

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

**FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT**

FISCAL YEARS ENDED JUNE 30, 2019 and 2018

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS
BOARD OF DIRECTORS
JUNE 30, 2019**

Board of Directors:

Mark Shlanta, Chairman

Doyle Estes

Jerry Oster

Kay Jorgensen

Julie Ashworth

David Landry

Pat Snow, BIT Commissioner

Janelle Toman, Board of Regents

Julie Overgaard, Executive Director

Bureau of Information and Telecommunications:

Deb Larson, SDPB Finance Manager

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

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QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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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, 2019 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, 2019, 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 Matter

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.

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' 2018 financial statements and our report, dated November 9, 2018, 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, 2018, 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 30, 2019, 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 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.

Quam, Berglin & Post P.C.

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

October 30, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

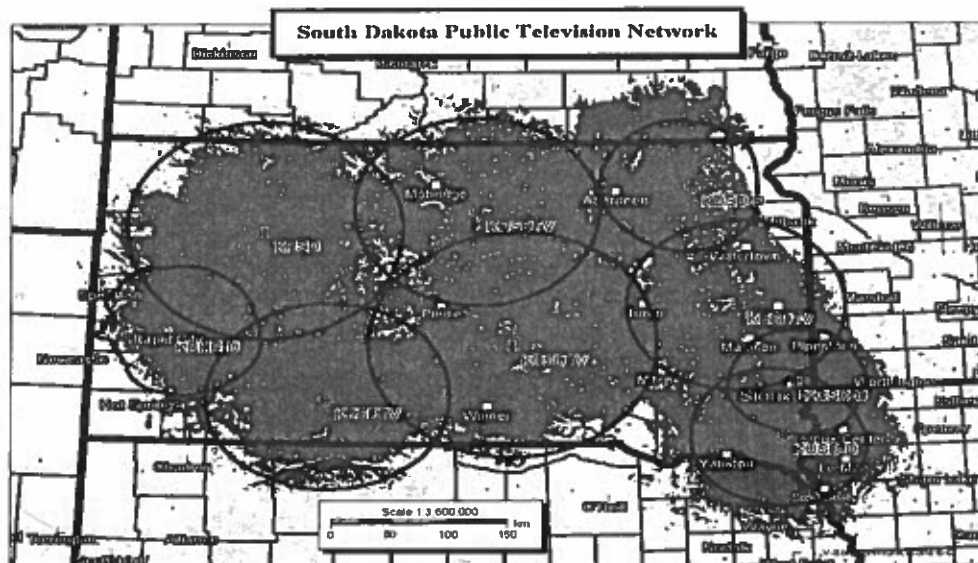
INTRODUCTION AND REPORTING ENTITY

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, 2019. 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.



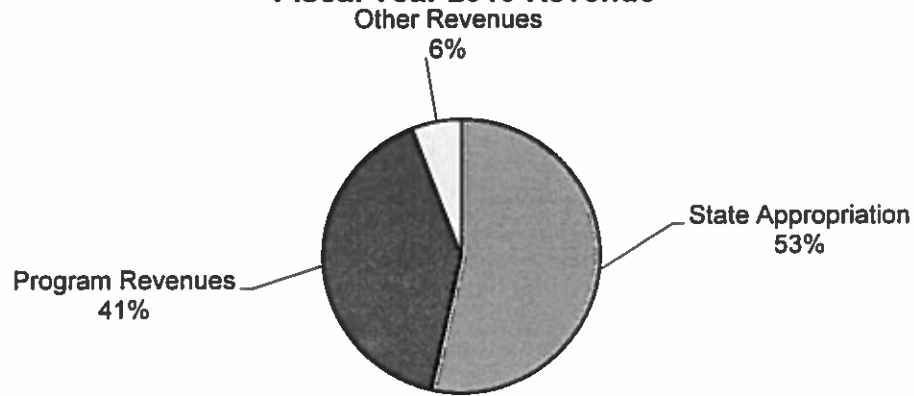
Financial statements except for the reformatting of the basic financial statements and classification of net position in conformity with Statement 34. Statement 34 requires the classification of net position into three categories – net investment in capital assets, restricted, and unrestricted. The Reconciliation 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

