

SOUTH DAKOTA SCIENCE
AND TECHNOLOGY AUTHORITY
(A BUSINESS TYPE ENTERPRISE ACTIVITY COMPONENT UNIT OF
THE STATE OF SOUTH DAKOTA)

ANNUAL FINANCIAL REPORT
JUNE 30, 2022

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

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Independent Auditor's Report

Board of Directors of
South Dakota Science and Technology Authority
Denver, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of South Dakota Science and Technology Authority, a component unit of the State of South Dakota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the South Dakota Science and Technology Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the South Dakota Science and Technology Authority, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year 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 South Dakota Science and Technology Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of an Error

As described in Note 13 to the financial statements, certain errors resulting in an understatement of amounts previously reported for Construction in Process as of June 30, 2021 was discovered by management of South Dakota Science and Technology Authority. Accordingly, a restatement has been made to the business-type activities net position as of June 30, 2021, to correct the error. Our opinion is not modified with respect to that matter.

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 South Dakota Science and Technology 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 South Dakota Science and Technology 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 South Dakota Science and Technology 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 on pages 1 – 7 and the South Dakota Science and Technology Authority's proportionate share of the net pension liability (asset) and schedule of contributions on pages 29-31 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 auditing standards generally accepted in the United States of America, 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 South Dakota Science and Technology Authority's basic financial statements. The schedule of operating expenses and supplemental schedule of expenditures of federal awards are presented for purposes of additional analysis and are 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 December 15, 2022 on our consideration of the 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of '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 's internal control over financial reporting and compliance.



Denver, Colorado
December 15, 2022

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

This section of the South Dakota Science and Technology Authority's (SDSTA's) annual financial report presents management's discussion and analysis of the SDSTA's financial performance during the fiscal year ended June 30, 2022 (FY 2022). This analysis should be read in conjunction with the financial statements and notes to the financial statements.

The SDSTA's financial statements include the operations of funds that the SDSTA has established to achieve its goal of maintaining the Sanford Underground Research Facility (SURF) in support of the science mission under the agreement with the Department of Energy's (DOE's) Office of Science. The property was donated by Homestake Mining Company of California, to the State of South Dakota and SDSTA in April 2006.

The activity of the SDSTA is accounted for as a proprietary fund type. The SDSTA is a component unit of the State of South Dakota, and its financial statements are included in the Annual Comprehensive Financial Report of the State of South Dakota.

Included in the financial statements presented is a current year comparison to prior year balance sheet summary, revenue and expense summary, and capital assets. Further reports reflect current year detailed statement of net position, statement of revenue, expense and changes in net position, cash flow, and schedule of operating expenses. Comparisons of current year to prior year are important to display increases and decreases in various elements of the financial reports for the SDSTA. Current year detailed reports provide significant detail for statement of net position, revenues, expenses, and cash flows for the SDSTA.

FINANCIAL HIGHLIGHTS:

- Total Assets at year-end increased to \$132,304,090.
- Current Assets increased by \$666,226. Cash on Deposit with State Treasurer decreased by \$163,991 primarily due to payments made on the Xenon Notes Payable to the foundations. Yet, Cash in the Local Bank increased by \$411,599 due to funds received from federal contracts late in the month on open accounts receivable. Prepaid expenses increased by \$378,311 primarily for insurance premiums paid. Inventory of Supplies also increased by \$293,344 for assets added.
- Capital Assets increased by \$7,872,459, net of depreciation expense. Page 5 details the major capital asset additions and deletions. Furthermore, page 16 summarizes the changes in capital assets by major categories. Most notable was the Sanford Lab Homestake Visitor Center donated from the Lead Area Chamber of Commerce. The current funding to manage and operate the facility comes from a Cooperative Agreement with the DOE – Office of Science that was effective September 30, 2019. Additional property purchased under this agreement is kept separate under the Capital Assets category, as this property has become vested in the SDSTA upon acquisition.
- Net Pension Asset increased to \$4,730,555. The State's retirement system is fully funded (see Note 6 – page 19). The SDSTA's total contributions to the South Dakota Retirement System (SDRS) increased by \$39,396 from 2021 to 2022. This was due primarily to an increase in personnel wages. GASB standards allow entities to use a pension measurement date up to one year prior to the entities reporting period. Therefore, the SDSTA is using a June 30, 2021, pension measurement date for our fiscal year end June 30, 2022, statements. GOED funding of \$2,000,000 received in 2017 along with loans from various South Dakota Foundations have enabled the SDSTA to purchase xenon to be used in the future LZ experiment. Xenon purchased remains the same as last year at \$8,934,350 as of June 30, 2022. In summary, Net Pension Asset and Xenon Purchased have increased by \$4,730,555.
- Pension Related Deferred Outflows is also related to our retirement plan with SDRS. The amounts recorded relate to our proportionate share of the differences between expected and actual experience in pension earnings along with the SDSTA's pension contributions made subsequent to June 30, 2021. Asset Retirement Obligation Deferred Outflows is the estimated costs associated with closing the SURF facility. The total Deferred Outflows of Resources have increased to \$7,642,751.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2022

- Total Liabilities at year end increased to \$10,695,495. Accounts payable is slightly lower when comparing the two time periods. However, liabilities associated with employee wages, leave and benefits increased due to additional personnel wages and increases in vacation and sick accruals. Also, the increase is due to reporting an Asset Retirement Obligation liability for the first time at June 30, 2022.
- Pension Related Deferred Inflows is also connected to our retirement plan with SDRS. The recorded amount relates to our portion of the difference between projected and actual earnings on pension plan investments and changes in various assumptions. Our portion has increased to \$9,300,127.
- Total Restricted Net Position increased to \$12,282,139. This increase is primarily due to the increase in the restricted net pension. There was a slight decrease due to spending the funds restricted for the MSF for final construction costs and outfitting of the facility, and payments made on the Xenon Notes Payable to the foundations.
- Unrestricted Net Position increased by \$792,294 to \$13,269,156.
- Total Net Position at year end increased by \$9,814,430 to \$119,951,220.
- Charges for Services increased slightly to \$473,945. New revenue source for gift store sales at the Sanford Lab Homestake Visitor Center and an increase from Homestake due to an increase in the amount of water being treated and discharged for Homestake. Additional income was received from private corporations, Caterpillar Global Mining LLC for rental charges as well as Thyssen Mining, subcontractors with Fermi National Accelerator Laboratory (FNAL) that has been contracted to excavate the rock for the large experimental facility underground at the 4850 foot level (4850L) for the Long Baseline Neutrino Facility (LBNF).
- Operating Grants increased to \$38,389,624. The revenue received in this classification includes \$32,512,365 from the Cooperative Agreement with DOE, \$4,569,536 from FRA, and \$1,307,723 from various smaller contracts.
- Miscellaneous revenue decreased to \$410,953 primarily due to a decrease in revenue from the Sanford Underground Research Facility Foundation and other miscellaneous receipts.
- Capital Grants and Contributions increased to \$4,066,941. This amount is related to the various property that was transferred by the Department of Energy (DOE) Fermi Site Office to the SDSTA as well as property acquired during the prior fiscal year from the Cooperative Agreement. This also includes the donation of the Sanford Lab Homestake Visitor Center from the Lead Area Chamber of Commerce.
- Investment Earnings for fiscal year 2022 are at \$171,113. The unrealized appreciation and undistributed earnings that were reversed from the prior year when compared to the current year unrealized appreciation and undistributed earnings results in an increase in investment earnings. Also, investment earnings of \$102,964 were received on the cash on deposit with State Treasurer. This actual allocation compared to last year decreased by \$123,262 due to a lower amount of cash being deposited for investment with the State Treasurer.
- Total Program Expenses for the SDSTA were \$33,698,146 which represents a decrease of 0.88% percent from the previous year. Included in Total Program Expenses are Operating Expenses which decreased by \$2,550,382 to \$33,331,675. Personnel Services represent 57 percent of the Operating Expenses; Contractual Services represent 24 percent; and Supplies, Materials, Travel, Depreciation, and Other Expenses represent 19 percent of these expenses. Most of the decrease in Operating Expenses is due to increased Construction in Progress recorded.
- Net Position increased by \$9,814,430 for fiscal year 2022.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) JUNE 30, 2022

