

Financial Statements
December 31, 2025 and 2024

Sioux Falls Regional Airport Authority

Sioux Falls Regional Airport Authority

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December 31, 2025 and 2024

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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, 2025 and 2024, 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 financial position of the Sioux Falls Regional Airport Authority as of December 31, 2025 and 2024, and the changes in financial position, and its cash flows 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 our report dated April 30, 2026, 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, 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 signature is written in a cursive, handwritten style. It reads "Eide Bailly LLP".

Fargo, North Dakota
April 30, 2026

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

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

Financial Highlights

The Sioux Falls Regional Airport continued to see record levels of passenger traffic in 2025. Total passengers increased 5.6% for a total number of 1,505,874 travelers which was a new record. 2025 marked the fourth year in a row of record traffic. Concession revenue increased as well, with parking revenue increasing 25.4% compared to the previous year, which was another record.

The Sioux Falls Regional Airport saw increased commercial flight activity and upgrades in aircraft type throughout the year contributing to the record level of passengers. Cargo, military, and general aviation flight operations were at similar levels to previous years.

Numerous airfield projects were accomplished in 2025 which included work to correct the Runway Safety Areas along runway 3/21 as well as a significant cargo apron expansion which will allow for increased wide-body aircraft activity for UPS and future cargo carriers. The \$11.1 million project began in the Fall of 2024 and was completed in late 2025. The first phase of a terminal apron expansion project was also accomplished in the summer of 2025 to facilitate aircraft access to the new terminal concourse and gate addition. Phase 2 of the \$10.6 million project was kicked off in the Fall of 2025 with a majority of the apron expected to be complete by year-end in 2026.

The leadership team has spent significant time over the past two years with the development/design and funding of a generational project to construct a new passenger concourse to add 5 new gates to meet the increasing demands of airlines and the traveling public. Construction on the \$120 million project commenced in August. The core project is expected to open in the summer of 2027 with final completion in early 2028. Considerable time and effort have gone into the funding of this project which secured a \$30 million congressionally designated spending grant as well as other federal funding. The airport also finalized an additional \$20 million in airport revenue bonds to ensure the full project scope would be completed.

In 2025 the largest operating revenue source was parking lot revenue at \$10,387,233, up 25.4% from 2024. The Authority's second largest operating revenue source was airline fees, which are negotiated based on actual costs. The Authority's third largest operating revenue source was car rental commissions, up 5.4% versus the prior year. In 2025, on site-car rental agency revenue reported to the Authority totaled \$23,974,275 resulting in commissions paid to the Authority of \$2,575,447.

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, 2025, 2024 and 2023.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets			
Capital	\$ 237,235,599	\$ 223,861,099	\$ 201,242,134
Other	<u>53,691,548</u>	<u>24,817,549</u>	<u>28,076,236</u>
Total assets	<u>290,927,147</u>	<u>248,678,648</u>	<u>229,318,370</u>
Deferred Outflow of Resources	<u>646,074</u>	<u>559,167</u>	<u>639,277</u>
Liabilities			
Long-term	27,122,533	7,294,563	3,049,268
Other	<u>2,132,414</u>	<u>1,874,959</u>	<u>5,285,573</u>
Total liabilities	<u>29,254,947</u>	<u>9,169,522</u>	<u>8,334,841</u>
Deferred Inflow of Resources	<u>7,568,886</u>	<u>8,266,009</u>	<u>6,699,082</u>
Net Position			
Net investment in capital assets	230,552,638	215,256,082	198,242,134
Restricted for PFC capital projects	1,163,643	933,549	842,925
Restricted for pension benefits	284,471	142,078	222,408
Unrestricted	<u>22,748,636</u>	<u>15,470,575</u>	<u>15,616,257</u>
Total net position	<u>\$ 254,749,388</u>	<u>\$ 231,802,284</u>	<u>\$ 214,923,724</u>

Sioux Falls Regional Airport Authority
Management's Discussion and Analysis
December 31, 2025 and 2024