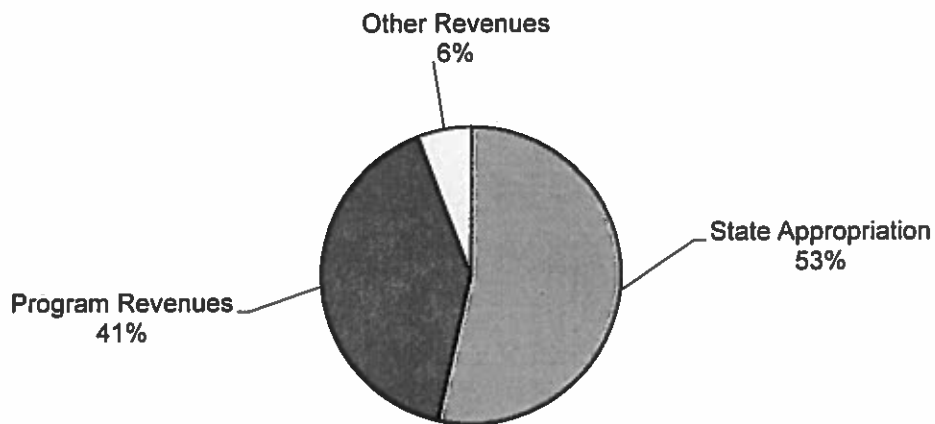
The total net position of South Dakota Public Broadcasting (SDPB) was \$5,900,522 for the year ended June 30, 2019 (FY19) and \$6,658,731 for the year ended June 30, 2018 (FY18). SDPB's net position decreased by 8% from FY18 to FY19. This decrease is attributable to day-to-day activities and the timing of revenue and expenditures. SDPB's operating revenues decreased by 3% from FY18 to FY19. This decrease is attributable to day-to-day activities and timing of revenues and expenditures. Overall expenses increased by 1% from FY18 to FY19. This increase is attributable to day-to-day activities and the timing of revenue and expenditures. SDPB's property and equipment, net of accumulated depreciation, totaled \$4,528,674 and \$5,475,212 at June 30, 2019 and June 30, 2018, respectively. These changes are reflected in the summary below. A summary of changes in capital assets is included in Note 2 of the audit.

| | SDPB | SDPB | % |
|--|------------------|------------------|-------------|
| | FY18 | FY19 | Change |
| Statement of Net Position | | | |
| Current and other assets | 260,522 | 687,807 | 164% |
| Other Current assets | 700,885 | 737,356 | 5% |
| Capital assets, net of depreciation | 5,475,212 | 4,528,674 | -17% |
| Total Assets | 6,436,619 | 5,953,837 | -8% |
| Deferred Outflows of Resources | 1,375,177 | 1,130,296 | -18% |
| Current Liabilities | 409,544 | 426,832 | 4% |
| Noncurrent Liabilities | 485,569 | 503,884 | 4% |
| Total Liabilities | 895,113 | 930,717 | 4% |
| Deferred Inflows of Resources | 257,952 | 252,894 | -2% |
| Invested in capital assets | 5,475,212 | 4,528,674 | -17% |
| SDRS Pension Permanently Restricted | 1,129,872 | 880,640 | -22% |
| Unrestricted | 53,647 | 491,209 | 816% |
| Total Net Position | 6,658,731 | 5,900,522 | -11% |
| Statements of Revenues, Expenses & Changes in Net Assets | | | |
| State appropriations | 4,201,196 | 4,218,167 | 0% |
| Program revenue | 3,233,553 | 3,218,186 | 0% |
| Other revenues | 920,779 | 456,138 | -50% |
| Total Revenues | 8,355,528 | 7,892,492 | -6% |
| Program Expenses: | | | |
| Administration | 278,749 | 511,692 | 84% |
| Radio Administration | 75,691 | 86,152 | 14% |
| Engineering | 1,925,561 | 1,831,346 | -5% |
| Radio Engineering | 314,927 | 314,031 | 0% |
| Marketing | 493,156 | 491,426 | 0% |
| Programming & production | 3,009,157 | 3,110,701 | 3% |
| Radio Programming | 1,400,686 | 1,330,013 | -5% |
| Depreciation | 1,074,963 | 967,883 | -10% |
| Total Expenses | 8,572,889 | 8,643,244 | 1% |
| Change in net position, before Gain (Loss) on disposal of Capital Assets | (217,361) | (750,752) | 245% |
| Added for Recognized pension revenue | - | - | |
| Donated Equipment | - | - | |
| (Loss) on Disposal of Capital Assets | (20,979) | (7,457) | -64% |
| Change in Net Position | (238,340) | (758,209) | 218% |
| Net Position, beginning of the year | 6,897,071 | 6,658,731 | -3% |
| Net Position, end of the year | 6,658,731 | 5,900,522 | -11% |

**SOUTH DAKOTA PUBLIC BROADCASTING
Fiscal Year 2019 Revenue**



**SOUTH DAKOTA PUBLIC BROADCASTING
Fiscal Year 2019 Revenue**



OTHER SIGNIFICANT MATTERS

In FY19, as part of the multi-year strategic plan approved by the Educational Telecommunications Board of Directors, SDPB completed a significant staff reorganization. These changes better align resources to achieve content development goals and more efficiently distribute stories and programs to South Dakotans through Television, Radio, and Digital platforms. Certain production goals from this realignment are supported by a Friends of South

Dakota Public Broadcasting campaign to raise \$1.5M for programming services and additional endowment funding to sustain local programming support into the future.

