

South Dakota

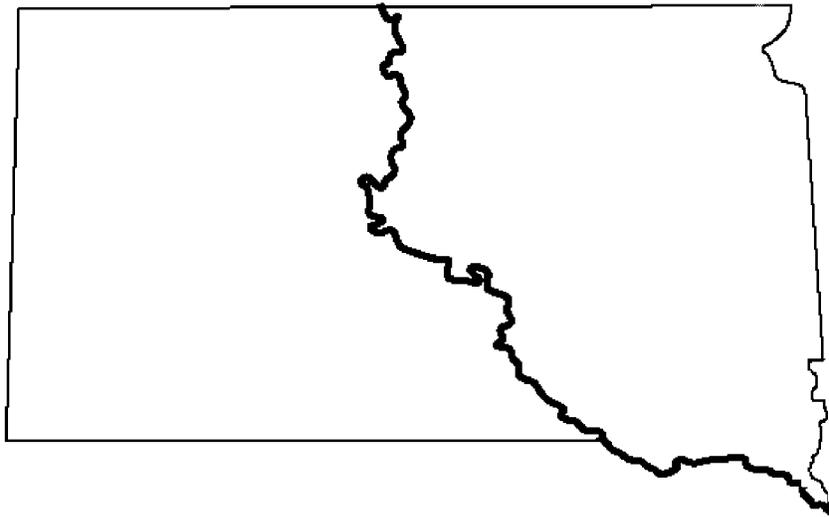
COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2003



PREPARED BY BUREAU OF FINANCE AND MANAGEMENT
JASON C. DILGES, COMMISSIONER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2003



M. MICHAEL ROUNDS, GOVERNOR

DENNIS DAUGAARD, LT. GOVERNOR

**JASON C. DILGES, COMMISSIONER
BUREAU OF FINANCE AND MANAGEMENT**

ACKNOWLEDGEMENTS

**Report Prepared by Bureau of Finance and Management
South Dakota Capitol Building
Pierre, South Dakota**

Jason C. Dilges, Commissioner

Ronald D. Wire, Director of Financial Compliance

Terry L. Miller, Senior Accountant

Robert J. Norwick, Senior Accountant

James A. Schaefer, Accounting Systems Operations Manager

Terry J. Laqua, Accounting Systems Operations Assistant

Tamara L. Darnall, Chief Budget Analyst

Angella M. Van Scharrel, Economist

Cynthia J. Raysor, Administrative Assistant

Terri J. Iverson, Program Assistant II



SPECIAL THANKS TO:

**South Dakota Department of Legislative Audit, Pierre
Business Research Bureau, University of South Dakota, Vermillion
All State Finance Officers and Accountants**

A sincere thanks to all who contributed their time and effort to this publication.



STATE OF SOUTH DAKOTA
M. MICHAEL ROUNDS, GOVERNOR



TO THE HONORABLE MEMBERS OF THE LEGISLATURE
AND CITIZENS OF SOUTH DAKOTA

It is my pleasure to present the *Comprehensive Annual Financial Report* covering operations for the fiscal year that ended June 30, 2003. This is our seventeenth *Comprehensive Annual Financial Report*. The report is prepared in accordance with generally accepted accounting principles and includes all agencies of state government and reporting entities for which the state has oversight responsibilities. Like previous reports, this report presents to you and the financial community the sound financial condition of South Dakota.

Due to the diversification of South Dakota's economy, the state was able to add jobs in FY 2003, while nonfarm employment in the United States declined. In South Dakota, sectors that experienced strong growth in FY 2003 were educational and health services, leisure and hospitality, and construction. In addition to the growth in nonfarm employment, the unemployment rate in South Dakota continued to remain one of the lowest in the nation and personal income grew at a rate greater than inflation.

In South Dakota, the emphasis of government is the basics, protecting the people and property, providing educational opportunities, and helping people who cannot help themselves. Additionally, the state has placed a focus on economic growth and visitor spending in the state with the launch of the 2010 Initiative. South Dakota continues to live within its means and provide these services to the citizens as we have since statehood in 1889.

Sincerely,

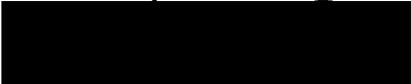

M. Michael Rounds



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INTRODUCTORY SECTION



DEPARTMENT OF EXECUTIVE MANAGEMENT BUREAU OF FINANCE AND MANAGEMENT

500 East Capitol Ave. • Pierre, South Dakota 57501-5070 • Voice: (605) 773-3411 • Fax: (605) 773-4711

TO THE HONORABLE M. MICHAEL ROUNDS, GOVERNOR OF SOUTH DAKOTA

MEMBERS OF THE SOUTH DAKOTA LEGISLATURE

It is my privilege to present the Comprehensive Annual Financial Report (CAFR) on the operation of the State of South Dakota (herein after referred to as the State) for the fiscal year ended June 30, 2003.

Report. This report is prepared by the Bureau of Finance and Management and submitted as required by South Dakota Codified Law as revised in SDCL 4-4-6. The financial statements contained in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP) applicable to government as prescribed by the Governmental Accounting Standards Board (GASB). Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the State's management. We believe the information, as presented, is accurate in all material respects and that all disclosures necessary to enable the reader to gain an adequate understanding of the State's financial affairs have been included.

The CAFR is presented in three sections: *Introductory*, *Financial*, and *Statistical*. The *Introductory Section*, which provides information on the general contents of the report, contains this letter of transmittal, a list of principal State officials, FY 2003 functions of State government, and an organizational chart of State government. The *Financial Section* includes the Independent Auditor's Report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) that provides an introduction, overview, and analysis to the "Basic Financial Statements"; the Basic Financial Statements that present the government-wide financial statements, fund financial statements (for governmental funds, proprietary funds, and fiduciary funds), and combining component units financial statements, together with notes to the Basic Financial Statements; Required Supplementary Information that includes budgetary comparison schedules; and, Other Supplemental Information that includes combining financial statements and schedules for individual funds. The *Statistical Section* presents unaudited, economic, financial trend and demographic information for the State on a multi-year basis.

Internal Controls. Management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The Bureau of Finance and Management is able to monitor revenues and expenditures on a weekly basis to detect excess expenditures, or shortfalls in revenues. As required by State statute, the State Auditor, an elected official, shall be presented all accounts and claims against the State to examine and adjust the same. Also, as required by State statute, the, State Treasurer, an elected official, shall have charge of, and safely keep, all public moneys which shall be paid into the State treasury, and pay out the same as directed by law. The Department of Revenue and Regulation periodically audits retail establishments to assure their payment of sales and excise taxes. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the

benefit likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgements by management.

Independent Auditors. The South Dakota Department of Legislative Audit, a division of the legislative branch of State government, performs the audit of *South Dakota's Comprehensive Annual Financial Report*. The audit is conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards (GAS) issued by the Comptroller General of the United States. The Independent Auditor's Report issued by the Department of Legislative Audit includes an expression of opinion on the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units; each major fund and the aggregate remaining fund information as of June 30, 2003 and the respective changes in financial position and cash flows, where applicable, for the fiscal year then ended.

In conjunction with the audit of the State's financial statements, the Department of Legislative Audit also performs audits of major federal and state programs and issues an opinion on the State's compliance with the requirements of major federal programs. The results of the audit of federal and state programs are presented in the *South Dakota Single Audit Report*.

Internal control procedures are evaluated on an annual basis by the Department of Legislative Audit to provide reasonable assurance for the safeguarding of the State's assets, and to provide reasonable assurance of proper recording of financial transactions used to prepare this report.

Management's Discussion and Analysis (MD&A). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. The letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Structure. The State entered the Union on November 2, 1889 as the 39th or 40th state (with its twin, North Dakota). South Dakota has 75,885 square miles of land and a population estimated to be 0.76 million. The State has a strong governor-bicameral legislative form of government. The Governor may be elected for two consecutive four-year terms. The Governor appoints all heads of state departments who serve at the pleasure of the Governor. The State legislature is composed of a 35-member Senate and a 70-member House of Representatives. Legislators are elected for two-year terms.

Services. State government provides services to citizens that include support for public education, public assistance and Medicaid, health and human services, public safety, building and maintaining state highways, agricultural and environmental services, community and economic development, and other general government services.

Budget Process. State law requires annual preparation and approval of the State's budget. The Governor presents the annual budget to the State Legislature by the first Tuesday after the first Monday in December. The State Legislature is required to approve a budget by the end of the legislative session. There is no provision for a continuing resolution. The State Constitution requires that the State budget be balanced. Accumulated general fund balances may be drawn down to balance an annual budget, as long as the general fund balance remains positive. The Governor has the power to veto individual line items in the budget approved by the State legislature. The State budget must remain in balance through the end of the fiscal year. Accordingly, state departments cannot encumber more funds than they have been authorized to spend. During the year, the Governor may authorize intradepartmental transfers of funds, as

long as total appropriation levels are not exceeded. Interdepartmental transfers may be made only with the consent of the Interim Appropriations Committee.

The State's largest sources of revenues are sales and service taxes, business taxes and lottery proceeds. The largest categories of expenditures are general bill expenditures for state aid to primary and secondary education; property tax relief payments made by the State to local government units through state aid to education; operation, maintenance and improvement of facilities for state government, foster child care, mental health care, corrections and higher education; and state salaries. The State is required to operate with a positive general fund balance. It may not incur general obligation debt on either a short or long-term basis to balance its budget.

State Reporting Entity. The State's reporting entity reflected in the CAFR, which is described more fully in Note 1 of the Notes to the Financial Statements, conforms to the requirements of GASB Statement No. 14, *The Financial Reporting Entity*. The accounting and reporting principles contained in Statement No. 14 are based primarily on the fundamental concept that publicly elected officials are accountable to their constituents. Further, Statement No. 14 provides that the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Consequently, the transmittal letter, MD&A, and the basic financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements, excluding Higher Education, should be read to obtain a complete overview of their financial position.

Risk Management. The Risk Management Program was created to protect the assets and resources of the State through efficient control and financing of risks inherent in government operations by ensuring a safe environment for State employees and the general public. Responsibilities include ensuring that exposures to financial loss are discovered and handled appropriately, minimizing the possible interruption of vital public services, and reducing the costs and consequences of accidents through effective loss control management.

Housed with the Risk Management Program is the Public Entity Pool for Liability (PEPL), a self-insurance program created to cover risks associated with automobile liability, and general tort liability (including public officials, errors, and omissions liability; medical malpractice liability; law enforcement liability; and, products liability).

Further information on the State's risk management activities can be found in Note 10 of the Notes to the Financial Statements.

Cash Management. The South Dakota Investment Council manages the State's pooled fund cash on a daily basis. The South Dakota Investment Council was established by the State Legislature in 1971 and became operational on July 1, 1972. The council consists of eight voting members: five of the members are chosen by the Executive Board of the Legislative Research Council--a bipartisan board of members of both houses of the legislature--and the other three members consist of the State Treasurer, the Commissioner of School and Public Lands, and a designee of the South Dakota Retirement Board of Trustees.

The Investment Council is responsible for the investment management for the portfolios of the South Dakota Cash Flow, the South Dakota Retirement System, Cement Plant Retirement Fund, School and Public Lands Fund, Dakota Cement Trust Fund, Education Enhancement Trust Fund, and Health Care Trust Fund.

Investment Council management of the South Dakota Cash Flow portfolio resulted in earnings this year of \$29.9 million, a yield of 4.2%. This fund serves as the State's checking account and has earned taxpayers \$732.7 million over the past 31 years. Total investment income for all funds invested by the Investment Council was (\$318.1) million for fiscal year 2003. Income for the most recent five years totaled \$1.3 billion and, since inception, has exceeded \$5.7 billion.

Performance for the past 30 years (since inception of management responsibilities for SDRS) has placed the council in the top first percentile against state funds for total retirement assets. For the past 30 years, domestic equities have returned 12.8%, outperforming the stock index by 1.3% annualized. For the past 30 years, fixed income has returned 9.6%, outperforming the bond index by 0.5%. The Investment Council has grown from \$133.0 million in assets at the end of its first year to \$6.3 billion at June 30, 2003.

Cash management and investments are discussed more fully in Note 3 of the Notes to the Financial Statements.

Lottery. The South Dakota Lottery Fund was created during the 1987 legislative session to market instant scratch games. Video lottery was authorized during the 1989 legislative session and operations commenced in October 1989. Legislative approval to participate in a multi-state lotto game was given during the 1990 legislative session. That same year, The State joined the Multi-State Lottery Association (MUSL), a consortium of 25 lottery jurisdictions that currently offer the Powerball game. The purpose of the lottery is to provide additional monies to fund vital public programs and projects, and as of June 30, 2003, \$1.1 billion has been generated to fund many public programs and projects. Lottery revenues provided during FY2003 totaled \$112.1 million.

Retirement System. The South Dakota Retirement System is the largest of the defined benefit plans for which the State is responsible for providing funding.

The South Dakota Retirement System provides retirement benefits for State employees and those employees of local governments that participate in the system. Employers and employees contribute equal amounts in the form of a percentage of employee compensation.

The unfunded actuarial accrued liability as a percent of covered payroll went from 27.8% in 1986 to 11.9% in 2003. The funding ratio increased from 84.7% in 1986 to 97.2% in 2003 after the improvement of benefits. The funding ratio is the ratio of the actuarial value of the assets of the system to the actuarial accrued liabilities of the system as of the date of calculation.

Plan assets at fair value in 2003 were \$4.8 billion compared to plan assets in 1986 of \$927.6 million.

The assets of the system are valued at their fair value. The system is in full compliance with the standards of the Governmental Accounting Standards Board and has received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the last seven years. The system is subject to an annual actuarial valuation and annual audit performed by an independent audit firm.

Additional information on the State's retirement plans can be found in Note 7 of the Notes to the Financial Statements.

Health and Life Insurance Benefits. The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance and life insurance benefits. However, an insurance carrier provides claims administration services for health insurance. The Group Insurance Program within the Bureau of Personnel was established to administer and improve group health, life and the flexible benefit plans for state employees and their dependents.

The program provides for payment of benefits to eligible claimants in the most efficient and cost effective manner. Premiums are charged to state funds for all covered employees.

Additional information on the State's health and life insurance benefits can be found in Note 10 of the Notes to the Financial Statements.

ECONOMIC CONDITIONS AND OUTLOOK

A prime indicator of a state's economic health is the growth rate of nonfarm employment. The State has several advantages over other states that account for its ability to post strong gains in employment. Some of these advantages include a pro-business environment, a central geographic location, an advanced technology base, a low cost of doing business, and a high quality of life. Since FY 2001, growth in the state's economy has been below historical rates due to the national recession and the sluggish recovery of the U.S. economy from the recession.

In FY 2003, nonfarm employment in the State grew 0.2%. This growth was below the historical growth rate of 2.7%. However, The State fared better than the U.S. economy in F Y2003, as nonfarm employment fell 0.6% in the U.S. during FY 2003. Sectors that experienced strong growths in FY 2003 in the State were educational and health services (2.6%); leisure and hospitality (2.0%); and construction (1.9%). Sectors that experienced a decline in jobs were manufacturing (-2.8%) and financial activities (-1.2%).

The unemployment rate in the State continues to remain one of the lowest in the nation. In the beginning of FY 2003, the State's unemployment rate was 2.9%, and by the end of the fiscal year the unemployment rate was 3.6%. The U.S. unemployment rate was 5.8% in July 2002 and 6.3% in June 2003.

In FY 2003, total personal income in the State grew 4.7%. This growth was higher than the national growth rate of 3.1% during the same time period. The State's nonfarm income grew 4.1% in FY 2003, while U.S. nonfarm income grew 3.0% the same year.

The outlook for the State economy is optimistic. It is expected that the State economy is on the rebound and will continue to strengthen. Recent economic data supports this forecast, as employment continues to grow, wages continue to rise, consumers continue to spend, and the housing market continues to remain strong. In addition, the projected strengthening in the national economy should give a boost to economic growth in the State.

MAJOR INITIATIVES

2010 Initiative. On October 15 and 16, 2003, the 2010 Initiative was unveiled at the 2010 Summit at Mount Rushmore National Monument. The 2010 Initiative outlines a series of specific goals for economic growth and visitor spending in the State by the year 2010. There are five major goals of the 2010 Initiative: 1) double visitor spending from \$600 million to \$1.2 billion by 2010; 2) increase gross state product by \$10 billion by 2010; 3) become a recognized leader in research and technology development by 2010; 4) brand and develop the State's quality of life as the best in America by 2010; and 5) uphold our commitment to the 2010 Initiative as a work in progress.

As a part of the FY 2005 budget, the State has committed over \$6 million to programs to help in accomplishing these goals. Items funded in the FY2005 budget include agriculture specific marketing and development, permanent funding for the nursing expansion program, a tourism challenge grant, a

resource pool for arts, history, and tourism, the expansion of the tribal relations office, and a research initiative with the Board of Regents.

Homestake Underground Laboratory Conversion Project. The Homestake Laboratory Conversion Project was established to support the development of a deep underground laboratory using the now-closed Homestake Gold Mine in Lead, South Dakota. This was done shortly after the National Science Foundation designated the underground portion of the mine as the ideal location for a deep laboratory to support the investigations of a growing range of scientific disciplines. During the 2004 Legislative Session, the Governor asked the Legislature to create the South Dakota Science and Technology Authority to work to acquire ownership of the Homestake Gold Mine. This was accomplished with the enactment of SB214, SB215, and SB216. Funding was provided with the passage of SB200 and SB201.

The successful conversion of the mine to a laboratory has the potential to significantly advance the fundamental understanding of the physical universe. The Science & Technology Authority is working to facilitate the transfer of ownership of the mine to the Authority in a manner that will allow for long-term operation and up-keep of the facility for use by the scientific community. It is expected that teams of scientists will compete for federal and other funding necessary to construct and operate the large complex experiments to be installed in the laboratory.

Research and Development. The State is committed to expanding the State's research infrastructure. The best way to create good jobs and strong businesses is to invest in research. Our State's universities have some of the best minds in the nation. It is time to use that brainpower not just for teaching our young people, but for conducting research.

As part of his FY 2005 budget, the Governor proposed that the Office of Tourism and State Development and the Board of Regents work together to advance research in the State. To begin the process the State has committed over \$3 million to fund faculty and research time, graduate assistant support, equipment support, and matching funds for EPSCoR funding.

Increase Funding to K-12 Education. Because of declining enrollments, South Dakota's school districts are facing financial difficulties. Beginning in FY 2004, the Governor and the Legislature have worked to increase funding to K-12 education. This has been accomplished by two approaches – rolling “declining enrollment” dollars back into the State Aid to General Education formula and year end distributions of left over state aid monies to school districts. In addition, earnings from the Education Enhancement Trust Fund have been allocated to fund a supplemental per student allocation to school districts and for the development of Education Service Agencies.

Declining enrollment dollars are a method to help school districts gain some financial stability as enrollments decline. The State Aid to General Education formula is distributed based on the number of students in a district. As K-12 enrollment decreases from one year to the next, the obligation to the State and local tax payers also decreases. This is because there are fewer kids to pay for in the per student allocation. For FY 2004 and FY 2005, the State has increased the per student allocation for the State Aid to General Education formula by the amount the State and tax payers would save next year since there will be fewer kids.

The Education Enhancement Trust Fund was created with the securitization of the State's tobacco settlement agreement proceeds. Interest earnings from the trust fund have been used to enhance educational programs in South Dakota.

These approaches have resulted in an additional \$5.9 million in on-going funding and \$16.9 million in one-time funding being allocated to the K-12 community for FY 2004 and FY 2005 in addition to \$12.0 million in ongoing funding from statutory increases in the state aid formula funding.

Sales Tax on Food Refund Program. The sales tax on food presents a larger proportionate financial burden for the working poor of South Dakota. During the 2004 Legislative session, an initiative was passed to refund the sales tax on food to South Dakotans who earn up to 150 percent of the federal poverty level. This program will be administered out of the Department of Social Services. The program goes into effect in FY 2005.

ACKNOWLEDGMENTS

The preparation of this report required the collective efforts of numerous financial personnel throughout the state from various agencies and departments. I sincerely appreciate the dedicated efforts of all of these individuals. I would also like to recognize and commend the efforts of the accounting staff of the Bureau of Finance and Management and the staff of the Department of Legislative Audit for their talents in making this report possible.

This report continues our commitment to the citizens of the State of South Dakota, the Governor, the Legislature, and the financial community, to maintain the highest standards of accountability and financial reporting.

Respectfully Submitted,



Jason C. Dilges, Commissioner
Bureau of Finance and Management

SOUTH DAKOTA PRINCIPAL STATE OFFICIALS

EXECUTIVE BRANCH

THE HONORABLE M. MICHAEL ROUNDS, GOVERNOR
THE HONORABLE DENNIS DAUGAARD, LIEUTENANT GOVERNOR

CONSTITUTIONAL OFFICERS

The Honorable Larry Long, Attorney General
The Honorable Chris Nelson, Secretary of State
The Honorable Vernon Larson, Treasurer
The Honorable Richard Sattgast, Auditor
The Honorable Bryce Healy, Commissioner, School and Public Lands

PUBLIC UTILITIES COMMISSION

The Honorable James Burg, Commissioner
The Honorable Gary Hanson, Commissioner
The Honorable Bob Sahr, Commissioner

LEGISLATIVE BRANCH

The Honorable Matthew Michels
Speaker of the House

The Honorable Eric Bogue
Senate Majority Leader

The Honorable Garry Moore
Senate Minority Leader

The Honorable Bill Peterson
House Majority Leader

The Honorable Mel Olson
House Minority Leader

JUDICIAL BRANCH

The Honorable David Gilbertson
Chief Justice

The Honorable Richard Sabers
Associate Justice

The Honorable John Konenkamp
Associate Justice

The Honorable Steven Zinter
Associate Justice

The Honorable Judith Meierhenry
Associate Justice

SOUTH DAKOTA FY2003 FUNCTIONS OF STATE GOVERNMENT

GENERAL GOVERNMENT

EXECUTIVE MANAGEMENT
REVENUE
LOTTERY
LEGISLATURE
SCHOOL AND PUBLIC LANDS
SECRETARY OF STATE
STATE TREASURER
STATE AUDITOR

HEALTH, HUMAN AND SOCIAL SERVICES

SOCIAL SERVICES
HEALTH
LABOR
VETERANS BENEFITS AND SERVICES
STATE VETERANS' HOME
HUMAN SERVICES

LAW, JUSTICE, PUBLIC PROTECTION AND REGULATION

CORRECTIONS
UNIFIED JUDICIAL SYSTEM
ATTORNEY GENERAL
PUBLIC SAFETY
MILITARY AND VETERANS' AFFAIRS
APPRAISER PROGRAM
REVENUE FINANCIAL SERVICES
PUBLIC UTILITIES COMMISSION

AGRICULTURE AND NATURAL RESOURCES

AGRICULTURE
GAME, FISH, AND PARKS
ENVIRONMENT AND NATURAL RESOURCES
PETROLEUM RELEASE COMPENSATION

TRANSPORTATION

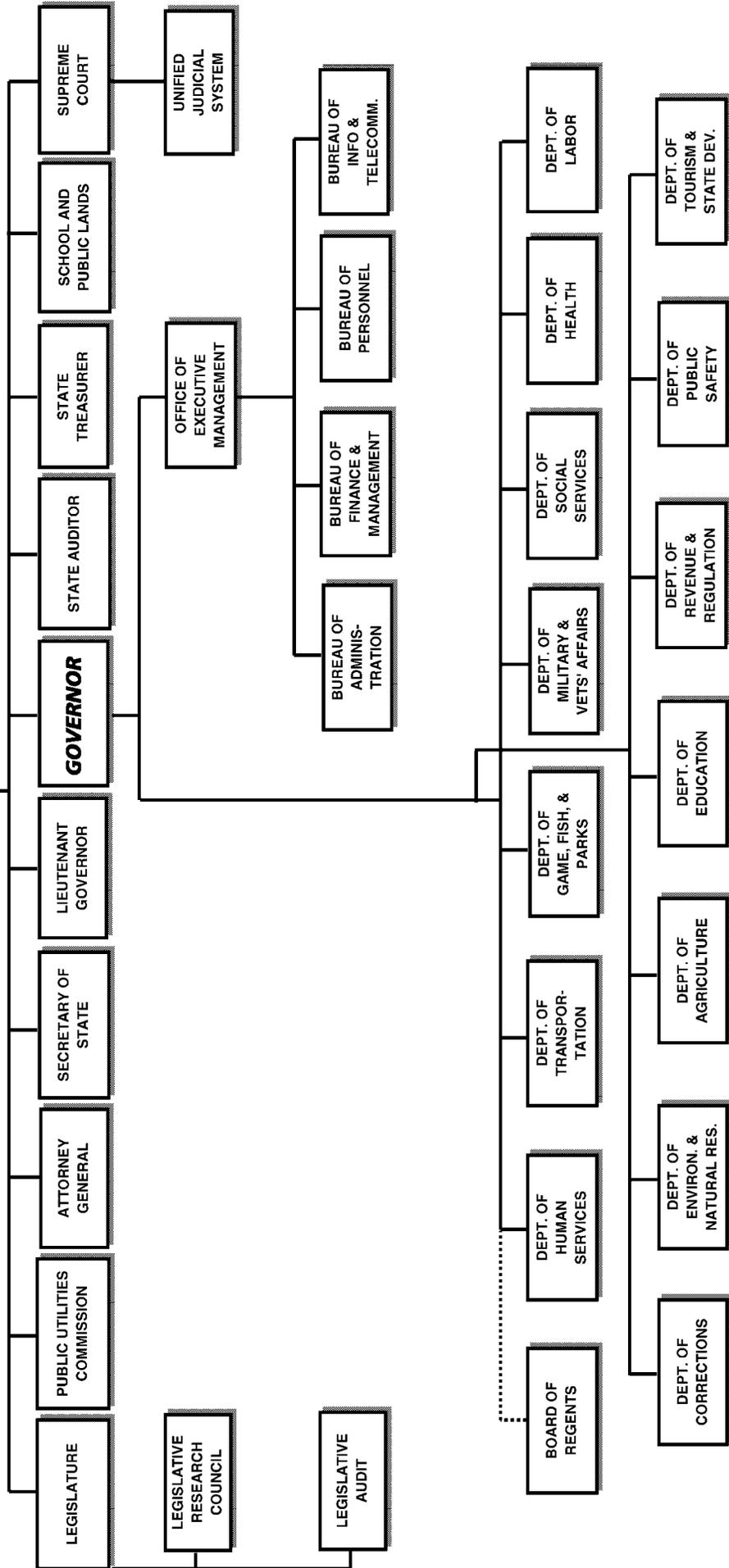
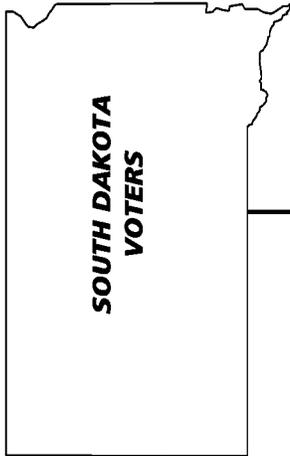
TRANSPORTATION

EDUCATION

EDUCATION
ELEMENTARY, SECONDARY, AND VOCATIONAL
SCHOOLS
STATE AID TO UNIVERSITIES
HIGHER EDUCATION

ECONOMIC RESOURCES

TOURISM AND STATE DEVELOPMENT





FINANCIAL SECTION



427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605) 773-3595
FAX (605) 773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable M. Michael Rounds
Governor of South Dakota

and

Members of the Legislature
State of South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of and for the fiscal year ended June 30, 2003, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the South Dakota Retirement System, which represents 80% of the assets and 17% of the additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us; and our opinion, insofar as it relates to the amounts included for the South Dakota Retirement System, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate

remaining fund information of the State of South Dakota as of June 30, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management discussion and analysis and budgetary comparison schedule as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of South Dakota's basic financial statements. The introductory section, statistical tables and combining and individual funds financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual funds financial statements have been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, we have also issued our reports dated March 26, 2004 on our consideration of the state of South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is fluid and cursive, with a large initial "M" and "G".

Martin L. Guindon, CPA
Auditor General

March 26, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the state of South Dakota's (herein after referred to as the State) financial performance and position, providing an overview of the State's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Government-wide

- The assets of the State exceeded its liabilities at the close of the fiscal year by \$3.8 billion (reported as net assets), an increase of \$195.8 million from the previous year. Component units reported net assets of \$562.4 million, an increase of \$24.6 million from the previous year.

Fund Level

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$1.3 billion, with \$1.1 billion reported as *unreserved fund balance* and the remaining amount of \$200.6 million reserved for specific purposes (such as encumbrances, debt service, environmental projects, school perpetuity, and noncurrent assets). At the end of the fiscal year, unreserved fund balance for the General Fund was \$120.3 million, of which \$40.7 million was designated only to be used to address emergency situations without having to raise taxes or cut spending, which is commonly referred to by management as the budget reserve.
- Proprietary funds reported net assets at year-end of \$321.4 million, an increase of \$9.1 million during the year.

Long-Term Debt

- The primary government's total debt rose during the fiscal year to \$422.8 million, an increase of \$252.9 million, which represents the net difference between new issuances, and payments and refundings of outstanding debt.
- Of the total outstanding loans and bonded debt at June 30, 2003, \$0 is backed by the State, \$127.3 million is backed by the South Dakota Building Authority, \$30.3 million is backed by South Dakota Conservancy District, and \$265.2 is backed by the Educational Enhancement Funding Corporation.
- During the year, the State and South Dakota Conservancy District incurred no new long-term general indebtedness under governmental and business-type activities; however, the South Dakota Building Authority issued \$1.3 million Governmental Activities Revenue Bonds, and the Educational Enhancement Funding Corporation issued \$278.0 million Governmental Activities Revenue Bonds (with a discount on bond issuance of \$5.5 million).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements and combining component units financial statements; and, 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements (Reporting the State as a Whole)

The government-wide financial statements are designed to provide readers with a broad overview of the State's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position that aids in assessing the State's economic condition at the end of the fiscal year. These statements include all nonfiduciary assets and liabilities, using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and

expenses are taken into account, regardless of when cash is received or paid. The government-wide financial statements include two statements:

- **The Statement of Net Assets** presents information on all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.
- **The Statement of Activities** presents information depicting how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the statement of net assets and the statement of activities segregate the activities of the State into three types:

- **Governmental Activities.** The governmental activities of the State include general government; education – elementary, secondary and vocational schools; education – state support to universities; health, human and social services; law, justice, public protection and regulation; agriculture and natural resources; economic resources; transportation; intergovernmental – payments to school districts; intergovernmental – revenue sharing; interest expense; and, unallocated depreciation. Taxes, fees, unrestricted investment earnings, and intergovernmental revenues (federal grants) finance most of the costs of these activities.
- **Business-Type Activities.** The State charges fees to customers to help cover all or most of the cost of certain services it provides. Lottery Fund and Clean Water State Revolving Fund are examples of business-type activities.
- **Discretely Presented Component Units.** Component units are legally separate organizations for which the State is financially accountable, or the nature and significance of the unit's relationship with the State is such that exclusion of the unit would cause the State's financial statements to be misleading, or incomplete. The following entities are included in the component units columns of the State's government-wide financial statements:
 - ✓ Higher Education
 - ✓ Conservation Reserve Enhancement Program (CREP)
 - ✓ Housing Authority
 - ✓ Finance Authority
 - ✓ Value Added Finance Authority

Other component units are blended and reported in Governmental Activities or Business-Type Activities, or considered related organizations and not reported in these financial statements. For additional information regarding component units, refer to NOTE 1 B of the Notes to the Financial Statements.

Fund Financial Statements and Combining Component Units Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity. All funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. It is important to note that these categories use different accounting approaches and should be interpreted differently.

- **Governmental Funds.** Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement.

The State maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Transportation Fund, Social Services Federal Fund, Dakota Cement Trust Fund, and Education Enhancement Trust Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for some nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

- **Proprietary Funds.** Proprietary funds include: (1) enterprise funds and (2) internal service funds. These funds account for State's activities that operate much like private sector businesses. Like the government-wide financial statements, proprietary fund statements are presented using the full accrual basis of accounting.
 1. Activities (e.g., Lottery Fund) that largely involve customers outside of state government are accounted for in enterprise funds, and are the same functions reported as business-type activities in the government-wide financial statements.
 2. Activities (e.g., Fleet and Travel Management) that largely involve other state agencies are accounted for in internal service funds. The internal service fund activities are consolidated with the governmental activities in the government-wide financial statement because those services predominantly benefit governmental rather than business-type activities.

The State maintains several individual proprietary funds, of which the following two are considered major funds: Lottery Fund and Clean Water State Revolving Fund. These two proprietary funds are presented separately in the proprietary funds statement of net assets and statement of revenues, expenses, and changes in fund net assets. Information from the remaining funds is combined into two separate, aggregated columns by proprietary fund type. Individual fund data for some nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

- **Fiduciary Funds.** Fiduciary funds are used to report activities when the State acts as a trustee or fiduciary to hold resources for the benefit of parties outside state government. The full accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The government-wide financial statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and cannot be used by the State to finance operations.

The State's fiduciary funds include pension trust funds, private purpose trust funds, and agency funds. Individual fund detail is included in the combining financial statements elsewhere in this report.

Component Units. As mentioned above, component units are legally separate organizations for which the State is financially accountable. The government-wide financial statements present information for the component units (a) in a single, aggregated column on the statement of net assets, and (b) in detail for each component unit on the statement of activities. The combining statement of net assets; combining statement of revenues, expenses and changes in fund net assets; and, combining statement of cash flows provide detail for each component unit.

Notes to the Financial Statements

The notes provide additional narrative and financial information essential to fully understand the data provided in the government-wide financial statements, fund financial statements, and combining component units financial

statements. The notes to the financial statements are located immediately following the combining component units financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a Budgetary Comparison Schedule, and related notes, for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The only special revenue funds that fits this criterion are the Transportation Fund and the Social Services Federal Fund.

The Budgetary Comparison Schedule presents both the original and the final appropriated budgets for fiscal year ending June 30, 2003. The Budgetary Comparison Schedule also lists the actual outflows and balances stated on a budgetary basis. A variance column is included to compare the final appropriated budget with the actual budget results.

Because accounting principles used to present budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles (GAAP), a Budget-to-GAAP Reconciliation can be found immediately following the Budgetary Comparison Schedule. The Budget-to-GAAP reconciliation explains the differences between budgetary outflows and GAAP expenditures.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. As presented in the following table, total assets of the State on June 30, 2003 were \$4.7 billion, while total liabilities were \$0.9 billion, resulting in combined net assets (governmental and business-type activities) of \$3.8 billion.

**State of South Dakota
Net Assets
(Expressed in Thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Current and Other Assets	\$ 1,783,895	\$ 1,400,960	\$ 350,966	\$ 338,223	\$ 2,134,861	\$ 1,739,183
Capital Assets	<u>2,599,594</u>	<u>2,531,962</u>	<u>2,644</u>	<u>2,906</u>	<u>2,602,238</u>	<u>2,534,868</u>
Total Assets	<u>4,383,489</u>	<u>3,932,922</u>	<u>353,610</u>	<u>341,129</u>	<u>4,737,099</u>	<u>4,274,051</u>
Long-Term Liabilities Outstanding	508,521	255,872	31,316	32,324	539,837	288,196
Other Liabilities	<u>404,638</u>	<u>385,935</u>	<u>29,619</u>	<u>21,404</u>	<u>434,257</u>	<u>407,339</u>
Total Liabilities	<u>913,159</u>	<u>641,807</u>	<u>60,935</u>	<u>53,728</u>	<u>974,094</u>	<u>695,535</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	2,520,503	2,433,483	2,615	2,881	2,523,118	2,436,364
Restricted	248,126	209,216	197,892	197,428	446,018	406,644
Unrestricted	<u>701,701</u>	<u>648,416</u>	<u>92,168</u>	<u>87,092</u>	<u>793,869</u>	<u>735,508</u>
Total Net Assets	<u>\$ 3,470,330</u>	<u>\$ 3,291,115</u>	<u>\$ 292,675</u>	<u>\$ 287,401</u>	<u>\$ 3,763,005</u>	<u>\$ 3,578,516</u>

The largest component of the State's net assets, 67.1%, is investments in capital assets (land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress), less depreciation and all outstanding debt that was issued to buy or build those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted

that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets comprise 11.9% of total net assets. These net assets are subject to restrictions either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws/regulations of other governments; or, (b) imposed by law through constitutional provisions on how they can be used.

The remaining balance, \$793.9 million, is unrestricted net assets that may be used to meet the State's ongoing obligations to citizens and creditors. However, certain resources within this balance have internally imposed limitations.

The following net assets are not reported as restricted because the limitations are imposed internally by the State, not externally imposed by sources such as creditors. Internally imposed limitations on the use of unrestricted assets include, but may not be limited to, the following:

- **General Fund Budget Reserve.** The 1991 South Dakota Legislature established a General Fund Budget Reserve that would only be used to address emergency situations without having to raise taxes or cut spending. The balance in the General Fund Budget Reserve at June 30, 2003 is \$40.7 million, an increase of \$1.4 million from the previous year.
- **Dakota Cement Trust Fund.** This fund consists of the proceeds from the sale of the State Cement Plant and all investment earnings thereon. Article XIII, section 21 of the Constitution of the State of South Dakota states as follows: "Except as provided in Article XIII, section 20 of the Constitution of the State of South Dakota, the original principal of the trust fund shall forever remain inviolate. However, the Legislature shall, by appropriation, make distributions from the difference between the twelve million dollar annual general fund transfer and five percent of the market value of the trust fund for the support of education, but not for the replacement of state aid to general education or special education, if the increase in the market value of the trust fund in that fiscal year was sufficient to maintain the original principal of the trust fund after such distributions. Beginning with fiscal year 2006, the market value of the trust fund shall be determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters, and dividing that sum by sixteen". The fund balance in the Dakota Cement Trust Fund at June 30, 2003 was \$234.3 million, an increase of \$4.4 million from the previous year.
- **Health Care Trust Fund.** This fund consists of monies that were on deposit in the Intergovernmental Transfer Fund. This fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, "the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature". The fund balance in the Health Care Trust Fund at June 30, 2003 was \$82.6 million, an increase of \$17.0 million from the previous year.
- **Education Enhancement Trust Fund.** This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, and monies from the Youth-at-Risk Fund. The fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for educational enhancement programs. Article XII, section 6 of the Constitution of the State of South Dakota also states that, "the Education Enhancement Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all the members-elect of each house of the legislature". The fund balance in the Education Enhancement Trust Fund at June 30, 2003 was \$339.9 million, an increase of \$254.4 million from the previous year. The increase was largely the result of \$243.6 million being transferred in from the Tobacco Securitization Fund due to the issuance of Governmental Activities Revenue Bonds.

Changes in Net Assets. The following table summarizes financial information derived from the government-wide statement of activities and reflects how the State's net assets changed during fiscal year 2003.

