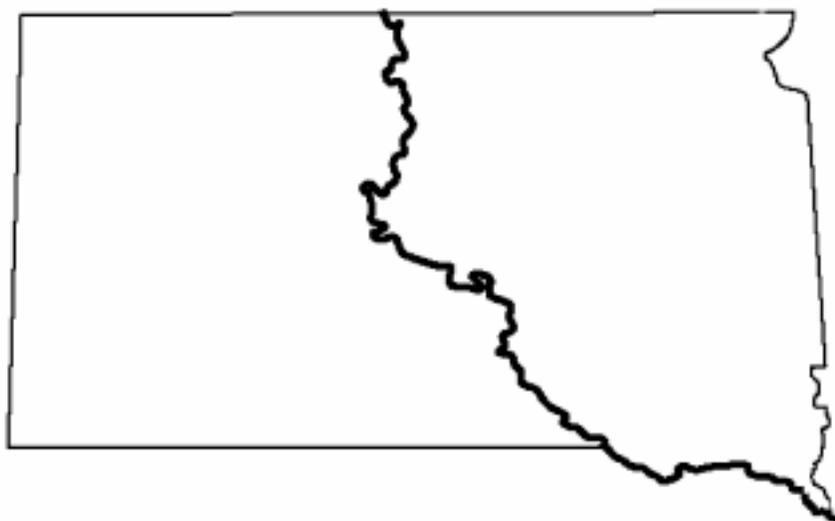


South Dakota

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR
ENDED JUNE 30, 2006

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

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT
FOR THE YEAR ENDED JUNE 30, 2006**



M. MICHAEL ROUNDS, GOVERNOR

DENNIS DAUGAARD, LT. GOVERNOR

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

A C K N O W L E D G E M E N T S

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SPECIAL THANKS TO:

**South Dakota Department of Legislative Audit, Pierre
Business Research Bureau, University of South Dakota, Vermillion**

All State Finance Officers and Accountants

Ann Hirsch, Manager Central Duplicating

South Dakota Office of Tourism, Photographer, Front Cover

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



STATE OF SOUTH DAKOTA

M. MICHAEL ROUNDS, GOVERNOR



TO THE 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 ending June 30, 2006. This is our twentieth *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.

The state's economy is expected to gain strength. 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. The unemployment rate in South Dakota continues to remain one of the lowest in the nation through FY 2006. This report focuses on my four financial priorities:

- We are dedicated to taking care of those who cannot take care of themselves, both the very young and the very old.
- We are committed to providing our children with a quality education because they are our future, and through the 2010 Education Initiative, we will provide a results-based education system that prepares students for jobs in a global world environment.
- It is our responsibility to protect our society from those who would do us harm.
- The state has placed a focus on economic growth and visitor spending through the 2010 Initiative, a comprehensive plan with specific goals, objectives and action plans.

South Dakota continues to operate within our means and provide these basic services to our citizens, as we have since statehood in 1889.

Sincerely,

A large black rectangular redaction box covering the signature area of the letter.

M. Michael Rounds

South Dakota



GREAT FACES. GREAT PLACES. ©

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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, 2006.

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, fiscal year 2006 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* includes financial trends, revenue capacity, debt capacity, demographic, economic, and operating information.

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 of the State of South Dakota as of June 30, 2006 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 0.8 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.

The State's largest sources of general fund revenues are sales and service taxes, business taxes and lottery proceeds. The largest categories of general fund 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; the State's share of the cost of Medicaid, corrections and higher education; operation, maintenance and improvement of facilities for state government; and, state salaries.

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. Under GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", individually significant legally separate tax-exempt organizations are included as component units if their resources are for the direct benefit of the State and the State can access those resources. 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 11 of the Notes to the Financial Statements.

Cash Management. The South Dakota Investment Council was established by the State Legislature in 1971 and became operational on July 1, 1972. The Investment Council is responsible for the investment management for the assets of the Cash Flow Portfolio, the South Dakota Retirement System, Cement Plant Retirement Fund, Common School Permanent Fund, Dakota Cement Trust Fund, Education Enhancement Trust Fund, and Health Care Trust Fund.

Total investment income for all funds invested by the Investment Council was \$878 million for fiscal year 2006. Income for the most recent five years totaled \$2.7 billion and, since inception, has exceeded \$8.3 billion. The Investment Council has grown from \$133.0 million in assets at the end of its first year to \$8.6 billion at June 30, 2006.

Investment Council management of the Cash Flow Portfolio resulted in earnings this year of \$21.6 million, a yield of 3.07%. The Cash Flow Portfolio has earned taxpayers \$802.7 million over the past 34 years.

The South Dakota Retirement System's assets have returned 11.3% for the past 33 years (since inception of the Council's management responsibilities for SDRS). This performance has placed the Council in the top first percentile against other state pension funds.

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 31 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, 2006, \$1.45 billion has been generated to fund many public programs and projects. Lottery provided \$119.5 million income (before transfers) during fiscal year 2006.