FINANCIAL STATEMENT ELEMENTS:

NET POSITION

	2022	2021 (restated)	Dollar Change	Percent Change
Current Assets	\$ 24,239,260	\$ 23,573,034	\$ 666,226	2.83%
Capital Assets	94,399,925	86,527,467	7,872,458	9.10%
Net Pension Asset and Xenon Purchased	13,664,905	8,958,957	4,705,948	52.53%
Total Assets	132,304,090	119,059,458	13,244,632	11.12%
Pension Related Deferred Outflows	6,513,113	4,111,205	2,401,908	58.42%
Asset Retirement Obligation Deferred Outflows	1,129,638	-	1,129,638	100.00%
Total Deferred Outflow of Resources	7,642,751	4,111,205	3,531,546	85.90%
Long-Term Liabilities Outstanding	7,911,151	6,812,442	1,098,709	16.13%
Other Liabilities	2,784,343	2,753,532	30,811	1.12%
Total Liabilities	10,695,494	9,565,974	1,129,520	11.81%
Pension Related Deferred Inflows	9,300,127	3,467,899	5,832,228	168.18%
Net Position:				
Net Investment in Capital Assets	94,399,925	86,527,467	7,872,458	9.10%
Restricted	12,282,139	11,132,462	1,149,677	10.33%
Unrestricted	13,269,156	12,476,862	792,294	6.35%
Total Net Position	\$ 119,951,220	\$ 110,136,791	\$ 9,814,429	8.91%

CHANGE IN NET POSITION

	2022	2021 (restated)	Dollar Change	Percent Change
Revenues				
Program Revenues:				
Charges for Services	\$ 473,945	\$ 370,420	\$ 103,525	27.95%
Operating Grants	38,389,624	33,963,788	4,425,836	13.03%
Miscellaneous	410,953	482,810	(71,857)	-14.88%
Capital Grants and Contributions	4,066,941	1,563,103	2,503,838	160.18%
General Revenues:				
Investment Earnings	171,113	(274,708)	445,821	-162.29%
Total Revenue	43,512,576	36,105,413	7,407,163	20.52%
Program Expenses:				
Science and Technology Authority	33,698,146	33,998,168	(300,022)	-0.88%
Total Expense	33,698,146	33,998,168	(300,022)	-0.88%
Change in Net Position	9,814,430	2,107,245	7,707,185	365.75%
Net Position-Beginning (restated)	110,136,790	108,029,545	2,107,245	1.95%
Net Position-Ending	\$ 119,951,220	\$ 110,136,790	\$ 9,814,430	8.91%

By June 30, 2022, the SDSTA had invested \$94,399,926 in a broad range of capital assets, including computer equipment, land, buildings, improvements to infrastructure and the underground, and various machinery and equipment. \$20,551,152 of this \$94,399,925 (approximately 22% of this total value) was donated by Barrick Gold.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) **JUNE 30, 2022**

CAPITAL ASSETS (Net of Depreciation)

	2022	2021 (restated)	Change
Improvements	\$ 43,887,893	\$ 45,214,485	\$ (1,326,592)
Underground	17,936,955	17,936,955	-
Buildings	14,776,029	11,298,152	3,477,878
Computer Equipment	69,868	115,866	(45,998)
Machinery and Equipment	4,006,075	4,356,769	(350,694)
Construction in Progress	4,118,733	2,300,282	1,818,451
Land	1,924,136	1,814,136	110,000
Infrastructure	1,451,642	1,504,097	(52,455)
Furniture	6,737	11,224	(4,487)
Archive Material	70,000	70,000	-
Auto	334,972	205,147	129,825
DOE Property Transfer	5,816,885	1,700,354	4,116,531
Total Capital Assets	\$ 94,399,926	\$ 86,527,467	\$ 7,872,459

This year's major capital asset additions and deletions included:

Purchased Capital Assets:

Land Donated for the Sanford Lab Homestake Visitor Center from the Lead Area Chamber \$ 110,000

Improvements in Progress (Current Year Additions): -

Sanford Lab Homestake Visitor Center Upgrade and Design Displays 38,937

IIP Projects (net) 1,779,515

Autos (Current Year Additions):

(4) Dodge Pickups Purchased for SDSTA Fleet 121,322

(1) Ford Transit Passenger Van Purchased for SDSTA Fleet 49,293

Buildings (Current Year Additions):

Building Donated for the Sanford Lab Homestake Visitor Center from the Lead Area Chamber 3,793,589

Computer Equipment, Machinery and Equipment (Current Year Additions):

Davis Ring Experiment Donated for the Sanford Lab Homestake Visitor Center from the Lead Area Chamber 52,133

Mine Refuge Changer Donated from KAJV 62,447

Joy Fan in Ross Tramway 6,710

Termination Cabinets for Ross Pump System 15,914

Computer Equipment, Machinery and Equipment (Current Year Deletions): -

(2) 8 Ton Locomotive (End of Life) (260,000)

(2) Micro 1000 Data Loggers (End of Life) (15,410)

Vertical Diesel Symo Power Unit (End of Life) (14,023)

Laser Scan Station (End of Life) (59,609)

DOE Property Transfer:

Pipe Cutter, Bobcat Skid steer, Doors for the Ross and Yates Cages, HPE Gen Server, Ross Complex Waterline, Yates Hoist Gen Set Refurbished, Mini Excavator w/ Angle Blade and Buckets, Gravity Flow System, Alpha Guard Pump and Radon Monitor, Yates complex Waterline and Meter Building, Meastro Mine Regulator and Air Quality Station, and Pumps. 4,451,801

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) **JUNE 30, 2022**

LONG-TERM DEBT

At the year-end, the SDSTA had \$7,911,151 in other long-term obligations. This is an increase of approximately 16% as shown below.

	2022	2021	Total Dollar Change	Total Percentage Change
Compensated Absences	\$ 781,513	\$ 812,442	\$ (30,929)	-3.81%
Asset Retirement Obligation	1,129,638	-	1,129,638	100.00%
Xenon Notes Payable	6,000,000	6,000,000	-	0.00%
Total Long-Term Debt	\$ 7,911,151	\$ 6,812,442	\$ 1,098,709	16.13%

- The SDSTA is liable for the accrued vacation leave payable to all full-time employees. In addition, the SDSTA is liable for a portion of the earned sick leave of employees who have been employed for seven consecutive years. The \$30,929 decrease in compensated absences is due to a decrease in the corresponding amount of leave accumulated and outstanding at the end of the year for employees. There was not an increase in the xenon notes payable in fiscal year 2022. The Asset Retirement Obligation is being reported for the first time at June 30, 2022. Note (4) Long-Term Debt in the Notes to Financial Statements on page 17 details the activity for the period for compensated absences, asset retirement obligation and the xenon note payable.
- On October 31, 2019 the SDSTA signed a Promissory Note with the First Interstate Bank for \$5,000,000. This agreement represents a variable rate revolving line of credit. Collateral for this line of credit includes the SDSTA's Account Receivable. The SDSTA put this loan in place if government funding were to be slowed due to a government shutdown. The SDSTA has not drawn down any funding from this line of credit. The maturity date is October 31, 2022 at which time we will renew for another one-year term.

