



Financial Statements  
June 30, 2022

# South Dakota Public Broadcasting

Board of Directors .....	1
Independent Auditor’s Report .....	2
Management’s Discussion and Analysis .....	6
Financial Statements	
Statement of Net Position .....	12
Statement of Activities .....	13
Balance Sheet – Governmental Fund .....	14
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund .....	16
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	17
Notes to Financial Statements .....	18
Required Supplementary Information	
Schedule of the Proportionate Share of the Net Pension Liability (Asset) .....	35
Schedule of Contributions – South Dakota Retirement System .....	36
Notes to Required Supplementary Information .....	37
Other Supplementary Information	
Combining Schedule – Statement of Net Position Information .....	38
Combining Schedule – Statements of Revenue, Expenses and Changes in Net Position Information .....	39
Notes to Other Supplementary Information .....	40
Additional Reports	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	41
Schedule of Findings .....	43

<b><u>Name</u></b>	<b><u>Position</u></b>
Kay Jorgensen	Chairman
Doyle Estes	Council Member
Jerry Oster	Council Member
Tyler Tordsen	Council Member
Julie Ashworth	Council Member
David Landry	Council Member
Jeff Clines	BIT Commissioner
Shuree Mortenson	Board of Regents
Julie Overgaard	Executive Director



## Independent Auditor's Report

South Dakota Board of Directors for  
Educational Telecommunications  
South Dakota Public Broadcasting  
Vermillion, South Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audit the financial statements of the governmental activities, the discretely presented component unit, and the major fund of South Dakota Public Broadcasting (the "Organization"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the discretely presented component unit, and the major fund of South Dakota Public Broadcasting as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Adoption of New Accounting Standard*

As discussed in Note 8 to the financial statements, the Organization has adopted the provisions of Government Accounting Standards Board (GASB) No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities right-to-use lease asset and lease liability as of July 1, 2021. Our opinions are not modified with respect to this matter.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only South Dakota Public Broadcasting and do not purport to, and do not present fairly, the financial position of the State of South Dakota as of June 30, 2022, and the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis; schedule of the proportionate share of the net pension liability (asset); and schedule of contributions – South Dakota Retirement System as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the board of directors listing, combining schedule – statement of net position, and combining schedule – statements of revenue, expenses and changes in net position but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control over financial reporting and compliance.

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

Fargo, North Dakota  
December 20, 2022

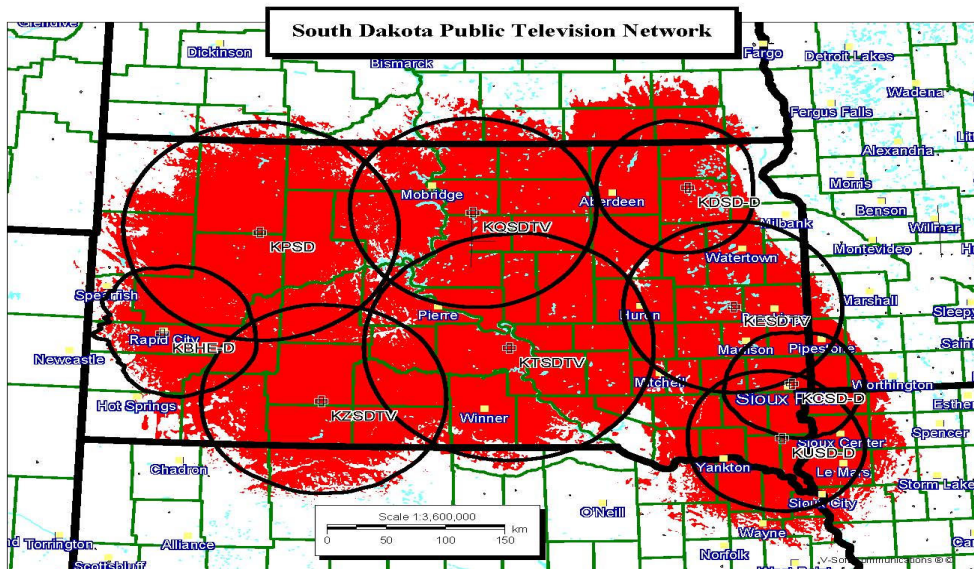
## Introduction and Reporting Entity

Management of South Dakota Public Broadcasting (SDPB) provides this Management's Discussion and Analysis of SDPB's annual financial statements. The narrative overview and analysis of the financial activities of SDPB is for the fiscal year ended June 30, 2022. We encourage readers to consider this information in conjunction with SDPB's financial statements, which follow this section.