Changes in Statement of Revenues, Expenses, and Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenues			
Rentals and commissions, net	\$ 16,324,238	\$ 13,944,376	\$ 11,955,288
Landing fees	2,294,060	2,162,569	1,773,861
State security reimbursements	-	46,970	137,425
Fines, forfeitures and other revenue	912,429	740,152	962,160
	<u>19,530,727</u>	<u>16,894,067</u>	<u>14,828,734</u>
Total operating revenues			
Operating Expenses			
Depreciation	8,481,872	7,405,580	6,952,830
Personnel	3,306,762	3,739,437	3,306,584
Professional services	1,696,775	1,449,509	1,361,748
Utilities and bulk energy	1,005,821	922,189	854,438
Repairs and maintenance	704,238	621,990	615,856
Supplies and materials	1,447,232	1,250,483	1,577,889
Insurance	382,129	271,717	266,565
Other expenses	1,148,612	1,204,760	1,245,509
	<u>18,173,441</u>	<u>16,865,665</u>	<u>16,181,419</u>
Total operating expenses			
Operating Income (Loss)	<u>1,357,286</u>	<u>28,402</u>	<u>(1,352,685)</u>
Nonoperating Revenues			
Passenger facility charges	3,104,138	2,948,312	2,722,074
Customer facility charges	968,266	977,118	893,964
Federal and state grants	16,613,834	11,025,347	9,092,838
Taxes, air flight, net	408,799	408,498	514,973
Interest and investment income	1,175,543	1,259,608	2,302,815
Gain (loss) on disposal or retirement of property and equipment	240	(5,628)	(331,376)
Interest and debt issuance costs	(778,824)	(303,475)	(10,000)
Miscellaneous	97,822	540,378	587
	<u>21,589,818</u>	<u>16,850,158</u>	<u>15,185,875</u>
Total nonoperating revenues			
Change in Net Position	<u>\$ 22,947,104</u>	<u>\$ 16,878,560</u>	<u>\$ 13,833,190</u>

The Authority's total net position increased \$22,947,104 or 9.9% over the course of this year's operations.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2025, the Authority had investments in capital assets of \$237,235,599 as reflected in the following table. Total depreciation expense for the year ended December 31, 2025, was \$8,481,872.

	2025	2024	2023
Land	\$ 1,152,384	\$ 1,152,384	\$ 1,152,384
Construction in Progress	17,466,717	8,486,490	57,579,384
Buildings	137,029,824	136,999,699	63,434,747
Improvements, Other Than Buildings	160,392,638	148,136,528	144,740,259
Machinery and Equipment	15,977,320	15,387,410	13,306,972
Accumulated Depreciation	(94,783,284)	(86,301,412)	(78,971,612)
Total capital assets	\$ 237,235,599	\$ 223,861,099	\$ 201,242,134

Long-Term Liabilities

At year end, the Authority had long term liabilities of \$27,122,533, consisting of notes payable of \$26,844,753 and compensated absences of \$277,780. 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 is supported by a strong local economy which drives leisure and business travel. The Airport continues on firm footing with a modest growth forecast in 2026 of 2-3%. The region continues to see an influx of population that will support stable growth for years to come.

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 website at www.sfairport.com.

Sioux Falls Regional Airport Authority
Statements of Net Position
December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 17,235,987	\$ 11,625,766
Restricted cash	1,163,643	933,549
Cash with fiscal agent	21,233,239	-
Accounts receivable	843,502	799,933
Grants receivable	4,274,357	1,977,012
Interest receivable	100,161	99,050
Passenger facility charges receivable	460,030	460,030
Customer facility charges receivable	66,570	69,276
Current portion of leases receivable	1,763,411	1,652,025
Inventories	202,943	220,399
Prepaid expenses	152,851	136,807
Total current assets	47,496,694	17,973,847
Other Assets		
Long-term leases receivable	6,187,956	6,840,400
Pension asset	6,898	3,302
Total other assets	6,194,854	6,843,702
Capital Assets		
Land	1,152,384	1,152,384
Construction in progress	17,466,717	8,486,490
Buildings	137,029,824	136,999,699
Improvements other than buildings	160,392,638	148,136,528
Machinery and equipment	15,977,320	15,387,410
Less accumulated depreciation	332,018,883 (94,783,284)	310,162,511 (86,301,412)
Total capital assets	237,235,599	223,861,099
Total assets	290,927,147	248,678,648
Deferred Outflow of Resources		
Related to pension	646,074	559,167

Sioux Falls Regional Airport Authority
 Statements of Net Position
 December 31, 2025 and 2024

