



**SANFORD  
UNDERGROUND  
RESEARCH  
FACILITY**

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY



# ANNUAL FINANCIAL REPORT

**JUNE 30, 2024**

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**South Dakota Science and Technology Authority**

A Business Type Enterprise Activity Component Unit of the State of South Dakota

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

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## Independent Auditor's Report

Board of Directors of  
South Dakota Science and Technology Authority  
Lead, South Dakota

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the business-type activities of South Dakota Science and Technology Authority, a component unit of the State of South Dakota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the South Dakota Science and Technology Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the South Dakota Science and Technology Authority, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Dakota Science and Technology Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the South Dakota Science and Technology Authority's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1–6 and the South Dakota Science and Technology Authority proportionate share of the net pension liability (asset) and schedule of contributions on pages 27-28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Dakota Science and Technology Authority's basic financial statements. The schedule of operating expenses and supplemental schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Denver, Colorado  
October 17, 2024

# **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

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

**JUNE 30, 2024**

This section of the South Dakota Science and Technology Authority's (SDSTA's) annual financial report presents management's discussion and analysis of the SDSTA's financial performance during the fiscal year ended June 30, 2024. This analysis should be read in conjunction with the financial statements and notes to the financial statements.

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

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

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

### **FINANCIAL HIGHLIGHTS:**

- Total Assets at year-end increased to \$143,137,598.
- Current Assets decreased by \$8,002,728. Cash on Deposit with State Treasurer decreased by \$5,967,678 due to the Underground Expansion construction in progress. Cash in the Local Bank decreased by \$2,512,999 due to increase in prepaids and accounts receivable of \$837,425 and increased operating expenses along with salaries and benefits. Local cash held was also affected by a lower indirect cost rate established in FY2022 compared to higher indirect expenses paid in FY2024. Inventory of Supplies decreased by \$396,240 for surplus of assets.
- Capital Assets increased by \$10,672,496, net of depreciation expense. Page 4 details the major capital asset additions and deletions. Furthermore, page 14 summarizes the changes in capital assets by major categories. The current funding to manage and operate the facility comes from a Cooperative Agreement with the DOE – Office of Science that was effective September 30, 2019. Additional property purchased under this agreement is kept separate under the Capital Assets category, as this property has become vested in the SDSTA upon acquisition.
- Net Pension Asset increased to \$60,711. The State's retirement system is fully funded (see Note 6 – page 17). The SDSTA's total contributions to the South Dakota Retirement System (SDRS) increased by \$97,838 from 2023 to 2024. This was due primarily to an increase in personnel wages. GASB standards allow entities to use a pension measurement date up to one year prior to the entities reporting period. Therefore, the SDSTA is using a June 30, 2023, pension measurement date for our fiscal year-end June 30, 2024, statements. GOED funding of \$2,000,000 received in 2017 along with loans from various South Dakota Foundations have enabled the SDSTA to purchase xenon to be used in the future LZ experiment. Xenon purchased did not change from June 30, 2023, and remains at \$8,687,833 as of June 30, 2024. In summary, the Pension Asset and Xenon Purchased have increased by \$2,633.
- Pension Related Deferred Outflows is also related to our retirement plan with SDRS. The amounts recorded relate to our proportionate share of the differences between expected and actual experience in pension earnings along with the SDSTA's pension contributions made subsequent to June 30, 2023. Asset Retirement Obligation Deferred Outflows is the estimated costs associated with closing the SURF facility. The total Deferred Outflows of Resources have decreased to \$6,305,487.
- Total Liabilities at year-end increased by \$3,962,601. Accounts payable is higher by \$2,739,948 primarily due to the Underground Expansion Project. Accrued wages, leave and associated benefits increased by \$827,799 due to wage increases and leave accrual policy changes. The Asset Retirement Obligation increased by \$393,519 by inflationary factors. There were no changes in Xenon notes payable.

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

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

**JUNE 30, 2024**

- Pension Related Deferred Inflows is also connected to our retirement plan with SDRS. The recorded amount relates to our portion of the difference between projected and actual earnings on pension plan investments and changes in various assumptions. Our portion has decreased by \$402,479.
- Total Restricted Net Position decreased by \$6,914,201. This decrease is primarily due to the Underground Expansion Project and the SDSTA Foundation decrease in donations received.
- Unrestricted Net Position decreased by \$5,197,539 to \$8,817,339 due to increased personnel and contractual costs.
- Total Net Position at year-end decreased by \$1,439,244 to \$135,080,055.
- Charges for Goods and Services increased slightly to \$623,587.
- Operating Grants increased by \$4,018,712 to \$40,251,196, primarily due to increased Fermi contracts.
- Miscellaneous revenue decreased to \$137,724 primarily due to a decrease in revenue from the Sandford Underground Research Facility Foundation and other miscellaneous receipts.
- Investment Earnings for fiscal year 2024 are at \$815,882. The unrealized appreciation and undistributed earnings that were reversed from the prior year when compared to the current year unrealized appreciation and undistributed earnings results in an increase in investment earnings. Also, investment earnings of \$863,691 were received on the cash on deposit with State Treasurer. This actual allocation compared to last year increased by \$557,984 due to a higher amount of cash being deposited for investment with the State Treasurer.
- Total Program Expenses for the SDSTA were \$42,635,586 which represents an increase of 19.54% from the previous year. Included in Total Program Expenses are Operating Expenses which increased by \$6,860,232 to \$42,127,933. Personnel Services represent 59% of the Operating Expenses; Contractual Services represent 22%; and Supplies, Materials, Travel, Depreciation, and Other Expenses represent 12% of these expenses. Most of the increase in Operating Expenses is due to increased Personnel Services of \$4,470,946.



**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

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

**JUNE 30, 2024**

**FINANCIAL STATEMENT ELEMENTS:**

**STATEMENT OF NET POSITION**

	2024	2023	Dollar Change	Percent Change
Current Assets	\$ 27,356,737	\$ 35,359,465	\$ (8,002,728)	-22.63%
Capital Assets	107,032,317	96,359,821	10,672,496	11.08%
Net Pension Asset and Xenon Purchased	8,748,544	8,745,911	2,633	0.03%
<b>Total Assets</b>	<b>143,137,598</b>	<b>140,465,197</b>	<b>2,672,400</b>	<b>1.90%</b>
Pension Related Deferred Outflows	5,251,158	5,765,027	(513,869)	-8.91%
Asset Retirement Obligation Deferred Outflows	1,054,329	1,091,983	(37,655)	100.00%
<b>Total Deferred Outflow of Resources</b>	<b>6,305,487</b>	<b>6,857,010</b>	<b>(551,523)</b>	<b>-8.04%</b>
Long-Term Liabilities Outstanding	5,702,091	5,030,573	671,519	13.35%
Other Liabilities	5,615,502	2,324,419	3,291,082	141.59%
<b>Total Liabilities</b>	<b>11,317,593</b>	<b>7,354,992</b>	<b>3,962,601</b>	<b>53.88%</b>
Pension Related Deferred Inflows	3,045,437	3,447,916	(402,479)	-11.67%
<b>Net Position:</b>				
Net Investment in Capital Assets	107,032,317	96,359,821	10,672,496	11.08%
Restricted	19,230,399	26,144,600	(6,914,201)	-26.45%
Unrestricted	8,817,339	14,014,878	(5,197,539)	-37.09%
<b>Total Net Position</b>	<b>\$ 135,080,055</b>	<b>\$ 136,519,299</b>	<b>\$ (1,439,244)</b>	<b>-1.05%</b>