**State of South Dakota
Changes in Net Assets
(Expressed in Thousands)**

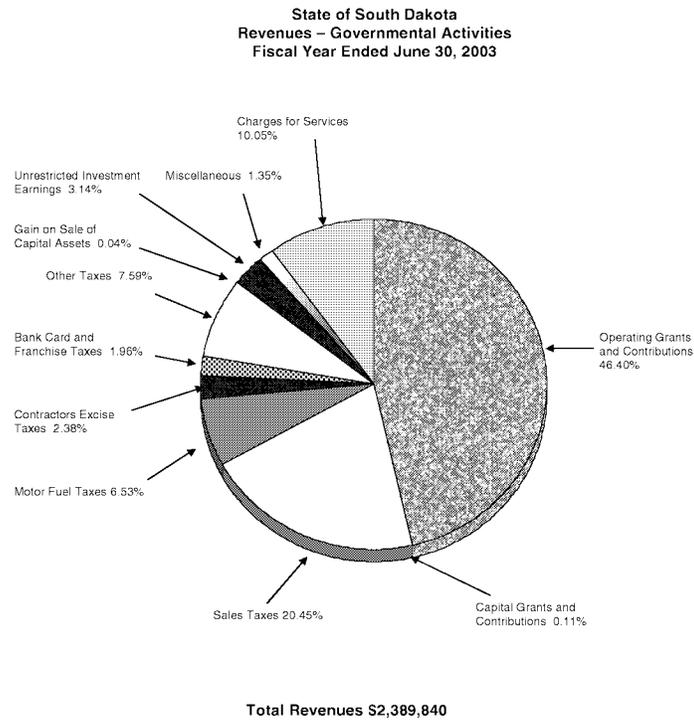
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues:						
Program Revenues:						
Charges for Service	\$ 240,181	\$ 223,596	\$ 183,459	\$ 174,673	\$ 423,640	\$ 398,269
Operating Grants and Contributions	1,108,871	1,043,588	19,846	40,133	1,128,717	1,083,721
Capital Grants and Contributions	2,734	1,784			2,734	1,784
General Revenues:						
Sales Taxes	488,742	471,025			488,742	471,025
Motor Fuel Taxes	156,029	125,252			156,029	125,252
Contractors Excise Taxes	56,852	53,449			56,852	53,449
Bank Card and Franchise Taxes	46,847	41,784			46,847	41,784
Other Taxes	181,509	198,776			181,509	198,776
Unrestricted Investment Earnings	74,953	53,422			74,953	53,422
Gain on Sale of Capital Assets	877	1,048			877	1,048
Miscellaneous	32,245	31,428			32,245	31,428
Total Revenue	<u>2,389,840</u>	<u>2,245,152</u>	<u>203,305</u>	<u>214,806</u>	<u>2,593,145</u>	<u>2,459,958</u>
Program Expenses:						
General Government	140,681	138,637			140,681	138,637
Education – Elementary, Secondary and Vocational Schools	143,229	142,256			143,229	142,256
Education – State Support to Universities	133,337	131,462			133,337	131,462
Health, Human and Social Services	876,202	837,325			876,202	837,325
Law, Justice, Public Protection And Regulation	169,792	148,004			169,792	148,004
Agriculture and Natural Resources	101,497	95,732			101,497	95,732
Commerce and Regulation		13,351				13,351
Economic Resources	36,763	28,170			36,763	28,170
Transportation	290,739	340,394			290,739	340,394
Intergovernmental – Payments to School Districts	312,665	322,290			312,665	322,290
Intergovernmental – Revenue Sharing	83,945	80,434			83,945	80,434
Interest Expense	22,281	8,736			22,281	8,736
Unallocated Depreciation	70	70			70	70
Lottery			23,873	21,981	23,873	21,981
Clean Water State Revolving			1,500	1,466	1,500	1,466
Other			60,752	55,127	60,752	55,127
Total Expenses	<u>2,311,201</u>	<u>2,286,861</u>	<u>86,125</u>	<u>78,574</u>	<u>2,397,326</u>	<u>2,365,435</u>
Excess (Deficiency) Before Special Items and Transfers						
Transfers	78,639	(41,709)	117,180	136,232	195,819	94,523
Change in Net Assets	111,906	108,925	(111,906)	(108,925)	0	0
Net Assets – Beginning (As Restated)	190,545	67,216	5,274	27,307	195,819	94,523
	<u>3,279,785</u>	<u>3,223,899</u>	<u>287,401</u>	<u>260,094</u>	<u>3,567,186</u>	<u>3,483,993</u>
Net Assets – Ending	<u>\$3,470,330</u>	<u>\$3,291,115</u>	<u>\$ 292,675</u>	<u>\$ 287,401</u>	<u>\$3,763,005</u>	<u>\$3,578,516</u>

Governmental Activities:

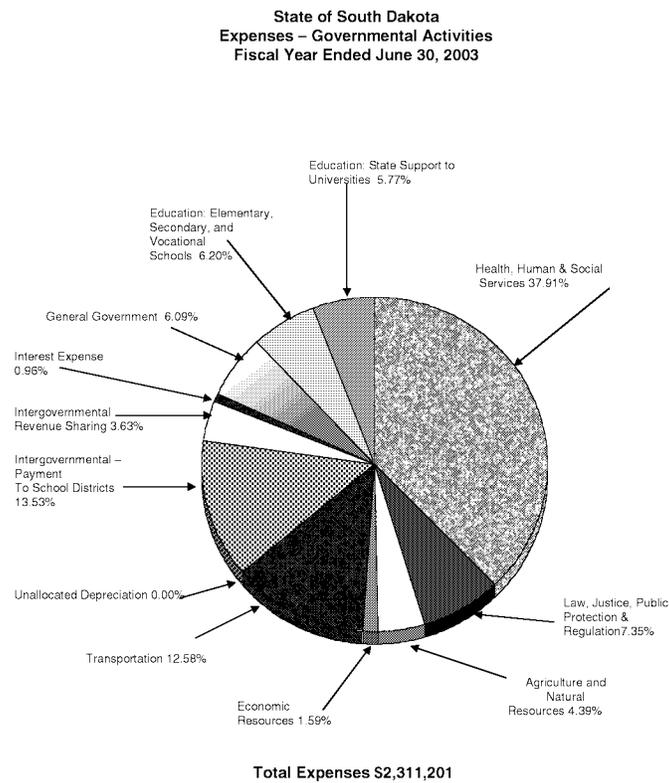
Governmental activities increased the State's net assets by \$190.5 million. Factors contributing to these results include:

- An excess of revenues over expenses of \$78.6 million, primarily due to (1) management efforts to hold down expenditures, (2) strengthened economy resulting in increased tax revenues and (3) revenues recognized in the amount of \$25.0 million in receivables for the Jobs and Growth Tax Relief Reconciliation Act of 2003; and,
- Net transfers totaling \$112.0 million. The majority of transfers in were from the South Dakota Lottery in the amount of \$112.1 million.

The following chart depicts revenues of the governmental activities for the fiscal year:



The following chart depicts expenses of the governmental activities for the fiscal year:



Business-Type Activities:

Net assets of the business-type activities increased by \$5.3 million during the fiscal year. Factors contributing to these results include:

- An excess of revenues over expenses of \$117.2 million, primarily due to South Dakota Lottery (\$112.7 million) and Clean Water State Revolving Fund (\$6.4 million); and,
- Ongoing operating transfers from the South Dakota Lottery to governmental activities.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity.

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows and outflows during the fiscal year, and on balances of spendable resources as of fiscal year-end. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. However, this measure must be used with care because large portions of the balance may relate to internally imposed limitations, such as statutory language, which could limit resource use (e.g., General Fund Budget Reserve, Dakota Cement Trust Fund, Health Care Trust Fund, and Education Enhancement Trust Fund), unless appropriated by legislative action as defined by State law.

At the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.3 billion, an increase of \$361.4 million in comparison with the prior year.

Approximately 15.4%, or \$200.6 million of the combined ending fund balances, is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders for the prior fiscal year--\$34.5 million, 2) to pay debt service--\$112.4 million, 3) to pay for environmental projects --\$10.0 million, 4) to be held in permanent trust funds with earnings distributed to primary governments and universities--\$23.8 million, or 5) for a variety of other restricted purposes--\$19.9 million.

Approximately 3.1%, or \$40.7 million of the combined ending fund balances, is designated as a General Fund Budget Reserve to indicate that it has been designated through internally imposed limitations to be used only to address emergency situations without having to raise taxes or cut spending.

The remaining 81.5%, or \$1.1 billion of the combined ending fund balances, constitutes unreserved fund balance that may be used to meet the State's ongoing obligations to citizens and creditors. However, as previously mentioned, large portions of this balance relate to internally imposed limitations, such as statutory language that could limit resource use, unless appropriated by legislative action as defined by State law. Examples of funds (and reported unreserved fund balances) that are subject to internally imposed limitations include, but may not be limited to: 1) Dakota Cement Trust Fund--\$234.3 million, 2) Health Care Trust Fund--\$82.6 million, and 3) Education Enhancement Trust Fund--\$339.9 million. **Note:** For a complete explanation of these funds, refer to the previous section entitled, "Government-Wide Financial Analysis".

The following governmental funds are major funds and had significant changes to net assets during fiscal year 2003:

- **General Fund.** The General Fund is the chief operating fund of the State. At the end of the fiscal year, unreserved fund balance of the General Fund was \$120.3 million, of which \$40.7 million was designated only to be used to address emergency situations without having to raise taxes or cut spending (budget reserve). Total fund balance at the end of the current fiscal year was \$139.5 million. As a measure of General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance (including the unreserved designated amount) represents 13.7% of the total General Fund operating expenditures, while total fund balance represents 15.9% of that same amount.

Overall, the fund balance of the State's General Fund increased by \$23.6 million during the current fiscal year. This is a 20.4% increase from the prior year. The increase primarily resulted from (1) management's efforts to hold down expenditures; (2) a strengthened economy resulting in increased tax revenues; and, (3) increased transfers into the General Fund largely due to monies received from Lottery Fund, Education Enhancement Trust Fund and Property Tax Reduction Fund.

- **Transportation Fund.** Total fund balance at the end of the current fiscal year for the Transportation Fund was \$83.4 million, an increase of \$31.8 million from the prior fiscal year. The fund balance increase was primarily the result of (1) operating revenue increasing by \$6.0 million, mainly due to increased tax revenues; and, (2) operating expenditures decreasing by \$25.6 million, primarily due to normal fluctuations.
- **Education Enhancement Trust Fund.** Total fund balance at the end of the current fiscal year for the Education Enhancement Trust Fund was \$339.9 million, an increase of \$254.4 million from the prior fiscal year. The fund balance increase was primarily the result of the following transaction:

Pursuant to a Purchase and Sale Agreement with the State, the State sold to the Educational Enhancement Funding Corporation (EEFC) future rights, title and interest in the Tobacco Settlement Revenues ("TSRs") under the Master Settlement Agreement ("MSA"). The EEFC issued \$278.0 million Governmental Activities Revenue Bonds for the year ending June 30, 2003, with a discount on bond issuance of \$5.5 million. The State gave up its right to any proceeds of the tobacco companies master settlement agreement while the bonds are outstanding, or over the term of the bonds, whichever is shorter, in exchange for the lump sum payment of \$243.6 million (which was transferred into the Education Enhancement Trust Fund).

Other factors contributing to the change in net assets during the current fiscal year include, but not limited to, are (1) increased investment earnings of \$25.8 million primarily due to the lump sum payment of \$243.6, and (2) monies transferred and/or due to the General Fund totaling \$17.6 million.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following proprietary funds are major funds and had significant changes to net assets during fiscal year 2003:

- **Lottery Fund.** At the end of the current fiscal year, the Lottery Fund reported total net assets of \$5.6 million, an increase of \$0.5 million in comparison with the prior year. During the current fiscal year, the State Lottery produced operating income (before operating transfers) in the amount of \$112.6 million on total revenue of \$136.0 million, compared to the previous fiscal year's operating income (before operating transfers) of \$109.9 million on total revenue of \$131.3 million. The increase was largely the result of increased video lottery revenue and increases in instant and on-line ticket sales. During FY 2003, the State Lottery distributed approximately \$105.1 million to the Property Tax Reduction Fund, \$4.5 million to the General Fund, \$2.3 million to the Capital Construction Fund, and \$0.2 million to the Department of Human Services.
- **Clean Water State Revolving Fund.** At the end of the current fiscal year, the Clean Water State Revolving Fund reported total net assets of \$111.6 million, an increase of \$6.4 million in comparison with the prior year. This increase resulted primarily from the receipt of \$1.8 million capitalization grant monies received from the federal government, and \$4.6 million of revenue from investments, interest, and other sources in excess of operating expenses.

The internal service funds in aggregate had a significant change in net assets during FY 2003. At the end of the current fiscal year the internal service funds reported total net assets of \$28.7 million, an increase of \$3.8 million in comparison with the prior year. One internal service fund made up the majority of this change. The State's Self Insurance Fund, which accounts for the State's health and life insurance programs, had an increase in net assets of \$3.6 million during FY 2003. This increase in net assets is due to holding costs to a minimum and higher rates to cover prior year's losses.

**BUDGETARY HIGHLIGHTS – GENERAL FUND, TRANSPORTATION FUND AND SOCIAL SERVICES
FEDERAL FUND**

The following analysis is based on the Budgetary Comparison Schedules included in the Required Supplementary Information that immediately follows the basic financial statements.

The original budget is defined as the first complete appropriated budget, adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. Any such transaction that is authorized as a legislative or executive change before the beginning of the fiscal year is included in the original budget, regardless of the effective date of the document loaded on the accounting system. The original budget also includes any actual appropriation amounts carried forward by law from prior years, including special appropriations, maintenance and repair, and carryovers. The final budget is defined as the original budget, adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes after the beginning of the fiscal year.

General Fund. The differences between the original and the final amended budget were relatively minor (\$12.8 million increase in appropriations) and can be summarized as follows:

- \$1.3 million in supplemental appropriations to the Department of Agriculture to be used for the suppression of wildfires in the State of South Dakota. Due to a dry summer, South Dakota experienced several wildfires.
- \$8.5 million in supplemental appropriations to the Department of Social Services to be used to fund increased Medicaid program and caseload costs.
- \$0.4 million in supplemental appropriations to the Board of Regents to fund the Office of Medical Education.
- \$2.6 million in supplemental appropriations to the Department of Corrections to cover inmate medical expense shortfalls.

The difference between the final amended budget and actual spending (\$9.0 million below final budgeted estimates) resulted from:

- Agencies controlled spending in an effort to create budgetary savings to the General Fund of \$8.8 million.
- Maintenance and repair amounts of \$0.1 million statutorily authorized to be carried forward and spent in future years.
- Special appropriation amounts of \$0.1 million statutorily authorized to be carried forward and spent in future years.

Overall, there were no over-expenditures by State departments, or line item over-expenditures of General Funds during the fiscal year.

Transportation Fund. The difference between the original and the final amended budget was relatively minor (\$1.9 million increase in appropriations) and will be used for the replacement of transport buses (\$1.0 million) and the Transportation Enhancement Program (\$0.9 million) which will enable the Department of Game, Fish & Parks to complete improvements to recreation areas along the Missouri River. Subsequently, \$0.4 million was transferred to Public Transit reducing the difference between the original and final budget to \$1.5 million.

The difference between the final amended budget and the actual spending (\$9.0 million) was lower than the final amended budget due to highway construction project changes and delays.

Overall, there were no over-expenditures at the department level, or line item over-expenditures of the fund during the current fiscal year.

Social Services Federal Fund. The difference between the original and the final amended budget was relatively minor (\$17.5 million increase in appropriations) and can be summarized as follows:

- \$10.5 million in supplemental federal appropriations to the Department of Social Services to make payments for the provision of medical services to Title XIX eligible clients in South Dakota.
- \$3.0 million in supplemental federal appropriations to the Department of Social Services for intergovernmental transfers conducted by the Division of Adult Services and Aging.
- \$4.0 million in supplemental federal appropriations to the Department of Social Services due to an increase in the federal government's share for Medicaid services. This is a temporary increase authorized by the federal Jobs & Growth Reconciliation Act of 2003.

The difference between the final amended budget and the actual spending (\$3.0 million below final budgeted estimates) resulted from a number of items. First, expenditures were less than budgeted for 100% federal Medicaid funded Indian Health Services due to a disallowance of federal funding. The US Circuit Court subsequently found in favor of the state in this case; however, the federal government has recently appealed this decision. In addition, the number of nursing home residents funded by Medicaid were slightly less than anticipated, and the number of individuals receiving cash assistance through the TANF program were also slightly less than anticipated resulting in expenditures below the final appropriated level for those items.

Overall, there were no over-expenditures at the department level, or line item over-expenditures of the fund during the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business type activities as of June 30, 2003 is \$2.6 billion (net of accumulated depreciation). This investment in capital assets includes land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress.

State of South Dakota Capital Assets – Primary Government (Expressed in Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$ 61,362	\$ 52,719	\$ 354	\$ 354	\$ 61,716	\$ 53,073
Land Improvements	8,715	8,356	687	687	9,402	9,043
Land Improvements – Roads	556,141	554,641			556,141	554,641
Buildings	248,848	237,975	3,637	2,918	252,485	240,893
Equipment	120,617	114,781	2,133	2,131	122,750	116,912
Vehicles	89,885	87,349			89,885	87,349
Infrastructure	2,607,847	2,516,987			2,607,847	2,516,987
Construction in Progress	<u>170,028</u>	<u>168,381</u>	<u>371</u>	<u>1,214</u>	<u>170,399</u>	<u>169,595</u>
Total Capital Assets	3,863,443	3,741,189	7,182	7,304	3,870,625	3,748,493
Accumulated Depreciation	<u>(1,263,849)</u>	<u>(1,220,561)</u>	<u>(4,538)</u>	<u>(4,398)</u>	<u>(1,268,387)</u>	<u>(1,224,959)</u>
Total Capital Assets, Net	<u>\$ 2,599,594</u>	<u>\$ 2,520,628</u>	<u>\$ 2,644</u>	<u>\$ 2,906</u>	<u>\$ 2,602,238</u>	<u>\$ 2,523,534</u>

The most significant capital assets the state reported in FY 2003 were infrastructure assets and related land, land improvements, and construction in progress. 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. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Infrastructure assets account for \$2.3 billion (net of accumulated depreciation), which is 88.5% of total capital assets (net of accumulated depreciation).

The State's investment in capital assets (net of accumulated depreciation) changed from FY 2002 to FY 2003 by approximately 3.1%. The change was primarily due to ongoing construction and completion of segments of infrastructure—highways, bridges, and railroads. Construction in progress for highways, bridges, and railroads increased by \$108.1 million and decreased (projects completed and capitalized) by \$107.6 million, while other projects that were begun and completed during the current year (did not run through construction in progress) totaled \$29.8 million. Land and land improvements increased by \$9.0 million which consisted largely of the purchase of land by the Department of Game, Fish and Parks (\$6.9 million), and the purchase of excess right-of-way land by the Department of Transportation (\$2.0 million). Building and building improvements increased by \$11.6 million. This was largely due to the completion of new buildings and building improvements by the South Dakota Army Guard (\$7.7 million), the Department of Corrections (\$1.4 million) and the Department of Transportation (\$1.3 million). Equipment assets increased by \$5.8 million due to the purchase of new equipment and replacing of aged equipment largely due to the Department of Transportation (\$3.0 million), and the Bureau of Information and Telecommunications (\$2.0 million). Vehicles which include trucks, cars, pickups and other vehicles, increased by \$2.5 million largely due to replacing aged vehicles by the Bureau of Administration and Department of Transportation.

More detailed information on the State's capital assets can be found in NOTE 5 in the Notes to the Financial Statements.

Debt Administration

The authority of the State to incur debt is described in Article XIII, Section 2, of the State's Constitution. Generally, the State Constitution prohibits the State from having general obligation indebtedness in excess of \$100,000. General obligation indebtedness of the State is backed by the full faith and credit of the State, and reported as part of the governmental activities in the State's basic financial statements.

The South Dakota Building Authority was created and organized by Chapter 5-12 of the South Dakota Codified Laws. The South Dakota Building Authority issues bonds, certificates of participation, and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities of State departments and institutions. These obligations are payable from revenue generated through lease agreements between the South Dakota Building Authority and other state departments and institutions. The South Dakota Building Authority is a blended component unit of the State. At June 30, 2003, the South Dakota Building Authority had a rating of A1 from Moody's and AA- from Standard and Poor's. The indebtedness, bonds, or obligations incurred or created by the South Dakota Building Authority may not be or become a lien, charge, or liability against the State. The bonds and all related financial transactions used to finance buildings of state departments and institutions are reported as part of governmental activities in the State's basis financial statements, except for debt of universities, which is reported as part of the discretely presented component unit information. The South Dakota Building Authority issued \$1,263,000 Governmental Activities Revenue Bonds for the year ending June 30, 2003.

The Educational Enhancement Funding Corporation ("EEFC") is a special purpose corporation, organized by Chapter 5-12 of the South Dakota Codified Laws. EEFC is an instrumentality of, but separate and apart from the State. Although legally separate from the State, EEFC is a blended component unit of the State and, accordingly, is included in the State's financial statements. At June 30, 2003, the EEFC Series 2002A and 2002B Bonds had a rating of A3 from Moody's and A- from Standard and Poor's. Pursuant to a Purchase and Sale Agreement with the State, the State sold to EEFC its future rights, title and interest in the Tobacco Settlement Revenues under the Master Settlement Agreement. The purchase price of the State's future right, title and interest in the TSRs has been financed by the issuance of the Bonds and the Residual Certificate. The Residual Certificate represents the right of the State to receive all amounts required to be distributed after payment of all outstanding bonds and other liabilities of EEFC as set forth in the Trust Indenture. Pursuant to the resolution, EEFC is prohibited from selling additional bonds, other than refunding bonds. The Bonds represent limited obligations of EEFC, payable solely from and secured solely by the pledged TSRs and the pledged amounts. The Bonds are not a debt or liability of the State or of any political subdivision or agency thereof. EEFC has no taxing power. EEFC issued \$278,045,000 Governmental Activities Revenue Bonds for the year ending June 30, 2003 with a discount on bond issuance of \$5,474,000.

The South Dakota Conservancy District issues tax exempt revenue bonds for the Clean Water State Revolving Fund (CWSRF) and for the Drinking Water State Revolving Fund (DWSRF). These funds provide low interest loans, or other types of financial assistance to political units for the construction of publicly-owned wastewater treatment facilities, implementation of nonpoint source management programs, development and

implementation of plans under the new Estuary Protection Program, and construction and maintenance of drinking water facilities, respectively. At June 30, 2003, the South Dakota Conservancy District had a rating of Aa1 from Moody's. The South Dakota Conservancy District bonds do not constitute a debt or liability of the State, or a pledge of the faith and credit of the State. The bonds are paid solely from the interest earned on the loan repayments and bond proceeds and, if necessary, a legislative appropriation of \$1.2 million for the CWSRF only. The tax exempt revenue bonds and related financial transactions for the CWSRF and DWSRF are reported as part of the business-type activities in the State's basic financial statements.

At the end of the current fiscal year, primary government had total note and bonded debt outstanding of \$422.8 million. During the current fiscal year, the State and South Dakota Conservancy District incurred no new long-term general indebtedness under governmental and business-type activities. However, the South Dakota Building Authority issued \$1.3 million Governmental Activities Revenue Bonds and the Educational Enhancement Funding Corporation issued \$278.0 million Governmental Activities Revenue Bonds (with a discount on bond issuance of \$5.5 million).

**State of South Dakota
Outstanding Loans and Bonded Debt
(Expressed in Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
General Indebtedness:						
Backed by State of South Dakota	\$	\$ 44	\$	\$	\$	\$ 44
Revenue Bonds:						
Backed by South Dakota Building Authority	87,353	96,306			87,353	96,306
Backed by Educational Enhancement Funding Corp.	265,208				265,208	
Backed by South Dakota Conservancy District			30,284	31,359	30,284	31,359
Trust Certificates:						
Backed by South Dakota Building Authority	39,955	42,210			39,955	42,210
TOTAL	<u>\$ 392,516</u>	<u>\$ 138,560</u>	<u>\$ 30,284</u>	<u>\$ 31,359</u>	<u>\$ 422,800</u>	<u>\$ 169,919</u>

Additional information on the State's long-term debt obligations is located in Note 12 in the Notes to the Financial Statements.

ECONOMIC CONDITION AND OUTLOOK

The historical growth rate of nonfarm employment in South Dakota is 2.7%. In FY 2003, nonfarm employment in South Dakota grew 0.2%. Nationally, nonfarm employment fell 0.6% in FY 2003. South Dakota's unemployment rate was 3.6% in June 2003, while the U.S. unemployment rate was 6.3% the same month.

Amendment C, which repealed the inheritance tax in South Dakota, was passed by the voters on November 7, 2000. The full impact of the loss of the inheritance tax to the General Fund has not yet been realized as the State has continued to collect receipts from the period in which the tax was in effect. However, collections will decrease significantly when all estates that were subject to the tax are finalized. Future collections will amount to only the State's share of the federal estate tax owed.

On December 9, 2002, the State received an inheritance tax remittance of \$21.4 million. In accordance with State law, ten percent of the remittance was distributed to the county of the estate, and the balance was deposited into the State General Fund.

Actions taken in the 2003 legislative session that affect ongoing receipts are:

- Increase in the cigarette tax from \$0.33 per pack to \$0.53 per pack. The tax increase is projected to provide additional revenue of \$9.3 million in FY 2004;
- Broadening of the sales tax to include interstate telephone services. This tax is projected to increase revenue \$3.1 million in FY 2004;
- Increase in certain fees charged by the Secretary of State. This is estimated to increase revenue \$0.7 million in FY 2004; and,

- A tax of 4.0% upon the gross receipts of telecommunication services. Sixty percent of the revenue collected from this tax is deposited into the Property Tax Reduction Fund. This tax is estimated to increase revenue to the Property Tax Reduction Fund \$4.5 million in FY 2004.

Actions taken in the 2003 legislative session that affect one-time receipts in FY 2004:

- Transfer of \$15.0 million to the General Fund from the Petroleum Release Compensation Fund. These funds were transferred to the Highway Fund during the 2002 legislative session to cover an expected deficit in matching federal highway dollars. This shortfall never occurred; therefore, the dollars were moved back to the Petroleum Release Compensation Fund and then transferred to the General Fund; and,
- Acceleration of the proration of interest earnings in the cash flow fund by having 90% of the estimated proration due to the General Fund for the next fiscal year transferred to the General Fund in the year in which the interest is earned. This results in one year (FY 2004) where the general fund will receive two years of earnings deposits. The FY 2003 earnings deposited in FY 2004 was \$11.0 million and the estimated FY 2004 earnings to be deposited in FY 2004 is also \$11.0 million.

Action taken in the 2004 legislative session that affects ongoing receipts is the exemption of certain transportation services from the sales and use tax. This is projected to decrease revenues \$3.0 million in FY 2005.

Action taken in the 2004 legislative session that affects one-time receipts in FY 2005 is the transfer of \$4.6 million, or as much as is available, to the General Fund from money received from a securities global settlement. This settlement settled securities violations with large brokerage firms concerning securities analyst's conflicts of interests. In addition, there will be a transfer of \$3.0 million in one-time receipts from the Video Lottery Operating Fund to the General Fund.

The federal government provided South Dakota \$4.3 million in FY 2003 and \$66.3 million in FY 2004, in fiscal relief. Of the \$66.3 million, \$25.0 million is reported as receivables in FY 2003. The 2004 legislature decreased General Fund expenditures in the FY 2004 General Appropriations Act by \$66.3 million. Therefore, the transfer from the Property Tax Reduction Fund to the General Fund will also be reduced by \$66.3 million in FY 2004.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact the Bureau of Finance and Management, 500 East Capitol Avenue, Pierre, South Dakota 57501, (605) 773-3411.

The State's discretely presented component units, with the exception of Higher Education, issue their own separately audited financial statements. These statements may be obtained by directly contacting the Department of Legislative Audit, at 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501, (605) 773-3595.

BASIC FINANCIAL STATEMENTS

The “Basic Financial Statements” include the Government-Wide Financial Statements, the Governmental Fund Financial Statements, the Proprietary Fund Financial Statements, the Fiduciary Fund Financial Statements, the Combining Component Units Financial Statements, and the accompanying Notes to the Financial Statements. The following individual statements are included:

Government-Wide Financial Statements – Statement of Net Assets

Government-Wide Financial Statements – Statement of Activities

Balance Sheet – Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities

Statement of Net Assets – Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds

Statement of Cash Flows – Proprietary Funds

Statement of Fiduciary Net Assets – Fiduciary Funds

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

Combining Statement of Net Assets – Component Units

Combining Statement of Revenues, Expenses, and Changes in Fund - Net Assets Component Units

Notes to the Financial Statements



STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
June 30, 2003
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents	\$ 486,707	\$ 130,753	\$ 617,460	\$ 332,090
Receivables (Net)	285,359	137,052	422,411	1,101,514
Due From Component Units	763	54	817	
Due From Primary Government			0	1,167
Internal Balances	5,120	(5,120)	0	
Investments	780,195	58,368	838,563	418,355
Inventory	15,824	1,702	17,526	7,350
Deferred Fiscal Charges and Other Assets	6,143	984	7,127	14,802
Restricted Assets:				
Cash and Cash Equivalents	10,001	1,103	11,104	21,117
Investments	23,422	2,373	25,795	3,947
Securities Lending Collateral	170,361	23,697	194,058	28,444
Capital Assets:				
Land and Other Non-depreciable Assets	619,278	354	619,632	12,803
Infrastructure (net)	1,558,891		1,558,891	
Property, Plant and Equipment (net)	251,398	1,919	253,317	236,854
Construction in Progress	170,027	371	170,398	44,279
Total Assets	4,383,489	353,610	4,737,099	2,222,722
Liabilities				
Accounts Payable and Other Liabilities	186,349	4,068	190,417	41,967
Due To Primary Government			0	817
Due To Component Units	1,167		1,167	
Accrued Interest Payable	5,800	659	6,459	12,556
Deferred Revenue	40,961	1,195	42,156	496
Securities Lending Collateral Liability	170,361	23,697	194,058	28,444
Noncurrent Liabilities:				
Due Within One Year	54,404	1,949	56,353	43,247
Due In More Than One Year	454,117	29,367	483,484	1,532,753
Total Liabilities	913,159	60,935	974,094	1,660,280
Net Assets				
Invested In Capital Assets, Net of Related Debt	2,520,503	2,615	2,523,118	197,564
Restricted For:				
Highways	81,430		81,430	
Agriculture and Natural Resources	14,621		14,621	
Debt Service	102,061	3,474	105,535	305,109
Unemployment Compensation		43,401	43,401	
Environmental Projects	10,000	140,695	150,695	
Revolving Loan Programs		10,322	10,322	
School Perpetuity - Expendable	724		724	
School Perpetuity - Nonexpendable	23,093		23,093	
Higher Education - Expendable			0	3,349
Higher Education - Nonexpendable			0	4,916
Other Purposes	16,197		16,197	996
Unrestricted	701,701	92,168	793,869	50,508
Net Assets	\$ 3,470,330	\$ 292,675	\$ 3,763,005	\$ 562,442

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

STATE OF SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 140,681	\$ 119,522	\$ 26,703	\$
Education - Elementary, Secondary and Vocational				
Schools	143,229	2,209	141,156	
Education - State Support to Universities	133,337			
Health, Human and Social Services	876,202	24,125	607,736	
Law, Justice, Public Protection and Regulation	169,792	39,610	43,417	398
Agriculture and Natural Resources	101,497	47,313	28,175	
Economic Resources	36,763	1,660	14,227	
Transportation	290,739	5,742	247,457	2,336
Intergovernmental - Payments to School Districts	312,665			
Intergovernmental - Revenue Sharing	83,945			
Interest Expense	22,281			
Unallocated Depreciation	70			
Total Governmental Activities	2,311,201	240,181	1,108,871	2,734
Business-Type Activities:				
Lottery	23,873	135,989	503	
Clean Water State Revolving	1,500	3,166	4,754	
Other	60,752	44,304	14,589	
Total Business-Type Activities	86,125	183,459	19,846	0
Total Primary Government	\$ 2,397,326	\$ 423,640	\$ 1,128,717	\$ 2,734
Component Units:				
Higher Education	\$ 382,561	\$ 154,715	\$ 98,682	\$ 9,475
Housing Authority	115,478	99,658	24,420	
Finance Authority	1,467	915		
CREP Program	449	396		
Value Added Finance Authority	2	10	144	
Total Component Units	\$ 499,957	\$ 255,694	\$ 123,246	\$ 9,475

General Revenues:

Taxes:
Sales Taxes
Motor Fuel Taxes
Contractors Excise Taxes
Bank Card and Franchise Taxes
Other Taxes
Unrestricted Investment Earnings
State Aid
Gain on Sale of Capital Assets
Miscellaneous
Transfers
Total General Revenues and Transfers
Changes in Net Assets
Net Assets - Beginning, as restated
Net Assets - Ending

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

Net (Expenses) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ 5,544	\$	\$ 5,544	
136		136	
(133,337)		(133,337)	
(244,341)		(244,341)	
(86,367)		(86,367)	
(26,009)		(26,009)	
(20,876)		(20,876)	
(35,204)		(35,204)	
(312,665)		(312,665)	
(83,945)		(83,945)	
(22,281)		(22,281)	
(70)		(70)	
(959,415)	0	(959,415)	
	112,619	112,619	
	6,420	6,420	
	(1,859)	(1,859)	
0	117,180	117,180	
(959,415)	117,180	(842,235)	
			\$ (119,689)
			8,600
			(552)
			(53)
			152
			(111,542)
488,742		488,742	
156,029		156,029	
56,852		56,852	
46,847		46,847	
181,509		181,509	
74,953		74,953	2,846
877		877	133,337
32,245		32,245	
111,906	(111,906)		
1,149,960	(111,906)	1,038,054	136,183
190,545	5,274	195,819	24,641
3,279,785	287,401	3,567,186	537,801
\$ 3,470,330	\$ 292,675	\$ 3,763,005	\$ 562,442

**STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003
(Expressed in Thousands)**

Assets	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust
Cash and Cash Equivalents	\$ 77,245	\$ 69,293	\$	\$	\$ 589
Investments				232,395	350,618
Securities Lending Collateral	28,765	21,870		13,191	
Receivables From:					
Taxes (net)	74,386	10,816			
Interest and Dividends	1,752	431	7	1,936	2,714
Other Funds	39,732	617	40		
Component Units	1	10			
Other Governments	839	23,513	42,968		
Loans and Notes (net)		914			
Other (net)	2,995	1,547	3,025		105
Inventory	1,723	10,476	101		
Deferred Fiscal Charges and Other Assets	462		599		
Total Assets	\$ 227,900	\$ 139,487	\$ 46,740	\$ 247,522	\$ 354,026
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 32,470	\$ 33,234	\$ 38,144	\$	\$
Payable To:					
Other Funds	3,476	899	6,754		14,161
Component Units	92		68		
Other Governments	21,073	9	71		
Claims, Judgments and Compensated Absences	178	45	14		
Deferred Revenue	2,347		1,090		
Securities Lending Collateral Liability	28,765	21,870		13,191	
Total Liabilities	88,401	56,057	46,141	13,191	14,161
Fund Balances:					
Reserved For:					
Encumbrances	19,202	458	27		
Debt Service					
Environmental Projects					
School Perpetuity					
Noncurrent Assets		763			
Unreserved Designated	40,681				
Unreserved Undesignated, Reported In:					
General Fund	79,616				
Special Revenue Funds		82,209	572	234,331	339,865
Capital Project Funds					
Total Fund Balances	139,499	83,430	599	234,331	339,865
Total Liabilities and Fund Balances	\$ 227,900	\$ 139,487	\$ 46,740	\$ 247,522	\$ 354,026

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

<u>Nonmajor</u>	<u>Total</u>
\$ 301,306	\$ 448,433
220,604	803,617
91,237	155,063
2,760	87,962
2,244	9,084
9,426	49,815
10	21
85,907	153,227
21,441	22,355
4,144	11,816
1,918	14,218
645	1,706
<u>\$ 741,642</u>	<u>\$ 1,757,317</u>

\$ 28,299	\$ 132,147
25,083	50,373
973	1,133
30,696	51,849
106	343
35,810	39,247
91,237	155,063
<u>212,204</u>	<u>430,155</u>

14,822	34,509
112,360	112,360
10,000	10,000
23,817	23,817
19,112	19,875
40,681	
	79,616
348,835	1,005,812
492	492
<u>529,438</u>	<u>1,327,162</u>
<u>\$ 741,642</u>	<u>\$ 1,757,317</u>



**STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2003
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds \$ 1,327,162

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

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. These assets consist of:

Land and Construction in Progress	787,095	
Infrastructure	2,607,847	
Other Capital Assets	404,377	
Accumulated Depreciation	<u>(1,219,855)</u>	
Total Capital Assets		2,579,464

Some of the state's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 3,512

Internal service funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 28,717

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities are:

Bonds and Notes	(389,639)	
Accrued Interest on Bonds	(5,800)	
Capital Leases	(28,263)	
Compensated Absences	(42,879)	
Unclaimed Property	(1,328)	
Workers Compensation	<u>(616)</u>	
Total Long-Term Liabilities		<u>(468,525)</u>

Net Assets of Governmental Activities \$ 3,470,330

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

STATE OF SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

	<u>General Fund</u>	<u>Transportation</u>	<u>Social Services Federal</u>	<u>Dakota Cement Trust</u>	<u>Education Enhancement Trust</u>
Revenue:					
Taxes	\$ 693,007	\$ 177,828	\$	\$	\$
Licenses, Permits and Fees	5,151	2,696			
Fines, Forfeits and Penalties	471				
Use of Money and Property	21,350	3,501	123	16,728	28,611
Sales and Services	6,115	865			
Administering Programs		238,397	443,190		
Tobacco Settlement					
Other Revenue	6,347	1,755	2,687		
Total Revenue	<u>732,441</u>	<u>425,042</u>	<u>446,000</u>	<u>16,728</u>	<u>28,611</u>
Expenditures:					
Current:					
General Government	26,511			317	238
Education	24,514				
Education - State Aid to School Districts	311,142				
Education - State Support to Universities	133,337				
Health, Human and Social Services	247,065		445,707		
Law, Justice, Public Protection and Regulation	94,340	15,310			
Agriculture and Natural Resources	12,662				
Economic Resources	4,541				
Transportation	390	377,033			
State Shared Revenue Paid to Other Governments	20,655				
Capital Outlay					
Debt Service:					
Principal					
Interest					
Bond Issuance Costs					
Total Expenditures	<u>875,157</u>	<u>392,343</u>	<u>445,707</u>	<u>317</u>	<u>238</u>
Excess of Revenues Over (Under) Expenditures	(142,716)	32,699	293	16,411	28,373
Other Financing Sources (Uses):					
Bonds Issued					
Discount on Bond Issuance					
Refunding Bonds Issued					
Payments on Advance Refundings					
Premiums on Refunding Bonds					
Capital Leases					
Operating Transfers In	185,364	688	22		243,648
Operating Transfers Out	(19,013)	(1,611)		(12,000)	(17,578)
Net Other Financing Sources (Uses)	<u>166,351</u>	<u>(923)</u>	<u>22</u>	<u>(12,000)</u>	<u>226,070</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	23,635	31,776	315	4,411	254,443
Fund Balances at Beginning of Year, restated	115,864	51,654	284	229,920	85,422
Fund Balances at End of Year	<u>\$ 139,499</u>	<u>\$ 83,430</u>	<u>\$ 599</u>	<u>\$ 234,331</u>	<u>\$ 339,865</u>

