

# **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

## **AUDIT REPORT**

**Fiscal Year Ended June 30, 2021**



**State of South Dakota**  
**Department of Legislative Audit**  
427 South Chapelle  
% 500 East Capitol  
Pierre, SD 57501-5070

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY  
AUTHORITY OFFICIALS  
June 30, 2021

Board of Directors:

Casey Peterson, Chairperson  
Dana Dykhouse, Vice-Chairperson  
Ron Wheeler, Vice-Chairperson  
Patricia Lebrun, Secretary/Treasurer  
Dr. Robert Wilson, Member  
Dr. Ani Aprahamian, Member  
Robert Musick, Member  
Dr. James Rankin, Ex-Officio Member

Executive Director:

Michael Headley

Chief Financial Officer:

Nancy Geary

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY  
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RUSSELL A. OLSON  
AUDITOR GENERAL

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Kristi Noem  
Governor of South Dakota

and

Board of Directors  
South Dakota Science and Technology Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the South Dakota Science and Technology Authority (Authority), a business-type activities component unit of the State of South Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 29, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Russell A. Olson". The signature is written in a cursive, flowing style.

Russell A. Olson  
Auditor General

November 29, 2021



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RUSSELL A. OLSON  
AUDITOR GENERAL

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Kristi Noem  
Governor of South Dakota

and

Board of Directors  
South Dakota Science and Technology Authority

**Report on Compliance for Each Major Federal Program**

We have audited the South Dakota Science and Technology Authority's (Authority), a business-type activities component unit of the State of South Dakota, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2021. The Authority's major federal programs are identified in the State of South Dakota Single Audit and included in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Authority's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Russell A. Olson  
Auditor General

November 29, 2021

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Federal Audit Findings:**

The prior audit report contained no written federal audit findings.

**Prior Other Audit Findings:**

The prior audit report contained no written other audit findings.

**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**

**Summary of the Independent Auditor's Results:**

***Financial Statements***

- a. An unmodified opinion was issued on the financial statements.
- b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

***Federal Awards***

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- f. The federal awards tested as major programs were:  
  
81.049 SURF (Sanford Underground Research Facility) Operations Support
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$10,500,000 as determined for the State of South Dakota Single Audit for fiscal year 2021.
- h. The South Dakota Science and Technology Authority, as a component unit of the State of South Dakota, did not qualify as a low-risk auditee.

**Current Federal Audit Findings:**

There are no written current federal compliance audit findings to report.

**Current Other Audit Findings:**

There are no written current other audit findings to report.



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AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

The Honorable Kristi Noem  
Governor of South Dakota

and

Board of Directors  
South Dakota Science and Technology Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the South Dakota Science and Technology Authority (Authority), a business-type activities component unit of the State of South Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 8-15, the Schedule of Proportionate Share of the Net Pension Liability (Asset) on page 33, and the Schedule of the Authority Contributions on page 34 be presented to supplement the basic financial statements. Such information, 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Schedule of Operating Expenses listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 29, 2021 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Russell A. Olson  
Auditor General

November 29, 2021

## **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2021**

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, 2021 (FY 2021). 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 to the SDSTA by Barrick Gold Corporation in May 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 Comprehensive Annual 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.

## **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**JUNE 30, 2021**

#### **FINANCIAL HIGHLIGHTS:**

- Total Assets at year-end increased to \$116,759,176.
- Current Assets decreased by \$2,593,247. Cash on Deposit with State Treasurer decreased by slightly over \$5,000,000 primarily for the construction of the new Maintenance Support Facility (MSF). Yet, Cash in the Local Bank increased by \$1,671,113 due to funds received from federal contracts late in the month on open accounts receivable. Inventory of Supplies also increased by \$832,740 for fixed assets added to Inventory of Supplies.
- Capital Assets increased by \$3,521,386, net of depreciation expense. Page 12 details the major capital asset additions and deletions. Furthermore, page 23 summarizes the changes in capital assets by major categories. Most notable was the completion of the new MSF building by Dean Kurtz Construction. Additional property purchased under the Operations subcontract with Fermi Research Alliance (FRA) was abandoned by the Department of Energy (DOE) Fermi Site Office in October 2020 and thus transferred to the SDSTA. This transfer was the result of the closure of the contract with FRA that supported the operations of the SDSTA facility. 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 decreased to \$24,607. The State's retirement system is fully funded (see Note 6 – page 25). The SDSTA's total contributions to the South Dakota Retirement System (SDRS) increased by \$94,967 from 2020 to 2021. 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, 2020 pension measurement date for our fiscal year end June 30, 2021 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, 2021. In summary, Net Pension Asset and Xenon Purchased have decreased by \$27,844.
- 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, 2020. The total Deferred Outflows of Resources have increased to \$4,111,205.
- Total Liabilities at year end increased slightly to \$9,565,974. Accounts payable is slightly lower when comparing the two time periods. However, liabilities associated with employee leave and benefits increased due to additional personnel wages and increases in vacation and sick accruals.
- 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. Our portion has increased to \$3,467,899.
- Total Restricted Net Position decreased to \$11,132,462. This decrease is primarily due to spending the funds restricted for the MSF for final construction costs and outfitting of the facility. Likewise, the restricted net pension has decreased. However, an addition to our Restricted Net Position includes \$409,860 associated with the Sanford Underground Research Facility Foundation (SURFF). In February 2020, we received IRS approval for the newly formed SURFF as a tax exempt entity under Internal Revenue Code (IRC) Section 501 (c) (3).
- Unrestricted Net Position increased by \$1,391,290 to \$12,476,862.
- Total Net Position at year end decreased by \$193,037 to \$107,836,508.
- Charges for Services increased slightly to \$370,420. Revenue from Homestake increased 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 Kiewit/Alberici and 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).