**CHANGE IN NET POSITION**

	2024	2023	Dollar Change	Percent Change
<b>Revenues</b>				
Program Revenues:				
Charges for Services	\$ 623,587	\$ 519,762	\$ 103,826	19.98%
Operating Grants	40,251,196	36,232,484	4,018,712	11.09%
Miscellaneous	137,724	297,521	(159,797)	-53.71%
General Revenues:				
Non-Operating Revenues	(617,569)	14,799,230	(15,416,798)	-104.17%
Investment Earnings	815,882	386,252	429,630	111.23%
<b>Total Revenue</b>	<b>41,210,821</b>	<b>52,235,248</b>	<b>(11,024,428)</b>	<b>-21.11%</b>
<b>Expenses</b>				
Program Expenses	42,650,065	35,667,169	6,982,896	19.58%
Non-Operating Expenses	522,132	399,468	122,664	30.71%
<b>Total Expense</b>	<b>43,172,197</b>	<b>36,066,637</b>	<b>7,105,560</b>	<b>19.70%</b>
Change in Net Position	(1,439,244)	16,568,080	(18,007,324)	-108.69%
Net Position-Beginning	136,519,299	119,951,219	16,568,080	13.81%
<b>Net Position-Ending</b>	<b>\$ 135,080,055</b>	<b>\$ 136,519,299</b>	<b>\$ (1,439,244)</b>	<b>-1.05%</b>



**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

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

**JUNE 30, 2024**

**CAPITAL ASSETS (Net of Depreciation)**

	2024	2023	Change
Improvements	\$ 41,712,223	\$ 42,561,300	\$ (849,077)
Underground	17,936,955	17,936,955	-
Buildings	14,058,673	14,347,415	(288,741)
Computer Equipment	39,254	74,955	(35,701)
Equipment	3,015,289	3,529,913	(514,624)
Construction in Progress	17,646,809	6,192,248	11,454,561
Land	1,974,147	1,924,136	50,011
Infrastructure	1,266,029	1,316,139	(50,110)
Furniture	1	2,250	(2,249)
Archive Material	70,000	70,000	-
Auto	435,683	327,953	107,730
DOE Property Transfer	8,877,252	8,076,554	800,698
<b>Total Capital Assets</b>	<b>\$ 107,032,316</b>	<b>\$ 96,359,817</b>	<b>\$ 10,672,498</b>

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

*Purchased Capital Assets:*

*Land and Land Improvements*

Sacred Garden \$ 50,011

*Construction in Progress (Current Year Additions/Deletions):*

IIP Projects (net) 11,454,561

*Auto changes (Current Year Additions/(Deletions)):*

2021 Ford Transit Van 53,800

2024 Ford E450 Bus 126,195

*Building & Infrastructure Changes (Current Year Additions/(Deletions)):*

*Computer Equipment, Machinery and Equipment changes (Current Year Additions/(Deletions)):*

Locomotive Batteries & Charger 26,775

Misc Pumps & Filters (113,757)

Waste Water Treatment RBCs (103,007)

Heater, Transformer, Meter, Crane (34,548)

Huron Tank & Stand (27,198)

*DOE Property Transfer:*

ERT Tower, Thimbles, Hoist Rope Oiling System, Crane, Misc Small Equipment, Bobcat, Boilers 1,322,489

Fortlift, Refuge Chamber Scrubbers, Winch, Power Cable East Switchyard

\$ 13,330,718

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

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

**JUNE 30, 2024**

**LONG-TERM DEBT**

At the year-end, the SDSTA had \$5,702,091 in other long-term obligations. This is an increase of approximately 13% as shown below.

	<b>2024</b>	<b>2023</b>	<b>Total Dollar Change</b>	<b>Total Percentage Change</b>
Compensated Absences	\$ 990,497	\$ 712,498	\$ 277,999	39.02%
Asset Retirement Obligation	<b>1,590,404</b>	1,196,885	393,519	32.88%
Xenon Notes Payable	<b>3,121,190</b>	3,121,190	-	0.00%
<b>Total Long-Term Debt</b>	<b>\$ 5,702,091</b>	<b>\$ 5,030,573</b>	<b>\$ 671,519</b>	<b>13.35%</b>

- The SDSTA is liable for the accrued vacation leave payable to all full-time employees. In addition, the SDSTA is liable for a portion of the earned sick leave of employees who have been employed for seven consecutive years. The \$277,999 increase in compensated absences is due to an increase in the corresponding amount of leave accumulated and outstanding at the end of the year for employees along with pay rate increases. The Asset Retirement Obligation increased due to inflationary factors. Note (4) Long-Term Debt in the Notes to Financial Statements on page 15 details the activity for the period for compensated absences, asset retirement obligation and the xenon note payable.
- On November 7, 2023, the SDSTA signed a Promissory Note with the First Interstate Bank for \$5,000,000. This agreement represents a variable rate revolving line of credit. Collateral for this line of credit includes the SDSTA’s Account Receivable. The SDSTA put this loan in place if government funding were to be slowed due to a government shutdown. The SDSTA has not drawn down any funding from this line of credit. The maturity date is October 31, 2024, at which time we will renew for another one-year term.

**ECONOMIC FACTORS**

- A report released from the Particle Physics Project Prioritization Panel (P5) in December 2023, outlined the 10-year strategic plan for high-energy physics in the United States. The report provides strong support for science programs envisioned to be located at SURF, including research into neutrinos and dark matter, both of which are being researched at SURF. This panel formally advises both the DOE Office of Science and the National Science Foundation (NSF) on support for physics. Previous P5 reports have played a key role in the evolution of SURF and its experiments to date.
- The SDSTA’s Board of Directors approved an operating budget of \$6,590,782 for fiscal year 2025 in favor of SDSTA supported activities. Additionally, SDSTA’s total indirect expense budget for fiscal year 2025 is \$15,760,357.
- The SDSTA transitioned to a five-year Cooperative Agreement renewal (i.e. extension) with the Department of Energy’s (DOE) Office of Science in September 2024 including a budget of \$208 million for five additional years of SURF Operations. This award includes \$15.6 million for Infrastructure Improvement Projects (IIPs).

In October 2014, DOE established the Long-Baseline Neutrino Facility (LBNF) / Deep Underground Neutrino Experiment (DUNE) Project with strong international support to build the largest science experiment ever attempted on United States soil. LBNF will send neutrinos through the earth from Fermilab in Batavia, Illinois, to the DUNE detectors located at SURF in Lead, South Dakota. In September 2016, DOE formally approved plans for construction at SURF. In February 2024, LBNF completed the excavation of 800,000 tons of rock to create large caverns to house DUNE. The current support contract was replaced on August 15, 2024, to support the next phase of the LBNF/Dune Project for the Building Site Infrastructure and Far Detector and Cryogenics Sub Projects to end December 31, 2026. DOE support for professional engineering management services continues into FY2025 for this LBNF effort.