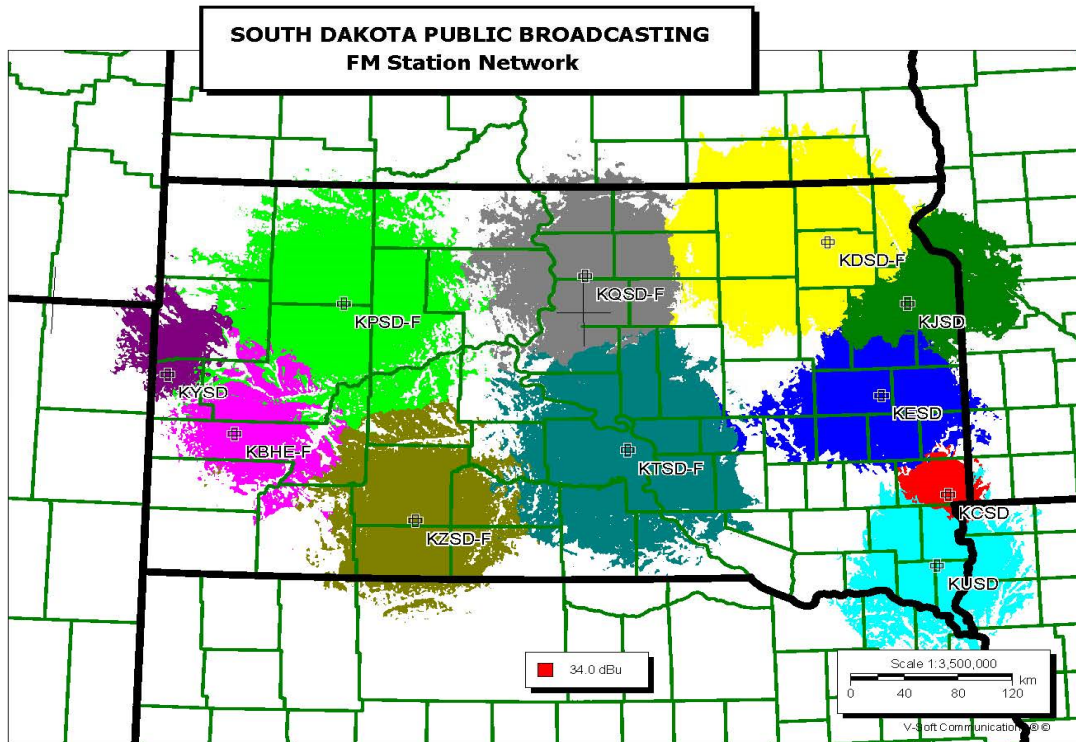
SDPB is South Dakota's statewide public broadcasting network. SDPB is a State agency under the umbrella of the Bureau of Information and Telecommunications (BIT). SDPB Educational Telecommunications Board, the broadcast licensee, governs SDPB and sets general programming objectives and policy guidelines. Six of the nine members are appointed by the Governor of South Dakota. Of those six, one must be a representative of a private college. The other three members are the Executive Director of SDPB, the Commissioner of BIT and the Executive Director of the SD Board of Regents.

SDPB's primary functions are to promote and establish noncommercial educational telecommunications facilities with the State of South Dakota and provide transmission facilities for noncommercial educational telecommunications programs throughout the State.

SDPB maintains a network of 9 digital television stations, 11 radio stations, 6 digital television translators and 11 radio translators, microwave equipment that covers over 1,530 microwave paths, 16,409 feet/3.11 miles of tower and over 51 towers which support the network owned microwave system. Area coverage maps with associated call signs are shown below.







SDPB serves over 90% of the State of South Dakota and serves approximately 340,000 households across the State with Public TV (SDPTV) and Radio (SPPR) programming. Membership for FY22 was 12,827. Local television production hours produced/hours aired were 520 (including repeats). SDPB TV local productions in FY22 included SD Focus, a revamped Dakota Life, SDHSAA High School Gymnastics, Football, Volleyball and Wrestling, all State Chorus and Orchestra, documentaries Play Like a Girl, the '72 Flood and Emmy-nominated Swords and Plowshares. SDPB Radio local included In The Moment, daily legislative updates during session, monthly spotlight topics, Jazz Nightly and music from the SD Symphony and Levitt at the Falls concert series.

The financial statements present the financial information for SDPB (the primary governmental public broadcasting entity) and its component unit, the Friends of South Dakota Public Broadcasting (a not-for-profit organization which solicits funds to be used to support program production and broadcasting of public broadcasting in the State of South Dakota). The financial information of the Friends of Public Broadcasting can be obtained by contacting the offices of the South Dakota Public Broadcasting at Vermillion, South Dakota or by calling (605) 677-5861.

The financial statements of SDPB consist of the Statement of Net Position, the Statement of Activities, the Balance Sheet, the Reconciliation of the Governmental Fund, and the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities. These statements are prepared in conformity with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Statement 34 requires the classification of net position into three categories – net investment in capital assets, restricted, and unrestricted. The Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Net Position to the Statement of Activities shows the sources and uses of cash from operations, cash flows from non-capital financing activities, cash flows from capital and related financing activities.

### Financial Highlights – Governmental Activities

The total net position of South Dakota Public Broadcasting (SDPB) was \$4,067,783 for the year ended June 30, 2022 (FY2022) and \$4,815,710 for the year ended June 30, 2021 (FY2021). SDPB's net position decreased by 15.5% from FY2021 to FY2022. This decrease is attributable to day-to-day activities and the timing of revenue and expenditures. SDPB's property and equipment, including right-to-use lease assets beginning in 2022, net of accumulated depreciation/amortization, totaled \$3,795,296 and \$4,008,870 at June 30, 2022 and June 30, 2021, respectively. These changes are reflected in the summary below. A summary of changes in capital assets is included in Note 2 of the financial statements.

#### Statement of Net Position June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Percentage Change</u>
Assets			
Current assets	\$ 3,945,666	\$ 1,715,601	130.0%
Net capital assets	<u>3,795,296</u>	<u>4,008,870</u>	-5.3%
Total assets	<u>7,740,962</u>	<u>5,724,471</u>	35.2%
Deferred Outflows of Resources	<u>1,436,692</u>	<u>936,011</u>	53.5%
Liabilities			
Current liabilities	928,529	782,319	18.7%
Long-term liabilities	<u>371,588</u>	<u>289,489</u>	28.4%
Total liabilities	<u>1,300,117</u>	<u>1,071,808</u>	21.3%
Deferred Inflows of Resources	<u>3,809,754</u>	<u>772,964</u>	392.9%
Net Position			
Net investment in capital assets	3,711,748	4,008,870	-7.4%
Restricted for SDRS pension	188,607	168,880	11.7%
Unrestricted	<u>167,428</u>	<u>637,960</u>	-73.8%
Total net position	<u>\$ 4,067,783</u>	<u>\$ 4,815,710</u>	-15.5%

SDPB's operating revenues decreased by 13.1% from FY2021 to FY2022. This decrease is attributable to day-to-day activities and timing of revenues, as well as no federal funds related to COVID-19 CARES grants. Overall expenses decreased by 3.0% from FY2021 to FY2022. This decrease is attributable to day-to-day activities and the timing of expenses.