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, 2019 and 2018**

| | <u>Primary Government</u> | | <u>Component Unit</u> | |
|---|------------------------------------|------------------------|---|------------------------|
| | <u>Governmental Activities</u> | | <u>Friends of Public Broadcasting</u> | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Assets: | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 687,807.45 | \$ 260,521.74 | \$ 94,726.75 | \$ 288,464.11 |
| Investments | | | 4,062,091.31 | 3,568,005.69 |
| Other Receivables | | | 676,112.48 | 481,375.88 |
| Net Pension Asset | 3,237.85 | 12,647.15 | | |
| Current Portion of Costs Incurred for Programs not yet Broadcast | <u>734,117.97</u> | <u>688,238.25</u> | | |
| Total Current Assets | <u>1,425,163.27</u> | <u>961,407.14</u> | <u>4,832,930.54</u> | <u>4,337,845.68</u> |
| Capital Assets: | | | | |
| Land | 107,493.00 | 107,493.00 | | |
| Buildings | 1,516,655.95 | 1,516,655.95 | | |
| Machinery and Equipment | 21,895,958.07 | 22,152,751.07 | 52,611.00 | 52,611.00 |
| Less: Accumulated Depreciation | <u>(18,991,433.14)</u> | <u>(18,301,687.73)</u> | <u>(52,611.00)</u> | <u>(52,611.00)</u> |
| Total capital assets, net of depreciation | <u>4,528,673.88</u> | <u>5,475,212.29</u> | | |
| Total Assets | <u>5,953,837.15</u> | <u>6,436,619.43</u> | <u>4,832,930.54</u> | <u>4,337,845.68</u> |
| Deferred Outflows of Resources | | | | |
| Pension Related Deferred Outflows | <u>1,130,296.46</u> | <u>1,375,176.85</u> | | |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Other Current Liabilities | 370,845.11 | 355,591.99 | 47,432.90 | 82,567.33 |
| Current Portion of Long Term Liabilities | <u>55,987.16</u> | <u>53,952.12</u> | | |
| Total Current Liabilities: | <u>426,832.27</u> | <u>409,544.11</u> | <u>47,432.90</u> | <u>82,567.33</u> |
| Long Term Liabilities: | | | | |
| Accrued Compensation | 559,871.60 | 539,521.18 | 35,999.21 | 35,199.77 |
| Less Current Portion | <u>(55,987.16)</u> | <u>(53,952.12)</u> | | |
| Long-term Liabilities | <u>503,884.44</u> | <u>485,569.06</u> | <u>35,999.21</u> | <u>35,199.77</u> |
| Total Liabilities | <u>930,716.71</u> | <u>895,113.17</u> | <u>83,432.11</u> | <u>117,767.10</u> |
| Deferred Inflows of Resources | | | | |
| Pension Related Deferred Inflows | <u>252,894.49</u> | <u>257,952.05</u> | | |
| Net Position: | | | | |
| Investment in Capital Assets | 4,528,673.88 | 5,475,212.29 | | |
| SDRS Pension Restricted | 880,639.82 | 1,129,871.95 | | |
| Unassigned | 491,208.71 | 53,646.82 | | |
| With Donor Restrictions - Foundations | | | 3,021,150.06 | 2,795,942.69 |
| Without Donor Restrictions-Board Designated | | | 1,040,941.25 | 910,739.34 |
| Without Donor Restrictions | | | <u>687,407.12</u> | <u>513,396.55</u> |
| Total Net Position | <u>\$ 5,900,522.41</u> | <u>\$ 6,658,731.06</u> | <u>\$ 4,749,498.43</u> | <u>\$ 4,220,078.58</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, 2019 and 2018**

| Functions/Programs | Program Revenues: | | Component Unit | |
|--|--|-----------------------------|-----------------------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Expenses | Operating Grants and Contributions | Net (Expense) Revenue | Net (Expense) Revenue | |
| Governmental Activities: | | | | |
| Programming and Production | \$ 3,110,700.69 | \$ 2,439,758.89 | \$ (670,941.80) | \$ (669,681.72) |
| Radio Programming and Production Engineering | 1,330,013.48 | 695,321.93 | (634,691.55) | (1,022,391.06) |
| Radio Administration | 1,831,345.58 | 65,218.90 | (1,766,126.68) | (1,581,568.08) |
| Radio Engineering | 86,152.37 | | (86,152.37) | |
| Network Marketing | 314,031.19 | | (314,031.19) | (314,927.42) |
| Radio Marketing | 412,845.24 | | (412,845.24) | (493,156.35) |
| Management and General | 78,580.47 | (78,580.47) | | |
| Depreciation- Unallocated | 511,691.79 | 17,886.43 | (493,805.36) | (182,649.10) |
| | 967,882.84 | (967,882.84) | (1,074,962.71) | (1,074,962.71) |
| Total Government Activities | 8,643,243.65 | 3,218,186.15 | (5,425,057.50) | (5,339,336.44) |
| Component Unit: | | | | |
| Friends of Public Broadcasting | 3,190,035.94 | 2,564,904.79 | | \$ (625,131.15) |
| Total | \$ 11,833,279.59 | \$ 5,783,090.94 | (5,425,057.50) | (931,168.85) |
| General Revenues: | | | | |
| Appropriations from the State of South Dakota | | 4,218,167.23 | 4,201,196.37 | |
| Tower Rental Income | | 298,784.11 | 321,000.70 | |
| Other General Revenues | | 157,354.08 | 599,778.25 | 1,102,190.77 |
| Total General Revenues | | 4,674,305.42 | 5,121,975.32 | 1,102,190.77 |
| Loss on Disposal of Capital Assets | | (7,456.57) | (20,979.00) | |
| Change in Net Position after General Revenues and Loss on Disposal of Capital Assets | | (758,208.65) | (238,340.12) | 529,419.85 |
| Net Position - Beginning | | 6,658,731.06 | 6,897,071.18 | 4,049,056.66 |
| Net Position - Ending | | \$ 5,900,522.41 | \$ 6,658,731.06 | \$ 4,220,078.58 |

