457,278
Operating Expenses		
Depreciation	6,952,830	6,642,811
Personnel	3,306,584	3,022,209
Professional services	1,361,748	1,294,069
Utilities and bulk energy	854,438	777,704
Repairs and maintenance	615,856	645,917
Supplies and materials	1,577,889	1,499,722
Insurance	266,565	242,744
Other expenses	1,245,509	660,177
Total operating expenses	16,181,419	14,785,353
Operating Loss	(1,352,685)	(1,328,075)
Nonoperating Revenues (Expenses)		
Passenger facility charges	2,722,074	2,588,347
Customer facility charges	893,964	809,313
Federal and state grants	9,092,838	17,486,154
Taxes - air flight	514,973	280,702
Interest and investment income	2,302,815	1,030,352
Miscellaneous	587	31,029
Loss on disposal or retirement of property and equipment	(331,376)	-
Loan fees	(10,000)	-
Total nonoperating revenues (expenses)	15,185,875	22,225,897
Change in Net Position	13,833,190	20,897,822
Total Net Position, Beginning of Year	201,090,534	180,192,712
Total Net Position, End of Year	\$ 214,923,724	\$ 201,090,534

Sioux Falls Regional Airport Authority

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	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	(3,239,097)	(3,075,187)
Payments to suppliers	(6,171,226)	(4,213,598)
Net Cash from Operating Activities	5,178,615	5,823,257
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	9,405,378	8,359,469
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	-
Debt issuance costs	(10,000)	-
Proceeds from sale of property and equipment	25,000	-
Purchases of property and equipment	(48,208,435)	(16,419,109)
Net Cash Used for Capital and Related Financing Activities	(38,203,998)	(6,671,337)
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	5,825,349	1,337,712
Net Change in Cash and Cash Equivalents	(17,794,656)	8,849,101
Cash and Cash Equivalents at Beginning of Year	35,522,952	26,673,851
Cash and Cash Equivalents at End of Year	\$ 17,728,296	\$ 35,522,952
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
	\$ 17,728,296	\$ 35,522,952

Sioux Falls Regional Airport Authority

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Loss to Net Cash from		
Operating Activities		
Operating Loss	\$ (1,352,685)	\$ (1,328,075)
Adjustments to Reconcile Operating 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	<u>\$ 5,178,615</u>	<u>\$ 5,823,257</u>
Supplemental Disclosure of Noncash Financing Activities		
Capital asset additions included in accounts payable	<u>\$ 4,289,173</u>	<u>\$ 397,646</u>

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.

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.

Sioux Falls Regional Airport Authority

Notes to Financial Statements

December 31, 2023 and 2022

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
	\$ 17,493,908	\$ 35,632,423

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:

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

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

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

Note 4 - Leases Receivable

The Authority has accrued a receivable for land and building leases. The remaining receivable for these leases was \$6,802,955 and \$8,116,319 for the years ended December 31, 2023 and 2022, respectively. Deferred inflows related to these leases were \$6,273,887 and \$7,792,278 as of December 31, 2023 and 2022, respectively. Interest revenue recognized on these leases was \$430,041 and \$508,726 for the years ended December 31, 2023 and 2022, respectively. Principal receipts of \$1,313,364 and \$1,302,435 were recognized during the years ended December 31, 2023 and 2022, respectively. The interest rate on the leases was 6.0%. Final receipt is expected in fiscal year 2056.

For certain lease agreements for airport gates and aprons, specific terms are regulated by the Federal Aviation Administration (FAA). The Authority entered into various lease agreements for the right to use these airport gates and aprons to third parties in accordance with these provisions set by the FAA. Specified regulated terms include limits on lease rates, consistency of lease rates for all lessees, and leasing opportunities made available to any potential lessees if the facilities are vacant. The lease revenue related to these regulated agreements amounted to \$265,403 and \$235,021 for the years ended December 31, 2023 and 2022, respectively.