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 5.2% in 1988 to 15.6% in 2006. The funding ratio decreased from 97.5% in 1988 to 96.7% in 2006. 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 2006 were \$6.8 billion compared to plan assets in 1988 of \$1.2 billion.

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 eleven 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, while employees share in the costs of co-pays, deductibles and dependent costs.

Additional information on the State's health and life insurance benefits can be found in Note 11 of the Notes to the Financial Statements.

ECONOMIC CONDITIONS AND OUTLOOK

Income growth is an important indicator of a state's economic health. Over the past four years (2002-2006), South Dakota ranks second in the nation in terms of its per capita personal income growth and seventh in the nation in its personal income growth. South Dakota's per capita personal income grew 25.3% from 2002-2006. Wyoming, Minnesota, North Dakota, Nebraska and Iowa per capita income growth rates were 31.3%, 16.5%, 23.2%, 17.9% and 18.4%, respectively, over the same time period.

Another prime indicator of a state's economic health is the growth rate of nonfarm employment. The South Dakota economy was adversely affected by the national recession that occurred from March 2001 to November 2001. However, in terms of nonfarm employment growth, the South Dakota economy performed better than the national economy during the recession and has continued to do so since then. U.S. nonfarm employment was flat in 2001, fell 1.1% and 0.3% in 2002 and 2003, respectively, and grew 1.1%, 1.7%, and 1.9% in 2004, 2005, and 2006, respectively. Nonfarm employment growth in South Dakota was 0.2 % in 2001, -0.3% in 2002, 0.2% in 2003, 1.4% in 2004, 1.7% in 2005 and 2.3% in 2006.

In fiscal year 2006, nonfarm employment in South Dakota grew 2.0% compared to the national growth rate of 1.9% over the same time period. This was the fifth straight fiscal year that the South Dakota job market performed better than the U.S.'s. Sectors that experienced strong growth in fiscal year 2006 in South Dakota were construction (5.5%); manufacturing (3.1%); financial activities (3.1%); and leisure & hospitality (2.3%).

The unemployment rate in South Dakota continues to remain one of the lowest in the nation. In June of 2006, the State's unemployment rate was 3.2%, while the U.S. unemployment rate was 4.6% the same month.

The outlook for the South Dakota economy is optimistic as the State's economy is expected to continue to be relatively strong. Recent economic data supports this forecast since employment continues to grow and wages continue to rise. So far during fiscal year 2007 (July 2006 – March 2007), nonfarm employment has grown 7,600 jobs (seasonally adjusted) or an increase of 1.9% since June 2006. This is higher than the national growth rate of 1.2% over the same time period.

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 for 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.

The fiscal year 2006 budget continued to fund programs began in fiscal year 2005. In addition, the fiscal year 2007 and 2008 budgets include funding to help in accomplishing these goals.

2010 Research Centers: The 2004 Legislature appropriated \$3,715,861 in ongoing funding in response to the Governor's 2010 Research Initiative. Approximately \$2.7 million of the annual appropriation has been designated to develop a small number of highly focused, highly competitive research centers within the Regental system. The Centers are to have a focus on commercialization in addition to becoming self-sustaining through the acquisition of grant and other funding. The additional funds were used to establish a Board of Regents System Research Office, a Department of Tourism and State Development Commercialization Office, and to provide a \$600,000 NSF EPSCoR grant cost share. The research centers that are being funded are:

- **Center for Infectious Disease Research and Vaccinology, South Dakota State University Department of Veterinary Science** -This center fosters research leading to the development of novel therapeutic and diagnostic technologies and products for infectious diseases in humans and domestic animals;
- **South Dakota Signal Transduction Center, University of South Dakota Cardiovascular Research Institute** – Cardiovascular disease and cancer are the most frequent causes of death in modern society. The center examines the pathways that regulate cell growth and differentiation, cell death, response to stress, and the maintenance of constant physiological conditions;
- **Center for Accelerated Applications at the Nanoscale, South Dakota School of Mines and Technology Department of Materials and Metallurgical Engineering** – This center focuses on research in the areas of nanoparticles and associated nanosensors, with particular emphasis on South Dakota mineral development.
- **Center for the Research and Development of Light-Activated Materials, University of South Dakota Department of Chemistry** – This center performs both basic and developmental research on materials with light-activated properties. This research is important to medical applications such as human tissue bonding, drug delivery, and anti-tumor agents, and is important to developing phosphors for sensors, new laser materials, and thin films that impart special properties and characteristics to the materials they coat.
- **Center for Bioprocessing Research and Development, South Dakota School of Mines and Technology Department of Chemical and Biological Engineering, and South Dakota State University Department of Biology/Microbiology** – This center is focused on development of innovative processes to convert biomass into ethanol and high value chemicals, which can replace petroleum-derived products.

Total state investment includes \$2.7 million per year for fiscal years 2005 and 2006. This \$5.4 million investment has returned \$27.8 million in grants and contracts and has an estimated overall economic impact of approximately \$40.0 million.