ECONOMIC FACTORS

- A report released from the Particle Physics Project Prioritization Panel (P5) in May 2014, outlined the 10-year strategic plan for high-energy physics in the United States. The report provides strong support for science programs envisioned to be located at SURF, including research into neutrinos and dark matter, both of which are being researched at SURF. This panel formally advises both the DOE Office of Science and the National Science Foundation (NSF) on support for physics. This report has played a key role in the evolution of SURF and its experiments. The next P5 report is in development and is planned to be released in 2023.
- The SDSTA's Board of Directors approved an operating budget of \$2,226,624 for fiscal year 2023 in favor of SDSTA supported activities
- The SDSTA transitioned to a five-year Cooperative Agreement with the Department of Energy's (DOE) Office of Science in September 2019 including a budget of \$123,458,448 for five years of SURF Operations. We are in the third year of this award with a current budget of \$24,236,978. An additional \$15,391,601 has been received to date for Infrastructure Improvement Projects (IIP). Contract to date expenditures through the end of June 2022 are at \$63,046,355 for the Operations portion and \$12,746,126 for the IIP portion.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2022

ECONOMIC FACTORS (Continued)

- In late 2012, the DOE approved the Long Baseline Neutrino Experiment (LBNE) to proceed with preliminary designs to construct a large neutrino detector at SURF. In October 2014, the United States along with international partners agreed that SURF was to remain the host for the LBNE related detectors. After further meetings, the LBNE collaboration officially dissolved and transferred all experiment responsibilities to a new collaboration referred to as the associated Deep Underground Neutrino Experiment (DUNE) consisting of United States and International support. The facility to host DUNE, called the Long Baseline Neutrino Facility (LBNF), will send neutrinos through the earth from Fermilab in Batavia, Illinois to SURF in Lead, SD. More recent developments (September 2016) involve the DOE formally approving plans for construction at SURF. The first step of installing LBNF systems to transport 875,000 tons of rock to the surface began in January 2019. Underground activities to excavate rock in order to house the neutrino detectors and related utilities began in June 2021. DOE Support for professional engineering management services continues into fiscal year 2023 for this LBNF effort.
- The LBNF/DUNE Logistics Support Services contract continues with our support to the Long-Baseline Neutrino Facility (LBNF)/Deep Underground Neutrino Experiment (DUNE) construction efforts with the buildout of the large underground caverns at SURF for this experiment.
- Further funding was received in fiscal year 2022 through Lawrence Berkeley National Laboratory (LBNL) in support of various experiments. Included was support for the LUX-ZEPLIN (LZ) experiment operations as well as a geothermal energy research project called SIGMA-V. These awards reimbursed the SDSTA for expenses incurred in support of the various experiments for materials and supplies as well as a percentage of the salaries of the design team members for their project management skills essential to the work being performed. Support continues in fiscal year 2023 for these same activities through LBNL.
- Additional funding was received during the fiscal year from Oak Ridge National Laboratory and South Dakota Mines. Funds were received to support the Majorana Demonstrator experiment located at the 4850L Davis Campus. Support continues in fiscal year 2023 from Oak Ridge. The CASPAR experiment funded by SD Mines was decommissioned in April 2021. Most of their equipment remains in the current 4850L for future use in their experiment at SURF. This experiment could resume as early as 2024.
- Additional funding was received from the Kiewit/Alberici Joint Venture and Thyssen Mining Inc. for equipment rentals and miscellaneous items associated with the LBNF project. Amounts charged were then credited to the Cooperative Agreement as the equipment maintenance charges were covered under that funding. An additional agreement was signed with Thyssen Mining Inc. in March 2021 to lease the Ross Pipe Shop and the Ross Maintenance Shop during their excavation of the cavern for the DUNE project. The term of the lease commenced July 1, 2021 and will end upon the completion of the LBNF construction phase 1B, which is estimated to be February 28, 2024.
- A lease agreement was signed on September 15, 2020 whereby Caterpillar Global Mining LLC is leasing two existing rooms located on the SURF 1700-foot level underground. The initial term of the lease began on October 1, 2020 and shall continue until September 30, 2030. The vendor will be developing and testing new mining technology for the industry and intends to commercially sell the newly developed technology. The base rent of \$150,000 per annum is considered "Program Income" by the DOE Cooperative Agreement and is added to the funds committed to the award and will be used to further eligible SURF Operations projects.
- A Letter Agreement dated February 24, 2014 between the SDSTA and Black Hills State University (BHSU) provided up to \$300,000 per year for three years from the SDSTA to BHSU to administer the Sanford Science Education Center. Matching funds of \$150,000 per year by BHSU is documented. An amended agreement dated June 6, 2017 committed an additional \$275,000 toward education and outreach priorities for the period July 2017 – June 2018. The agreement was amended as of June 8, 2018 for \$275,000 for the period July 2018 –

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED) JUNE 30, 2022

ECONOMIC FACTORS (Continued)

June 2019. Furthermore, the agreement was amended as of July 2019 and again in May 2020 and May 2021 for \$660,000 each year for additional one-year periods. The agreement was again amended as of June 2022 for \$620,000 for an additional one-year period. The full period of performance now extends from June 2014 through June 2023. The funding going forward for the Sanford Science Education Center program through BHSU is included in the indirect expenses of the Cooperative Agreement with the DOE Office of Science. This type of funding is encouraged as Cooperative Agreements require the support of a public purpose.

- An additional Letter Agreement between SDSTA and BHSU was initiated in August 2020 to administer and advance the success of the SURF Artist in Residence (AiR) program. \$38,000 was committed by the SDSTA towards collaborative efforts in artistic works and activities. The agreement was amended in August 2022 for an additional year of support for \$42,500. This agreement is funded through SDSTA funds.
- The SDSTA is compliant with all legal and environmental regulations.

CONTACTING THE SDSTA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the SDSTA's finances and to demonstrate the SDSTA's accountability for the money it receives. If you have any questions about this report or need additional information, contact the South Dakota Science and Technology Authority, 630 East Summit Street, Lead, SD 57754.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**STATEMENT OF NET POSITION****JUNE 30, 2022****ASSETS****Current Assets**

Cash in Local Bank and Petty Cash	\$ 5,798,703
Cash on Deposit with State Treasurer	11,396,219
Accounts Receivable	2,399,204
Interest Receivable	28,944
Prepaid Expenses	970,079
Inventory of Supplies & Warehouse	3,646,111
Total Current Assets	24,239,260

Noncurrent Assets

Xenon Purchased (note 5)	8,934,350
Net Pension Asset	4,730,555
Land	1,924,136
Underground	17,936,955
Buildings, Machinery, Equipment, Infrastructure, & DOE Property Transferred (Net) (Note 3)	74,538,834
Total Noncurrent Assets	108,064,830

TOTAL ASSETS **132,304,090****Deferred Outflows of Resources**

Asset Retirement Obligation Deferred Outflows	1,129,638
Pension Related Deferred Outflows	6,513,113
Total Deferred Outflow of Resources	7,642,751

LIABILITIES**Current Liabilities**

Accounts Payable	912,430
Accrued Wages and Benefits	1,090,401
Accrued Leave, Benefits (Note 4)	781,512
Total Current Liabilities	2,784,343

Long-Term Liabilities

Accrued Leave, Benefits (Note 4)	781,513
Asset Retirement Obligation (Note 4)	1,129,638
Long-Term Xenon Notes Payable	6,000,000
Total Long-Term Liabilities	7,911,151

TOTAL LIABILITIES **10,695,494****Deferred Inflows of Resources**

Pension Related Deferred Inflows	9,300,127
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NET POSITION

Invested in Capital Assets	94,399,925
Restricted for:	
Mine Closure	1,567,553
Experiments	744,642
Indemnification	7,500,000
Pension	1,943,542
Foundation	526,402
Unrestricted Net Position	13,269,156
TOTAL NET POSITION	\$ 119,951,220