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) JUNE 30, 2024**

- Further funding was received in FY2024 through Lawrence Berkeley National Laboratory (LBNL) and DOE in support of the LUX-ZEPLIN (LZ) physics experiment operations. These awards reimbursed the SDSTA for expenses incurred for materials and supplies as well as a percentage of the salaries of the SDSTA staff members directly supporting these projects. Support continues in FY2025 for LUX-ZEPLIN (LZ).
- Additional funding was received during the fiscal year from South Dakota School of Mines to support the Majorana Demonstrator experiment located at the 4850L Davis Campus. Support continues in FY2025 from SD Mines. The CASPAR experiment funded by SD Mines was mothballed in April 2021, during the LBNF excavation. Most of their equipment remains in the current 4850L for future use in their experiment at SURF. This experiment could resume in 2025.
- The SDSTA entered into a lease with Caterpillar (CAT) on September 15, 2020, for CAT to utilize two existing rooms located on the SURF 1700-foot level underground. The initial term of the lease began on October 1, 2020, and shall continue until September 30, 2030. CAT will be developing and testing new mining related products to sell commercially. The base rent under the lease is \$150,000 per annum is considered "Program Income" by the DOE Cooperative Agreement.
- The SDSTA is compliant with all legal and environmental regulations.

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

SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

STATEMENT OF NET POSITION  
JUNE 30, 2024

**ASSETS**

**Current Assets**

Cash in Local Bank and Petty Cash	\$ 1,202,886
Cash on Deposit with State Treasurer	18,603,232
Accounts Receivable	3,271,563
Interest Receivable	132,566
Prepaid Expenses	1,423,862
Inventory of Supplies & Warehouse	2,722,628
<b>Total Current Assets</b>	<b>27,356,737</b>

**Noncurrent Assets**

Xenon Purchased (Note 5)	8,687,833
Net Pension Asset (Note 6)	60,711
Land (Note 3)	1,974,147
Underground (Note 3)	17,936,955
Buildings, Machinery, Equipment, Infrastructure, & DOE Property Transferred (Net) (Note 3)	87,121,214
<b>Total Noncurrent Assets</b>	<b>115,780,861</b>

<b>TOTAL ASSETS</b>	<b>143,137,598</b>
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**Deferred Outflows of Resources**

Asset Retirement Obligation Deferred Outflows	1,054,329
Pension Related Deferred Outflows (Note 6)	5,251,158
<b>Total Deferred Outflows of Resources</b>	<b>6,305,487</b>

**LIABILITIES**

**Current Liabilities**

Accounts Payable	3,759,304
Accrued Wages and Benefits	864,066
Due to State of South Dakota	1,634
Accrued Leave, Benefits (Note 4)	990,497
<b>Total Current Liabilities</b>	<b>5,615,502</b>

**Long-Term Liabilities**

Accrued Leave, Benefits (Note 4)	990,497
Asset Retirement Obligation (Note 4)	1,590,404
Long-Term Xenon Notes Payable (Note 4)	3,121,190
<b>Total Long-Term Liabilities</b>	<b>5,702,091</b>

<b>TOTAL LIABILITIES</b>	<b>11,317,593</b>
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**Deferred Inflows of Resources**

Pension Related Deferred Inflows (Note 6)	<b>3,045,437</b>
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**NET POSITION**

Invested in Capital Assets	107,032,317
Restricted for:	
Mine Closure	1,641,824
Experiments	579,023
Indemnification	7,858,545
Underground Expansion	6,806,899
Pension	2,266,432
Foundation	77,676
Unrestricted Net Position	8,817,339

<b>TOTAL NET POSITION</b>	<b>\$ 135,080,055</b>
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The accompanying notes are an integral part of this statement.

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2024**

<b>Operating Revenue</b>	
Charges for Goods and Services	\$ 623,587
Operating Grants	40,251,196
Miscellaneous	137,724
<b>Total Operating Revenue</b>	<b>41,012,508</b>
<b>Operating Expenses</b>	
Personnel Services	25,050,630
Travel	319,798
Contractual Services	9,230,000
Supplies, Materials and Other Operating Expenses	4,559,392
Depreciation Expense	2,968,113
<b>Total Operating Expenses</b>	<b>42,127,933</b>
<b>Operating Loss</b>	<b>(1,115,425)</b>
<b>Nonoperating Revenues/Expenses</b>	
Interest Revenue	815,882
Gain/(Loss) on Sale of Assets	(617,569)
Other Expense	(522,132)
<b>Total Nonoperating Revenues/Expenses</b>	<b>(323,819)</b>
<b>Change in Net Position</b>	<b>(1,439,244)</b>
<b>Net Position -- Beginning of Year</b>	<b>136,519,299</b>
<b>Net Position -- End of Year</b>	<b>\$ 135,080,055</b>

The accompanying notes are an integral part of this statement.

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2024**

**Cash Flows from Operating Activities:**

Other Operating Cash Receipts	\$ 765,930
Cash Receipts from Operating Grants	39,617,370
Cash Payments to Employees for Services	(24,114,073)
Cash Payments to Suppliers of Goods and Services	(10,825,685)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 5,443,542</b>

**Cash Flows from Noncapital Financing Activities:**

Interest/Insurance Paid on Xenon	\$ (463,907)
<b>Net Cash Used by Noncapital Financing Activities</b>	<b>\$ (463,907)</b>

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

Purchase of Capital Assets	\$ (14,243,857)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>\$ (14,243,857)</b>

**Cash Flows from Investing Activities:**

Interest Earnings	\$ 783,545
<b>Net Cash Provided by Investing Activities</b>	<b>\$ 783,545</b>

**Net Decrease in Cash and Cash Equivalents** **\$ (8,480,677)**

Cash and Cash Equivalents at Beginning of Year 28,286,795

**Cash and Cash Equivalents at End of Year** **\$ 19,806,118**

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

Operating Loss	\$ (1,115,425)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</i>	
Depreciation & Amortization Expense	2,968,113
Change in Assets and Liabilities:	
Receivables	(629,208)
Prepaid Expenses	(247,535)
Inventory	396,240
Net Pension Asset	(2,633)
Decrease(Increase) in Deferred Outflow of Resources - Pension	513,869
Increase (Decrease) Deferred Inflow of Resources - Pension	(402,479)
Increase (Decrease) in ARO	393,519
Accounts and Other Payables	2,741,282
Accrued Wages Payable	271,801
Accrued Leave Payable	555,999
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 5,443,542</b>

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2024**

**Cash and Cash Equivalents:**

Cash in Local Bank	\$	1,201,836
Petty Cash		1,050
Cash with State Treasurer		18,603,232
<b>Total Cash and Cash Equivalents</b>	<b>\$</b>	<b>19,806,118</b>

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

Gain/(Loss) on Disposal of Assets	\$	(619,881)
Donated Inventory of Supplies		(14,479)
<b>Total Non-Cash Activities</b>	<b>\$</b>	<b>(634,360)</b>

The accompanying notes are an integral part of this statement.