These research centers will continue to be funded in the fiscal year 2007 and 2008 budgets. Furthermore, with the passage of SB219 during the 2007 legislative session, the 2010 Research Center for Drought Tolerance Biotechnology at South Dakota State University will join the five other highly-specialized research centers already in operation. This center will be a true partnership involving the many seed and crop related entities, crop research and promotion boards, and individual biotechnology companies. The new drought tolerance biotechnology center will be located within the new Innovation Campus at SDSU. The center will focus on research that leads to emerging technologies in drought tolerance crops and could potentially accelerate the availability of drought resistant products to the market by one to three years. A primary focus of the center will be to identify genes associated with drought, temperature, disease resistance and crop quality. All of these traits are important for South Dakota's growing biofuel and feedstock industries.

DUSEL Lab. The National Science Foundation (NSF) announced in July 2005 the selection of the Homestake mine as one of two sites to receive \$500,000 for development of a conceptual design for the Deep Underground Science and Engineering Laboratory (DUSEL). During a 2005 special session, the Governor and Legislators agreed to fund an interim Laboratory until the final decision was made by NSF. The development of this Interim Laboratory at the 4850' level will make the Homestake site a more attractive candidate for eventual DUSEL funding. On June 30, 2006, Mr. T. Denny Sanford pledged a \$70 million gift to assist in developing the underground laboratory and a science education center. The NSF issued a solicitation in September of 2006 for an enhanced 252 page Conceptual Design Report. The Homestake proposal was submitted on January 9, 2007. A re-entry and pumping plan was approved on February 7, 2007. This plan consists of re-entering the Ross Shaft to be able to pump water from the 5,000 foot level by the fall of 2007. The surface work portion of the plan is in progress.

SD Certified Beef Program. Agriculture is the State of South Dakota's number one industry. With the passage of SB220 during the 2005 legislative session, the South Dakota Certified Beef Program was created to make sure agriculture can continue to be South Dakota's number one industry and provide new opportunities for the children and future generations of South Dakotans. As part of the Governor's 2010 Initiative, the mission of the South Dakota Certified Beef Program is to add value to South Dakota Beef Products using State verified protocols that raise the standards of local beef production to provide safety and product quality assurances to discriminating consumers.

2010 Education Initiative. Launched on January 4, 2006, the 2010 Education Initiative (2010E) provides a vision for the future of education in South Dakota, as well as a plan of measurable goals and objectives for achieving that vision.

The 2010 Education Initiative (2010E) takes an approach long used by successful businesses. According to the business model, 2010E establishes specific, measurable goals that we expect our system of public education to attain by 2010; identifies objectives-specific to each goal, which when met, should help us accomplish each goal; and identifies specific action steps in order to reach the stated objective.

The plan consists of three major initiatives: 1) Starting Strong, which targets kids from age 3 to grade 3; 2) Finishing Strong, which focuses on the high school and postsecondary experience; and 3) Staying Strong, which targets teachers, American Indian issues and financial resources.

K-12 Education Funding. Because of declining enrollments, South Dakota's school districts are facing financial difficulties. Beginning in fiscal year 2004, the Governor and the Legislature have worked to increase funding to K-12 education by more than the current law requires.

Between fiscal year 2004 and fiscal year 2006, the state has increased funding to K-12 education by \$122.65 per student above what would have been received if only the inflation rate were applied to the per student allocation. This additional funding has been incorporated into the funding formula. In addition, \$14.6 million in one-time funding has been allocated to the K-12 community during this time period.

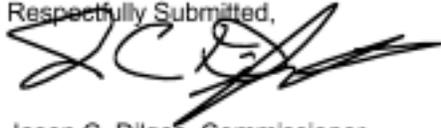
Furthermore, the passage of SB 157 of the 2007 legislative session will bring forth some areas of reform in the state aid funding formula. An additional \$33 per student will be added to the state aid formula for fiscal year 2008, bringing the per student allocation to \$4,528.80. This is \$163.04 per student above what would have been received if only the inflation rate were applied and \$639.61 more than what the funding per student was in fiscal year 2003. The student count used in the state aid formula was updated from an average daily membership count to a fall enrollment count. School districts with eligible increasing enrollments will now receive additional funding on a one time basis for the additional students. Also, school districts with decreasing enrollments will be allowed to use a two year average of students in determining the amount of state aid they are eligible for and the method for calculating the small school adjustment was updated. These changes amount to an additional \$6.8 million in on-going state aid flowing to the school districts.

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,

A handwritten signature in black ink, appearing to read 'JCD', with a long, sweeping horizontal stroke extending to the right.