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

<u>Nonmajor</u>	<u>Total</u>
\$ 59,145	\$ 929,980
131,853	139,700
6,252	6,723
22,256	92,569
17,863	24,843
411,787	1,093,374
25,603	25,603
10,559	21,348
<u>685,318</u>	<u>2,334,140</u>
35,478	62,544
114,435	138,949
2,613	313,755
	133,337
181,567	874,339
65,696	175,346
95,323	107,985
32,290	36,831
13,205	390,628
63,290	83,945
36	36
18,653	18,653
19,778	19,778
1,618	1,618
<u>643,982</u>	<u>2,357,744</u>
41,336	(23,604)
278,045	278,045
(5,472)	(5,472)
1,263	1,263
(1,274)	(1,274)
60	60
935	935
145,840	575,562
(413,877)	(464,079)
<u>5,520</u>	<u>385,040</u>
46,856	361,436
<u>482,582</u>	<u>965,726</u>
<u>\$ 529,438</u>	<u>\$ 1,327,162</u>



**STATE OF SOUTH DAKOTA
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)**

Net Change in Fund Balances - Total Governmental Funds \$ 361,436

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

Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over the useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	173,347	
Depreciation Expense	(61,738)	
Excess of Depreciation Expense Over Capital Outlay		111,609

The net effect of various miscellaneous transactions involving capital assets, including sales, donations and trade-ins is to decrease net assets. (31,019)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond Principal Retirement	18,653	
Capital Lease Payments	1,241	
Total Long-Term Debt Repayment		19,894

Internal service funds are used by management to charge costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported in governmental activities. 3,837

Because some revenues will not be collected until several months after the state's fiscal year ends, they are not considered 'available' revenues and are deferred in the funds. Deferred revenues decreased by this amount this year. (1,707)

The issuance of bonds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Bonds Issued	(278,045)	
Refunding Bonds Issued	(1,263)	
Payments on Advance Refundings	1,274	
Bond Premium	(60)	
Bond Discount	5,472	
Bond Issuance Costs	1,343	
Total Issuance of Bonds		(271,279)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net (Increase) Decrease in Accrued Interest	(1,940)	
(Increase) Decrease in Compensated Absences	(374)	
(Increase) Decrease in Workers Compensation	4	
(Increase) Decrease in Unclaimed Property	84	
Total Additional Expenditures		(2,226)

Change in Net Assets of Governmental Activities \$ 190,545

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

STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2003
(Expressed in Thousands)

Assets	Business Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Major			Total	
	Lottery	Clean Water State Revolving	Nonmajor		
Current Assets:					
Cash and Cash Equivalents	\$ 7,809	\$ 6,668	\$ 116,276	\$ 130,753	\$ 48,275
Receivables:					
Interest and Dividends	68	1,697	1,063	2,828	304
Other Funds			290	290	7,211
Component Units			54	54	742
Other Governments		139	710	849	164
Loans and Notes (Net)		8,920	9,656	18,576	
Other (Net)	5,047		1,037	6,084	322
Inventory			1,702	1,702	1,298
Securities Lending Collateral	2,210		21,487	23,697	15,298
Deferred Fiscal Charges and Other Assets	10	43	62	115	1,580
Total Current Assets	15,144	17,467	152,337	184,948	75,194
Restricted Assets:					
Restricted Cash		678	425	1,103	
Restricted Investments		1,844	529	2,373	
Investments		48,849	9,519	58,368	
Capital Assets:					
Land and Other Non-depreciable Assets			354	354	
Property, Plant and Equipment	934		5,524	6,458	61,757
Accumulated Depreciation	(924)		(3,615)	(4,539)	(43,837)
Construction in Progress			371	371	2,210
Total Capital Assets	10	0	2,634	2,644	20,130
Other Noncurrent Assets		62,534	47,040	109,574	
Total Assets	15,154	131,372	212,484	359,010	95,324
Liabilities					
Current Liabilities:					
Accounts Payable and Other Current Liabilities	2,039	54	1,910	4,003	3,351
Payable To:					
Other Funds	4,825		590	5,415	1,541
Component Units				0	34
Escrow Payable	50			50	
Bonds, Notes and Leases Payable		1,030	408	1,438	3,131
Claims, Judgments and Compensated Absences	108	18	385	511	15,084
Accrued Interest Payable		440	219	659	
Deferred Revenue	198		997	1,195	4,918
Securities Lending Collateral Liability	2,210		21,487	23,697	15,298
Total Current Liabilities	9,430	1,542	25,996	36,968	43,357
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable		18,179	10,696	28,875	2,861
Claims, Judgments and Compensated Absences	105	17	370	492	20,389
Total Liabilities	9,535	19,738	37,062	66,335	66,607
Net Assets					
Invested In Capital Assets, Net of Related Debt	10		2,605	2,615	14,138
Restricted For:					
Unemployment Compensation			43,401	43,401	
Debt Service		2,521	953	3,474	
Environmental Projects		109,113	31,582	140,695	
Revolving Loan Programs			10,322	10,322	
Unrestricted	5,609		86,559	92,168	14,579
Total Net Assets	\$ 5,619	\$ 111,634	\$ 175,422	\$ 292,675	\$ 28,717

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

STATE OF SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				Governmental
	Major			Total	Activities
	Lottery	Clean Water State Revolving	Nonmajor		Internal Service Funds
Operating Revenue:					
Licenses, Permits and Fees	\$ 1,197	\$	\$ 5,066	\$ 6,263	\$
Use of Money and Property		2,477	2,390	4,867	12
Sales and Services	134,766	689	8,754	144,209	154,842
Administering Programs		1,824	7,403	9,227	
Assessments			26,833	26,833	
Other Revenue			613	613	54
Total Operating Revenue	<u>135,963</u>	<u>4,990</u>	<u>51,059</u>	<u>192,012</u>	<u>154,908</u>
Operating Expenses:					
Personal Services and Benefits	1,286	138	5,558	6,982	28,092
Travel	142	5	667	814	597
Contractual Services	6,171	98	5,302	11,571	34,298
Supplies and Materials	350	1	5,660	6,011	12,866
Other		59	1,509	1,568	
Interest		1,156	529	1,685	442
Depreciation/Amortization	2	43	193	238	7,693
Lottery Prizes	15,844			15,844	
Insurance Claims			41,109	41,109	69,324
Total Operating Expenses	<u>23,795</u>	<u>1,500</u>	<u>60,527</u>	<u>85,822</u>	<u>153,312</u>
Operating Income (Loss)	112,168	3,490	(9,468)	106,190	1,596
Nonoperating Revenue (Expenses):					
Gain on Disposal of Assets				0	195
Loss on Disposal of Assets			(12)	(12)	(251)
Interest Income	503	2,930	7,186	10,619	2,254
Interest Expense			(26)	(26)	
Other Expense	(78)		(187)	(265)	(137)
Grant and Other Income	26		648	674	
Total Nonoperating Revenue (Expenses)	<u>451</u>	<u>2,930</u>	<u>7,609</u>	<u>10,990</u>	<u>2,061</u>
Income (Loss) Before Transfers	112,619	6,420	(1,859)	117,180	3,657
Transfers:					
Transfers In			1,423	1,423	1,420
Transfers Out	(112,057)	(21)	(1,251)	(113,329)	(1,240)
Net Transfers In (Out)	<u>(112,057)</u>	<u>(21)</u>	<u>172</u>	<u>(111,906)</u>	<u>180</u>
Change in Net Assets	562	6,399	(1,687)	5,274	3,837
Net Assets at Beginning of Year	<u>5,057</u>	<u>105,235</u>	<u>177,109</u>	<u>287,401</u>	<u>24,880</u>
Net Assets at End of Year	<u>\$ 5,619</u>	<u>\$ 111,634</u>	<u>\$ 175,422</u>	<u>\$ 292,675</u>	<u>\$ 28,717</u>

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

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Lottery</u>	<u>Clean Water State Revolving</u>	<u>Nonmajor</u>	<u>Total</u>	
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 135,470	\$ 707	\$ 38,764	\$ 174,941	\$ 52,389
Receipts from Interfund Services Provided			3,715	3,715	102,539
Receipts from Federal Agencies		1,824	7,470	9,294	
Receipts from Loan Payments		11,121	13,425	24,546	
Payments to Suppliers and for Benefits and Claims	(5,524)	(164)	(53,202)	(58,890)	(104,166)
Payments for Employee Services	(1,264)	(134)	(5,441)	(6,839)	(27,957)
Payments for Interfund Services Used	(854)		(1,409)	(2,263)	(13,029)
Payments for Lottery Prizes	(15,873)			(15,873)	
Payments for Loans Originated		(13,284)	(15,314)	(28,598)	
Other Receipts (Payments)	180		547	727	538
Net Cash Provided (Used) by Operating Activities	<u>112,135</u>	<u>70</u>	<u>(11,445)</u>	<u>100,760</u>	<u>10,314</u>
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets			(135)	(135)	(5,948)
Sales of Capital Assets					531
Payments on Capital Lease Obligations			(11)	(11)	(4,144)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>(146)</u>	<u>(146)</u>	<u>(9,561)</u>
Cash Flows From Noncapital Financing Activities:					
Transfers In			1,086	1,086	1,414
Transfers Out	(111,452)	(21)	(749)	(112,222)	(1,224)
Received on Interfund Borrowing			(387)	(387)	
Payments on Bonds and Notes		(945)	(225)	(1,170)	
Bond Issuance Costs		(16)	(19)	(35)	
Interest Payments on Bonds and Notes		(1,080)	(531)	(1,611)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(111,452)</u>	<u>(2,062)</u>	<u>(825)</u>	<u>(114,339)</u>	<u>190</u>
Cash Flows From Investing Activities:					
Investment Income	526	2,931	7,254	10,711	2,337
Purchase of Investment Securities		(16,178)	(4,695)	(20,873)	
Proceeds from the Sale and Maturity of Investments		15,166	2,201	17,367	
Security Lending Rebate Fees	(28)		(186)	(214)	(126)
Net Cash Provided (Used) by Investing Activities	<u>498</u>	<u>1,919</u>	<u>4,574</u>	<u>6,991</u>	<u>2,211</u>
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	1,181	(73)	(7,842)	(6,734)	3,154
Cash and Cash Equivalents at Beginning of Year	<u>6,628</u>	<u>7,419</u>	<u>124,543</u>	<u>138,590</u>	<u>45,121</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,809</u>	<u>\$ 7,346</u>	<u>\$ 116,701</u>	<u>\$ 131,856</u>	<u>\$ 48,275</u>

continued on next page

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Lottery	Clean Water State Revolving	Nonmajor Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 112,168	\$ 3,490	\$ (9,468)	\$ 106,190	\$ 1,596
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense	2	43	193	238	7,693
Bad Debt Expense			513	513	
Interest Expense		1,156	527	1,683	362
Miscellaneous Nonoperating Items	(24)		656	632	
Decrease/(Increase) in Assets:					
Accounts Receivable	(522)		(22)	(544)	286
Interest, Dividends & Penalties Receivable		17	4	21	
Loans and Notes Receivable		(4,656)	(2,737)	(7,393)	
Due From Other Funds			34	34	111
Due From Component Units			34	34	166
Due From Other Governments		18	(87)	(69)	(108)
Inventory			(78)	(78)	632
Deferred Fiscal Charges and Other Assets	2		49	51	45
Increase/(Decrease) in Liabilities:					
Accounts Payable	172	(2)	(1,147)	(977)	(840)
Accrued Liabilities	15	2	70	87	127
Compensated Absences Payable	16	2	43	61	63
Due To Other Funds	(1)		(43)	(44)	(39)
Due to Component Units			6	6	(1)
Deferred Revenue	102		8	110	233
Escrow Payable	23			23	
Policy Claim Liabilities					(12)
Other Liabilities	182			182	
Net Cash Provided (Used) by Operating Activities	<u>\$ 112,135</u>	<u>\$ 70</u>	<u>\$ (11,445)</u>	<u>\$ 100,760</u>	<u>\$ 10,314</u>
Noncash Investing, Capital and Financing Activities:					
Gain (Loss) on Disposal of Fixed Assets			12	12	(56)
Transfers In (Out) of Fixed Assets			(166)	(166)	(8)

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

STATE OF SOUTH DAKOTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2003
(Expressed in Thousands)

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and Cash Equivalents	\$ 17,765	\$ 13,762	\$ 18,987
Receivables:			
Employer	2,531		
Employee	5,220		
Benefits	59		
Unsettled Investment Sales	100,002		
Taxes Receivable			22,182
Due From Other Funds	11	137	
Due From Other Governments			549
Investment Income	18,563	836	48
Other		229	58
Total Receivables	<u>126,386</u>	<u>1,202</u>	<u>22,837</u>
Investments, at Fair Value:			
Fixed Income	2,039,771		
Equities	2,317,586		
Real Estate	298,310		
Private Equity	196,965		
Pooled Investment Funds		103,320	
Money Market		3	
Total Investments	<u>4,852,632</u>	<u>103,323</u>	<u>0</u>
Securities Lending Collateral	252,925	8,860	
Properties, at Cost	58	10,417	
Accumulated Depreciation	(31)		
Other Assets	<u>38</u>	<u>31</u>	
Total Assets	<u><u>5,249,773</u></u>	<u><u>137,595</u></u>	<u><u>\$ 41,824</u></u>
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	1,987	205	\$ 9,765
Due To Other Funds	46	89	
Due To Component Units	1		
Due To Other Governments			32,059
Compensated Absences Payable	237		
Securities Sold, But Not Yet Purchased, at Fair Value	96,913		
Unsettled Investment Purchases	79,242		
Securities Lending Collateral Liability	252,925	8,860	
Total Liabilities	<u><u>431,351</u></u>	<u><u>9,154</u></u>	<u><u>\$ 41,824</u></u>
Net Assets			
Held in Trust For:			
Pension Benefits	4,818,422		
Individuals and Other Governments		128,441	
Total Net Assets	<u><u>\$ 4,818,422</u></u>	<u><u>\$ 128,441</u></u>	

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

STATE OF SOUTH DAKOTA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

Additions	Pension Trust Funds	Private Purpose Trust Funds
Contributions:		
Employee	\$ 80,807	\$
Employer	75,989	
From Participants		155
From Clients and Inmates		4,425
Total Contributions	156,796	4,580
Investment Income:		
<i>From Investing Activities</i>		
Net Increase (Decrease) in Fair Value of Investments	80,660	3,533
Interest	77,616	5,031
Dividends	50,282	637
Real Estate	14,595	
Investment Activity Income	223,153	9,201
Less Investment Activity Expenses	(12,769)	
Net Investment Activity Income	210,384	9,201
<i>From Security Lending Activities</i>		
Security Lending Income	2,890	218
Security Lending Expenses	(2,169)	(185)
Net Security Lending Activity Income	721	33
Net Investment Income (Loss)	211,105	9,234
Escheated Property		24
Gain from Sale of Assets		248
Miscellaneous Income		3,277
Transfers From Other Funds		69
Total Additions	367,901	17,432
Deductions		
Benefits	183,386	
Refunds of Contributions	19,338	
Distribution to School Districts		9,219
Payments made for Trust Purposes		5,696
Administrative Expenses	2,899	50
Total Deductions	205,623	14,965
Net Increase (Decrease)	162,278	2,467
Net Assets Held In Trust		
Beginning of Year, restated	4,656,144	125,974
End of Year	\$ 4,818,422	\$ 128,441

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

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2003
(Expressed in Thousands)

	Business-Type Activities					Total
	Housing Authority	Finance Authority	CREP Program	Value Added Finance Authority	Higher Education	
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 255,281	\$ 2,207	\$ 842	\$ 34	\$ 73,726	\$ 332,090
Receivables:						
Interest and Dividends	8,358	103	248	2	1,194	9,905
Primary Government					1,167	1,167
Other Governments					5,496	5,496
Loans and Notes (Net)	30,796	993	559	70	8,626	41,044
Other (Net)			2		5,193	5,195
Investments	64,668	5,582				70,250
Inventory	1,974				5,376	7,350
Securities Lending Collateral					28,444	28,444
Deferred Fiscal Charges and Other Assets			98		1,692	1,790
Total Current Assets	<u>361,077</u>	<u>8,885</u>	<u>1,749</u>	<u>106</u>	<u>130,914</u>	<u>502,731</u>
Investments	344,706	2,054			1,345	348,105
Restricted Assets:						
Cash and Cash Equivalents		49			21,068	21,117
Investments		3,947				3,947
Capital Assets:						
Land and Other Non-depreciable Assets					12,803	12,803
Property, Plant and Equipment	3,339				498,480	501,819
Accumulated Depreciation	(1,813)				(263,152)	(264,965)
Construction in Progress					44,279	44,279
Total Capital Assets	<u>1,526</u>				<u>292,410</u>	<u>293,936</u>
Other Noncurrent Assets (net)	1,015,181	8,650	3,993	491	24,571	1,052,886
Total Assets	<u>1,722,490</u>	<u>23,585</u>	<u>5,742</u>	<u>597</u>	<u>470,308</u>	<u>2,222,722</u>
Liabilities						
Current Liabilities:						
Accounts Payable and Other Current Liabilities	3,843	107	2		10,139	14,091
Payable To:						
Primary Government	69				748	817
Other Governments		88		434		522
Escrow Payable	22,546					22,546
Bonds, Notes and Leases Payable	27,741	585	805		5,095	34,226
Claims, Judgments and Compensated Absences	167				8,766	8,933
Accrued Interest Payable	10,811		51		1,694	12,556
Deferred Revenue			30		466	496
Securities Lending Collateral Liability					28,444	28,444
Other Current Liabilities		2,611			1,059	3,670
Total Current Liabilities	<u>65,177</u>	<u>3,391</u>	<u>888</u>	<u>434</u>	<u>56,411</u>	<u>126,301</u>
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable	1,356,118	7,835	4,065		108,285	1,476,303
Claims, Judgments and Compensated Absences	122				21,248	21,370
Federal Capital Contribution Refundable Advance					31,604	31,604
Other Noncurrent Liabilities	1,283	3,419				4,702
Total Liabilities	<u>1,422,700</u>	<u>14,645</u>	<u>4,953</u>	<u>434</u>	<u>217,548</u>	<u>1,660,280</u>
Net Assets						
Invested In Capital Assets, Net of Related Debt	1,526				196,038	197,564
Restricted For:						
Debt Service	298,126	3,000			3,983	305,109
Higher Education - Expendable					3,349	3,349
Higher Education - Nonexpendable					4,916	4,916
Other Purposes		996				996
Unrestricted	138	4,944	789	163	44,474	50,508
Total Net Assets	<u>\$ 299,790</u>	<u>\$ 8,940</u>	<u>\$ 789</u>	<u>\$ 163</u>	<u>\$ 252,760</u>	<u>\$ 562,442</u>

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

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

	<u>Business-Type Activities</u>					<u>Total</u>
	<u>Housing Authority</u>	<u>Finance Authority</u>	<u>CREP Program</u>	<u>Value Added Finance Authority</u>	<u>Higher Education</u>	
Operating Revenue:						
Tuition and Fees (net of discounts and allowances for scholarships of \$12,717)	\$	\$	\$	\$	\$ 93,346	\$ 93,346
Use of Money and Property Sales and Services (net of discounts and allowances for scholarships of \$5,403)	91,059	915	396	10	61,021	92,380
Administering Programs	24,420				84,493	108,913
Other Revenue	8,599				348	8,947
Total Operating Revenue	<u>124,078</u>	<u>915</u>	<u>396</u>	<u>10</u>	<u>239,208</u>	<u>364,607</u>
Operating Expenses:						
Personal Services and Benefits	2,697		40		235,403	238,140
Travel	239				9,208	9,447
Contractual Services	6,478	59	67		47,365	53,969
Supplies and Materials	117				45,766	45,883
Grants and Subsidies	27,678	1,000			18,091	46,769
Other	677				1,052	1,729
Interest	73,664	408	326			74,398
Depreciation/Amortization	3,928		16		18,829	22,773
Total Operating Expenses	<u>115,478</u>	<u>1,467</u>	<u>449</u>	<u>0</u>	<u>375,714</u>	<u>493,108</u>
Operating Income (Loss)	8,600	(552)	(53)	10	(136,506)	(128,501)
Nonoperating Revenue (Expenses):						
Loss on Disposal of Assets					(787)	(787)
Interest Income			8	11	2,827	2,846
Interest Expense				(2)	(3,924)	(3,926)
Other Expense					(2,136)	(2,136)
State Aid from Primary Government					133,337	133,337
Federal Appropriation					7,167	7,167
Grant and Other Income				144	7,022	7,166
Total Nonoperating Revenue (Expenses)	<u>0</u>	<u>0</u>	<u>8</u>	<u>153</u>	<u>143,506</u>	<u>143,667</u>
Income (Loss) Before Capital Grants	8,600	(552)	(45)	163	7,000	15,166
Capital Grants					9,475	9,475
Change in Net Assets	8,600	(552)	(45)	163	16,475	24,641
Net Assets At Beginning of Year, restated	<u>291,190</u>	<u>9,492</u>	<u>834</u>		<u>236,285</u>	<u>537,801</u>
Net Assets at End of Year	<u>\$ 299,790</u>	<u>\$ 8,940</u>	<u>\$ 789</u>	<u>\$ 163</u>	<u>\$ 252,760</u>	<u>\$ 562,442</u>

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



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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

B. Reporting Entity

For financial reporting purposes, the State of South Dakota reporting entity includes the primary government and its component units. The primary government consists of state departments, bureaus, boards and commissions. Component units are legally separate governmental organizations for which the State is considered to be financially accountable and other organizations for which the nature of their relationship is such that exclusion would cause the State's financial statements to be misleading or incomplete.

Blended Component Units – Blended component units are legally separate entities that are, in substance, part of the State's primary government. The Building Authority, South Dakota Conservancy District, Cement Plant Commission and the Education Enhancement Funding Corporation are considered to be blended component units.

Discretely Presented Component Units – Discretely presented component units are legally separate organizations that are either financially accountable to the State, or their exclusion would cause the State's financial statements to be misleading or incomplete. Discretely presented component units are reported in separate columns or rows in the government-wide financial statements to emphasize that they are legally separate from the State.

The following entities are reported as discretely presented component units:

- Conservation Reserve Enhancement Program (CREP)
- Finance Authority
- Housing Authority
- Value Added Finance Authority
- Higher Education

Related Organizations – The Health and Educational Facilities Authority is excluded from the reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members.

Separately issued financial statements of the South Dakota Building Authority, Conservation Reserve Enhancement Program, South Dakota Finance Authority, and South Dakota Housing Authority are available from the Department of Legislative Audit.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Assets and Statement of Activities. The Statement of Net Assets and Statement of Activities report all nonfiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities are generally supported by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The focus of the government-wide financial statements is the primary government. A separate column is presented for all discretely presented component units.

The Statement of Net Assets presents the reporting entity's nonfiduciary assets and liabilities, with the difference reported as net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function; and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the State receives value without directly giving equal value in exchange, include taxes, grants, and donations. Tax revenue is recognized in the fiscal year in which the related sales, wages, or activity being taxed occurred. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. Sales tax, motor fuel taxes, bank card taxes, grant revenue, investment income, and charges for goods and services are all considered to be susceptible to accrual, if collected within 60 days of the end of the current fiscal year. All other revenue is considered to be measurable and available only when cash is received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, capital leases, and claims and judgments are recorded only when payment is due and payable.

Proprietary, Fiduciary, and Similar Component Units Financial Statements

The financial statements of the proprietary funds, fiduciary funds, and similar component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described above. Proprietary funds include both enterprise and internal service fund types.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as subsidies and investment earnings are reported as nonoperating.

The State's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Financial Statement Presentation

The State reports the following major governmental funds:

The General Fund is the State's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

The Transportation Fund accounts for dedicated state tax revenue used for the construction, maintenance, and supervision of state highways and bridges. Also accounts for federal awards received for highway, aeronautics and railroad construction and improvement projects.

The Social Services Fund accounts for federal funds received by the Department of Social Services to fund social welfare programs.

The Dakota Cement Trust Fund was created with the proceeds from the sale of the State Cement Plant. Income from the fund is used to fund general state government and public school districts.

The Education Enhancement Trust Fund accounts for revenue from the tobacco settlement and securitization of future tobacco revenue. Income from the fund is used to fund education enhancement programs.

The State reports the following major proprietary funds:

The State Lottery Operating Fund accounts for the operations of the State lottery.

The Clean Water State Revolving Fund is used to provide loans to local governments for wastewater, storm sewer, and nonpoint source pollution control projects.

In addition, the State reports the following fund types:

Governmental Funds:

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. Special revenue funds account for federal grant programs, taxes with distributions defined by the State constitution or state laws and other resources restricted as to purpose.

Debt Service Funds account for the accumulation of resources for the retirement of long-term debt principal and interest.

The Capital Projects Fund administered by the South Dakota Building Authority accounts for resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary, fiduciary, or component units funds.

The Permanent Fund administered by the Department of School and Public Lands accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Proprietary Funds:

Enterprise Funds report activities for which a fee is charged to external users for goods or services. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees.

Internal Service Funds report activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. In the government-wide financial statements, internal service funds activity is included in governmental activities.

Fiduciary Funds:

Pension Funds account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plan and the State Cement Plant defined benefit plan.

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments.

Agency Funds report assets and liabilities of resources held for temporary investment and remittance of the resources to individuals, private organizations, or other governments.

E. Budgetary Accounting

Agencies and departments submit budget requests to the Bureau of Finance and Management. The commissioner approves the bureau's budget recommendation that is presented to the Governor for his consideration. The Governor's decisions are presented to the legislature in the Governor's budget book.

The financial plan for each fiscal year is adopted by the legislature by the passage of a general appropriations act, special appropriations acts, and deferred maintenance appropriations. The formal budget approved by the legislature does not include budgeting for revenues and other financing sources/uses.

The general appropriations act includes only appropriations for ordinary current and capital expenses of the executive, legislative, and judicial branches of the State. Law classifies appropriations into general, federal, and other fund budget classifications. The budget is controlled at the program level for personal services and operating expenses. Detailed appropriation information at this level is presented in the Available Funds Report that is available at the Bureau of Finance and Management.

The State's annual budget is prepared on the cash basis of accounting. Encumbrance accounting is utilized to reserve a portion of the budget to future periods for payment of purchase orders, contracts and other commitments. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Encumbrances at June 30, 2003 totaled \$34,509,000.

F. Assets, Liabilities, and Net Assets/Fund Balance

Cash and Cash Equivalents and Investments

Cash includes cash on hand, cash in local banks, and cash in the State Treasury. Cash equivalents are reported at fair value. Cash equivalents include short-term investments with original maturities of three months or less. Cash balances of most state funds are pooled and invested by the State Investment Officer. Investment income is allocated to participating funds at year-end.

Investments, as reported on the balance sheet, represent all long-term investments not considered cash equivalents. Investments include corporate stocks, bonds, convertible debt, U.S. government bonds, repurchase agreements, annuity contracts, investment contracts, international funds, and real estate. Investments are reported at fair value.

Receivables

Receivables in the governmental and business-type activities consist mainly of amounts due from component units, other governments, loans and customers.

Inventories

Inventories reported in the governmental fund types are reported at cost using the moving average cost method. Proprietary fund type inventories are valued at the lower of cost or market, using the moving average cost method. Inventories reported in the higher education component unit discrete presentation are reported at cost using the FIFO method, except livestock inventories, which are reported at June 30, 2003 market price. Inventories are expensed using the consumption method.

Food stamps and federal commodities on hand are reported as inventories, offset by deferred revenue. Food stamp inventory is reported at face value and commodities are reported at fair value established by the federal

government at the date received. At June 30, 2003, the food stamp inventory was reported in the amount of \$100,890 and the commodities inventory was reported in the amount of \$308,000.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at cost, or estimated historical cost, if original cost records are not available. Donated property, plant, and equipment are valued at fair market value at the date of donation. Property, plant, and equipment acquired through capital leases are capitalized at fair market value at the inception of the lease.

All land is capitalized regardless of cost. Land improvements are capitalized when the cost of the improvement is \$50,000 or more. Buildings and building improvements are capitalized when the cost is \$100,000 or more. Equipment is capitalized when the cost of individual items is \$5,000 or more. Infrastructure assets are capitalized when the cost of the assets is \$1,000,000 or more for governmental funds and fiduciary funds, and \$50,000 or more for proprietary funds and component units. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

Depreciable capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Land Improvements	20-30
Buildings and Improvements	15-50
Infrastructure	20-99
Equipment	3-17

The State owns works of art and historical treasures that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Works of art and historical treasures include items such as statues, monuments, historical documents, paintings, artifacts, etc. Higher Education, a business type activity component unit, adopted the State’s policy on capitalizing historical treasurers and collections. The exceptions to this policy are the Memorial Art Center Collection at the South Dakota State University and the Oscar Howe paintings collection at the University of South Dakota, which were capitalized as of June 30, 1999. The collections are valued at the historical cost or estimated fair market value at the time of donation. The reported capitalized value of these collections was \$7,468,370 and \$379,085, respectively, as of June 30, 2003. All proceeds from the sale of items within these collections will be used to acquire other items for the collections.

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets/Fund Balances

The difference between assets and liabilities is “Net Assets” on the government-wide, proprietary, and fiduciary funds financial statements and “Fund Balance” on the governmental fund financial statements. Net assets are reported in three categories:

Invested in capital assets, net of related debt is a category reported in the government-wide statement of Net Assets and consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of assets that have externally imposed constraints placed on them by either creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions.

Unrestricted net assets consist of assets that do not meet the definition of the two preceding categories.

When both restricted funds and unrestricted funds are eligible for use in payment of expenditures, the restricted funds will be utilized first.

Reservations of fund balances of governmental funds represent amounts that are not available for appropriation. Examples of fund balance reservations include reserve for encumbrances and reserve for debt service.

Designations of fund balance represent tentative management plans that are subject to change. The 1991 South Dakota Legislature established a budget reserve funded from any unobligated cash in the General Fund.

The maximum balance of the budget reserve is five percent of the prior year's General Fund appropriation. The balance in the budget reserve at June 30, 2003 was \$40,681,000 and is reported under the unreserved designated account in the General Fund.

G. Compensated Absences

All full-time and permanent part-time employees earn annual leave and sick leave. Employees earn fifteen days annual leave per year that can be accumulated to thirty days, except for employees with more than fifteen years of employment, who earn twenty days annual leave per year that can be accumulated to forty days. Upon termination, employees receive payment for their accumulated annual leave. Employees earn fourteen days sick leave per year. Unless dismissed for cause, employees who terminate after seven years of continuous employment, receive payment for one-fourth of their accumulated sick leave balance, not to exceed four hundred eighty hours.

A liability has been recorded in the government-wide and funds financial statements for compensated absences in accordance with GASB statements.

H. Lottery Security Deposits

State law requires video lottery operators to furnish security to the lottery. Security may be in the form of a surety bond, deposit in cash, an irrevocable letter of credit, or a certificate of deposit issued by a South Dakota financial institution with the lottery endorsed on it as a payee. As of June 30, 2003, the amount of certificate of deposits being held by the lottery was \$777,448 and is included in cash and cash equivalents on the balance sheet. The amount of \$5,542,100 was in the form of surety bonds, or irrevocable letters of credit and is not reported on the balance sheet.

I. Interfund Activity and Balances

Interfund activity, as a general rule, has been eliminated from the government-wide financial statements. An exception to this rule is activities between funds reported as governmental activities and funds reported as business-type activities (examples include the transfer of profits from the Lottery Fund to the General Fund). Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return, or a requirement for repayment. In

addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. An example is securities taxes collected by the Department of Revenue and Regulation which are deposited into the Securities and Insurance Fund, but expended by the General Fund.

Interfund balances-interfund receivables and payables have been eliminated from the Statement of Net Assets.

2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS

Implementation of Accounting Pronouncements

For the reporting period ending June 30, 2003, the State implemented the following accounting standards issued by GASB.

Statement No. 41 – Budgetary Comparison Statements – Perspective Differences.

Restatements-Primary Government

The beginning fund balance for the General Fund was increased by \$1,412,000 for restatement of unclaimed property liabilities determined to be long-term.

The beginning fund balance for the Common School Fund, reported as a private purpose trust fund, was increased by \$200,000, for the restatement of assets.

The beginning net assets balance reported for governmental activities in the statement of activities was decreased by \$11,330,000 for the restatement of property, plant and equipment (net).

Restatements-Component Units

The beginning fund balance for Higher Education was decreased by \$247,000 for various restatements to assets.

Recently Issued Pronouncements

In May 2002, the GASB issued Statement No. 39, Determining Whether Certain Organizations Are Component Units. The statement amended GASB Statement No. 14 and will provide additional guidance on assessing potential component units. The provisions of GASB statement No. 39 are effective for financial statements presented for periods beginning after June 15, 2003. Management has not yet determined the impact that the new GASB statement will have on the State's financial statements.

3. CASH, DEPOSITS, AND INVESTMENTS

South Dakota Codified Laws (SDCL) and administrative rules authorize the types of deposits and investments. Most State public funds are invested in the Cash Flow Portfolio using the pooled deposit and investment concept. This concept allows for the deposit and investment of aggregate idle fund monies, while preserving the integrity of fund cash balances of each state fund.

Negative cash balances in funds participating in the Cash Flow Portfolio are reclassified at year-end as interfund payables. The cash and cash equivalents balance in the General Fund was reduced by \$19,840,425 for deficit cash balances that existed in various state funds at June 30, 2003, and is reported as an interfund receivable.

Certain funds and component units have statutory authority to make deposits and investments in specific types of securities, which may be more or less restrictive than the general authority covering the Cash Flow Portfolio. Additionally, bond provisions may require restrictions on types of investments. The State was in compliance with legal requirements governing deposit and investing activities.

Deposits

A. Primary Government

As of June 30, 2003, the carrying amount of deposits was \$18,137,280 and the bank balance was \$51,704,541. Of the bank balance, \$23,650,964 was fully insured or collateralized with securities held by the primary government or its agent in the primary government's name (Category 1), \$27,888,738 was collateralized with securities held by the pledging financial institution's trust department, or its agent in the primary government's name (Category 2), and \$164,839, although meeting legal collateralization requirements, deposits were held by the counterparty, or by its trust department or agent, but not in the State's name (Category 3).

B. Component Units

As of June 30, 2003, the carrying amount of deposits was \$9,165,537, and the bank balance was \$8,956,646. Of the bank balance, \$7,149,078 was fully insured or collateralized with securities held by the respective component units, or their agents in the component unit's name (Category 1) and \$2,016,459, although meeting legal collateralization requirements, deposits were held by the counterparty, or by its trust department or agent, but not in the State's name (Category 3).

Investments

Authorized investments generally include obligations consisting of securities guaranteed either directly or indirectly by the United States of America, or the State of South Dakota; notes or bonds issued and guaranteed by political subdivisions of the State; notes, bonds, or debentures of solvent corporations, provided they are rated in the four highest classifications established by at least two rating services.

The assets of the Cement Plant Trust Fund, Education Enhancement Trust Fund, and the Healthcare Trust Fund are authorized to be invested in stocks, bonds, mutual funds, and other financial instruments.

State (permanent) school and endowment funds (also known as School and Public Lands funds) are authorized to be invested, additionally, in corporate equity securities, loans made by the Veteran's Administration, Farmer's Home Administration, Federal Housing Administration, and Small Business Administration, as well as loans made under the Federal Higher Education Act of 1965, as amended.

Assets of public employee pension trust funds are authorized to be invested, additionally, in corporate equity securities.

All types of investments must follow the "prudent man concept", considering the probable safety of capital, as well as the probable income.

Housing Development Authority funds can also be invested in obligations issued by the Government National Mortgage Association, Federal National Mortgage Association, Federal Land Bank, Federal Home Loan Bank, Bank for Cooperatives, and Federal Farm Credit Banks.

The State's investments are categorized to give an indication of the level of risk assumed by the entity. Category A includes those investments that are insured or registered, or held by the State or its agent in the State's name. Category B includes those investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name. Category C includes those investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the State's name.

At June 30, 2003, the State's investments consisted of the following (expressed in thousands):

	Category A	Category B	Category C	Fair Value
Primary Government:				
U.S. Government-Backed Securities	\$ 1,090,520	\$ 37,419	\$	\$ 1,127,939
U.S. Government-Backed Loans	11,187			11,187
Municipal Bonds	117,232			117,232

	Category A	Category B	Category C	Fair Value
Corporate Notes and Bonds	814,129	233,413		1,047,542
Corporate Equity Securities	1,666,386	103,556		1,769,942
International Funds	675,968			675,968
Total	<u>4,375,422</u>	<u>374,388</u>	<u>0</u>	<u>4,749,810</u>
Unclassified:				
Mutual Funds				1,015,718
Guaranteed Investment Contracts				84,163
Annuity Contract				78,639
Real Estate				296,184
International Funds				105,385
Private Equity				195,625
Unemployment Compensation Funds				
Funds Pooled with U.S. Treasury				43,045
Investments Held by Brokers				
Under Securities Lending Program:				
Securities Lending Collateral				484,288
Component Units in Primary				
Government's Investment Pool				(116,782)
Total Primary Government	<u>4,375,422</u>	<u>374,388</u>	<u>0</u>	<u>6,936,075</u>
Component Units:				
Repurchase Agreements	110,336			110,336
U.S. Government-Backed Securities	269,573		10,569	280,142
U.S. Government-Backed Loans	48,480			48,480
Corporate Notes and Bonds			1,013	1,013
State of South Dakota Bonds	10,330			10,330
Total	<u>438,719</u>	<u>0</u>	<u>11,582</u>	<u>450,301</u>
Unclassified:				
Mutual Investment Funds				227,879
Investments Held by Brokers Under				
Securities Lending Program:				
Securities Lending Collateral				28,444
Investments in Primary Government's				
Investment Pool				88,338
Total Component Units	<u>438,719</u>	<u>0</u>	<u>11,582</u>	<u>794,962</u>
Total Reporting Entity	<u>\$ 4,814,141</u>	<u>\$ 374,388</u>	<u>\$ 11,582</u>	<u>\$ 7,731,037</u>

**Reconciliation of Deposit and Investments
With Financial Statements
June 30, 2003
(expressed in thousands)**

Government-Wide Statement of Net Assets

	Governmental Activities	Business-Type Activities	Component Units	Fiduciary Funds Statement of Net Assets	Total
Cash and Cash Equivalents	\$ 496,708	\$ 131,856	\$ 353,207	\$ 50,514	\$ 1,032,285
Investments	803,617	60,741	422,302	4,955,955	6,242,615
Securities Lending Collateral	170,361	23,697	28,444	261,785	484,287
Total	<u>\$ 1,470,686</u>	<u>\$ 216,294</u>	<u>\$ 803,953</u>	<u>\$ 5,268,254</u>	<u>\$ 7,759,187</u>

Short-term investments consist primarily of commercial paper rated as required by statute. Higher Education is a component unit with investments in the primary government's investment pool.

The pension fund investment portfolio includes futures contracts due September 18, 2003 that will increase the market exposure for domestic securities by \$518,934,785 and decrease domestic fixed income investments by \$65,923,130 and short-term investments by \$453,011,655.