# **SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

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

#### **a. Reporting Entity**

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

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

#### **b. Fund Accounting**

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

#### **c. Measurement Focus, Basis of Accounting**

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

#### **d. Inventory of Supplies**

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

#### **e. Capital Assets**

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

# SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

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

#### e. Capital Assets (Continued)

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

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

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

#### f. Revenue and Expense Classifications

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

#### g. Cash and Cash Equivalents

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

#### h. Equity Classifications

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

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

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

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024**

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

##### **i. Application of Net Position**

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

##### **j. Accrued Leave**

Compensated absences consist of vacation and sick leave earned. The vacation leave is earned by full-time employees at the rate of 4.62 hours per pay period, increasing to 6.16 hours per pay period from 4-8 years of service, and 7.69 hours earned after 8 years of service. The vacation leave may accumulate only to a maximum of twice the annual accrual. Upon retirement or resignation, only full-time employees with 180 days of continuous service will be paid for accumulated vacation leave. Sick leave is earned at the rate of 4.32 hours per pay period. Upon termination, some employees are entitled to receive compensation for a portion of their sick leave balance. Those with seven years of service or more will receive compensation at the rate of 25 percent of their balance up to a maximum of 480 hours.

##### **k. Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. The SDSTA's contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

##### **l. Leases**

We evaluated all current leases to determine if they meet the GASB 87 definition of a lease. For those that did meet the definition of a lease, we concluded they were immaterial for reporting in FY2024. We will analyze this each fiscal year.

##### **m. Asset Retirement Obligation**

We report an asset retirement obligation (see note 4). This cost will be evaluated each fiscal year and updated for any changes.

##### **n. Subscription Based Information Technology Arrangements (SBITA's)**

We evaluated all current information technology contracts to determine if they meet the GASB 96 definition of a SBITA. For those that did meet the definition of a SBITA, we concluded they were immaterial for reporting in FY2024. We will analyze this each fiscal year.

#### **(2) Deposits and Investments**

##### **Deposits**

The majority of the SDSTA's cash is on deposit with the State Treasurer. Such funds are invested through the South Dakota Investment Council. Management of the State's internal investment pool is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the audit report of the South Dakota Investment Council, which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501. Custodial credit risk is the risk that in the event of a bank failure, the SDSTA's deposits may not be returned to it. The SDSTA does not have a deposit policy for custodial credit risk. None of the SDSTA's deposits were exposed to custodial credit risk.

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2024**

**(2) Deposits and Investments (continued)**

**Investments**

In general, SDCL 1-16H-18 permits funds to be invested in (a) direct obligations of, or obligations the principal of the interest on which are fully guaranteed or insured by, the United States of America; or (b) obligations of any solvent insurance company or other corporation or business entity if rated in the two highest classifications established by a standard rating service or insurance companies or a nationally recognized rating agency; or (c) short term discount obligations of the Federal National Mortgage Association; or (d) obligations of any state of the United States or any political subdivision, public instrumentality, or public authority of any state of the United States, which obligations are not callable before the principal is to be paid, are fully secured as to both sufficiency and timely payment by, and payable solely from, obligations described in (a). The SDSTA did not have any investments as of June 30, 2024.

**(3) Changes in Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2024, is as follows:

	<b>Balance June 30, 2023</b>	Increases	Decreases	<b>Balance June 30, 2024</b>
<b>Business-Type Activities:</b>				
Capital Assets, not Being Depreciated:				
Land	\$ 1,924,136	\$ 50,011	\$ -	\$ 1,974,147
Underground	17,936,955	-	-	17,936,955
Archive Materials	70,000	-	-	70,000
Construction Work in Progress (CIP) (see Note 10)	6,192,248	13,238,795	1,784,234	17,646,809
<b>Total Capital Assets, not Being Depreciated</b>	<b>26,123,339</b>	<b>13,288,806</b>	<b>1,784,234</b>	<b>37,627,911</b>
Capital Assets, Being Depreciated:				
DOE Property Transferred	9,000,103	1,533,637	211,148	10,322,592
Automobiles	538,664	179,995	-	718,659
Buildings	17,259,731	69,908	-	17,329,639
Furniture	67,298	-	-	67,298
Computer Equipment	366,435	-	-	366,435
Improvements	55,618,928	505,490	-	56,124,418
Infrastructure	1,885,943	-	-	1,885,943
Machinery and Equipment	9,649,546	26,775	278,512	9,397,809
<b>Total Capital Assets, Being Depreciated</b>	<b>94,386,648</b>	<b>2,315,805</b>	<b>489,659</b>	<b>96,212,793</b>
<b>Total Capital Assets, Before Depreciation</b>	<b>120,509,987</b>	<b>15,604,611</b>	<b>2,273,893</b>	<b>133,840,704</b>
Less Accumulated Depreciation:				
DOE Property Transferred	923,549	607,904	86,112	1,445,340
Automobiles	210,710	72,265	-	282,975
Buildings	2,912,316	358,650	-	3,270,966
Computer Equipment	291,480	35,701	-	327,181
Furniture	65,048	2,249	-	67,298
Improvements	13,057,628	1,354,567	-	14,412,195
Infrastructure	569,805	50,110	-	619,914
Machinery and Equipment	6,119,633	520,195	257,308	6,382,520
<b>Total Accumulated Depreciation</b>	<b>24,150,169</b>	<b>3,001,640</b>	<b>343,420</b>	<b>26,808,389</b>
<b>Capital Assets, Net</b>	<b>\$ 96,359,817</b>	<b>\$ 12,602,971</b>	<b>\$ 1,930,473</b>	<b>\$ 107,032,315</b>

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2024**

**(4) Long-Term Debt**

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Accrued Compensated Absences	\$ 1,424,996	\$ 1,732,257	\$ 1,176,259	\$ 1,980,994	\$ 990,497
Asset Retirement Obligation	1,196,885	393,519	-	1,590,404	-
Xenon Notes Payable	3,121,190	-	-	3,121,190	-
	<u>\$ 5,743,071</u>	<u>\$ 2,125,776</u>	<u>\$ 1,176,259</u>	<u>\$ 6,692,589</u>	<u>\$ 990,497</u>

*Xenon Notes Payable*

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

*Repayment of Xenon Notes Payable*

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

The loans are 13 year, unsecured non recourse loans with 2.5% simple interest paid quarterly. The SDCF note is due on October 1, 2028. The SDSUF and USDF notes are due December 31, 2028.