Sioux Falls Regional Airport Authority

Notes to Financial Statements

December 31, 2023 and 2022

The future principal and interest payments as of December 31, 2023, were as follows:

Years Ending December 31,	Principal	Interest
2024	\$ 761,018	\$ 373,674
2025	607,673	331,940
2026	490,983	301,457
2027	449,280	274,477
2028	473,265	250,046
2029-2033	833,270	1,069,707
2034-2038	1,095,152	789,639
2039-2043	1,267,464	442,944
2044-2048	638,895	145,880
2049-2053	171,858	22,103
2054-2056	14,097	1,324
	<u>\$ 6,802,955</u>	<u>\$ 4,003,191</u>

Note 5 - Capital Assets

Property and equipment at December 31, 2023, consists of the following:

	Balance 1/1/23	Additions	Retirements or Disposals	Balance 12/31/23
Non-depreciable Assets				
Land	\$ 1,152,384	\$ -	\$ -	\$ 1,152,384
Construction in progress	9,135,037	51,775,864	(3,331,517)	57,579,384
Total non-depreciable assets	<u>10,287,421</u>	<u>51,775,864</u>	<u>(3,331,517)</u>	<u>58,731,768</u>
Depreciable Assets				
Buildings	64,435,158	-	(1,000,411)	63,434,747
Improvements, other than buildings	156,665,407	2,144,808	(14,069,956)	144,740,259
Machinery and equipment	12,786,289	1,510,807	(990,124)	13,306,972
Total depreciable assets	<u>233,886,854</u>	<u>3,655,615</u>	<u>(16,060,491)</u>	<u>221,481,978</u>
Total capital assets	<u>244,174,275</u>	<u>55,431,479</u>	<u>(19,392,008)</u>	<u>280,213,746</u>
Accumulated Depreciation				
Buildings	19,331,132	1,746,846	(844,430)	20,233,548
Improvements, other than buildings	61,734,023	4,516,374	(14,069,956)	52,180,441
Machinery and equipment	6,657,742	689,610	(789,729)	6,557,623
Total accumulated depreciation	<u>87,722,897</u>	<u>6,952,830</u>	<u>(15,704,115)</u>	<u>78,971,612</u>
Net capital assets	<u>\$ 156,451,378</u>	<u>\$ 48,478,649</u>	<u>\$ (3,687,893)</u>	<u>\$ 201,242,134</u>

Property and equipment at December 31, 2022, consists of the following:

	Balance 1/1/22	Additions	Retirements or Disposals	Balance 12/31/22
Non-depreciable Assets				
Land	\$ 1,152,384	\$ -	\$ -	\$ 1,152,384
Construction in progress	3,066,538	15,995,921	(9,927,422)	9,135,037
Total non-depreciable assets	<u>4,218,922</u>	<u>15,995,921</u>	<u>(9,927,422)</u>	<u>10,287,421</u>
Depreciable Assets				
Buildings	64,416,630	18,528	-	64,435,158
Improvements, other than buildings	148,485,277	8,180,130	-	156,665,407
Machinery and equipment	10,897,172	1,889,117	-	12,786,289
Total depreciable assets	<u>223,799,079</u>	<u>10,087,775</u>	<u>-</u>	<u>233,886,854</u>
Total capital assets	<u>228,018,001</u>	<u>26,083,696</u>	<u>(9,927,422)</u>	<u>244,174,275</u>
Accumulated Depreciation				
Buildings	17,717,539	1,613,593	-	19,331,132
Improvements, other than buildings	57,317,737	4,416,286	-	61,734,023
Machinery and equipment	6,044,810	612,932	-	6,657,742
Total accumulated depreciation	<u>81,080,086</u>	<u>6,642,811</u>	<u>-</u>	<u>87,722,897</u>
Net capital assets	<u>\$ 146,937,915</u>	<u>\$ 19,440,885</u>	<u>\$ (9,927,422)</u>	<u>\$ 156,451,378</u>

Note 6 - Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2023, were as follows:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Current Portion
Note Payable	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000	\$ -
Compensated Absences	115,179	118,021	(96,051)	137,149	87,881
	<u>\$ 115,179</u>	<u>\$ 3,118,021</u>	<u>\$ (96,051)</u>	<u>\$ 3,137,149</u>	<u>\$ 87,881</u>

Changes in long-term liabilities for the year ended December 31, 2022, were as follows:

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Current Portion
Compensated Absences	\$ 132,643	\$ 94,452	\$ (111,916)	\$ 115,179	\$ 87,881

Note Payable

During the year ended December 31, 2023, the Authority entered into a revenue obligation loan agreement for the Series 2023 Borrower Note in an amount up to \$10,000,000 to finance construction of a parking ramp and related improvements. As of December 31, 2023, the Authority has drawn \$3,000,000 on this note. The note bears an interest rate of 6.10% and calls for monthly payments of interest only commencing January 2024 through December 2024, and monthly payments of principal and interest commencing January 2025 through January 2030. The note requires that the net revenues available for debt service derived from the operation of the parking ramp must equal at least 150% of the project debt service for the fiscal year. The parking ramp is expected to begin operation in September 2024.

Future principal and interest payments on the note are as follows:

Years Ending December 31,	Principal	Interest
2024	\$ -	\$ 183,000
2025	483,944	170,824
2026	559,652	138,004
2027	594,761	102,895
2028	632,073	65,583
2029-2030	729,570	83,774
	<u>\$ 3,000,000</u>	<u>\$ 744,080</u>

Note 7 - Retirement Plan*Plan Information*

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provide retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS , P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be the increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be the increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Authority's share of contributions to the SDRS for the fiscal years ended December 31, 2023, 2022, and 2021, equal to required contributions each year, were as follows:

Year	Amount
2023	\$ 127,938
2022	117,907
2021	111,620

Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources to Pensions

At June 30, 2023 and 2022, SDRS is 100.10% and 100.10%, respectively, funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS for the Authority as of December 31, 2023 and 2022, are as follows:

	2023	2022
Proportionate Share of Pension Liability	\$ 12,360,706	\$ 11,732,746
Less Proportionate Share of Net Pension Restricted for Pension Benefits	<u>12,369,032</u>	<u>11,740,600</u>
Proportionate share of net pension asset	<u>\$ (8,326)</u>	<u>\$ (7,854)</u>

At December 31, 2023, the Authority reported an asset of \$8,326 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023, and the total pension asset used to calculate the pension asset was based on a projection of the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Authority's proportion was 0.0853010%, which is an increase of 0.0021880% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Authority recognized pension expense of \$29,485.

At December 31, 2022, the Authority reported an asset of \$7,854 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension asset used to calculate the pension asset was based on a projection of the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Authority's proportion was 0.0831130%, which is an increase of 0.0041310% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2022, the Authority recognized a reduction in pension expense of \$53,255.

Sioux Falls Regional Airport Authority

Notes to Financial Statements

December 31, 2023 and 2022

At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 235,998	\$ -
Changes in Assumption	284,646	416,089
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	55,430	-
Changes in Proportion and Difference Between Authority Contributions and Proportionate Share of Contributions	7	9,106
Authority Contributions Subsequent to Measurement Date	63,196	-
	\$ 639,277	\$ 425,195

At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 149,520	\$ 510
Changes in Assumption	499,221	437,500
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	18,824
Changes in Proportion and Difference Between Authority Contributions and Proportionate Share of Contributions	13	11,255
Authority Contributions Subsequent to Measurement Date	63,373	-
	\$ 712,127	\$ 468,089

Deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the June 30, 2023, measurement date of \$63,196 will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense (reduction of pension expense) as follows:

Years Ending December 31,		
2024	\$	109,656
2025		(129,294)
2026		159,214
2027		11,310
	\$	150,886

Actuarial Assumptions

The total pension asset in the SDRS June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of pension plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.91%

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

- Active and Terminated Vested Members:
 - Teachers, Certified Regents, and Judicial: PubT-2010
 - Other Class A Members: PubG-2010
 - Public Safety Members: PubS-2010
- Retired Members:
 - Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
 - Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
 - Public Safety Retirees: PubS-2010, 102% of rates at all ages
- Beneficiaries:
 - PubG-2010 contingent survivor mortality table
- Disabled Members:
 - Public Safety: PubS-2010 disabled member mortality table
 - Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of net pension asset at December 31, 2023 and 2022, calculated using the discount rate of 6.50%, as well as what the Authority's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Authority's Proportionate Share of the Net Pension (Asset) Liability - December 31, 2022	\$ 1,706,488	\$ (8,326)	\$ (1,410,716)
Authority's proportionate share of the net pension (asset) liability - December 31, 2021	\$ 1,630,956	\$ (7,854)	\$ (1,347,196)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

