



SIoux FALLS REGIONAL AIRPORT



2020 Annual Report

Letter from the Chair

The Sioux Falls Regional Airport was impacted by one of the most disruptive events to aviation since the attacks on 9/11. The Covid-19 pandemic significantly impacted passenger traffic from mid-March throughout the rest of 2020. Total traffic was down 49.5% from the record year in 2019 for a total of 588,881 passengers. Similar reductions in airline traffic were felt around the world. The number of flight operations provided by the commercial carriers were reduced 16.7% or 5,866 flights. The dramatic reduction in passenger traffic impacted all concession revenue sources including parking, rental car, food/beverage and retail down 40-50%. The increased use of on-line purchasing allowed our air cargo and U.S. mail volumes to increase slightly despite the downturn in passenger travel.

Despite the impacts from the pandemic, work continued on numerous construction projects in 2020 including:

- Deicing and Overnight Aircraft Parking Apron.
- Expansion of the Economy Lot
- New general aviation taxi lane

Construction of the new deicing and overnight aircraft parking apron continued throughout the summer and was completed in October. This \$11-million project provides a dedicated location for aircraft to be deiced prior to departure and collection of all deicing fluid to be efficiently processed by the water treatment plant. The apron can accommodate two aircraft at a time. The apron also is capable of parking two large commercial aircraft or three regional jets overnight when terminal gate parking is full. The project was funded with an FAA-Airport Improvement Program grant at 90% with the State of South Dakota matching 5% of construction costs. A project to expand the Economy Parking lot continued as planned which added 600 spaces to the current 800 space lot. The \$1.8 million project provides additional parking for peak demand during the Spring travel season as well as temporary parking when construction begins on a parking garage. Finally, a new general aviation taxiway was constructed near our west side general aviation ramp which will allow for future growth in the area for private hangars. The \$1.2 million project along with the Economy Lot Expansion were funded with airport reserves.

Despite the pandemic impacts to air travel, several new routes were established in the fall of 2020. Those routes include:

- New year-round service to Charlotte, NC on American Airlines
- New seasonal service to Nashville, TN on Allegiant
- Expanded service to Phoenix-Sky Harbor airport on American Airlines.

The expanded non-stop offerings now provide Sioux Falls with ten non-stop destinations year-round and three additional destinations seasonally.

I would like to take this opportunity to thank my fellow Commissioners; Dave Nelson, Lon Stroschein, Eric Ellefson and Raquel Blount for their service to the community and support throughout the year. I would also like to thank Dan Letellier, Richard King, Kristin Elgersma and our great building and field staff for all of their help and hard work throughout the year.

Sincerely,

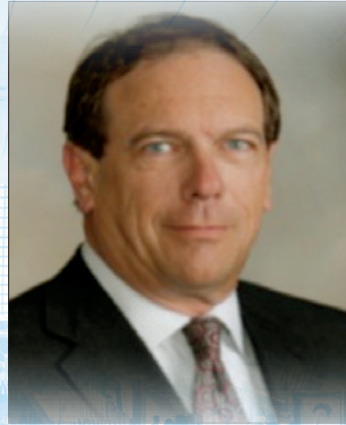
Julie Schnaible

Julie Schnaible, Chair

Sioux Falls Regional Airport Authority Commissioners



Julie Schnaible
Airport Authority Chairperson
Senior V.P. Citibank (Retired)



Dave Nelson
Airport Authority Vice-Chair
Attorney (Retired)



Lon Stroschein
Dir. Corp. Develop.-Raven Ind.



Eric Ellefson
Managing Partner-Click Rain



Raquel Blount
V.P. Comm. Real Estate – Lloyd Co.