	2025	2024
Liabilities		
Current Liabilities		
Accounts payable	2,062,933	1,805,478
Accrued salaries	69,481	69,481
Current maturities of notes and bonds payable	2,786,882	1,781,113
Compensated absences	38,562	51,025
Total current liabilities	4,957,858	3,707,097
Long-Term Liabilities		
Notes and bonds payable, net of current maturities	24,057,871	5,218,887
Compensated absences - long-term	239,218	243,538
Total long-term liabilities	24,297,089	5,462,425
Total liabilities	29,254,947	9,169,522
Deferred Inflow of Resources		
Related to pension	368,501	420,391
Related to leases	7,200,385	7,845,618
Total deferred inflow of resources	7,568,886	8,266,009
Net Position		
Net investment in capital assets	230,552,638	215,256,082
Restricted for PFC capital projects	1,163,643	933,549
Restricted for pension benefits	284,471	142,078
Unrestricted	22,748,636	15,470,575
Total net position	\$ 254,749,388	\$ 231,802,284

Sioux Falls Regional Airport Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Rentals and commissions, net	\$ 16,324,238	\$ 13,944,376
Landing fees	2,294,060	2,162,569
State security reimbursements	-	46,970
Fines, forfeitures and other revenue	912,429	740,152
Total operating revenues	19,530,727	16,894,067
Operating Expenses		
Depreciation	8,481,872	7,405,580
Personnel	3,306,762	3,739,437
Professional services	1,696,775	1,449,509
Utilities and bulk energy	1,005,821	922,189
Repairs and maintenance	704,238	621,990
Supplies and materials	1,447,232	1,250,483
Insurance	382,129	271,717
Other expenses	1,148,612	1,204,760
Total operating expenses	18,173,441	16,865,665
Operating Income	1,357,286	28,402
Nonoperating Revenues (Expenses)		
Passenger facility charges	3,104,138	2,948,312
Customer facility charges	968,266	977,118
Federal and state grants	16,613,834	11,025,347
Taxes - air flight	408,799	408,498
Interest and investment income	1,175,543	1,259,608
Miscellaneous	97,822	540,378
Gain (loss) on disposal or retirement of property and equipment	240	(5,628)
Interest and loan fees	(778,824)	(303,475)
Total nonoperating revenues (expenses)	21,589,818	16,850,158
Change in Net Position	22,947,104	16,878,560
Total Net Position, Beginning of Year	231,802,284	214,923,724
Total Net Position, End of Year	\$ 254,749,388	\$ 231,802,284

Sioux Falls Regional Airport Authority

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	2025	2024
Operating Activities		
Cash received by providing services	\$ 9,977,593	\$ 9,173,029
Cash received from parking lot customers	9,405,390	7,495,244
Cash received for reimbursements	-	46,970
Payments to personnel	(3,465,938)	(3,495,321)
Payments to suppliers	(5,984,997)	(6,462,686)
Net Cash from Operating Activities	9,932,048	6,757,236
Non-Capital Financing Activities		
Taxes - air flight	408,799	408,498
Other contributions	687,891	5,360,211
Net Cash from Non-Capital Financing Activities	1,096,690	5,768,709
Capital and Related Financing Activities		
Proceeds from contributions	13,726,420	5,464,750
Proceeds from passenger facility charges	3,104,138	2,895,475
Proceeds from customer facility charges	970,972	981,792
Proceeds from the issuance of debt	21,625,866	4,000,000
Principal payments on long-term debt	(1,781,113)	-
Interest payments and debt issuance costs	(778,824)	(303,475)
Proceeds from sale of property and equipment	240	-
Purchases of property and equipment	(21,997,315)	(32,714,329)
Net Cash from (Used for) Capital and Related Financing Activities	14,870,384	(19,675,787)
Investing Activities		
Redemptions of certificates of deposit	-	745,741
Interest received	1,174,432	1,235,120
Net Cash from Investing Activities	1,174,432	1,980,861
Net Change in Cash and Cash Equivalents	27,073,554	(5,168,981)
Cash and Cash Equivalents at Beginning of Year	12,559,315	17,728,296
Cash and Cash Equivalents at End of Year	\$ 39,632,869	\$ 12,559,315
Supplemental Disclosure of Cash Flow Information		
Cash and cash equivalents consist of the following		
Cash and cash equivalents	\$ 17,235,987	\$ 11,625,766
Restricted cash	1,163,643	933,549
Cash with fiscal agent	21,233,239	-
	\$ 39,632,869	\$ 12,559,315