## **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**JUNE 30, 2021**

#### **FINANCIAL HIGHLIGHTS (Continued)**

- Operating Grants increased to \$33,963,788. The revenue received in this classification includes \$27,473,773 from the Cooperative Agreement with DOE, \$4,725,965 from FRA, \$1,718,606 from Lawrence Berkeley National Laboratory (LBNL), and \$45,444 from various smaller universities.
- Miscellaneous revenue increased to \$482,810 primarily due to an increase in revenue from the SURFF.
- Capital Grants and Contributions decreased to \$1,563,103. 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.
- Investment Earnings for fiscal year 2021 are negative at \$274,708. 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 a negative investment earnings. Yet, investment earnings of \$226,226 were received on the cash on deposit with State Treasurer. This actual allocation compared to last year decreased by \$163,011 due to a lower amount of cash being deposited for investment with the State Treasurer.
- Total Program Expenses for the SDSTA were \$36,298,450 which represents an increase of 8.7% percent from the previous year. Included in Total Program Expenses are Operating Expenses which increased by \$3,054,058 to \$35,882,057. Personal Services represent 56.7 percent of the Operating Expenses; Contractual Services represent 25.2 percent; and Supplies, Materials, and Other Expenses represent 11.3 percent of these expenses. Most of the increase in Operating Expenses is due to increased activity in the Infrastructure Improvement Projects (IIP) funded through the Cooperative Agreement as well as increases in employee salaries.
- Net Position decreased by \$193,037 for fiscal year 2021.

# SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2021

### FINANCIAL STATEMENT ELEMENTS:

#### NET POSITION

	2021	2020	Dollar Change	Percent Change
Current Assets	\$ 23,573,034	\$ 26,166,281	\$ (2,593,247)	-9.91%
Capital Assets	84,227,184	80,705,798	3,521,386	4.36%
Net Pension Asset and Xenon Purchased	8,958,957	8,986,801	(27,844)	-0.31%
<b>Total Assets</b>	<b>116,759,175</b>	<b>115,858,880</b>	<b>900,295</b>	<b>0.78%</b>
Pension Related Deferred Outflows	4,111,205	2,943,364	1,167,841	39.68%
Long-Term Liabilities Outstanding	6,812,442	6,757,826	54,616	0.81%
Other Liabilities	2,753,532	2,748,288	5,244	0.19%
<b>Total Liabilities</b>	<b>9,565,974</b>	<b>9,506,114</b>	<b>59,860</b>	<b>0.63%</b>
Pension Related Deferred Inflows	3,467,899	1,266,585	2,201,314	173.80%
<b>Net Position:</b>				
Net Investment in Capital Assets	84,227,184	80,705,798	3,521,386	4.36%
Restricted	11,132,462	16,238,175	(5,105,713)	-31.44%
Unrestricted	12,476,862	11,085,572	1,391,290	12.55%
<b>Total Net Position</b>	<b>\$ 107,836,508</b>	<b>\$ 108,029,545</b>	<b>\$ (193,037)</b>	<b>-0.18%</b>

#### CHANGE IN NET POSITION

	2021	2020	Dollar Change	Percent Change
<b>Revenues</b>				
Program Revenues:				
Charges for Services	\$ 370,420	\$ 278,160	\$ 92,260	33.17%
Operating Grants	33,963,788	29,814,412	4,149,376	13.92%
Miscellaneous	482,810	127,020	355,790	280.11%
Capital Grants and Contributions	1,563,103	2,926,197	(1,363,094)	-46.58%
General Revenues:				
Investment Earnings	(274,708)	760,390	(1,035,098)	-136.13%
<b>Total Revenue</b>	<b>36,105,413</b>	<b>33,906,179</b>	<b>2,199,234</b>	<b>6.49%</b>
Program Expenses:				
Science and Technology Authority	36,298,450	33,393,743	2,904,707	8.70%
<b>Total Expense</b>	<b>36,298,450</b>	<b>33,393,743</b>	<b>2,904,707</b>	<b>8.70%</b>
Change in Net Position	(193,037)	512,436	(705,473)	-137.67%
Net Position-Beginning	108,029,545	107,517,109	512,436	0.48%
<b>Net Position-Ending</b>	<b>\$ 107,836,508</b>	<b>\$ 108,029,545</b>	<b>\$ (193,037)</b>	<b>-0.18%</b>