Dan Letellier
Executive Director



Richard King
Deputy Director

Construction Projects



Deicing Apron



Economy Lot Expansion



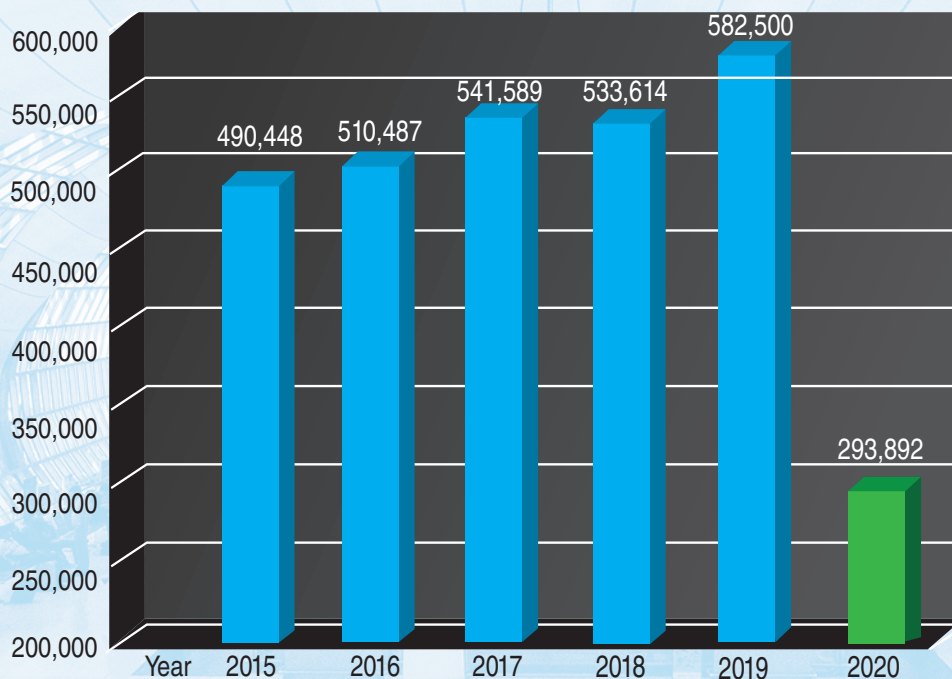
General Aviation Taxi Lane

Flight Activity