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, 2019 and 2018**

| | GENERAL FUND | |
|---|----------------------------|--------------------------|
| | <u>2019</u> | <u>2018</u> |
| Assets: | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 687,807.45 | \$ 260,521.74 |
| Current Portion of Costs Incurred for Programs not yet Broadcast | 734,117.97 | 688,238.25 |
| Total Assets | \$ 1,421,925.42 | \$ 948,759.99 |
| Liabilities and Fund Balances: | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 128,136.19 | \$ 107,675.46 |
| Salaries and Benefits Payable | 242,708.92 | 247,916.53 |
| Total Liabilities | 370,845.11 | 355,591.99 |
| Fund Balances: | | |
| Nonspendable | 734,117.97 | 688,238.25 |
| Unassigned | 316,962.34 | (95,070.25) |
| Total Fund Balance | 1,051,080.31 | 593,168.00 |
| Total Liabilities and Fund Balances | \$ 1,421,925.42 | \$ 948,759.99 |

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, 2019 and 2018**

| | <u>2019</u> | <u>2018</u> |
|---|------------------------|------------------------|
| Total Fund Balances - Governmental Funds | \$ 1,051,080.31 | \$ 593,168.00 |
| 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. | 3,237.85 | 12,647.15 |
| Pension related deferred outflows are components of pension asset and therefore are not reported in the funds. | 1,130,296.46 | 1,375,176.85 |
| Pension related deferred inflows are components of pension liability and therefore are not reported in the funds | (252,894.49) | (257,952.05) |
| 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: | \$ 23,520,107.02 | |
| The accumulated depreciation is: | <u>(18,991,433.14)</u> | 5,475,212.29 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. The long-term liabilities at year end include compensated absences: | <u>(559,871.60)</u> | <u>(539,521.18)</u> |
| Total Net Position - Government Activities | <u>\$ 5,900,522.41</u> | <u>\$ 6,658,731.06</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, 2019 and 2018**

| | GENERAL FUND | |
|--|-------------------------------|-----------------------------|
| | <u>2019</u> | <u>2018</u> |
| Revenues: | | |
| Appropriations from the State of South Dakota | \$ 4,218,167.23 | \$ 4,201,196.37 |
| Contributions from Friends | 1,350,000.00 | 1,200,000.00 |
| Donated Services and Equipment | 169,945.15 | 398,013.96 |
| Community Service Grants from Corporation for Public Broadcasting | 1,698,241.00 | 1,635,539.00 |
| Other | <u>456,138.19</u> | <u>466,086.37</u> |
| Total Revenue | <u>7,892,491.57</u> | <u>7,900,835.70</u> |
| Expenditures: | | |
| Programming and Production | 3,100,125.45 | 3,002,960.81 |
| Radio Programming and Production | 1,325,952.47 | 1,530,332.49 |
| Engineering | 1,829,635.03 | 1,944,354.79 |
| Radio Engineering | 313,307.49 | 312,902.26 |
| Network Marketing | 415,295.37 | 502,854.25 |
| Radio Marketing | 78,580.47 | |
| Management and General | 256,729.61 | 227,641.11 |
| Radio Management | 86,152.37 | |
| Capital Outlays - Equipment and Building Acquisitions | <u>28,801.00</u> | <u>618,687.30</u> |
| Total Expenditures | <u>7,434,579.26</u> | <u>8,139,733.01</u> |
| Net Changes in Fund Balance | 457,912.31 | (238,897.31) |
| Fund Balance, JULY 1 | <u>593,168.00</u> | <u>832,065.31</u> |
| Fund Balance, JUNE 30 | <u>\$ 1,051,080.31</u> | <u>\$ 593,168.00</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, 2019 and 2018**

| | <u>2019</u> | <u>2018</u> |
|---|------------------------|------------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 457,912.31 | \$ (238,897.31) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| 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. | | |
| Capital Assets Purchased | \$ 28,801.00 | |
| Depreciation | <u>(967,882.84)</u> | (456,275.41) |
| | (939,081.84) | |
| 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: | | |
| | (20,350.43) | 19,841.65 |
| Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. | | |
| | (249,232.12) | 457,969.95 |
| 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. | | |
| | <u>(7,456.57)</u> | <u>(20,979.00)</u> |
| Change in Net Position of Governmental Activities | <u>\$ (758,208.65)</u> | <u>\$ (238,340.12)</u> |

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, using available information June 30, 2018, is .064% 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 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.