**Statement of Activities**  
**Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>	<u>Percentage Change</u>
<b>Revenues</b>			
Program revenues			
Operating grants and contributions	\$ 3,413,600	\$ 4,763,522	-28.3%
General revenues			
Appropriations from the State of South Dakota	4,534,541	4,449,257	1.9%
Tower rental income	189,113	368,340	-48.7%
Other general revenues	319,741	147,732	116.4%
<b>Total revenues</b>	<u>8,456,995</u>	<u>9,728,851</u>	-13.1%
<b>Expenses</b>			
Programming and production	2,469,672	2,524,527	-2.2%
Radio programming and production	1,780,153	1,729,553	2.9%
Engineering	2,643,296	2,840,676	-6.9%
Radio administration	146,179	160,925	-9.2%
Radio engineering	430,416	342,963	25.5%
Network marketing	509,751	410,429	24.2%
Radio marketing	184,235	175,898	4.7%
Management and general	254,852	527,600	-51.7%
Depreciation/amortization - unallocated	741,382	726,098	2.1%
<b>Total expenses</b>	<u>9,159,936</u>	<u>9,438,669</u>	-3.0%
Loss on disposal of capital assets	<u>(44,986)</u>	<u>-</u>	-100.0%
Change in net position	<u>\$ (747,927)</u>	<u>\$ 290,182</u>	-357.7%

**Financial Highlights – General Fund**

The following schedule presents a summary of General Fund revenues.

	<u>2022</u>	<u>2021</u>	<u>Percentage Change</u>
<b>Revenues</b>			
Appropriation from the State of South Dakota	\$ 4,534,541	\$ 4,449,257	1.9%
Contributions from Friends	1,333,573	1,352,746	-1.4%
Donated services and equipment	156,637	178,229	-12.1%
Community service grants from Corporation for Public Broadcasting	1,923,390	2,639,677	-27.1%
Federal - restricted (CARES)	-	592,870	-100.0%
Leases (as lessor)	230,394	-	100.0%
Other	278,462	516,072	-46.0%
<b>Total revenues</b>	<u><u>\$ 8,456,997</u></u>	<u><u>\$ 9,728,851</u></u>	-13.1%

Total General Fund revenue decreased by 13.1% from the previous year. Community service grants decreased from the previous year, and federal funds decreased due to the COVID-19 related CARES program providing funding in 2021.

The following schedule presents a summary of General Fund expenditures.

	<u>2022</u>	<u>2021</u>	<u>Percentage Change</u>
<b>Expenditures</b>			
TV programming and production	\$ 2,455,275	\$ 2,534,010	-3.1%
Radio programming and production	1,780,153	1,725,927	3.1%
Engineering	2,677,000	2,849,373	-6.0%
Radio engineering	430,416	341,418	26.1%
Network marketing	509,751	420,659	21.2%
Radio marketing	184,235	175,898	4.7%
Management and general	282,899	291,927	-3.1%
Radio management	146,179	85,930	70.1%
Capital outlay	447,224	509,971	-12.3%
<b>Total expenditures</b>	<u><u>\$ 8,913,132</u></u>	<u><u>\$ 8,935,113</u></u>	-0.2%

Total General Fund expenditures decreased by 0.2% from the previous year. Programming and production for TV and radio increased from the previous year due to FY2021 being more impacted by the COVID pandemic which caused less costs, and FY2022 was restored to more consistent historical levels.

### **Other Significant Matters**

In FY22 SDPB successfully wrapped up the Sound Vision Campaign, raising more than \$13 million in programming support and endowment. A new strategic planning process kicked off in February of 2022 for implementation in the beginning in FY23. Underwriting continued to see significant growth, generating almost \$1 million in revenue during FY22. A third underwriting sales staff was hired in FY22 to cover the Northeast part of South Dakota.

In FY22 SDPB was awarded a new radio broadcast license for the City of Mitchell, SD, and surrounding areas. SDPB currently does not have a strong signal in the area. We have three years to put the new station on the air. We estimate the project cost to be around \$500,000.

FY22 also saw changes in local TV production programs Dakota Life and SD Focus. The reformatted Dakota Life tells the stories of small towns and their neighboring rural areas. Each season ten communities are selected. SDPB production member and staff conduct community listening sessions ahead of production. Before TV broadcast, we return to the community to premier the show and gather new story ideas. SD Focus began the shift from round table discussions to a topic-driven, investigative report.

### **Request for Information**

This financial report is designed to provide donors, members, investment managers, foundations, and taxpayers with a general overview of SDPB's finances and to account for the funding it receives. It is also intended to help the reader better understand the changes in the financial statement format. Additional details can be requested by mail at the following address:

South Dakota Public Broadcasting  
Attn: BIT Finance Department  
PO Box 5000  
Vermillion, SD 57069-5000

South Dakota Public Broadcasting  
Statement of Net Position  
June 30, 2022

	Primary Government	Component Unit
	Governmental Activities	Friends of Public Broadcasting
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,361,861	\$ 599,140
Investments	-	6,973,707
Leases receivable	1,513,362	-
Other receivables	-	359,756
Prepaid items	22,136	32,870
Net pension asset	1,048,307	-
Total current assets	<u>3,945,666</u>	<u>7,965,473</u>
<b>Capital Assets</b>		
Land	107,493	-
Buildings	1,516,656	-
Machinery and equipment	22,700,779	472,920
Right-to-use lease asset	91,868	-
Less: accumulated depreciation/amortization	(20,621,500)	(185,032)
Net capital assets	<u>3,795,296</u>	<u>287,888</u>
Total assets	<u>7,740,962</u>	<u>8,253,361</u>
<b>Deferred Outflows of Resources</b>		
Pension plans	<u>1,436,692</u>	-
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities	584,111	156,300
Current portion of long term liabilities	344,418	-
Total current liabilities	<u>928,529</u>	<u>156,300</u>
<b>Long-Term Liabilities</b>		
Accrued compensated absences	632,458	-
Lease liability	83,548	-
Less: current portion	(344,418)	-
Total long-term liabilities	<u>371,588</u>	-
Total liabilities	<u>1,300,117</u>	<u>156,300</u>
<b>Deferred Inflows of Resources</b>		
Lease related	1,513,362	-
Pension plans	2,296,392	-
Total deferred inflows of resources	<u>3,809,754</u>	-
<b>Net Position</b>		
Net investment in capital assets	3,711,748	-
Restricted for SDRS pension	188,607	-
Unrestricted	167,428	-
With donor restrictions - Foundations	-	3,826,210
Without donor restrictions - Board designated	-	3,491,182
Without donor restrictions	-	779,669
Total net position	<u>\$ 4,067,783</u>	<u>\$ 8,097,061</u>