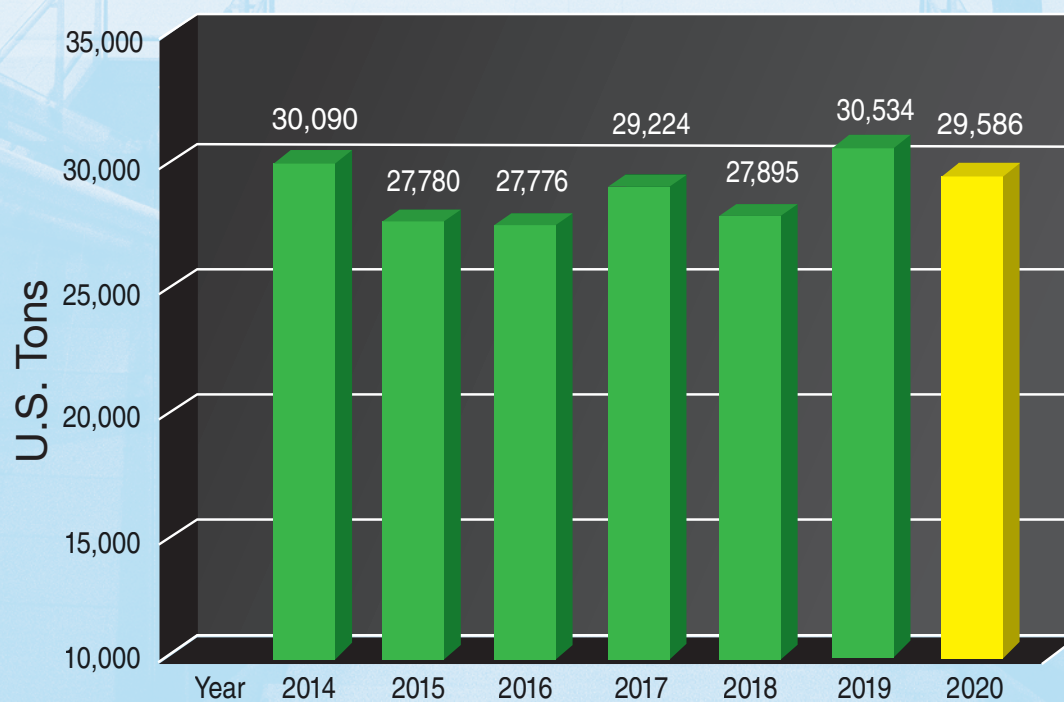


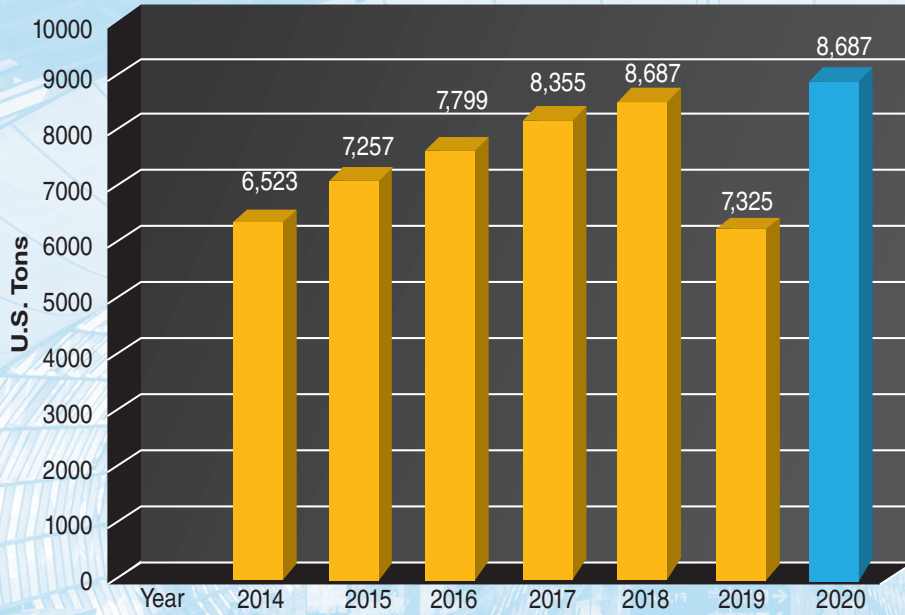
Operations Summary

Passenger Enplanements



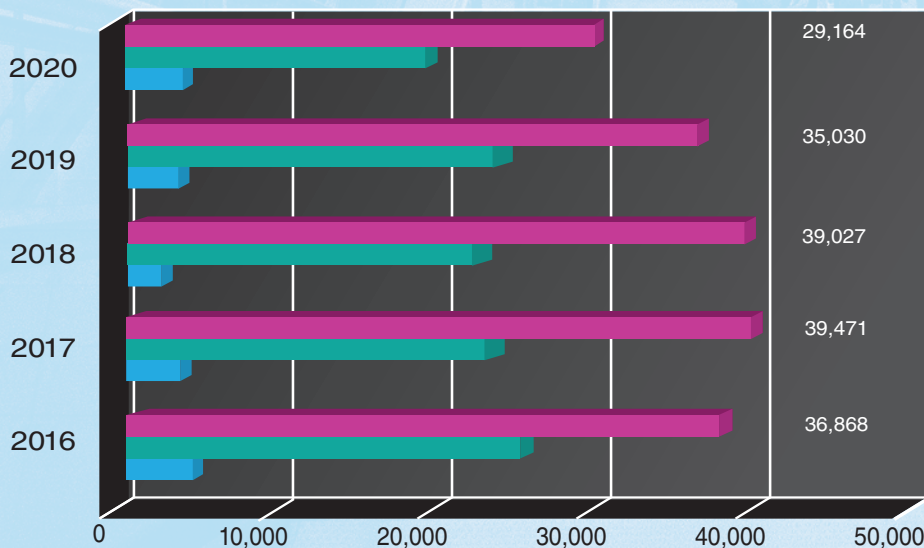
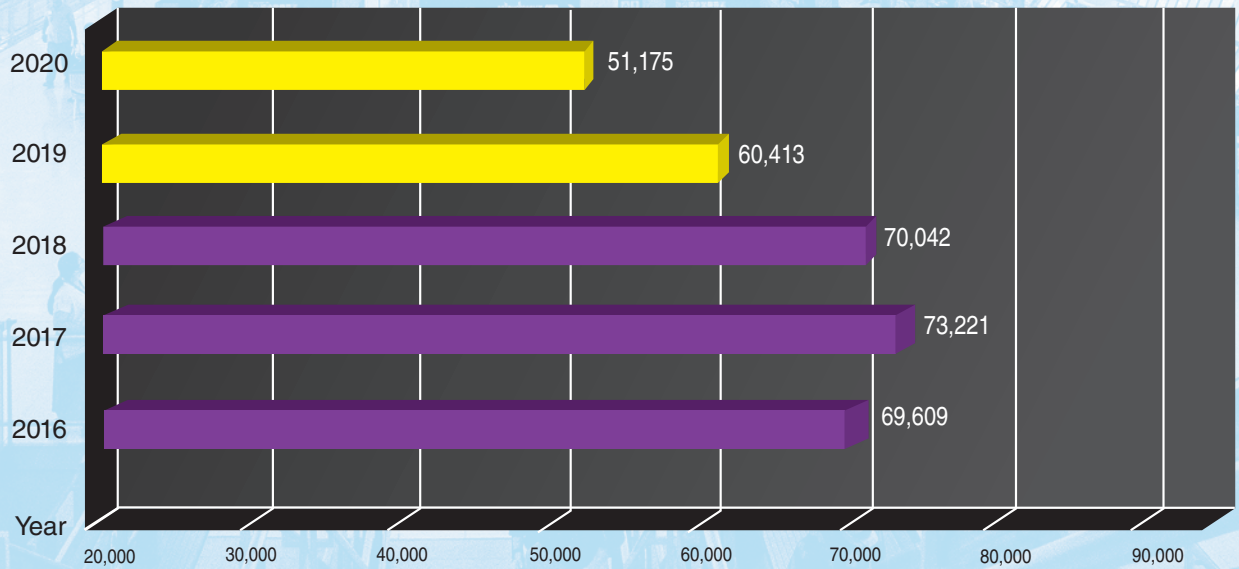
Freight Activity