By June 30, 2021, the SDSTA had invested \$84,227,184 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 \$84,227,184 (approximately 24% of this total value) was donated by Barrick Gold. This amount represents a net increase (including additions and deductions) of \$3,521,386, or 4.36 percent, over the last year.

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**JUNE 30, 2021**

**CAPITAL ASSETS (Net of Depreciation)**

	2021	2020	Change
Improvements	\$ 45,214,485	\$ 46,547,569	\$ (1,333,084)
Underground	17,936,955	17,936,955	-
Buildings	11,298,152	5,568,049	5,730,103
Computer Equipment	115,866	169,598	(53,732)
Equipment	4,356,768	4,752,599	(395,831)
Construction in Progress	-	1,824,308	(1,824,308)
Land	1,814,136	1,814,136	-
Infrastructure	1,504,096	1,556,552	(52,456)
Furniture	11,225	15,711	(4,486)
Archive Material	70,000	70,000	-
Auto	205,147	159,837	45,310
DOE Property Transfer	1,700,354	290,484	1,409,870
<b>Total Capital Assets</b>	<b>\$ 84,227,184</b>	<b>\$ 80,705,798</b>	<b>\$ 3,521,386</b>

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

*Purchased Capital Assets:*

(2) 150KVA Transformers, Hydraulic Air Press, 7.5HP Air Compressor, 10 Ton Bridge Crane	\$ 141,175
Elevator, Forklift, Laser Alignment System, Ellis Bandsaw, (3) HVAC Units, Plotter	163,816
(2) Vehicles - 2011 Chevy Pickup w/Utility Box, 2021 Dodge Ram Pickup	69,660

*Equipment (Current Year Reclassifications):*

Ross Cage Work Deck, Skyclimber Suspended Work Deck	(153,794)
(4) Skyclimber Electric 208V Hoists, (2) Ceiling Mounted Jib Cranes	(84,972)
(4) Profi 1 Ton Air Hoists	(29,030)

*Buildings (Current Year Reclassifications):*

Maintenance Support Facility	5,885,479
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*Improvements in Progress (Current Year Additions):*

Maintenance Support Facility	4,061,171
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*Improvements in Progress (Current Year Reclassifications):*

Maintenance Support Facility Completed	(5,885,479)
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*Computer Equipment, Machinery and Equipment (Current Year Deletions):*

Various Computer Nexus Switches (end of life)	(216,255)
Ross Skip Work Deck, Ross MG Sets	(97,848)
(2) Refuge Chambers and Scrubbing System (end of life)	(110,290)
Telescopic Lull	(52,500)

*DOE Property Transfer:*

Davis Campus Chiller, UTV Tracks, Bobcat Tool Cat, (2) Kubota UTV's, Sander, Utility Truck, Sampler, Laser Flow System, Loco. Battery, Radon Monitors, (3) 36 Hr. Refuge Chambers, Laser Scanner, Cryostat, (4) Mobius Cooling Systems, Ross Hoist Rope, Fusion Splicer, Submersible Cable, (3) 8 Ton Locomotives w/Batteries, Flygt Pump, Refuge Chamber, Elect. Hoist Pressure Transducer, (2) 5T Chain Hoists, Flood Barrier, (2) 125HP Compressors w/Building	
(2) Escape Powerseats, Lab Sink, 185CFM Air Compressor, Telescopic Fork Telehandler, Analyzer	1,585,992

## **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**JUNE 30, 2021**

#### **LONG-TERM DEBT**

At the year-end, the SDSTA had \$6,812,442 in other long-term obligations. This is an increase of .81 percent as shown below.