Sioux Falls Regional Airport Authority

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	2025	2024
Reconciliation of Operating Income to Net Cash from		
Operating Activities		
Operating Income	\$ 1,357,286	\$ 28,402
Adjustments to Reconcile Operating Income to		
Net Cash from Operating Activities		
Depreciation	8,481,872	7,405,580
Changes in Assets and Liabilities		
Accounts receivable	(43,569)	(61,085)
Inventories	17,456	(55,725)
Prepaid expenses	(16,044)	(41,364)
Lease receivable	541,058	(1,689,470)
Lease related deferred outflow of resources	(645,233)	1,571,731
Accounts payable	398,398	(644,949)
Related to pension	(142,393)	80,330
Accrued salaries	-	6,372
Compensated absences	(16,783)	157,414
	<u>\$ 9,932,048</u>	<u>\$ 6,757,236</u>
Supplemental Disclosure of Noncash Financing Activities		
Capital asset additions included in accounts payable	<u>\$ 1,464,074</u>	<u>\$ 1,605,017</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, Cash Equivalents, 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.

Cash with Fiscal Agent

Cash with fiscal agent consists of unspent proceeds of the Airport Revenue Bonds, Series 2025, held by U.S. Bank as trustee. The Authority will draw funds from this account as eligible construction expenses are incurred. As this amount is equal to the unspent bond proceeds and unamortized premium, no corresponding restriction of net position is reported at December 31, 2025.

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, 2025 and 2024, accounts receivable were generally due from 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 the financial condition of its airline and car rental operators 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, 2025 and 2024, 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

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The Authority maintains a threshold level of \$3,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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, 2025 and 2024.

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

Vacation leave is earned by the employees based on years of service. Generally, full-time employees earn five days for the first year of service, 10 days for one to three years of service, 15 days for four to nine years, 20 days for 10 to 18 years, and 25 days for 19 or more years. The vacation year is a calendar year and starts on January 1 of each year based on the vacation earned from the previous year. Employees will be paid for any earned but unused vacation time at termination of employment if proper two-week notice has been given.

Sick leave/bereavement leave for full-time employees is accrued at a rate of 2.46 hours per pay period, for a total of eight days annually. Upon termination, employees who have been employed by the Authority for at least 20 years and 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. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis over the term of the related issue. Bonds payable are reported net of the applicable bond premium or discount.

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 reclassifications 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.

Adoption of New Standard

As of January 1, 2025, the Authority adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was not a significant effect on the Authority's financial statements as a result of the implementation of this standard.

Note 2 - Bank Deposits

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

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

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

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

Custodial Credit Risk - The custodial credit risk is the risk that, in the event of a depository failure, the Authority will not be able to recover deposits. Authority deposits in excess of depository insurance must be 110 percent collateralized. As of December 31, 2025, \$16,456,194 of the Authority's bank balance of \$16,706,194 was exposed to custodial credit risk. As of December 31, 2024, \$11,831,523 of the Authority's bank balance of \$12,081,523 was exposed to custodial credit risk. At December 31, 2025 and 2024, 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:

	<u>2025</u>	<u>2024</u>
Uninsured and Collateral Held by Pledging Bank	\$ 16,456,194	\$ 11,831,523
Uninsured and Collateral Held by the Pledging Bank's Trust Department Not in the Authority's Name	1,718,311	1,651,303
Uninsured and Held by Trustee	<u>21,233,239</u>	<u>-</u>
	<u>\$ 39,407,744</u>	<u>\$ 13,482,826</u>

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

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

As of December 31, 2025 and 2024, CFC contributions of \$1,163,643 and \$933,549, respectively, are considered restricted cash for rental car construction projects at the Authority under the CFC program requirements.

Note 3 - Leases Receivable

The Authority has accrued a receivable for land and building leases. The remaining receivable for these leases was \$7,951,367 and \$8,492,425 for the years ended December 31, 2025 and 2024, respectively. Deferred inflows related to these leases were \$7,200,385 and \$7,845,618 as of December 31, 2025 and 2024, respectively. Interest revenue recognized on these leases was \$483,327 and \$528,224 for the years ended December 31, 2025 and 2024, respectively. Principal receipts of \$1,784,237 and \$1,728,010 were recognized during the years ended December 31, 2025 and 2024, respectively. The interest rate on the leases was 6.0%. Final receipt is expected in fiscal year 2055.