Mail Carried

Traffic Operations



Air Traffic Movements

■ Air Carrier
■ General Av.
■ Military

Management's Discussion and Analysis

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

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

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

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

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

FINANCIAL HIGHLIGHTS

The Sioux Falls Regional Airport began 2020 with record passenger traffic in January and February, only to be hit with one of the most significant events in the past twenty years to impact aviation. Beginning in mid-March the pandemic dramatically impacted travel all across the world including Sioux Falls. Passenger traffic fell 95% in April and recovered in the summer and the remainder of the year at 50% of normal levels. Total passenger traffic was 588,881, down 49.5% compared to the year prior. Enplanements also fell 49.5% for a total of 293,892. The decline in traffic impacted all passenger driven concession revenue accounts from rental car use, parking, food/beverage, hotel and retail which were down 50-60% compared to 2019.

The following tables show the significant changes that have taken place over the past three fiscal years ended December 31, 2020, 2019 and 2018.

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

	2020	2019	2018
Total Assets			
Capital	\$135,343,922	\$127,752,099	\$119,527,845
Other	26,659,222	26,390,562	25,266,344
	<u>\$162,003,144</u>	<u>154,142,661</u>	<u>144,794,189</u>
Deferred Outflow of Resources			
Related to pension	491,306	349,045	516,951
	<u></u>	<u></u>	<u></u>
Total assets and deferred outflows	<u>\$162,494,450</u>	<u>\$154,491,706</u>	<u>\$145,311,140</u>
Total Liabilities			
Long-term	19,004	\$17,915	\$17,142
Other	590,804	2,137,150	1,182,371
	<u>609,808</u>	<u>2,155,065</u>	<u>1,199,513</u>
Deferred Inflow of Resources			
Related to pension	476,070	203,183	161,847
	<u></u>	<u></u>	<u></u>
Total liabilities and deferred inflows	<u>\$1,085,878</u>	<u>\$2,358,248</u>	<u>\$1,361,360</u>
Total Net Position			
Invested in capital assets	\$135,343,922	\$127,752,099	\$119,527,845
Restricted for capital projects	496,924	1,712,213	754,050
Restricted for pension benefits	18,632	153,688	356,717
Unrestricted	25,549,094	22,515,458	23,311,168
	<u>\$161,408,572</u>	<u>\$152,133,458</u>	<u>\$143,949,780</u>