	<b>2021</b>	<b>2020</b>	<b>Total Dollar Change</b>	<b>Total Percentage Change</b>
Compensated Absences	<b>\$ 812,442</b>	\$ 757,826	\$ 54,616	7.21%
Xenon Notes Payable	<b>6,000,000</b>	6,000,000	-	0.00%
<b>Total Long-Term Debt</b>	<b>\$ 6,812,442</b>	<b>\$ 6,757,826</b>	<b>\$ 54,616</b>	<b>0.81%</b>

- 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 \$54,616 increase in compensated absences is due to an increase 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 2021. Note (4) Long-Term Debt in the Notes to Financial Statements on page 24 details the activity for the period for compensated absences 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, 2021 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. We expect this report to play a key role in the federal government funding process for years to come. The SDSTA is better positioned to receive continued funding for Operations in the future.
- The SDSTA's Board of Directors approved a capital budget for fiscal year 2021 of \$5,068,074 towards interest payments to the three SD Foundations that we have loans with for xenon procurement as well as the construction and outfitting phase of a new Maintenance Support Facility (MSF), and inclinometer maintenance at the Sanford Lab Homestake Visitor Center. Actual expenditures for the year totaled \$4,698,783. Actual expenses were lower than budgeted for final outfitting of the MSF which will take place in July and August of 2021. The SDSTA's fiscal year 2022 capital budget has been eliminated as all capital type projects have been completed. Interest payments for the xenon loans funded through the \$2,000,000 received in 2017 from GOED, along with insurance on xenon, a small amount for inclinometer testing and display upgrades at the Sanford Lab Homestake Visitor Center, and the final outfitting of the new MSF will be included in the SDSTA's operating budget. The SDSTA's Board of Directors approved an operating budget of \$1,254,905 for fiscal year 2022 in favor of SDSTA supported activities

## **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**JUNE 30, 2021**

#### **ECONOMIC FACTORS (Continued)**

- 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 \$119,200,000 for five years for SURF Operations. We are in the second year of this award with a current budget of \$22,750,000. An additional \$10,362,482 has been received to date for Infrastructure Improvement Projects (IIP). Contract to date expenditures through the end of September are at \$43,645,408 for the Operations portion and \$6,110,966 for the IIP portion.
- The Ross Shaft rehabilitation project with FNAL was completed and expired as of July 31, 2021. 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.
- 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 the 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 2022 for this LBNF effort.
- Further funding was received in fiscal year 2021 through LBNL in support of various experiments. Included was support for the LZ investigations as well as a geothermal analysis project labeled 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 2022 for these same activities through LBNL.
- Additional funding was received during the fiscal year from Oak Ridge National Laboratory and South Dakota Schools of Mines & Technology. Funds were received at SURF to support the Majorana experiment located at the 4850L Davis Campus, as well as the CASPAR experiment located on the same underground level. Support continues in fiscal year 2022 from Oak Ridge. The CASPAR experiment 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 RESPEC Company LLC that has a small DOE award for a Thermal Breakout Project. This funding shall end as of September 30, 2021. Further, funding was received from the Kiewit/Alberici Joint Venture and Thyssen Mining Inc. for equipment rentals and miscellaneous items associated with the DUNE 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

## **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

### **MANAGEMENT’S DISCUSSION AND ANALYSIS (CONCLUDED) JUNE 30, 2021**

#### **ECONOMIC FACTORS (Continued)**

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 – 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 full period of performance now extends from June 2014 through June 2022. 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 2021 for an additional year of support for \$38,000. 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, 2021

### ASSETS

#### **Current Assets**

Cash in Local Bank and Petty Cash	\$ 5,387,104
Cash on Deposit with State Treasurer	11,560,210
Accounts Receivable	2,719,719
Interest Receivable	31,856
Prepaid Expenses	591,767
Inventory of Supplies & Warehouse	3,282,378
<b>Total Current Assets</b>	<b>23,573,034</b>

#### **Noncurrent Assets**

Xenon Purchased (note 5)	8,934,350
Net Pension Asset	24,607
Land	1,814,136
Underground	17,936,955
Buildings, Machinery, Equipment, Infrastructure, & DOE Property Transferred (Net) (Note 3)	64,476,094
<b>Total Noncurrent Assets</b>	<b>93,186,142</b>

<b>TOTAL ASSETS</b>	<b>116,759,176</b>
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#### **Deferred Outflows of Resources**

Pension Related Deferred Outflows	4,111,205
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### LIABILITIES

#### **Current Liabilities**

Accounts Payable	953,517
Accrued Wages and Benefits	987,573
Accrued Leave, Benefits (Note 4)	812,442
<b>Total Current Liabilities</b>	<b>2,753,532</b>

#### **Long-Term Liabilities**

Accrued Leave, Benefits (Note 4)	812,442
Long-Term Xenon Notes Payable	6,000,000
<b>Total Long-Term Liabilities</b>	<b>6,812,442</b>

<b>TOTAL LIABILITIES</b>	<b>9,565,974</b>
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#### **Deferred Inflows of Resources**

Pension Related Deferred Inflows	3,467,899
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### NET POSITION