Cash and Investment Reconciliation

Cash and investments per above schedules (expressed in thousands):

Deposits - Bank Balance	\$ 60,661
Investments	7,731,037
TOTAL	<u>7,791,698</u>
Outstanding Warrants	(33,533)
Purchased Interest	79
Other Adjustments	<u>943</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 7,759,187</u>

Securities Lending Transactions

State statutes and the South Dakota Investment Council (SDIC) policies permit the use of investments for securities lending transactions. These transactions involve the lending of securities to broker-dealers and other entities for collateral in the form of cash or securities, with the simultaneous agreement to return the collateral for the same securities in the future. The securities custodian is an agent in lending the domestic and international securities for 100% cash collateral, 102% U.S. government-backed securities and short-term money markets, 105% asset-backed securities and 110% corporate securities of the loaned securities' fair value. The cash collateral is reinvested by the lending agent in accordance with contractual investment guidelines that are designed to ensure the safety of principal and obtain a moderate rate of return. The investment guidelines include very high credit quality standards and also allow for a portion of the collateral investments to be invested with short-term securities. The earnings generated from the collateral investments, less the amount of rebates paid to dealers, result in gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

At year-end, no credit risk exposure to borrowers existed because the collateral received from the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent requires them to indemnify, if the borrowers fail to return the loaned securities (and the collateral is inadequate to replace the securities lent). Either the SDIC, or the borrower, can terminate the securities loans on demand, although the average term of the loans is one business day. The term to maturity of the securities loans is matched with the term to maturity of the investments of the cash collateral by investing in a variety of short-term investments.

The ability to pledge or sell collateral securities can be made without borrower default. In addition, no restrictions on the amount of the loans exist, or can be made.

Derivative Financial Instruments in Pension Trust Funds

South Dakota Retirement System: Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate or index. The South Dakota Retirement System

(SDRS) is exposed to a variety of derivative products through the investment management of the SDIC and their outside managers.

The SDIC purchases and sells financial and interest rate futures as a means of adjusting the SDRS portfolio mix and as a lower transaction cost substitute for transactions that would otherwise occur in the underlying portfolios. Futures contracts outstanding at June 30, 2003 were as follows (expressed in thousands):

	Open Positions	Contracts	Fair Value
S&P 500 Index due September 18, 2003	Long	2,061	\$ 502,111
NASDAQ 100 Index due September 18, 2003	Long	140	\$ 16,824
U.S. Treasury Note due September 19, 2003	Short	(395)	\$(65,923)

A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. Upon entering into such a contract, SDRS pledges to the broker cash or U.S. government securities equal to the minimum "initial margin" requirement of the futures exchange. Additionally, SDRS receives or pays a daily fluctuation in value of the contract. The use of futures contracts is subject to various market risks. The maximum amount at risk from the purchase (long position) of a futures contract is the contract value. The amount at risk from the sale (short position) of a futures contract depends upon the amount that the contract rises in value. Although short positions have theoretically no maximum risk, the SDRS short positions are hedged against the underlying portfolio to limit the exposure. Each S&P 500 contract is defined as 250 times the price of the S&P 500 index. Each note and bond contract is defined as \$100,000 par value of a 6% U.S. Treasury security adjusted for duration.

The hedging guidelines of the SDRS arbitrage portfolios managed by the SDIC provide that stock and other noncash considerations to be received may be hedged through the use of options, short sales, or when-and-if issued sales. The two arbitrage portfolios had short sales valued at \$96,913,304 as of June 30, 2003. A short sale involves the sale of securities not yet owned, but borrowed through a broker to be later repurchased to cover the loan. The arbitrage portfolios use the short sales to hedge the disparities between the existing price of a security and the present value of considerations to be received as a result of restructuring or merger activity.

The SDIC also enters into foreign exchange forward contracts to hedge foreign currency transactions. These contracts are purchased to reduce the impact of foreign currency fluctuations. The SDIC does not engage in foreign currency speculation. The contracts do not subject SDRS to risk due to exchange rate movements as gains and losses on the contracts offset gains and losses on the transactions being hedged. SDRS' theoretical risk in these transactions is the cost of replacing, at current market rates, these contracts in the event of default by the other party.

Management believes the risk of incurring such losses is remote as the contracts are entered into with major financial institutions.

In addition to the derivatives listed above, the SDRS fixed income portfolio also held mortgage-backed securities in the form of GNMMAs, FHLMMCs, and FNMMAs. The fair value of these securities as of June 30, 2003 was \$380,877,873. The SDIC is using this investment to enhance fixed returns.

Cement Plant Retirement Fund: The South Dakota Cement Plant Retirement Fund is the statutory responsibility of the SDIC. The SDIC purchases and sells financial and interest rate futures as a means of adjusting the plan's

portfolio mix. Futures contracts outstanding at June 30, 2003 were as follows (expressed in thousands):

	Open Positions	Contracts	Fair Value
S&P 500 Index due September 18, 2003	Long	17	\$ 4,142
U.S. Treasury Note, due September 19, 2003	Short	3	\$ 501

In addition to the derivatives listed above, the Cement Plant Retirement Fund also held mortgage-backed securities in the form of GNMMAs, GHLMMCs, and FNMMAs. The fair value of these securities as of June 30, 2003 was \$2,109,528. The SDIC is using this investment to enhance fixed returns.

4. DISAGGREGATION OF RECEIVABLES AND PAYABLES

A. Receivables - Net

The line "Receivables, Net" reported on the government-wide Statement of Net Assets consisted of the following (expressed in thousands):

	Governmental Activities							Total
	General Fund	Transportation Fund	Social Services Federal Fund	Dakota Cement Trust Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Internal Service Funds	
Taxes Receivable	\$ 74,386	\$ 10,824	\$	\$	\$	\$ 2,806	\$	\$ 88,016
Allowance		(8)				(46)		(54)
Accounts Receivable	3,279	1,547	3,025		105	4,188	322	12,466
Allowance	(284)					(44)		(328)
Due From Other Governments	1,048	23,513	42,968			85,907	164	153,600
Allowance	(209)							(209)
Interest Receivable	1,752	431	7	1,936	2,714	2,244	304	9,388
Current Loans and Notes		151				3,354		3,505
Non-current Loans and Notes		763				18,580		19,343
Allowance						(493)		(493)
Due From Fiduciary Funds	34					67	24	125
Receivables, net	\$ 80,006	\$ 37,221	\$ 46,000	\$ 1,936	\$ 2,819	\$ 116,563	\$ 814	\$ 285,359

	Business-type Activities			
	Lottery Fund	Clean Water State Revolving Fund	Non-major Enterprise Funds	Total
Accounts Receivable	\$ 5,065	\$	\$ 2,678	\$ 7,743
Allowance	(18)		(1,641)	(1,659)
Due From Other Governments		139	710	849
Interest Receivable	68	1,697	1,063	2,828
Current Loans Receivable		8,920	10,866	19,786
Noncurrent Loans Receivable		62,025	47,322	109,347
Allowance			(1,852)	(1,852)
Due From Fiduciary Funds			10	10
Receivables, net	\$ 5,115	\$ 72,781	\$ 59,156	\$ 137,052

B. Accounts Payable and Other Current Liabilities

The line "Accounts Payable and Other Current Liabilities" reported on the government-wide Statement of Net Assets consisted of the following (expressed in thousands):

	Governmental Activities					Total
	General Fund	Transportation Fund	Social Services Federal	Nonmajor Governmental Funds	Internal Service Funds	
Payroll and Withholdings	\$ 8,071	\$ 3,727	\$ 1,399	\$ 6,881	\$ 1,692	\$ 21,770
Accounts Payable	9,236	29,507	2,765	15,738	1,659	58,905
Medicaid Claims	14,032		33,980	5,680		53,692
Due to Other Governments	1,859	9	71	19,031		20,970
Shared Revenue Distribution	19,214			11,665		30,879
Due to Fiduciary Funds	23			110		133
Total	\$ 52,435	\$ 33,243	\$ 38,215	\$ 59,105	\$ 3,351	\$ 186,349

	Business-type Activities				Total
	Lottery Fund	Clean Water State Revolving Fund	Nonmajor Enterprise Funds		
Payroll and Withholdings	\$ 87	\$ 11	\$ 371		\$ 469
Accounts Payable	1,107	43	1,539		2,689
Due to Fiduciary Funds			15		15
Escrow Payable	50				50
Other Liabilities	845				845
Total	\$ 2,089	\$ 54	\$ 1,925		\$ 4,068

5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2003 is as follows (expressed in thousands):

A. Interfund Receivables and Payables

Due To	Due From									Total Due From
	General Fund	Transportation Fund	Social Services Federal	Education Enhancement Trust Fund	Nonmajor Governmental Fund	Lottery Fund	Nonmajor Enterprise Funds	Internal Service	Fiduciary	
General Fund	\$	\$	\$ 5,757	\$ 14,161	\$ 18,611	\$ 577	\$ 444	\$ 148	\$ 34	\$39,732
Transportation Fund	85		23		298			211		617
Social Services Fund					40					40
Non-major Governmental Funds	549	67	348		3,309	4,176	26	89	67	8,631
Non-major Enterprise Funds	57	4	11		132			76	10	290
Internal Service Funds	1,967	828	615		2,583	72	105	1,017	24	7,211
Fiduciary Funds	23				110		15			148
Total Due To	\$ 2,681	\$ 899	\$ 6,754	\$ 14,161	\$ 25,083	\$ 4,825	\$ 590	\$ 1,541	\$ 135	\$56,669

Interfund receivables and payables are recorded for: 1) interfund goods or services provided or other reimbursable transactions occurring between funds; 2) year-end entries eliminating deficit cash balances in funds as described further in Note 3; and, 3) other payables existing between funds.

Advances between funds also existed at June 30, 2003, which are not shown in the above table. Advances represent loans between funds that are not due within one year. At June 30, 2003, an advance of \$794,822 was reported as a due from in the Aeronautics Fund, which is reported as a nonmajor governmental fund, and a due to in the General Fund for the reimbursement of state aircraft maintenance costs.

B. Interfund Transfers

Transferred From	Transferred To								Total Transferred To
	General Fund	Transportation Fund	Social Services Federal	Education Enhancement Trust	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service	Fiduciary	
General Fund	\$	\$ 83	\$ 22	\$	\$ 18,462	\$ 33	\$ 413	\$	\$ 19,013
Transportation Fund	1,481				130				1,611
Dakota Cement Trust Fund	12,000								12,000
Education Enhancement Trust Fund	17,578								17,578
Nonmajor Governmental Funds	149,762	596		243,648	18,806	996		69	413,877
Lottery Fund	4,537				107,520				112,057
Water Pollution Control Revolving Fund					21				21
Nonmajor Enterprise Funds	6				685	57			748
Internal Service Funds		9			216		1,000		1,225
Total Transferred From	185,364	688	22	243,648	145,840	1,086	1,413	69	578,130
Transfers of Capital Assets									
from General Capital Assets To:									
Internal Service Funds									7
Nonmajor Enterprise Funds									337
Transfers of Capital Assets to									
General Capital Assets From:									
Internal Service Funds									(15)
Nonmajor Enterprise Funds									(503)
Total	\$ 185,364	\$ 688	\$ 22	\$ 243,648	\$ 145,840	\$ 1,086	\$ 1,413	\$ 69	\$ 577,956

Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; 2) move receipts restricted for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In the fund financial statements, total transfers out are \$174,714 higher than total transfers in because of the treatment of assets transferred between proprietary funds and governmental funds. No amounts were reported in the governmental fund financial statements because the amount did not involve the transfer of financial resources.

In fiscal year 2003, nonmajor governmental funds reported transfers out of \$243,648,000 from the Tobacco Securitization Fund, reported as a debt service fund, to the Education Enhancement Trust Fund. The transfer represented the net proceeds, after required bond reserves were established, from the securitization of future tobacco settlement revenue.

In fiscal year 2003, \$133,337,000 of General Fund appropriations was used to support state-run universities, which are reported under Higher Education, a component unit. The amounts are reported as expenditures in both General Fund statements and the governmental activities column of the Statement of Activities. They are reported as revenues in the component units column of the Statement of Activities.

6. CAPITAL ASSETS

A. Primary Government

Capital Assets consisted of the following for fiscal year 2003 (expressed in thousands):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated:				
Land	\$ 52,719	\$ 9,325	\$ 682	\$ 61,362
Land Improvements	1,687	88		1,775
Land Improvements - Roads	554,641	1,500		556,141
Construction in Progress	168,381	119,485	117,839	170,027
Total Capital Assets Not Being Depreciated	777,428	130,398	118,521	789,305
Capital Assets Being Depreciated:				
Land Improvements	6,669	271		6,940
Buildings	237,975	10,873		248,848
Equipment	114,782	10,831	4,996	120,617
Vehicles	87,349	8,759	6,222	89,886
Infrastructure	2,516,988	137,405	46,546	2,607,847
Total Capital Assets Being Depreciated	2,963,763	168,139	57,764	3,074,138
Less: Accumulated Depreciation for:				
Land Improvements	1,719	343		2,062
Buildings	84,205	6,699		90,904
Equipment	67,189	8,725	4,230	71,684
Vehicles	45,728	9,506	4,991	50,243
Infrastructure	1,021,718	44,283	17,045	1,048,956
Total Accumulated Depreciation	1,220,559	69,556	26,266	1,263,849
Total Capital Assets Being Depreciated, Net	1,743,204	98,583	31,498	1,810,289
Total Governmental Activities	\$ 2,520,632	\$ 228,981	\$ 150,019	\$ 2,599,594
Business-Type Activities				
Capital Assets not Being Depreciated:				
Land	354			354
Construction in Progress	1,214	377	1,220	371
Total Capital Assets Not Being Depreciated	1,568	377	1,220	725
Capital Assets Being Depreciated:				
Land Improvements	687			687
Buildings	2,918	719		3,637
Equipment	2,131	70	68	2,133
Total Capital Assets Being Depreciated	5,736	789	68	6,457
Less: Accumulated Depreciation for:				
Land Improvements	325	24		349
Buildings	2,231	90		2,321
Equipment	1,842	57	31	1,868
Total Accumulated Depreciation	4,398	171	31	4,538
Total Capital Assets Being Depreciated, Net	1,338	618	37	1,919
Total Business-Type Activities	\$ 2,906	\$ 995	\$ 1,257	\$ 2,644

Depreciation was charged to the function of government as follows:

	<u>Amount</u>
Governmental Activities	
Unallocated	\$ 70
General Government	8,977
Health and Human Services	1,856
Law, Justice, and Public Protection	4,476
Agriculture and Natural Resources	2,122
Transportation	50,940
Education	1,063
Economic Resources	51
	<u>69,555</u>
Total Governmental Activities	<u>\$ 69,555</u>
Business-Type Activities	
Enterprise Funds	<u>\$ 171</u>

B. Component Units

Capital Assets for Component Units consisted of the following for fiscal year 2003 (expressed in thousands):

	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Higher Education:				
Capital Assets Not Being Depreciated:				
Land	\$ 4,029	\$ 927	\$ 16,159	\$ 4,956
Construction in Progress	35,407	25,031	16,159	44,279
Works of Art and Historical Treasures	7,825	22		7,847
Total Capital Assets Not Being Depreciated	<u>47,261</u>	<u>25,980</u>	<u>16,159</u>	<u>57,082</u>
Capital Assets Being Depreciated:				
Land Improvements	10,953	2,710	833	12,830
Infrastructure	16,092	1,777	39	17,830
Buildings	308,588	13,939	1,128	321,399
Equipment and Other Assets	133,044	15,471	2,094	146,421
Total Capital Assets Being Depreciated	<u>468,677</u>	<u>33,897</u>	<u>4,094</u>	<u>498,480</u>
Less: Accumulated Depreciation for:				
Land Improvements	4,892	510	156	5,246
Infrastructure	8,033	571	40	8,564
Buildings	137,380	8,772	696	145,456
Equipment and Other Assets	96,283	8,992	1,389	103,886
Total Accumulated Depreciation	<u>246,588</u>	<u>18,845</u>	<u>2,281</u>	<u>263,152</u>
Total Capital Assets Being Depreciated, Net	<u>222,089</u>	<u>15,052</u>	<u>1,813</u>	<u>235,328</u>
Total Higher Education Capital Assets, Net	<u>269,350</u>	<u>41,032</u>	<u>17,972</u>	<u>292,410</u>
South Dakota Housing Development Authority				
Capital Assets Being Depreciated:				
Equipment	3,028	447	136	3,339
Less: Accumulated Depreciation for:				
Equipment	1,591	349	127	1,813
Total Capital Assets Being Depreciated, Net	<u>1,437</u>	<u>98</u>	<u>9</u>	<u>1,526</u>
Total Discretely Presented Component Units, Net	<u>\$ 270,787</u>	<u>\$ 41,130</u>	<u>\$ 17,981</u>	<u>\$ 293,936</u>

C. Construction in Progress

The State has entered into contracts for the renovation and construction of buildings, structures, and infrastructure (highway projects). Commitments associated with construction in progress at June 30, 2003 are as follow:

	<u>Amount</u>
Primary Government	
Governmental Activities	
Land Improvements	\$ 1,478
Buildings and Structures	3,316
Equipment	2,210
Infrastructure	163,023
Total Governmental Activities	<u>170,027</u>
Business-Type Activities	
Buildings and Structures	371
Total Primary Government	<u>\$ 170,398</u>
Discretely Presented Component Units	
Higher Education	
Land Improvements	\$ 555
Buildings and Structures	43,724
Total Discretely Presented Component Units	<u>\$ 44,279</u>

7. RETIREMENT PLANS

South Dakota Retirement System, Plan

Description: The South Dakota Retirement System (SDRS) is a cost-sharing, multiple-employer, public employee retirement system established to provide retirement, disability, and survivor benefits for employees of the State and its political subdivisions. 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, footnote disclosures, and required supplementary information. The SDRS is considered part of the State of South Dakota financial reporting entity and is included in the State's financial report as a pension trust fund. Copies of the separately issued financial report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

As of June 30, 2003, the number of participating governmental employers was:

School Districts	187
State of South Dakota	1
Board of Regents	1
Municipalities	140
Counties	63
Boards and Commissions	<u>73</u>
Total Employers	<u>465</u>

The SDRS financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to governmental accounting for a pension trust fund. Revenue is recorded when earned and expenses recorded when incurred. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits are recorded when payable by law and refunds are paid and recorded upon receipt of an approved application.

Investments are carried at fair value to properly reflect the asset values of the fund at June 30, 2003. Fair values were determined based on closing market prices at June 30, 2003 for those securities traded on national and international stock exchanges and at the average of bid-and-asked quotations for those securities traded in the over-the-counter market. Investments not traded on any exchange are valued at fair value based on estimates made by management. The value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. Real estate is valued at market based upon annual appraisals. Net appreciation or depreciation in the fair value of investments held at or traded during the twelve months prior to June 30, 2003 is determined using an average cost basis. Purchases and sales are recorded as of the trade date.

The equity securities include common stocks, preferred stocks, convertible debentures, arbitrage securities, and equity international funds. The fixed income securities include U.S. government and government-backed bonds and corporate bonds.

Foreign exchange rate gains and losses are included with the net appreciation in fair value in investments. Futures contracts are marked to market based on quoted futures prices with changes in fair value reflected in the current period.

Interest and dividends are accrued in the period they are earned.

Contributions: Covered employees are required by state law to contribute a percentage of their salary to SDRS as follows:

- Class A members - 6%
- Class B Judicial members - 9%
- Class B Public Safety members - 8%

All participating employers are required to contribute an amount equal to the member's contributions. Members may make an additional contribution of 8/10 of 1% of compensation for optional spouse coverage.

Contributions during fiscal year 2003 totaling \$152,795,728 (\$80,806,420 employee and \$71,989,308 employer) were made in accordance with statutory rates. These contributions represent 13.7% of current year covered payroll for all participating units. The employee contributions exceed the employer contributions because of optional spouse coverage contributions and employee service purchase payments. The employer contributions for fiscal years 2002 and 2001 were \$58,544,918 and \$55,697,940, respectively.

SDRS is funded by fixed member and employer contributions at a rate established by state law. On an annual basis, an independent actuarial valuation of SDRS is made to determine the adequacy of the fixed contractually-required contributions to pay the normal cost, expenses and amortize the frozen unfunded actuarial accrued liability. The June 30, 2003 actuarial valuation of the plan determined that the contractually-required employer contributions equal the requirements for the annual required contribution of the employers.

SDRS allows participating entities to pay their deferred contributions for funding of accrued benefits over periods of up to 20 years and members to pay for the purchase of certain prior service over periods of up to 10 years.

Interest is charged at rates of 5% to 8%. As of June 30, 2003, deferred contribution payments will be received as follows:

Year Ending June 30	Employers	Employees
2004	\$ 36,798	\$ 1,517,420
2005	20,544	658,372
2006	5,812	406,134
2007		223,913
2008		113,394
Later		122,226
	63,154	3,041,459
Less interest	4,151	332,755
Total	\$ 59,003	\$ 2,708,704

South Dakota Cement Commission Retirement Plans:

The South Dakota Cement Commission (SDCC) administers the South Dakota Cement Pension Trust Fund (Fund). The Fund consists of six defined benefit pension plans that cover all former employees of the State Cement Plant. The plans are noncontributory, single-employer, public employee retirement plans. The plans are actuarially funded, using the entry age normal, level percent of pay, funding method. The plans' funding policies provide for the unfunded actuarial accrued liability to be amortized as a level dollar over an open 20-year period. The July 1, 2002 actuarial report calculated the actuarial required contributions at \$873,000. The SDCC contributed \$4,000,000 during fiscal year 2003.

The retirement plans are frozen as to new participants, final average earnings, credited service, and primary social security benefits. The normal retirement age is 65, and early retirement is at age 55, with required credited service. The plans provide disability benefits to those former employees totally and permanently disabled on or before March 16, 2001. A survivor benefit will be paid to a surviving spouse provided: a) the spouse has dependent children; or, b) the surviving spouse has attained the age of 65; or, c) the employee had purchased the surviving spouse coverage option. Plan contributions are established by Administrative Rules of South Dakota.

Copies of a separately issued financial report on the plans may be obtained by writing to the South Dakota Department of Legislative Audit, 427 South Chapelle, % 500 East Capitol, or by calling (605) 773-3595.

The Funds' financial statements are prepared on the accrual basis of accounting. Benefits are recorded when payable by administrative rule.

Investments are carried at fair value that is based on the quoted market price of each of the plans' investments. Interest and dividends are accrued in the period they are earned. The unrealized appreciation or depreciation in the current value of the investments held at June 30, 2003 and the realized gain or loss on sales of investments during the period then ended are determined using the average cost of the investments. Net assets totaling \$6,500,512 were

invested with the Provident Mutual Fund and represented 5% or more of the net assets available for benefits

At June 30, 2003, the fair value of net assets held in trust for pension benefits was \$34,235,176.

Assets Held by Insurance Company: The Board of Regents, reported under the Higher Education component unit, joined the SDRS in July 1975. Prior to that time, the Board of Regents had a separate retirement plan through an insurance company under which their members contributed a percentage of their salary to the plan, with a matching amount contributed by the Board of Regents. Upon entering the SDRS, employees were given the option of keeping their contributions with the insurance company, or moving their assets to SDRS.

Upon retirement, members who contributed to the insurance company plan may apply for and receive benefits from the insurance company. In addition, they will receive benefits from the SDRS, with the member's calculated normal benefits from the SDRS being reduced accordingly by the amount they would have received had the funds held by the insurance company been held for the full period by the SDRS. The benefits received from the insurance company will be in the form of an annuity contract between the employee and the company. The State of South Dakota will not be responsible for any deficiencies that arise from these contracts, and the State will not be entitled to any excess funds remaining after the contracts have been fulfilled.

Department of Labor Employment Security Retirement Plan:

Employees of the Department of Labor hired prior to July 1, 1980 had the option to become a member of the SDRS, or maintain membership in the Employment Security Retirement Plan. The Employment Security Retirement Plan is a defined benefit single employer plan administered through a private insurance carrier.

Financial statements are not available from the insurance company. The latest actuarial information available is as of July 1, 2002. The following actuarial information covers all employees of the active life plan, plus any cost-of-living increases granted to retired life plan participants after January 1, 1987.

For the fiscal year ended June 30, 2002 (most recent actuarial valuation date), the payroll and contributions for employees covered by the plan was \$2,956,917 and \$125,684, respectively. On June 30, 2002, participants in the plan consisted of the following:

Active Participants	85
Vested Terminated Participants	6
Retired Participants and Beneficiaries	196

Investments are carried at fair value to properly reflect asset values at June 30, 2002. Contributions are made by active life plan participants at 5% of their salaries. The Department of Labor has not contributed to the plan since 1994 and no future employer contributions are expected to be required, based on the actuarial assumptions used. The following is a schedule of funding progress:

Fiscal Year Ended June 30	Actuarially Net Assets Available For Benefits	Entry Age Normal Assets in Accrued Liability (AAL)	Percent Funded (1)-(2)	Annual Excess of AAL (1)-(2)	Annual Covered Payroll	Assets in Excess of AAL as a Percent of Covered Payroll (4)-(5)
2000	\$ 59,369,863	\$ 44,456,018	133.5	\$ 14,913,845	\$3,035,791	491.3
2001	\$ 56,174,491	\$ 45,540,493	123.4	\$ 10,633,998	\$2,948,124	360.7
2002	\$ 57,913,590	\$ 46,442,075	124.7	\$ 11,471,515	\$2,956,917	388.0

8. DEFERRED COMPENSATION PLAN

The State of South Dakota maintains a deferred compensation plan for the benefit of its employees created in accordance with Internal Revenue Code Section 457. The plan is available to all employees of the State and its political subdivisions. The plan permits participants to defer a portion of their salary until future years, thereby deferring taxation on the portion deferred. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable financial emergency.

All amounts of compensation deferred under the plan, all property and rights held by the fund, at all times until made available to a participant or the participant's beneficiary, shall be held in trust for the exclusive benefit of the participants. The State has no liability for losses under the plan.

The assets of the deferred compensation plan are not included in the accompanying financial statements because the assets are remitted to a third-party administrator to hold in trust.

9. COMMITMENTS

Construction and Other Commitments: At June 30, 2003, the Department of Transportation had contractual construction commitments of \$189,051,756 for various highway projects and maintenance commitments (including stockpile) of \$4,027,129. Financing for these future expenditures will be primarily from approved federal grants and highway use taxes.

The Department of Environment and Natural Resources had construction and other contractual commitments of \$72,645,718 for various water development projects. Financing for these future expenditures will be from approved federal grants, legislative appropriations, and a

bond issue. These commitments relate to the following funds/programs:

Clean Water State Revolving Fund	\$14,233,360
Drinking Water State Revolving Fund	\$34,713,713
Water and Environment Fund Program	\$12,806,709
Federal Funds	\$10,891,936

The Building Authority has contracts and other construction commitments of \$15,483,848.

The South Dakota Housing Development Authority had commitments to purchase home-ownership mortgage loans aggregating \$51,270,606. Financing for these future expenditures will be from home-ownership mortgage bonds.

The Office of the Governor had construction and other contractual commitments of \$41,301,426. Financing for these future expenditures will be from approved federal grants, from a previous 1% sales tax, and an employer's investment in South Dakota's future fee. These commitments relate to the following funds/programs:

Revolving Economic Development Initiative (REDI) Fund Grants/Loans	
Value-Added Agriculture Sub Fund	\$ 829,528
REDI Fund Loans	\$12,615,250
SD Economic Finance Authority	\$ 125,000
Economic Development Finance Authority, Agriculture Processing and Export Program (APEX)	\$ 250,000
Community Development Block Grant (CDBG)	\$21,827,650
Future Fund Program	\$ 5,653,998

South Dakota State University has contractual construction commitments of \$450,000.

The Petroleum Release Fund has commitments of \$5,300,000.

The State of South Dakota, acting through the Department of Environment and Natural Resources, has contracted with the United States Environmental Protection Agency for participation in the reclamation and remediation of the former Gilt Edge and Brohm Mine in Lawrence County. The State is expected to pay 10% of the final costs of reclamation and remediation of the site, currently estimated to be \$45 million. The State has already spent approximately \$2.5 million from the Regulated Response Fund. The State had approximately \$5.4 million in the form of a cash deposit contributed by Brohm for reclamation costs. The State's contribution to the costs of reclamation and remediation will come from the sums already expended from the Regulated Response Fund and from the cash deposit contributed by Brohm, together with interest earned on the cash deposit. After reclamation is completed, and after a holding period by the United States, the State will take control of the site. Costs incurred when the State takes control of the site cannot be anticipated at this time.

10. SELF-INSURANCE

A. Workers' Compensation Benefits and Unemployment Insurance

Various funds accumulate assets to cover risks that the State incurs in its normal operations. The State (rather than an insurance carrier) assumes the risk associated with claims of state employees for unemployment compensation benefits. "Premiums" charged to state funds to cover the costs of claims servicing and claims payments are based on a percentage of wages paid to state employees. Related transactions are accounted for in the State Unemployment Compensation Fund.

The State is self-insured for workers' compensation through the creation of reserves derived from a percentage of wages paid to state employees. This activity is accounted for in an internal service fund. Claims payable for workers' compensation is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses (those relating to a specific claim) are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. The claims liability is funded as claims are paid resulting in an actuarially determined unfunded liability of \$12,368,217 at June 30, 2003. The Workers' Compensation Fund liability at June 30, 2003, and the changes to the liability during fiscal years ended June 30, 2003 and 2002 were as follows (expressed in thousands):

	FY2003	FY2002
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 16,529	\$ 17,909
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	1,118	536
Changes in provision for insured events of prior fiscal years	2,416	790
Total incurred claims and claim adjustment expenses	<u>3,534</u>	<u>1,326</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,195	887
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	2,175	1,819
Total payments	<u>3,370</u>	<u>2,706</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 16,693</u>	<u>\$ 16,529</u>

B. Health and Life Insurance

The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance and life insurance benefits (an insurance carrier, however, provides claims administration services for health insurance). The health and life insurance programs are accounted for in the Self-Insurance Internal Service Fund. "Premiums" are charged to state funds for all covered employees. Employees may purchase varying levels of health and/or life coverage for their spouses and/or dependents. Claims payable for health insurance is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses are included in the

determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. Claims expenses and liabilities for life insurance are reported using a case-by-case review of claims. Allocated claim adjustment expenses are uncommon and immaterial. Unallocated claim adjustment expenses are not included. At the end of FY2003, \$725,000 of the net assets balance in the self-insurance fund was designated for future catastrophic losses relating to life insurance. The health and life insurance programs liability at June 30, 2003 and the changes to the liability during fiscal years ended June 30, 2003 and 2002 were as follows (expressed in thousands):

	Health Insurance		Life Insurance	
	FY2003	FY2002	FY2003	FY2002
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 7,509	\$ 6,191	\$ 85	\$ 54
Incurred claims and claim adjustment expenses	53,095	53,168	2,494	2,240
PAYMENTS:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	45,205	45,659	2,228	2,155
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	7,509	6,191	85	54
Total payments	52,714	51,850	2,313	2,209
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 7,890	\$ 7,509	\$ 266	\$ 85

C. Public Entity Pool for Liability

The State is insured through a Public Entity Pool for Liability (PEPL) Fund, reported as an internal service fund. The PEPL Fund covers risks associated with automobile liability and general tort liability (including public officials' errors and omissions liability, medical malpractice liability, law enforcement liability, and products liability).

All funds and agencies of the State participate in the PEPL fund. The PEPL Fund allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund and agency based on the number of automobiles titled to each agency (for automobile liability) or approved full-time employees (for general tort liability). The PEPL Fund initially limited claims to \$1,000,000 per occurrence, subject to limitations set forth in SDCL 3-22. The State claimed sovereign immunity for all other tort liabilities. A state Supreme Court opinion now allows noneconomic damages against employees of the State while they are performing ministerial acts; therefore, beginning in FY1996, the PEPL Fund coverage document was amended to provide liability coverage for noneconomic damages that are the result of these acts and commercial reinsurance was purchased. Excess of loss reinsurance was purchased for claims costs between \$100,000 and \$1,000,000. Beginning in FY2002, the

excess of loss reinsurance amount was changed to claims costs between \$250,000 and \$1,000,000.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported, based on historical experience. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. At the end of FY2003, \$6,499,506 of the net assets balance in the PEPL Fund was designated for future catastrophic losses. The PEPL Fund liability at June 30, 2003 and the changes to the liability during fiscal years ended June 30, 2003 and 2002 were as follows (expressed in thousands):

	FY2003	FY2002
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 6,281	\$ 6,204
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	721	1,239
Changes in provision for insured events of prior fiscal years	764	628
Total incurred claims and claim adjustment expenses	1,485	1,867
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	221	242
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	2,106	1,844
Amounts due from reinsurance	0	(296)
Total payments	2,327	1,790
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 5,439	\$ 6,281

D. Risk Management

The State is commercially insured for boiler insurance, aircraft, and crime bonds through outside insurance companies. Entities participating in these insurance coverages are only billed for premiums applicable to their coverage needs. The State is uninsured for property losses, with the exception of bonded and revenue-producing buildings that are covered through outside insurance companies.

11. OPERATING LEASES

The State of South Dakota has entered into numerous agreements to lease land, buildings, and equipment. Most operating leases contain a provision that the State may renew leases on a year-to-year basis. In most cases, management expects the leases will be renewed or replaced by other leases of a similar nature.

The following schedule is a summary of future minimum rental payments by years required under operating leases with lease terms in excess of one year as of June 30, 2003 (expressed in thousands):

Fiscal Year Ended June 30,	Primary Government	Component Units	Total
2004	\$ 3,806	\$ 1,936	\$ 5,742
2005	2,916	1,742	4,658
2006	2,708	1,680	4,388
2007	2,105	1,583	3,688
2008	1,549	1,050	2,599
2009-2013	6,619	2,583	9,202
2014-2018	4,780	2,217	6,997
2019-2023	0	886	886
TOTAL	\$ 24,483	\$ 13,677	\$ 38,160

The total rental expenses for all operating leases for the fiscal year ended June 30, 2003 was \$11,249,333 for the primary government and \$1,668,820 for component units.

12. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2003 and changes to long-term liabilities during the fiscal year then ended are as follows (expressed in thousands):

	Beginning Balance (Restated)	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Revenue Bonds	\$ 96,306	\$ 273,836	\$ 17,602	\$ 352,540	\$ 8,885
Trust Certificates	42,210		2,255	39,955	2,380
Compensated Absences	47,544	24,575	24,190	47,929	24,732
Policy Claims Liability	14,252	65,459	65,636	14,075	10,081
Workers Compensation	17,148	3,652	3,492	17,308	2,676
Capital Leases	38,368	935	5,048	34,255	4,519
Loans	44		44	0	
Escheat Property	2,353	927	821	2,459	1,131
Total Governmental Activities	258,225	369,384	119,088	508,521	54,404
Business-Type Activities					
Revenue Bonds	31,359		1,075	30,284	1,430
Compensated Absences	940	492	429	1,003	511
Capital Leases	25	9	5	29	8
Total Business-Type Activities	32,324	501	1,509	31,316	1,949
Component Units					
Revenue Bonds	1,565,146	490,027	550,713	1,504,460	32,567
Trust Certificates	6,975		1,390	5,585	1,500
Compensated Absences	28,705	14,069	12,470	30,304	8,933
Capital Leases	933	139	588	484	159
Rural Development Loans	2,369		89	2,280	88
Federal Portion of Perkins Loan Program	31,117	487		31,604	
Other		1,283		1,283	
Total Component Units	1,635,245	506,005	565,250	1,576,000	43,247
Total Long-Term Obligations	\$ 1,925,794	\$ 875,890	\$ 685,847	\$ 2,115,837	\$ 99,600

Revenue Bonds and Trust Certificates

A. Governmental Activities

Building Authority

The Building Authority issues bonds and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities of state departments and institutions. Bonds and certificates of participation are payable from revenues generated through lease agreements between the Building Authority and state departments and institutions. Lease payments for bonds and certificates of participation are paid from the State General Fund and other state dedicated fees of state departments, boards, and commissions, and an annuity.

The Building Authority sold trust certificates to a trustee bank and assigned the right to receive lease rental payments over to the trustee bank. The principal and interest payments on the certificates are payable solely from amounts payable by the State under lease agreements. The certificates are not an indebtedness of the State within the meaning of any constitutional or statutory debt limit, nor may the certificates be a claim against the property of the authority.

The indebtedness or obligations incurred or created by the Building Authority may not be or become a lien, charge, or liability against the State of South Dakota. This financial presentation does not change the legal liability of the indebtedness.

Following are Building Authority bonds and trust certificates outstanding at June 30, 2003 (expressed in thousands):

	Maturity Through	Interest Rates	Amount
Bond Series:			
1993B	2013	4.875%-5.450%	\$ 9
1996A	2016	4.400%-5.950%	76,947
1996C	2014	4.100%-5.300%	7,093
1996D	2011	5.200%-6.000%	675
1999	2019	4.500%-6.500%	1,366
2003	2015	2.500%-5.000%	1,263
Less Unamortized Loss on Refunding			(80)
Plus Unamortized Premium			59
Total Bonds			87,332
Trust Certificate Series:			
1991A&B	2016	4.700%-6.750%	12,865
1993A&B	2017	6.300%-8.300%	27,090
Total Trust Certificates			39,955
Total			\$ 127,287

As of June 30, 2003, debt service requirements for principal and interest for the Building Authority were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2004	\$ 11,265	\$ 7,069	\$ 18,334
2005	11,255	6,480	17,735
2006	11,196	5,848	17,044
2007	11,229	5,172	16,401
2008	10,990	4,515	15,505
2009-2013	49,889	13,073	62,962
2014-2018	21,484	14,633	36,117
Total	\$ 127,308	\$ 56,790	\$ 184,098

Educational Enhancement Funding Corporation

During the 2001 Legislative session, the Legislature authorized the South Dakota Building Authority to provide for the establishment of a corporation for the purpose of purchasing a portion or all of the State's rights, title and interest in the proceeds of the tobacco companies master settlement agreement. On July 26, 2002, the Educational Enhancement Funding Corporation was created pursuant to South Dakota Codified Law 5-12-48 through 5-12-60. The State of South Dakota gave up its rights to any proceeds of the tobacco companies master settlement agreement while the bonds are outstanding, or over the term of the bonds, whichever is shorter. The bonds are not a debt or liability of the State or any political subdivision.

Following are Educational Enhancement Funding Corporation bonds outstanding at June 30, 2003 (expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
2002A	2025	6.72%	\$ 141,140
2002B	2032	6.50%	129,540
Less Unamortized Discount			(5,472)
Total			\$ 265,208

As of June 30, 2003, debt service requirements for principal and interest for the Educational Enhancement Funding Corporation were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2004	\$ -	\$ 17,905	\$ 17,905
2005	-	17,905	17,905
2006	-	17,905	17,905
2007	-	17,905	17,905
2008	1,640	17,905	19,545
2009-2013	29,165	85,338	114,503
2014-2018	39,520	73,931	113,451
2019-2023	46,640	60,098	106,738
2024-2028	71,895	41,615	113,510
2029-2032	81,820	13,768	95,588
Total	\$ 270,680	\$ 364,275	\$ 634,955

B. Business-Type Activities

State Revolving Funds

The South Dakota Conservancy District issued tax-exempt revenue bonds for the Clean Water State Revolving Fund (CWSRF) and for the Drinking Water State Revolving Fund (DWSRF). The SRF's provide low interest loans or other types of financial assistance to political units for the construction of publicly-owned wastewater treatment facilities, implementation of nonpoint source management programs, development and implementation of plans under the new Estuary Protection Program, and construction and maintenance of drinking water facilities, respectively. To date, the program has been used to make loans and refinance existing debt with a maximum of twenty years for repayment. Loans for the DWSRF can be made for 30 years, if the funds are for a disadvantaged community.

The South Dakota Conservancy District bonds do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. The bonds are paid solely from the interest earned on the loan repayments for the CWSRF and the DWSRF of \$2.5 million and \$792,000, respectively. If necessary, a legislative appropriation of \$1,200,000 is available for the CWSRF only.