Changes in Statement of Revenues, Expenses, and Net Position

	2020	2019	2018
Operating Revenues			
Rentals and commissions, net	\$5,790,691	\$9,140,887	\$8,105,429
Landing fees	884,217	1,055,511	961,431
State security reimbursements	118,400	128,205	127,840
Fines, forfeitures and other revenue	36,008	76,294	68,063
	<u>6,829,315</u>	<u>9,262,763</u>	<u>9,324,898</u>
Operating Expenses			
Depreciation	5,823,363	5,472,787	5,141,276
Personnel	2,582,910	2,580,644	2,272,155
Professional services	790,674	840,379	794,186
Utilities and bulk energy	654,703	628,726	624,012
Repairs and maintenance	370,000	456,347	339,612
Supplies and materials	277,756	148,896	92,244
Insurance	187,599	174,663	152,365
Other expenses	336,930	553,769	404,569
	<u>11,023,935</u>	<u>10,856,211</u>	<u>9,820,419</u>
Operating (Loss) Income	<u>\$(4,194,619)</u>	<u>\$(455,314)</u>	<u>\$(557,656)</u>
	2020	2019	2018
Nonoperating Revenues (Expenses)			
Passenger facility charges	\$1,812,919	\$2,453,168	\$2,295,124
Customer facility charges	527,211	957,264	822,210
Federal and state grants	4,953,305	-	-
Taxes, air flight, net	333,195	394,832	362,885
Interest and investment income	173,407	566,128	365,668
Loss on disposal or retirement of property and equipment	2,500	8,095	-
Miscellaneous	8,180	3,080	47
	<u>7,216,717</u>	<u>4,382,567</u>	<u>3,845,934</u>
Change in Net Position Before Capital Contributions	<u>3,022,098</u>	<u>3,927,253</u>	<u>3,288,278</u>
Capital contributions	6,253,016	4,256,425	12,663,574
Change in Net Position	<u>9,275,114</u>	<u>\$8,183,678</u>	<u>\$15,951,852</u>

The Authority's total net position increased \$9,275,114 or 6% over the course of this year's operations.

The Sioux Falls Regional Airport was significantly impacted with sharp drops in revenue as a result of traffic declines related to the pandemic. Projects planned for 2020 and bid early in the year or in 2019 moved forward, however. Work continued on a \$11 million deicing apron and glycol collection system which was completed in August. The new apron provides for a dedicated area for aircraft deicing of commercial aircraft reducing congestion on the terminal apron. It also allows for improved handling of glycol collected prior to being sent to the water treatment plant. This project was funded up to 90% with an FAA Airport Improvement Program grant and 5% from the State DOT. A project to expand the Economy lot began in early summer and completed in September. The \$1.2 million expansion allows for increased parking capacity to handle the high parking demand in February and March. A project to develop future private hangars on the west side of the airfield was also completed during the summer which provided a new taxiway connection for future hangars. Billion Automotive was the first business to construct a hangar in this area. The \$1.8 million project was funded with airport reserves.

Plans to reconstruct the final phase of Runway 3-21 moved forward with a bid opening in August of 2020 and work slated in 2021. The \$11.2 million project is funded with an FAA-AIP grant up to 90% with the State DOT contributing 5%. This is the last phase of reconstruction of the primary airport for FSD which began in 2012. Total cost of reconstruction has totaled over \$45 million in the past ten years.

While FSD saw operating revenue drop over 34% in 2020, Congress passed legislation in April of 2020 for the CARES Act providing a financial life-line to airports and airlines across the country. FSD was awarded a grant in the amount of \$22,454,505 to offset operation and maintenance expenses to minimize the loss of income expected over the next 2-3 years. This critical funding has allowed the airport to maintain employee staffing and operate the airport without resorting to significant cuts in spending. In 2020, the largest operating revenue source was parking lot revenue at \$2,501,471 which was down 51.1% from 2019. The Authority's second largest operating revenue source was airline fees and they are negotiated based on actual costs. The Authority's third largest operating revenue source was car rental commissions, down 44% versus the prior year. In 2020, on site-car rental agency revenue reported to the Authority totaled \$9,742,661 resulting in commissions paid to the Authority of \$1,028,085.

The Sioux Falls Regional Airport Authority continues on firm footing as a result of a strong net position and a healthy economy which has weathered the pandemic fairly well. Passenger traffic has rebounded over the past few months in 2021 and FSD is expecting to reach passenger levels of 70-75% of 2019 levels and a more normal year in 2022. Federal grants provided to airports across the country have mitigated the impacts due to Covid-19 and allowed us to move forward with many projects in the current and near term. Formal design has started for a 4-level parking structure planned for construction in 2023. The \$35 million project will be one of the largest for the airport with funding coming from airport reserves.

