

**SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS**

**FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT**

FISCAL YEARS ENDED JUNE 30, 2015 and 2014

SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS
BOARD OF DIRECTORS
JUNE 30, 2015

Board of Directors:

Mark Shlanta, Chairman
Doyle Estes
Kay Jorgensen
Rick Knobe
Julie Mathiesen
Gerry Schlenker
David Zolnowsky, BIT Commissioner
Janelle Toman, Board of Regents
Julie Overgaard, Executive Director

Friends of South Dakota Public Broadcasting:

Timothy J. Dougherty
President of the Friends of South Dakota
Public Broadcasting, (Ex- Officio Member)

Bureau of Information and Telecommunications:

Deb Larson, BIT Finance Manager

SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS

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QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, and the major fund of the South Dakota Board of Directors for Educational Telecommunications, as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Organization'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 opinions 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 from 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 Organization'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 Organization'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the

respective financial position of the governmental activities, the aggregate discretely presented component unit, and the major fund of the South Dakota Board of Directors for Educational Telecommunications as of June 30, 2015, 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.

Emphasis of Matters

As described in Note 1 to the financial statements, the South Dakota Board of Directors for Educational Telecommunications does not purport to present the financial position of the State of South Dakota. Our opinion is not modified with respect to the matter emphasized.

Adoption of New Accounting Standard

As described in the Notes to the Financial Statements, the organization adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in the Notes to the Financial Statements, the School District has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to the matter.

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), and the Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Contributions-South Dakota Retirement System, 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The Combining Financial Schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The listing of Board of Directors has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited South Dakota Board of Directors for Educational Telecommunications' 2014 financial statements and our report, dated October 21, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2015 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Elk Point, SD
Certified Public Accountants