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, 2019.

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, 2019 is as follows:

| Primary Government | Balance <u>June 30, 2018</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2019</u> |
|---|---------------------------------|---------------------|-------------------|---------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land: | \$ 107,493 | \$ _____ | \$ _____ | \$ 107,493 |
| Total Capital Assets, not being depreciated | <u>107,493</u> | <u>_____</u> | <u>_____</u> | <u>107,493</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 1,516,656 | _____ | _____ | 1,516,656 |
| Machinery & Equipment | <u>22,152,751</u> | <u>28,801</u> | <u>(285,594)</u> | <u>21,895,958</u> |
| Totals | <u>23,776,900</u> | <u>28,801</u> | <u>(285,594)</u> | <u>23,520,107</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (673,914) | (31,933) | _____ | (705,847) |
| Machinery & Equipment | <u>(17,627,774)</u> | <u>(935,950)</u> | <u>278,138</u> | <u>(18,285,586)</u> |
| Total accumulated depreciation | <u>(18,301,688)</u> | <u>(967,883)</u> | <u>278,138</u> | <u>(18,991,433)</u> |
| Governmental activity | | | | |
| Capital Assets, net | <u>\$ 5,475,212</u> | <u>\$ (939,082)</u> | <u>\$ (7,456)</u> | <u>\$ 4,528,674</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, 2018 | \$ 539,521.18 |
| Additions During the Year | 76,337.58 |
| (Less) Usage During the Year | <u>(55,987.16)</u> |
| Balance as of June 30, 2019 | <u>\$ 559,871.60</u> |
| Due within One year | \$ 55,987.16 |
| Due in More than one Year | \$ 503,884.44 |

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, 2019, the organization paid out \$16,141.00 for operating leases.

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

| <u>Year</u> | <u>Operating Lease Payments</u> |
|-------------|---|
| 2020 | \$ 16,140.00 |
| 2021 | 16,140.00 |
| 2022 | 16,140.00 |
| 2023 | 16,140.00 |
| 2024 | 16,140.00 |

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:

| | <u>Restricted by</u> | <u>Amount</u> |
|--------------|----------------------|---------------|
| SDRS Pension | SDRS-Legislation | \$ 880,639.82 |

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 general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

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

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. 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 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future 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 Board of Directors for Educational Telecommunication's contributions to the SDRS for the fiscal years ended June 30, 2019, 2018 and 2017 were \$173,010.72, \$173,169.04 and \$169,891.67 respectively, equal to the required contributions each year.

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

At June 30, 2018, SDRS is 100.02% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the South Dakota Board of Directors for Educational Telecommunication

as of the measurement period ending June 30, 2018 and reported as of June 30, 2019 are as follows:

| | |
|---|----------------------|
| Proportionate share of net position restricted for pension benefits | \$ 16,983,660.14 |
| Less proportionate share of total pension liabilities (assets) | <u>16,986,897.99</u> |
| Proportionate share of net pension liability (asset) | <u>\$ (3,237.85)</u> |

At June 30, 2019, the South Dakota Board of Directors for Educational Telecommunication reported a liability (asset) of \$(3,237.85) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018 and the total pension liability (asset) used to calculate the net pension liability (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, 2018, the South Dakota Board of Directors for Educational Telecommunication's proportion was .13883040%, which is an increase (decrease) of (.0005305%) from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the South Dakota Board of Directors for Educational Telecommunication recognized pension expense (reduction of pension expense) of \$249,232.14. At June 30, 2019 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 | \$ 122,378.67 | \$ |
| Changes in assumption | 822,032.45 | |
| Net difference between projected and actual earnings on pension plan investments | | 244,705.68 |
| Changes in proportion and difference between organization contributions and proportionate share of contributions | 12,874.62 | 8,188.82 |
| Contributions subsequent to the measurement date | <u>173,010.72</u> | |
| TOTAL | <u>\$ 1,130,296.46</u> | <u>\$ 252,894.50</u> |

\$173,010.72 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 (asset) in the year ending June 30, 2020. 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:

| | | |
|-------|----|--------------------|
| 2020 | \$ | 441,494.26 |
| 2021 | | 328,434.05 |
| 2022 | | (43,077.54) |
| 2023 | | <u>(27,145.32)</u> |
| TOTAL | \$ | <u>699,705.45</u> |

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|--|
| Inflation | 2.25 percent |
| Salary Increases | graded by years of service, from 6.5% at entry to 3% |
| Discount Rate | 6.5% net of plan investment expense |

Mortality rates were based on 97% of the RP-2014 Employee Mortality Table 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, projected generationally with Scale MP-2106.