Also see Note 8. \$ 3,121,190

The annual requirements to amortize long-term debt outstanding as of June 30, 2024, are as follows:

	Xenon Notes Payable	
	Interest	Principal
2025	\$ 78,030	\$ -
2026	78,030	-
2027	78,030	-
2028	78,030	-
2029	32,780	3,121,190
Total	<u>\$ 344,899</u>	<u>\$ 3,121,190</u>

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2024**

**(4) Long-Term Debt (Continued)**

*Asset Retirement Obligation (ARO)*

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

<b>SDSTA Estimate:</b>		
<b>SURF Site Closure Cost</b>		
<b>Project 1.</b>	<b>Shutdown Dewatering System</b>	\$ 19,662
<b>Project 2.</b>	<b>Secure Surface to UG Access Points</b>	120,926
<b>Project 3.</b>	<b>Remove Underground Hazardous Materials</b>	168,560
<b>Project 4.</b>	<b>Underground Inspection/Documentation</b>	257,482
<b>Project 5.</b>	<b>Utility Reduction</b>	8,739
<b>Project 6.</b>	<b>Secure Surface Area(s) and Building</b>	119,662
<b>Project 7.</b>	<b>Secure Yates Shaft Entrance</b>	120,885
<b>Project 8.</b>	<b>Secure Ross Shaft Entrance</b>	120,885
<b>Project 9.</b>	<b>Secure Oro Hondo Shaft Entrance</b>	82,385
<b>Project 10.</b>	<b>Secure 5 Shaft Entrance</b>	142,770
<b>Project 11.</b>	<b>Remove Hoists from Service</b>	31,210
<b>Project 12.</b>	<b>Remove Hazardous Material from Surface</b>	79,156
	<b>Contingency</b>	318,081
	<b>Grand Total</b>	<b>\$ 1,590,404</b>

Per our land donation agreement from Homestake Mining Company in 2006, we assumed all liability for closure, and were obligated to restrict \$1,000,000 for such an event; SDSTA complied with this agreement. Since then, interest has accrued and been restricted by SDSTA; current restricted and separately reported cash on hand for site abandonment is \$1,641,824.

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

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2024**

**(5) Xenon**

Xenon on hand is valued at a purchase cost per liter with additional freight, customs, and analysis charges. Total Xenon purchased to date is \$8,687,833 as shown by the detail below.

<u>Fiscal Year</u>	<u># of Liters</u>	<u>Total Cost</u>	<u>Average Cost/Liter</u>
2014	20,000	\$332,855	\$16.64/liter
2016	200,000	1,273,808	6.37/liter
2017	600,295	3,433,693	5.72/liter
2018	260,000	1,473,544	5.67/liter
2019	300,000	1,650,450	5.50/liter
2020	140,000	770,000	5.50/liter
2023	(45,274)	(246,517)	5.89/liter
<b>Total on Hand</b>	<b>1,475,021</b>	<b>\$8,687,833</b>	<b>\$ 5.89/liter</b>

**(6) Retirement/Pension Plan**

**Plan Information:**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provide retirement, disability, and survivor 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://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**Benefits Provided:**

SDRS has four classes of members: Class A general members, class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation 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. Class A and B eligible spouses of foundation members will receive a 60 percent joint survivor benefit when the member dies.

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



**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2024**

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLA's, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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. The SDSTA's share of contributions to the SDRS for the fiscal years ended June 30, 2024, 2023, and 2022, equal to required contributions each year, were as follows: \$1,060,468, \$962,630, and \$880,457, respectively.

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

As of June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System for the SDSTA as of the measurement period ending June 30, 2023, and reported by the SDSTA as of June 30, 2024, are as follows:

Proportionate share of pension liability	\$ 90,133,123
Less Proportionate share of net pension restricted for pension benefits	90,193,833
Proportionate share of net pension liability (asset)	<u>\$ (60,711)</u>

At June 30, 2024, the SDSTA reported a liability (asset) of \$ (60,711) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023, and the total pension liability (asset) used to calculate the net pension asset was based on a projection of the SDSTA's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the SDSTA's proportion was 0.62200700% which is an increase of 0.0074670% from its proportion measured as of June 30, 2022.

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2024**

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

For the year ended June 30, 2024, the SDSTA recognized pension expense of \$108,756. At June 30, 2024, the SDSTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	\$ 1,720,873	\$ -
Changes in assumption.	2,075,613	3,034,084
Net Difference between projected and actual earnings on pension plan investments.	404,191	-
Changes in proportion and difference between SDSTA contributions and proportionate share of contributions.	(9,988)	11,353
SDSTA contributions subsequent to the measurement date.	1,060,468	-
<b>TOTAL</b>	<b>\$ 5,251,158</b>	<b>\$ 3,045,437</b>

\$1,060,468 reported as deferred outflow of resources related to pensions resulting from the SDSTA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. 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:

2025	\$ 813,050
2026	(923,260)
2027	1,171,439
2028	84,023
<b>TOTAL</b>	<b>\$ 1,145,253</b>

**Actuarial Assumptions:**

The total pension liability (asset) in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
Salary Increases	Graded by year of service, from 7.66% at entry to 3.15% after 25 years of service.
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.91%

All mortality rates are based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020.

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2024**

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above.

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023, valuation was based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2022.

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, 2023 (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>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	<u>100%</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 plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2024**

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

**Sensitivity of (asset) to changes in the discount rate:**

The following presents the SDSTA's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.50% as well as what the SDSTA's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
SDSTA's proportionate share of the net pension liability (asset)	\$12,443,555	\$ (60,711)	\$(10,286,814)

**Pension Plan Fiduciary Net Position:**

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

**(7) Risk Management**

The SDSTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There were no insurance claims exceeding insurance coverage during the past three years. During the period ended June 30, 2024, the SDSTA managed its risks as follows:

**Building Structure Charges:**

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

**Personal Property Insurance:**

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

**Employee Health Insurance:**

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

**Liability Insurance:**

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

**Worker's Compensation:**

For the policy renewal date of January 1, 2023, through January 1, 2024, the SDSTA continued to purchase workers' compensation through a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

## SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2024

#### (7) Risk Management (Continued)

##### Unemployment Benefits:

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

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

On December 23, 2009, the SDSTA received \$20,000,000 designated as Sanford Gift No.2. Gift No.2 was originally established for the construction of the Sanford Center for Science Education. Two amendments to the Homestake Gift Agreement were signed in June 2010 and October 2011, respectively, whereby it was agreed to use \$15 million of this \$20 million for infrastructure and safety upgrades at the Underground Davis Campus and for replacing steel and other rehabilitation of the Ross Shaft. In early August 2012, the SDSTA signed a third amendment to the Gift Agreement and received the remaining \$15 million of Gift No.2 called for by Section 2 of the Gift Agreement. The Gift No.2 balance of \$20 million was to be held in a restricted fund whereby the principal was not to be expended until a written approval of a business and operational plan for the Sanford Center for Science Education was received from Mr. Sanford. Furthermore, the third amendment allowed the SDSTA to utilize and expend interest and other earnings on Gift No.2 restricted funds. In May, 2013, the SDSTA signed a fourth amendment to the Gift Agreement whereby it was agreed to expend up to \$7,000,000 of Gift No.2 for the construction or remodeling of the Yates Dry Building (located at SURF), the remodeling or replacement of the Lead Homestake Visitor's Center and the remodeling of Jonas Hall (located on the campus of Black Hills State University in Spearfish, SD). This authorization was conditioned on the SDSTA raising \$1.5 million from other sources for the Black Hills State University project and \$1 million for the SURF Homestake Visitor's Center (SLHVC) in Lead. The SDSTA secured a \$2 million Future Fund grant from the State of South Dakota in October 2013 and an additional \$500,000 was received in July 2014 from Great Plains Education Foundation that satisfied this monetary obligation. Both outside facilities agreed in writing to incorporate and use the name "Sanford" in the naming of the facilities. Operating agreements are in place which provide for the ongoing operations of the respective facilities by the Homestake Visitor Center, Inc. and Black Hills State University. Given the construction budget of the SLHVC and the Jonas Science Building renovation costs, it was not possible to undertake the upgrades to the Yates Dry Building. These details were reported in the Fifth Amendment to the Homestake Gift Agreement in February 2015. Furthermore, any part of Gift No.2 not used for the three construction projects may be used for the construction and operation of additional underground laboratory space at SURF to accommodate other experiments, and for related infrastructure to access or support the new laboratory space through the shafts. After the above projects were finished, approximately \$1,000,000 remained. On June 23, 2016, the sixth amendment was signed allowing the SDSTA to use the remaining funds to purchase real estate known as "Ellison Hill" and to conduct needed environmental assessments and remediation of the property. This will provide needed storage and construction material laydown space for the LBNF and DUNE projects. The "Ellison Hill" property was purchased in May 2017. The cost of this remediation was shared equally by the SDSTA and Homestake Mining Company per the purchase agreement.

Remediation of the property was completed in November 2017. At fiscal year-end 2024, a balance of \$10 remained as Gift No. 2 funds. This will be transferred to the SDSTA's operating account.

The SDSTA's long-term cooperative agreement with Homestake Mining Company of California continues. The SDSTA agrees to combine Homestake's wastewater from Grizzly Gulch with the mine wastewater, as well as treat, and discharge the water. For the first year of this agreement, Homestake agreed to pay the SDSTA an amount ranging from \$.58 to \$.84 per 1000 gallons based on average total gallons treated per minute per month. Revenue from this agreement for fiscal years 2024 and 2023 were \$225,078 and \$123,902, respectively. Revenue was higher this last year due continued operation of the deep well pump. The terms of the agreement were amended in September 2020 adjusting the price per 1000 gallons to \$.75 and extending this price and the contract to September 30, 2030. Estimated revenues for the fiscal year 2025 are at \$240,000.

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

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

**JUNE 30, 2024**

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

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

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

Letter Agreement #1586 was signed in August 2015 between the GOED and the SDSTA whereby the State is granting up to \$6,000,000 between July 14, 2015, and September 30, 2018. The State has chosen to engage in a partnership with the SDSTA, the South Dakota Community Foundation, the South Dakota State University Foundation, and the University of South Dakota Foundation to assist with the costs of infrastructure/laboratory upgrades, procurement of xenon for the LUX-ZEPLIN (LZ) dark matter experiment, and interest payments to these foundations. The full \$6,000,000 has been received from the State as well as \$2,000,000 each from the South Dakota Community Foundation, the University of South Dakota Foundation, and the South Dakota State University Foundation. Loan agreements are in place between the SDSTA and the three foundations for a total of \$6,000,000 to be used for the purchase of xenon for the future LZ experiment. The loans extend to the last quarter of 2026. They are unsecured nonrecourse loans with 2.5% simple interest to be paid quarterly to each lender. The loans will be repaid at the end of the LZ experiment (approximately October 2026) from the sale proceeds of the xenon previously purchased. A total of 1,475,021 liters of xenon are on hand for experiment use. The processed xenon has all been received at SURF and is being used in the LZ experiment.

On November 15, 2023, the SDSTA signed a Promissory Note with the First Interstate Bank for \$5,000,000. This agreement represents a variable rate revolving line of credit. Collateral for this line of credit includes the SDSTA's Account Receivable. The SDSTA has not drawn down any funding from this line of credit. The maturity date is October 31, 2024, at which time we will renew for another one-year term.

The State of South Dakota appropriated \$13 million of general fund moneys through Senate Bill 35 during the 2023 legislative session, for the purposes of expanding laboratory space at the Sanford Underground Research Facility. The SDSTA has contracted with Thyssen Mining Inc. to complete this project. At June 30, 2024, total expended is \$8,267,091.

On July 19, 2024, Sanford Underground Research Facility Foundation received a charitable donation from Thyssen Mining Inc. of the Rock Conveyor System with an appraised value of \$16,500,000. This asset will be transferred to the SDSTA on January 1, 2028.

On September 30, 2019, the SDSTA transitioned to a five-year Cooperative Agreement with the DOE's Office of Science – Integrated Support Center. A five-year extension was approved on September 16, 2024

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

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024**

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

At June 30, 2024, the SDSTA engaged in no lawsuits.

#### **(10) Construction Work in Process**

The SDSTA accumulates the costs of construction projects in Construction Work in Progress until the project is completed and/or placed in service. Some of the ongoing improvement projects are capitalized as they progress. As of June 30, 2024, construction work in progress was at \$17,646,809.

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

On September 30, 2019, the SDSTA transitioned to a five-year Cooperative Agreement totaling to date \$122,133,728 with the DOE's Office of Science – Integrated Support Center. Additionally, SDSTA has been awarded \$31,333,813 in Infrastructure Improvement Projects (IIPs) with \$19,644,990 spent through FY2024; \$3,835,968 has been budgeted in FY2025. The federal fiscal year 2025 proposed operating budget is \$31,441,768. DOE has requested SDSTA submit a proposal to continue operations via a Cooperative Agreement with the Office of Science for the periods 2025-2029, the award will be an extension of the current CA totaling \$208 million with final approval on September 16, 2024.

LBNF/DUNE Logistics Support Services was renewed in August 2024 and will continue with Fermi National Accelerator Laboratory (FNAL) through December 31, 2026, to include general site services through September 30, 2026. Additionally, SDSTA support for the LZ experiment operations through a DOE grant have been extended to February 2025.

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

SDSTA entered into a contract for marketing consulting services with Turner Lee Consulting & Design, which is owned and operated by a SURF Foundation Board member on July 26, 2022, and terminated on July 25, 2023. The consultant reports to the SDSTA Executive Director. No payments were made in FY2024.