The notes to financial statements are an integral part of this statement

South Dakota Public Broadcasting  
Statement of Activities  
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position	
		Operating Grants and Contributions	Primary Government	Component Unit
			Governmental Activities	Friends of Public Broadcasting
Primary government:				
Governmental activities:				
Programming and production	\$ 2,469,672	\$ 2,740,821	\$ 271,149	\$ -
Radio programming and production	1,780,153	583,502	(1,196,651)	-
Engineering	2,643,296	67,360	(2,575,936)	-
Radio administration	146,179	-	(146,179)	-
Radio engineering	430,416	6,741	(423,675)	-
Network marketing	509,751	-	(509,751)	-
Radio marketing	184,235	-	(184,235)	-
Management and general	254,852	15,176	(239,676)	-
Depreciation/amortization - unallocated	741,382	-	(741,382)	-
Total primary government	<u>\$ 9,159,936</u>	<u>\$ 3,413,600</u>	<u>(5,746,336)</u>	<u>-</u>
Component Unit				
Friends of Public Broadcasting	<u>\$ 3,668,754</u>	<u>\$ 4,245,809</u>		<u>577,055</u>
General revenues				
Appropriations from the State of South Dakota			4,534,541	-
Tower rental income			189,113	-
Other general revenues			319,741	317,507
Loss on disposal of capital assets			(44,986)	-
Total general revenues			<u>4,998,409</u>	<u>317,507</u>
Change in net position			(747,927)	894,562
Net position - beginning, as restated for Friends of Public Broadcasting			<u>4,815,710</u>	<u>7,202,499</u>
Net position - ending			<u>\$ 4,067,783</u>	<u>\$ 8,097,061</u>

South Dakota Public Broadcasting  
Balance Sheet – Governmental Fund  
June 30, 2022

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 1,361,861
Prepaid items	22,136
Lease receivable	1,513,362
Total assets	\$ 2,897,359
<b>Liabilities and Fund Balance</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 299,272
Salaries and benefits payable	284,839
Total liabilities	584,111
<b>Deferred Inflows of Resources</b>	
Lease related	1,513,362
<b>Fund Balance</b>	
Nonspendable	22,136
Unassigned	777,750
Total fund balance	799,886
Total liabilities and fund balances	\$ 2,897,359



South Dakota Public Broadcasting  
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
 June 30, 2022

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Total Fund Balances - Governmental Funds		\$ 799,886
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds		1,048,307
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds		1,436,692
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds		(2,296,392)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:		
The cost of the assets are:	\$ 24,416,796	
The accumulated depreciation/amortization is:	<u>20,621,500</u>	3,795,296
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The long-term liabilities at year end include compensated absences and lease liability		<u>(716,006)</u>
Net Position of Governmental Activities		<u><u>\$ 4,067,783</u></u>

South Dakota Public Broadcasting  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund  
Year Ended June 30, 2022

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	General Fund
<b>Revenues</b>	
Appropriation from the State of South Dakota	\$ 4,534,541
Contributions from Friends	1,333,573
Donated services and equipment	156,637
Community service grants from Corporation for Public Broadcasting	1,923,390
Leases (as lessor)	230,394
Other	278,462
	<u>8,456,997</u>
Total revenues	<u>8,456,997</u>
<b>Expenditures</b>	
TV programming and production	2,455,275
Radio programming and production	1,780,153
Engineering	2,677,000
Radio engineering	430,416
Network marketing	509,751
Radio marketing	184,235
Management and general	282,899
Radio management	146,179
Capital outlay	447,224
	<u>8,913,132</u>
Total expenditures	<u>8,913,132</u>
Net Change in Fund Balance	(456,135)
Fund Balance, Beginning of Year	<u>1,256,021</u>
Fund Balance, End of Year	<u>\$ 799,886</u>

South Dakota Public Broadcasting  
 Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and  
 Changes in Fund Balances to the Statement of Activities  
 Year Ended June 30, 2022

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Net Change in Fund Balances - Governmental Funds \$ (456,135)

Amounts reported for governmental activities in  
 the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the  
 statement of activities the cost of capital assets is allocated over their estimated  
 useful lives as depreciation/amortization expense.

Capital outlay	\$ 447,224	
Capital asset trade in	33,702	
Depreciation/amortization expense	<u>(741,382)</u>	(260,456)

The net effect of the disposal of capital assets is to decrease  
 net position. (44,986)

In the statement of activities compensated absences are measured by the amounts  
 earned and paid during the year. In the governmental funds, however, expenditures  
 for these items are measured by the amount of financial resources used. (14,397)

Changes in the pension related deferred outflows/inflows are direct components of  
 pension liability (asset) and are not reflected in the governmental funds. 19,727

The issuance of long-term debt provides current resources to governmental funds,  
 while the repayment of principal of long-term debt consumes the current financial  
 resources of governmental funds. Neither transaction, however, has any effect  
 on net position. This amount is the net effect of these differences in the treatment  
 of long-term debt and related items. 8,320

Change in Net Position of Governmental Activities \$ (747,927)

**Note 1 - Significant Accounting Policies****Financial Reporting Entity**

South Dakota Board of Directors for Educational Telecommunications (“South Dakota Public Broadcasting”) is an agency of the South Dakota Bureau of Information and Telecommunications and a special revenue fund of the State of South Dakota reporting entity. The agency was formed by a consolidation of South Dakota Educational Television, KESD-TV, KUSD-TV, and South Dakota Public Radio Network on July 1, 1985.