October 14, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

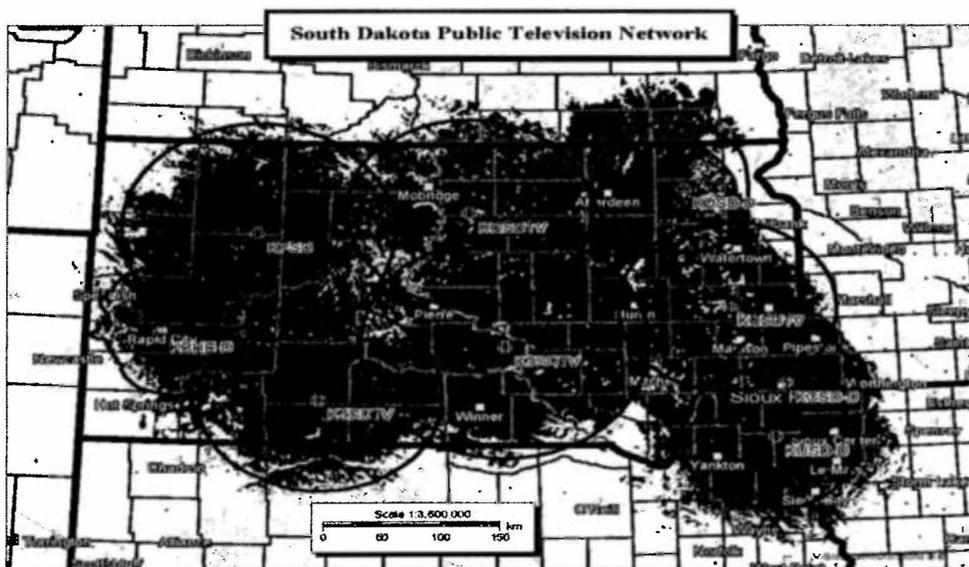
INTRODUCTION AND REPORTING ENTITY

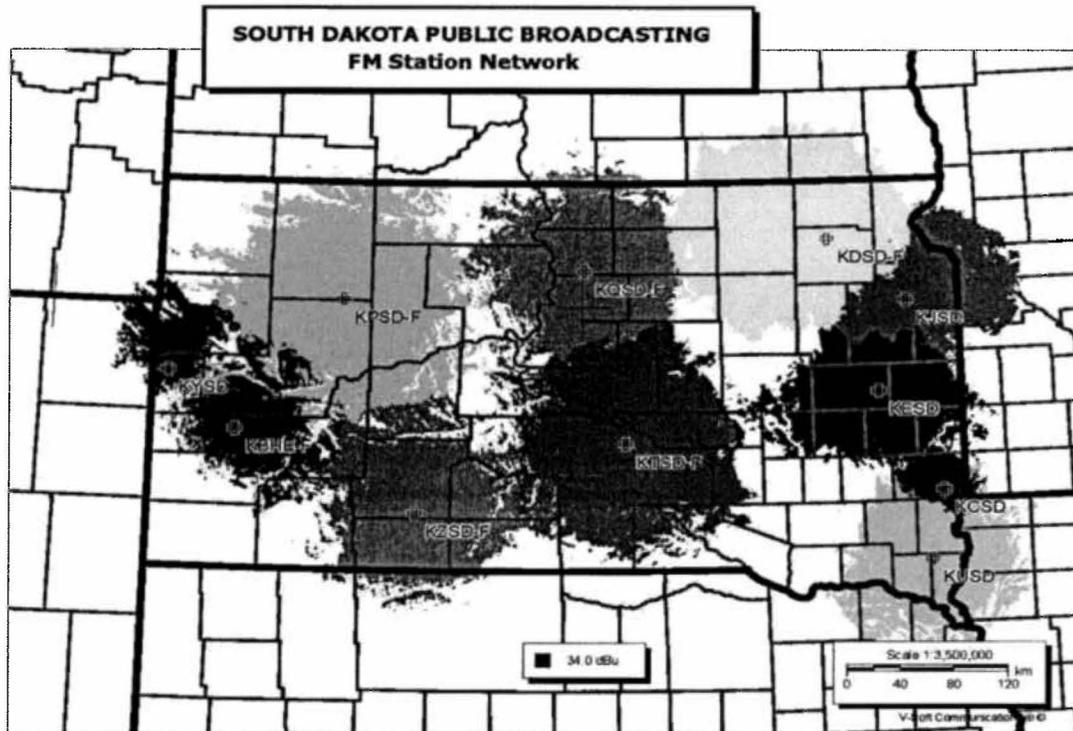
Management of South Dakota Public Broadcasting (SDPB) provides this Management's Discussion and Analysis of SDPB's annual financial statements. The narrative overview and analysis of the financial activities of SDPB is for the fiscal year ended June 30, 2015. We encourage readers to consider this information 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 has to 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 and Radio programming. Membership for FY15 was 11,006. Local production hours produced/hours aired were 542 (including repeats). SDPTV local productions in FY15 included All State Chorus and Orchestra, SD Focus, Dakota Life, SD High School Activities Association (SDHSAA) championship events, and Jazzfest. SDPR hours of broadcast included cultural programming hours (1,728) and news and information hours (1,490). SDPR local productions included Midday, and Statehouse.

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*. The adoption of Statement 34 had no significant effect on the Financial statements except for the reformatting of the basic financial statements and classification of net position in conformity with Statement 34. 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

The total net position of South Dakota Public Broadcasting (SDPB) was \$8,471,384 for the year ended June 30, 2015 (FY15) and \$8,706,110 for the year ended June 30, 2014 (FY14). SDPB’s net position decreased by 3% from FY14 to FY15. This decrease is attributable to day-to-day activities and the timing of revenue and expenditures. SDPB’s operating revenues increased by 1% from FY14 to FY15. This increase is attributable to day-to-day activities and timing of revenues and expenditures. Overall expenditures decreased by 4% from FY14 to FY15. This decrease is attributable to day-to-day activities and the timing of revenue and expenditures. SDPB’s property and equipment, net of accumulated depreciation, totaled \$7,275,411 and \$8,415,358 at June, 30, 2015 and June 30, 2014, respectively.

These changes are shown in the table below:

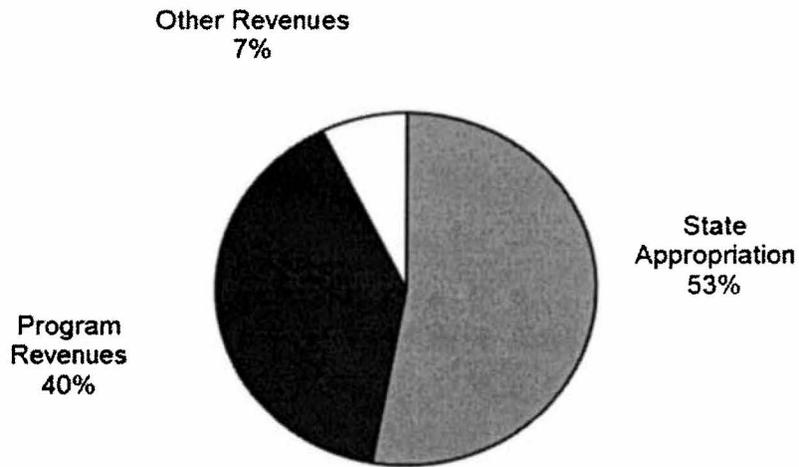
	SDPB FY14	SDPB FY15	% Change
Statement of Net Position			
Cash and Cash Equivalents	771,599	735,800	-5%
Other Current assets	652,328	1,622,827	60%
Capital assets, net of depreciation	8,415,358	7,275,411	-16%
Total Assets	9,839,285	9,634,038	-2%
Deferred Outflows of Resources		892,245	100%
Current Liabilities	617,917	348,068	-78%
Noncurrent Liabilities	515,258	551,059	6%
Total Liabilities	1,133,175	899,127	-26%
Deferred Inflows of Resources		1,155,771	100%
Net Position:			
Invested in capital assets, net of related debt	8,415,358	7,275,411	-16%
SDRS Pension Permanently Restricted		734,404	100%
Unrestricted	290,752	461,569	37%
Total Net Position	8,706,110	8,471,384	-3%
Statements of Revenues, Expenses & Changes in Net Assets			
State appropriations	3,792,728	3,872,842	2%
Program revenue	2,939,735	2,921,637	-1%
Other revenues	472,615	578,563	22%
Total Revenues	7,205,078	7,373,042	2%
Program Expenses:			
Administration	322,750	256,763	-26%
Engineering	2,362,632	2,197,730	-8%
Marketing & Development	379,691	448,054	15%
Programming & production	3,718,645	3,824,148	3%
Depreciation	1,367,560	1,356,577	-1%
Total Expenses	8,151,278	8,083,272	-1%
Change in net position, before Gain (Loss) on disposal of Capital Assets	(946,200)	(710,230)	-26%
Donated Equipment	127,104		-100%
(Loss) on Disposal of Capital Assets	(338,875)	(60,360)	-382%