**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2024**

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

**SANFORD UNDERGROUND RESEARCH FACILITY FOUNDATION  
CONDENSED STATEMENT OF NET POSITION  
JUNE 30, 2024**

**ASSETS**

**Current Assets**

Cash in Local Bank	\$	59,176
Contributions Receivable		18,500
<b>Total Current Assets</b>		<b>77,676</b>

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>77,676</b>
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**NET POSITION**

Restricted for:

Davis-Bachall	\$	15,000
Interns		29,207
Public Outreach		17,465
Visitor Center		12,500
Unrestricted Net Position		3,505

<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>77,676</b>
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**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
JUNE 30, 2024**

**Restricted Revenue**

Garden	\$	4,500
Interns		22,214
Public Outreach		49,100
STEM Education		113
Visitor Center		12,500
Miscellaneous and Unrestricted Revenue		4,293
<b>Total Revenue</b>		<b>92,720</b>

**Expenses**

Payments to Primary Government	\$	654,714
<b>Total Expenses</b>		<b>654,714</b>

<b>Change in Net Position</b>	<b>(561,995)</b>
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<b>Net Position -- Beginning of Year</b>	<b>639,670</b>
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<b>Net Position -- End of Year</b>	<b>\$ 77,676</b>
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**CONDENSED STATEMENT OF CASH FLOWS  
JUNE 30, 2022**

Cash Provided from Operating Activities		
Cash Received from Donations	\$	74,220
Cash Payments for Operating Activities		(654,714)
Net Decrease in Cash and Cash Equivalents		<b>(580,495)</b>

Cash and Cash Equivalents at Beginning of Year	639,670
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Cash and Cash Equivalents at End of Year	<b>\$ 59,176</b>
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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

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

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

**South Dakota Retirement System**

Last 10 Fiscal Years \*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
SDSTA's proportion of the net pension liability (asset)	0.6220070%	0.6145400%	0.6177040%	0.5665885%	0.4949484%	0.4444633%	0.4881662%	0.5027360%	0.5089089%	0.5287996%
SDSTA's proportionate share of net pension liability (asset)	\$ (60,711)	\$ (58,078)	\$ (4,730,555)	\$ (24,607)	\$ (52,451)	\$ (10,366)	\$ (44,302)	\$ 1,698,193	\$ (2,158,428)	\$ (3,809,788)
SDSTA's covered employer payroll	\$ 15,829,925	\$ 14,431,476	\$ 13,727,913	\$ 12,193,592	\$ 10,237,119	\$ 8,995,993	\$ 9,596,007	\$ 9,256,007	\$ 9,042,866	\$ 8,888,749
SDSTA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.38%	0.40%	34.46%	0.20%	0.51%	0.12%	0.46%	18.35%	23.87%	42.86%
Plan fiduciary net position as a percentage of the total net pension liability (asset)	100.10%	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year.

**SCHEDULE OF THE AUTHORITY CONTRIBUTIONS**

**South Dakota Retirement System**

Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,060,468	\$ 962,630	\$ 880,457	\$ 841,062	\$ 746,095	\$ 631,417	\$ 554,398	\$ 595,112	\$ 573,626	\$ 557,420
Contributions in relation to the contractually required contribution	\$ 1,060,468	\$ 962,630	\$ 880,457	\$ 841,062	\$ 746,095	\$ 631,417	\$ 554,398	\$ 595,112	\$ 573,626	\$ 557,420
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SDSTA's covered-employee payroll	\$ 17,195,333	\$ 15,829,925	\$ 14,431,476	\$ 13,727,913	\$ 12,193,592	\$ 10,237,119	\$ 8,995,993	\$ 9,596,007	\$ 9,256,007	\$ 9,042,866
Contributions as a percentage of covered-employee payroll	6.17%	6.08%	6.10%	6.13%	6.12%	6.17%	6.16%	6.20%	6.20%	6.16%

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

**Changes from Prior Valuation**

The June 30, 2023, Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from June 30, 2022, Actuarial Valuation.

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

**Benefit Provision Changes**

During the 2023 Legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety Members.

**Actuarial Assumption Changes**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% and no greater than 3.5%. However, if the Fair Value Funded Ratio (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%.

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

Actuarial assumptions are reviewed for reasonableness annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

**Actuarial Method Changes**

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

SUPPLEMENTARY INFORMATION

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**SCHEDULE OF OPERATING EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2024**

<b>Personnel Services</b>	
Employee Salaries	\$ 15,260,531
Employee Benefits	9,790,099
<b>Total Personal Services</b>	<b>25,050,630</b>
<b>Travel</b>	
Meals and Lodging	197,638
Auto and Fleet Services	65,202
Air - Commercial and Charter	44,532
Incidentals to Travel	8,025
Non-Employee Travel	4,401
<b>Total Travel</b>	<b>319,798</b>
<b>Contractual Services</b>	
Equipment Rental	334,686
Contractual - Other	(896,725)
Insurance	1,665,917
Lobbying	240,000
Computer Services	10,539
Telecommunications	130,349
Monitoring and Programming	29,442
Legal Consultant	92,870
Training	119,489
Consultant Fees - Accounting and Auditing	4,781,110
Promotion and Advancement	68,851
Dues and Memberships	69,503
Utilities	2,276,119
Maintenance and Repairs	307,850
<b>Total Contractual Services</b>	<b>9,230,000</b>
<b>Supplies, Materials and Other Operating Expenses</b>	
Maintenance and Repairs	3,152,844
Other Supplies and Equipment	789,490
Other Expenses	518,793
Office Supplies and Equipment	20,225
Licenses and Permits	50,899
Workshop and Registration Fees	22,480
Postage	2,974
Bank Charges	1,686
<b>Total Supplies, Materials and Other Operating Expenses</b>	<b>4,559,392</b>
<b>Depreciation Expense</b>	<b>2,968,113</b>
<b>Total Operating Expenses</b>	<b>\$ 42,127,933</b>

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2024**

	Pass-Through Numbers	Federal AL Number	Amount
<i>National Science Foundation</i>			
Pass-Through Black Hills State University STEM Education - K-12 Teacher Professional Development Support	CT004853	41.076	\$ 19,871
<i>National Science Foundation</i>			
Pass-Through Black Hills State University STEM Education - SURF Education & Outreach Professional Development	CT004854	41.076	\$ 4,188
<i>U.S. Department of Energy</i>			
Pass-Through the Regents of the University of California LUX/Zepplin (LZ) Experiment Operations - Engineer/Research Supp.	7650068	81.UNKNOWN	\$ 75,267
<i>U.S. Department of Energy</i>			
Pass-Through Fermi National Accelerator Laboratory SURF(Sanford Underground Research Facility)LBNF/DUNE Support	674969	81.UNKNOWN	\$ 7,262,295
<i>U.S. Department of Energy</i>			
Pass-Through Fermi National Accelerator Laboratory SURF(Sanford Underground Research Facility)LBNF/DUNE Support	654406	81.UNKNOWN	\$ 27,333
<i>U.S. Department of Energy</i>			
Pass-Through Fermi National Accelerator Laboratory SURF(Sanford Underground Research Facility)LBNF/DUNE Support	711484	81.UNKNOWN	\$ 83,452
<i>U.S. Department of Energy</i>			
Pass-Through Fermi National Accelerator Laboratory SURF(Sanford Underground Research Facility)LBNF Prof.Staff Serv.	671265	81.UNKNOWN	\$ 192,924
<i>U.S. Department of Energy</i>			
Pass-Through Battelle Memorial Institute, Pacific Northwest Division Development, Monitoring, and Control of Fracture Thermal Energy Storage in Crystalline Rock (DEMO-FTES)	700997	81.UNKNOWN	\$ 29,932
<i>U.S. Department of Energy</i>			
Office of Science - Chicago Office of Acquisition/Assistance	HEBYAQ8MUEU3	81.049	\$ 30,765,737
<i>U.S. Department of Energy</i>			
Office of Science - Chicago Office of Acquisition/Assistance	HEBYAQ8MUEU3	81.049	\$ 999,098
<i>National Nuclear Security Administration</i>			
Pass-Through South Dakota School of Mines & Technology Small Business Technology Transfer Program	CT001412	81.RD	\$ 13,558
<i>National Nuclear Security Administration</i>			
Pass-Through South Dakota School of Mines & Technology Small Business Technology Transfer Program	CT005350	81.RD	\$ 25,395
<i>National Aeronautics &amp; Space Administration</i>			
Pass-Through South Dakota School of Mines & Technology South Dakota Space Grant Consortium	80NSSC20M0040	43.UNKNOWN	\$ 5,740
<b>Total</b>			<b>\$ 39,504,789</b>