As required by GASB 39, the financial statements of the agency include those of the South Dakota Public Broadcasting (the primary government), and of the Friends of Public Broadcasting, a legally separate, nonprofit South Dakota organization which is included as a discretely presented component unit. The Friends of Public Broadcasting solicit funds in the name of, and with the approval of, South Dakota Public Broadcasting. The nature and significance of the relationship of the Friends of Public Broadcasting to the primary government is such that exclusion would cause the reporting entity’s financial statements to be misleading and incomplete. During 2022, a certain error was discovered as it relates to an irrevocable trust the Friends of Public Broadcasting was listed as a beneficiary, which resulted in an understatement of amounts previously reported for net assets with donor restrictions, beneficial interest in charitable trust, and change in value of beneficial interest in charitable trust. Accordingly, the beginning of year net position has been restated to correct the error. Complete financial statements for the Friends of Public Broadcasting can be obtained directly from their administrative office.

**Government-Wide and Fund Financial Statements**

The goal of government-wide financial statements is to present a broad overview of the government’s finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government’s activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are prepared for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. However, South Dakota Public Broadcasting does not have any proprietary funds and so only the governmental fund is presented. The governmental fund of South Dakota Public Broadcasting is as follows:

*General Fund* – the General Fund is the general operating fund. It is used to account for all financial resources of the general government.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Non-exchange transactions, in which South Dakota Public Broadcasting gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Under the terms of grant agreements, South Dakota Public Broadcasting funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is South Dakota Public Broadcasting's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

**Cash and Investments**

Temporary cash investments of the operating funds are held with the South Dakota State Treasury in the Cash Flow Portfolio. State public funds are deposited and invested using the pooled deposit and investment concept which preserves the integrity of the fund cash balance of each state fund while simultaneously allowing the deposit and investment of aggregate idle fund moneys. The Board's share of assets in the portfolio, using available information as of June 30, 2022, is 0.010% of the total assets being invested in the pool. The investment risks associated with the pool can be obtained from the separately issued report of the South Dakota Investment Council.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**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.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Statements**

Depreciation and amortization of all exhaustible fixed assets and right-to-use lease assets is recorded as an unallocated expense in the Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capital assets are defined by the Organization as assets with an initial, individual cost of more than \$5,000 for machinery and equipment, more than \$100,000 for buildings, and no threshold for land. Such assets are recorded at historical cost, or estimated historical cost for assets where actual historic cost is not available, except for right-to-use lease assets, the measurement of which is discussed in Note 4.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Buildings, machinery and equipment of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings	27-50 years
Machinery and equipment	3-20 years

**Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisitions.

**Long-Term Liabilities**

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. If applicable, the debt proceeds are reported as revenues and payment of principal and interest reported as expenditures.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of leases and compensated absences.

### *Compensated Absences*

The liability for compensated absences is based on the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

### **Program Revenues**

In the Government-wide Statement of Activities, reported program revenues derive directly from the program itself. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets.

### **Equity Classifications**

#### **Government-Wide Statements**

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

1. Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, constructions, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on its 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 does not meet the definition of “restricted” or “investment in capital assets.”

It is the policy of the Board 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.

**Fund Financial Statements**

Equity is classified as fund balance and is divided into five components based primarily on the extent to which the organization is bound to observe constraints imposed upon the use of the resources in governmental funds. In accordance with Governmental Accounting Standards Board No. 54, the classifications are as follows:

1. Nonspendable – Consists of amounts that cannot be spent because they are either (a) not in spendable form; or (b) legally or contractually required to be maintained intact.
2. Restricted – Consists of amounts that are constrained for a specific purpose through restrictions of (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. Committed – Consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board and does not lapse at year-end. Those committed amounts cannot be used for any other purpose unless the Board rescinds or modifies the specified use by taking the same type of action (Board motion) it employed to previously commit those amounts.
4. Assigned – Consists of amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or appointed Committee delegated that authority by a Board motion or Board policy.
5. Unassigned – Consists of all amounts that are not constrained as reported in the other classifications within the General Fund. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Board uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Board would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

The Board does not have a formal minimum fund balance policy.



**Donated Facilities and Services**

The Organization occupies, without charge, certain premises located in government owned buildings, The estimated fair rental value of the premises is reported as revenue and expenditures in the period in which the premises are used.

Donated professional services are recorded as revenue and expenditures at estimated fair value.

**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. State of South Dakota contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

**Deferred Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

The Organization has one item that qualifies for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The Organization has two types of items that qualify for reporting in this category. The first item is deferred inflows related to pension plans as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position. The second item is deferred amounts related to leases that will be recognized in future years, reported in the government-wide statement of net position.

**Estimates**

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

**Leases***Lessee*

The Organization is a lessee for land, a radio tower, and building space. The Organization recognizes a lease liability and a right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the Organization initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Organization determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Organization uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Organization generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Organization is reasonably certain to exercise.

The Organization monitors changes in circumstances that would require a remeasurement of its lease(s) and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

### *Lessor*

The Organization is a lessor for tower space, antenna and shelter space, and other property. The Organization recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Organization initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Organization determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Organization uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Organization monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

### **Subsequent Events**

The Organization has evaluated subsequent events through December 20, 2022, the date which the financial statements were available to be issued.

### **Implementation of GASB Statement No. 87**

As of July 1, 2021, the Organization adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning right-to-use asset and lease liability is disclosed in Note 8 and the additional disclosures required by this standard is included in Note 4.