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 Dusty Johnson, Commissioner
The Honorable Gary Hanson, Commissioner
The Honorable Bob Sahr, Commissioner**

LEGISLATIVE BRANCH

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Speaker of the House**

**The Honorable Eric Bogue
Senate Majority Leader**

**The Honorable Garry Moore
Senate Minority Leader**

**The Honorable Larry Rhoden
House Majority Leader**

**The Honorable Dale Hargens
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
FY2006 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
REVENUE BOARDS AND COMMISSIONS
PUBLIC UTILITIES COMMISSION

**AGRICULTURE AND
NATURAL RESOURCES**

AGRICULTURE
GAME, FISH, AND PARKS
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TRANSPORTATION

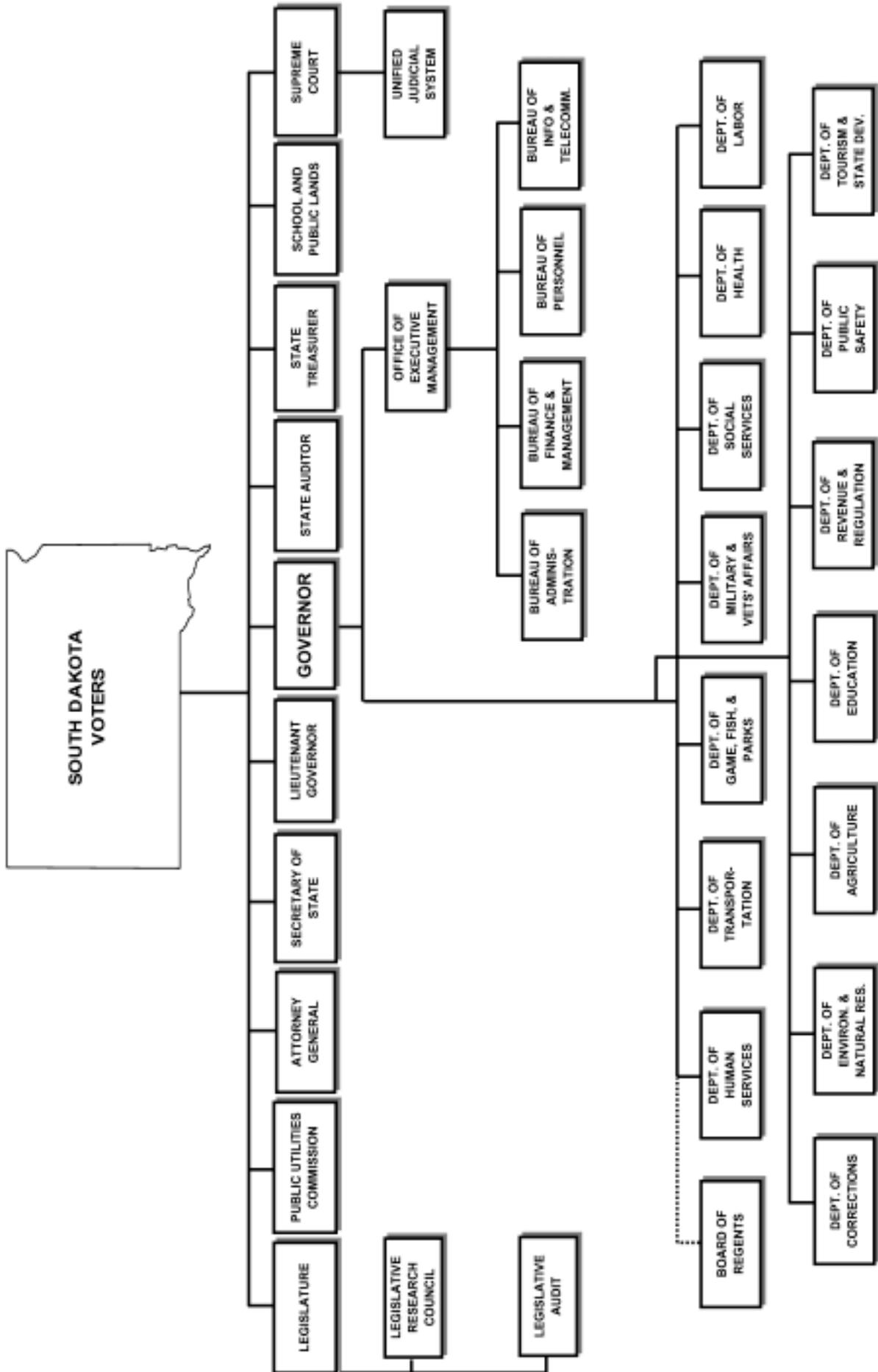
TRANSPORTATION

EDUCATION

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

ECONOMIC RESOURCES

TOURISM AND STATE DEVELOPMENT





FINANCIAL SECTION



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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, 2006, 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 opinions on these financial statements based on our audit. We did not audit the South Dakota Retirement System, which represents 85.6% of the assets and 34.2% of the revenues and 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 opinions.

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, 2006 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 fund 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 fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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 report dated April 23, 2007 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Martin L. Guindon, CPA
Auditor General

April 23, 2007

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, 2006. 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 total assets of the State exceeded its total liabilities at the close of the fiscal year by \$4.3 billion (reported as net assets), an increase of \$164.1 million from the previous year. Certain resources within the total net assets balance have restrictions and internally imposed limitations that are discussed under the *Government-Wide Financial Analysis* section of this document. Component units reported net assets of \$999.5 million, an increase of \$124.4 million from the previous year.