The accompanying notes are an integral part of this statement.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

Operating Revenue

Charges for Goods and Services	\$ 473,945
Operating Grants	38,389,624
Miscellaneous	410,953
Total Operating Revenue	39,274,522

Operating Expenses

Personnel Services	18,894,843
Travel	156,521
Contractual Services	8,163,051
Supplies, Materials and Other Operating Expenses	3,467,222
Depreciation Expense	2,650,038
Total Operating Expenses	33,331,675

Operating Gain	5,942,847
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Nonoperating Revenues/Expenses

Interest Revenue	171,113
Contributions	86,472
Other Expense	(366,471)
Total Nonoperating Revenues/Expenses	(108,886)

Capital Grants	3,980,469
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Change in Net Position	9,814,430
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Net Position -- Beginning of Year (as restated)	110,136,790
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Net Position -- End of Year	\$ 119,951,220
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The accompanying notes are an integral part of this statement.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2022

Cash Flows from Operating Activities:

Other Operating Cash Receipts	\$ 948,147
Cash Receipts from Operating Grants	38,646,890
Cash Payments to Employees for Services	(20,129,502)
Cash Payments to Suppliers of Goods and Services	(12,520,489)
Net Cash Used by Operating Activities	6,945,046

Cash Flows from Noncapital Financing Activities:

Interest/Insurance Paid on Xenon	(350,224)
Grants & Donations Paid	-
Net Cash Used by Noncapital Financing Activities	(350,224)

Cash Flows from Capital and Related Financing Activities:

Purchase of Capital Assets	(6,519,266)
Net Cash Used by Capital and Related Financing Activities	(6,519,266)

Cash Flows from Investing Activities:

Interest Earnings	172,051
Net Cash Provided by Investing Activities	172,051

Net increase in Cash and Cash Equivalents 247,608

Cash and Cash Equivalents at Beginning of Year 16,947,314

Cash and Cash Equivalents at End of Year 17,194,922

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:

Operating Gain	5,942,847
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</i>	
Depreciation & Amortization Expense	2,650,038
Change in Assets and Liabilities:	
Receivables	320,515
Prepaid Expenses	(354,349)
Inventory of Supplies	(376,384)
Net Pension Asset	(4,705,949)
Decrease(Increase) in Deferred Outflow of Resources - Pension	(2,401,908)
Increase (Decrease) Deferred Inflow of Resources - Pension	5,832,228
Accounts and Other Payables	(2,961)
Accrued Wages Payable	102,828
Accrued Leave Payable	(61,859)
Net Cash Used in Operating Activities	\$ 6,945,046

Continued on next page

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Cash and Cash Equivalents:

Cash in Local Bank	\$	5,797,653
Petty Cash		1,050
Cash with State Treasurer		11,396,219
Total Cash and Cash Equivalents		17,194,922

Non-Cash Capital and Related Financing Activities:

Loss on Disposal of Assets		11,849
Donated Capital Assets		3,980,469
Donated Inventory of Supplies		293,344
Total Non-Cash Activities	\$	4,285,662

The accompanying notes are an integral part of this statement.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(1) Summary of Significant Accounting Policies

a. Reporting Entity

The South Dakota Science and Technology Authority (SDSTA) was created and organized by Chapter 1-16H of the South Dakota Codified Laws. The purposes of the SDSTA is to foster and facilitate scientific and technology investigation, experimentation, and development by creating a mechanism through which laboratory, experimental and development facilities may be acquired, developed, constructed, maintained, operated, and decommissioned. The initial focus of the SDSTA is to support the transfer of the Homestake Gold Mine in Lead, South Dakota for development by the research community to become the world's premier Underground Science and Engineering Laboratory; more specifically, the Sanford Underground Research Facility (SURF). Additional focus is maintained by the SDSTA for an education and outreach program detailing the progress. The SDSTA is a business type component unit of the State of South Dakota (the State). As such, the accompanying financial statements are included in the Annual Comprehensive Financial Report of the State of South Dakota.

The Sanford Underground Research Facility Foundation (SURFF) is a legally separate, tax exempt component unit of the SDSTA. The SURFF was established as a fundraising organization to supplement resources for the SDSTA programs related to education, internships, public outreach, and the development of the SURF Institute. Thus, the services the SURFF provides is for the SDSTA. The sitting Chairperson of the SDSTA serves as a voting Director on an ex officio basis and is included in the total number of Directors as listed by the Bylaws. Two board members from the SDSTA are also on the Board of the SURF Foundation. The SDSTA is also responsible for any outstanding debt.

b. Fund Accounting

The SDSTA Fund is accounted for as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

c. Measurement Focus, Basis of Accounting

The SDSTA Fund follows the economic resources measurement focus and accrual basis of accounting, wherein revenues are recognized when earned and expenses are recognized when incurred. Likewise, the SURFF follows the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

d. Inventory of Supplies

Inventory of supplies consists primarily of expendable equipment/supplies, donated and purchased, not yet in service. Donated inventory of supplies are revalued at their estimated fair value on date of donation. Purchased equipment values are reported at cost. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use at a later date.

e. Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Capital assets are recorded at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

e. Capital Assets (Continued)

Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized. Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Net Position, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the SDSTA's financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	All Land	N/A	N/A
Improvements	\$ 5,000	Straight-line	10-50 yrs.
Infrastructure	5,000	Straight-line	25-50 yrs.
Buildings	5,000	Straight-line	10-50 yrs.
Automobiles, Furniture, Machinery and Equipment	5,000	Straight-line	2-75 yrs.

f. Revenue and Expense Classifications

In the Statement of Revenues, Expenses, and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenue or expenses. The Authority's proprietary fund distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses of the SDSTA consist of reimbursement of the costs of operations from Homestake Mining Company and other entities, and the costs of providing those services, including depreciation. All other revenues and expenses are reported as non-operating.

g. Cash and Cash Equivalents

Cash includes cash on hand, demand deposits, and participating interest in the State's internal investment pool held by the State Treasurer. The amount held in the State's internal investment pool is reported at fair value. The SDSTA essentially has access to the entire amount of their cash resources on demand. Accordingly, equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

h. Equity Classifications

Equity is classified as net position and is displayed in three components:

1. Net investment in capital assets consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net position consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

(1) Summary of Significant Accounting Policies (Concluded)

i. Application of Net Position

It is the SDSTA's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

j. Accrued Leave

Compensated absences consist of vacation and sick leave earned. The vacation leave is earned by full-time employees at the rate of 4.62 hours per pay period, increasing to 6.16 hours per pay period after 15 years of service. The vacation leave may accumulate only to a maximum of twice the annual accrual. Upon retirement or resignation, only full-time employees with 180 days of continuous service will be paid for accumulated vacation leave. Sick leave is earned at the rate of 4.32 hours per pay period. Upon termination, some employees are entitled to receive compensation for a portion of their sick leave balance. Those with seven years of service or more will receive compensation at the rate of 25 percent of their balance up to a maximum of 480 hours.

k. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (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 SDSTA's contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

l. Leases

GASB 87 was implemented in FY2022. We evaluated all current leases to determine if they meet the GASB definition of a lease. For those that did meet the definition of a lease, we concluded they were immaterial for reporting in FY2022. We will analyze this each Fiscal Year.

m. Asset Retirement Obligation

GASB 83 "Certain Asset Retirement Obligations" was implemented in FY2022. We reported an asset retirement obligation see note 4. This cost will be evaluated each fiscal year and updated for any changes.

(2) Deposits and Investments

Deposits

The majority of the SDSTA's cash is on deposit with the State Treasurer. Such funds are invested through the South Dakota Investment Council. Management of the State's internal investment pool is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the audit report of the South Dakota Investment Council, which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501.