**Note 2 - Capital Assets**

Governmental activities capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 01, 2021 (as restated)	Increases	Decreases	Balance June 30, 2022
<b>Governmental Activities</b>				
Capital assets, not being depreciated/amortized				
Land	\$ 107,493	\$ -	\$ -	\$ 107,493
Construction in progress	151,076	-	151,076	-
Total capital assets, not being depreciated/amortized	<u>258,569</u>	<u>-</u>	<u>151,076</u>	<u>107,493</u>
Capital assets, being depreciated/amortized				
Buildings	1,516,656	-	-	1,516,656
Machinery and equipment	22,370,813	632,002	302,036	22,700,779
Right-to-use lease asset	91,868	-	-	91,868
Total capital assets, being depreciated/amortized	<u>23,979,337</u>	<u>632,002</u>	<u>302,036</u>	<u>24,309,303</u>
Less accumulated depreciation/amortization for				
Buildings	769,711	29,143	-	798,854
Machinery and equipment	19,367,457	702,183	257,050	19,812,590
Right-to-use lease asset	-	10,056	-	10,056
Total accumulated depreciation/amortization	<u>20,137,168</u>	<u>741,382</u>	<u>257,050</u>	<u>20,621,500</u>
Total capital assets, being depreciated/amortized, net	<u>3,842,169</u>	<u>(109,380)</u>	<u>44,986</u>	<u>3,687,803</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,100,738</u>	<u>\$ (109,380)</u>	<u>\$ 196,062</u>	<u>\$ 3,795,296</u>

All depreciation/amortization expense is unallocated and not charged to any functions/programs of the governmental activities.

**Note 3 - Long Term Liabilities**

Changes in long-term liabilities during the year ended June 30, 2022, was as follows:

	Balance July 01, 2021 (as restated)	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Lease Liabilities	\$ 91,868	\$ -	\$ 8,320	\$ 83,548	\$ 8,813
Compensated Absences	618,061	342,969	328,572	632,458	335,605
	<u>\$ 709,929</u>	<u>\$ 342,969</u>	<u>\$ 336,892</u>	<u>\$ 716,006</u>	<u>\$ 344,418</u>

Leases liabilities consists of leases as discussed in Note 4, and payments are made from the General Fund.

Compensated absences for governmental activities are liquidated from the General Fund.

**Note 4 - Leases****Lease Receivable**

During previous years the Organization entered into various lease agreements for the rent of tower space, antenna and shelter space, and other property to third parties. The leases have an interest rate of 2.69%. The Organization recognized \$189,113 in lease revenue and \$41,281 in interest revenue during the current fiscal year related to these leases. As of June 30, 2022, the Organization's lease receivable was \$1,513,362. Also, the Organization has deferred inflows of resources associated with this lease that will be recognized as revenue over the lease terms. As of June 30, 2022, the balance of the deferred inflow of resources was \$1,513,362.

The future principal and interest lease receipts as of June 30, 2022, were as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 221,948	\$ 39,158
2024	221,243	33,729
2025	210,796	28,220
2026	123,914	23,960
2027	123,914	20,834
2028-2032	554,552	50,825
2033-2037	48,347	4,294
2038-2039	8,648	191
	<u>\$ 1,513,362</u>	<u>\$ 201,211</u>

**Leases Payable**

The Organization has entered into lease agreements for the acquisition and use of land, a radio tower, and building space. An initial lease liability was recorded in the amount of \$91,868. As of June 30, 2022, the value of the lease liability was \$83,548. The Organization is required to make annual principal and interest payments. The leases have interest rates of 2.69%. The right-to-use land assets have an estimated useful life of 2 to 11 years. The carrying value of the right-to-use asset as of the end of the current fiscal year was \$91,868 and had accumulated amortization of \$10,056.

During the fiscal year the Organization recorded \$10,056 in amortization expense and \$2,098 in interest expense for the right to use the land, a radio tower, and building space.

The future principal and interest lease payments as of June 30, 2022, were as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 8,813	\$ 2,161
2024	7,253	1,921
2025	7,450	1,724
2026	7,653	1,521
2027	8,168	1,312
2028-2032	44,211	2,882
	<u>\$ 83,548</u>	<u>\$ 11,521</u>

**Note 5 - Pension Plan****Plan Information**

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

**Benefits Provided**

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

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

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

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

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

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

### **Contributions**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to contribute an amount equal to the employee's contribution. South Dakota Public Broadcasting contributions to the SDRS for the fiscal years ended June 30, 2022, 2021 and 2020 were \$189,658, \$186,355 and \$176,873 respectively, equal to the required contributions each year.

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

At June 30, 2021, SDRS is 100.04% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS for the Organization as of June 30, 2022 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 18,978,248
Less proportionate share of total pension liability	<u>20,026,555</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,048,307)</u>

At June 30, 2022 the Organization reported an asset of \$1,048,307 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension asset used to calculate the pension asset was based on a projection of the Organization's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Organization's proportion was 0.1368853%, which is an increase of 0.002567% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022 the Organization recognized pension expense of (\$19,727). At June 30, 2022, the Organization 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	\$ 37,637	\$ 2,749
Changes in assumption	1,205,542	524,976
Net difference between projected and actual earnings on pension plan investments	-	1,497,528
Changes in proportion and difference between Authority contributions and proportionate share of contributions	3,855	271,139
Contributions subsequent to measurement date	<u>189,658</u>	<u>-</u>
	<u>\$ 1,436,692</u>	<u>\$ 2,296,392</u>



Deferred outflows of resources related to pension resulting from the Organization's contributions subsequent to the June 30, 2021 measurement date of \$189,658 will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense (reduction of pension expense) as follows:

<u>Years Ending December 31,</u>	
2023	\$ (192,660)
2024	(131,391)
2025	(304,022)
2026	<u>(421,285)</u>
	<u>\$ (1,049,358)</u>

### Actuarial Assumptions

The total pension asset in the SDRS June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Investment rate of return	6.50% net of pension plan investment expense
Future COLAs	2.25%

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

The actuarial assumptions used in the June 30, 2021 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 weighting 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, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	58.0%	5.1%
Fixed income	30.0%	1.5%
Real estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the total pension 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 asset.