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



Federal Awards Reports  
June 30, 2024

# South Dakota Science and Technology Authority



# South Dakota Science and Technology Authority

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June 30, 2024

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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***

The Honorable Kristi Noem  
Governor of South Dakota  
and  
Board of Directors  
South Dakota Science and Technology Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of South Dakota Science and Technology Authority, (“the Authority”), a component unit of the State of South Dakota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated October 17, 2024.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control 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 or significant deficiencies may exist that have not been identified.

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

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Denver, Colorado  
October 17, 2024



**Independent Auditor’s Report on Compliance for the Cooperative Agreement with the U.S. Department of Energy’s Office of Science for the Sanford Underground Research Facility (SURF) and Fermi National Accelerator Laboratory Contract (FERMI); Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards of the South Dakota Science and Technology Authority’s Cooperative Agreement and Fermi National Accelerator Laboratory Contract**

The Honorable Kristi Noem  
Governor of South Dakota  
and  
Board of Directors  
South Dakota Science and Technology Authority  
Lead, South Dakota

**Report on Compliance**

***Opinion on the Cooperative Agreement and Fermi National Accelerator Laboratory Contract***

We have audited the South Dakota Science and Technology Authority’s (the Authority) compliance with the Cooperative Agreement applicable to the Authority’s U.S. Department of Energy’s Office of Science for the Sanford Underground Research Facility (SURF) – Operations Program (Cooperative Agreement) and the Fermi National Accelerator Laboratory Contract (Contract) for the year ended June 30, 2024.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to the Cooperative Agreement and the Contract for the year ended June 30, 2024.

***Basis for Opinion on the Cooperative Agreement and Contract***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and with the compliance criteria prescribed in the *OMB Compliance Supplement* that we considered to be direct and material to the Cooperative Agreement. Our audit does not purport to, and does not meet, the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform and Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Our responsibilities under those standards and the Cooperative Agreement and Contract are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Cooperative Agreement and Contract. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

***Other Matter – Federal Expenditures Not Included in the Compliance Audit***

As discussed in Note A, the schedule of expenditures of federal awards of the Authority's Cooperative Agreement and Contract is intended to present only the expenditures of federal awards of the Cooperative Agreement and Contract. The schedule does not purport to, and does not, present fairly the expenditures of federal awards of the State of South Dakota or the Authority as of and for the year ended June 30, 2024, in conformity with the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's government programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the OMB Compliance Supplement will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the government program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the OMB Compliance Supplement, but not for the purpose of expressing an opinion on the effectiveness of The Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the OMB Compliance Supplement. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards of the Cooperative Agreement and Contract**

We have audited the financial statements the Authority, a component unit of the State of South Dakota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 17, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards of the Cooperative Agreement and Contract is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements 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 schedule of expenditures of federal awards of the Cooperative Agreement is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Eide Sully LLP*

Denver, Colorado  
October 17, 2024

## South Dakota Science and Technology Authority

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS OF THE COOPERATIVE AGREEMENT WITH THE U.S. DEPARTMENT OF ENERGY'S OFFICE OF SCIENCE FOR THE SANFORD UNDERGROUND RESEARCH FACILITY (SURF) – OPERATIONS PROGRAM (COOPERATIVE AGREEMENT) and FERMI NATIONAL ACCELERATOR LABORATORY

CONTRACT

Year ended June 30, 2024

Program Description	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Expenditures
<b>U.S. DEPARTMENT OF ENGERGY</b>			
Office of Science - Chicago Office of Acquisition/Assistance	81.049	N/A	\$ 30,765,737
Passed through Fermi National Accelerator Laboratory SURF (Sanford Underground Research Facility) LBNF/DUNE Support	81.U01	674969	\$ 7,262,295



South Dakota Science and Technology Authority  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS OF THE COOPERATIVE AGREEMENT WITH  
THE U.S. DEPARTMENT OF ENERGY'S OFFICE OF SCIENCE FOR THE SANFORD UNDERGROUND RESEARCH  
FACILITY (SURF) – OPERATIONS PROGRAM (COOPERATIVE AGREEMENT) and FERMI NATIONAL ACCELERATOR  
LABORATORY CONTRACT  
Year ended June 30, 2024

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**Note A – Basis of Presentation**

The South Dakota Science and Technology Authority (the Authority) is a discretely presented business-type activities component unit of the State of South Dakota. The accompanying schedule of expenditures of federal awards of the Authority's Cooperative Agreement and Fermi National Accelerator Laboratory Contract is intended to present only the expenditures of federal awards of the Cooperative Agreement and Fermi National Accelerator Laboratory Contract as directed by the South Dakota Department of Legislative Audit. The schedule does not purport to, and does not, present fairly the expenditures of federal awards of the State of South Dakota or the Authority as of and for the year ended June 30, 2024, in conformity with the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform and Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards*. In addition, the schedule presents only a selected portion of the operations of the Authority, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the Authority.

**Note B – Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C – Indirect Cost Rate**

The SDSTA has elected not to use the 10-percent indirect cost rate as allowed under the Uniform Guidance.

South Dakota Science and Technology Authority  
 Schedule of Findings and Questioned Costs – Cooperative Agreement and  
 Fermi National Accelerator Laboratory Contract  
 Year Ended June 30, 2024

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516	No

**Identification of the program audited:**

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
SURF (Sanfor Underground Research Facility) Operations Support	81.049
Fermi National Accelerator Laboratory Contract	81.U01

South Dakota Science and Technology Authority  
Schedule of Findings and Questioned Costs – Cooperative Agreement and  
Fermi National Accelerator Laboratory Contract  
Year Ended June 30, 2024

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**Section II – Financial Statement Findings**

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**None**

South Dakota Science and Technology Authority  
Schedule of Findings and Questioned Costs – Cooperative Agreement and  
Fermi National Accelerator Laboratory Contract  
Year Ended June 30, 2024

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**Section III – Federal Award Findings and Questioned Costs**

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**None**