Change in Net Position	(1,157,969)	(770,590)	-19%
Net Position, beginning of the year	9,864,079	8,706,110	-13%
Prior Period Adjustment		535,864	100%
Net Position, end of the year	<u>8,706,110</u>	<u>8,471,384</u>	-3%

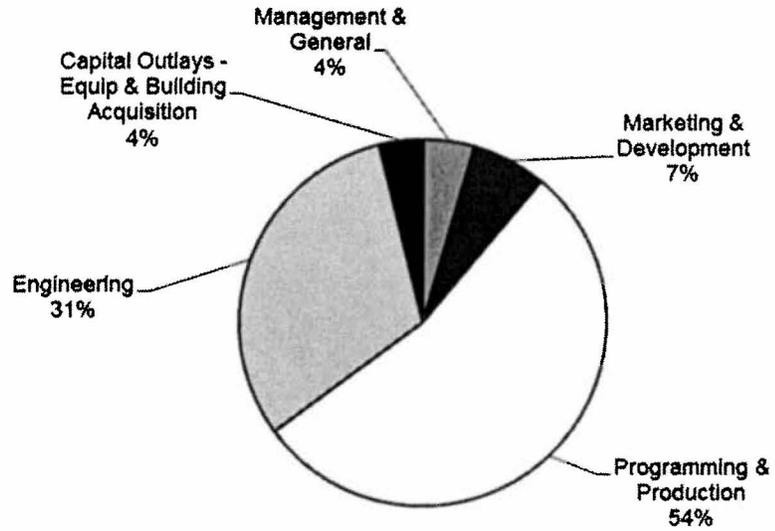
A summary of changes in capital assets for the year ended June 30, 2015:

	Balance 06/30/2014	Additions	Deletions	Balance 06/30/2015
Capital assets, not being depreciated				
Land	107,493.00			107,493.00
Capital assets, being depreciated				
Building	1,516,655.95			1,516,655.95
Machinery & Equipment	<u>22,876,163.65</u>	<u>276,989.25</u>	<u>(321,794.01)</u>	<u>22,831,358.89</u>
Totals	24,500,312.60	276,989.25	(321,794.01)	24,455,507.84
Less accumulated depreciation				
Building	(542,095.05)	(31,584.71)		(573,679.76)
Machinery & Equipment	<u>(15,542,859.94)</u>	<u>(1,324,991.97)</u>	<u>261,434.43</u>	<u>(16,606,417.48)</u>
Total accumulated depreciation	(16,084,954.99)	(1,356,576.68)	261,434.43	(17,180,097.24)
Government activity, Capital Assets, Net	<u>8,415,357.61</u>	<u>(1,079,587.43)</u>	<u>(60,359.58)</u>	<u>7,275,410.60</u>

**SOUTH DAKOTA PUBLIC BROADCASTING
Fiscal Year 2015 Revenue**



**SOUTH DAKOTA PUBLIC BROADCASTING
Fiscal Year 2015 Expenditures**



OTHER SIGNIFICANT MATTERS

In FY15, SDPB was granted 2 new FTE. SDPB utilized the 2 new FTE to expand its digital footprint. The new positions are focused in the areas of digital content creation, social media, public media engagement and multi-platform distribution. In FY15, SDPB also finalized the purchase and funding mechanisms for a new remote HD production trailer to improve recording and capturing local programming from around South Dakota. The new, fully HD-equipped trailer replaces the current 11-year-old analog production truck. The roughly \$750,000 project is being funded through a cooperative effort of SDPB and the Friends of SDPB.

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 BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS
STATEMENT OF NET POSITION
JUNE 30, 2015 and 2014**