Note 8 - Commitments and Contingencies

Construction projects are placed in service once the project is substantially completed. Construction in progress and commitments consisted of construction projects as of December 31, 2023 as follows:

	<u>Total Project Costs</u>	<u>In Process Costs Incurred to Date</u>	<u>Cost to Complete</u>
PFC Application #2	\$ 66,225	\$ 36,978	\$ 29,247
Crash Phone Replacement	11,651	-	11,651
Cargo Apron Expansion	795,889	727,344	68,545
Economy Lot Expansion	2,046,543	1,893,881	152,662
Concourse Expansion	8,721,053	1,936,210	6,784,843
SRE Building	6,819,040	6,232,516	586,524
Master Plan Update	1,241,344	1,214,543	26,801
Snow Plow/Broom 2024	22,184	4,500	17,684
Generator Replacement	1,090,551	705,484	385,067
Parking Garage	67,224,189	44,827,928	22,396,261
	<u>\$ 88,038,669</u>	<u>\$ 57,579,384</u>	<u>\$ 30,459,285</u>

The Authority has approved forward commitments of support to various community agencies totaling \$720,000 through 2026 as of December 31, 2023.

Note 9 - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance is purchased by the Authority to provide coverage of losses that may occur. Settlement amounts paid did not exceed insurance coverage for the years ended December 31, 2023, 2022, and 2021.

Note 10 - Related Party Transactions

The financial statements of the Authority include payments to the City of Sioux Falls for utilities in the amounts of \$756,166 and \$580,781 during the years ended December 31, 2023 and 2022, respectively. The City Council of the City of Sioux Falls appoints the Authority's Board of Commissioners.



Required Supplementary Information
December 31, 2023 and 2022

Sioux Falls Regional Airport Authority

Sioux Falls Regional Airport Authority
Schedule of Authority's Contributions
December 31, 2014 through 2023

**South Dakota Retirement System
Last 10 Years**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 127,938	\$ 117,907	\$ 111,620	\$ 105,537	\$ 97,805	\$ 89,374	\$ 82,022	\$ 74,827	\$ 62,852	\$ 60,965
Contributions in Relation to the Contractually Required Contribution	<u>127,938</u>	<u>117,907</u>	<u>111,620</u>	<u>105,537</u>	<u>97,805</u>	<u>89,374</u>	<u>82,022</u>	<u>74,827</u>	<u>62,852</u>	<u>60,965</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 2,132,287	\$ 1,965,119	\$ 1,860,326	\$ 1,758,955	\$ 1,630,085	\$ 1,489,567	\$ 1,367,033	\$ 1,247,113	\$ 1,047,533	\$ 1,016,091
Contributions as a Percentage of Covered Payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Sioux Falls Regional Airport Authority
Schedule of Authority's Proportionate Share of the Net Pension Liability (Asset)
December 31, 2014 through 2023

**South Dakota Retirement System
Last 10 Years**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability (Asset)	0.0853010%	0.0831130%	0.0789820%	0.0781917%	0.0738554%	0.0691863%	0.0639804%	0.0594110%	0.0570954%	5.4391000%
Authority's Proportionate Share of Net Pension Liability (Asset)	\$ (8,326)	\$ (7,854)	\$ (607,867)	\$ (3,396)	\$ (7,827)	\$ (1,614)	\$ (5,806)	\$ 200,685	\$ (242,158)	\$ (391,887)
Authority's Covered Payroll	\$ 2,135,251	\$ 1,908,298	\$ 1,749,334	\$ 1,671,082	\$ 1,579,399	\$ 1,409,383	\$ 1,295,888	\$ 1,129,700	\$ 1,042,400	\$ 951,200
Authority's Proportionate Share of the Net Pension Liability Asset as a Percentage of its Covered Payroll	0.39%	0.41%	34.75%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%	41.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	100%	100%	106%	100%	100%	100%	100%	97%	104%	107%

Notes to Required Supplementary Information

Changes from Prior Valuation

The June 30, 2023 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022 Actuarial Valuation.