Fund Level

- At the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$1.4 billion, with \$.5 billion reported as unreserved fund balance and the remaining amount of \$.9 billion reserved for specific purposes (such as encumbrances, inventories, debt service, environmental projects, school perpetuity, noncurrent assets, and funds held as permanent investments). Certain resources within the \$.5 billion unreserved fund balance have internally imposed limitations that are discussed under the *Financial Analysis of the State's Funds* section of this document. At the end of the fiscal year, the unreserved fund balance for the General Fund was \$142.5 million, of which \$43.0 million was designated only to be used to address emergency situations, without having to raise taxes or cut spending, which are commonly referred to by management as the budget reserve. The remaining balance is reported as unreserved undesignated fund balance (\$99.5 million). Although this amount is unreserved undesignated, it should be noted that \$46.9 million is not part of cash and cash equivalents, but rather a net effect of receivables and other assets in excess of payables and other liabilities.
- Proprietary funds reported net assets at year-end of \$399.9 million, an increase of \$29.1 million during the year.

Long-Term Debt

- The primary government's total long-term debt (Revenue Bonds, Trust Certificates and Capital Leases) as of June 30, 2006, rose to \$502.7 million, an increase of \$41.2 million from the last fiscal year-end. The increase represents the net difference between new issuances, payments and refundings of outstanding debt.
- During the year, the State incurred no new long-term general indebtedness under governmental and business-type activities. However, the South Dakota Building Authority issued \$12.9 million in Governmental Activities Revenue Bonds, and the South Dakota Conservancy District issued \$50.0 million in Business-type Activities Revenue Bonds.

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; unallocated 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. The Lottery Fund is an example of business-type activity.
- **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)
 - ✓ South Dakota Housing Authority
 - ✓ South Dakota Finance Authority
 - ✓ Value Added Finance Authority
 - ✓ Science and Technology Authority

Other component units are blended and reported as part of primary government 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 projects, 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 fund's 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 the 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. Enterprise funds (e.g., Lottery Fund) are used to account for activities that largely involve customers outside of state government, and are the same functions reported as business-type activities in the government-wide financial statements.
 2. Internal service funds (e.g., Fleet and Travel Management) are used to account for activities that largely involve other state agencies. 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 three are considered major funds: Lottery Fund, Clean Water State Revolving Fund, and Drinking Water State Revolving Fund. These three 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 (e.g., South Dakota Retirement System) 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 data for some of the fiduciary funds is included in the combining financial statements elsewhere in this report.

Component Units. As previously mentioned, component units are legally separate organizations for which the State is financially accountable. The government-wide financial statements present information for the discretely presented 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 and combining statement of revenues, expenses and changes in fund net assets provide detail for each discretely presented 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 discretely presented component units financial statements. The notes to the financial statements are located immediately following the combining discretely presented 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 fit 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 the fiscal year ending June 30, 2006. 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 that are incorporated into the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. As presented in the following table, total assets of the State on June 30, 2006, were \$5.3 billion, while total liabilities were \$1.0 billion, resulting in combined net assets (governmental and business-type activities) of \$4.3 billion.

State of South Dakota Net Assets (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$ 1,886,390	\$ 1,846,613	\$ 474,043	\$ 388,850	\$ 2,360,433	\$ 2,235,463
Capital Assets	<u>2,919,089</u>	<u>2,777,035</u>	<u>3,188</u>	<u>2,830</u>	<u>2,922,257</u>	<u>2,779,865</u>
Total Assets	<u>4,805,459</u>	<u>4,623,648</u>	<u>477,231</u>	<u>391,680</u>	<u>5,282,690</u>	<u>5,015,328</u>
Long-Term Liabilities Outstanding	466,294	475,502	103,304	53,386	569,598	528,888
Other Liabilities	<u>411,965</u>	<u>355,813</u>	<u>18,571</u>	<u>13,115</u>	<u>430,536</u>	<u>368,928</u>
Total Liabilities	<u>878,259</u>	<u>831,315</u>	<u>121,875</u>	<u>66,501</u>	<u>1,000,134</u>	<u>897,816</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	2,829,173	2,690,656	3,184	2,817	2,832,357	2,693,473
Restricted	1,012,357	280,219	262,293	227,167	1,274,650	507,386
Unrestricted	<u>85,670</u>	<u>821,458</u>	<u>89,879</u>	<u>95,195</u>	<u>175,549</u>	<u>916,653</u>
Total Net Assets	<u>\$ 3,927,200</u>	<u>\$ 3,792,333</u>	<u>\$ 355,356</u>	<u>\$ 325,179</u>	<u>\$ 4,282,556</u>	<u>\$ 4,117,512</u>

The largest component of the State's net assets, 66.1%, 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 29.8% 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 or enabling legislation on how they can be used. Restricted net assets increased from fiscal year 2005 to fiscal year 2006 by \$767.3 million primarily due to the implementation of GASB Statement 46 – Net Assets Restricted by Enabling Legislation. The majority of the restricted net assets are restricted for funds held as permanent investments, either as expendable (\$76.3 million) or nonexpendable (\$671.7 million). These include the following funds:

- 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: "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, 2006 was \$255.8 million, an increase of \$1.4 million from the previous year.