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>Governmental Activities</u>		<u>Friends of Public Broadcasting</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 735,800.28	\$ 771,598.87	\$ 147,812.78	\$ 92,807.17
Investments			3,064,641.85	2,608,037.73
Grant Receivables	19,797.74	20,083.78		
Other Receivables			422,953.78	400,833.01
Net Pension Asset	997,930.24			
Current Portion of Costs Incurred for Programs not yet Broadcast	<u>605,098.64</u>	<u>632,244.64</u>		
Total Current Assets	<u>2,358,626.90</u>	<u>1,423,927.29</u>	<u>3,635,408.41</u>	<u>3,101,677.91</u>
Capital Assets:				
Land	107,493.00	107,493.00		
Buildings	1,516,655.95	1,516,655.95		
Machinery and Equipment	22,831,358.89	22,876,163.65	52,611.00	52,611.00
Less: Accumulated Depreciation	<u>(17,180,097.24)</u>	<u>(16,084,955.00)</u>	<u>(52,611.00)</u>	<u>(52,611.00)</u>
Total capital assets, net of depreciation	<u>7,275,410.60</u>	<u>8,415,357.60</u>		
Total Assets	<u>9,634,037.50</u>	<u>9,839,284.89</u>	<u>3,635,408.41</u>	<u>3,101,677.91</u>
Deferred Outflows of Resources				
Pension Related Deferred Outflows	<u>892,245.23</u>			
Liabilities				
Current Liabilities:				
Accounts Payable and Other Current Liabilities	348,068.11	617,917.12	31,687.94	9,102.69
Current Portion of Long Term Liabilities	<u>55,105.93</u>	<u>51,525.82</u>		
Total Current Liabilities:	<u>403,174.04</u>	<u>669,442.94</u>	<u>31,687.94</u>	<u>9,102.69</u>
Long Term Liabilities:				
Accrued Compensation	551,059.34	515,258.17	42,311.01	44,499.35
Less Current Portion	<u>(55,105.93)</u>	<u>(51,525.82)</u>		
Long-term Liabilities	<u>495,953.41</u>	<u>463,732.35</u>	<u>42,311.01</u>	<u>44,499.35</u>
Total Liabilities	<u>899,127.45</u>	<u>1,133,175.29</u>	<u>73,998.95</u>	<u>53,602.04</u>
Deferred Inflows of Resources				
Pension Related Deferred Inflows	<u>1,155,771.45</u>			
Net Position:				
Investment in Capital Assets	7,275,410.60	8,415,357.60		
Temporarily Restricted			7,341.50	13,279.09
SDRS Pension Permanently Restricted	734,404.02			
Permanently Restricted			3,064,641.85	2,608,037.73
Unrestricted	<u>461,569.21</u>	<u>290,752.00</u>	<u>489,426.11</u>	<u>426,759.05</u>
Total Net Position	<u>\$ 8,471,383.83</u>	<u>\$ 8,706,109.60</u>	<u>\$ 3,561,409.46</u>	<u>\$ 3,048,075.87</u>

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

**SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 and 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Component Unit</u>		
		<u>2015</u>		<u>Net (Expense) Revenue</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
		<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		<u>Net (Expense) Revenue</u>	<u>2015</u>	<u>2014</u>
Governmental Activities:							
Programming and Production	\$ 3,824,147.83	\$ 1,933,676.00	\$	\$ (1,890,471.83)	\$ (1,857,288.21)		
Engineering	2,197,730.58	958,078.37	9,797.74	(1,229,854.47)	(1,306,285.94)		
Marketing and Development	448,054.23			(448,054.23)	(379,690.68)		
Management and General	256,762.71	20,085.21		(236,677.50)	(300,717.48)		
Depreciation- Unallocated	<u>1,356,576.68</u>			<u>(1,356,576.68)</u>	<u>(1,367,559.92)</u>		
Total Government Activities	<u>8,083,272.03</u>	<u>2,911,839.58</u>	<u>9,797.74</u>	<u>(5,161,634.71)</u>	<u>(5,211,542.23)</u>		
Component Unit:							
Friends of Public Broadcasting	<u>2,424,189.13</u>	<u>2,056,148.60</u>				<u>\$ (368,040.53)</u> <u>\$ (780,481.41)</u>	
Total	<u>\$ 10,507,461.16</u>	<u>\$ 4,967,988.18</u>	<u>\$ 9,797.74</u>	<u>(5,161,634.71)</u>	<u>(5,211,542.23)</u>	<u>(368,040.53)</u> <u>(780,481.41)</u>	
General Revenues:							
Appropriations from the State of South Dakota				3,872,841.79	3,792,728.00		
Tower Rental Income				331,614.98	201,388.15		
Other General Revenues				<u>246,947.61</u>	<u>398,331.77</u>	<u>881,374.12</u> <u>1,066,628.75</u>	
Total General Revenues				4,451,404.38	4,392,447.92	881,374.12 1,066,628.75	
Loss on Disposal of Capital Assets				<u>(60,359.57)</u>	<u>(338,874.79)</u>		
Change in Net Position after General Revenues and Loss on Disposal of Capital Assets				(770,589.90)	(1,157,969.10)	513,333.59 286,147.34	
Net Position - Beginning				<u>8,706,109.60</u>	<u>9,864,078.70</u>	<u>3,048,075.87</u> <u>2,761,928.53</u>	
Prior Period Adjustment				<u>535,864.13</u>			
Adjusted Beginning Net Position				<u>9,241,973.73</u>	<u>9,864,078.70</u>	<u>3,048,075.87</u> <u>2,761,928.53</u>	
Net Position - Ending				<u>\$ 8,471,383.83</u>	<u>\$ 8,706,109.60</u>	<u>\$ 3,561,409.46</u> <u>\$ 3,048,075.87</u>	