Invested in Capital Assets	84,227,184
Restricted for:	
Mine Closure	1,540,275
Maintenance Support Facility	126,714
Experiments	881,130
Indemnification	7,500,000
Sanford Center for Science Education	6,570
Pension	667,913
Foundation	409,860
Unrestricted Net Position	12,476,862

<b>TOTAL NET POSITION</b>	<b>\$ 107,836,508</b>
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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, 2021****Operating Revenue**

Charges for Goods and Services	\$ 370,420
Operating Grants	33,963,788
Miscellaneous	482,810
<b>Total Operating Revenue</b>	<b>34,817,018</b>

**Operating Expenses**

Personal Services	20,358,220
Travel	80,268
Contractual Services	9,025,288
Supplies, Materials and Other Operating Expenses	4,058,716
Depreciation Expense	2,359,565
<b>Total Operating Expenses</b>	<b>35,882,057</b>

<b>Operating Loss</b>	<b>(1,065,039)</b>
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**Nonoperating Revenues/Expenses**

Interest Revenue	(274,708)
Contributions	232,720
Other Expense	(416,393)
<b>Total Nonoperating Revenues/Expenses</b>	<b>(458,381)</b>

<b>Capital Grants and Contributions</b>	<b>1,330,383</b>
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<b>Change in Net Position</b>	<b>(193,037)</b>
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<b>Net Position -- Beginning of Year</b>	<b>108,029,545</b>
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<b>Net Position -- End of Year</b>	<b>\$ 107,836,508</b>
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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, 2021**

**Cash Flows from Operating Activities:**

Other Operating Cash Receipts	\$ 838,984
Cash Receipts from Operating Grants	33,829,601
Cash Payments to Employees for Services	(18,959,646)
Cash Payments to Suppliers of Goods and Services	(13,082,958)
<b>Net Cash Used by Operating Activities</b>	<b>2,625,981</b>

**Cash Flows from Noncapital Financing Activities:**

Interest/Insurance Paid on Xenon	(303,396)
Grants & Donations Paid	(2,423)
<b>Net Cash Used by Noncapital Financing Activities</b>	<b>(305,819)</b>

**Cash Flows from Capital and Related Financing Activities:**

Purchase of Capital Assets	(5,565,298)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(5,565,298)</b>

**Cash Flows from Investing Activities:**

Interest Earnings	(232,011)
<b>Net Cash Provided by Investing Activities</b>	<b>(232,011)</b>

**Net increase in Cash and Cash Equivalents** **(3,477,147)**

Cash and Cash Equivalents at Beginning of Year 20,424,461

**Cash and Cash Equivalents at End of Year** **\$ 16,947,314**

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

Operating Loss	\$ (1,065,039)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</i>	
Depreciation & Amortization Expense	2,359,565
Change in Assets and Liabilities:	
Receivables	(148,433)
Prepaid Expenses	57,505
Inventory of Supplies	1,139
Net Pension Asset	27,844
Decrease(Increase) in Deferred Outflow of Resources - Pension	(1,167,841)
Increase (Decrease) Deferred Inflow of Resources - Pension	2,201,313
Accounts and Other Payables	22,669
Accrued Wages Payable	228,026
Accrued Leave Payable	109,233
<b>Net Cash Used in Operating Activities</b>	<b>\$ 2,625,981</b>

Continued on next page

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Cash and Cash Equivalents:**

Cash in Local Bank	\$	5,387,054
Petty Cash		50
Cash with State Treasurer		11,560,210
<b>Total Cash and Cash Equivalents</b>	<b>\$</b>	<b>16,947,314</b>

**Non-Cash Capital and Related Financing Activities:**

Loss on Disposal of Assets	\$	107,508
Donated Capital Assets from DOE		763,718
Donated Inventory of Supplies		799,385
<b>Total Non-Cash Activities</b>	<b>\$</b>	<b>1,670,611</b>

The accompanying notes are an integral part of this statement.

# **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021**

### **(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 are 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 statement are included in the Comprehensive Annual 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. Basis of Accounting**

The SDSTA Fund follows the accrual basis of accounting. 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. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized

## **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)** **JUNE 30, 2021**

#### **(1) Summary of Significant Accounting Policies (Continued)**

##### **e. Capital Assets (Continued)**

Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. 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, 2021**