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, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Global Equity | 58.0% | 4.8% |
| Fixed Income | 30.0% | 1.8% |
| Real Estate | 10.0% | 4.6% |
| Cash | <u>2.0%</u> | 0.7% |
| Total | <u>100.0%</u> | |

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions will be made at

rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 6.5%, 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 (5.5%) or 1-percentage point higher (7.5%) than the current rate:

| | <u>1%</u> <u>Decrease</u> | Current Discount <u>Rate</u> | <u>1%</u> <u>Increase</u> |
|--|------------------------------|------------------------------------|------------------------------|
| Proportionate share of the net pension liability (asset) | \$ 2,445,481.84 | \$ (3,237.85) | \$ (1,995,138.44) |

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, 2019, 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. Coverage for property loss was obtained through the South Dakota Property and Casualty Insurance Company, LLC.

NOTE 9 - COMPARATIVE FINANCIAL STATEMENTS

The fiscal year 2018 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.

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 | 2016 | 2017 | 2018 | 2019 |
|--|--------------|--------------|--------------|--------------|--------------|
| Organization's proportion of the net pension liability (asset) | 0.1385131% | 0.1427638% | 0.1361028% | 0.1393609% | 0.1388304% |
| Organization's proportionate share of net pension liability (asset) | \$ (997,930) | \$ (605,502) | \$ 459,742 | \$ (12,647) | \$ (3,238) |
| Organization's covered-employee payroll | \$ 2,422,217 | \$ 2,606,467 | \$ 2,738,855 | \$ 2,966,307 | \$ 3,017,941 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -41.20% | -23.23% | 16.79% | -0.43% | -0.11% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 107.3% | 104.1% | 96.9% | 100.1% | 100.02% |

* 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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 145,333 | \$ 156,388 | \$ 155,280 | \$ 169,892 | \$ 173,169 | \$ 173,011 |
| Contributions in relation to the contractually required contribution | \$ 145,333 | \$ 156,388 | \$ 155,280 | \$ 169,892 | \$ 173,169 | \$ 173,011 |
| Contribution deficiency (excess) | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| Covered-employee payroll | \$ 2,422,217 | \$ 2,606,467 | \$ 2,738,855 | \$ 2,966,307 | \$ 3,017,941 | \$ 3,028,226 |
| Contributions as a percentage of covered-employee payroll | 6.00% | 6.00% | 5.67% | 5.73% | 5.74% | 5.71% |

SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL COMMUNICATIONS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of the Proportional Share of the Net Pension Liability (Asset) and
Schedule of Contributions

CHANGES OF BENEFIT TERMS

No significant changes

CHANGES OF ASSUMPTIONS

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal 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, 2017 and exists again this year as of June 30, 2018. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.89% as of June 30, 2017 and is 2.03% as of June 30, 2018.

The changes in actuarial assumptions increased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 1.89% COLA, reflecting the current and assumed future restricted maximum COLA of 2.03%.

**SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS**
Combining Schedule - Statements of Net Position Information
JUNE 30, 2019 and 2018