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 \$433,772 and \$395,529 for the years ended December 31, 2025 and 2024, respectively.

Sioux Falls Regional Airport Authority

Notes to Financial Statements

December 31, 2025 and 2024

The future principal and interest receipts as of December 31, 2025, were as follows:

Years Ending December 31,	Principal	Interest
2026	\$ 1,763,411	\$ 412,988
2027	690,728	342,540
2028	731,207	302,320
2029	467,368	267,990
2030	227,267	206,344
2031-2035	953,476	1,124,042
2036-2040	1,299,774	757,265
2041-2045	1,128,100	383,950
2046-2050	544,462	142,922
2051-2055	145,574	20,671
	<u>\$ 7,951,367</u>	<u>\$ 3,961,032</u>

Note 4 - Capital Assets

Property and equipment at December 31, 2025, consists of the following:

	Balance 1/1/25	Additions	Retirements or Disposals	Balance 12/31/25
Non-depreciable Assets				
Land	\$ 1,152,384	\$ -	\$ -	\$ 1,152,384
Construction in progress	8,486,490	21,738,348	(12,758,121)	17,466,717
Total non-depreciable assets	<u>9,638,874</u>	<u>21,738,348</u>	<u>(12,758,121)</u>	<u>18,619,101</u>
Depreciable Assets				
Buildings	136,999,699	30,125	-	137,029,824
Improvements, other than buildings	148,136,528	12,256,110	-	160,392,638
Machinery and equipment	15,387,410	589,910	-	15,977,320
Total depreciable assets	<u>300,523,637</u>	<u>12,876,145</u>	<u>-</u>	<u>313,399,782</u>
Total capital assets	<u>310,162,511</u>	<u>34,614,493</u>	<u>(12,758,121)</u>	<u>332,018,883</u>
Accumulated Depreciation				
Buildings	22,319,091	3,193,778	-	25,512,869
Improvements, other than buildings	56,782,605	4,575,695	-	61,358,300
Machinery and equipment	7,199,716	712,399	-	7,912,115
Total accumulated depreciation	<u>86,301,412</u>	<u>8,481,872</u>	<u>-</u>	<u>94,783,284</u>
Net capital assets	<u>\$ 223,861,099</u>	<u>\$ 26,132,621</u>	<u>\$ (12,758,121)</u>	<u>\$ 237,235,599</u>

Property and equipment at December 31, 2024, consists of the following:

	Balance 1/1/24	Additions	Retirements or Disposals	Balance 12/31/24
Non-depreciable Assets				
Land	\$ 1,152,384	\$ -	\$ -	\$ 1,152,384
Construction in progress	57,579,384	29,641,036	(78,733,930)	8,486,490
Total non-depreciable assets	<u>58,731,768</u>	<u>29,641,036</u>	<u>(78,733,930)</u>	<u>9,638,874</u>
Depreciable Assets				
Buildings	63,434,747	73,585,112	(20,160)	136,999,699
Improvements, other than buildings	144,740,259	3,396,269	-	148,136,528
Machinery and equipment	13,306,972	2,141,686	(61,248)	15,387,410
Total depreciable assets	<u>221,481,978</u>	<u>79,123,067</u>	<u>(81,408)</u>	<u>300,523,637</u>
Total capital assets	<u>280,213,746</u>	<u>108,764,103</u>	<u>(78,815,338)</u>	<u>310,162,511</u>
Accumulated Depreciation				
Buildings	20,233,549	2,100,074	(14,532)	22,319,091
Improvements, other than buildings	52,180,440	4,602,165	-	56,782,605
Machinery and equipment	6,557,623	703,341	(61,248)	7,199,716
Total accumulated depreciation	<u>78,971,612</u>	<u>7,405,580</u>	<u>(75,780)</u>	<u>86,301,412</u>
Net capital assets	<u>\$ 201,242,134</u>	<u>\$ 101,358,523</u>	<u>\$ (78,739,558)</u>	<u>\$ 223,861,099</u>

Note 5 - Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2025, were as follows:

	Balance December 31, 2024	Additions	Reductions	Balance December 31, 2025	Current Portion
Note Payable	\$ 7,000,000	\$ -	\$ 1,781,113	\$ 5,218,887	\$ 2,060,589
Revenue Bond Payable	-	20,000,000	-	20,000,000	645,000
Premium on Revenue Bond	-	1,625,866	-	1,625,866	81,293
Compensated Absences*	294,563	-	16,783	277,780	38,562
	<u>\$ 7,294,563</u>	<u>\$ 21,625,866</u>	<u>\$ 1,797,896</u>	<u>\$ 27,122,533</u>	<u>\$ 2,825,444</u>