#### **(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.

#### **(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.

##### **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, 2021.

# SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

### (3) Changes in Capital Assets

A summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Reclassified*	Increases	Decreases	Balance June 30, 2021
<b>Business-Type Activities:</b>					
Capital Assets, not Being Depreciated:					
Land	\$ 1,814,136	\$ -	\$ -	\$ -	\$ 1,814,136
Underground	17,936,955	-	-	-	17,936,955
Archive Materials	70,000	-	-	-	70,000
Construction Work in Progress (Note 8)	1,824,308	(5,885,479)	4,061,171	-	-
<b>Total Capital Assets, not Being Depreciated</b>	<b>21,645,399</b>	<b>(5,885,479)</b>	<b>4,061,171</b>	<b>-</b>	<b>19,821,091</b>
Capital Assets, Being Depreciated:					
DOE Property Transferred	290,484	-	1,585,992		1,876,476
Automobiles	237,336	-	69,660		306,996
Buildings	7,704,177	5,885,479			13,589,656
Furniture	74,212	-	-	-	74,212
Computer Equipment	570,933	-	-	216,255	354,678
Improvements	55,625,517				55,625,517
Infrastructure	2,003,189	-			2,003,189
Machinery and Equipment	10,688,917	(190,600)	304,991	337,835	10,465,473
<b>Total Capital Assets, Being Depreciated</b>	<b>77,194,765</b>	<b>5,694,879</b>	<b>1,960,643</b>	<b>554,090</b>	<b>84,296,197</b>
<b>Total Capital Assets, Before Depreciation</b>	<b>98,840,164</b>	<b>(190,600)</b>	<b>6,021,814</b>	<b>554,090</b>	<b>104,117,288</b>
Less Accumulated Depreciation:					
DOE Property Transferred	-	-	176,122	-	176,122
Automobiles	77,499	-	24,350		101,849
Buildings	2,136,128	-	155,376		2,291,504
Computer Equipment	401,335		53,732	216,255	238,812
Furniture	58,501	-	4,486		62,987
Improvements	9,077,948	-	1,333,084		10,411,032
Infrastructure	446,637	-	52,456		499,093
Machinery and Equipment	5,936,318	(157,246)	559,959	230,326	6,108,705
<b>Total Accumulated Depreciation</b>	<b>18,134,366</b>	<b>(157,246)</b>	<b>2,359,565</b>	<b>446,581</b>	<b>19,890,104</b>
<b>Capital Assets, Net</b>	<b>\$ 80,705,798</b>	<b>\$ (33,354)</b>	<b>\$ 3,662,249</b>	<b>\$ 107,509</b>	<b>\$ 84,227,184</b>

\*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, 2021

### (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	\$ 1,515,652	\$ 856,646	\$ 747,414	\$ 1,624,884	\$ 812,442
Xenon Notes Payable	6,000,000	-	-	6,000,000	-
	\$ 7,515,652	\$ 856,646	\$ 747,414	\$ 7,624,884	\$ 812,442

#### *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, 2021, are as follows:

	Xenon Notes Payable		Totals	
	Interest	Principal	Interest	Principal
2022	\$ 150,000	\$ -	\$ 150,000	\$ -
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	\$ 812,500	\$ 6,000,000	\$ 812,500	\$ 6,000,000

### (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.

Fiscal Year	# of Liters	Total Cost	Average Cost/Liter
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, 2021**

#### **(6) Retirement/Pension Plan (Continued)**

##### **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.

##### **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, 2021, 2020, and 2019 was \$841,062, \$746,095, and \$631,417, respectively, equal to the required contributions each year.

# **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)** **JUNE 30, 2021**

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

As of June 30, 2020, SDRS is 100.04% 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, 2020 and reported by the SDSTA as of June 30, 2021 are as follows:

Proportionate share of pension liability	\$69,650,697
Less Proportionate share of net pension restricted for pension benefits	69,675,304
	-----
Proportionate share of net pension liability (asset)	\$ (24,607)
	=====

At June 30, 2021, the SDSTA reported a liability (asset) of \$ (24,607) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020, 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, 2020, the SDSTA's proportion was .5665885% which is an increase of .0716401% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the SDSTA recognized pension expense of \$1,061,315. At June 30, 2021, the SDSTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 94,135	\$ 19,277
Changes in assumption.	792,605	3,196,622
Net Difference between projected and actual earnings on pension plan investments.	2,287,084	
Changes in proportion and difference between SDSTA contributions and proportionate share of contributions.	96,319	252,000
SDSTA contributions subsequent to the measurement date.	841,062	-0-
	-----	-----
TOTAL	\$ 4,111,205	\$ 3,467,899
	=====	=====

\$841,062 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, 2022. 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:

# SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

### (6) Retirement/Pension Plan (Continued)

Year Ended June 30:

2022	\$ (300,196)
2023	(288,452)
2024	(24,130)
2025	415,022
	-----
TOTAL	\$ (197,756)
	=====

#### Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2020 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
Future COLAs	1.41%

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, 2020 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, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
	-----	
Total	100%	
	=====	

## **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2021**

#### **(6) Retirement/Pension Plan (Concluded)**

##### **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)	\$9,545,818	\$ (24,607)	\$(7,853,026)

##### **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, 2021, 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 is covered by commercial insurance.