Sioux Falls Regional Airport Authority - Statements of Net Position
December 31, 2020 and 2019

Sioux Falls Regional Airport Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$19,007,648	\$17,784,723
Restricted cash	496,924	1,712,213
Accounts receivable	309,965	690,852
Grants receivable	1,820,541	1,257,540
Interest receivable	11,083	17,453
Passenger facility charges receivable	185,075	403,420
Customer facility charges receivable	33,962	97,608
Inventories	102,608	101,428
Prepaid expenses	183,906	52,752
Total current assets	22,151,622	22,117,989
Investments		
Certificates of deposit	4,504,204	4,264,747
Other Assets		
Pension asset	3,396	7,826
Capital Assets		
Land	1,152,384	1,152,384
Buildings	64,367,949	62,263,86
Improvements other than buildings	133,759,511	120,187,517
Machinery and equipment	9,952,532	9,477,214
Construction in progress	936,178	9,277,463
	210,168,554	202,358,439
Less accumulated depreciation	(74,824,632)	(74,606,340)
Total capital assets	135,343,922	127,752,099
Total assets	162,003,144	154,142,661
Deferred Outflow of Resources		
Related to pension	491,306	349,045
Total assets and deferred outflow of resources	\$162,494,450	\$154,491,706

	2020	2019
Liabilities		
Current Liabilities		
Accounts payable	462,728	\$1,944,123
Accrued salaries	24,323	93,022
Compensated absences	103,753	100,005
Total current liabilities	580,804	2,137,150
Long-Term Liabilities		
Compensated absences - long-term	19,004	17,915
Total liabilities	609,808	2,155,065
Deferred Inflow of Resources		
Related to pension	476,070	203,183
Total liabilities and deferred inflow of resources	1,085,878	2,358,248
Net Position		
Invested in capital assets	135,343,922	127,752,099
Restricted for capital projects	496,924	1,712,213
Restricted for pension benefits	18,632	153,688
Unrestricted	25,549,094	22,515,458
Total net position	161,408,572	152,133,458
Total liabilities, deferred inflow of resources, and net position	162,494,450	\$154,491,706

	2020	2019	Dollar Change	Percentage Change
Operating Revenues				
Rentals and commissions, net	\$5,790,691	\$9,140,887	\$(3,350,196)	-36.7%
Landing fees	884,217	1,055,511	(171,294)	-16.2%
State security reimbursements	118,400	128,205	(9,805)	-7.6%
Fines, forfeitures and other revenue	36,008	76,294	(40,286)	-52.8%
Total operating revenues	6,829,316	10,400,897	(3,571,581)	-34.3%
Operating Expenses				
Depreciation	5,823,363	5,472,787	350,576	6.4%
Personnel	2,582,910	2,580,644	2,266	0.1%
Professional services	790,674	840,379	(49,705)	-5.9%
Utilities and bulk energy	654,708	628,726	25,977	4.1%
Repairs and maintenance	370,000	456,347	(86,347)	-18.9%
Supplies and materials	277,756	148,896	128,860	86.5%
Insurance	187,599	174,663	12,936	7.4%
Other expenses	336,930	553,769	(261,839)	-39.2%
Total operating expenses	11,023,935	10,856,211	167,724	1.5%
Operating Income (Loss)	(4,194,619)	(455,314)	(3,739,305)	821.3%
Nonoperating Revenues (Expenses)				
Passenger facility charges	1,218,919	2,453,168	(1,234,249)	-50.3%
Customer facility charges	527,211	957,264	(430,053)	-44.9%
Federal and state grants	4,953,305	-	4,953,305	100%
Taxes - air flight, net	333,195	394,832	(61,637)	-15.6%
Interest and investment income	173,407	566,128	(392,721)	-69.4%
Miscellaneous	8,180	3,080	5,100	165.6%
Gain on disposal or retirement of property and equipment	2,500	8,095	(5,595)	-69.1%
Total nonoperating revenues	7,216,717	4,382,567	2,834,150	64.7%
Change in Net Position Before Capital Contributions	3,022,098	3,927,253	(905,155)	-23.0%
Capital Contributions	6,253,016	4,256,425	1,996,591	46.9%
Change in Net Position	9,275,114	8,183,678	\$1,091,436	13.3%
Total Net Position, Beginning of Year	152,133,458	143,949,780		
Total Net Position, End of Year	161,408,572	\$152,133,458		