Custodial credit risk is the risk that in the event of a bank failure, the SDSTA's deposits may not be returned to it. The SDSTA does not have a deposit policy for custodial credit risk. None of the SDSTA's deposits were exposed to custodial credit risk.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **JUNE 30, 2022**

(2) Deposits and Investments (continued)

Investments

In general, SDCL 1-16H-18 permits funds to be invested in (a) direct obligations of, or obligations the principal of the interest on which are fully guaranteed or insured by, the United States of America; or (b) obligations of any solvent insurance company or other corporation or business entity if rated in the two highest classifications established by a standard rating service or insurance companies or a nationally recognized rating agency; or (c) short term discount obligations of the Federal National Mortgage Association; or (d) obligations of any state of the United States or any political subdivision, public instrumentality, or public authority of any state of the United States, which obligations are not callable before the principal is to be paid, are fully secured as to both sufficiency and timely payment by, and payable solely from, obligations described in (a). The SDSTA did not have any investments as of June 30, 2022.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2022

(3) Changes in Capital Assets

A summary of changes in capital assets for the year ended June 30, 2022, is as follows:

	Balance June 30, 2021 (restated)	Reclassified*	Increases	Decreases	Balance June 30, 2022
Business-Type Activities:					
Capital Assets, not Being Depreciated:					
Land	\$ 1,814,136	\$ -	\$ 110,000	\$ -	\$ 1,924,136
Underground	17,936,955	-	-	-	\$ 17,936,955
Archive Materials	70,000	-	-	-	\$ 70,000
Construction Work in Progress (CIP) (see Note 10)	2,300,282	(3,542,500)	5,360,951	-	\$ 4,118,733
Total Capital Assets, not Being Depreciated	22,121,373	(3,542,500)	5,470,951	-	\$ 24,049,824
Capital Assets, Being Depreciated:					
DOE Property Transferred	1,876,476	3,542,500	909,301	-	\$ 6,328,277
Automobiles	306,996	-	170,615	-	\$ 477,611
Buildings	13,589,656	-	3,793,589	-	\$ 17,383,244
Furniture	74,212	-	-	6,914	\$ 67,298
Computer Equipment	354,678	-	-	15,044	\$ 339,634
Improvements	55,625,517	-	-	-	\$ 55,625,517
Infrastructure	2,003,189	-	-	-	\$ 2,003,189
Machinery and Equipment	10,465,473	-	194,040	476,070	\$ 10,183,443
Total Capital Assets, Being Depreciated	84,296,197	3,542,500	5,067,545	498,028	\$ 92,408,213
Total Capital Assets, Before Depreciation	106,417,570	-	10,538,496	498,028	\$ 116,458,037
Less Accumulated Depreciation:					
DOE Property Transferred	176,122	-	335,270	-	\$ 511,392
Automobiles	101,849	-	40,790	-	\$ 142,639
Buildings	2,291,504	-	315,711	-	\$ 2,607,215
Computer Equipment	238,812	-	45,998	15,044	\$ 269,766
Furniture	62,988	-	4,486	6,913	\$ 60,561
Improvements	10,411,032	-	1,326,592	-	\$ 11,737,624
Infrastructure	499,092	-	52,455	-	\$ 551,547
Machinery and Equipment	6,108,704	-	528,735	460,071	\$ 6,177,368
Total Accumulated Depreciation	19,890,103	-	2,650,037	482,028	\$ 22,058,112
Capital Assets, Net	\$ 86,527,467	\$ -	\$ 7,888,459	\$ 15,999	\$ 94,399,925

*Reclassifications are due to the SDSTA performing analysis of assets that were previously grouped in construction work in progress costs. Various items were transferred to the correct category as they were placed into service.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

(4) Long-Term Debt

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Accrued Compensated Absences	\$ 1,624,884	\$ 863,122	\$ 924,981	\$ 1,563,025	\$ 781,512
Asset Retirement Obligation	-	1,129,638	-	1,129,638	-
Xenon Notes Payable	6,000,000	-	-	6,000,000	-
	<u>\$ 7,624,884</u>	<u>\$ 1,992,760</u>	<u>\$ 924,981</u>	<u>\$ 8,692,663</u>	<u>\$ 781,512</u>

Xenon Notes Payable

Loan Agreements with S.D. Community Foundation (SDCF), S.D. State University Foundation (SDSUF), and University of S.D. Foundation (USDF) to purchase xenon.

Repayment of Xenon Notes Payable

Each Foundation's share of the xenon shall be sold at a time such that the loans will be paid by the maturity date provided by the loan documents. Furthermore, if the SDSTA sells the xenon for more than the cost to purchase it, the Foundations shall be paid the full principal amount payable plus an amount equal to the Average Return times the number of liters of xenon purchased using Foundation Funds. The "Average Return" means the total price received for the sale of all xenon owned by SDSTA within the Project minus the amount paid to all Foundations providing funding, with the difference then divided by the total number of liters sold. Furthermore, if the SDSTA fails to pay any payment required on or before the due date, the Foundations may declare the entire remaining balance immediately due and payable.

The loans are 11 year, unsecured non recourse loans with 2.5% simple interest paid quarterly. The SDCF note is due on October 1, 2026. The SDSUF and USDF notes are due December 1, 2026.

Also see Note 8. \$ 6,000,000

The annual requirements to amortize long-term debt outstanding as of June 30, 2022, are as follows:

	Xenon Notes Payable		Totals	
	Interest	Principal	Interest	Principal
2023	150,000	-	150,000	-
2024	150,000	-	150,000	-
2025	150,000	-	150,000	-
2026	150,000	-	150,000	-
2027	62,500	6,000,000	62,500	6,000,000
Total	<u>\$ 662,500</u>	<u>\$ 6,000,000</u>	<u>\$ 662,500</u>	<u>\$ 6,000,000</u>

Asset Retirement Obligation

South Dakota Science and Technology Authority has deemed there would be costs associated with closing the SURF facility, if abandoning the site would occur. Outside regulatory agencies that would be involved with oversight of the closure would be the U.S. Environmental Protection Agency, and the South Dakota Department of Agriculture and Natural Resources. The capital assets on SDSTA's financial statements that would be included in the asset retirement obligation are land, above ground and underground infrastructure, and buildings. We used a team of internal experts to develop the estimate including: mining engineers, mechanical engineers, construction managers, heavy equipment experts, all with expertise in mining, underground, and environmental industries. The methods and assumptions used by these experts were to estimate hours associated with completing the below tasks using a current average salary and benefit rate, plus any associated contractor fees. Using these assumptions, they have determined the below actions would need to be taken and associated costs incurred:

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

SDSTA Estimate: SURF Site Closure Cost	
Project 1. Shutdown Dewatering System	\$ 18,535
Project 2. Secure Surface to UG Access Points	116,230
Project 3. Remove Underground Hazardous Materials	160,043
Project 4. Underground Inspection/Documentation	242,721
Project 5. Utility Reduction	8,238
Project 6. Secure Surface Area(s) and Building	68,535
Project 7. Secure Yates Shaft Entrance	110,446
Project 8. Secure Ross Shaft Entrance	110,446
Project 9. Secure Oro Hondo Shaft Entrance	75,446
Project 10. Secure 5 Shaft Entrance	130,892
Project 11. Remove Hoists from Service	29,421
Project 12. Remove Hazardous Material from Surface	58,685
Grand Total	\$ 1,129,638

Per our land donation agreement from Homestake Mining Company in 2006, we assumed all liability for closure, and were obligated to restrict \$1,000,000 for such an event; SDSTA complied with this agreement. Since then, interest has accrued and been restricted by SDSTA; current restricted and separately reported cash on hand for site abandonment is \$1,567,553.