The following is a schedule of outstanding bonds as of June 30, 2003 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Clean Water State Revolving Fund			
1994A	2012	3.10%-5.30%	\$ 6,800
1995A	2015	5.00%-6.20%	6,270
1996A	2017	4.40%-5.625%	2,380
2001	2017	4.00%-5.00%	4,405
Less Unamortized Loss on Refundings			(646)
Total			\$ 19,209
Drinking Water State Revolving Fund			
1998A	2019	3.9%-5.00%	5,805
2001	2022	4.00%-5.00%	5,270
Total			11,075
Total Revenue Bonds			\$ 30,284

As of June 30, 2003, debt service requirements for principal and interest for the CWSRF and the DWSRF were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
Clean Water State Revolving Fund			
2004	\$ 1,125	\$ 1,030	\$ 2,155
2005	1,185	973	2,158
2006	1,245	913	2,158
2007	1,305	849	2,154
2008	1,370	780	2,150
2009-2013	8,030	2,686	10,716
2014-2018	4,090	860	4,950
2019-2023	1,505	195	1,700
Total	19,855	8,286	28,141
Drinking Water State Revolving Fund			
2004	400	517	917
2005	415	501	916
2006	440	483	923
2007	455	463	918
2008	475	444	919
2009-2013	2,705	1,875	4,580
2014-2018	3,420	1,135	4,555
2019-2023	2,765	284	3,049
Total	11,075	5,702	16,777
Total	\$ 30,930	\$ 13,988	\$ 44,918

C. Component Units

1. Housing Development Authority

The Housing Development Authority provides mortgage financing for construction, rehabilitation, and purchase of residential housing and assists in coordinating with federal, state, regional, and local public and private efforts with statewide housing planning. The authority issues negotiable notes and bonds in amounts authorized by the Governor of South Dakota. Notes and bonds of the authority do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. These notes and bonds are payable solely from the revenues or assets of the authority.

Following is a schedule of bonds, consolidated by category, outstanding at June 30, 2003 (expressed in thousands):

	Maturity Through	Interest Rates	Amount
Home-Ownership Mortgage Program			
	2003-2043	.95%-8.5%	
Serial Bonds			\$ 286,495
Term Bonds			991,980
Plus Unamortized Discount			817
less Unamortized loss on Refunding			(1,471)
Total			1,277,821
Multifamily Housing Trust Funds			
	2003-2021	1.70%-5.15%	
Serial Bonds			27,935
Term Bonds			22,830
less Unamortized loss on Refunding			(1,241)
Total			49,524
Multifamily Housing Revenue Bonds			
	2004-2034	1.4%-5.35%	
Serial Bonds			215
Term Bonds			21,835
Total			22,050
Multifamily Mortgage Pass-Through Bonds			
	2010-2017	3.75%-9.00%	
Term Bonds			19,709
Multifamily Risk Sharing Bonds			
	2004-2043	2.90%-5.85%	
Serial Bonds			490
Term Bonds			14,265
Total			14,755
Total Bonds			\$ 1,383,859

As of June 30, 2003, debt service requirements for principal and interest for the Housing Development Authority were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2004	\$ 27,699	\$ 66,780	\$ 94,479
2005	28,886	65,728	94,614
2006	30,165	64,502	94,667
2007	31,201	63,169	94,370
2008	32,116	61,745	93,861
2009-2013	186,213	282,587	468,800
2014-2018	220,088	229,444	449,532
2019-2023	236,430	168,104	404,534
2024-2028	291,060	97,935	388,995
2029-2033	214,065	29,458	243,523
2034-2038	18,365	6,050	24,415
2039-2043	69,465	4,967	74,432
Total	\$ 1,385,753	\$ 1,140,469	\$ 2,526,222

2. Building Authority

The authority issues taxable revenue bonds for the Conservation Reserve Enhancement Program (CREP). The CREP involves making loans to certain individuals who have CREP contracts with the Commodity Credit Corporation (CCC) of the U.S. Department of Agriculture. Under this program, certain individuals enter into ten-year contracts with the CCC and receive annual payments for performing specified conservation practices.

Annual CREP payments made to the authority will be used by the trustee to make the debt service payments on the

bonds. Bonds of the authority do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. These bonds are payable solely from the revenues or assets of the authority.

The following is a schedule of bonds outstanding for the CREP Program as of June 30, 2003 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1998A	2009	5.80%-6.50%	\$ 4,870

As of June 30, 2003, debt service requirements for principal and interest for the CREP Program were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2004	\$ 805	\$ 283	\$ 1,088
2005	860	231	1,091
2006	915	175	1,090
2007	970	115	1,085
2008	1,030	52	1,082
2009-2013	290	11	301
Total	\$ 4,870	\$ 867	\$ 5,737

3. South Dakota Economic Development Finance Authority

The Authority was established for the purpose of making loans to businesses for the acquisition and construction of land, buildings, machinery and equipment to spawn economic growth. The Authority is authorized by South Dakota Codified Law to provide sufficient funds for achieving any of its corporate purposes. The total outstanding amount of such notes and bonds shall not exceed \$300 million at any time. No obligation issued by the Authority shall constitute debt or liability or obligation of the State of South Dakota, or any political subdivision or a pledge of the faith and credit of the State or any political subdivision.

The Authority issues pooled and stand alone bond issues. A pooled bond issue is secured by the Authority's Capital Reserve Account. A stand alone issue is based solely on the credit of the borrower and the Authority acts only as a conduit to the financing. Therefore, the debt is not included in the accompanying financial statements.

The pooled bond issues require amounts to be deposited into the Capital Reserve Account. The monies on deposit in the Capital Reserve Account are irrevocably pledged to the payment of all outstanding bonds and interest only when and to the extent that other monies are not available. The amount on deposit in the Capital Reserve Account must be equal to 12½% of the related bond principal outstanding. Amounts in excess of the reserve requirements may be transferred to any state fund to be used for other purposes. At June 30, 2003, the balance in the Capital Reserve Account was \$2,510,000 and the reserve requirement was \$2,500,000.

The 1996B (Technical Ordinance) Series bond issue required a Special Reserve Account of at least \$500,000. The amount in excess of \$500,000 may be transferred to the Capital Reserve Account on April 1 of each year, if the loan is not in default. At June 30, 2003, the balance in the Special Reserve Account was \$503,000.

The following is a schedule of outstanding bonds as of June 30, 2003 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1996A	2009-2016	5.00%-6.75%	\$ 1,485
1996B	2007	5.75%	760
1996C	2006	5.85%	330
1996D	2006-2007	4.50%-5.90%	430
1998A	2018	5.50%	685
1998B	2009	7.00%	240
1999	2009-2019	4.95%-5.50%	2,090
2003	2013	3.00%-5.25%	2,400
Total			\$ 8,420

As of June 30, 2003, debt service requirements for principal and interest for the South Dakota Economic Development Finance Authority were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2004	\$ 585	\$ 465	\$ 1,050
2005	845	422	1,267
2006	875	380	1,255
2007	815	335	1,150
2008	500	293	793
2009-2013	2,945	1,049	3,994
2014-2018	1,665	323	1,988
2019-2023	190	10	200
Total	\$ 8,420	\$ 3,277	\$ 11,697

4. Higher Education

a. Higher Education Facilities

Revenue bonds were issued for the purpose of constructing buildings. The bonds are payable only from and secured by a pledge of net revenues of the University Housing and Auxiliary Facilities System. Net revenue is defined as gross revenue, less reasonable and necessary costs of currently maintaining, repairing, insuring, and operating the University Housing and Auxiliary Facilities System. Total net revenue pledges for FY2003 equaled \$3,295,697.

Following are revenue bonds outstanding at June 30, 2003 (expressed in thousands):

Issue	Amount
School of Mines and Technology 2003	\$ 7,730
University of South Dakota 2003	16,435
South Dakota State University 1972	1,155
1994A	12,340
Less Deferred Charges	(458)
Northern State University 1984G	190
1998	2,485
Dakota State University 1984 Refunding	820
1995	2,555
Black Hills State University 1965C	54
1968D	57
1993	4,070
1995	3,500
Total	\$ 50,933

As of June 30, 2003, debt service requirements for principal and interest were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2004	\$ 1,193	\$ 2,297	\$ 3,490
2005	1,280	2,359	3,639
2006	1,652	2,304	3,956
2007	1,637	2,251	3,888
2008	1,709	2,189	3,898
2009-2013	9,641	9,814	19,455
2014-2018	11,650	7,426	19,076
2019-2023	12,754	4,283	17,037
2024-2028	7,630	1,651	9,281
2029-2033	2,245	369	2,614
Total	\$ 51,391	\$ 34,943	\$ 86,334

b. Building Authority

The Building Authority issues bonds and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities for higher education institutions. Lease payments are made from tuition and fees paid by students. The obligations incurred

or created by the Building Authority may not be a lien, charge, or liability against the State of South Dakota.

Following is a schedule of bonds and certificates outstanding at June 30, 2003 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Revenue Bonds			
1993A	2012	4.600%-6.500%	\$ 335
1993B	2013	4.875%-5.450%	256
1995A	2015	4.850%-6.250%	2,125
1996C	2014	4.100%-5.300%	3,471
1999			
Refunding			204
1999 New	2019	4.500%-6.500%	7,345
2000	2025	4.500%-6.500%	6,260
2002	2026	4.40%-5.75%	5,000
2003			
Refunding			14,522
2003A			16,860
Total Revenue Bonds			56,378
Trust Certificates			
1991B	2013	4.700%-6.625%	1,420
1993B	2005	6.40%-8.00%	4,165
Total Trust Certificates			5,585
Total			\$ 61,963

As of June 30, 2003, debt service requirements for principal and interest for the Building Authority (higher education portion) were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2004	\$ 3,765	\$ 2,145	\$ 5,910
2005	4,435	2,094	6,529
2006	4,604	1,875	6,479
2007	3,201	1,726	4,927
2008	3,480	1,647	5,127
2009-2013	16,841	6,961	23,802
2014-2018	10,152	4,926	15,078
2019-2023	8,280	2,773	11,053
2024-2028	6,270	940	7,210
2029-2033	935	23	958
Total	\$ 61,963	\$ 25,110	\$ 87,073

Capital Leases

The State has entered into various agreements to lease buildings, vehicles, and equipment. FASB Statement No. 13, "Accounting For Leases", requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee be accounted for as the acquisition of a fixed asset and the incurrence of an obligation by the lessee (a capital lease).

Capital lease obligations are recorded as liabilities in the government-wide and proprietary fund financial statements.

The following schedule is a summary of the future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2003 (expressed in thousands):

Fiscal Year Ended June 30,	Primary Government			Total
	Governmental Activity	Business-Type Activity	Component Units	
2004	\$ 6,251	\$ 8	\$ 195	\$ 6,454
2005	4,849	13	195	5,057
2006	3,862	6	54	3,922
2007	2,840	3	29	2,872
2008	2,623		29	2,652
FY2009-2013	12,834		73	12,907
FY 2014-2018	7,911			7,911
FY 2019-2023	7,521			7,521
FY2024-2028	1,196			1,196
Total Minimum Lease Payments	49,887	30	575	50,492
Less: Amounts Representing Interest	15,632	1	91	15,724
Present Value of Future Minimum Lease Payments	\$ 34,255	\$ 29	\$ 484	\$ 34,768

The historical cost and depreciation of assets acquired under capital leases and included in capital assets on the government-wide financial statements at June 30, 2003 are as follows:

	Primary Government	
	Governmental Activities	Business- Type Activities
Land	\$	\$ 28
Buildings	41,481	
Equipment	2,034	
Vehicles	12,271	
Total	55,786	28
Less Accumulated Depreciation	14,897	
Total	\$ 40,889	\$ 28

Conduit Debt Obligations

Conduit debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by state government for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The State has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued and the debt is not included in the accompanying financial statements.

1. South Dakota Railroad Authority

The South Dakota Railroad Authority is responsible for improving rail service in the State. The authority is authorized to acquire property and construct, maintain, and

equip railroad facilities pursuant to Legislative declarations. The authority is also authorized to issue revenue bonds and participating interests in mortgage notes in amounts authorized by the State Legislature. In 1996, the authority purchased rail facilities through the sale of \$20,000,000 of revenue bonds. Dakota, Minnesota and Eastern Railroad received \$14,500,000 of the bond proceeds. Additionally, a \$10,000,000 loan agreement was entered into between Dakota, Minnesota and Eastern Railroad Corporation and First National Bank of Brookings. The proceeds for the loan consisted of \$5,500,000 from the bond proceeds, \$4,000,000 from an institutional investor, and \$500,000 from the First National Bank. The bonds will be paid off with proceeds from a lease agreement with Dakota, Minnesota and Eastern Railroad Corporation with principal payments of \$14,500,000 and bank loan payments of \$5,500,000. Dakota, Minnesota and Eastern Railroad Corporation will be responsible for paying the two institutional investors \$4,500,000 on the loan. On July 29, 2002 the outstanding balance of \$3,403,125 for the bank loan was paid in full. The principal amount of the Outstanding Bonds was \$15,125,000. All of the Outstanding Bonds were tendered on August 26, 2002 as a result of DM&E's purchase offer. Bondholders were paid on August 27, 2002.

2. South Dakota Value Added Finance Authority

The South Dakota Value Added Finance Authority provides low interest financing to agricultural enterprises in the State of South Dakota. The loans can be used to acquire agricultural property. The authority is authorized to issue federal tax-exempt bonds. The bond proceeds are lent to qualifying applicants. The applicant assumes the bond

payment obligation to the bond purchaser in the form of a loan with the third party bond purchaser.

As of June 30, 2003, there were 221 Beginning Farmer Bond Program series revenue bonds outstanding. The aggregate principal amount payable on June 30, 2003 could not be determined; however, the original issue amount totaled \$24,452,041.

As of June 30, 2003, there were four Agribusiness Bonding Program series revenue bonds outstanding. The aggregate principal amount payable on June 30, 2003 could not be determined; however, the original issue amount totaled \$1,220,000.

As of June 30, 2003 there were three Agribusiness Relending Loans outstanding. The aggregate principal amount payable at June 30, 2003 could not be determined; however, the original issue amount totaled \$576,250.

3. South Dakota Economic Development Finance Authority

The Authority issues tax-exempt debt for the purpose of financing a company's acquisition and construction of land, buildings, machinery, and equipment to spawn economic growth. The bonds are special obligations of the Authority to which the payments paid by the company pursuant to a loan agreement have been irrevocably pledged.

As of June 30, 2003, the aggregate amount of stand-alone bond principal outstanding was \$24,840,000. The original issue amount of stand-alone bonds totaled \$33,175,000.

Refunded Bonds

1. Building Authority

The Building Authority defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2003, \$50,253,000 of the Building Authority bonds outstanding is considered defeased.

2. Higher Education

Black Hills State University defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2003, \$3,850,000 of university bonds outstanding is considered defeased.

On April 1, 2003, the Board of Regents issued \$7,730,000 in South Dakota School of Mines and Technology Housing and Auxiliary Facilities Revenue Bonds, Series 2003 with an

average interest rate of 5.1 percent to refund the 1973 Series C Bonds (Originally Palmerton Hall) that had an average interest rate of 3.0 percent and an unpaid principle balance at the time of refunding totaling \$330,000. A portion of the proceeds of the refunding issue, in the amount of \$336,994.45, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the Board of Regents financial statements. The Board of Regents refunded the debt which increased its total debt service payments over the next 30 years by approximately \$294,000 and resulted in an economic loss of approximately \$63,000. The remaining unpaid principal on the existing Series C bond was refunded at an economic loss to allow for pooled bond issues with other state universities in the future.

On June 1, 2003, the Board of Regents issued \$16,435,000 of University of South Dakota Housing and Auxiliary Facilities Revenue Bonds, Series 2003 with an average interest rate of 4.38 percent to refund the 1974 Refunding Bonds (Originally Mickelson Hall) that had an average interest rate of 3.625 percent and an unpaid balance at the time of the refunding totaling \$758,000. A portion of the proceeds of the refunding issue, in the amount of \$728,317.37, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the Board of Regents financial statements. The Board of Regents refunded the debt to reduce its total debt service payment over the next 11 years by \$25,999.77. This refunding resulted in an economic loss of \$9,645.04. The Series 1974 Bonds (Mickelson Hall Revenue Bonds) were called October 1, 2003.

At June 30, 2003 bonds payable is reported net of unamortized charges of \$458,355.

3. South Dakota Conservancy District

The South Dakota Conservancy District defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2003, \$5,915,000 of the South Dakota Conservancy District bonds outstanding is considered defeased. As a result of these advanced refundings, the difference between the reacquisition price and the net carrying amount of the old debt is being amortized over the life of the new bonds. At June 30, 2003, bonds payable is reported net of unamortized charges of \$645,736.

13. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES

The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets are presented in

Function	Personal Services	Travel	Contractual	Supplies & Noncapitalized Equipment	Grants & Subsidies	Interest and Other Expenses	Depreciation
Instruction	\$ 99,867	\$ 2,340	\$ 8,020	\$ 7,418	\$ 109		\$ 1,453
Research	27,041	1,786	3,599	6,614	2,523		1,874
Public Service	23,983	1,359	4,472	5,615	1,195	40	204
Academic Support	25,446	827	4,349	3,644	57		2,865
Student Services	15,736	1,786	3,714	3,284	196	549	171
Institutional Support	20,353	696	4,762	5,814	1,662	203	237
O&M of Plant	10,957	152	6,069	1,997	1	64	1,815
Scholarships and Fellowships	1,044	3	47	2	12,343	13	
Auxiliary Enterprises	10,976	259	11,889	11,378	5		1,053
Other Expenses			444			183	
Unallocated Depreciation							9,157
Total	\$ 235,403	\$ 9,208	\$ 47,365	\$ 45,766	\$ 18,091	\$ 1,052	\$ 18,829

natural classifications. The following table presents those same expenses in functional classifications as recommended by NACUBO (expressed in thousands):

14. DEFICIT FUND EQUITY

The following individual funds had deficit fund equity at June 30, 2003 (expressed in thousands).

FUND TYPE/FUND	DEFICIT
Enterprise:	
State Fair	\$ 209
Internal Service:	
State Worker's Compensation	\$ 12,368
Special Revenue:	
Fire Suppression	\$ 3,785
Office of History	174

The State enters into lease purchase agreements with the Health and Educational Facilities Authority and sub-leases the facilities to the school districts. The State makes lease payments to the Health and Educational Facilities Authority from a combination of state general fund appropriations, interest earnings from a special revenue fund and from student facility fees collected by the technical institutes and remitted to the State. Upon completion of payments under the lease agreements, titles to the facilities pass to the State. The sub-lease agreements with the school districts are then extended annually as long as the school districts pay the State \$100 per year and continue to use the facilities for postsecondary vocational education.

15. VOCATIONAL TECHNICAL INSTITUTES

The State primary government has an ongoing financial responsibility for the funding of four technical institutes in the State. The technical institutes are considered part of the local school districts in the district where they are located. By law, the State may adopt rules governing the operation of the technical institutes including curriculum, tuition payments and other charges, and plans for construction or renovation of facilities. During fiscal year 2003, the State provided \$14,709,664 in General Fund state aid payments to the technical institutes.

Construction and renovation of facilities is funded with proceeds from debt issued by the Health and Education Facilities Authority. The Health and Educational Facilities Authority was created as a public instrumentality of the State to provide tax-exempt revenue bonds, notes or other obligations on behalf of nonprofit health and educational institutions within the State. Although the State primary government appoints a voting majority of the board, the State's accountability for this organization does not extend beyond making the appointments and is considered a related organization of the State.

Facilities constructed or renovated and the lease purchase agreements between the State and the Health and Educational Facilities Authority are reported under the governmental activities column in the government-wide Statement of Net Assets.

16. CONTINGENCIES AND LITIGATION

The State of South Dakota participates in a number of federally assisted grant programs. These programs are subject to audits by the grantors or their representatives. Any disallowance as a result of these audits may become a liability of the State. The State has reimbursed the federal government \$4,044,851 for disallowed Title XIX program costs and related interest. The Federal Department of Health and Human Services' Appeals Board upheld this disallowance on September 20, 2002. The State appealed this decision to the federal courts. The federal courts ruled in the State's favor and overturned the decision. The decision is now being appealed to Eighth Circuit Court of Appeals.

The State of South Dakota is party to numerous legal proceedings, many of which occur in the normal course of

governmental operation. Adverse judgment of these lawsuits could result in liabilities to the State. Based on prior experience, it is unlikely that the outcome of any of these claims individually will materially affect the financial position of the State. The contingent liabilities at June 30, 2003 are as follows:

The Petroleum Release Compensation Fund (PRCF) provides reimbursement for remediation of sites where a petroleum release has occurred. As of June 30, 2003, PRCF was currently involved with 240 active cases, 302 active/monitoring cases, and 15 pending cases (spill report not yet filed), for a total of 557 cases. Contingent liabilities for the PRCF are \$6,300,000 for sites that haven't received any payments.

A declaratory proceeding is pending between the **State of South Dakota, Division of Insurance and United American Insurance Company**. United American has alleged that the Division's Insurance Examination Fund is legally obligated to reimburse it for substantial expenses which it incurred in a recent market conduct examination of the company. The total amount United American claims is \$695,000 plus interest and attorney's fees. It is likely that United American will recover at least a portion of the claim.

State of South Dakota v. The Burlington Northern Santa Fe Railway. This lawsuit involves the use of the Aberdeen Interchange. Recently, BNSF would not allow use of the interchange by the State. The State is suing for the right to use that section of track again. If the state does not prevail, there would be a significant loss of revenue earned from state track leases.

Kuntz v. Schutte. This case involves a claim under 42 U.S.C. 1983 for a violation of civil rights by exposing prisoners confined with the Department of Corrections to asbestos. No trial date has been set and there has been no discussion concerning settlement.

Figg v. Russel. This claim involves several violations of constitutional rights by a woman who claims she was wrongfully held in the South Dakota Women's Prison. She claims that she wrongfully had her suspended sentence reimposed by the South Dakota Board of Pardons and Paroles, leading her to be detained too long. She has demanded just over \$1,000,000 in damages. Attorneys for the case are awaiting a decision by a state court regarding reopening the habeas corpus proceeding which led to her claim of wrongful imprisonment. Liability turns in large part on that decision.

Loren Pourier, d/b/a Muddy Creek Oil and Gas, Inc., and Muddy Creek Oil and Gas, Inc. v. South Dakota Department of Revenue. Pourier brought a motor fuel tax refund action contesting the payment of taxes accruing from July, 1995 through January, 2000, in the amount of \$937,819.75 plus interest which would accrue at the rate of 1.25 percent per month. The Supreme Court held that the Department of Revenue could not impose the

State motor fuel tax on a tribal member or a tribe on Indian country. The court ruled on January 7, 2004, that a fifteen month statute of limitations applies. The case has been remanded to the Circuit Court for additional proceedings. Counsel for the Department of Revenue is vigorously defending this action.

Ernst & Young v. South Dakota Department of Revenue. Ernst & Young has brought a sales tax refund action contesting the payment of taxes accruing from 1994 to 1996, in the amount of \$1,125,000 plus interest. The case is currently being briefed to the South Dakota Supreme Court. Counsel for the Department of Revenue and Regulation is vigorously defending this action and counsel representing the Department is of the opinion that the risk of an unfavorable outcome is not substantial.

Yankton Sioux Tribe v. United States Army Corps of Engineers. The Yankton Sioux Tribe has filed a proposed amendment to its existing complaint in the above-entitled action. The amendment seeks to set aside the transfer of lands to South Dakota Game, Fish & Parks within the 1858 boundary of the Yankton Sioux Reservation already transferred under Title VI and to prohibit the transfer of further lands in the same area under Title VI. The probable worth of the lands and the improvements thereon exceeds \$1,000,000. Counsel for the State is of the opinion that the Tribe's attempt to set aside the transfer of lands already made and the attempt to prohibit further transfers is not likely to succeed.

SDDS Inc. v. State of South Dakota. This is an inverse condemnation action filed in state court by South Dakota Disposal System Incorporated (SDDS), concerning the operation of a solid waste facility. The matter was tried to a jury in Hughes County, South Dakota Circuit Court. The Plaintiff obtained a verdict. The Circuit Court later vacated the verdict. The case was re-tried in July 2003 and the jury awarded \$1.3 million. The case is now being appealed to the Supreme Court. The attorneys working on this case are unable to express any opinion regarding the likelihood of a successful appeal.

Dakota Truck Underwriters & Travelers Insurance Company v. South Dakota Subsequent Injury Fund. This matter concerns claims made to the subsequent injury fund and the denial of these claims upon failure to file within the 90-day statute of limitations in SDCL 62-4-34.1. The denial of claims was upheld at the administrative and circuit court level. The matter is currently pending before the South Dakota Supreme Court. Counsel for the Department is vigorously defending this action.

Dakota Systems, Inc. (Verizon Wireless) v. Viken. This case concerns a refund request of the telecommunication gross receipts tax of SDCL ch. 10-33A. This matter is currently on appeal to the South Dakota Supreme Court following the denial of a refund request by the Circuit Court. Counsel for the Department is vigorously defending this action.

17. SUBSEQUENT EVENTS

Housing Authority

In September of 2003, the Authority issued \$40,000,000 of Homeownership Mortgage Bonds Series 2003 D and E. The Bonds will mature on May 1, 2004, through May 1, 2028, with interest rates from 1.25% to 5%.

In September of 2003, the Authority issued \$20,000,000 of Homeownership Mortgage Bonds Series 2003 F. The Bonds will mature on May 1, 2034, with a variable rate of interest that is set weekly.

In October of 2003, the Authority issued \$54,260,000 of Homeownership Mortgage Bonds Series 2003 G and H. The Bonds will mature on May 1, 2005, through May 1, 2028, with interest rates from 1.5% to 5%.

In November of 2003, the Authority issued \$28,000,000 of Homeownership Mortgage Bonds Series 2003 I. The Bonds will mature on May 1, 2034 with a variable rate of interest that is set weekly.

SD Investment Council

The School and Public Lands Portfolio includes a guaranteed rural development loan to Big Foot (Si Tanka) College in Huron, SD. The current loan balance is \$2,903,071.05 plus accrued income of \$181,312.91. As of September 6, 2003, the loan has been put on non-accrual status by the servicer of the loan. The loan note guarantee constitutes an obligation supported by the full faith and credit of the United States and is incontestable except for fraud or misrepresentation of which the holder has actual knowledge at the time of this assignment, or which it participates in or condones.

REQUIRED SUPPLEMENTARY INFORMATION

The “Required Supplementary Information” includes the Budgetary Reporting Information. The following individual statements are included:

Budgetary Comparison Schedule – General Fund

Budgetary Comparison Schedule – Transportation Fund

Budgetary Comparison Schedule – Social Services Federal

Budgetary Comparison Schedule Budget-to-GAAP Reconciliation

Notes to Required Supplementary Information – Budgetary Reporting

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)**

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
EXECUTIVE OPERATIONS, GOVERNOR'S OFFICE				
Personal Services	\$ 1,488	\$ 1,340	\$ 1,336	\$ 4
Operating Expenses	505	1,073	989	84
TOTAL	1,993	2,413	2,325	88
GOVERNOR'S CONTINGENCY FUND				
Personal Services				
Operating Expenses	168	117	64	53
TOTAL	168	117	64	53
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT				
Personal Services	1,397	1,295	1,295	
Operating Expenses	801	955	947	8
TOTAL	2,198	2,250	2,242	8
LIEUTENANT GOVERNOR				
Personal Services	15	15	14	1
Operating Expenses	14	14	14	
TOTAL	29	29	28	1
TRIBAL GOVERNMENT RELATIONS				
Personal Services	104	104	98	6
Operating Expenses	24	24	24	
TOTAL	128	128	122	6
BUREAU OF FINANCE AND MANAGEMENT				
Personal Services	593	562	562	
Operating Expenses	206	206	203	3
TOTAL	799	768	765	3
SALE LEASEBACK, B.F.M.				
Personal Services				
Operating Expenses	12,203	12,203	12,203	
TOTAL	12,203	12,203	12,203	0
ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION				
Personal Services				
Operating Expenses	681	680	671	9
TOTAL	681	680	671	9
SALE LEASEBACK, B.O.A.				
Personal Services				
Operating Expenses	898	898	898	
TOTAL	898	898	898	0

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)**

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
CENTRAL SERVICES, B.O.A.				
Personal Services	162	176	176	
Operating Expenses	210	135	135	
TOTAL	372	311	311	0
STATE ENGINEER				
Personal Services				
Operating Expenses	5			
TOTAL	5	0	0	0
STATEWIDE MAINTENANCE AND REPAIR				
Personal Services				
Operating Expenses	3,757	3,951	3,951	
TOTAL	3,757	3,951	3,951	0
OFFICE OF HEARING EXAMINERS				
Personal Services	341	268	267	1
Operating Expenses	97	72	65	7
TOTAL	438	340	332	8
SOUTH DAKOTA PUBLIC BROADCASTING				
Personal Services	2,104	2,104	2,104	
Operating Expenses	1,483	1,483	1,483	
TOTAL	3,587	3,587	3,587	0
STATE RADIO				
Personal Services	1,451	1,427	1,427	
Operating Expenses	1,099	1,123	1,123	
TOTAL	2,550	2,550	2,550	0
PERSONNEL MANAGEMENT AND EMPLOYEE BENEFITS				
Personal Services	315	328	328	
Operating Expenses	84	71	71	
TOTAL	399	399	399	0
EMPLOYEE COMPENSATION AND HEALTH INSURANCE				
Personal Services	16	16		16
Operating Expenses				
TOTAL	16	16	0	16
DEPARTMENT TOTAL, EXECUTIVE MANAGEMENT				
Personal Services	7,986	7,635	7,606	29
Operating Expenses	22,233	23,005	22,841	164
TOTAL	30,219	30,640	30,447	193

**STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2003
 (Expressed in Thousands)**

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION, SECRETARY OF REVENUE				
Personal Services	91	91	91	
Operating Expenses	38	38	28	10
TOTAL	129	129	119	10
PROPERTY AND SPECIAL TAXES				
Personal Services	515	515	506	9
Operating Expenses	1,227	1,207	941	266
TOTAL	1,742	1,722	1,447	275
DEPARTMENT TOTAL, REVENUE				
Personal Services	606	606	597	9
Operating Expenses	1,266	1,246	969	277
TOTAL	1,872	1,852	1,566	286
ADMINISTRATION, SECRETARY OF AGRICULTURE				
Personal Services	389	389	389	
Operating Expenses	253	253	241	12
TOTAL	642	642	630	12
AGRICULTURAL SERVICES				
Personal Services	622	622	622	
Operating Expenses	284	284	259	25
TOTAL	906	906	881	25
AGRICULTURAL DEVELOPMENT				
Personal Services	58	58	50	8
Operating Expenses	8	8	6	2
TOTAL	66	66	56	10
RESOURCE CONSERVATION AND FORESTRY				
Personal Services	462	462	462	
Operating Expenses	627	627	624	3
TOTAL	1,089	1,089	1,086	3
FIRE SUPPRESSION				
Personal Services	403	408	408	
Operating Expenses	463	1,808	1,806	2
TOTAL	866	2,216	2,214	2
ANIMAL INDUSTRY BOARD				
Personal Services	1,179	1,179	1,179	
Operating Expenses	287	287	287	
TOTAL	1,466	1,466	1,466	0

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2003
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, AGRICULTURE				
Personal Services	3,114	3,119	3,112	7
Operating Expenses	1,924	3,268	3,224	44
TOTAL	5,038	6,387	6,336	51
CONSERVATION RESERVE ENHANCEMENT PROGRAM				
Personal Services				
Operating Expenses	3,000	3,000	1,325	1,675
TOTAL	3,000	3,000	1,325	1,675
ADMINISTRATION, SECRETARY OF GAME, FISH AND PARKS				
Personal Services	67	67	67	
Operating Expenses	281	281	281	
TOTAL	348	348	348	0
PARKS & RECREATION				
Personal Services	2,411	2,411	2,411	
Operating Expenses	69	69	69	
TOTAL	2,480	2,480	2,480	0
DEVELOPMENT AND IMPROVEMENT, PARKS AND RECREATION				
Personal Services				
Operating Expenses	194	194	144	50
TOTAL	194	194	144	50
CUSTER STATE PARK				
Personal Services				
Operating Expenses	375	375	374	1
TOTAL	375	375	374	1
CAPITAL DEVELOPMENT, CUSTER STATE PARK				
Personal Services				
Operating Expenses	90	90	52	38
TOTAL	90	90	52	38
DEPARTMENT TOTAL, GAME, FISH AND PARKS				
Personal Services	2,478	2,478	2,478	
Operating Expenses	4,010	4,010	2,245	1,765
TOTAL	6,488	6,488	4,723	1,765
ADMINISTRATION, SECRETARY OF SOCIAL SERVICES				
Personal Services	1,197	1,184	1,184	
Operating Expenses	2,638	2,974	2,974	
TOTAL	3,835	4,158	4,158	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
PROGRAM MANAGEMENT				
Personal Services	1,410	1,349	1,349	
Operating Expenses	77	62	62	
TOTAL	1,487	1,411	1,411	0
ECONOMIC ASSISTANCE				
Personal Services	4,745	4,638	4,638	
Operating Expenses	15,001	12,768	12,768	
TOTAL	19,746	17,406	17,406	0
MEDICAL SERVICES				
Personal Services	435	455	455	
Operating Expenses	73,687	86,974	83,637	3,337
TOTAL	74,122	87,429	84,092	3,337
CHILD SUPPORT ENFORCEMENT				
Personal Services	35	5	5	
Operating Expenses	34	79	79	
TOTAL	69	84	84	0
ADULT SERVICES & AGING				
Personal Services	1,366	1,388	1,388	
Operating Expenses	49,879	47,461	47,461	
TOTAL	51,245	48,849	48,849	0
CHILD PROTECTION SERVICES				
Personal Services	4,327	4,152	4,152	
Operating Expenses	8,936	8,936	8,936	
TOTAL	13,263	13,088	13,088	0
CHILD CARE SERVICES				
Personal Services	354	332	332	
Operating Expenses	874	738	737	1
TOTAL	1,228	1,070	1,069	1
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	13,870	13,504	13,504	
Operating Expenses	151,126	159,992	156,655	3,337
TOTAL	164,996	173,496	170,159	3,337
ADMINISTRATION, SECRETARY OF HEALTH				
Personal Services	651	651	641	10
Operating Expenses	654	654	654	
TOTAL	1,305	1,305	1,295	10

**STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2003
 (Expressed in Thousands)**

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
FAMILY PRACTICE				
RESIDENCY PROGRAM				
Personal Services				
Operating Expenses	895	895	895	
TOTAL	895	895	895	0
HEALTH SYSTEMS DEVELOPMENT AND REGULATION				
Personal Services	1,304	1,385	1,385	
Operating Expenses	1,154	1,074	1,073	1
TOTAL	2,458	2,459	2,458	1
HEALTH AND MEDICAL SERVICES				
Personal Services	1,353	1,053	1,053	
Operating Expenses	3,285	3,285	3,228	57
TOTAL	4,638	4,338	4,281	57
CORRECTIONAL HEALTH				
Personal Services				
Operating Expenses		300	300	
TOTAL	0	300	300	0
DEPARTMENT TOTAL, HEALTH				
Personal Services	3,308	3,089	3,079	10
Operating Expenses	5,988	6,208	6,150	58
TOTAL	9,296	9,297	9,229	68
ADMINISTRATION, SECRETARY OF LABOR				
Personal Services				
Operating Expenses	200	200	200	
TOTAL	200	200	200	0
STATE LABOR LAW ADMINISTRATION				
Personal Services	393	373	371	2
Operating Expenses	66	66	50	16
TOTAL	459	439	421	18
DEPARTMENT TOTAL, LABOR				
Personal Services	393	373	371	2
Operating Expenses	266	266	250	16
TOTAL	659	639	621	18
GENERAL OPERATIONS				
Personal Services	233	236	236	
Operating Expenses	236	233	233	
TOTAL	469	469	469	0

**STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2003
 (Expressed in Thousands)**

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, TRANSPORTATION				
Personal Services	233	236	236	
Operating Expenses	236	233	233	
TOTAL	<u>469</u>	<u>469</u>	<u>469</u>	<u>0</u>
ADMINISTRATION, SECRETARY OF EDUCATION AND CULTURAL AFFAIRS				
Personal Services	1,203	1,144	1,144	
Operating Expenses	4,150	3,857	3,535	322
TOTAL	<u>5,353</u>	<u>5,001</u>	<u>4,679</u>	<u>322</u>
STATE AID TO GENERAL EDUCATION				
Personal Services				
Operating Expenses	266,855	264,852	264,852	
TOTAL	<u>266,855</u>	<u>264,852</u>	<u>264,852</u>	<u>0</u>
STATE AID TO SPECIAL EDUCATION				
Personal Services				
Operating Expenses	38,613	40,615	40,615	
TOTAL	<u>38,613</u>	<u>40,615</u>	<u>40,615</u>	<u>0</u>
BLACK HILLS FOREST HIGH SCHOOL				
Personal Services				
Operating Expenses	10	10	10	
TOTAL	<u>10</u>	<u>10</u>	<u>10</u>	<u>0</u>
STATE AID FOR YOUTH-AT-RISK				
Personal Services				
Operating Expenses	450	450	450	
TOTAL	<u>450</u>	<u>450</u>	<u>450</u>	<u>0</u>
CERTIFIED TEACHERS				
Personal Services				
Operating Expenses	48	48	15	33
TOTAL	<u>48</u>	<u>48</u>	<u>15</u>	<u>33</u>
TECHNOLOGY IN SCHOOLS				
Personal Services				
Operating Expenses	19,488	19,343	18,356	987
TOTAL	<u>19,488</u>	<u>19,343</u>	<u>18,356</u>	<u>987</u>
WORKFORCE AND CAREER PREPARATION				
Personal Services	315	313	313	
Operating Expenses	92	92	92	
TOTAL	<u>407</u>	<u>405</u>	<u>405</u>	<u>0</u>

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)**

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
POST-SECONDARY				
VOCATIONAL EDUCATION				
Personal Services				
Operating Expenses	15,534	15,534	15,534	
TOTAL	15,534	15,534	15,534	0
EDUCATION SERVICES AND RESOURCES				
Personal Services	565	349	349	
Operating Expenses	2,220	2,807	2,807	
TOTAL	2,785	3,156	3,156	0
ARTS				
Personal Services	172	159	159	
Operating Expenses	354	354	354	
TOTAL	526	513	513	0
HISTORY				
Personal Services	1,036	989	989	
Operating Expenses	1,465	1,497	1,497	
TOTAL	2,501	2,486	2,486	0
STATE LIBRARY				
Personal Services	986	996	996	
Operating Expenses	1,079	1,079	1,079	
TOTAL	2,065	2,075	2,075	0
DEPARTMENT TOTAL, EDUCATION AND CULTURAL AFFAIRS				
Personal Services	4,277	3,951	3,951	
Operating Expenses	350,358	350,539	349,196	1,343
TOTAL	354,635	354,490	353,147	1,343
ADMINISTRATION, SECRETARY OF COMMERCE AND REGULATION				
Personal Services	25	15	11	4
Operating Expenses	84	84	14	70
TOTAL	109	99	25	74
COMMERCIAL INSPECTION & LICENSING				
Personal Services	350	350	344	6
Operating Expenses	2,201	2,164	2,127	37
TOTAL	2,551	2,514	2,471	43
HUMAN RIGHTS				
Personal Services	74	42	42	
Operating Expenses	36	15	11	4
TOTAL	110	57	53	4