The details of the changes since the last valuation are as follows.

Benefit Provision Changes

During the 2023 Legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety members.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.



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

The Board of Commissioners
Sioux Falls Regional Airport Authority
Sioux Falls, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Sioux Falls Regional Airport Authority (“the Authority”), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated May 8, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Authority's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
May 8, 2024



Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance

The Board of Commissioners
Sioux Falls Regional Airport Authority
Sioux Falls, South Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Sioux Falls Regional Airport Authority (“the Authority”)’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority’s major federal program for the year ended December 31, 2023. The Authority’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Sioux Falls, South Dakota
May 8, 2024



Supplemental Information
December 31, 2023

Sioux Falls Regional Airport Authority

Sioux Falls Regional Airport Authority
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2023

<u>Federal Grantor/Program Title</u>	<u>Federal Financial Assistance Number</u>	<u>Project Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u>			
COVID-19 Airport Improvement Program (CARES)	20.106	AIP3-46-0050-54	\$ 6,642,817
COVID-19 Airport Improvement Program (ARPA)	20.106	AIP3-46-0050-59	1,612,315
COVID-19 Airport Improvement Program (ARPA)	20.106	AIP3-46-0050-60	493,760
COVID-19 Airport Improvement Program (CARES)	20.106	AIP3-46-0050-62	<u>414,439</u>
Total Federal Financial Assistance			<u>\$ 9,163,331</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (“the schedule”) includes the federal award activity of the Sioux Falls Regional Airport Authority (“the Authority”) under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the schedule presents only a selected portion of the operation of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Authority does not draw for indirect administrative expense and has not elected to use the 10% de minimis cost rate.

Note 4 - Airport Improvement Program

Description of each airport improvement program identified in the schedule is as follows:

Project Number AIP-46-0050-54 - Coronavirus Aid, Relief and Economic Security Act (CARES) to reimburse airport operational and maintenance expenses directly related to Joe Foss Field incurred no earlier than January 20, 2020.

Project Number AIP-46-0050-59 - American Rescue Plan Act (ARPA) to reimburse airport operational and maintenance expenses directly related to Joe Foss Field incurred no earlier than January 20, 2020.

Project Number AIP-46-0050-60 - American Rescue Plan Act (ARPA) To provide relief from rent and minimum annual guarantees (MAG) obligations, as applicable, to each eligible airport concession in an amount that reflects each eligible airport concession's proportional share of the total amount of the rent and MAGs of all eligible airport concessions.

Project Number AIP-46-0050-62 - Coronavirus Aid, Relief and Economic Security Act (CARES) to reimburse airport operational and maintenance expenses directly related to Joe Foss Field incurred no earlier than January 20, 2020.

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516 (a):	Yes

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
COVID-19 Airport Improvement Program	20.106
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

**Finding 2023-001 Preparation of Financial Statements and Material Audit Adjustments
Material Weakness**

Criteria - Proper controls over financial reporting include an adequate system for recording and processing entries material to the financial statements, as well as the ability to prepare financial statements and the accompanying notes to the financial statements.

Condition - The Authority does not have an internal control system designed to provide for the preparation of the financial statements. As auditors, we proposed material audit adjustments that would not have been identified as a result of the Authority's existing controls, and therefore could have resulted in a material misstatement of the financial statements. We were also requested to draft the financial statements and accompanying notes to the financial statements.

Cause - The Authority has limited staff to prepare full disclosure financial statements.

Effect - Material audit adjustments were needed at year-end. There is a reasonable possibility that the Authority would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation - It is important that the Authority is aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial accounting and reporting of the Authority and changes in the accounting and reporting requirements.

Views of Responsible Officials - Management agrees with the finding and will review the year-end adjustments.