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

**SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2015 and 2014**

	GENERAL FUND	
	<u>2015</u>	<u>2014</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 735,800.28	\$ 771,598.87
Grants Receivable	19,797.74	20,083.78
Current Portion of Costs Incurred for Programs not yet Broadcast	605,098.64	632,244.64
Total Assets	\$ 1,360,696.66	\$ 1,423,927.29
Liabilities and Fund Balances:		
Current Liabilities:		
Accounts Payable	\$ 123,404.09	\$ 399,256.26
Salaries and Benefits Payable	224,664.02	218,660.86
Total Liabilities	348,068.11	617,917.12
Fund Balances:		
Nonspendable	605,098.64	632,244.64
Unassigned	407,529.91	173,765.53
Total Fund Balance	1,012,628.55	806,010.17
Total Liabilities and Fund Balances	\$ 1,360,696.66	\$ 1,423,927.29

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

**SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Total Fund Balances - Governmental Funds	\$ 1,012,628.55	\$ 806,010.17
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.	997,930.24	
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.	892,245.23	
Pension related deferred inflows are components of pension liability and therefore are not reported in the funds	(1,155,771.45)	
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 is:	\$ 24,455,507.84	
The accumulated depreciation is:	<u>(17,180,097.24)</u>	8,415,357.60
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. The only long-term liability at the year end was Compensated Absences.	<u>(551,059.34)</u>	<u>(515,258.17)</u>
Total Net Position - Government Activities	<u>\$ 8,471,383.83</u>	<u>\$ 8,706,109.60</u>

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

**SOUTH DAKOTA BOARD OF DIRECTORS
 FOR EDUCATIONAL TELECOMMUNICATIONS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND
 JUNE 30, 2015 and 2014**

	GENERAL FUND	
	<u>2015</u>	<u>2014</u>
Revenues:		
Appropriations from the State of South Dakota	\$ 3,872,841.79	\$ 3,792,728.00
Contributions from Friends	1,137,725.00	1,115,500.00
Donated Services and Equipment	182,212.58	173,752.59
Community Service Grants from Corporation for Public Broadcasting	1,591,902.00	1,491,714.00
NTIA Grants	9,797.74	31,663.78
Other	<u>536,410.39</u>	<u>599,719.92</u>
Total Revenue	<u>7,330,889.50</u>	<u>7,205,078.29</u>
Expenditures:		
Programming and Production	3,836,064.93	3,693,702.49
Engineering	2,224,307.45	2,341,380.04
Marketing and Development	469,056.50	378,977.55
Management and General	317,853.01	315,607.36
Capital Outlays - Equipment and Building Acquisitions	<u>276,989.23</u>	<u>1,162,270.02</u>
Total Expenditures	<u>7,124,271.12</u>	<u>7,891,937.46</u>
Net Changes in Fund Balance	206,618.38	(686,859.17)
Fund Balance, JULY 1,	<u>806,010.17</u>	<u>1,492,869.34</u>
Fund Balance, JUNE 30,	<u>\$ 1,012,628.55</u>	<u>\$ 806,010.17</u>

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

**SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
JUNE 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 206,618.38	\$ (686,859.17)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays expense for the year.</p>		
Capital Assets Purchased	\$ 276,989.23	
Depreciation	<u>(1,356,576.68)</u>	(205,289.90)
	(1,079,587.45)	
<p>In the Statement of Activities, compensated absences are measured by the amounts earned and paid during the year. However, in the governmental funds expenditures for these items are the amount of financial resources used. This year, the amount paid exceeded the amount earned by:</p>		
	(35,801.15)	(54,050.24)
<p>The receipt of donated capital assets is not reported on the fund statements, but is reported as revenue on the government wide statements.</p>		
		127,105.00
<p>Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds.</p>		
	198,539.89	
<p>In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds the proceeds of from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.</p>		
	<u>(60,359.57)</u>	<u>(338,874.79)</u>
	<u>\$ (770,589.90)</u>	<u>\$ (1,157,969.10)</u>
Change in Net Position of Governmental Activities		

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

**SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity

South Dakota Board of Directors for Educational Telecommunications 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 Board of Directors for Educational Telecommunications (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, the South Dakota Board of Directors for Educational Telecommunications. 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. Complete financial statements for the Friends of Public Broadcasting can be obtained directly from their administrative office.

b. Basis of Presentation

Government-wide Statements: The government-wide financial statements include the statement of net position and the statement of activities. The primary government and the component unit are presented separately within the financial statements with the focus on the primary government. These statements include the financial activities of the overall government. There are no business-type or fiduciary activities. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions.

The statement of net position reports all financial and capital resources, in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net position is displayed in three components, as applicable, investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted

The statement of activities presents a comparison between direct expenses and program revenues for each function of the organization's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all intergovernmental revenues and contributions are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the organization's funds. Separate statements for each fund category - governmental, proprietary,

and fiduciary - are usually presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. However, the South Dakota Board of Directors for Educational Telecommunications does not have any business or fiduciary funds and so only the governmental fund is presented.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – the General Fund is the general operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund. It is the only major fund.

c. Measurement Focus and Basis of Accounting

Measurement Focus

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Government-wide Financial Statements:

The government-wide fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the South Dakota Board of Directors for Educational Telecommunications 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.