##### **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.

## **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2021**

#### **(7) Risk Management (continued)**

##### Worker's Compensation:

For the policy renewal date of January 1, 2021 through January 1, 2022, 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 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 year end 2021, a balance of \$6,853 remained as Gift No. 2 funds. This will be used for updating of displays at the Sanford Lab Homestake Visitor Center.

## **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2021**

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

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 \$257,854 and \$242,769 respectively. Revenue was higher this last year due to the number of gallons treated being higher. 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 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 year end 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. As of the middle of September, all funds have been spent on the final outfitting of the new building.

A contract with RCS Construction, Inc. was signed in June 2021 for the replacement of the potable water lines to the Yates Complex. The current contract amount is \$1,397,289 and will be completed by June 2022.

## **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2021**

#### **(9) Significant Contingencies - Litigation**

At June 30, 2021 the SDSTA was involved in one lawsuit. No determination can be made at this time regarding the potential outcome of this lawsuit. However, as discussed in the Risk Management note, the SDSTA has liability coverage for itself and its employees through the Captive Insurance Company. Therefore, no material effects are anticipated to the SDSTA concerning the potential outcome of this lawsuit.

#### **(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, 2021 construction work in progress was at zero as the Maintenance Support Facility building was completed at fiscal year end. The contract with Dean Kurtz Construction for this project was completed.

#### **(11) Continuing Operations**

On September 30, 2019, the SDSTA transitioned to a five-year Cooperative Agreement with the DOE's Office of Science – Integrated Support Center. This will fund the SDSTA's operations for SURF. The federal fiscal year 2022 budget totals \$23,800,000. The five-year total equals \$119,200,000 to support the facility operations. Additionally, the SDSTA has received to date \$10,362,482 for Infrastructure Improvement Projects (IIP). We have proposed for fiscal year 2022 approximately \$8.8 million of infrastructure improvements that will awarded separately. 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.

#### **(12) Related Party Transactions**

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 and extends to January 15, 2022. For the period of July 1, 2020 – June 30, 2021, he was paid \$48,000 for his consulting services. Mr. Wheeler will assist in directing the state and federal government affairs programs for the SDSTA.

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2021**

**(13) Blended Component Unit Condensed Financial Information**

**SANFORD UNDERGROUND RESEARCH FACILITY FOUNDATION**

**CONDENSED STATEMENT OF NET POSITION**

**JUNE 30, 2021**

**ASSETS**

**Current Assets**

Cash in Local Bank	\$	294,860
Accounts Receivable		15,000
Contributions Receivable		75,000
<b>Total Current Assets</b>		<b>384,860</b>

<b>TOTAL ASSETS</b>	<b>384,860</b>
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**NET POSITION**

Restricted for:

Davis-Bachall	75,000
Garden	284,454
Interns	10,405
Public Outreach	15,000
Unrestricted Net Position	1

<b>TOTAL NET POSITION</b>	<b>\$ 384,860</b>
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**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**JUNE 30, 2021**

**Restricted Revenue**

Garden	\$	304,228
Interns		14,461
Public Outreach		19,177
STEM Education		45,177
Miscellaneous and Unrestricted Revenue		15,967
<b>Total Revenue</b>		<b>399,010</b>

**Expenses**

Miscellaneous Expenses	\$	9,136
Payments to Primary Government		80,015
<b>Total Expenses</b>		<b>89,151</b>

<b>Change in Net Position</b>	<b>309,859</b>
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<b>Net Position -- Beginning of Year</b>	<b>75,001</b>
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<b>Net Position -- End of Year</b>	<b>\$ 384,860</b>
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**CONDENSED STATEMENT OF CASH FLOWS**

**JUNE 30, 2021**

Cash Provided from Operating Activities

Cash Received from Donations	\$	374,874
Cash Payments for Operating Activities		80,015
<b>Net Increase in Cash and Cash Equivalents</b>		<b>294,859</b>

Cash and Cash Equivalents at Beginning of Year	1
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Cash and Cash Equivalents at End of Year	<b>\$ 294,860</b>
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# **SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

## **South Dakota Retirement System**

Last 10 Fiscal Years \*

	2021	2020	2019	2018	2017	2016	2015
SDSTA's proportion of the net pension liability (asset)	0.5665885%	0.4949484%	0.4444633%	0.4881662%	0.5027360%	0.5089089%	0.5287996%
SDSTA's proportionate share of net pension liability (asset)	\$ (24,607)	\$ (52,451)	\$ (10,366)	\$ (44,302)	\$ 1,698,193	\$ (2,158,428)	\$ (3,809,788)
SDSTA's covered employer payroll	\$ 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	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)	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

# **SCHEDULE OF THE AUTHORITY CONTRIBUTIONS**

## **South Dakota Retirement System**

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 841,062	\$ 746,095	\$ 631,417	\$ 554,398	\$ 595,112	\$ 573,626	\$ 557,420
Contributions in relation to the contractually required contribution	\$ 841,062	\$ 746,095	\$ 631,417	\$ 554,398	\$ 595,112	\$ 573,626	\$ 557,420
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SDSTA's covered-employee payroll	\$ 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	6.13%	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, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 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 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

**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 0.5% 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, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% 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 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.