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

The following presents the Organization’s proportionate share of net pension asset at June 30, 2022 calculated using the discount rate of 6.50%, as well as what the Organization’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Organization's proportionate share of the net pension (asset) liability	\$ 2,745,777	\$ (1,048,307)	\$ (2,228,932)

**Pension Plan Fiduciary Net Position**

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

**Note 6 - Commitments and Contingencies**

**Litigation**

As of June 30, 2022, South Dakota Public Broadcasting was not involved in any litigation.

**Note 7 - Risk Management**

South Dakota Public Broadcasting employees are employees of the State of South Dakota, and accordingly, receive all benefits afforded to employees of the State.

**Employee Health and Life Insurance**

The State of South Dakota assumes substantially all risks associated with claims of covered public employees for health and life insurance benefits. Premiums are paid by South Dakota Public Broadcasting for all covered employees to the State of South Dakota Self-Insurance Internal Service Fund. Varying levels of health and life coverage may be purchased by employees for their spouses and dependents.

**Worker’s Compensation Benefits and Unemployment Insurance**

The State of South Dakota assumes substantially all risks associated with claims of state employees for unemployment compensation and worker’s compensation benefits. Premiums based on a percentage of wages are paid by South Dakota Public Broadcasting to the South Dakota Unemployment Insurance Fund to cover the cost of claims servicing and unemployment claims payments. A reserve derived from a percentage of wages paid to state employees is used to fund worker’s compensation claims.

**Liability and Property Insurance**

South Dakota Public Broadcasting participates in the Public Entity Pool for Liability (PEPL). This is an Internal Service Fund of the State of South Dakota which was created to cover risks associated with automobile and general tort liability. South Dakota Public Broadcasting pays premiums based on the number of automobiles it holds title to for automobile liability, and the number of approved full-time employees for general tort liability. Coverage for property loss was obtained through the South Dakota Property and Casualty Insurance Company, LLC.

**Note 8 - Adoption of New Standard**

As of July 1, 2021, the Organization adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for the leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provision of GASB Statement No. 87 as follows:

	Governmental Activities	General Fund
	<u>                    </u>	<u>                    </u>
Net Position at June 30, 2021, as previously reported	\$ 4,815,710	\$ 1,256,021
Restatement:		
Lease receivable	1,735,310	1,735,310
Lease related deferred inflow of resources	(1,735,310)	(1,735,310)
Right-to-use asset	91,868	-
Lease liability	<u>(91,868)</u>	<u>-</u>
Net Position at July 1, 2021, as restated	<u>\$ 4,815,710</u>	<u>\$ 1,256,021</u>



Required Supplementary Information

June 30, 2022

South Dakota Public Broadcasting

South Dakota Public Broadcasting  
Schedule of the Proportionate Share of the Net Pension Liability (Asset)  
June 30, 2022

	2015	2016	2017	2018	2019	2020	2021	2022
Organization' proportion of the net pension liability (asset)	0.1385131%	0.1427638%	0.1361028%	0.1393609%	0.1388304%	0.1386452%	0.1343183%	0.1368853%
Organization's proportionate share of net pension liability (asset)	\$ (997,930)	\$ (605,502)	\$ (459,742)	\$ (12,647)	\$ (3,238)	\$ (14,693)	\$ (5,833)	\$ (1,048,307)
Organization's covered payroll	\$ 2,422,217	\$ 2,606,467	\$ 2,738,855	\$ 2,966,307	\$ 3,017,941	\$ 3,028,226	\$ 3,074,328	\$ 3,278,114
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-41.20%	-23.23%	-16.79%	-0.43%	-0.11%	-0.49%	-0.19%	-31.98%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.90%	100.10%	100.02%	100.09%	100.04%	105.52%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is June 30 of the previous fiscal year.

This schedule is intended to show information for ten years, additional information will be displayed as it becomes available.

South Dakota Public Broadcasting  
Schedule of Contributions – South Dakota Retirement System  
June 30, 2022

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	\$ 145,333	\$ 156,388	\$ 155,280	\$ 169,892	\$ 173,169	\$ 173,011	\$ 176,873	\$ 186,355	\$ 189,659
Contributions in relation to the contractually required contribution	145,333	156,388	155,280	169,892	173,169	173,011	176,873	186,355	189,659
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,422,217	\$ 2,606,467	\$ 2,738,855	\$ 2,966,307	\$ 3,017,941	\$ 3,028,226	\$ 3,074,328	\$ 3,278,114	\$ 3,378,077
Contributions as a percentage of covered payroll	6.00%	6.00%	5.67%	5.73%	5.74%	5.71%	5.75%	5.68%	5.61%

This schedule is intended to show information for ten years, additional information will be displayed as it becomes available.

### **Changes of Benefit Terms Since the Last Valuation**

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.

### **Changes of Assumptions Since the Last Valuation**

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.





Other Supplementary Information  
June 30, 2022

## South Dakota Public Broadcasting

South Dakota Public Broadcasting  
Combining Schedule – Statement of Net Position Information  
June 30, 2022