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)**

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
HIGHWAY PATROL				
Personal Services	365	365	351	14
Operating Expenses	1	1		1
TOTAL	366	366	351	15
ADMINISTRATION, PUBLIC UTILITIES COMMISSION				
Personal Services	437	437	435	2
Operating Expenses	83	83	55	28
TOTAL	520	520	490	30
DEPARTMENT TOTAL, COMMERCE AND REGULATION				
Personal Services	1,251	1,210	1,183	27
Operating Expenses	2,406	2,347	2,207	140
TOTAL	3,657	3,557	3,390	167
REGENTS SYSTEM OFFICE				
Personal Services	2,360	2,339	2,339	
Operating Expenses	3,309	3,329	3,329	
TOTAL	5,669	5,668	5,668	0
UNIVERSITY OF SOUTH DAKOTA PROPER				
Personal Services	25,278	25,594	25,594	
Operating Expenses	2,029	1,694	1,692	2
TOTAL	27,307	27,288	27,286	2
SOUTH DAKOTA SCHOOL OF MEDICINE				
Personal Services	12,455	9,699	9,669	30
Operating Expenses	458	3,602	3,564	38
TOTAL	12,913	13,301	13,233	68
SOUTH DAKOTA STATE UNIVERSITY PROPER				
Personal Services	34,251	33,782	33,782	
Operating Expenses	2,813	3,338	3,338	
TOTAL	37,064	37,120	37,120	0
COOPERATIVE EXTENSION SERVICE				
Personal Services	6,469	6,373	6,373	
Operating Expenses	358	490	490	
TOTAL	6,827	6,863	6,863	0
AGRICULTURAL EXPERIMENT STATION				
Personal Services	8,140	7,875	7,875	
Operating Expenses	532	817	817	
TOTAL	8,672	8,692	8,692	0

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)**

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY				
Personal Services	9,691	9,673	9,673	
Operating Expenses	1,553	1,622	1,622	
TOTAL	11,244	11,295	11,295	0
NORTHERN STATE UNIVERSITY				
Personal Services	8,755	8,797	8,797	
Operating Expenses	1,220	1,127	1,127	
TOTAL	9,975	9,924	9,924	0
BLACK HILLS STATE UNIVERSITY				
Personal Services	6,363	6,180	6,180	
Operating Expenses	903	971	971	
TOTAL	7,266	7,151	7,151	0
DAKOTA STATE UNIVERSITY				
Personal Services	5,742	5,683	5,683	
Operating Expenses	529	611	611	
TOTAL	6,271	6,294	6,294	0
SOUTH DAKOTA SCHOOL FOR THE DEAF				
Personal Services	2,642	2,542	2,542	
Operating Expenses	378	478	478	
TOTAL	3,020	3,020	3,020	0
SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED				
Personal Services	2,006	1,940	1,940	
Operating Expenses	138	204	204	
TOTAL	2,144	2,144	2,144	0
DEPARTMENT TOTAL, BOARD OF REGENTS				
Personal Services	124,153	120,476	120,446	30
Operating Expenses	14,219	18,284	18,243	41
TOTAL	138,372	138,760	138,689	71
ADJUTANT GENERAL				
Personal Services	238	241	240	1
Operating Expenses	287	272	207	65
TOTAL	525	513	447	66
ARMY GUARD				
Personal Services	624	678	674	4
Operating Expenses	912	858	855	3
TOTAL	1,536	1,536	1,529	7

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
AIR GUARD				
Personal Services	134	138	138	
Operating Expenses	144	152	152	
TOTAL	278	290	290	0
EMERGENCY MANAGEMENT				
Personal Services	354	304	298	6
Operating Expenses	61	111	110	1
TOTAL	415	415	408	7
VETERANS' BENEFITS & SERVICES				
Personal Services	608	598	596	2
Operating Expenses	320	330	326	4
TOTAL	928	928	922	6
STATE VETERAN'S HOME				
Personal Services	992	992	992	
Operating Expenses	446	446	446	
TOTAL	1,438	1,438	1,438	0
DEPARTMENT TOTAL, MILITARY AND VETERANS AFFAIRS				
Personal Services	2,950	2,951	2,939	12
Operating Expenses	2,171	2,169	2,096	73
TOTAL	5,121	5,120	5,035	85
ADMINISTRATION, CENTRAL OFFICE				
Personal Services	1,314	1,277	1,277	
Operating Expenses	7,399	10,478	10,478	
TOTAL	8,713	11,755	11,755	0
MIKE DURFEE STATE PRISON				
Personal Services	6,471	6,632	6,632	
Operating Expenses	3,146	3,150	3,150	
TOTAL	9,617	9,782	9,782	0
STATE PENITENTIARY				
Personal Services	10,363	10,557	10,557	
Operating Expenses	5,615	5,022	5,022	
TOTAL	15,978	15,579	15,579	0
WOMEN'S PRISON				
Personal Services	1,661	1,659	1,659	
Operating Expenses	1,012	972	972	
TOTAL	2,673	2,631	2,631	0

**STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2003
 (Expressed in Thousands)**

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
COMMUNITY SERVICE				
Personal Services		20	20	
Operating Expenses	324	265	265	
TOTAL	324	285	285	0
PAROLE SERVICES				
Personal Services	1,717	1,671	1,671	
Operating Expenses	509	535	534	1
TOTAL	2,226	2,206	2,205	1
JUVENILE COMMUNITY CORRECTIONS				
Personal Services	1,395	1,389	1,389	
Operating Expenses	6,570	6,795	6,734	61
TOTAL	7,965	8,184	8,123	61
LIVING CENTER				
Personal Services	769	797	797	
Operating Expenses	111	63	63	
TOTAL	880	860	860	0
BOOT CAMP				
Personal Services	2,502	2,203	2,203	
Operating Expenses	125	94	94	
TOTAL	2,627	2,297	2,297	0
CUSTER YOUTH CORRECTIONS CENTER				
Personal Services	1,459	1,525	1,525	
Operating Expenses	1,879	1,839	1,839	
TOTAL	3,338	3,364	3,364	0
CYCC EAST CAMPUS				
Personal Services	77	77	77	
Operating Expenses	130	130	130	
TOTAL	207	207	207	0
DEPARTMENT TOTAL, CORRECTIONS				
Personal Services	27,729	27,806	27,806	
Operating Expenses	26,820	29,342	29,281	61
TOTAL	54,549	57,148	57,087	61
ADMINISTRATION SECRETARY OF HUMAN SERVICES				
Personal Services	571	571	571	
Operating Expenses	671	671	671	
TOTAL	1,242	1,242	1,242	0

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)**

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEVELOPMENTAL DISABILITIES				
Personal Services	366	310	310	
Operating Expenses	24,024	24,080	23,539	541
TOTAL	24,390	24,390	23,849	541
SOUTH DAKOTA DEVELOPMENTAL CENTER - REDFIELD				
Personal Services	5,297	5,297	5,177	120
Operating Expenses	1,799	2,035	2,000	35
TOTAL	7,096	7,332	7,177	155
ALCOHOL & DRUG ABUSE				
Personal Services	1,144	1,230	1,230	
Operating Expenses	1,968	2,072	2,072	
TOTAL	3,112	3,302	3,302	0
REHABILITATION SERVICES				
Personal Services	570	550	550	
Operating Expenses	2,483	2,503	2,491	12
TOTAL	3,053	3,053	3,041	12
SERVICES TO THE BLIND AND VISUALLY IMPAIRED				
Personal Services	410	392	392	
Operating Expenses	439	377	363	14
TOTAL	849	769	755	14
HUMAN SERVICES CENTER				
Personal Services	16,455	16,455	16,376	79
Operating Expenses	8,633	8,328	8,328	
TOTAL	25,088	24,783	24,704	79
COMMUNITY MENTAL HEALTH				
Personal Services	425	425	425	
Operating Expenses	10,048	10,048	9,958	90
TOTAL	10,473	10,473	10,383	90
WEST FARM				
Personal Services	141	83	77	6
Operating Expenses	234	226	207	19
TOTAL	375	309	284	25
DEPARTMENT TOTAL, HUMAN SERVICES				
Personal Services	25,378	25,312	25,108	204
Operating Expenses	50,297	50,338	49,630	708
TOTAL	75,675	75,650	74,738	912

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2003
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
FINANCIAL AND TECHNICAL ASSISTANCE				
Personal Services	1,536	1,536	1,536	
Operating Expenses	466	436	397	39
TOTAL	2,002	1,972	1,933	39
ENVIRONMENTAL SERVICES				
Personal Services	2,792	2,792	2,792	
Operating Expenses	787	707	643	64
TOTAL	3,579	3,499	3,435	64
DEPARTMENT TOTAL, ENVIRONMENT AND NATURAL RESOURCES				
Personal Services	4,328	4,328	4,328	
Operating Expenses	1,253	1,143	1,040	103
TOTAL	5,581	5,471	5,368	103
UNIFIED JUDICIAL SYSTEM				
Personal Services	22,155	21,949	21,942	7
Operating Expenses	3,379	3,584	3,561	23
TOTAL	25,534	25,533	25,503	30
DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM				
Personal Services	22,155	21,949	21,942	7
Operating Expenses	3,379	3,584	3,561	23
TOTAL	25,534	25,533	25,503	30
LEGISLATIVE OPERATIONS				
Personal Services	84	84	84	
Operating Expenses	83	83	83	
APPROPRIATION	4,498	4,498	4,178	320
TOTAL	4,665	4,665	4,345	320
LEGISLATIVE CONTINGENCY FUND				
Personal Services				
Operating Expenses				
APPROPRIATION	50	50		50
TOTAL	50	50	0	50
LEGISLATIVE AUDIT				
Personal Services	2,055	2,055	1,974	81
Operating Expenses	370	370	342	28
APPROPRIATION				
TOTAL	2,425	2,425	2,316	109

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT				
Personal Services	2,139	2,139	2,058	81
Operating Expenses	453	453	426	27
APPROPRIATION	4,548	4,548	4,178	370
TOTAL	<u>7,140</u>	<u>7,140</u>	<u>6,662</u>	<u>478</u>
LEGAL SERVICES				
Personal Services	2,712	2,712	2,712	
Operating Expenses	386	386	386	
TOTAL	<u>3,098</u>	<u>3,098</u>	<u>3,098</u>	<u>0</u>
CRIMINAL INVESTIGATION				
Personal Services	1,337	1,337	1,337	
Operating Expenses	576	576	575	1
TOTAL	<u>1,913</u>	<u>1,913</u>	<u>1,912</u>	<u>1</u>
DEPARTMENT TOTAL, ATTORNEY GENERAL				
Personal Services	4,050	4,050	4,050	
Operating Expenses	961	961	961	
TOTAL	<u>5,011</u>	<u>5,011</u>	<u>5,011</u>	<u>0</u>
ADMINISTRATION OF SCHOOL AND PUBLIC LANDS				
Personal Services	364	364	364	
Operating Expenses	124	123	123	
TOTAL	<u>488</u>	<u>487</u>	<u>487</u>	<u>0</u>
DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS				
Personal Services	364	364	364	
Operating Expenses	124	123	123	
TOTAL	<u>488</u>	<u>487</u>	<u>487</u>	<u>0</u>
SECRETARY OF STATE				
Personal Services	644	594	589	5
Operating Expenses	275	325	286	39
TOTAL	<u>919</u>	<u>919</u>	<u>875</u>	<u>44</u>
DEPARTMENT TOTAL, SECRETARY OF STATE				
Personal Services	644	594	589	5
Operating Expenses	275	325	286	39
TOTAL	<u>919</u>	<u>919</u>	<u>875</u>	<u>44</u>

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
TREASURY MANAGEMENT				
Personal Services	260	249	247	2
Operating Expenses	195	206	205	1
TOTAL	<u>455</u>	<u>455</u>	<u>452</u>	<u>3</u>
DEPARTMENT TOTAL, STATE TREASURER				
Personal Services	260	249	247	2
Operating Expenses	195	206	205	1
TOTAL	<u>455</u>	<u>455</u>	<u>452</u>	<u>3</u>
STATE AUDITOR				
Personal Services	786	783	783	
Operating Expenses	134	137	137	
TOTAL	<u>920</u>	<u>920</u>	<u>920</u>	<u>0</u>
DEPARTMENT TOTAL, STATE AUDITOR				
Personal Services	786	783	783	
Operating Expenses	134	137	137	
TOTAL	<u>920</u>	<u>920</u>	<u>920</u>	<u>0</u>
STATE TOTAL				
Personal Services	252,452	247,202	246,777	425
Operating Expenses	640,094	658,179	649,959	8,220
APPROPRIATION	4,548	4,548	4,178	370
TOTAL	<u>\$ 897,094</u>	<u>\$ 909,929</u>	<u>\$ 900,914</u>	<u>\$ 9,015</u>



STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 TRANSPORTATION FUND
 For the Fiscal Year Ended June 30, 2003
 (Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
GENERAL OPERATIONS				
PERSONAL SERVICES	\$ 48,787	\$ 48,787	\$ 45,720	\$ 3,067
OPERATING EXPENSES	68,010	69,468	67,234	2,234
TOTAL	<u>116,797</u>	<u>118,255</u>	<u>112,954</u>	<u>5,301</u>
CONTRACT CONSTRUCTION				
PERSONAL SERVICES				
OPERATING EXPENSES	275,456	275,456	272,220	3,236
TOTAL	<u>275,456</u>	<u>275,456</u>	<u>272,220</u>	<u>3,236</u>
HIGHWAY PATROL				
PERSONAL SERVICES	11,317	11,317	10,777	540
OPERATING EXPENSES	4,613	4,613	4,517	96
TOTAL	<u>15,930</u>	<u>15,930</u>	<u>15,294</u>	<u>636</u>
FUND TOTAL, TRANSPORTATION				
PERSONAL SERVICES	60,104	60,104	56,497	3,607
OPERATING EXPENSES	348,079	349,537	343,971	5,566
TOTAL	<u>\$ 408,183</u>	<u>\$ 409,641</u>	<u>\$ 400,468</u>	<u>\$ 9,173</u>

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 SOCIAL SERVICES FEDERAL
 For the Fiscal Year Ended June 30, 2003
 (Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION, SECRETARY OF SOCIAL SERVICES				
Personal Services	\$ 1,390	\$ 1,382	\$ 1,377	\$ 5
Operating Expenses	4,363	7,241	7,184	57
TOTAL	5,753	8,623	8,561	62
PROGRAM MANAGEMENT				
Personal Services	1,694	1,634	1,618	16
Operating Expenses	505	480	468	12
TOTAL	2,199	2,114	2,086	28
ENERGY ASSISTANCE AND WEATHERIZATION				
Personal Services	429	401	396	5
Operating Expenses	13,998	13,578	13,470	108
TOTAL	14,427	13,979	13,866	113
ECONOMIC ASSISTANCE				
Personal Services	6,226	6,080	6,046	34
Operating Expenses	10,847	11,547	11,180	367
TOTAL	17,073	17,627	17,226	401
MEDICAL SERVICES				
Personal Services	781	799	796	3
Operating Expenses	188,739	197,546	196,748	798
TOTAL	189,520	198,345	197,544	801
CHILD SUPPORT ENFORCEMENT				
Personal Services	2,283	2,279	2,274	5
Operating Expenses	1,983	1,853	1,781	72
TOTAL	4,266	4,132	4,055	77
ADULT SERVICES & AGING				
Personal Services	2,832	2,799	2,793	6
Operating Expenses	105,973	108,815	107,553	1,262
TOTAL	108,805	111,614	110,346	1,268
CHILD PROTECTION SERVICES				
Personal Services	5,587	5,431	5,416	15
Operating Expenses	16,337	19,548	19,289	259
TOTAL	21,924	24,979	24,705	274
CHILD CARE SERVICES				
Personal Services	670	633	625	8
Operating Expenses	12,500	12,593	12,567	26
TOTAL	13,170	13,226	13,192	34

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 SOCIAL SERVICES FEDERAL (Continued)
 For the Fiscal Year Ended June 30, 2003
 (Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
FIELD MANAGEMENT				
Personal Services				
Operating Expenses	6	6		6
TOTAL	<u>6</u>	<u>6</u>	<u>0</u>	<u>6</u>
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	21,893	21,439	21,342	97
Operating Expenses	355,253	373,207	370,240	2,967
TOTAL	<u>\$ 377,146</u>	<u>\$ 394,646</u>	<u>\$ 391,582</u>	<u>\$ 3,064</u>

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Social Services Federal Fund</u>
Uses/Outflows of resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 900,914	\$ 400,468	\$ 391,582
Differences-budget to GAAP:			
Encumbrances for supplies, equipment ordered but not yet received and for uncompleted contracts are reported in the year first encumbered for budgetary purposes, but expenditures are reported in the year the related expenditure is incurred for financial reporting purposes.	(19,283)	(836)	(27)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,542)		
To Adjust Expenditures/Expenses for Accruals	<u>(4,932)</u>	<u>(7,289)</u>	<u>54,152</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 875,157</u>	<u>\$ 392,343</u>	<u>\$ 445,707</u>

Required Supplementary Information
Notes to Required Supplementary Information - Budgetary
Reporting

The Budgetary Comparison Schedule presents comparisons of the original budget and legally revised final budget, with actual amounts for each program of the state of South Dakota on a budgetary basis. A Budgetary Comparison Schedule is presented for the general fund and for each special revenue fund that has a legally adopted annual budget. There are currently two special revenue fund's that fit this criterion; the Social Services Federal Fund and the Transportation Fund. Also included is a column that compares the variance between the final budget and actual amounts. A positive variance refers to unused budget, while a negative variance refers to an overexpended budget. For the year ended June 30, 2003, there were no budgetary programs in which expenditures exceeded appropriations.

The original budget is defined as the first complete appropriated budget, adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. Any such transaction that is authorized as legislative or executive change before the beginning of the fiscal year is included in the original budget, regardless of the effective date of the document loaded on the accounting system. The original budget also includes any actual appropriation amounts carried forward by law from prior years, including special appropriations, maintenance and repair, and carryovers. The final budget is defined as the original budget, adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes after the beginning of the fiscal year.

The Budgetary Comparison Schedule reports amounts on a budgetary basis. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Since the budget is prepared principally on a cash basis, the Budgetary Comparison Schedule includes information presented on this basis for the fiscal year. A reconciliation of the two methods for the fiscal year ended June 30, 2003 has also been included as Required Supplementary Information.



COMBINING FINANCIAL STATEMENTS

The “Combining Financial Statements” include the Nonmajor Governmental Funds, Nonmajor Enterprise Funds, Internal Service Funds, Fiduciary Funds, and Cash Flow Statements for Component Units. The following individual statements are included:

Combining Balance Sheet – Nonmajor Governmental Funds – By Type

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – By Type

Combining Balance Sheet – Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds

Combining Balance Sheet – Nonmajor Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds

Combining Statement of Net Assets – Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds

Combining Statement of Cash Flows – Nonmajor Enterprise Funds

Combining Statement of Net Assets – Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds

Combining Statement of Cash Flows – Internal Service Funds

Combining Statement of Fiduciary Net Assets – Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds

Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds

Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Funds

Combining Statement of Fiduciary Net Assets – Agency Funds

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Combining Statement of Cash Flows – Component Units

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
June 30, 2003
(Expressed in Thousands)**

Assets	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Cash and Cash Equivalents	\$ 299,431	\$ 1,185	\$ 511	\$ 179	\$ 301,306
Investments	86,019	111,037		23,548	220,604
Securities Lending Collateral	89,082		432	1,723	91,237
Receivables From:					
Taxes (Net)	2,760				2,760
Interest and Dividends	1,958	114	2	170	2,244
Other Funds	9,426				9,426
Component Units	10				10
Other Governments	85,907				85,907
Loans and Notes (Net)	21,434			7	21,441
Other (Net)	4,144				4,144
Inventory	1,918				1,918
Deferred Fiscal Charges and Other Assets	615	30			645
Total Assets	\$ 602,704	\$ 112,366	\$ 945	\$ 25,627	\$ 741,642
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 28,293	\$ 6	\$	\$	\$ 28,299
Payable To:					
Other Funds	25,015		21	47	25,083
Component Units	933			40	973
Other Governments	30,696				30,696
Claims, Judgments and Compensated Absences	106				106
Deferred Revenue	35,810				35,810
Securities Lending Collateral Liability	89,082		432	1,723	91,237
Total Liabilities	209,935	6	453	1,810	212,204
Fund Balances:					
Reserved For:					
Encumbrances	14,822				14,822
Debt Service		112,360			112,360
Environmental Projects	10,000				10,000
School Perpetuity				23,817	23,817
Noncurrent Assets	19,112				19,112
Unreserved	348,835		492		349,327
Total Fund Balances	392,769	112,360	492	23,817	529,438
Total Liabilities and Fund Balances	\$ 602,704	\$ 112,366	\$ 945	\$ 25,627	\$ 741,642

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Revenue:					
Taxes	\$ 59,145	\$	\$	\$	\$ 59,145
Licenses, Permits and Fees	131,853				131,853
Fines, Forfeits and Penalties	6,252				6,252
Use of Money and Property	18,758	943	16	2,539	22,256
Sales and Services	17,863				17,863
Administering Programs	411,787				411,787
Tobacco Settlement		25,603			25,603
Other Revenue	9,672	57	830		10,559
Total Revenue	<u>655,330</u>	<u>26,603</u>	<u>846</u>	<u>2,539</u>	<u>685,318</u>
Expenditures:					
Current:					
General Government	33,834	166	4	1,474	35,478
Education	114,435				114,435
Education - State Aid to School Districts	2,613				2,613
Health, Human and Social Services	181,567				181,567
Law, Justice, Public Protection and Regulation	65,696				65,696
Agriculture and Natural Resources	95,323				95,323
Economic Resources	32,290				32,290
Transportation	13,205				13,205
State Shared Revenue Paid to Other Governments	63,290				63,290
Capital Outlay			36		36
Debt Service:					
Principal		18,653			18,653
Interest		19,778			19,778
Bond Issuance Costs		1,618			1,618
Total Expenditures	<u>602,253</u>	<u>40,215</u>	<u>40</u>	<u>1,474</u>	<u>643,982</u>
Excess of Revenue Over (Under) Expenditures	53,077	(13,612)	806	1,065	41,336
Other Financing Sources (Uses):					
Bonds Issued		278,045			278,045
Discount on Bond Issuance		(5,472)			(5,472)
Refunding Bonds Issued		1,263			1,263
Payments on Advance Refundings		(1,274)			(1,274)
Premiums on Refunding Bonds		60			60
Capital Leases	935				935
Transfers In	131,294	14,479	67		145,840
Transfers Out	(169,201)	(243,715)	(612)	(349)	(413,877)
Total Other Financing Sources (Uses)	<u>(36,972)</u>	<u>43,386</u>	<u>(545)</u>	<u>(349)</u>	<u>5,520</u>
Net Change in Fund Balances	16,105	29,774	261	716	46,856
Fund Balances at Beginning of Year	376,664	82,586	231	23,101	482,582
Fund Balances at End of Year	<u>\$ 392,769</u>	<u>\$ 112,360</u>	<u>\$ 492</u>	<u>\$ 23,817</u>	<u>\$ 529,438</u>

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

June 30, 2003

(Expressed in Thousands)

	Education Federal	Human Services Federal	Labor Federal	Health Federal	Tourism and Development Federal
Assets					
Cash and Cash Equivalents	\$	\$	\$ 862	\$ 1,052	\$
Investments					
Securities Lending Collateral			279	341	
Receivables From:					
Taxes (Net)					
Interest and Dividends					
Other Funds		317	415	6	
Component Units					
Other Governments	43,418	11,483	1,393	2,346	2,126
Loans and Notes (Net)					
Other (Net)	2		6		
Inventory		253	163	1,275	
Deferred Fiscal Charges and Other Assets	20	1	18	1	
Total Assets	\$ 43,440	\$ 12,054	\$ 3,136	\$ 5,021	\$ 2,126
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 1,881	\$ 7,125	\$ 1,424	\$ 1,761	\$ 33
Payable To:					
Other Funds	2,073	4,073	298	262	68
Component Units	259				
Other Governments	13,246	69			2,025
Claims, Judgments and Compensated Absences	5	33		14	
Deferred Revenue	168	180			
Securities Lending Collateral Liability			279	341	
Total Liabilities	17,632	11,480	2,001	2,378	2,126
Fund Balances:					
Reserved For:					
Encumbrances	32	5		564	6,276
Environmental Projects					
Noncurrent Assets					
Unreserved	25,776	569	1,135	2,079	(6,276)
Total Fund Balances	25,808	574	1,135	2,643	0
Total Liabilities and Fund Balances	\$ 43,440	\$ 12,054	\$ 3,136	\$ 5,021	\$ 2,126

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$	\$	\$	\$ 16,768	\$ 3,140	\$ 1,061	\$ 2,113	\$ 6,554
			5,283	947	317	684	238
			142	1	27		480
		694	34	5		27	10
1,209	1,894	3,028		143		7	
			154	5		82	
					8	168	
						8	
<u>\$ 1,209</u>	<u>\$ 1,894</u>	<u>\$ 3,722</u>	<u>\$ 22,381</u>	<u>\$ 4,241</u>	<u>\$ 1,413</u>	<u>\$ 3,089</u>	<u>\$ 7,282</u>
\$ 274	\$ 502	\$ 650	\$ 1,257	\$ 673	\$ 101	\$ 159	\$ 66
496	869	1,560	1,235	219	23	39	392
		444	32				
439	269	98					478
		1	35		3		1
		969					5,810
			5,283	947	317	684	238
<u>1,209</u>	<u>1,640</u>	<u>3,722</u>	<u>7,842</u>	<u>1,839</u>	<u>444</u>	<u>882</u>	<u>6,985</u>
	3,477	938	1,589	242	5	97	3
	(3,223)	(938)	12,950	2,160	964	2,110	294
0	254	0	14,539	2,402	969	2,207	297
<u>\$ 1,209</u>	<u>\$ 1,894</u>	<u>\$ 3,722</u>	<u>\$ 22,381</u>	<u>\$ 4,241</u>	<u>\$ 1,413</u>	<u>\$ 3,089</u>	<u>\$ 7,282</u>

Continued on next page

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (continued)
June 30, 2003
(Expressed in Thousands)

<u>Assets</u>	<u>Motor Vehicle</u>	<u>Revenue</u>	<u>Employer's Investment</u>	<u>Property Tax Reduction</u>	<u>Petroleum Release Compensation</u>	<u>Maintenance and Repair</u>
Cash and Cash Equivalents	\$ 9,394	\$ 778	\$ 13,755	\$ 65,811	\$ 21,076	\$ 4,936
Investments						
Securities Lending Collateral	3,008	234	4,321	21,352	6,792	1,767
Receivables From:						
Taxes (Net)	233				134	
Interest and Dividends	18	16	103		44	22
Other Funds	4		14	4,096		168
Component Units						
Other Governments	5,374	142				
Loans and Notes (Net)						16
Other (Net)	31					
Inventory						
Deferred Fiscal Charges and Other Assets	5					
Total Assets	\$ 18,067	\$ 1,170	\$ 18,193	\$ 91,259	\$ 28,046	\$ 6,909
Liabilities and Fund Equity						
Liabilities:						
Accounts Payable and Other Liabilities	\$ 340	\$ 343	\$	\$	\$ 276	\$
Payable To:						
Other Funds	209	270	20		7	12
Component Units			151			
Other Governments	12,925					
Claims, Judgments and Compensated Absences	2					
Deferred Revenue						13
Securities Lending Collateral Liability	3,008	234	4,321	21,352	6,792	1,767
Total Liabilities	16,484	847	4,492	21,352	7,075	1,792
Fund Balances:						
Reserved For:						
Encumbrances	109	15			2	
Environmental Projects						
Noncurrent Assets						13
Unreserved	1,474	308	13,701	69,907	20,969	5,104
Total Fund Balances	1,583	323	13,701	69,907	20,971	5,117
Total Liabilities and Fund Balances	\$ 18,067	\$ 1,170	\$ 18,193	\$ 91,259	\$ 28,046	\$ 6,909

Water and Environment	Energy Conservation	Cement Plant Commission	Health Care Trust	Other	Total
\$ 15,285	\$ 8,781	\$ 13,211	\$ 410	\$ 114,444	\$ 299,431
4,725	2,790	996	85,058	961	86,019
386				35,008	89,082
125	59	57	616	1,527	2,760
48	2	22		718	1,958
				3,574	9,426
98				10	10
16,906	15			13,246	85,907
		7		4,497	21,434
				3,857	4,144
				59	1,918
				554	615
<u>\$ 37,573</u>	<u>\$ 11,647</u>	<u>\$ 14,293</u>	<u>\$ 86,084</u>	<u>\$ 178,455</u>	<u>\$ 602,704</u>
\$ 425	\$ 90	\$ 14	\$	\$ 10,899	\$ 28,293
		11	3,444	9,435	25,015
				47	933
654	1			492	30,696
				12	106
				28,670	35,810
4,725	2,790	996		35,008	89,082
<u>5,804</u>	<u>2,881</u>	<u>1,021</u>	<u>3,444</u>	<u>84,563</u>	<u>209,935</u>
				1,468	14,822
14,426	10	10,000			10,000
17,343	8,756	3,272	82,640	4,663	19,112
31,769	8,766	13,272	82,640	87,761	348,835
<u>31,769</u>	<u>8,766</u>	<u>13,272</u>	<u>82,640</u>	<u>93,892</u>	<u>392,769</u>
<u>\$ 37,573</u>	<u>\$ 11,647</u>	<u>\$ 14,293</u>	<u>\$ 86,084</u>	<u>\$ 178,455</u>	<u>\$ 602,704</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)**

	<u>Education Federal</u>	<u>Human Services Federal</u>	<u>Labor Federal</u>	<u>Health Federal</u>	<u>Tourism and Development Federal</u>
Revenue:					
Taxes	\$	\$	\$	\$	\$
Licenses, Permits and Fees				34	
Fines, Forfeits and Penalties					
Use of Money and Property					
Sales and Services					6
Administering Programs	137,093	94,594	30,096	30,000	11,634
Other Revenue	97	20		4	
Total Revenue	<u>137,190</u>	<u>94,614</u>	<u>30,096</u>	<u>30,038</u>	<u>11,640</u>
Expenditures:					
General Government					
Education	112,053				
Education - State Aid to School Districts					
Health, Human and Social Services		94,138	32,185	28,998	
Law, Justice, Public Protection and Regulation				344	
Agriculture and Natural Resources					
Economic Resources					11,640
Transportation					
State Shared Revenue Paid to Other Governments					
Total Expenditures	<u>112,053</u>	<u>94,138</u>	<u>32,185</u>	<u>29,342</u>	<u>11,640</u>
Excess of Revenue Over (Under) Expenditures	25,137	476	(2,089)	696	0
Other Financing Sources (Uses):					
Capital Leases					
Transfers In		174	1,987	3	
Transfers Out		(588)	(1)	(3)	
Total Other Financing Sources (Uses)	<u>0</u>	<u>(414)</u>	<u>1,986</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>25,137</u>	<u>62</u>	<u>(103)</u>	<u>696</u>	
Fund Balances at Beginning of Year	<u>671</u>	<u>512</u>	<u>1,238</u>	<u>1,947</u>	
Fund Balances at End of Year	<u>\$ 25,808</u>	<u>\$ 574</u>	<u>\$ 1,135</u>	<u>\$ 2,643</u>	<u>\$ 0</u>

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$	\$	\$	\$	\$	\$	\$	\$
			20,657	1,459	13,652	5,528	5,891
			657	5,390	12,995		6,038
			1,072	341	6		5
			257	53	155		77
			119	30	10		
3,539	7,635	8,196	208	13	500	231	
13	8		22,970	7,286	27,318	5,759	12,011
<u>3,552</u>	<u>7,643</u>	<u>8,196</u>					
						16	7
						5,436	
3,316					1,843	3	1,112
	7,616	7,897	21,411	6,125			
							7,558
<u>3,316</u>	<u>7,616</u>	<u>7,897</u>	<u>21,411</u>	<u>6,125</u>	<u>1,859</u>	<u>5,439</u>	<u>8,677</u>
236	27	299	1,559	1,161	25,459	320	3,334
	28	24	349				
(240)		(323)	(10,494)	(599)	(25,119)	(403)	(3,344)
(240)	28	(299)	(10,145)	(599)	(25,119)	(403)	(3,344)
(4)	55		(8,586)	562	340	(83)	(10)
4	199		23,125	1,840	629	2,290	307
<u>\$ 0</u>	<u>\$ 254</u>	<u>\$ 0</u>	<u>\$ 14,539</u>	<u>\$ 2,402</u>	<u>\$ 969</u>	<u>\$ 2,207</u>	<u>\$ 297</u>

Continued on next page

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (continued)
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

	<u>Motor Vehicle</u>	<u>Revenue</u>	<u>Employer's Investment</u>	<u>Property Tax Reduction</u>	<u>Petroleum Release Compensation</u>	<u>Maintenance and Repair</u>
Revenue:						
Taxes	\$ 2,770	\$ 6,933	\$ 6,457	\$	\$ 2,553	\$
Licenses, Permits and Fees	61,338	1,905	120			
Fines, Forfeits and Penalties						
Use of Money and Property	125	124	676		136	152
Sales and Services	1,860		195			645
Administering Programs						
Other Revenue	9		161			
Total Revenue	<u>66,102</u>	<u>8,962</u>	<u>7,609</u>	<u>0</u>	<u>2,689</u>	<u>797</u>
Expenditures:						
General Government	8,533	9,269	1		4	350
Education						
Education - State Aid to School Districts						
Health, Human and Social Services						
Law, Justice, Public Protection and Regulation	3,365					
Agriculture and Natural Resources					3,106	
Economic Resources			11,359			
Transportation						
State Shared Revenue Paid to Other						
Governments	54,042	1,690				
Total Expenditures	<u>65,940</u>	<u>10,959</u>	<u>11,360</u>	<u>0</u>	<u>3,110</u>	<u>350</u>
Excess of Revenue Over (Under)						
Expenditures	162	(1,997)	(3,751)	0	(421)	447
Other Financing Sources (Uses):						
Capital Leases		868				
Transfers In			5	105,066		
Transfers Out	(174)	(129)		(115,365)		(106)
Total Other Financing Sources (Uses)	<u>(174)</u>	<u>739</u>	<u>5</u>	<u>(10,299)</u>	<u>0</u>	<u>(106)</u>
Net Change in Fund Balances	(12)	(1,258)	(3,746)	(10,299)	(421)	341
Fund Balances at Beginning of Year	<u>1,595</u>	<u>1,581</u>	<u>17,447</u>	<u>80,206</u>	<u>21,392</u>	<u>4,776</u>
Fund Balances at End of Year	<u>\$ 1,583</u>	<u>\$ 323</u>	<u>\$ 13,701</u>	<u>\$ 69,907</u>	<u>\$ 20,971</u>	<u>\$ 5,117</u>

<u>Water and Environment</u>	<u>Energy Conservation</u>	<u>Cement Plant Commission</u>	<u>Health Care Trust</u>	<u>Other</u>	<u>Total</u>
\$ 4,838	\$	\$	\$	\$ 14,592	\$ 59,145
1,427				16,421	131,853
				5,584	6,252
730	428	485	6,919	7,338	18,758
				14,837	17,863
			16,192	72,659	411,787
		1		8,407	9,672
<u>6,995</u>	<u>428</u>	<u>486</u>	<u>23,111</u>	<u>139,838</u>	<u>655,330</u>
		4,235		11,419	33,834
				2,382	114,435
				2,613	2,613
				20,810	181,567
				55,713	65,696
7,207				41,961	95,323
	401			8,890	32,290
				13,205	13,205
					63,290
<u>7,207</u>	<u>401</u>	<u>4,235</u>	<u>0</u>	<u>156,993</u>	<u>602,253</u>
(212)	27	(3,749)	23,111	(17,155)	53,077
				67	935
1,678				21,980	131,294
(401)			(6,068)	(5,844)	(169,201)
<u>1,277</u>	<u>0</u>	<u>0</u>	<u>(6,068)</u>	<u>16,203</u>	<u>(36,972)</u>
1,065	27	(3,749)	17,043	(952)	16,105
<u>30,704</u>	<u>8,739</u>	<u>17,021</u>	<u>65,597</u>	<u>94,844</u>	<u>376,664</u>
<u>\$ 31,769</u>	<u>\$ 8,766</u>	<u>\$ 13,272</u>	<u>\$ 82,640</u>	<u>\$ 93,892</u>	<u>\$ 392,769</u>

STATE OF SOUTH DAKOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 June 30, 2003
 (Expressed in Thousands)

	Building Authority	Tobacco Securitization	Total
Assets			
Cash and Cash Equivalents	\$ 2	\$ 1,183	\$ 1,185
Investments	78,638	32,399	111,037
Receivables From:			
Interest and Dividends		114	114
Deferred Fiscal Charges and Other Assets		30	30
Total Assets	\$ 78,640	\$ 33,726	\$ 112,366
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Other Liabilities	\$ 0	\$ 6	\$ 6
Total Liabilities	0	6	6
Fund Balances:			
Reserved For:			
Debt Service	78,640	33,720	112,360
Total Fund Balances	78,640	33,720	112,360
Total Liabilities and Fund Balances	\$ 78,640	\$ 33,726	\$ 112,366

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

	Building Authority	Tobacco Securitization	Total
Revenue:			
Use of Money and Property	\$	\$ 943	\$ 943
Tobacco Settlement		25,603	25,603
Other Revenue	57		57
Total Revenue	<u>57</u>	<u>26,546</u>	<u>26,603</u>
Expenditures:			
Current:			
General Government	22	144	166
Debt Service:			
Principal	11,288	7,365	18,653
Interest	7,154	12,624	19,778
Bond Issuance Costs		1,618	1,618
Total Expenditures	<u>18,464</u>	<u>21,751</u>	<u>40,215</u>
Excess of Revenue Over (Under) Expenditures	(18,407)	4,795	(13,612)
Other Financing Sources (Uses):			
Bonds Issued		278,045	278,045
Discount on Bond Issuance		(5,472)	(5,472)
Refunding Bonds Issued	1,263		1,263
Payments on Advance Refundings	(1,274)		(1,274)
Premiums on Refunding Bonds	60		60
Transfers In	14,479		14,479
Transfers Out	(67)	(243,648)	(243,715)
Total Other Financing Sources (Uses)	<u>14,461</u>	<u>28,925</u>	<u>43,386</u>
Net Change in Fund Balances	(3,946)	33,720	29,774
Fund Balances at Beginning of Year	<u>82,586</u>		<u>82,586</u>
Fund Balances at End of Year	<u>\$ 78,640</u>	<u>\$ 33,720</u>	<u>\$ 112,360</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2003
(Expressed in Thousands)