Fund Financial Statements:

In the fund financial statements, the governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The South Dakota Board of Directors for Educational Telecommunications considers significant revenues reported in the

governmental funds to be available if the revenues are collected within thirty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. 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, the South Dakota Board of Directors for Educational Telecommunications 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 the South Dakota Board of Directors for Educational Telecommunication's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

d. 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 or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

Depreciation of all exhaustible fixed assets is recorded as an unallocated expense in the Statement of Activities, with net capital assets reflected in 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 government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All Land		
Buildings	\$100,000	Straight-line	27-50 years
Machinery & Equipment	5,000	Straight-line	3-20 years

Land is an inexhaustible capital asset and is not depreciated.

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.

e. Long-Term Liabilities:

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

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

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

f. 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

g. 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 at June 30, 2014 is .06% of the total assets being invested in the pool. The investment risks associated with the pool can be obtained from the separately issued report on the South Dakota Investment Council.

h. 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 balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, 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 “net investment in capital assets.”

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 the governmental funds. In accordance with Government Accounting Standards Board (GASB) No. 54, the classifications are as follows:

1. Nonspendable – Consists of amounts that cannot be spent because they are either (1) not in spendable form or (2) 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/committed* 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 district 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.

i. Application of Net Position

It is the policy of the South Dakota Board of Directors for Educational Telecommunication 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. 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.

k. Costs Incurred for Programs Not Yet Broadcast

Costs incurred for programs not yet broadcast relate to programs produced by the organization and broadcast rights purchased for programs to be broadcast subsequent to June 30, 2015.

l. 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.

NOTE 2 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2015 is as follows:

Primary Government	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land:	\$ 107,493	\$	\$	\$ 107,493
Capital assets, being depreciated:				
Buildings	1,516,656			1,516,656
Machinery & Equipment	<u>22,876,164</u>	<u>276,989</u>	<u>(321,794)</u>	<u>22,831,359</u>
Totals	<u>24,500,313</u>	<u>276,989</u>	<u>(321,794)</u>	<u>24,455,508</u>
Less accumulated depreciation:				
Buildings	(542,095)	(31,585)		(573,680)
Machinery & Equipment	<u>(15,542,860)</u>	<u>(1,324,992)</u>	<u>261,435</u>	<u>(16,606,417)</u>
Total accumulated depreciation	<u>(16,084,955)</u>	<u>(1,356,577)</u>	<u>261,435</u>	<u>(17,180,097)</u>
Governmental activity				
Capital Assets, net	<u>\$ 8,415,358</u>	<u>\$ (1,079,588)</u>	<u>\$ (60,359)</u>	<u>\$ 7,275,411</u>

NOTE 3 - LONG TERM LIABILITIES

Compensated absences for governmental activities typically have been liquidated from the General Fund.

Compensated Absences:

Beginning Balance as of July 1, 2014	\$ 515,258.17
Additions During the Year	90,907.10
(Less) Usage During the Year	<u>(55,105.93)</u>
Balance as of June 30, 2015	<u>\$ 551,059.34</u>
Due within One year	\$ 55,105.93
Due in More than one Year	\$ 495,953.41

NOTE 4 - OPERATING LEASES

The South Dakota Board of Directors for Educational Telecommunication has leased land at various locations in the State to construct towers, to locate transmitter buildings, and to set up microwave receivers and antennas. The organization is obligated under these leases for future payments. Operating leases do not give rise to property rights or capital lease obligations, and therefore the results of the lease agreements are not reflected in the organization's long term obligations. For the fiscal year ended June 30, 2015, the organization paid out \$21,741.00 for operating leases.

The following are the minimum payments on the existing operating leases:

<u>Year</u>	<u>Operating Lease Payments</u>
2016	\$ 10,801.00
2017	10,801.00
2018	10,801.00
2019	11,301.00
2020	10,801.00

NOTE 5 - RESTRICTED NET POSITION

Restricted net position consists of net position with constraints placed on its use by external groups such as grantors. The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

<i>Component Unit:</i>	<u>Restricted by</u>	<u>Amount</u>
Friends of Public Broadcasting	Donors	\$ 3,071,983.35

NOTE 6 – 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, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable one each July 1 is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - 90.0% to 99.9% funded – 2.1% minimum and 2.8% maximum COLA
 - 80.0% to 90.0% funded – 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% - 2.1% COLA

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 make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. South Dakota Board of Directors for Educational Telecommunication’s contributions to the SDRS for the fiscal years ended June 30, 2015, 2014 and 2013 were \$156,387.73, \$145,332.84 and \$138,615.53 respectively, equal to the required contributions each year. These amounts are contributed as a part of the State of South Dakota.