- **Health Care Trust 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, 2006 was \$94.0 million, an increase of \$4.4 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, 2006 was \$370.8 million, an increase of \$7.1 million from the previous year.

The remaining balance, \$175.5 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; however limitations are imposed internally by the State. 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, 2006 was \$43.0 million, an increase of \$.3 million from the previous year.
- **Property Tax Reduction Fund.** The Property Tax Reduction Fund (PTRF) was created to fund property tax relief in South Dakota. Senate Bill 225, passed during the 1996 legislative session, provides that the Commissioner of the Bureau of Finance and Management may transfer monies available from the PTRF to the General Fund to provide property tax relief through state aid to education. Revenues deposited in the PTRF come from three sources: (1) 49.5% of video lottery net machine income, (2) 60% of the revenue from the 4% tax on the gross receipts of telecommunications services, which was imposed by HB 1104 passed by the 2003 legislature, and (3) unobligated cash remaining at the end of a fiscal year after the transfer into the Budget Reserve Fund, if the amount in the PTRF does not exceed 15% of the General Fund appropriations in the General Appropriations Act for the previous fiscal year. The fund balance in the Property Tax Reduction Fund at June 30, 2006 was \$99.1 million, an increase of \$2.8 million from the previous year.

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 2006.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program Revenues:						
Charges for Service	\$ 285,395	\$ 259,058	\$215,763	\$ 200,471	\$ 501,158	\$ 459,529
Operating Grants and Contributions	1,205,317	1,197,637	30,098	22,606	1,235,415	1,220,243
Capital Grants and Contributions	6,570	6,564			6,570	6,564
General Revenues:						
Sales Taxes	597,230	554,647			597,230	554,647
Motor Fuel Taxes	145,415	153,846			145,415	153,846
Contractors Excise Taxes	76,979	66,555			76,979	66,555
Bank Card and Franchise Taxes	65,187	51,281			65,187	51,281
Other Taxes	183,236	184,452			183,236	184,452
Unrestricted Investment Earnings	60,956	81,543			60,956	81,543
Gain on Sale of Capital Assets	42,344	1,747			42,344	1,747
Miscellaneous	35,493	32,526			35,493	32,526
Total Revenue	<u>2,704,122</u>	<u>2,589,856</u>	<u>245,861</u>	<u>223,077</u>	<u>2,949,983</u>	<u>2,812,933</u>
Program Expenses:						
General Government	175,826	131,411			175,826	131,411
Education – Elementary, Secondary and Vocational Schools	191,460	176,700			191,460	176,700
Education – State Support to Universities	149,040	143,358			149,040	143,358
Health, Human and Social Services	1,012,533	978,950			1,012,533	978,950
Law, Justice, Public Protection and Regulation	212,600	200,024			212,600	200,024
Agriculture and Natural Resources	109,904	100,275			109,904	100,275
Economic Resources	58,235	42,419			58,235	42,419
Transportation	316,125	320,379			316,125	320,379
Intergovernmental – Payments to School Districts	338,008	337,507			338,008	337,507
Intergovernmental – Revenue Sharing	99,171	87,105			99,171	87,105
Unallocated Interest Expense	23,998	24,599			23,998	24,599
Unallocated Depreciation	58	53			58	53
Lottery			32,409	27,516	32,409	27,516
Clean Water State Revolving			3,286	1,114	3,286	1,114
Drinking Water State Revolving			2,574	1,976	2,574	1,976
Other			60,613	63,057	60,613	63,057
Total Expenses	<u>2,686,958</u>	<u>2,542,780</u>	<u>98,882</u>	<u>93,663</u>	<u>2,785,840</u>	<u>2,636,443</u>
Excess (Deficiency) Before Transfers	17,164	47,076	146,979	129,414	164,143	176,490
Transfers	117,703	118,507	(117,703)	(118,507)		
Change in Net Assets	134,867	165,583	29,276	10,907	164,143	176,490
Net Assets – Beginning (As Restated)	<u>3,792,333</u>	<u>3,626,750</u>	<u>326,080</u>	<u>314,272</u>	<u>4,118,413</u>	<u>3,941,022</u>
Net Assets – Ending	<u>\$3,927,200</u>	<u>\$3,792,333</u>	<u>\$355,356</u>	<u>\$325,179</u>	<u>\$4,282,556</u>	<u>\$4,117,512</u>