Assets	Revolving Economic Development & Initiative	Drinking Water State Revolving	Unemployment Insurance	Second Injury	State Fair
Current Assets:					
Cash and Cash Equivalents	\$ 52,250	\$ 5,709	\$ 42,417	\$ 1,199	\$
Receivables:					
Interest and Dividends	408	475		6	
Other Funds			64		8
Component Units					
Other Governments		339	288		83
Loans and Notes (Net)	7,014	1,447			
Other (Net)	15		653		9
Inventory					
Securities Lending Collateral	16,533			383	
Deferred Fiscal Charges and Other Assets		24			
Total Current Assets	<u>76,220</u>	<u>7,994</u>	<u>43,422</u>	<u>1,588</u>	<u>100</u>
Restricted Assets:					
Restricted Cash		425			
Restricted Investments		529			
Investments		9,519			
Capital Assets:					
Land and Other Non-depreciable Assets					251
Property, Plant and Equipment					2,988
Accumulated Depreciation					(2,588)
Construction in Progress					
Total Capital Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>651</u>
Other Noncurrent Assets	<u>16,992</u>	<u>25,449</u>			
Total Assets	<u>93,212</u>	<u>43,916</u>	<u>43,422</u>	<u>1,588</u>	<u>751</u>
Liabilities					
Current Liabilities:					
Accounts Payable and Other Current Liabilities	36	54		444	155
Payable To:					
Other Funds	3		21		446
Bonds, Notes and Leases Payable		400			
Claims, Judgments and Compensated Absences	17	17		1	5
Accrued Interest Payable		219			
Deferred Revenue					350
Securities Lending Collateral Liability	16,533			383	
Total Current Liabilities	<u>16,589</u>	<u>690</u>	<u>21</u>	<u>828</u>	<u>956</u>
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable		10,675			
Claims, Judgments and Compensated Absences	16	16		1	4
Total Liabilities	<u>16,605</u>	<u>11,381</u>	<u>21</u>	<u>829</u>	<u>960</u>
Net Assets					
Invested In Capital Assets, Net of Related Debt					651
Restricted For:					
Unemployment Compensation			43,401		
Debt Service		953			
Environmental Projects		31,582			
Revolving Loan Programs					
Unrestricted	<u>76,607</u>			<u>759</u>	<u>(860)</u>
Total Net Assets	<u>\$ 76,607</u>	<u>\$ 32,535</u>	<u>\$ 43,401</u>	<u>\$ 759</u>	<u>\$ (209)</u>

Federal Surplus Property	Rural Rehabilitation	Prison Industries	Other	Total
\$ 306	\$ 4,481	\$ 1,861	\$ 8,053	\$ 116,276
4	110	10	50	1,063
2	6	206	4	290
		54		54
				710
	1,195			9,656
253		90	17	1,037
1,076		566	60	1,702
96	1,425	593	2,457	21,487
		1	37	62
<u>1,737</u>	<u>7,217</u>	<u>3,381</u>	<u>10,678</u>	<u>152,337</u>
				425
				529
				9,519
103				354
558	5	1,919	54	5,524
(233)	(4)	(759)	(31)	(3,615)
		371		371
<u>428</u>	<u>1</u>	<u>1,531</u>	<u>23</u>	<u>2,634</u>
	4,599			47,040
<u>2,165</u>	<u>11,817</u>	<u>4,912</u>	<u>10,701</u>	<u>212,484</u>
205	25	155	836	1,910
4	11	36	69	590
8				408
44	17	55	229	385
				219
6		9	632	997
96	1,425	593	2,457	21,487
<u>363</u>	<u>1,478</u>	<u>848</u>	<u>4,223</u>	<u>25,996</u>
				10,696
43	16	53	221	370
<u>427</u>	<u>1,494</u>	<u>901</u>	<u>4,444</u>	<u>37,062</u>
399	1	1,531	23	2,605
				43,401
				953
				31,582
	10,322			10,322
<u>1,339</u>	<u>10,322</u>	<u>2,480</u>	<u>6,234</u>	<u>86,559</u>
<u>\$ 1,738</u>	<u>\$ 10,323</u>	<u>\$ 4,011</u>	<u>\$ 6,257</u>	<u>\$ 175,422</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)**

	Revolving Economic Development & Initiative	Drinking Water State Revolving	Unemployment Insurance	Second Injury	State Fair
Operating Revenue:					
Licenses, Permits and Fees	\$	\$	\$	\$	\$
Use of Money and Property	688	792			532
Sales and Services		217			587
Administering Programs		7,394			4
Assessments			19,289	7,544	
Other Revenue					47
Total Operating Revenue	<u>688</u>	<u>8,403</u>	<u>19,289</u>	<u>7,544</u>	<u>1,170</u>
Operating Expenses:					
Personal Services and Benefits	308	167		19	510
Travel	16	8			
Contractual Services	174	116		1	1,033
Supplies and Materials	12	1			463
Other	849	56			26
Interest		527			
Depreciation/Amortization		24			60
Insurance Claims			35,494	5,615	
Total Operating Expenses	<u>1,359</u>	<u>899</u>	<u>35,494</u>	<u>5,635</u>	<u>2,092</u>
Operating Income (Loss)	(671)	7,504	(16,205)	1,909	(922)
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets					
Interest Income	2,590	594	3,273	45	
Interest Expense					(24)
Other Expense	(145)			(3)	
Grant and Other Income	357				291
Total Nonoperating Revenue (Expenses)	<u>2,802</u>	<u>594</u>	<u>3,273</u>	<u>42</u>	<u>267</u>
Income (Loss) Before Transfers	2,131	8,098	(12,932)	1,951	(655)
Transfers:					
Transfers In					900
Transfers Out		(28)	(192)		
Net Transfers In (Out)	<u>0</u>	<u>(28)</u>	<u>(192)</u>	<u>0</u>	<u>900</u>
Change in Net Assets	2,131	8,070	(13,124)	1,951	245
Net Assets at Beginning of Year	<u>74,476</u>	<u>24,465</u>	<u>56,525</u>	<u>(1,192)</u>	<u>(454)</u>
Net Assets at End of Year	<u>\$ 76,607</u>	<u>\$ 32,535</u>	<u>\$ 43,401</u>	<u>\$ 759</u>	<u>\$ (209)</u>

Federal Surplus Property	Rural Rehabilitation	Prison Industries	Other	Total
\$	\$ 55	\$	\$ 5,011	\$ 5,066
	374	4		2,390
4,739	3	2,308	900	8,754
	5			7,403
				26,833
	6		560	613
4,739	443	2,312	6,471	51,059
469	328	572	3,185	5,558
11	53	8	571	667
834	293	310	2,541	5,302
3,302	52	1,099	731	5,660
	384		194	1,509
2				529
27	1	76	5	193
				41,109
4,645	1,111	2,065	7,227	60,527
94	(668)	247	(756)	(9,468)
		(3)	(9)	(12)
26	216	76	366	7,186
	(2)			(26)
(2)	(12)	(4)	(21)	(187)
24	202	69	336	7,609
118	(466)	316	(420)	(1,859)
	107	347	69	1,423
	(523)	(508)		(1,251)
0	(416)	(161)	69	172
118	(882)	155	(351)	(1,687)
1,620	11,205	3,856	6,608	177,109
\$ 1,738	\$ 10,323	\$ 4,011	\$ 6,257	\$ 175,422

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

	Revolving Economic Development & Initiative	Drinking Water State Revolving	Unemployment Insurance	Second Injury	State Fair
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 70	\$ 214	\$ 19,248	\$ 7,545	\$ 1,166
Receipts from Interfund Services Provided					
Receipts from Federal Agencies		7,374	12		
Receipts from Loan Payments	9,125	4,300			
Payments to Suppliers and for Benefits and Claims	(480)	(188)	(35,492)	(6,947)	(1,234)
Payments for Employee Services	(315)	(173)		(19)	(516)
Payments for Interfund Services Used	(44)			(1)	(172)
Payments for Loans Originated	(6,781)	(8,533)			
Other Receipts (Payments)	280				267
Net Cash Provided (Used) by Operating Activities	<u>1,855</u>	<u>2,994</u>	<u>(16,232)</u>	<u>578</u>	<u>(489)</u>
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets					
Payments on Capital Lease Obligations					
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows From Noncapital Financing Activities:					
Transfers In					900
Transfers Out		(28)	(192)		
Received on Interfund Borrowing					(387)
Payments on Bonds and Notes		(225)			
Bond Issuance Costs		(19)			
Interest Payments on Bonds and Notes		(531)			
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>(803)</u>	<u>(192)</u>	<u>0</u>	<u>513</u>
Cash Flows From Investing Activities:					
Investment Income	2,706	533	3,273	48	(24)
Purchase of Investment Securities		(4,695)			
Proceeds from the Sale and Maturity of Investments		2,201			
Security Lending Rebate Fees	(145)			(3)	
Net Cash Provided (Used) by Investing Activities	<u>2,561</u>	<u>(1,961)</u>	<u>3,273</u>	<u>45</u>	<u>(24)</u>
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	4,416	230	(13,151)	623	
Cash and Cash Equivalents at Beginning of Year	47,834	5,904	55,568	576	
Cash and Cash Equivalents at End of Year	<u>\$ 52,250</u>	<u>\$ 6,134</u>	<u>\$ 42,417</u>	<u>\$ 1,199</u>	<u>\$ 0</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (671)	\$ 7,504	\$ (16,205)	\$ 1,909	\$ (922)
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense		24			60
Bad Debt Expense	513				
Interest Expense		527			
Miscellaneous Nonoperating Items	357				291
Decrease/(Increase) in Assets:					
Accounts Receivable	(8)		(40)		5
Interest, Dividends & Penalties Receivable	(13)	2			
Loans and Notes Receivable	1,624	(5,028)			
Due From Other Funds			20		62
Due From Component Units	47				
Due From Other Governments		(23)	(8)		(56)
Inventory					
Deferred Fiscal Charges and Other Assets	1				46
Increase/(Decrease) in Liabilities:					
Accounts Payable	12	(6)		(1,332)	89
Accrued Liabilities	(2)				3
Compensated Absences Payable	(5)	(6)		1	(10)
Due To Other Funds			1		(22)
Due To Other Component Units					
Deferred Revenue					(35)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,855</u>	<u>\$ 2,994</u>	<u>\$ (16,232)</u>	<u>\$ 578</u>	<u>\$ (489)</u>
Noncash Investing, Capital and Financing Activities:					
Loss/(Gain) on Disposal of Fixed Assets					
Transfers Out of Fixed Assets					

Federal Surplus Property	Rural Rehabilitation	Prison Industries	Other	Total Nonmajor Enterprise Funds
\$ 2,850	\$ 794	\$ 549	\$ 6,328	\$ 38,764
1,920	5	1,699	91	3,715
			84	7,470
(4,137)	(387)	(944)	(3,393)	13,425
(464)	(317)	(554)	(3,083)	(53,202)
(72)	(98)	(238)	(784)	(5,441)
				(1,409)
				(15,314)
				547
97	(3)	512	(757)	(11,445)
		(135)		(135)
(11)				(11)
(11)	0	(135)	0	(146)
	107	10	69	1,086
	(523)	(6)		(749)
				(387)
				(225)
				(19)
				(531)
0	(416)	4	69	(825)
28	224	80	386	7,254
				(4,695)
(1)	(12)	(4)	(21)	2,201
27	212	76	365	(186)
				4,574
113	(207)	457	(323)	(7,842)
193	4,688	1,404	8,376	124,543
\$ 306	\$ 4,481	\$ 1,861	\$ 8,053	\$ 116,701
\$ 94	\$ (668)	\$ 247	\$ (756)	\$ (9,468)
27	1	76	5	193
				513
2	(2)			527
12		(4)		656
25		2	(6)	(22)
	15			4
	667			(2,737)
5	(2)	(48)	(3)	34
		(13)		34
				(87)
(213)		152	(17)	(78)
		7	(5)	49
140	(25)	65	(90)	(1,147)
2	2	6	59	70
2	9	10	42	43
		1	(23)	(43)
		6		6
1		5	37	8
\$ 97	\$ (3)	\$ 512	\$ (757)	\$ (11,445)
		3	9	12
		(166)		(166)

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2003
(Expressed in Thousands)

Assets	Self- Insurance	Information Services	Tele- Communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Current Assets:						
Cash and Cash Equivalents	\$ 17,609	\$ 614	\$ 1,549	\$ 3,928	\$ 515	\$ 510
Receivables:						
Interest and Dividends	114		12	24	2	1
Other Funds		1,578	1,202	826	867	322
Component Units		22	266	33		1
Other Governments						
Other			54		1	3
Inventory		23	625		41	242
Securities Lending Collateral	5,600	199	490	1,250	165	164
Deferred Fiscal Charges and Other Assets	696	293	282	285	5	2
Total Current Assets	24,019	2,729	4,480	6,346	1,596	1,245
Capital Assets:						
Property, Plant and Equipment	29	6,994	6,209	9,169	956	411
Accumulated Depreciation	(24)	(5,959)	(4,851)	(7,160)	(649)	(321)
Construction in Progress		2,195	15			
Total Capital Assets	5	3,230	1,373	2,009	307	90
Other Noncurrent Assets						
Total Assets	24,024	5,959	5,853	8,355	1,903	1,335
Liabilities						
Current Liabilities:						
Accounts Payable and Other Current Liabilities	\$ 156	\$ 894	\$ 744	\$ 30	\$ 221	\$ 22
Payable To:						
Other Funds	29	123	414	120	25	5
Component Units						
Bonds, Notes and Leases Payable						
Claims, Judgments and Compensated Absences	8,660	816	356	70	149	28
Deferred Revenue	4,911					
Securities Lending Collateral Liability	5,600	199	490	1,250	165	164
	19,356	2,032	2,004	1,470	560	219
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable						
Claims, Judgments and Compensated Absences	23	787	344	67	143	27
Total Liabilities	19,379	2,819	2,348	1,537	703	246
Net Assets						
Invested In Capital Assets, Net of Related Debt	5	3,230	1,373	2,009	307	90
Unrestricted	4,640	(90)	2,132	4,809	893	999
Total Net Assets	\$ 4,645	\$ 3,140	\$ 3,505	\$ 6,818	\$ 1,200	\$ 1,089

<u>Rural Development Telecommunica- tions Network</u>	<u>Public Entity Pool for Liability</u>	<u>Fleet and Travel Management</u>	<u>Personnel</u>	<u>Workers Compensation</u>	<u>Investment Council</u>	<u>Other</u>	<u>Total</u>
\$ 450	\$ 11,935	\$ 1,517	\$ 451	\$ 4,342	\$ 977	\$ 3,878	\$ 48,275
1	75	15	2	32		26	304
113		1,237	248			818	7,211
		332				88	742
		3				161	164
14	2	87	4			157	322
						367	1,298
144	3,800	421	144	1,376	317	1,228	15,298
						17	1,580
<u>722</u>	<u>15,812</u>	<u>3,612</u>	<u>849</u>	<u>5,750</u>	<u>1,294</u>	<u>6,740</u>	<u>75,194</u>
1,761	28	33,404	33		23	2,740	61,757
(1,680)	(28)	(21,052)	(25)		(6)	(2,082)	(43,837)
							2,210
<u>81</u>	<u>0</u>	<u>12,352</u>	<u>8</u>	<u>0</u>	<u>17</u>	<u>658</u>	<u>20,130</u>
<u>803</u>	<u>15,812</u>	<u>15,964</u>	<u>857</u>	<u>5,750</u>	<u>1,311</u>	<u>7,398</u>	<u>95,324</u>
\$ 23	\$ 27	\$ 342	\$ 168	\$ 20	\$ 192	\$ 512	\$ 3,351
19	6	243	70	2	5	480	1,541
		34					34
		3,041				90	3,131
28	1,465	26	214	2,621	234	417	15,084
						7	4,918
144	3,800	421	144	1,376	317	1,228	15,298
<u>214</u>	<u>5,298</u>	<u>4,107</u>	<u>596</u>	<u>4,019</u>	<u>748</u>	<u>2,734</u>	<u>43,357</u>
		2,861					2,861
27	4,014	25	207	14,099	223	403	20,389
<u>241</u>	<u>9,312</u>	<u>6,993</u>	<u>803</u>	<u>18,118</u>	<u>971</u>	<u>3,137</u>	<u>66,607</u>
81		6,450	8		17	568	14,138
481	6,500	2,521	46	(12,368)	323	3,693	14,579
<u>\$ 562</u>	<u>\$ 6,500</u>	<u>\$ 8,971</u>	<u>\$ 54</u>	<u>\$ (12,368)</u>	<u>\$ 340</u>	<u>\$ 4,261</u>	<u>\$ 28,717</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)**

	Self- Insurance	Information Services	Tele- Communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Operating Revenue:						
Use of Money and Property	\$ 12	\$	\$	\$	\$	\$
Sales and Services	72,593	18,163	16,059	3,095	3,897	3,584
Other Revenue						
Total Operating Revenue:	<u>72,605</u>	<u>18,163</u>	<u>16,059</u>	<u>3,095</u>	<u>3,897</u>	<u>3,584</u>
Operating Expenses:						
Personal Services and Benefits	304	9,260	4,538	454	2,324	315
Travel	11	39	149	2	1	
Contractual Services	5,481	8,546	9,262	1,945	1,075	167
Supplies and Materials	51	308	1,191	103	479	3,071
Interest			7			
Depreciation/Amortization		539	1,075	881	67	40
Insurance Claims	63,974					
Total Operating Expenses	<u>69,821</u>	<u>18,692</u>	<u>16,222</u>	<u>3,385</u>	<u>3,946</u>	<u>3,593</u>
Operating Income (Loss)	2,784	(529)	(163)	(290)	(49)	(9)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets					8	
Loss on Disposal of Assets						
Interest Income	852	(30)	87	195	14	11
Other Expense	(47)		(5)	(10)	(1)	(1)
Total Nonoperating Revenue (Expenses)	<u>805</u>	<u>(30)</u>	<u>82</u>	<u>185</u>	<u>21</u>	<u>10</u>
Income (Loss) Before Transfers	3,589	(559)	(81)	(105)	(28)	1
Transfers:						
Transfers In		1,000	2	291		
Transfers Out			(1,016)			
Net Transfers In (Out)	<u>0</u>	<u>1,000</u>	<u>(1,014)</u>	<u>291</u>	<u>0</u>	<u>0</u>
Change in Net Assets	3,589	441	(1,095)	186	(28)	1
Net Assets at Beginning of Year	<u>1,056</u>	<u>2,699</u>	<u>4,600</u>	<u>6,632</u>	<u>1,228</u>	<u>1,088</u>
Net Assets at End of Year	<u>\$ 4,645</u>	<u>\$ 3,140</u>	<u>\$ 3,505</u>	<u>\$ 6,818</u>	<u>\$ 1,200</u>	<u>\$ 1,089</u>

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Investment Council	Other	Total
\$	\$	\$	\$	\$	\$	\$	\$ 12
828	2,624	13,203	3,583	2,884	3,394	10,935	154,842
	1			42		11	54
828	2,625	13,203	3,583	2,926	3,394	10,946	154,908
298	196	457	2,533	153	2,682	4,578	28,092
13	21	7	50		34	270	597
424	1,152	2,352	728	58	873	2,235	34,298
40	17	4,416	160	7	38	2,985	12,866
		409				26	442
53		4,736	1		4	297	7,693
	1,485			3,534		331	69,324
828	2,871	12,377	3,472	3,752	3,631	10,722	153,312
0	(246)	826	111	(826)	(237)	224	1,596
		187					195
		(243)			(3)	(5)	(251)
12	544	126	17	232		194	2,254
(1)	(31)	(6)	(1)	(13)		(21)	(137)
11	513	64	16	219	(3)	168	2,061
11	267	890	127	(607)	(240)	392	3,657
			119			8	1,420
						(224)	(1,240)
0	0	0	119	0	0	(216)	180
11	267	890	246	(607)	(240)	176	3,837
551	6,233	8,081	(192)	(11,761)	580	4,085	24,880
\$ 562	\$ 6,500	\$ 8,971	\$ 54	\$ (12,368)	\$ 340	\$ 4,261	\$ 28,717

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 38,473	\$ 289	\$ 3,427	\$ 175	\$ 12	\$ 100
Receipts from Interfund Services Provided	34,267	17,558	12,578	2,954	3,968	3,470
Payments to Suppliers and for Benefits and Claims	(69,121)	(7,511)	(8,347)	(855)	(1,090)	(2,881)
Payments for Employee Services	(295)	(9,254)	(4,468)	(442)	(2,310)	(318)
Payments for Interfund Services Used	(332)	(1,230)	(2,027)	(1,229)	(456)	(74)
Other Receipts (Payments)						
Net Cash Provided (Used) by Operating Activities	<u>2,992</u>	<u>(148)</u>	<u>1,163</u>	<u>603</u>	<u>124</u>	<u>297</u>
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(1,389)	(597)	(27)	(15)	(42)
Sales of Capital Assets					8	
Payments on Capital Lease Obligations			(209)		(44)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>(1,389)</u>	<u>(806)</u>	<u>(27)</u>	<u>(51)</u>	<u>(42)</u>
Cash Flows From Noncapital Financing Activities:						
Transfers In		1,000		291		
Transfers Out			(1,000)			
Net Cash Provided (Used) From Noncapital Financing Activities	<u>0</u>	<u>1,000</u>	<u>(1,000)</u>	<u>291</u>	<u>0</u>	<u>0</u>
Cash Flows From Investing Activities						
Investment Income (Expense)	877	(17)	93	192	15	13
Security Lending Rebate Fees	(47)		(5)	(10)	(1)	(1)
Net Cash Provided (Used) by Investing Activities	<u>830</u>	<u>(17)</u>	<u>88</u>	<u>182</u>	<u>14</u>	<u>12</u>
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	<u>3,822</u>	<u>(554)</u>	<u>(555)</u>	<u>1,049</u>	<u>87</u>	<u>267</u>
Cash and Cash Equivalents at Beginning of Year	<u>13,787</u>	<u>1,168</u>	<u>2,104</u>	<u>2,879</u>	<u>428</u>	<u>243</u>
Cash and Cash Equivalents at End of Year	<u>\$ 17,609</u>	<u>\$ 614</u>	<u>\$ 1,549</u>	<u>\$ 3,928</u>	<u>\$ 515</u>	<u>\$ 510</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 2,784	\$ (529)	\$ (163)	\$ (290)	\$ (49)	\$ (9)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		539	1,075	881	67	40
Interest Expense			7			
Decrease/(Increase) in Assets:						
Accounts Receivable		2	1	1		(1)
Due From Other Funds		(223)	(50)	21	83	(12)
Due From Component Units		1	(4)	12		
Due From Other Governments						
Inventory		(1)	385		9	245
Deferred Fiscal Charges and Other Assets	(103)	61	(21)	(13)		38
Increase/(Decrease) in Liabilities:						
Accounts Payable	(616)	106	(208)	(34)	(1)	
Accrued Liabilities	3	36	25	3	6	
Compensated Absences Payable	6	(30)	45	9	9	(2)
Due To Other Funds	(11)	(110)	71	13		(2)
Due to Component Units						
Deferred Revenue	263					
Policy Claim Liabilities	666					
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,992</u>	<u>\$ (148)</u>	<u>\$ 1,163</u>	<u>\$ 603</u>	<u>\$ 124</u>	<u>\$ 297</u>
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets					8	
Transfers In (Out) of Fixed Assets			(13)			

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Investment Council	Other	Total
\$ 566	\$ 603	\$ 2,399	\$ 317	\$ 700	\$ 2,883	\$ 2,445	\$ 52,389
460	2,022	11,141	3,322	2,226	512	8,061	102,539
(332)	(3,441)	(1,772)	(428)	(3,425)	(851)	(4,112)	(104,166)
(294)	(187)	(441)	(2,520)	(149)	(2,666)	(4,613)	(27,957)
(131)	(109)	(5,004)	(585)	(18)	(75)	(1,759)	(13,029)
	296					242	538
269	(816)	6,323	106	(666)	(197)	264	10,314
(57)		(3,789)			(8)	(24)	(5,948)
		523					531
		(3,626)				(265)	(4,144)
(57)	0	(6,892)	0	0	(8)	(289)	(9,561)
			119			4	1,414
						(224)	(1,224)
0	0	0	119	0	0	(220)	190
12	573	119	18	246		196	2,337
(1)	(31)	(6)	(1)	(13)		(10)	(126)
11	542	113	17	233	0	186	2,211
223	(274)	(456)	242	(433)	(205)	(59)	3,154
227	12,209	1,973	209	4,775	1,182	3,937	45,121
\$ 450	\$ 11,935	\$ 1,517	\$ 451	\$ 4,342	\$ 977	\$ 3,878	\$ 48,275
\$	\$ (246)	\$ 826	\$ 111	\$ (826)	\$ (237)	\$ 224	\$ 1,596
53		4,736	1		4	297	7,693
		329				26	362
5	295	6	1			(24)	286
24		323	52			(107)	111
169		8	3			(23)	166
						(108)	(108)
						(6)	632
15		43			19	6	45
3	(34)	67	(83)	(8)	1	(33)	(840)
	2	12	15	1	13	11	127
3	8	4	(2)	3	3	7	63
(3)	1	(38)	8			32	(39)
						(1)	(1)
		7				(37)	233
	(842)			164			(12)
\$ 269	\$ (816)	\$ 6,323	\$ 106	\$ (666)	\$ (197)	\$ 264	\$ 10,314
		(56)			(3)	(5)	(56)
						5	(8)

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2003
(Expressed in Thousands)**

Assets	South Dakota Retirement System	Cement Plant Retirement System	Total
Cash and Cash Equivalents	\$ 11,123	\$ 6,642	\$ 17,765
Receivables:			
Employer	2,531		2,531
Employee	5,220		5,220
Benefits	59		59
Unsettled Investment Sales	99,550	452	100,002
Investment Income	18,431	132	18,563
Total Receivables	<u>125,791</u>	<u>584</u>	<u>126,375</u>
Investments, at Fair Value:			
Fixed Income	2,032,130	7,641	2,039,771
Equities	2,301,392	16,194	2,317,586
Real Estate	296,184	2,126	298,310
Private Equity	195,625	1,340	196,965
Total Investments	<u>4,825,331</u>	<u>27,301</u>	<u>4,852,632</u>
Securities Lending Collateral	252,147	778	252,925
Due From Other Funds		11	11
Properties, at Cost	58		58
Accumulated Depreciation	(31)		(31)
Other Assets	<u>38</u>		<u>38</u>
Total Assets	<u>5,214,457</u>	<u>35,316</u>	<u>5,249,773</u>
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	1,985	2	1,987
Due to Other Funds	24	22	46
Due to Component Units	1		1
Compensated Absences Payable	237		237
Securities Sold, But Not Yet Purchased, at Fair Value	96,913		96,913
Unsettled Investment Purchases	78,963	279	79,242
Securities Lending Collateral Liability	252,147	778	252,925
Total Liabilities	<u>430,270</u>	<u>1,081</u>	<u>431,351</u>
Net Assets Held In Trust For Pension and Other Employee Benefits	<u>\$ 4,784,187</u>	<u>\$ 34,235</u>	<u>\$ 4,818,422</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

Additions	South Dakota Retirement System	Cement Plant Retirement System	Total
Contributions:			
Employee	\$ 80,807	\$ 4,000	\$ 80,807
Employer	71,989	4,000	75,989
Total Contributions	<u>152,796</u>	<u>4,000</u>	<u>156,796</u>
Investment Income:			
<i>From Investing Activities</i>			
Net Increase (Decrease) in Fair Value of Investments	80,382	278	80,660
Interest	77,127	489	77,616
Dividends	49,940	342	50,282
Real Estate	14,483	112	14,595
Investment Activity Income	<u>221,932</u>	<u>1,221</u>	<u>223,153</u>
Less Investment Activity Expenses	<u>(12,751)</u>	<u>(18)</u>	<u>(12,769)</u>
Net Investment Activity Income	209,181	1,203	210,384
<i>From Security Lending Activities</i>			
Security Lending Income	2,882	8	2,890
Security Lending Expenses	<u>(2,162)</u>	<u>(7)</u>	<u>(2,169)</u>
Net Security Lending Activity Income	<u>720</u>	<u>1</u>	<u>721</u>
Net Investment Income (Loss)	<u>209,901</u>	<u>1,204</u>	<u>211,105</u>
Total Additions	<u>362,697</u>	<u>5,204</u>	<u>367,901</u>
Deductions			
Benefits	181,275	2,111	183,386
Refunds of Contributions	19,338		19,338
Administrative Expenses	2,797	102	2,899
Total Deductions	<u>203,410</u>	<u>2,213</u>	<u>205,623</u>
Net Increase	159,287	2,991	162,278
Net Assets Held In Trust For Pension and Other Employee Benefits, Beginning of Year	<u>4,624,900</u>	<u>31,244</u>	<u>4,656,144</u>
End of Year	<u>\$ 4,784,187</u>	<u>\$ 34,235</u>	<u>\$ 4,818,422</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2003
(Expressed in Thousands)

	<u>Common School</u>	<u>Child's Own</u>	<u>Corrections</u>	<u>Other</u>	<u>Total</u>
Assets					
Cash and Cash Equivalents	\$ 11,245	\$ 151	\$ 651	\$ 1,715	\$ 13,762
Receivables:					
Due from Other Funds			68	69	137
Investment Income	831	1		4	836
Other	97	131		1	229
Total Receivables	<u>928</u>	<u>132</u>	<u>68</u>	<u>74</u>	<u>1,202</u>
Investments, at Fair Value:					
Pooled Investment Funds	103,320				103,320
Money Market				3	3
Total Investments	<u>103,320</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>103,323</u>
Securities Lending Collateral	8,317	48		495	8,860
Properties, at Cost	10,417				10,417
Other Assets				31	31
Total Assets	<u>134,227</u>	<u>331</u>	<u>719</u>	<u>2,318</u>	<u>137,595</u>
Liabilities					
Payables:					
Accounts Payable and Other Liabilities		61		144	205
Due To Other Funds			55	34	89
Securities Lending Collateral Liability	8,317	48		495	8,860
Total Liabilities	<u>8,317</u>	<u>109</u>	<u>55</u>	<u>673</u>	<u>9,154</u>
Net Assets Held In Trust For Others	<u>\$ 125,910</u>	<u>\$ 222</u>	<u>\$ 664</u>	<u>\$ 1,645</u>	<u>\$ 128,441</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

	<u>Common School</u>	<u>Child's Own</u>	<u>Corrections</u>	<u>Other</u>	<u>Total</u>
Additions					
Contributions:					
From Participants	\$	\$	\$	\$ 155	\$ 155
From Clients and Inmates			3,578	847	4,425
Total Contributions			<u>3,578</u>	<u>1,002</u>	<u>4,580</u>
Investment Income:					
<i>From Investing Activities</i>					
Net Increase (Decrease) in Fair Value of Investments	3,528	1		4	3,533
Interest	4,997	6		28	5,031
Dividends	637				637
Net Investment Activity Income	<u>9,162</u>	<u>7</u>	<u>0</u>	<u>32</u>	<u>9,201</u>
<i>From Security Lending Activities</i>					
Security Lending Income	215	1		2	218
Security Lending Expenses	(182)	(1)		(2)	(185)
Net Security Lending Activity Income	<u>33</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33</u>
Net Investment Income (Loss)	<u>9,195</u>	<u>7</u>	<u>0</u>	<u>32</u>	<u>9,234</u>
Escheated Property	24				24
Gain from Sale of Assets	248				248
Miscellaneous Income	2,499	778			3,277
Transfers From Other Funds				69	69
Total Additions	<u>11,966</u>	<u>785</u>	<u>3,578</u>	<u>1,103</u>	<u>17,432</u>
Deductions					
Distribution to School Districts	9,219				9,219
Payments made for Trust Purposes		776	3,588	1,332	5,696
Administrative Expenses				50	50
Total Deductions	<u>9,219</u>	<u>776</u>	<u>3,588</u>	<u>1,382</u>	<u>14,965</u>
Net Increase (Decrease)	2,747	9	(10)	(279)	2,467
Net Assets Held In Trust For Others					
Beginning of Year, restated	<u>123,163</u>	<u>213</u>	<u>674</u>	<u>1,924</u>	<u>125,974</u>
End of Year	<u>\$ 125,910</u>	<u>\$ 222</u>	<u>\$ 664</u>	<u>\$ 1,645</u>	<u>\$ 128,441</u>



STATE OF SOUTH DAKOTA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 June 30, 2003
 (Expressed in Thousands)

	Department of Revenue - Tax Collections	Social Services - Child Support	State Auditor - Payroll Withholding	State Clerk of Courts	Other	Total
Assets						
Cash and Cash Equivalents	\$ 13,366	\$ 1,166	\$ 31	\$ 3,097	\$ 1,327	\$ 18,987
Receivables:						
Taxes Receivable (net)	22,182					22,182
Due From Other Governments	500				49	549
Investment Income	47				1	48
Other	58					58
Total Receivables	<u>22,787</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50</u>	<u>22,837</u>
Total Assets	<u>\$ 36,153</u>	<u>\$ 1,166</u>	<u>\$ 31</u>	<u>\$ 3,097</u>	<u>\$ 1,377</u>	<u>\$ 41,824</u>
Liabilities						
Payables:						
Accounts Payable and Other Liabilities	\$ 5,089	\$ 1,166	\$	\$ 3,097	\$ 413	\$ 9,765
Due To Other Governments	31,064		31		964	32,059
Total Liabilities	<u>\$ 36,153</u>	<u>\$ 1,166</u>	<u>\$ 31</u>	<u>\$ 3,097</u>	<u>\$ 1,377</u>	<u>\$ 41,824</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)**

Department of Revenue - Tax Collections	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Assets:				
Cash and Cash Equivalents	\$ 13,672	\$ 200,559	\$ 200,865	\$ 13,366
Accounts Receivable	99	58	99	58
Taxes Receivable (Net)	21,244	22,182	21,244	22,182
Interest and Dividends Receivable	70	47	70	47
Due From Other Governments	452	500	452	500
Total Assets	\$ 35,537	\$ 223,346	\$ 222,730	\$ 36,153
Liabilities:				
Accounts Payable and Other Liabilities	\$ 3,998	\$ 4,580	\$ 3,489	\$ 5,089
Due To Other Governments	31,539	218,766	219,241	31,064
Total Liabilities	\$ 35,537	\$ 223,346	\$ 222,730	\$ 36,153
Social Services - Child Support				
Assets:				
Cash and Cash Equivalents	\$ 2,310	\$ 70,408	\$ 71,552	\$ 1,166
Total Assets	\$ 2,310	\$ 70,408	\$ 71,552	\$ 1,166
Liabilities:				
Accounts Payable and Other Liabilities	\$ 2,310	\$ 70,408	\$ 71,552	\$ 1,166
Total Liabilities	\$ 2,310	\$ 70,408	\$ 71,552	\$ 1,166
State Auditor - Payroll Withholding				
Assets:				
Cash and Cash Equivalents	\$ 3,517	\$ 135,289	\$ 138,775	\$ 31
Total Assets	\$ 3,517	\$ 135,289	\$ 138,775	\$ 31
Liabilities:				
Accounts Payable and Other Liabilities	\$ 0	\$ 1,948	\$ 1,948	\$ 0
Due To Other Governments	3,517	133,341	136,827	31
Total Liabilities	\$ 3,517	\$ 135,289	\$ 138,775	\$ 31
State Clerk of Courts				
Assets:				
Cash and Cash Equivalents	\$ 3,525	\$ 8,851	\$ 9,279	\$ 3,097
Total Assets	\$ 3,525	\$ 8,851	\$ 9,279	\$ 3,097
Liabilities:				
Accounts Payable and Other Liabilities	\$ 3,525	\$ 8,851	\$ 9,279	\$ 3,097
Total Liabilities	\$ 3,525	\$ 8,851	\$ 9,279	\$ 3,097

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS (Continued)
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)**

<u>Other Agency Funds</u>	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2003</u>
Assets:				
Cash and Cash Equivalents	\$ 1,194	\$ 20,853	\$ 20,720	\$ 1,327
Interest and Dividends Receivable	1	1	1	1
Due From Other Governments	71	509	531	49
Total Assets	\$ 1,266	\$ 21,363	\$ 21,252	\$ 1,377
Liabilities:				
Accounts Payable and Other Liabilities	\$ 250	\$ 19,269	\$ 19,106	\$ 413
Due To Other Governments	1,016	1,066	1,118	964
Total Liabilities	\$ 1,266	\$ 20,335	\$ 20,224	\$ 1,377
<u>Total All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$ 24,218	\$ 435,960	\$ 441,191	\$ 18,987
Accounts Receivable	99	58	99	58
Taxes Receivable (Net)	21,244	22,182	21,244	22,182
Interest and Dividends Receivable	71	48	71	48
Due From Other Governments	523	1,009	983	549
Total Assets	\$ 46,155	\$ 459,257	\$ 463,588	\$ 41,824
Liabilities:				
Accounts Payable and Other Liabilities	\$ 10,083	\$ 105,056	\$ 105,374	\$ 9,765
Due To Other Governments	36,072	353,173	357,186	32,059
Total Liabilities	\$ 46,155	\$ 458,229	\$ 462,560	\$ 41,824

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

	Housing Authority	Finance Authority	CREP Program	Value Added Finance Authority	Higher Education	Totals
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 8,587	\$	\$	\$ 23	\$ 175,018	\$ 183,628
Receipts from Federal Agencies	24,420					24,420
Receipts from Grants and Contracts				576	67,792	68,368
Receipts from Loan Payments	343,020	864	1,324		6,984	352,192
Payments to Suppliers and for Benefits and Claims	(4,797)	(58)	(98)	(576)	(106,715)	(112,244)
Payments for Employee Services	(2,399)				(232,292)	(234,691)
Payments for Loans Originated	(181,565)	(2,823)			(6,042)	(190,430)
Payments for Student Financial Aid					(8,908)	(8,908)
Payments for Federal Housing Program	(21,249)					(21,249)
Other Receipts		3,472			227	3,699
Other Payments	(7,472)	(1,000)			(11,836)	(20,308)
Net Cash Provided (Used) by Operating Activities	158,545	455	1,226	23	(115,772)	44,477
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets	(447)				(35,698)	(36,145)
Capital Grants					7,212	7,212
Sales of Capital Assets					15,379	15,379
Issuance of Bonds					20,438	20,438
Payments on Capital Lease Obligations					(535)	(535)
Interest Payments on Bonds and Notes					(4,045)	(4,045)
Payments on Bonds and Notes					(5,094)	(5,094)
Net Cash Provided (Used) by Capital and Related Financial Activities	(447)	0	0	0	(2,343)	(2,790)
Cash Flows From Noncapital Financing Activities:						
State Support From Primary Government					133,337	133,337
Federal Appropriations					6,850	6,850
Issuance of Bonds	432,058	2,400			17,579	452,037
Payments on Bonds and Notes Payable	(529,528)	(700)	(891)		(16,776)	(547,895)
Payments on Loans		(134)				(134)
Bond Issuance Costs	(1,770)				(320)	(2,090)
Stafford and PLUS Loan Receipts					85,907	85,907
Stafford and PLUS Loan Disbursements					(85,907)	(85,907)
Interest Payments on Bonds and Notes	(75,805)	(419)	(335)			(76,559)
Other Noncapital Financing Activity					3,018	3,018
Net Cash Provided (Used) From Noncapital Financing Activities	(175,045)	1,147	(1,226)	0	143,688	(31,436)
Cash Flows From Investing Activities						
Investment Income	21,200	817	9	11	3,919	25,956
Purchase of Investment Securities	(349,253)	(4,410)				(353,663)
Proceeds from the Sale and Maturity of Investments	360,228	2,320				362,548
Security Lending Rebate Fees					(131)	(131)
Net Cash Provided by Investing Activities	32,175	(1,273)	9	11	3,788	34,710
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	15,228	329	9	34	29,361	44,961
Cash and Cash Equivalents at Beginning of Year, restated	240,053	1,927	833		65,433	308,246
Cash and Cash Equivalents at End of Year	\$ 255,281	\$ 2,256	\$ 842	\$ 34	\$ 94,794	\$ 353,207

continued on next page

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS (Continued)
For the Fiscal Year Ended June 30, 2003
(Expressed in Thousands)

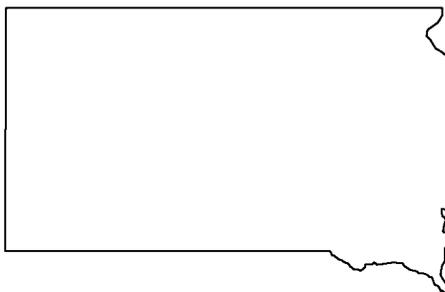
	<u>Housing Authority</u>	<u>Finance Authority</u>	<u>CREP Program</u>	<u>Value Added Finance Authority</u>	<u>Higher Education</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 8,600	\$ (552)	\$ (53)	\$ 10	\$ (136,506)	\$ (128,501)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	3,928		16		18,829	22,773
Bad Debt Expense	224					224
Investment Income	(22,983)	(413)				(23,396)
Interest Expense	73,664	408	326	(2)		74,396
Miscellaneous Nonoperating Items				144	(1,631)	(1,487)
Decrease/(Increase) in Assets:						
Accounts Receivable					496	496
Interest, Dividends & Penalties Receivable	924	13	42	(2)	(79)	898
Loans and Notes Receivable	93,399	(1,773)	886	(561)	124	92,075
Due From Other Governments					1,646	1,646
Inventory	(17)				32	15
Deferred Fiscal Charges and Other Assets					(168)	(168)
Increase/(Decrease) in Liabilities:						
Accounts Payable and Other Current Liabilities	1,509	1			(284)	1,226
Compensated Absences Payable	(133)				1,465	1,332
Due to Primary Government	13			434	(166)	281
Deferred Revenue			9		84	93
Escrow Payable	(583)	164				(419)
Other Liabilities		2,607			386	2,993
Total Adjustments	<u>149,945</u>	<u>1,007</u>	<u>1,279</u>	<u>13</u>	<u>20,734</u>	<u>172,978</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 158,545</u>	<u>\$ 455</u>	<u>\$ 1,226</u>	<u>\$ 23</u>	<u>\$ (115,772)</u>	<u>\$ 44,477</u>
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets	\$	\$	\$	\$	\$ (787)	\$ (787)
Gifts and Donations of Fixed Assets					628	628
Other					(63)	(63)





STATISTICAL SECTION

SOUTH DAKOTA - MISCELLANEOUS



STATE CAPITOL: PIERRE

ADMITTED TO THE UNION: 1889

NICKNAME: THE MOUNT RUSHMORE STATE

MOTTO: UNDER GOD THE PEOPLE RULE

POPULATION ESTIMATE 2003: 764,309

POPULATION CENSUS 2000: 754,844

RANKS 16TH IN AREA AT 75,885

SQUARE MILES OF LAND AREA

1,232 SQUARE MILES OF INLAND WATER

**POPULATION PER SQUARE MILE IN 2000:
9.9**

DIVIDED INTO 66 COUNTIES

BORDERED BY SIX STATES:

**MINNESOTA, NORTH DAKOTA, NEBRASKA,
MONTANA, IOWA, AND WYOMING**

**LOWEST ELEVATION POINT: 962 FEET (BIG
STONE LAKE)**

**HIGHEST ELEVATION POINT: 7,242 FEET
(HARNEY PEAK)**

STATE TREE: BLACK HILLS SPRUCE

STATE FLOWER: AMERICAN PASQUE

STATE ANIMAL: COYOTE

**STATE BIRD: CHINESE RING-NECKED
PHEASANT**

STATE FISH: WALLEYE

**STATE INSECT: HONEY BEE
(APIS MELLIFERA L.)**

STATE GEM STONE: FAIRBURN AGATE

STATE MINERAL: ROSE QUARTZ

STATE JEWELRY: BLACK HILLS GOLD

**STATE SLOGAN: GREAT FACES,
GREAT PLACES**

STATE SOIL: HOUDEK

STATE DESSERT: KUCHEN

STATE SONG: "HAIL, SOUTH DAKOTA"

STATE FOSSIL: TRICERATOPS

STATE GREETING: "HOW KOLA!"