Section III - Federal Award Findings and Questioned Costs

Finding 2023-002 **Department of Transportation**
Federal Financial Assistance Listing 20.106; Awards AIP3-46-0050-54, AIP3-46-0050-59,
AIP3-46-0050-60, and AIP3-46-0050-62.
COVID-19 Airport Improvement Program

Reporting
Significant Deficiency in Internal Control over Compliance

Criteria - 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal controls over the federal awards that provide assurance that the entity is managing the federal awards in compliance with federal statutes, regulations, and the conditions of the federal award. 2 CFR 200.327 and 2 CFR 200.328 require the auditee to collect financial information and monitor its activities under federal awards to assure compliance with applicable federal requirements and performance expectations are being achieved and report these items in accordance with the program requirements.

Condition - The SF-425 annual report dated September 30, 2023, for award AIP3-46-0050-54 underreported the federal share of expenditures by \$80,133, while the FAA Form 5100-127 annual report dated December 31, 2022, for all awards underreported the externally restricted assets by \$397,646.

Cause - The Authority does not have an internal control structure designed to ensure amounts reported on SF-425 and FAA Form 5100-127 reports are adequately reviewed and agree to underlying accounting records.

Effect - Lack of compliance with designed internal controls over reporting could result in the Authority reporting incorrect or incomplete information.

Questioned Costs - None reported.

Context/Sampling - A nonstatistical sample of 10 reports out of 31 reports.

Repeat Finding from Prior Year – Yes, prior year finding 2022-002

Recommendation - Management should determine and formalize reporting responsibilities between the Airport and the State and establish review processes to ensure that amounts included in SF-425 and FAA Form 5100-127 reports agree with the underlying accounting records.

Views of Responsible Officials - Management agrees with the finding.



Joe Foss Field, 2801 Jaycee Lane, Sioux Falls, SD 57104
605.336.0762 | FAX: 605.367.7374 | airport@sfairport.com
www.sfairport.com | An equal opportunity employer.

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan:

Year Ended December 31, 2023

Prepared by Management of
Sioux Falls Regional Airport Authority

Sioux Falls Regional Airport Authority
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2023

Financial Statement Findings

Finding 2022-001

Initial Fiscal Year Finding Occurred: 2009

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements. They also proposed material audit adjustments that would not have been identified as a result of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.

Status: Ongoing. Due to cost considerations, we will continue to have Eide Bailly LLP prepare our draft financial statement and accompanying notes to the financial statements.

Federal Award Findings and Questioned Costs

Finding 2022-002

Initial Fiscal Year Finding Occurred: 2022

Finding Summary: Federal share of expenditures reported within SF-425 annual report for grants #57 and #61 did not reconcile to supporting client records.

Status: Ongoing.

Sioux Falls Regional Airport Authority

Corrective Action Plan

Year Ended December 31, 2023

Cognizant or Oversight Agency for Audit: U.S. Department of Transportation

Sioux Falls Regional Airport Authority respectfully submits the following corrective action plan for the year ended December 31, 2023.

Name and address of independent public accounting firm: Eide Bailly, LLP
345 N. Reid Pl., Ste. 400
Sioux Falls, SD 57103-7034

Audit Period: January 1, 2023 – December 31, 2023

The findings from the 2023 schedule of findings and questioned costs are discussed below:

Financial Statement Findings

Finding 2023-001

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements. They also proposed material audit adjustments that would not have been identified as a result of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.

Responsible Individuals: Dan Letellier, Executive Director

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepare the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed and agree with the material adjustments proposed during the audit.

Anticipated Completion Date: Ongoing

Sioux Falls Regional Airport Authority
Corrective Action Plan
Year Ended December 31, 2023

Federal Award Findings and Questioned Costs

Finding 2023-002

Department of Transportation

Airport Improvement Program, CFDA #20.106

AIP3-46-0050-60, AIP3-46-0050-62

Finding Summary: The SF-425 annual report dated September 30, 2023, for award AIP3-46-0050-54 underreported the federal share of expenditures by \$80,133, while the FAA Form 5100-127 annual report dated December 31, 2022, for all awards underreported the externally restricted assets by \$397,646

Responsible Individuals: Dan Letellier, Executive Director

Corrective Action Plan: Management will ensure correct support documentation is provided to 3rd party account for correct submission of FAA Forms 5100-127. Director will also verify that annual report form SF-425 reconciles to underlying supporting records.

Anticipated Completion Date: Ongoing