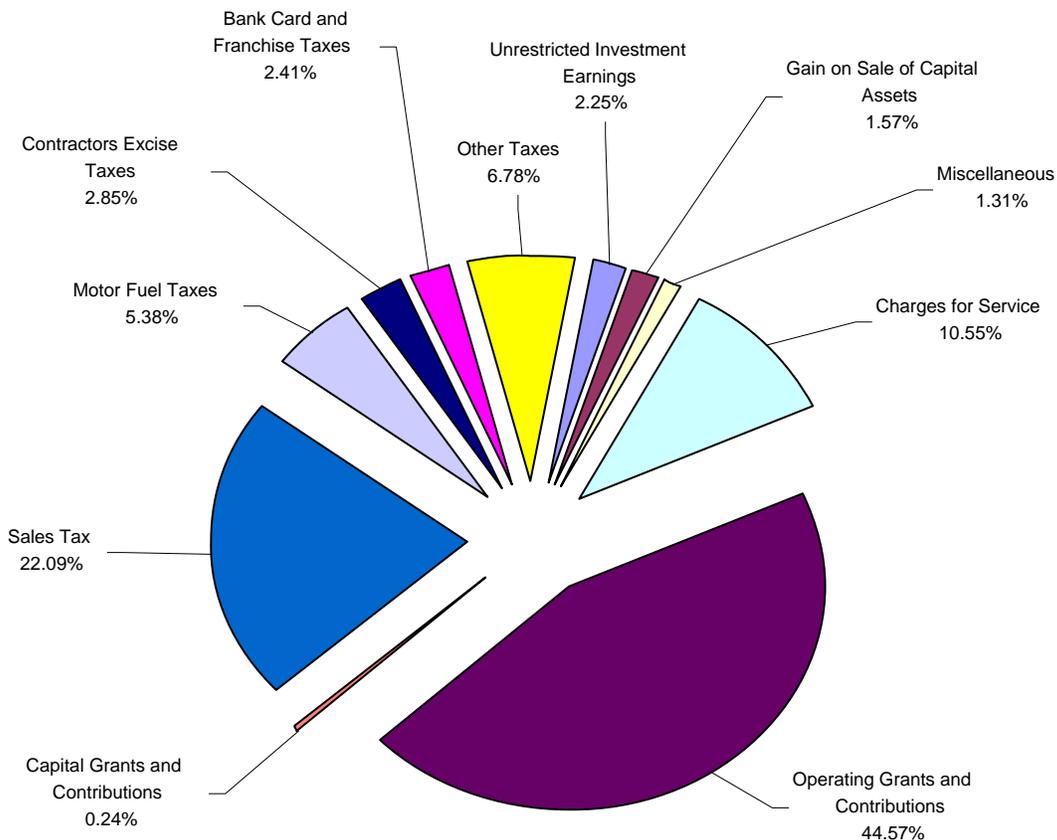
Governmental Activities:

Governmental activities (including restatements) increased the State's net assets by \$134.9 million. This was the result of the net effect of the following: (1) \$2.70 billion revenues (an increase over the prior years' of \$114.3 million); (2) \$2.69 billion expenses (an increase over the prior years' of \$144.2 million); and (3) net transfers of \$117.7 million primarily from "transfers in" from the South Dakota Lottery in the amount of \$119.0 million.

- The increase in revenues was primarily due to: (1) increased sales tax revenues (\$42.6 million) mostly due to a strengthened economy, (2) increased gain on sale of capital assets (\$40.6 million) mostly as the result of selling a portion of the State owned railroad, and (3) increased charges for service revenue (\$26.3 million) mostly from increases in licenses, permits, and fees revenue; sales and services revenue; and, other revenues.
- The increase in expenses was primarily in the Health, Human and Social Services function of Government; Economic Resources Function of Government; and General Government function of Government. The increase in these expenses was primarily the result of planned and budgeted costs designed to support the ongoing mission of state government.