Sioux Falls Regional Airport Authority - Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Cash received by providing services	\$4,864,542	\$5,664,550
Cash received from parking lot customers	2,209,941	4,569,662
Cash received for reimbursements	118,050	143,215
Payments to personnel	(2,511,716)	(2,338,972)
Payments to suppliers	(2,620,871)	(2,866,280)
Net Cash from Operating Activities	2,059,946	5,172,175
Non-Capital Financing Activities		
Proceeds from federal and state grants	333,195	394,832
Adjacent property - runway safety area	-	169,110
Other contributions	4,180,475	3,080
Net Cash from Non-Capital Financing Activities	4,513,670	567,022
Capital and Related Financing Activities		
Proceeds from contributions	6,471,115	3,784,171
Proceeds from passenger facility charges	1,437,264	2,388,913
Proceeds from customer facility charges	590,857	933,717
Proceeds from sale of property and equipment	2,500	10,650
Prepaid engineering services relating to capital assets	(131,545)	-
Purchases of property and equipment	(14,876,491)	(12,715,011)
Net Cash (used for) from Capital and Related Financing Activities	(6,506,300)	(5,597,560)
Investing Activities		
Redemptions of certificates of deposit	3,250,543	3,477,188
Purchases of certificates of deposit	(3,490,000)	(3,500,000)
Interest received	179,777	567,760
Net Cash from Investing Activities	(59,680)	544,948
Net Change in Cash and Cash Equivalents	7,636	686,585
Cash and Cash Equivalents at Beginning of Year	19,496,936	18,810,351
Cash and Cash Equivalents at End of Year	\$19,504,572	\$19,496,936

Sioux Falls Regional Airport Authority - Statements of Cash Flows, (cont.)
Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:		
Operating Income (Loss)	\$(4,194,619)	\$(455,314)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation	5,823,363	5,472,78
Changes in Assets and Liabilities		
Accounts receivable	380,887	(2,882)
Inventories	(1,180)	18,233
Prepaid expenses	391	(34,645)
Accounts payable	(20,090)	(67,676)
Related to pension	135056	203,029
Accrued expenses	(63,862)	38,643
Net Cash from Operating Activities	\$2,059,946	\$5,172,175
Supplemental Disclosure of Noncash Financing Activities		
Capital asset additions included in accounts payable	\$ 270,460	\$1,731,765

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, 2020 and 2019, 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.

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.

Property and Equipment

Property and equipment is stated at cost. The Authority capitalizes all expenditures for land, buildings and equipment over \$2,500. Maintenance and repairs are charged to expenses as incurred. 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

Accrued Absences and Sick Leave

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

Operating Revenue and Expenses

The Authority recognizes operating revenue and expenses when persuasive evidence of an arrangement exists, services have been provided, the fee is fixed or determinable and collectability is reasonably assured. All other revenue is considered non-operating.

Air Flight Property Taxes

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

Federal and State Grants

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

The Authority also received federal assistance from the federal government under the CARES Act. 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.

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity

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

Basis of Accounting

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

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Receivables and Credit Policies

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. At December 31, 2020 and 2019, 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

Sioux Falls Regional Airport Authority

Income Taxes

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

Pensions

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, and other unrecognized items not yet credited to pension expense.

Annual Budgets

On a discretionary basis, the Board of Commissioners annually adopt a budget as submitted by management, but greater emphasis is placed on complying with the grant budget, terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances. Any material changes to the annual budget are subsequently approved by the Board of Commissioners. Budgetary comparison information is not presented and is not required to be disclosed.

Recent Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, Leases. The statement is meant to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow resource, thereby enhancing the relevance and consistency of information about governments' leasing activities. Statement 87 is effective for fiscal years beginning after December 15, 2019, however a delay in the implementation date was moved back to fiscal years beginning after June 15, 2021. The Authority is currently evaluating the impact of this statement on the financial statements when implemented.

Note 2 - Bank Deposits and Investments

The Authority's deposits are made and held in qualified public depositories. In South Dakota, qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota. The Authority has entered into a general depository agreement in which deposits in excess of the amounts insured by the FDIC shall be fully and continually secured by the bank by the deposit or setting aside of collateral of the types and in the manner as is prescribed by State law for the security of public funds.

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

SDCL 4-5-6 permits public funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; (b) repurchase agreements fully

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

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

Custodial Credit Risk - The custodial credit risk is the risk that, in the event of a depository failure, the Authority will not be able to recover deposits. Authority deposits in excess of depository insurance must be 100 percent collateralized. As of December 31, 2020, \$19,148,540 of the Authority's bank balance of \$19,398,540 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank	\$19,148,540
Uninsured and collateral held by the pledging bank's trust department not in the Authority's name	232,414
	<u>\$19,380,954</u>

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

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

As of December 31, 2020, \$496,924 of CFC contributions are considered restricted cash for rental car construction projects at the Authority under the CFC program requirements.

Note 3 - Fair Value Measurements

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

Level 1 - Investments reflect prices quoted in active markets.