STATE SPORT: RODEO

SOUTH DAKOTA

SQUARE MILES OF LAND	75,885
MILES OF HIGHWAY	83,609
STATE PARKS	12
NATIONAL PARKS/MONUMENTS/MEMORIALS	7
STATE UNIVERSITIES	6
PRIVATE COLLEGES AND UNIVERSITIES	14
VOCATIONAL/TECHNICAL SCHOOLS	4

SOURCES: U.S. Bureau of the Census; SD Board of Regents; SD Game, Fish, and Parks; *Highway Mileage*, S.D. Department of Transportation; SD Airport Directory; Sioux Falls Airport, Rapid City Regional Airport, and SD State Climatologist.

CLIMATE

South Dakota is a four-season state, with the weather as diverse as the terrain. Throughout the summer and early fall months, the state enjoys a warm, dry climate, with cool summer evenings. The winter climate is ideal for snow activities, with ample snowfall and cool temperatures. The following averages are based on a 30-year average:

Average January temperature: 10.4° Fahrenheit in the northeast to 21.6° Fahrenheit in the southwest.

Average July temperature: 66.9° Fahrenheit in the Black Hills to 74.4° Fahrenheit in the south-central part of the state.

Average annual precipitation is 20.41 inches.

HIGHWAYS

Two interstate highways serve South Dakota: I90 runs east-west, and I29 runs north-south. The speed limit on interstate highways is 75 miles per hour, with most other highways at 65 miles per hour.

TWO TIME ZONES

South Dakota observes both Central Standard and Mountain Standard Time, with the dividing line being the Missouri River. Daylight Savings Time is observed from the first Sunday in April through the last Sunday in October.

AIRLINES

South Dakota has good air service, with major airports at Rapid City and Sioux Falls. Denver, Salt Lake City, Minneapolis/St. Paul, Chicago, and St. Louis are primary gateway cities. Sioux Falls is served by United Express, Northwest, Mesaba, American Airlines, Atlantic Coast, and various cargo carriers. Rapid City has service from United Express, Northwest, Skywest/Delta Connection, Great Lakes, Frontier Airlines, and several cargo carriers. Commercial flights depart the cities of Aberdeen, Brookings, Huron, Pierre, and Watertown. Regular taxi and limousine services are available at airports in Sioux Falls, Rapid City, and Pierre.

STATE OF SOUTH DAKOTA

Revenue by Source All Governmental Fund Types For the Last Ten Fiscal Years (Expressed in Thousands)

Revenues:	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Taxes:										
Sales & Use	\$ 488,742	\$ 471,025	\$ 452,795	\$ 435,942	\$ 407,967	\$ 389,205	\$ 371,817	\$ 343,115	\$ 328,091	\$ 308,880
Inheritance	27,036	22,164	33,734	26,234	23,759	22,866	20,085	20,177	19,552	21,350
Insurance Company	48,545	45,440	43,093	39,340	34,976	33,023	33,680	32,050	31,988	29,173
Liquor	10,899	11,219	10,936	8,262	8,240	7,458	7,542	7,489	7,343	7,353
Cigarette	20,336	17,466	18,159	17,921	19,374	19,895	19,986	21,874	15,200	14,248
Bank Franchise	46,847	41,784	42,059	35,609	39,813	28,705	27,388	28,231	29,805	28,592
Contractor's Excise	56,853	53,449	50,150	47,555	43,399	43,371	36,397	31,558	32,931	29,352
Severance	2,027	3,019	2,174	2,066	3,131	2,385	6,584	6,522	5,588	6,102
Other Tobacco	1,330	1,258	1,178	1,163	1,071	1,022	986			
Special Revenue*							106,545	102,644	107,038	91,894
Motor Vehicle & Fuel	177,828	173,805	116,510	120,038	103,479	104,193				
Other	49,537	49,659	19,880	18,525	17,127	19,572				
Subtotal	929,980	890,288	790,668	752,655	702,336	671,695	631,010	593,660	577,536	536,944
Other Revenue:										
Licenses, Permits & Fees	139,700	136,917	216,816	164,017	154,097	147,753	131,685	125,404	119,734	113,776
Fines, Forfeits & Penalties	6,723	6,845	7,741	13,431	5,707	4,611	3,844	3,924	3,554	4,173
Use of Money & Property	92,569	63,558	64,629	42,579	35,404	35,809	29,323	27,079	25,913	27,353
Sales & Services	24,843	19,111	24,131	20,621	19,528	19,240	19,337	15,619	17,007	43,039
Admin. Programs	1,093,374	1,027,860	960,393	801,887	766,539	765,050	671,939	692,696	600,545	601,948
Tobacco Settlement	25,603									
Other Revenue	21,348	46,427	14,840	14,393	10,503	13,071	6,760	8,552	7,984	6,964
Total Revenue	\$2,334,140	\$2,191,006	\$2,079,218	\$1,809,583	\$1,694,114	\$1,657,229	\$1,493,898	\$1,466,934	\$1,352,273	\$1,334,197

Expenditures By Function All Governmental Fund Types For the Last Ten Fiscal Years (Expressed in Thousands)

Expenditures:	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
General Government	\$ 62,544	\$ 61,705	\$ 89,547	\$ 87,334	\$ 76,225	\$ 67,946	\$ 105,123	\$ 102,299	\$ 112,281	\$ 100,724
Education	586,041	592,498								
Health, Human and Social Services	874,339	834,224								
Law, Justice, Public Protection and Regulation	175,346	149,657								
Agriculture & Natural Resources	107,985	97,297								
Commerce & Regulation		13,279								
Economic Resources	36,831	28,133	31,406	36,263	41,832	27,259	15,048	18,749	22,500	18,738
Education & Research			415,653	400,348	382,039	367,996	317,210	271,319	274,598	268,008
Transportation	390,628	411,526	440,104	368,225	295,049	337,513	276,989	273,724	259,386	269,780
Human Resources			810,264	706,830	674,363	646,759	617,416	611,658	544,937	533,830
Natural Resources			85,962	73,873	69,167	69,305	59,233	67,255	63,498	54,895
Protection of Domain			66,438	62,222	69,090	85,014	81,749	74,288	53,223	54,000
State Shared Revenue	83,945	80,434	68,009							
Capital Outlay	36	5	65	2,694	1,862	588	5,690	15,576	N/A	N/A
Debit Service:										
Principal	18,653	11,428	11,687	12,333	12,242	11,797	6,490	8,693	N/A	N/A
Interest	19,778	7,743	8,712	11,133	11,682	11,755	14,669	14,779	N/A	N/A
Bond Issuance Costs	1,618									
Other								32	N/A	N/A
Total Expenditures	\$2,357,744	\$2,287,929	\$2,027,847	\$1,761,255	\$1,633,551	\$1,625,932	\$1,499,617	\$1,458,372	\$1,330,423	\$1,299,975

Source: South Dakota Comprehensive Annual Financial Reports (1994-2003).

Note: Reorganization in FY2002 and FY2003. Compare FY2001 CAFR to FY2002 CAFR and FY2002 CAFR to FY2003 CAFR for changes in "Function's of State Government".

*Combination of Motor Vehicle and Fuel/Other Taxes.

2002 SOURCES OF INCOME PERCENT OF TOTAL

SOURCE	SOUTH DAKOTA	UNITED STATES
Labor Compensation *	51.9%	58.4%
Proprietors' Income	9.7%	8.5%
<i>Nonfarm</i>	<i>8.7%</i>	<i>8.4%</i>
<i>Farm</i>	<i>0.9%</i>	<i>0.2%</i>
Transfer Payments	14.9%	14.5%
Dividend, Interest, and Rent	23.5%	18.6%

SOURCE: U.S. Department of Commerce, October 2003. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

* Net earnings by place of residence, less proprietors' income.

PER CAPITA PERSONAL INCOME

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2002	\$30,832	1.4%	\$29,942	2.3%	\$26,694	0.5%
2001	30,413	2.2%	29,257	2.9%	26,566	2.9%
2000	29,760	6.7%	28,430	6.1%	25,815	5.0%
1999	27,880	3.7%	26,787	3.0%	24,576	4.8%
1998	26,893	5.8%	26,001	6.1%	23,453	7.2%
1997	25,412	4.7%	24,517	4.2%	21,885	2.3%
1996	24,270	4.4%	23,520	6.2%	21,399	9.2%
1995	23,255	4.1%	22,138	3.5%	19,588	1.0%
1994	22,340	3.7%	21,381	5.5%	19,399	5.4%
1993	21,539	2.8%	20,258	2.1%	18,413	3.1%

SOURCE: U.S. Department of Commerce, July 2003. U.S. Census Bureau for midyear (July 1) population estimates. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

NOTE: Per capita personal income is total personal income divided by total mid-year population estimate.

* The Plains states include Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

TAXABLE SALES FOR THE 10 LARGEST CITIES IN SD
% of FY Total and Trends
(In Thousands)

City:	2003	% of Total	2002	% of Total	2001	% of Total	2000	% of Total	1999	% of Total	1998	% of Total
Sioux Falls	\$ 3,133,632	26.5%	\$ 2,850,931	24.8%	\$ 2,856,039	25.1%	\$ 2,721,939	25.0%	\$ 2,476,855	24.4%	\$ 2,363,391	24.2%
Rapid City	1,725,394	14.6%	1,604,666	14.0%	1,556,121	13.7%	1,507,877	13.9%	1,419,714	14.0%	1,357,972	13.9%
Aberdeen	514,709	4.4%	477,745	4.2%	505,887	4.4%	492,363	4.5%	456,106	4.5%	445,234	4.6%
Watertown	444,240	3.8%	406,439	3.5%	434,897	3.8%	413,918	3.8%	391,880	3.9%	396,081	4.1%
Mitchell	375,356	3.2%	347,966	3.0%	345,564	3.0%	316,866	2.9%	286,321	2.8%	276,191	2.8%
Brookings	302,449	2.6%	261,926	2.3%	274,375	2.4%	277,196	2.6%	254,462	2.5%	244,276	2.5%
Yankton	267,766	2.3%	251,767	2.2%	260,064	2.3%	258,051	2.4%	241,939	2.4%	235,287	2.4%
Pierre	232,593	2.0%	219,144	1.9%	217,528	1.9%	222,478	2.0%	204,148	2.0%	203,017	2.1%
Spearfish	190,451	1.6%	173,456	1.5%	168,985	1.5%	169,083	1.6%	151,329	1.5%	148,613	1.5%
Huron	184,429	1.6%	179,603	1.6%	186,249	1.6%	173,155	1.6%	165,896	1.6%	172,348	1.8%
Subtotal	\$ 7,371,019	62.4%	\$ 6,773,643	58.9%	\$ 6,805,709	59.9%	\$ 6,552,926	60.3%	\$ 6,048,650	59.7%	\$ 5,842,410	59.8%
State Total	\$11,819,540		\$11,491,333		\$11,369,578		\$10,868,890		\$10,136,462		\$ 9,761,937	

TAXES PER CAPITA AND PER \$1,000 PERSONAL INCOME
UNITED STATES, SOUTH DAKOTA AND SURROUNDING
STATES

	2002		2001		2000		1999		1998	
	Amount	Rank								
PER CAPITA (CURRENT DOLLARS)										
U.S.	\$1,854	-	\$1,966	-	\$1,922	-	\$1,837	-	\$1,754	-
South Dakota	1,283	50	1,289	50	1,228	50	1,188	49	1,140	49
Iowa	1,705	31	1,759	33	1,772	31	1,697	28	1,679	24
Minnesota	2,577	4	2,715	3	2,711	4	2,613	4	2,434	4
Montana	1,586	39	1,652	39	1,564	42	1,524	43	1,509	41
Nebraska	1,731	29	1,766	32	1,742	32	1,598	38	1,585	32
North Dakota	1,762	26	1,829	27	1,826	26	1,745	24	1,690	23
Wyoming	2,195	9	2,277	9	1,952	17	1,691	29	1,783	20
PER \$1,000 PERSONAL INCOME										
U.S.	60	-	64	-	64	-	64	-	64	-
South Dakota	48	47	49	48	48	48	47	49	48	49
Iowa	61	28	65	29	67	25	67	24	67	25
Minnesota	76	7	82	6	84	6	85	6	82	4
Montana	64	23	69	23	68	22	69	21	70	22
Nebraska	59	33	61	32	63	31	59	38	61	34
North Dakota	66	19	71	19	73	17	75	15	73	15
Wyoming	72	13	77	12	70	21	63	31	71	21

SOURCE: U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, and South Dakota State Data Center.

NOTE: Total tax collections used in calculation of taxes per capita are for fiscal year ending in year shown.

POPULATION (THOUSANDS)

YEAR	UNITED STATES	PERCENT CHANGE	WEST N. CENTRAL*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2003	290,810	1.0%	19,569	0.5%	764	0.5%
2002	287,974	1.0%	19,464	0.5%	760	0.3%
2001	285,094	1.3%	19,368	0.7%	758	0.4%
2000	281,422	0.9%	19,238	0.6%	755	0.7%
1999	279,040	1.2%	19,131	0.8%	750	0.5%
1998	275,854	1.2%	18,988	0.7%	746	0.3%
1997	272,647	1.2%	18,850	0.8%	744	0.3%
1996	269,394	1.2%	18,706	0.8%	742	0.5%
1995	266,278	1.2%	18,560	1.0%	738	1.0%
1994	263,126	1.2%	18,381	0.9%	731	1.2%

SOURCE: U.S. Bureau of the Census, Population Division. Compiled by South Dakota State Data Center, USD Business Research Bureau.

NOTE: Midyear (July 1) population estimates of the U.S. Bureau of the Census. Estimates for 2001, 2002, and 2003 were released December 2003.

* The West North Central states include Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

TOTAL PERSONAL INCOME (MILLIONS)

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2002	\$8,891,093	2.5%	\$582,958	2.9%	\$20,316	0.8%
2001	8,677,490	3.3%	566,738	3.4%	20,146	3.3%
2000	8,398,871	8.0%	547,878	6.9%	19,511	5.8%
1999	7,779,521	4.9%	512,453	3.8%	18,442	5.4%
1998	7,418,497	7.1%	493,714	6.8%	17,497	7.4%
1997	6,928,545	6.0%	462,173	5.1%	16,288	2.5%
1996	6,538,103	5.6%	439,948	7.1%	15,883	9.9%
1995	6,192,235	5.3%	410,645	4.5%	14,454	2.0%
1994	5,878,362	5.0%	393,000	6.5%	14,177	6.6%
1993	5,598,446	4.1%	368,899	3.2%	13,297	4.4%

SOURCE: U.S. Department of Commerce, July 2003. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

All data is revised to reflect the revision in NIPA's, changes in methodology, and newly available state and local data.

* The Plains states include Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

UNEMPLOYMENT RATE

YEAR	SOUTH DAKOTA	UNITED STATES
2003	* 3.2%	6.0%
2002	3.1%	5.8%
2001	3.4%	4.7%
2000	2.3%	4.0%
1999	2.9%	4.2%
1998	2.9%	4.5%
1997	3.1%	4.9%
1996	3.2%	5.4%
1995	2.9%	5.6%
1994	3.3%	6.1%

* Preliminary Data.

SOURCE: U.S. Bureau of Labor Statistics and Labor Market Information Center. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

NOTE: Beginning in 1994, data are not directly comparable with data for earlier periods because of the introduction of a major redesign of the Current Population Survey questionnaire and collection methodology and the introduction of 1990 census-based population controls adjusted for the estimated undercount.

NONFARM WAGE AND SALARY EMPLOYMENT BY INDUSTRY (Expressed in Thousands)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Natural Resources/Mining	0.9	0.9	1.2	1.3	1.3	1.7	2.1	2.2	2.3	2.3
Construction	19.2	18.8	18.5	18.0	17.1	16.1	15.2	14.6	13.9	13.7
Manufacturing	37.4	38.4	41.0	43.8	44.2	44.0	44.2	43.6	43.5	40.9
Transportation/Warehousing/ Utilities	11.8	11.8	12.1	12.0	11.9	11.8	11.8	11.9	11.7	11.5
Wholesale/Retail Trade	65.6	65.0	65.0	64.8	64.0	63.1	62.3	61.8	61.8	60.1
<i>Wholesale Trade</i>	16.9	16.7	16.7	16.5	16.5	16.4	16.1	15.9	15.9	15.7
<i>Retail Trade</i>	48.7	48.3	48.3	48.3	47.5	46.7	46.2	45.9	45.9	44.4
Information	6.8	6.7	6.8	6.9	6.7	6.7	6.4	6.2	6.1	5.9
Financial Activities	27.6	27.8	28.0	26.2	25.1	23.2	21.7	20.3	19.0	18.7
Professional/Business Svcs.	24.0	24.6	25.7	27.1	25.2	22.9	21.6	19.7	18.0	16.5
Educational/Health Services	55.5	54.0	52.8	52.2	51.4	49.8	48.1	47.1	45.5	43.8
Leisure and Hospitality	40.3	39.6	38.6	38.5	37.7	37.0	36.3	36.0	35.1	35.1
Other Services (Except Public Administration)	15.9	15.8	15.8	16.5	16.9	15.9	14.7	15.0	15.6	16.5
Government	74.7	74.2	73.1	70.3	71.9	71.0	70.5	70.4	71.0	67.1
TOTAL	379.7	377.8	378.4	377.7	373.3	363.2	354.9	348.7	343.5	331.9
% Change in Nonfarm Employment	0.5%	-0.2%	0.2%	1.2%	2.8%	2.3%	1.8%	1.5%	3.5%	

SOURCE: Labor Market Information Center in cooperation with the U.S. Bureau of Labor Statistics. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

NOTE: Numbers may not add due to rounding. Data not seasonally adjusted. 2003 numbers are preliminary. Effective January 2001, an economic code change moved tribal workers from nongovernment to government. Data after January 2001 is not comparable to prior data.

EXPANDED AND NEW INDUSTRIES (Dollars Expressed in Millions)

	EXPANSIONS		NEW		TOTAL	
	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT
2003	496	\$191.5	21	\$206.0	517	\$397.5
2002	466	156.5	6	9.4	472	165.9
2001	544	141.6	13	96.5	557	238.1
2000	438	249.1	16	10.6	454	259.7
1999	478	261.9	14	23.4	492	285.3
1998	555	208.6	19	21.9	574	230.5
1997	466	236.1	22	7.5	488	243.6
1996	322	210.7	28	24.1	350	234.8
1995	403	236.3	33	92.8	436	329.1
1994	453	133.5	22	4.0	475	137.5

SOURCE: Survey, Governor's Office of Economic Development.

NOTE: Only manufacturing and processing companies are included in the above totals. Manufacturing data for 2002 based on NAICS. Since manufacturing data for earlier years is based on SIC, it is not comparable to 2002 data; i.e., publishers and small newspapers are not included in 2002, but are for earlier years.

GROSS SALES BY INDUSTRY (Sales Expressed in Millions of Dollars)

	2003		2002		2001		2000		1999	
	Sales	% of Total Sales								
Agriculture, Forestry and Fishing	\$ 225.4	0.6%	\$ 196.5	0.6%	\$ 187.0	0.5%	\$ 156.8	0.4%	\$ 130.0	0.4%
Mining	86.7	0.2%	69.6	0.2%	102.0	0.3%	114.3	0.3%	129.1	0.4%
Construction	28.2	0.1%	46.1	0.1%	42.8	0.1%	42.4	0.1%	38.2	0.1%
Manufacturing	5,288.5	14.6%	4,143.2	12.2%	4,318.9	12.2%	3,666.2	10.0%	3,510.4	10.7%
Transportation, Communication, and Utilities	2,437.2	6.7%	2,203.3	6.5%	2,763.0	7.8%	2,537.7	6.9%	2,438.8	7.4%
Wholesale Trade	9,054.6	24.9%	8,837.3	25.9%	9,756.1	27.6%	9,449.7	25.8%	9,100.4	27.7%
Retail Trade	14,323.0	39.4%	14,032.1	41.2%	13,873.6	39.2%	15,720.0	42.9%	13,324.8	40.6%
Finance, Insurance, and Real Estate	320.8	0.9%	271.0	0.8%	198.3	0.6%	176.4	0.5%	157.3	0.6%
Services	4,588.8	12.6%	4,274.8	12.5%	4,151.9	11.7%	4,781.5	13.0%	3,983.5	12.1%
Not coded/Other, Including Public Administration	3.4	0.0%	3.8	0.0%	2.7	0.0%	2.2	0.0%	42.2	0.1%
STATE TOTAL	\$36,356.9	100.0%	\$34,078.1	100.0%	\$35,396.0	100.0%	\$36,647.5	100.0%	\$32,854.7	100.0%
% Change From Prior Year	6.7%		-3.7%		-3.4%		11.5%			

SOURCE: South Dakota Sales and Use Tax Reporting System.

NOTE: Totals may not add due to rounding.

GROSS STATE PRODUCT PERCENT CHANGE

	2000- 2001	1999- 2000	1998- 1999	1997- 1998	1996- 1997	1995- 1996	1994- 1995	1993- 1994	1992- 1993
U.S.	0.4%	4.7%	4.5%	5.1%	4.9%	3.8%	3.2%	4.1%	2.1%
South Dakota	1.0%	6.9%	5.6%	3.3%	1.6%	3.4%	3.6%	3.8%	5.0%
Iowa	-0.6%	3.6%	2.5%	1.0%	5.9%	5.3%	2.1%	7.9%	0.3%
Minnesota	-0.8%	6.8%	4.2%	5.7%	6.3%	5.8%	2.8%	5.7%	0.4%
Montana	1.2%	2.8%	2.5%	4.3%	3.0%	1.2%	1.0%	2.5%	4.0%
Nebraska	0.1%	2.8%	3.5%	2.8%	2.4%	5.6%	2.8%	6.4%	0.2%
North Dakota	-0.2%	5.7%	-0.3%	6.7%	-0.2%	5.8%	2.5%	6.0%	-1.6%
Wyoming	4.1%	4.0%	2.3%	3.0%	0.7%	1.7%	2.3%	1.8%	3.5%

SOURCE: U.S. Bureau of Economic Analysis data released May 2003 (earlier data has been revised). Compiled by South Dakota State Data Center, USD Business Research Bureau.

NOTE: The GSP estimates are consistent with the estimate of gross product by industry for the nation (real GSP chained 1996 dollars).

GROSS STATE PRODUCT 1991 - 2001 (Average Annual Percent Change)

	TOTAL	GOODS PRODUCING INDUSTRIES¹	PRIVATE SERVICE-TYPE INDUSTRIES²	GOVERNMENT
U.S.	3.5%	3.2%	4.1%	1.2%
South Dakota	3.8%	4.6%	4.0%	1.2%
Iowa	3.2%	3.3%	3.5%	1.4%
Minnesota	4.2%	3.6%	4.9%	1.7%
Montana	2.7%	2.0%	3.4%	1.4%
Nebraska	3.0%	2.4%	3.8%	0.5%
North Dakota	3.1%	4.5%	3.5%	0.5%
Wyoming	2.3%	1.8%	3.1%	0.9%

¹ Goods producing industries consist of agriculture, mining, construction, and manufacturing.

² Private service-type industries consist of trade; the finance, insurance and real estate group; the transportation and public utilities group; and, services.

SOURCE: U.S. Bureau of Economic Analysis data released May 2003 (earlier data has been revised). Compiled by South Dakota State Data Center, USD Business Research Bureau.

NOTE: The GSP estimates are consistent with the estimates of gross product by industry for the nation (real GSP chained 1996 dollars).

BANKING

YEAR	BANK DEPOSITS (MILLIONS)	PER CAPITA BANK DEPOSITS
2002	\$14,293	\$18,796
2001	14,536	19,173
2000	13,485	17,865
1999	12,043	16,049
1998	11,660	15,629
1997	11,787	15,838
1996	13,207	17,794
1995	11,866	16,080
1994	11,378	15,569
1993	11,001	15,233

SOURCE: U.S. FDIC, *Annual Report: Statistics on Banking*; and, U.S. Bureau of the Census. Compiled by South Dakota State Data Center, USD Business Research Bureau.

NOTES: Bank deposits are for all commercial banks, insured or otherwise.

Per capita bank deposits are calculated by dividing the bank deposits by population from the 1990 and 2000 census; 1991 to 1999 per capita bank deposits calculated using population estimates released April 2002; 2001 and 2002 per capita bank deposits calculated using population estimates released December 2003.

FARM STATISTICS

CALENDAR YEAR	NUMBER OF FARMS	VALUE PER OPERATING UNIT	AVERAGE LAND VALUE PER ACRE	FARM NET INCOME (THOUSANDS)	AVERAGE INCOME PER FARM
2002	32,500	\$595,760	\$440	\$ 558,670	\$17,190
2001	32,500	548,370	405	'1,276,783	'39,286
2000	32,500	514,520	380	1,467,803	45,163
1999	32,500	487,440	360	1,334,957	41,076
1998	32,500	471,192	348	1,313,116	40,404
1997	32,500	440,050	325	1,140,430	35,090
1996	32,500	419,740	310	1,520,079	46,772
* 1995	33,000	402,566	302	715,339	21,677
1994	34,000	371,800	286	1,230,327	36,186
1993	34,500	349,713	273	1,001,449	29,028

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* 1995 Wet weather prevented wheat and corn from being planted (areas lost from flooding).

SOURCE: SD Agricultural Statistics Service and Economic Research Service release of November 2003. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

NOTES: Net farm income is defined as total cash receipts and other income, less total production expenses, plus the value of inventory change. Cash receipts come from marketing of livestock, products, and crops. Other income includes government payments, imputed income, and rent received.

GROSS CASH RECEIPTS FROM FARM MARKETING AND GOVERNMENT PAYMENTS (MILLIONS)								
	2002	2001	2000	1999	1998	1997	1996	1995
CROPS	\$1,720	'\$1,640	'\$1,71	'\$1,72	'\$1,84	\$2,427	\$1,878	\$1,713
LIVESTOCK AND PRODUCTS	2,060	' 2,257	' 2,037	1,830	1,541	1,781	1,652	1,715
GOVERNMENT PAYMENTS	281	715	790	791	437	268	230	245
TOTAL	\$4,061	\$4,612	\$4,541	\$4,348	\$3,826	\$4,476	\$3,760	\$3,673

SOURCE: Economic Research Service, USDA release of July 2003. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

2002 RANKING FOR CROP AND LIVESTOCK PRODUCTION

CROP	VOLUME	NATIONAL RANK
Corn for Grain	304.0 M Bu.	7 th
Oats	4.5 M Bu.	7 th
All Wheat	42.2 M Bu.	11 th
Winter Wheat	18.1 M Bu.	17 th
Durum Wheat	0.1 M Bu.	6 th
Other Spring Wheat	24.0 M Bu.	6 th
Barley	1.8 M Bu.	17 th
Rye	0.3 M Bu.	4 th
Flax Seed	0.1 M Bu.	4 th
Sorghum for Grain	3.1 M Bu.	10 th
Soybeans	126.8 M Bu.	8 th
Sunflower Seed	373.8 M Lb.	2 nd
All Hay	4.8 M Tons	11 th
Alfalfa Hay	3.4 M Tons	8 th
All Other Hay	1.4 M Tons	19 th

LIVESTOCK	AMOUNT	NATIONAL RANK
Cattle and Calves (1/1/03)	3,700 T Head	7 th
Hogs and Pigs (12/1/02)	1,290 T Head	11 th
Sheep and Lambs (1/1/03)	380 T Head	4 th

SOURCE: SD Agricultural Statistics Service. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

2002 GENERAL CENSUS INFORMATION

AGE GROUPS	% OF TOTAL	
0- 4	50,879	6.7%
5-14	108,155	14.2%
15-17	36,591	4.8%
18-24	82,635	10.9%
25-34	90,177	11.8%
35-44	110,338	14.5%
45-64	173,966	22.9%
65- >	108,322	14.2%
18- >	565,438	74.3%

RACIAL DISTRIBUTION	% OF TOTAL	
WHITE	676,544	88.9%
AMERICAN INDIAN	63,390	8.3%
OTHER	21,129	2.8%
TOTAL	761,063	100.0%

NOTE: White and American Indian figures include only those persons who chose one race; "Other" includes other races and race combinations.

POPULATION DISTRIBUTION	% OF TOTAL	
CITIES (25,000 +)	190,753	25.1%
CITIES (2,500 - 25,000)	187,710	24.7%
REMAINING CITIES (< 2,500)	129,525	17.0%
REMAINING AREAS	253,075	33.2%
TOTAL	761,063	100.0%

NOTE: Above data compiled by the South Dakota State Data Center, USD Business Research Bureau from U.S. Census Bureau reports.

LARGEST CITIES			
SIOUX FALLS.....	130,491	VERMILLION	10,065
RAPID CITY	60,262	SPEARFISH	8,650
ABERDEEN.....	24,312	MADISON	6,505
WATERTOWN	20,191	STURGIS	6,404
BROOKINGS.....	18,703	BRANDON.....	6,212
MITCHELL	14,626	BELLE FOURCHE.....	4,496
PIERRE	14,012	HOT SPRINGS	4,042
YANKTON	13,440	MILBANK	3,536
HURON	11,569	MOBRIDGE.....	3,389

SOURCES: U.S. Bureau of the Census. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

HISTORICAL CENSUS COUNTS FOR SOUTH DAKOTA

YEAR	POPULATION
2000	754,844
1990	696,004
1980	690,768
1970	666,257
1960	680,514
1950	652,740
1940	642,961
1930	692,849
1920	636,547
1910	583,888

SOURCE: U.S. Bureau of the Census. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

MAJOR EMPLOYERS IN SOUTH DAKOTA

BUSINESS	EMPLOYEES
Sioux Valley Hospital (Sioux Falls)	5,400
Wells Fargo (Throughout SD)	3,500
Avera McKennan Hospital (Sioux Falls)	3,230
Citibank South Dakota NA (Sioux Falls)	3,200
John Morrell and Company (Sioux Falls)	3,000
Gateway, Inc. (Throughout SD)	2,800
Rapid City Regional Hospital (Rapid City)	2,300
Premier Bankcard	2,210
Evangelical Lutheran Good Samaritan Society	2,013
Midwest Coast Transport (Sioux Falls)	1,562

SOURCES: Governor's Office of Economic Development, October 2003; Development Corporations and individual companies. Compiled by South Dakota State Data Center, USD Business Research Bureau.

NOTE: Excludes federal, state, and local governments.

PUBLIC SCHOOL STATISTICS

SCHOOL YEAR ENDED	SCHOOLS	K-12 FALL ENROLLMENT	* TEACHERS	PUPIL/TEACHER RATIO
2003	732	124,988	9,015	13.9
2002	744	125,612	9,090	13.8
2001	753	126,990	9,149	13.9
2000	749	129,093	9,230	14.0
1999	757	131,117	9,048	14.5
1998	767	132,780	8,827	14.9
1997	766	133,949	** 9,255	14.5
1996	774	134,972	8,984	15.0
1995	774	134,290	9,010	14.9
1994	773	134,676	8,879	15.2

SOURCE: Education in South Dakota: District and Statewide Profiles 2002-2003. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

* Total Classroom FTE (K-12) 1993 through present, except 1996 – 1997, which is headcount (**).

** Headcount.

EXPENDITURES ON EDUCATION PER PUPIL IN DAILY ATTENDANCE				PERCENT REVENUE FROM STATE GOVERNMENT		
SCHOOL YEAR	UNITED STATES	SOUTH DAKOTA	SOUTH DAKOTA RANK	UNITED STATES	SOUTH DAKOTA	SOUTH DAKOTA RANK
2002	\$8,087	\$6,911	39	49.7	36.0	45
2001	7,827	6,586	40	50.4	35.3	48
2000	7,316	5,837	42	50.2	38.5	46
1999	6,734	5,281	46	49.7	35.5	47
1998	6,638	5,166	44	46.6	31.7	46
1997	6,394	4,990	45	46.1	31.2	46
1996	6,139	5,070	40	47.9	26.1	49
1995	5,957	4,918	41	46.0	27.3	49
1994	5,749	4,733	39	46.3	28.7	49
1993	5,538	4,524	41	46.8	26.1	49

SOURCES: South Dakota Department of Education and Cultural Affairs and National Education Association. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

r = Revised

ELEMENTARY AND SECONDARY EDUCATION

YEAR	K-12 SCHOOL ADM (FISCAL YEAR)	COST PER PUPIL (ADM)
2003	123,740	\$6,193
2002	124,589	5,943
2001	126,314	5,705
2000	128,114	5,277
1999	130,157	4,922
1998	132,024	4,621
1997	133,251	4,358
1996	134,052	4,240
1995	133,795	4,220
1994	133,303	4,045
<i>ADM = Average Daily Membership</i>		

SOURCE: *Education in South Dakota: A Statistical Profile*, DECA 2002-2003. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

NOTE: The calculated cost per ADM reported is intended to represent the cost of educating a student in-district, therefore, the following expenditures were not included: Adult programs, community services, preschool, and nonprogrammed charges. Expenditures were also reduced by revenues received for contracting services with other school districts.

2002 CIVILIAN LABOR FORCE

	LABOR FORCE	EMPLOYED	UNEMPLOYED	UNEMPLOYMENT RATE	SD NON- INSTITU. POP.	PARTICIPATION RATE
Males	220,000	213,000	7,000	3.4%	279,000	79.0%
Females	201,000	195,000	6,000	2.8%	295,000	68.1%
TOTAL	421,000	408,000	13,000	3.1%	574,000	73.3%

SOURCES: U.S. Bureau of Labor Statistics, Labor Market Information Center, South Dakota Department of Labor. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

NOTE: Items may not add to totals due to rounding.

STATE UNIVERSITIES HISTORICAL FALL HEADCOUNT ENROLLMENTS

YEAR	BHSU	DSU	NSU	SDSMT	SDSU	USD	SYSTEM TOTALS	CHANGE FALL TO FALL
2003	3,873	2,295	3,137	2,454	10,561	7,917	30,237	0.60%
2002	3,694	2,263	3,013	2,447	9,952	8,703	30,072	4.30%
2001	3,836	2,019	3,038	2,424	9,350	8,161	28,828	4.60%
2000	4,068	1,801	3,315	2,308	8,719	7,349	27,560	3.60%
1999	3,747	2,003	3,164	2,275	8,540	6,887	26,616	0.20%
1998	3,639	1,831	2,873	2,265	8,635	7,317	26,560	3.30%
1997	3,445	1,409	2,623	2,260	8,818	7,164	25,719	-3.00%
1996	3,549	1,274	2,832	2,245	9,067	7,541	26,508	-3.40%
1995	3,623	1,360	2,724	2,372	9,323	8,027	27,429	-5.00%
1994	3,915	1,439	3,077	2,472	9,650	8,319	28,872	

SOURCE: South Dakota Board of Regents.

NOTE: The above figures have been revised to reflect the new funding framework, whereby revenue is distributed to the universities as base funding, accompanied by targeted investments and incentives for demonstrated improvement. As a result of this change, separating students enrolled in state-supported courses from those enrolled in self-support courses is no longer necessary.

POSTSECONDARY VOCATIONAL TECHNICAL INSTITUTES (Full and Part-Time)

INSTITUTE	FALL ENROLLMENT		
	2001	2002	2003
Lake Area Vocational Technical Institute	942	952	991
Mitchell Vocational Technical Institute	831	865	868
Southeast Vocational Technical Institute	1,734	2,205	2,300
Western Dakota Vocational Technical Institute	812	1,022	1,054
Mike Durfee State Prison*	141	58	58

SOURCE: Office of Career and Technical Education, Department of Education and Cultural Affairs, and Mike Durfee State Prison. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

* January – December data includes individuals enrolled in a program during the calendar year. Enrollment data for Fall 2002 at the prison has declined, as the need for “production” manufactured goods has increased. Fewer programs are being offered.