*Change in compensated absences is presented as net change

Sioux Falls Regional Airport Authority

Notes to Financial Statements

December 31, 2025 and 2024

Changes in long-term liabilities for the year ended December 31, 2024, were as follows:

	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Current Portion
Note Payable	\$ 3,000,000	\$ 4,000,000	\$ -	\$ 7,000,000	\$ 1,781,113
Compensated Absences*	137,149	157,414	-	294,563	51,025
	<u>\$ 3,137,149</u>	<u>\$ 4,157,414</u>	<u>\$ -</u>	<u>\$ 7,294,563</u>	<u>\$ 1,832,138</u>

*Change in compensated absences is presented as net change

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, 2025, the Authority has drawn \$7,000,000 on this note and does not anticipate any further draws. 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. 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 Authority is in compliance with this covenant.

Revenue Bonds Payable

During the year ended December 31, 2025, the Authority issued Airport Revenue Bonds, Series 2025, in the amount of \$20,000,000 to finance certain improvements to the existing airport terminal, including the addition of up to five new gates and expansion of terminal capacity. The bonds bear an interest rate of 5.0 – 5.25% and call for semiannual interest payments commencing June 2026 and annual principal payments commencing December 2026. The bonds are a special, limited obligation of the Authority payable solely from the net revenues derived from the operations of the airport, and, if necessary, amounts on deposit in the airport capital fund and the reserve account.

The Authority has covenanted that amounts charged to users and occupants of the airport through a combination of rates, charges, rentals, and fees, or any combination thereof, will be sufficient to produce net revenues equal to at least 125% of the principal and interest charges for each fiscal year and equal the required deposits to the reserve account. In lieu of establishing a reserve account, the Authority has purchased an insurance policy with a market value equal to the annual required principal and interest payments on the debt. If the Authority has not generated net revenues sufficient to satisfy the covenant, the Authority will revise and increase its rates, charges, rentals and fees to such extent as to ensure payments and accumulations are so required.

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

Years Ending December 31,	Note Payable		Revenue Bond Payable	
	Principal	Interest	Principal	Interest
2026	\$ 2,060,589	\$ 264,931	\$ 645,000	\$ 975,049
2027	2,191,706	133,814	635,000	988,150
2028	966,592	15,253	665,000	956,400
2029	-	-	695,000	923,150
2030	-	-	730,000	888,400
2031-2035	-	-	4,245,000	3,855,750
2036-2040	-	-	5,415,000	2,683,000
2041-2045	-	-	6,970,000	1,135,312
	<u>\$ 5,218,887</u>	<u>\$ 413,998</u>	<u>\$20,000,000</u>	<u>\$ 12,405,211</u>

Note 6 - 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 provides retirement, disability, and survivor benefits. Authority for establishing, administering, and amending plan provisions are found in SDCL 3-12C. 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, 2025, 2024, and 2023, equal to required contributions each year, were as follows:

Year	Amount
2025	\$ 141,914
2024	140,655
2023	127,938

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

At June 30, 2025 and 2024, SDRS is 100.10% and 100.00%, 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 the measurement periods ended June 30, 2025 and 2024, and reported by the Authority as of December 31, 2025 and 2024, are as follows:

	2025	2024
Proportionate Share of Pension Liability	\$ 12,379,524	\$ 12,170,318
Less Proportionate Share of Net Pension Restricted for Pension Benefits	<u>12,386,422</u>	<u>12,173,620</u>
Proportionate share of net pension asset	<u>\$ (6,898)</u>	<u>\$ (3,302)</u>

At December 31, 2025, the Authority reported an asset of \$6,898 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2025, 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, 2025, the Authority's proportion was 0.0811080%, which is a decrease of 0.0004720% from its proportion measured as of June 30, 2024.

For the year ended December 31, 2025, the Authority recognized a reduction of pension expense of \$142,393.

At December 31, 2024, the Authority reported an asset of \$3,302 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024, 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, 2025, the Authority's proportion was 0.0815800%, which is a decrease of 0.0037210% from its proportion measured as of June 30, 2024.

For the year ended December 31, 2024, the Authority recognized pension expense of \$80,330.