For calculating useful life of this liability, we correlate to our relationship with LBNF/DUNE (Long Based Neutrino Facility/Deep Underground Neutrino Experiment). This relationship is expected to continue until 2045 per the Snowmass/P5 (Particle Physics Project Prioritization Panel), thus we deem a conservative useful life of 30 years.

(5) Xenon Purchases

Xenon purchased is valued at a cost per liter with additional freight, customs, and analysis charges. Total xenon purchased to date is \$8,934,350 as shown by the detail below.

<u>Fiscal Year</u>	<u># of Liters</u>	<u>Total Cost</u>	<u>Average Cost/Liter</u>
2014	20,000	\$332,855	\$16.64/liter
2016	200,000	1,273,808	6.37/liter
2017	600,295	3,433,693	5.72/liter
2018	260,000	1,473,544	5.67/liter
2019	300,000	1,650,450	5.50/liter
2020	140,000	770,000	5.50/liter
Total Purchased	1,520,295	\$8,934,350	\$ 5.88/liter

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

(6) Retirement/Pension Plan

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan 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 survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, class B public safety and judicial members, and Class C Cement Plant Retirement Fund 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.

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. VRA's 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 COLA's, the fair value of assets will be greater or equal to the accrued liabilities.

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

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **JUNE 30, 2022**

(6) Retirement/Pension Plan (Continued)

Contributions:

Per SDCL3-12, 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 SDSTA's share of contributions to the SDRS for the fiscal years ended June 30, 2022, 2021, and 2020 was \$880,457, \$841,062, and \$746,095, respectively, equal to the required contributions each year.

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

As of June 30, 2022, SDRS is 105.52% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System for the SDSTA as of the measurement period ending June 30, 2022 and reported by the SDSTA as of June 30, 2022 are as follows:

Proportionate share of pension liability	\$85,653,123
Less Proportionate share of net pension restricted for pension benefits	90,383,678

Proportionate share of net pension liability (asset)	<u><u>\$(4,730,555)</u></u>

At June 30, 2022, the SDSTA reported a liability (asset) of \$ (4,730,555) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability (asset) used to calculate the net pension asset was based on a projection of the SDSTA's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the SDSTA's proportion was .61770400% which is an increase of 0.0511155% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the SDSTA recognized pension expense of \$1,275,629. At June 30, 2022, the SDSTA 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.	\$ 169,839	\$ 12,402
Changes in assumption.	5,440,092	2,368,994
Net Difference between projected and actual earnings on pension plan investments.	-	6,757,693
Changes in proportion and difference between SDSTA contributions and proportionate share of contributions.	22,725	161,038
SDSTA contributions subsequent to the measurement date.	880,457	-
	-----	-----
TOTAL	<u><u>\$ 6,513,113</u></u>	<u><u>\$ 9,300,127</u></u>

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

(6) Retirement/Pension Plan (Continued)

\$880,457 reported as deferred outflow of resources related to pensions resulting from the SDSTA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2023	\$ (938,461)
2024	(651,261)
2025	(176,764)
2026	(1,900,985)

TOTAL	<u><u>\$ (3,667,471)</u></u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 %
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

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 a 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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **JUNE 30, 2022**

(6) Retirement/Pension Plan (Concluded)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100%	

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 (liability) to changes in the discount rate:

The following presents the SDSTA's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.50% as well as what the SDSTA'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 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
SDSTA's proportionate share of the net pension liability (asset)	\$7,659,946	\$ (4,730,555)	\$(14,788,759)

Pension Plan Fiduciary Net Position:

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

(7) Risk Management

The SDSTA 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. There were no insurance claims exceeding insurance coverage during the past three years. During the period ended June 30, 2022, the SDSTA managed its risks as follows:

Building Structure Charges:

The buildings and permanent structures owned by the SDSTA are not covered by commercial insurance. However, the recently erected MSF and the SLHVC is covered by commercial insurance.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

(7) Risk Management (Continued)

Personal Property Insurance:

The SDSTA purchases insurance for the contents of the administration building from a commercial insurance carrier. However, the contents of the SDSTA's other buildings are not insured.

Employee Health Insurance:

The SDSTA purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The SDSTA purchases liability insurance for risks related to torts, theft or damage of property, errors and omissions of public officials, employee practices liability coverage, employee dishonesty, cybersecurity, and professional engineers' coverage through its participation in the South Dakota Authority Captive Insurance Company, a component unit of the State of South Dakota. Additional liability coverage including auto liability coverage and environmental liability is purchased from commercial insurance carriers. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

For the policy renewal date of January 1, 2022 through January 1, 2023, the SDSTA continued to purchase workmen's compensation through a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The SDSTA provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

(8) Significant Commitments, Contracts, and Subsequent Events

On December 23, 2009, the SDSTA received \$20,000,000 designated as Sanford Gift No.2. Gift No.2 was originally established for the construction of the Sanford Center for Science Education. Two amendments to the Homestake Gift Agreement were signed in June 2010 and October 2011, respectively, whereby it was agreed to use \$15 million of this \$20 million for infrastructure and safety upgrades at the Underground Davis Campus and for replacing steel and other rehabilitation of the Ross Shaft. In early August 2012, the SDSTA signed a third amendment to the Gift Agreement and received the remaining \$15 million of Gift No.2 called for by Section 2 of the Gift Agreement. The Gift No.2 balance of \$20 million was to be held in a restricted fund whereby the principal was not to be expended until a written approval of a business and operational plan for the Sanford Center for Science Education was received from Mr. Sanford. Furthermore, the third amendment allowed the SDSTA to utilize and expend interest and other earnings on Gift No.2 restricted funds. In May, 2013, the SDSTA signed a fourth amendment to the Gift Agreement whereby it was agreed to expend up to \$7,000,000 of Gift No.2 for the construction or remodeling of the Yates Dry Building (located at SURF), the remodeling or replacement of the Lead Homestake Visitor's Center and the remodeling of Jonas Hall (located on the campus of Black Hills State University in Spearfish, SD). This authorization was conditioned on the SDSTA raising \$1.5 million from other sources for the Black Hills State University project and \$1 million for the SURF Homestake Visitor's Center (SLHVC) in Lead. The SDSTA secured a \$2 million Future Fund grant from the State of South Dakota in October 2013 and an additional \$500,000 was received in July 2014 from Great Plains Education Foundation that satisfied this monetary obligation. Both outside facilities agreed in writing to incorporate and use the name "Sanford" in the naming of the facilities. Operating agreements are in place which reasonably provide for the ongoing operations of the respective facilities by the Homestake Visitor Center, Inc. and Black Hills State University. Given the construction budget of

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

(8) Significant Commitments, Contracts, and Subsequent Events (Continued)

the SLHVC and the Jonas Science Building renovation costs, it was not possible to undertake the upgrades to the Yates Dry. These details were reported in the Fifth Amendment to the Homestake Gift Agreement in February 2015. Furthermore, any part of Gift No.2 not used for the three construction projects may be used for the construction and operation of additional underground laboratory space at SURF to accommodate other experiments, and for related infrastructure to access or support the new laboratory space through the shafts. After the above projects were finished approximately \$1,000,000 remained. On June 23, 2016 the sixth amendment was signed allowing the SDSTA to use the remaining funds to purchase real estate known as “Ellison Hill” and to conduct needed environmental assessments and remediation of the property. This will provide needed storage and construction material laydown space for the LBNF and DUNE projects. The “Ellison Hill” property was purchased in May 2017.

The cost of this remediation was shared equally by the SDSTA and Homestake Mining Company per the purchase agreement.

With additional change orders, the contract amount was decreased to \$302,319. Remediation of the property was completed in November 2017. At fiscal yearend 2022, a balance of \$127 remained as Gift No. 2 funds. This will be transferred to the SDSTA’s operating account.