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

At June 30, 2014, SDRS is 107% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the South Dakota Board of Directors for Educational Telecommunication as of June 30, 2014 are as follows:

Proportionate share of net position restricted for pension benefits	\$	14,692,852.56
Less proportionate share of total pension assets		13,694,922.32
Proportionate share of net pension asset	\$	997,930.24

At June 30 2015, the South Dakota Board of Directors for Educational Telecommunication reported an asset of \$997,930.24 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net 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, 2014, the South Dakota Board of Directors for Educational Telecommunication’s proportion was .1385131%, which is an increase of .1385131% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the South Dakota Board of Directors for Educational Telecommunication recognized pension revenue of \$42,152.20. At June 30, 2015 the South Dakota Board of Directors for Educational Telecommunication’ 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	\$ 84,438.39	\$
Changes in assumption	651,419.11	
Net difference between projected and actual earnings on pension plan investments		1,155,771.45
Contributions subsequent to the measurement date	<u>156,387.69</u>	
TOTAL	<u>\$ 892,245.19</u>	<u>\$ 1,155,771.45</u>

\$156,387.69 reported as deferred outflow of resources related to pensions resulting from South Dakota Board of Directors for Educational Telecommunication's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2015	\$ (79,296.85)
2016	(79,296.85)
2017	(79,296.85)
2018	<u>(182,023.40)</u>
TOTAL	<u>\$ (419,913.95)</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2010. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

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, 2014 (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	64.0%	4.7%
Fixed Income	26.0%	1.8%
Real Estate	8.0%	5.5%
Cash	<u>2.0%</u>	0.8%
Total	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from 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 (asset) to changes in the discount rate:

The following presents the South Dakota Board of Directors for Educational Telecommunication's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the organization'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 (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Proportionate share of the net pension liability (asset)	\$ 986,142.78	\$ (997,930.24)	\$ (2,616,148.87)

Pension Plan Fiduciary Net Position:

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

NOTE 7 - LITIGATION

At June 30, 2015, the South Dakota Board of Directors for Educational Telecommunications was not involved in any litigation.

NOTE 8 - RISK MANAGEMENT

South Dakota Board of Directors for Educational Telecommunications 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 Board of Directors for Educational Telecommunications 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 Board of Directors for Educational Telecommunications 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 Board of Directors for Educational Telecommunications 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 Board of Directors for Educational Telecommunications pays premiums based on the number of automobiles it holds title to for automobile liability, and number of approved full-time employees for general tort liability.

NOTE 9 - COMPARATIVE FINANCIAL STATEMENTS

The fiscal year 2014 financial information presented is limited to summarized total columns. No opinion is issued on the comparative information since it does not contain sufficient details to constitute a fair presentation.

QUAM & BERGLIN, P.C.

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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,
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, each major fund, and the aggregate discretely presented component unit information of the South Dakota Board of Directors for Educational Telecommunications, Vermillion, South Dakota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the organization's basic financial statements and have issued our report thereon dated October 14, 2015.

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) to determine the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 South Dakota Board of Directors for Educational Telecommunications' financial statements are free of 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 determination of financial statement amounts. 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 Organization'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

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Elk Point, SD
Certified Public Accountants

October 14, 2015

**SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS
SCHEDULE OF AUDIT FINDINGS**

Prior Federal Audit Findings:

The prior audit report contained no written audit comments.

Prior Other Audit Findings:

The prior audit report contained no written audit comments.

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.

Schedule of Required Supplementary Information
SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL COMMUNICATIONS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(ASSET)

South Dakota Retirement System

	2015
Organization's proportion of the net pension liability (asset)	0.1385131%
Organization's proportionate share of net pension liability (asset)	\$ (390,531)
Organization's covered-employee payroll	\$ 2,422,217
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-16.12%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%

* 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 the previous fiscal year

Schedule of Required Supplementary Information
SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL COMMUNICATIONS
SCHEDULE OF CONTRIBUTIONS
South Dakota Retirement System

	<u>2014</u>	<u>2015</u>
Contractually required contribution	<u>\$ 145,333</u>	<u>\$ 156,388</u>
Contributions in relation to the contractually required contribution	<u>\$ 145,333</u>	<u>\$ 156,388</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>
Covered-employee payroll	\$2,422,217	\$2,606,467
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

**SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS
Combining Schedule - Statements of Net Position Information
JUNE 30, 2015 and 2014**