At December 31, 2025, 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	\$ 236,180	\$ -
Changes in Assumption	-	366,172
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	336,108	-
Changes in Proportion and Difference Between Authority Contributions and Proportionate Share of Contributions	4,235	2,329
Authority Contributions Subsequent to Measurement Date	<u>69,551</u>	<u>-</u>
	<u>\$ 646,074</u>	<u>\$ 368,501</u>

Sioux Falls Regional Airport Authority

Notes to Financial Statements

December 31, 2025 and 2024

At December 31, 2024, 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	\$ 305,799	\$ -
Changes in Assumption	54,446	415,017
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	124,390	-
Changes in Proportion and Difference Between Authority Contributions and Proportionate Share of Contributions	5,628	5,374
Authority Contributions Subsequent to Measurement Date	68,904	-
	\$ 559,167	\$ 420,391

Deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the June 30, 2025, measurement date of \$69,551 will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending December 31,	
2026	\$ 159,263
2027	18,704
2028	11,604
2029	18,451
	\$ 208,022

Actuarial Assumptions

The total pension asset in the June 30, 2025 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	1.56%

All mortality rates were 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, 2025 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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, 2025 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.9%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	<u>100.0%</u>	

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 (Asset) Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of net pension asset at December 31, 2025 and 2024, calculated using the discount rate of 6.50%, as well as what the Authority's proportionate share of the net pension liability (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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Authority's Proportionate Share of the Net Pension (Asset) Liability - December 31, 2025	\$ 1,690,641	\$ (6,898)	\$ (1,397,589)
Authority's Proportionate Share of the Net Pension (Asset) Liability - December 31, 2024	\$ 1,678,069	\$ (3,302)	\$ (1,379,188)

Pension Plan Fiduciary Net Position

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

Note 7 - Net Investment in Capital Assets

The Authority's net investment in capital assets as shown in the statement of net position is calculated as follows:

	<u>2025</u>	<u>2024</u>
Capital Assets, Net of Accumulated Depreciation	\$ 237,235,599	\$ 223,861,099
Outstanding Principal of Capital-Related Borrowings	(5,218,887)	(7,000,000)
Accounts Payable Related to Acquisition of Capital Assets	<u>(1,464,074)</u>	<u>(1,605,017)</u>
	<u>\$ 230,552,638</u>	<u>\$ 215,256,082</u>

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, 2025 as follows:

	Total Project Costs	In Process Costs Incurred to Date	Cost to Complete
Concourse Expansion	\$ 33,061,087	\$ 14,281,489	\$ 18,779,598
Terminal Apron Expansion	12,105,299	2,937,826	9,167,473
SRE Access Road	84,762	82,645	2,117
ARFF Truck Procurement Design	41,229	32,590	8,639
2025 Art Consulting	75,000	48,800	26,200
UPS Drainage	15,000	12,580	2,420
RSA Grading 15-33	701,271	70,787	630,484
Paint Truck Procurement	19,050	-	19,050
	\$ 46,102,698	\$ 17,466,717	\$ 28,635,981

The Authority has approved forward commitments of support to various community agencies totaling \$740,000 through 2030 as of December 31, 2025.

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, 2025, 2024, and 2023.

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 \$907,336 and \$837,706 during the years ended December 31, 2025 and 2024, respectively. The City Council of the City of Sioux Falls appoints the Authority's Board of Commissioners.

Required Supplementary Information
December 31, 2025 and 2024

Sioux Falls Regional Airport Authority

Sioux Falls Regional Airport Authority
Schedule of Authority's Contributions
December 31, 2016 through 2025

**South Dakota Retirement System
Last 10 Years**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 141,914	\$ 140,655	\$ 127,938	\$ 117,907	\$ 111,620	\$ 105,537	\$ 97,805	\$ 89,374	\$ 82,022	\$ 74,827
Contributions in Relation to the Contractually Required Contribution	<u>141,914</u>	<u>140,655</u>	<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>
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	\$ 2,365,236	\$ 2,344,255	\$ 2,132,287	\$ 1,965,119	\$ 1,860,326	\$ 1,758,955	\$ 1,630,085	\$ 1,489,567	\$ 1,367,033	\$ 1,247,113
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, 2016 through 2025