The SDSTA’s long-term cooperative agreement with Homestake Mining Company of California continues. The SDSTA agrees to combine Homestake’s wastewater from Grizzly Gulch with the mine wastewater, as well as treat, and discharge the water. For the first year of this agreement, Homestake agreed to pay the SDSTA an amount ranging from \$.58 to \$.84 per 1000 gallons based on average total gallons treated per minute per month. Revenue from this agreement for the past two years was \$205,127 and \$257,854, respectively. Revenue was lower this last year due to the number of gallons treated being lower. The terms of the agreement were amended in September 2020 adjusting the price per 1000 gallons to \$.75 and extending this price and the contract to September 30, 2030. Estimated revenues for the upcoming year are at \$225,000.

A lease between the SDSTA and DOE for land (above ground) and space (underground) for the LBNF was signed on March 29, 2016. The term of the lease goes through April 30, 2036 but shall remain in force thereafter from year to year without further notice but shall in no event extend beyond a total of 65 years. Additional amendments to this lease executed in June 2017 and May 2018 (Amendment #1 and Amendment #2) added additional space in the Ross Dry Facility in support of the Long Baseline Neutrino Facility. An easement was signed with Homestake Mining Company for the construction and maintenance of conveyor facilities for the transportation of excavated rock to the Open Cut (open mine pit) owned by Homestake. The LBNF will include a large experimental facility underground at the 4850’L. Waste rock excavated from that level will be deposited into the Open Cut. An additional easement was negotiated with the City of Lead across their property to construct, maintain, and operate this overhead conveyance system. The conveyance system has been constructed and waste rock is being transported into the Open Cut starting June 2021.

Homestake Mining Company agreed with the signing of the Third Amendment to the Property Donation Agreement in August 2015 to release \$2,500,000 from the Indemnification Fund for the SDSTA to fund the captive insurance company. The original appropriation for the indemnification fund found at 2004 SD Session Laws, Chapter 14, Section 1 was revised by the State Legislature per Legislative Session 2015 HB 1186, to allow the use of up to \$2,500,000 to provide initial capital and pay expenses for the SDSTA’s purposes in the captive insurance company.

Letter Agreement #1586 was signed in August 2015 between the GOED and the SDSTA whereby the State is granting up to \$6,000,000 between July 14, 2015 and September 30, 2018. The State has chosen to engage in a partnership with the SDSTA, the South Dakota Community Foundation, the South Dakota State University Foundation, and the University of South Dakota Foundation to assist with the costs of infrastructure/laboratory upgrades, procurement of xenon for the LUX-ZEPLIN (LZ) dark matter experiment, and interest payments to these foundations. The full \$6,000,000 has been received from the State as well as \$2,000,000 each from the South Dakota Community Foundation, the University of South Dakota Foundation, and the South Dakota State University Foundation. Loan agreements are in place between the SDSTA and the three foundations for a total of \$6,000,000

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

(8) Significant Commitments, Contracts, and Subsequent Events (Continued)

to be used for the purchase of xenon for the future LZ experiment. The loans extend to the last quarter of 2026. They are unsecured nonrecourse loans with 2.5% simple interest to be paid quarterly to each lender. The loans will be repaid at the end of the LZ experiment (approximately October 2026) from the sale proceeds of the xenon previously purchased. A total of 1,520,295 liters of xenon have been purchased for experiment use. The processed xenon has all been received at SURF and is being used in the LZ experiment.

Letter Agreement #1640 was signed in October 2019 between the GOED and the SDSTA. The SDSTA received \$4,000,000 to design, build, and maintain a new Maintenance Support Facility (MSF). The legacy facilities were dated and needed to be replaced. Therefore, the State of South Dakota provided funding to assist in the construction of a new MSF. This is appropriate to accomplish the SDSTA's present and future requirements. Additionally, GOED Letter Agreement #1659 was signed in June 2019 for an additional \$2,500,000 to assist in the construction and outfitting of the new facility. This was necessary to ensure that it will be completed on schedule. An additional amendment to Letter Agreement #1659 was signed in June 2020 to extend the period of performance to June 30, 2021. This was necessary due to a work stoppage during March and April 2020 due to concerns related to the COVID-19 pandemic. The building construction was completed in June 2021.

However, approximately \$127,000 had not been spent as of yearend due to delays in shipments of various outfitting equipment. An additional amendment was signed in June 2021 to extend the period of performance to September 30, 2021. All funds have been spent on the final outfitting of the new building.

In November 2022, the South Dakota Science and Technology Authority negotiated the sale of 45,274 Liters of Xenon for \$2,878,810. Current Book value at 6/30/2022 of the Xenon sold is \$266,211.12 (See Note 5). Proceeds from this sale will be used to satisfy part of the long-term debt on loan agreements with the three foundations. (See Note 4). The remaining balance of the notes payable will be renegotiated and extend the due date of these notes by two years.

On October 31, 2019 the SDSTA signed a Promissory Note with the First Interstate Bank for \$5,000,000. This agreement represents a variable rate revolving line of credit. Collateral for this line of credit includes the SDSTA's Account Receivable. The SDSTA has not drawn down any funding from this line of credit. The maturity date is October 31, 2022 at which time we will renew for another one-year term.

(9) Significant Contingencies - Litigation

At June 30, 2022 the SDSTA was involved in no lawsuits.

(10) Construction Work in Process

The SDSTA accumulates the costs of construction projects in Construction Work in Progress until the projects are completed and/or placed in service. Some of the ongoing improvement projects are capitalized as they progress. As of June 30, 2022 construction work in progress was at \$4,118,733 for IIP projects.

(11) Continuing Operations

On September 30, 2019, the SDSTA transitioned to a five-year Cooperative Agreement totaling \$119,200,000 with the DOE's Office of Science – Integrated Support Center. This will fund the SDSTA's operations for SURF. The federal fiscal year 2023 budget totals \$25,125,065. Additionally, SDSTA has been awarded \$15,391,601 in Infrastructure Improvement Projects (IIPs) with \$12,702,366 spent through FY2022; \$2,689,235 budgeted in FY2023. We have proposed for fiscal year 2023 and 2024 approximately \$25M of additional IIPs that will be awarded separately, if approved. LBNF/DUNE Logistics Support Services continues with FNAL through March 31, 2024. Additionally, SDSTA support for the LZ experiment operations efforts and the SIGMA-V project have both been extended to September 2022.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **JUNE 30, 2022**

(12) Related Party Transactions

The SDSTA has a consulting contract with Dialogue, LLC, which is a company owned and operated by the SDSTA Executive Director's spouse. The consultant reports to the Chairman of the Board of Directors under this agreement and not the Executive Director. All contract and invoice payments to Dialogue LLC, were signed and approved by the SDSTA's Chairman of the Board of Directors. Payments totaled \$11,875 in FY2022. Additionally, Mr. Ron Wheeler was appointed to the Board of Directors by the Governor effective July 1, 2013, and is a current member of the Board of Directors. As of July 1, 2013, Ron Wheeler transitioned from the Executive Director role to the position of Director of Governmental & External Affairs for the SDSTA. Mr. Wheeler was a full-time employee of the SDSTA until January 3, 2014, at which time he retired from full-time employment. Effective January 3, 2014, the SDSTA signed a contract with Mr. Wheeler as a consultant for the SDSTA. The contract, including amendments, is for \$539,000, extended to January 15, 2022, and is now complete, with \$24,000 paid in FY2022.