	South Dakota Public Broadcasting	Friends of SDPB	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,361,861	\$ 599,140	\$ 1,961,001
Investments	-	6,973,707	6,973,707
Other receivables	-	359,756	359,756
Leases receivable	1,513,362	-	1,513,362
Prepaid items	22,136	32,870	55,006
Net pension asset	1,048,307	-	1,048,307
Capital assets	24,416,796	472,920	24,889,716
Less : accumulated depreciation/amortization	<u>(20,621,500)</u>	<u>(185,032)</u>	<u>(20,806,532)</u>
Total assets	<u>7,740,962</u>	<u>8,253,361</u>	<u>15,994,323</u>
<b>Deferred Outflows of Resources</b>			
Pension plans	<u>1,436,692</u>	<u>-</u>	<u>1,436,692</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	584,111	156,300	740,411
Long-term liabilities			
Due within one year	344,418	-	344,418
Due in more than one year	<u>371,588</u>	<u>-</u>	<u>371,588</u>
Total liabilities	<u>1,300,117</u>	<u>156,300</u>	<u>1,456,417</u>
<b>Deferred Inflows of Resources</b>			
Lease related	1,513,362	-	1,513,362
Pension plans	<u>2,296,392</u>	<u>-</u>	<u>2,296,392</u>
Total deferred inflows of resources	<u>3,809,754</u>	<u>-</u>	<u>3,809,754</u>
<b>Net Position</b>			
Net investment in capital assets	3,711,748	-	3,711,748
Restricted for SDRS pension	188,607	-	188,607
Unrestricted	167,428	-	167,428
With donor restrictions - Foundations	-	3,826,210	3,826,210
Without donor restrictions - Board designated	-	3,491,182	3,491,182
Without donor restrictions	<u>-</u>	<u>779,669</u>	<u>779,669</u>
Total net position	<u>\$ 4,067,783</u>	<u>\$ 8,097,061</u>	<u>\$ 12,164,844</u>

**South Dakota Public Broadcasting**  
Combining Schedule – Statements of Revenue, Expenses and Changes in Net Position Information  
Year Ended June 30, 2022

	South Dakota Public Broadcasting - TV	South Dakota Public Broadcasting - Radio	Friends of SDPB - TV	Friends of SDPB - Radio	Eliminations	Total
<b>Support and Revenue</b>						
General appropriations from the State of South Dakota	\$ 3,072,715	\$ 1,461,826	\$ -	\$ -	\$ -	\$ 4,534,541
Contributions from Friends of SDPB	706,794	626,779	-	-	(1,333,573)	-
Donated services and equipment	122,957	33,680	-	-	-	156,637
Community service grants from CPB	1,700,117	223,273	-	-	-	1,923,390
Other	406,119	102,735	-	-	-	508,854
Membership income	-	-	1,064,099	943,635	-	2,007,734
Contributed support	-	-	1,386,792	851,283	-	2,238,075
Underwriting income	-	-	639,296	334,892	-	974,188
Miscellaneous income	-	-	125	110	-	235
Change in beneficial interests	-	-	(252,840)	(224,216)	-	(477,056)
Investment income (including gains and losses)	-	-	(95,326)	(84,534)	-	(179,860)
<b>Total support and revenue</b>	<b>6,008,702</b>	<b>2,448,293</b>	<b>2,742,146</b>	<b>1,821,170</b>	<b>(1,333,573)</b>	<b>11,686,738</b>
<b>Expenses</b>						
Programming and production	2,469,672	1,780,153	1,025,246	909,181	(1,333,573)	4,850,679
Broadcasting and engineering	2,643,296	-	-	-	-	2,643,296
Radio and radio engineering	-	430,416	-	-	-	430,416
Marketing	509,751	184,235	-	-	-	693,986
Management and general	269,647	151,111	146,245	135,249	-	702,252
Depreciation and amortization	591,864	149,518	-	-	-	741,382
Pension	(14,795)	(4,932)	-	-	-	(19,727)
Loss on disposal of capital assets	44,986	-	-	-	-	44,986
Fundraising and membership	-	-	608,736	572,128	-	1,180,864
Underwriting and grant solicitation	-	-	142,358	129,611	-	271,969
<b>Total expenses</b>	<b>6,514,421</b>	<b>2,690,501</b>	<b>1,922,585</b>	<b>1,746,169</b>	<b>(1,333,573)</b>	<b>11,540,103</b>
<b>Total Support and Revenue in Excess of (Less Than) Expenses</b>	<b>(505,719)</b>	<b>(242,208)</b>	<b>819,561</b>	<b>75,001</b>	<b>-</b>	<b>146,635</b>
<b>Net Position, Beginning of Year, as Restated for Friends of SDPB</b>	<b>4,658,669</b>	<b>157,041</b>	<b>5,329,849</b>	<b>1,872,650</b>	<b>-</b>	<b>12,018,209</b>
<b>Net Position, End of Year</b>	<b>\$ 4,152,950</b>	<b>\$ (85,167)</b>	<b>\$ 6,149,410</b>	<b>\$ 1,947,651</b>	<b>\$ -</b>	<b>\$ 12,164,844</b>

The combining schedules are not representative of requirements of the Governmental Accounting Standards Board and are not intended to be. Management of South Dakota Public Broadcasting prepares the schedules to aid in the completion of the CPB annual financial reporting.



Additional Reports  
June 30, 2022

# South Dakota Public Broadcasting



**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***

South Dakota Board of Directors for  
Educational Telecommunications  
South Dakota Public Broadcasting  
Vermillion, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, and the major fund of South Dakota Public Broadcasting (the “Organization”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization’s basic financial statements and have issued our report thereon dated December 20, 2022.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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*.

## **South Dakota Public Broadcasting's Response to Findings**

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

## **Purpose of this Report**

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



Fargo, North Dakota  
December 20, 2022

**2022-001      Segregation of Duties  
Material Weakness**

*Criteria:* An effective system of internal controls depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of an entity's assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

*Condition:* South Dakota Public Broadcasting has a limited number of office personnel, which prevents an ideal segregation of duties for controls over financial reporting. The oversight and review process by management for various account reconciliations such as pension liabilities, fund balance, and net position is not formally documented.

*Cause:* Management oversight is done on an informal basis. South Dakota Public Broadcasting had turnover in the accounting and finance department and related responsibilities within the department.

*Effect:* The lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both.

*Recommendation:* Management and the Board should continually be aware of the financial accounting and reporting requirements of South Dakota Public Broadcasting. Under this situation, the most effective control is the board's oversight and knowledge of matters relating to the operations of South Dakota Public Broadcasting.

*Views of Responsible Officials:* Management agrees with the finding.