| | 2019 | | | 2018 | | |
|--|--|------------------------|-------------------------|--|------------------------|-------------------------|
| | South Dakota Public Broadcasting | Friends of SDPB | Total | South Dakota Public Broadcasting | Friends of SDPB | Total |
| ASSETS | | | | | | |
| Cash | \$ 687,807.45 | \$ 94,726.75 | \$ 782,534.20 | \$ 260,521.74 | \$ 288,464.11 | \$ 548,985.85 |
| Investments | | 4,062,091.31 | 4,062,091.31 | | 3,568,005.69 | 3,568,005.69 |
| Accounts Receivable | | 676,112.48 | 676,112.48 | | 481,375.88 | 481,375.88 |
| Net Pension Asset | 3,237.85 | | 3,237.85 | 12,647.15 | | 12,647.15 |
| Current Portion of Costs Incurred for Programs not yet Broadcast | 734,117.97 | | 734,117.97 | 688,238.25 | | 688,238.25 |
| Capital Assets | 23,520,107.02 | 52,611.00 | 23,572,718.02 | 23,776,900.02 | 52,611.00 | 23,829,511.02 |
| Less: accumulated depreciation and amortization | (18,991,433.14) | (52,611.00) | (19,044,044.14) | (18,301,687.73) | (52,611.00) | (18,354,298.73) |
| TOTAL ASSETS | <u>5,953,837.15</u> | <u>4,832,930.54</u> | <u>10,786,767.69</u> | <u>6,436,619.43</u> | <u>4,337,845.68</u> | <u>10,774,465.11</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Pension Related Deferred Outflows | 1,130,296.46 | | 1,130,296.46 | 1,375,176.85 | | 1,375,176.85 |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | 370,845.11 | 47,432.90 | 418,278.01 | 355,591.99 | 82,567.33 | 438,159.32 |
| Long-Term liabilities | | | | | | |
| Due within one year | 55,987.16 | 35,999.21 | 91,986.37 | 53,952.12 | 35,199.77 | 89,151.89 |
| Due in more than one year | 503,884.44 | | 503,884.44 | 485,569.06 | | 485,569.06 |
| Total Liabilities | <u>930,716.71</u> | <u>83,432.11</u> | <u>1,014,148.82</u> | <u>895,113.17</u> | <u>117,767.10</u> | <u>1,012,880.27</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Pension Related Deferred Inflows | 252,894.49 | | 252,894.49 | 257,952.05 | | 257,952.05 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 4,528,673.88 | | 4,528,673.88 | 5,475,212.29 | | 5,475,212.29 |
| SDRS Restricted | 880,639.82 | | 880,639.82 | 1,129,871.95 | | 1,129,871.95 |
| Unassigned | 491,208.71 | | 491,208.71 | 53,646.82 | | 53,646.82 |
| Net Assets Without Donor Restrictions-Designated | | 1,040,941.25 | 1,040,941.25 | | 910,739.34 | 910,739.34 |
| Net Assets With Donor Restrictions | | 3,021,150.06 | 3,021,150.06 | | 2,795,942.69 | 2,795,942.69 |
| Net Assets Without Donor Restrictions | | 687,407.12 | 687,407.12 | | 513,396.55 | 513,396.55 |
| Total Net Position | <u>\$ 5,900,522.41</u> | <u>\$ 4,749,498.43</u> | <u>\$ 10,650,020.84</u> | <u>\$ 6,658,731.06</u> | <u>\$ 4,220,078.58</u> | <u>\$ 10,878,809.64</u> |

**SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS**
Combining Schedule - Statements of Revenue, Expenses and Changes in Net Position Information
JUNE 30, 2019

| | South Dakota Public TV | South Dakota Public Broadcasting - Radio | Friends of SDPB - TV | Friends of SDPB - Radio | Eliminations | Total |
|---|------------------------------|---|-------------------------|----------------------------|-----------------------|-------------------------|
| SUPPORT AND REVENUE | | | | | | |
| General appropriations from State of South Dakota | \$ 3,305,629.04 | \$ 912,538.19 | \$ | | \$ | \$ 4,218,167.23 |
| Contributions from Friends of SDPB | 904,500.00 | 445,500.00 | | | (1,350,000.00) | |
| Donated Services and Equipment | 129,832.06 | 40,113.09 | | | | 169,945.15 |
| Community Service Grants from CPB | 1,482,040.00 | 216,201.00 | | | | 1,698,241.00 |
| Other | 337,445.15 | 118,693.04 | | | | 456,138.19 |
| Investment Income (including gains & losses) | | | 135,879.93 | 135,873.92 | | 271,753.85 |
| Membership Income | | | 1,080,106.04 | 541,346.00 | | 1,621,452.04 |
| Underwriting Income | | | 510,166.38 | 280,637.39 | | 790,803.77 |
| Special Event Income | | | 16,491.38 | 11,417.20 | | 27,908.58 |
| Miscellaneous Income | | | 32,042.40 | 32,042.40 | (64,084.80) | |
| Contributed Support | | | 472,826.37 | 470,626.38 | | 943,452.75 |
| Total Support and Revenue | <u>6,159,446.25</u> | <u>1,733,045.32</u> | <u>2,247,512.50</u> | <u>1,471,943.29</u> | <u>(1,414,084.80)</u> | <u>10,197,862.56</u> |
| EXPENSES | | | | | | |
| Programming and Production | 3,110,700.69 | 1,330,013.48 | 1,369,272.06 | 629,365.19 | (1,350,000.00) | 5,089,351.42 |
| Broadcasting and Engineering | 1,831,345.58 | | | | | 1,831,345.58 |
| Radio and Radio Engineering | | 314,031.19 | | | | 314,031.19 |
| Marketing | 412,845.24 | 78,580.47 | | | | 491,425.71 |
| Management and General | 262,617.99 | 86,152.37 | 354,207.92 | 174,460.61 | (64,084.80) | 813,354.09 |
| Depreciation | 835,747.46 | 132,135.38 | | | | 967,882.84 |
| Pension | 186,805.35 | 62,268.45 | | | | 249,073.80 |
| Fund Raising & Membership | | | 265,521.19 | 218,700.95 | | 484,222.14 |
| Underwriting and Grant Solicitation | | | 116,030.21 | 62,477.81 | | 178,508.02 |
| Loss on Disposal of Capital Assets | 7,456.57 | | | | | 7,456.57 |
| Total Expenses | <u>6,647,518.88</u> | <u>2,003,181.34</u> | <u>2,105,031.37</u> | <u>1,085,004.57</u> | <u>(1,414,084.80)</u> | <u>10,426,651.36</u> |
| Total Support and Revenue in Excess of (less than) Expenses | (488,072.63) | (270,136.02) | 142,481.13 | 386,938.72 | | (228,788.80) |
| Net Position - BEGINNING OF YEAR | <u>5,484,568.57</u> | <u>1,174,162.49</u> | <u>2,775,422.51</u> | <u>1,444,656.07</u> | | <u>10,878,809.64</u> |
| Net Position - END OF YEAR | <u>\$ 4,996,495.94</u> | <u>\$ 904,026.47</u> | <u>\$ 2,917,903.64</u> | <u>\$ 1,831,594.79</u> | <u>\$</u> | <u>\$ 10,650,020.84</u> |