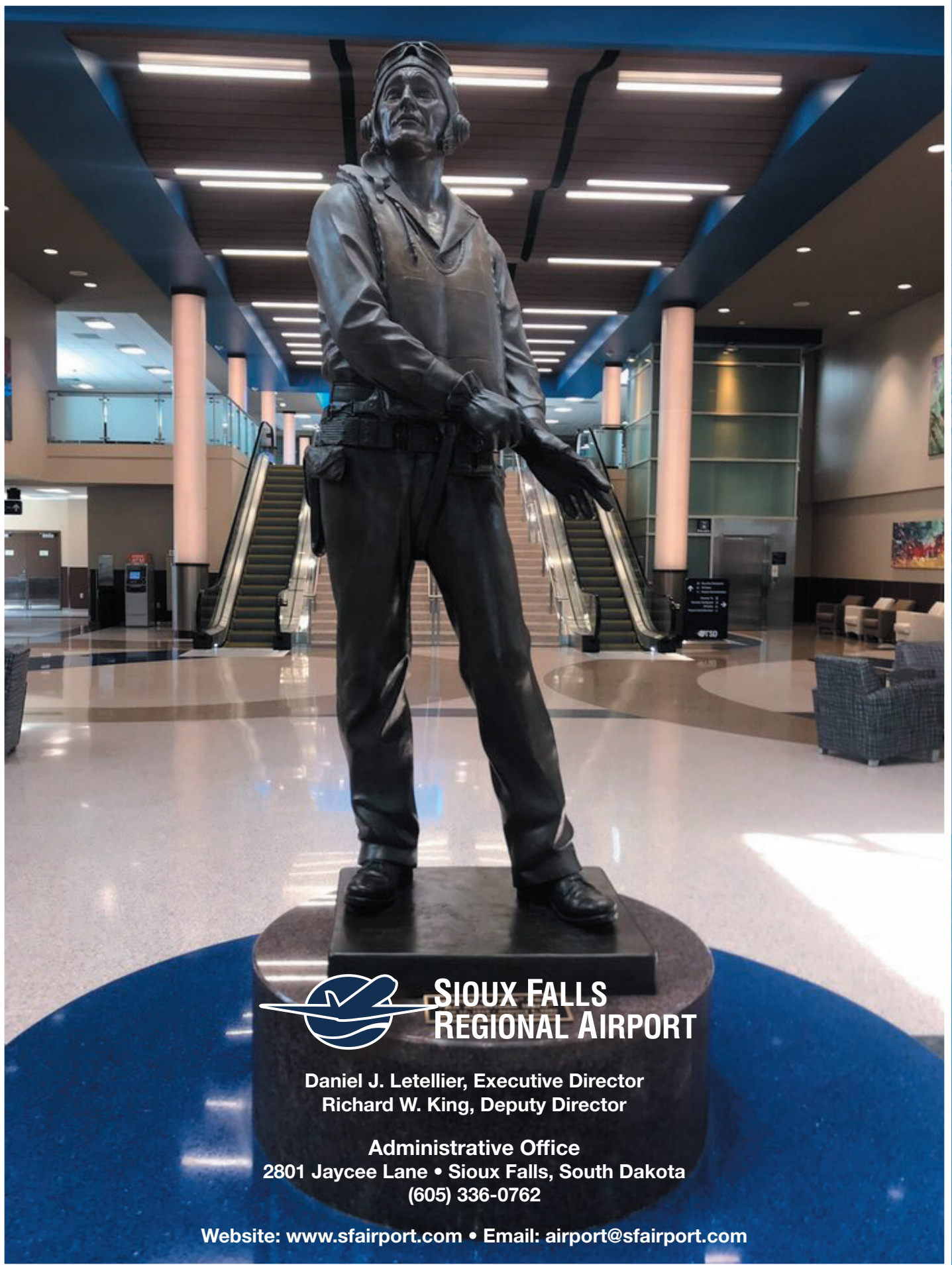
Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active.

Level 3 - Investments reflect prices based upon unobservable sources.

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

The fair value of investments are as follows:

	Fair Value December 31, 2020	Fair Value December 31, 2019
Certificates of deposit U.S. Agency securities	<u>\$4,504,204</u>	<u>\$4,264,747</u>



SIoux FALLS REGIONAL AIRPORT

Daniel J. Letellier, Executive Director
Richard W. King, Deputy Director

Administrative Office
2801 Jaycee Lane • Sioux Falls, South Dakota
(605) 336-0762

Website: www.sfairport.com • Email: airport@sfairport.com