	2015			2014		
	South Dakota Public Broadcasting	Friends of SDPB	Total	South Dakota Public Broadcasting	Friends of SDPB	Total
ASSETS						
Cash	\$ 735,800.28	\$ 147,812.78	\$ 883,613.06	\$ 771,598.87	\$ 92,807.17	\$ 864,406.04
Investments		3,064,641.85	3,064,641.85		2,608,037.73	2,608,037.73
Accounts Receivable		422,953.78	422,953.78		400,833.01	400,833.01
Grants Receivable	19,797.74		19,797.74	20,083.78		20,083.78
Net Pension Asset	997,930.24		997,930.24			
Current Portion of Costs Incurred for Programs not yet Broadcast	605,098.64		605,098.64	632,244.64		632,244.64
Capital Assets	24,455,507.84	52,611.00	24,508,118.84	24,500,312.60	52,611.00	24,552,923.60
Less: accumulated depreciation and amortization	(17,180,097.24)	(52,611.00)	(17,232,708.24)	(16,084,955.00)	(52,611.00)	(16,137,566.00)
TOTAL ASSETS	\$ 9,634,037.50	\$3,635,408.41	\$13,269,445.91	\$ 9,839,284.89	\$3,101,677.91	\$ 12,940,962.80
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related Deferred Outflows	892,245.23		892,245.23			
LIABILITIES						
Accounts payable and accrued liabilities	\$ 348,068.11	\$ 31,687.94	\$ 379,756.05	\$ 617,917.12	\$ 9,102.69	\$ 627,019.81
Long-Term liabilities						
Due within one year	55,105.93	42,311.01	97,416.94	51,525.82	44,499.35	96,025.17
Due in more than one year	495,953.41		495,953.41	463,732.35		463,732.35
Total Liabilities	899,127.45	73,998.95	973,126.40	1,133,175.29	53,602.04	1,186,777.33
DEFERRED INFLOWS OF RESOURCES						
Pension Related Deferred Inflows	1,155,771.45		1,155,771.45			
NET POSITION						
Net investment in capital assets	7,275,410.60		7,275,410.60	8,415,357.60		8,415,357.60
Temporarily Restricted		7,341.50	7,341.50		13,279.09	13,279.09
Permanently Restricted	734,404.02	3,064,641.85	3,799,045.87		2,608,037.73	2,608,037.73
Unrestricted	461,569.21	489,426.11	950,995.32	290,752.00	426,759.05	717,511.05
Total Net Position	\$ 8,471,383.83	\$3,561,409.46	\$12,032,793.29	\$ 8,706,109.60	\$3,048,075.87	\$ 11,754,185.47

**SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS**
Combining Schedule - Statements of Revenue, Expenses and Changes in Net Position Information
JUNE 30, 2015 AND 2014

	2015				2014			
	South Dakota Public Broadcasting	Friends of SDPB	Eliminations	Total	South Dakota Public Broadcasting	Friends of SDPB	Eliminations	Total
SUPPORT AND REVENUE								
General appropriations from State of South Dakota	\$ 3,872,841.79	\$	\$	\$ 3,872,841.79	\$ 3,792,728.00	\$	\$	\$ 3,792,728.00
Contributions from Friends of SDPB	1,137,725.00		(1,137,725.00)		1,115,500.00		(1,115,500.00)	
Donated Services and Equipment	182,212.58			182,212.58	300,857.59			300,857.59
Community Service Grants from CPB	1,591,902.00			1,591,902.00	1,491,714.00			1,491,714.00
NTIA Grants	9,797.74			9,797.74	31,663.78			31,663.78
Other	578,562.59		(5,870.83)	572,691.76	599,719.92			599,719.92
Investment Income (including gains & losses)		65,727.67		65,727.67		381,912.36		381,912.36
Membership Income		1,491,332.04		1,491,332.04		1,506,729.14		1,506,729.14
Underwriting Income		764,843.57		764,843.57		656,258.72		656,258.72
Special Event Income		45,768.03		45,768.03		28,457.67		28,457.67
Miscellaneous Income		5,034.85		5,034.85				
Contributed Support		564,816.56		564,816.56		90,506.28		90,506.28
Total Support and Revenue	7,373,041.70	2,937,522.72	(1,143,595.83)	9,166,968.59	7,332,183.29	2,663,864.17	(1,115,500.00)	8,880,547.46
EXPENSES								
Programming and Production	3,824,147.83	1,477,690.93	(1,143,595.83)	4,158,242.93	3,718,645.21	1,466,926.83	(1,115,500.00)	4,070,072.04
Engineering	2,197,730.58			2,197,730.58	2,362,632.15			2,362,632.15
Marketing and Development	448,054.23			448,054.23	379,690.68			379,690.68
Management and General	256,762.71	279,591.88		536,354.59	322,749.64	270,334.16		593,083.80
Depreciation	1,356,576.68			1,356,576.68	1,367,559.92			1,367,559.92
Fund Raising & Membership Development		426,820.04		426,820.04		489,894.91		489,894.91
Underwriting and Grant Solicitation		240,086.28		240,086.28		150,560.93		150,560.93
Loss on Disposal of Capital Assets	60,359.57			60,359.57	338,874.79			338,874.79
Total Expenses	8,143,631.60	2,424,189.13	(1,143,595.83)	9,424,224.90	8,490,152.39	2,377,716.83	(1,115,500.00)	9,752,369.22
Total Support and Revenue in Excess of (less than) Expenses	(770,589.90)	513,333.59		(257,256.31)	(1,157,969.10)	286,147.34		(871,821.76)
Net Position - BEGINNING OF YEAR	8,706,109.60	3,048,075.87		11,754,185.47	9,864,078.70	2,761,928.53		12,626,007.23
Prior Period Adjustment	535,864.13			535,864.13				
Net Position - ADJUSTED BEGINNING OF YEAR	9,241,973.73	3,048,075.87		12,290,049.60	9,864,078.70	2,761,928.53		12,626,007.23
Net Position - END OF YEAR	8,471,383.83	3,561,409.46		12,032,793.29	8,706,109.60	3,048,075.87		11,754,185.47