**SOUTH DAKOTA BOARD OF DIRECTORS
FOR EDUCATIONAL TELECOMMUNICATIONS**
Combining Schedule - Statements of Revenue, Expenses and Changes in Net Position Information
JUNE 30, 2018

| | South Dakota Public Broadcasting - TV | South Dakota Public Broadcasting - Radio | Friends of SDPB - TV | Friends of SDPB - Radio | Eliminations | Total |
|---|--|---|-------------------------|----------------------------|-----------------------|-------------------------|
| SUPPORT AND REVENUE | | | | | | |
| General appropriations from State of South Dakota | \$ 3,343,085.29 | \$ 858,111.08 | \$ | | \$ | \$ 4,201,196.37 |
| Contributions from Friends of SDPB | 912,000.00 | 288,000.00 | | | (1,200,000.00) | |
| Donated Services and Equipment | 357,065.52 | 40,948.44 | | | | 398,013.96 |
| Community Service Grants from CPB | 1,427,475.00 | 208,064.00 | | | | 1,635,539.00 |
| Other | 364,238.64 | 101,847.73 | | | | 466,086.37 |
| Pension | 345,566.36 | 109,126.22 | | | | 454,692.58 |
| Investment Income (including gains & losses) | | | 211,301.59 | 66,726.82 | | 278,028.41 |
| Membership Income | | | 1,122,487.28 | 516,115.28 | | 1,638,602.56 |
| Underwriting Income | | | 518,245.71 | 279,021.65 | | 797,267.36 |
| Special Event Income | | | 14,645.00 | 12,250.00 | | 26,895.00 |
| Contributed Support | | | 288,715.05 | 238,530.96 | | 527,246.01 |
| Total Support and Revenue | <u>6,749,430.81</u> | <u>1,606,097.47</u> | <u>2,155,394.63</u> | <u>1,112,644.71</u> | <u>(1,200,000.00)</u> | <u>10,423,567.62</u> |
| EXPENSES | | | | | | |
| Programming and Production | 3,009,156.72 | 1,476,376.30 | 1,592,474.49 | 399,183.79 | (1,200,000.00) | 5,277,191.30 |
| Broadcasting and Engineering | 1,925,560.67 | 314,927.42 | | | | 2,240,488.09 |
| Marketing | 409,275.24 | 83,881.11 | | | | 493,156.35 |
| Management and General | 203,058.54 | 75,690.69 | 333,383.24 | 68,283.32 | | 680,415.79 |
| Depreciation | 944,558.17 | 130,404.54 | | | | 1,074,962.71 |
| Fund Raising & Membership | | | 423,940.15 | 119,627.74 | | 543,567.89 |
| Underwriting and Grant Solicitation | | | 105,682.30 | 54,442.39 | | 160,124.69 |
| Loss on Disposal of Capital Assets | 15,027.00 | 5,952.00 | | | | 20,979.00 |
| Total Expenses | <u>6,506,636.34</u> | <u>2,087,232.06</u> | <u>2,455,480.18</u> | <u>641,537.24</u> | <u>(1,200,000.00)</u> | <u>10,490,885.82</u> |
| Total Support and Revenue in Excess of (less than) Expenses | 242,794.47 | (481,134.59) | (300,085.55) | 471,107.47 | | (67,318.20) |
| Net Position - BEGINNING OF YEAR | <u>5,241,774.10</u> | <u>1,655,297.08</u> | <u>3,077,283.06</u> | <u>971,773.60</u> | | <u>10,946,127.84</u> |
| Net Position - END OF YEAR | <u>\$ 5,484,568.57</u> | <u>\$ 1,174,162.49</u> | <u>\$ 2,777,197.51</u> | <u>\$ 1,442,881.07</u> | <u>\$</u> | <u>\$ 10,878,809.64</u> |

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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, 2019, 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 30, 2019.

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 & Post, P.C.
Elk Point, SD
Certified Public Accountants

October 30, 2019

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

Prior Audit Findings:

The prior audit report contained no written audit comments.

Current Audit Findings:

There are no written current audit findings to report.