## SUPPLEMENTAL INFORMATION

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**SCHEDULE OF OPERATING EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021**

**Personal Services**

Employee Salaries	\$	12,294,322
Employee Benefits		8,063,898

<b>Total Personal Services</b>		<b>20,358,220</b>
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**Travel**

Meals and Lodging	17,854
Auto and Fleet Services	54,754
Air - Commercial and Charter	5,620
Incidentals to Travel	276
Non-Employee Travel	1,764
Meals (Not Overnight)	-

<b>Total Travel</b>	<b>80,268</b>
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**Contractual Services**

Equipment Rental	177,453
Contractual - Other	3,577,589
Insurance	1,086,099
Lobbying	215,000
Computer Services	419,126
Telecommunications	77,690
Monitoring and Programming	29,737
Legal Consultant	128,620
Training	99,674
Consultant Fees - Accounting and Auditing	17,759
Promotion and Advancement	14,044
Dues and Memberships	13,555
Utilities	2,252,408
Maintenance and Repairs	916,534

<b>Total Contractual Services</b>	<b>9,025,288</b>
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**Supplies, Materials and Other Operating Expenses**

Maintenance and Repairs	1,557,801
Other Supplies and Equipment	2,415,643
Other Expenses	6,034
Office Supplies and Equipment	27,495
Licenses and Permits	42,140
Workshop and Registration Fees	3,444
Postage	4,288
Bank Charges	1,871

<b>Total Supplies, Materials and Other Operating Expenses</b>	<b>4,058,716</b>
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<b>Depreciation Expense</b>	<b>2,359,565</b>
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<b>Total Operating Expenses</b>	<b>\$ 35,882,057</b>
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# **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

## **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021**

	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	\$ 1,327,926
<i>U.S. Department of Energy</i> Pass-Through the Regents of the University of California LBNL SIGMA-V Project	7371823	81.UNKNOWN	418,403
<i>U.S. Department of Energy</i> Pass-Through Oak Ridge National Laboratory Experiment Support for Majorana Demonstrator	4000144149	81.UNKNOWN	24,831
<i>U.S. Department of Energy</i> Pass-Through Oak Ridge National Laboratory Experiment Support for Majorana Demonstrator	4000185715	81.UNKNOWN	8,115
<i>U.S. Department of Energy</i> Pass-Through Fermi National Accelerator Laboratory SURF (Sanford Underground Research Facility) Operations Support	629760	81.UNKNOWN	379,349
<i>U.S. Department of Energy</i> Pass-Through Fermi National Accelerator Laboratory SURF (Sanford Underground Research Facility) Ross Shaft Rehab	630223	81.UNKNOWN	1,344,226
<i>U.S. Department of Energy</i> Pass-Through Fermi National Accelerator Laboratory SURF (Sanford Underground Research Facility) Ross S.Logistics	654406	81.UNKNOWN	1,884,413
<i>U.S. Department of Energy</i> Pass-Through Fermi National Accelerator Laboratory SURF(Sanford Underground Research Facility)LBNF/DUNE Support	674969	81.UNKNOWN	739,495
<i>U.S. Department of Energy</i> Pass-Through Fermi National Accelerator Laboratory SURF (Sanford Underground Research Facility) Oro Hondo Fan Rec.	658475	81.UNKNOWN	1,254
<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	39,431
<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	228,407
<i>U.S. Department of Energy</i> Pass-Through RESPEC Thermal Breakout Project	03506A	81.UNKNOWN	10,881
<i>National Science Foundation:</i> Pass-Through South Dakota School of Mines & Technology Mathematical and Physical Sciences Research Grant	PHY-1615197	47.049	2,198

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

	Pass-Through Numbers	CFDA Numbers	Amount
<i>U.S. Department of Energy</i>			
Office of Science - Chicago Office of Acquisition/Assistance	DE-SC0020216	81.049	27,087,799
<b>Total</b>			<b>\$ 33,496,727</b>

Note: The schedule of expenditures of federal awards is presented on the cash basis of accounting.

**NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
JUNE 30, 2021****Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the SDSTA under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the SDSTA, it is not intended to and does not present the financial position, changes in net position, or cash flows of the SDSTA.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The SDSTA has elected not to use the 10-percent indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Federal Surplus Property**

There were no federal surplus property items received by the SDSTA for the year ended June 30, 2021.