**South Dakota Retirement System
Last 10 Years**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's Proportion of the Net Pension Liability (Asset)	0.0811080%	0.0815800%	0.0853010%	0.0831130%	0.0789820%	0.0781917%	0.0738554%	0.0691863%	0.0639804%	0.0594110%
Authority's Proportionate Share of Net Pension Liability (Asset) \$	(6,898)	(3,302)	(8,326)	(7,854)	(607,867)	(3,396)	(7,827)	(1,614)	(5,806)	200,685
Authority's Covered Payroll \$	2,354,450	2,249,123	2,135,251	1,908,298	1,749,334	1,671,082	1,579,399	1,409,383	1,295,888	1,129,700
Authority's Proportionate Share of the Net Pension Liability Asset as a Percentage of its Covered Payroll	0.29%	0.15%	0.39%	0.41%	34.75%	0.20%	0.50%	0.11%	0.45%	17.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	100%	100%	100%	100%	106%	100%	100%	100%	100%	97%

Notes to Required Supplementary Information

Changes from Prior Valuation

The June 30, 2025, Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2024, Actuarial Valuation.

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

Benefit Provision Changes

During the 2025 Legislative Session no significant SDRS benefit changes were made.

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, 2024, the FVFR, assuming the long-term COLA is equal to the baseline COLA assumption (2.25%), was less than 100% and the July 2025 SDRS COLA was limited to a restricted maximum of 1.71%. For the June 30, 2024 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.71%.

As of June 30, 2025, the FVFR, assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2026 SDRS COLA is limited to a restricted maximum of 1.56%. The July 2026 SDRS COLA will equal inflation, no less than 0% and no greater than 1.56%. For this June 30, 2025 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.56%.

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, 2025, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated April 30, 2026.

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 Authority’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 2025-001, 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 response to the finding identified in our audit and 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 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 Authority'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 Authority'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.



Fargo, North Dakota
April 30, 2026



**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, 2025. 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 its major federal program for the year ended December 31, 2025.

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 the 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

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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Fargo, North Dakota
April 30, 2026

Supplemental Information
December 31, 2025

Sioux Falls Regional Airport Authority

Sioux Falls Regional Airport Authority
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2025

<u>Federal Grantor/Program Title</u>	<u>Federal Financial Assistance Number</u>	<u>Project Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u>			
Airport Improvement Program	20.106	AIP3-46-0050-63	\$ 1,603,764
Airport Improvement Program	20.106	AIP3-46-0050-65	10,352,673
Airport Improvement Program	20.106	AIP3-46-0050-66	268,590
Airport Improvement Program	20.106	AIP3-46-0050-67	2,277,243
Airport Improvement Program	20.106	AIP3-46-0050-68	<u>1,521,495</u>
Total Federal Financial Assistance			<u>\$ 16,023,765</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, 2025. 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 operations 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 - Summary of 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 de minimis cost rate of up to 15 percent.

Note 4 - Airport Improvement Program

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

Project Number AIP-46-0050-63 – For Phase 1 design of expansion to terminal building (approx. 42,000 square feet) and improvements, modifications, and rehabilitation of terminal building (approx. 24,600 square feet).

Project Number AIP-46-0050-65– For Phase 2 expansion of east cargo apron and reconstruction of east cargo apron and Phase 1 expansion of terminal apron.

Project Number AIP-46-0050-66– For Phase 2 construction and expansion of apron terminal and construction of taxilane.

Project Number AIP-46-0050-67– For Phase 2 expansion of terminal building.

Project Number AIP-46-0050-68– For Phase 3 expansion of terminal building.

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	None reported
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):	No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
Airport Improvement Program	20.106
Dollar threshold used to distinguish between type A and type B programs:	\$1,000,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

**Finding 2025-001 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

None reported



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

Year Ended December 31, 2025

Prepared by Management of
Sioux Falls Regional Airport Authority

Sioux Falls Regional Airport Authority
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2025

Financial Statement Findings

Finding 2024-001

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 2024-002

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: Resolved. All expenditures reported within SF-425 agreed with supporting client records.

Sioux Falls Regional Airport Authority
Corrective Action Plan
Year Ended December 31, 2025

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, 2025.

Name and address of independent public accounting firm: Eide Bailly, LLP
4310 17th Ave S
Fargo, ND 58108-2545

Audit Period: January 1, 2025 – December 31, 2025

The findings from the 2025 schedule of findings and questioned costs are discussed below:

Financial Statement Findings

Finding 2025-001

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