(13) Adjustment to Prior Period Net Position

Through the process of our FY22 financial statement reporting, it was found that \$2,300,282 of Construction in Progress (CIP) in FY21 was not recorded in the financial statements as an asset but left in expenditures. We have restated beginning net position to reflect this exclusion. Of this amount, \$2,209,018 has moved from CIP to depreciable assets in FY22, and \$91,263 was left in FY22 CIP.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2022**(14) Blended Component Unit Condensed Financial Information****SANFORD UNDERGROUND RESEARCH FACILITY FOUNDATION**
CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2022**ASSETS****Current Assets**

Cash in Local Bank	\$	423,446
Accounts Receivable		-
Contributions Receivable		45,000
Total Current Assets		468,446

TOTAL ASSETS	468,446
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NET POSITION

Restricted for:

Davis-Bachall	45,000
Garden	403,326
Interns	17,757
Public Outreach	1,000
Visitor Center	925
Unrestricted Net Position	438

TOTAL NET POSITION	\$ 468,446
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CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2022**Restricted Revenue**

Garden	\$	156,272
Interns		18,318
Public Outreach		21,250
STEM Education		27,250
Visitor Center		3,296
Miscellaneous and Unrestricted Revenue		41,680
Total Revenue		268,066

Expenses

Miscellaneous Expenses	\$	26,385
Payments to Primary Government		158,095
Total Expenses		184,480

Change in Net Position	83,586
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Net Position -- Beginning of Year	384,860
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Net Position -- End of Year	\$ 468,446
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CONDENSED STATEMENT OF CASH FLOWS
JUNE 30, 2022

Cash Provided from Operating Activities		
Cash Received from Donations	\$	286,681
Cash Payments for Operating Activities		158,095
Net Increase in Cash and Cash Equivalents		128,586
Cash and Cash Equivalents at Beginning of Year		294,860
Cash and Cash Equivalents at End of Year	\$	423,446

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last 10 Fiscal Years *

	2022	2021	2020	2019	2018	2017	2016	2015
SDSTA's proportion of the net pension liability (asset)	0.6177040%	0.5665885%	0.4949484%	0.4444633%	0.4881662%	0.5027360%	0.5089089%	0.5287996%
SDSTA's proportionate share of net pension liability (asset)	\$ (4,730,555)	\$ (24,607)	\$ (52,451)	\$ (10,366)	\$ (44,302)	\$ 1,698,193	\$ (2,158,428)	\$ (3,809,788)
SDSTA's covered employer payroll	\$ 13,727,913	\$ 12,193,592	\$ 10,237,119	\$ 8,995,993	\$ 9,596,007	\$ 9,256,007	\$ 9,042,866	\$ 8,888,749
SDSTA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.46%	0.20%	0.51%	0.12%	0.46%	18.35%	23.87%	42.86%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year. Until a full 10-year trend is compiled, the SDSTA will present information for those years for which information is available.

SCHEDULE OF THE AUTHORITY CONTRIBUTIONS

South Dakota Retirement System

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 880,457	\$ 841,062	\$ 746,095	\$ 631,417	\$ 554,398	\$ 595,112	\$ 573,626	\$ 557,420
Contributions in relation to the contractually required contribution	\$ 880,457	\$ 841,062	\$ 746,095	\$ 631,417	\$ 554,398	\$ 595,112	\$ 573,626	\$ 557,420
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SDSTA's covered-employee payroll	\$ 14,431,476	\$ 13,727,913	\$ 12,193,592	\$ 10,237,119	\$ 8,995,993	\$ 9,596,007	\$ 9,256,007	\$ 9,042,866
Contributions as a percentage of covered-employee payroll	6.10%	6.13%	6.12%	6.17%	6.16%	6.20%	6.20%	6.16%

* Until a full 10-year trend is compiled, the SDSTA will present information for those years for which information is available.

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of the SDSTA Contributions.

Changes from Prior Valuation:

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

Benefit Provision Changes:

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when the restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

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% (0.5% prior to 2021) 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%. That condition existed as of June 30, 2020, and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020, Actual Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021, Actual valuation, Future COLAs are assumed to equal the baseline COLA assumption of 2.25%

The changes in COLA assumption increased the Actuarial Accrued Liability by \$1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes:

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

SUPPLEMENTARY INFORMATION

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

SCHEDULE OF OPERATING EXPENSES FOR THE YEAR ENDED JUNE 30, 2022

Personnel Services		
Employee Salaries	\$	12,902,079
Employee Benefits		5,992,764
Total Personal Services		18,894,843
Travel		
Meals and Lodging		74,448
Auto and Fleet Services		58,468
Air - Commercial and Charter		18,523
Incidentals to Travel		3,181
Non-Employee Travel		1,901
Meals (Not Overnight)		-
Total Travel		156,521
Contractual Services		
Equipment Rental		105,963
Contractual - Other		3,636,156
Insurance		1,217,349
Lobbying		215,000
Computer Services		20,059
Telecommunications		77,563
Monitoring and Programming		23,840
Legal Consultant		90,843
Training		81,394
Consultant Fees - Accounting and Auditing		17,505
Promotion and Advancement		25,928
Dues and Memberships		30,034
Utilities		2,420,338
Maintenance and Repairs		201,079
Total Contractual Services		8,163,051
Supplies, Materials and Other Operating Expenses		
Maintenance and Repairs		2,586,871
Other Supplies and Equipment		647,432
Other Expenses		127,841
Office Supplies and Equipment		29,632
Licenses and Permits		54,089
Workshop and Registration Fees		11,251
Postage		7,938
Bank Charges		2,168
Total Supplies, Materials and Other Operating Expenses		3,467,222
Depreciation Expense		2,650,038
Total Operating Expenses	\$	33,331,675

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Pass-Through Numbers	CFDA Numbers	Amount
<i>U.S. Department of Energy</i> Pass-Through the Regents of the University of California LUX/Zeplin (LZ) Experiment Operations - Engineer/Research Supp.	7525117	81.UNKNOWN	\$ 783,925
<i>U.S. Department of Energy</i> Pass-Through the Regents of the University of California LBNL SIGMA-V Project	7371823	81.UNKNOWN	\$ 323,559
<i>U.S. Department of Energy</i> Pass-Through Oak Ridge National Laboratory Experiment Support for Majorana Demonstrator	4000193681	81.UNKNOWN	\$ 15,981
<i>U.S. Department of Energy</i> Pass-Through Oak Ridge National Laboratory Experiment Support for Majorana Demonstrator	4000185715	81.UNKNOWN	\$ 8,663
<i>U.S. Department of Energy</i> Pass-Through Fermi National Accelerator Laboratory SURF (Sanford Underground Research Facility) Operations Support	685922	81.UNKNOWN	\$ 8,088
<i>U.S. Department of Energy</i> Pass-Through Fermi National Accelerator Laboratory SURF (Sanford Underground Research Facility) Ross Shaft Rehab	630223	81.UNKNOWN	\$ 231
<i>U.S. Department of Energy</i> Pass-Through the Regents of the University of California LUX/Zeplin (LZ) Experiment Operations - Engineer/Research Supp.	7650068	81.UNKNOWN	\$ 43,660
<i>U.S. Department of Energy</i> Pass-Through Fermi National Accelerator Laboratory SURF(Sanford Underground Research Facility)LBNF/DUNE Support	674969	81.UNKNOWN	\$ 4,451,775
<i>U.S. Department of Energy</i> Pass-Through Fermi National Accelerator Laboratory SURF (Sanford Underground Research Facility)Ross H.Bearing Rec.	658208	81.UNKNOWN	\$ 6,224
<i>U.S. Department of Energy</i> Pass-Through Fermi National Accelerator Laboratory SURF(Sanford Underground Research Facility)LBNF Prof.Staff Serv.	671265	81.UNKNOWN	\$ 90,171
<i>U.S. Department of Energy</i> Pass-Through RESPEC Thermal Breakout Project	03506A	81.UNKNOWN	\$ 18,194
<i>U.S. Department of Energy</i> Office of Science - Chicago Office of Acquisition/Assistance	DE-SC0020216	81.049	\$ 32,448,003
Total			\$ 38,198,474