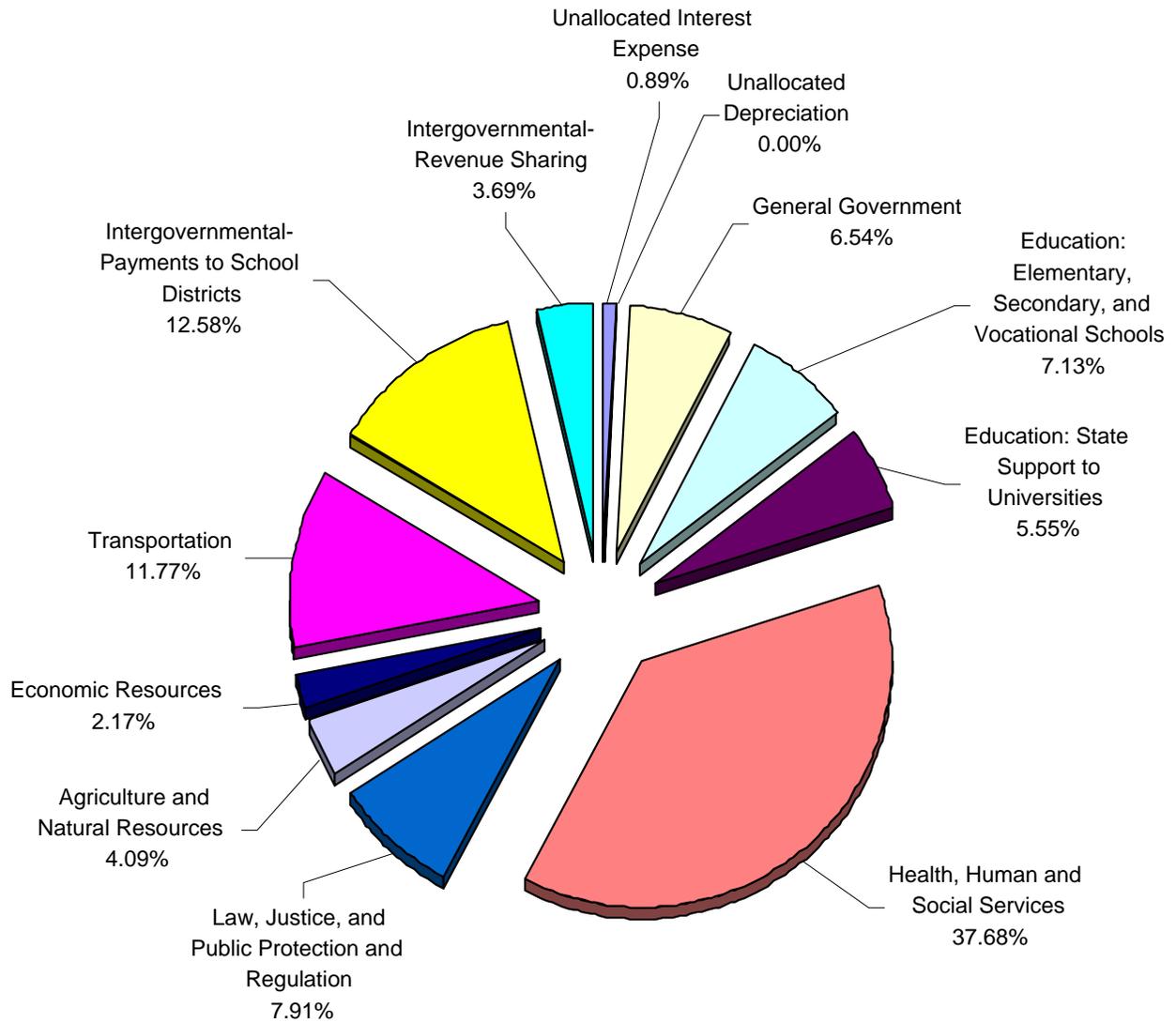
The following two charts illustrate the above program revenues and expenses for Governmental Activities for fiscal year ending June 30, 2006:

**State of South Dakota
Revenues – Governmental Activities
Fiscal Year Ended June 30, 2006**



**Total Revenues \$2,704,122
(Expressed in Thousands)**

**State of South Dakota
Expenses – Governmental Activities
Fiscal Year Ended June 30, 2006**



**Total Expenses \$2,686,958
(Expressed in Thousands)**

Business-type Activities:

Net assets of the business-type activities increased by \$29.3 million during the fiscal year. Factors contributing to the increase include, but are not limited to:

- The Clean Water and Drinking Water State Revolving Funds together had an increase in net assets of \$26.3 million, primarily due to increased: (1) federal funding of loan programs, (2) investment earnings, and (3) interest on loans.

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, Education Enhancement Trust Fund, and Property Tax Reduction 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 \$1.4 billion, same as was reported in the prior year.

Approximately 61.1%, or \$859.8 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) Funds held as Permanent Investments (\$645.2 million), (2) to liquidate contracts and purchase orders for the prior fiscal year (\$34.7 million), (3) to pay debt service (\$91.8 million), (4) to pay for environmental projects (\$13.2 million), (5) to be held in a permanent trust fund with earnings distributed to the primary government and universities (\$27.4 million), or (6) for inventories and a variety of other restricted purposes (\$47.5 million).

Approximately 3.1%, or \$43.0 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 35.8%, or \$.5 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, a portion 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) where a portion of, or all of the fund balance is subject to internally imposed limitations include, but may not be limited to: (1) Dakota Cement Trust Fund (\$17.8 million), (2) Health Care Trust Fund (\$12.3 million), (3) Education Enhancement Trust Fund (\$45.3 million), and (4) Property Tax Reduction Fund (\$99.1 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 fund balances during fiscal year 2006:

- **General Fund.** The General Fund is the chief operating fund of the State. At the end of the fiscal year, the unreserved fund balance of the General Fund was \$142.5 million, of which \$43.0 million was designated only to be used to address emergency situations without having to raise taxes or cut spending (budget reserve). The total fund balance at the end of the current fiscal year was \$165.5 million. As a measure of General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance (including the unreserved designated amount) represents 13.5% of the total General Fund operating expenditures, while the total fund balance represents 15.7% of that same amount.

Overall, the fund balance of the State's General Fund increased by \$13.4 million during the current fiscal year. This is an 8.8% increase from the prior year due to revenues and other financing sources exceeding expenditures and other financing uses during the current fiscal year. Factors contributing to the increase include, but are not limited to:

1. Increased revenues (\$69.5 million), primarily due to increased tax revenues and other revenues due to a strengthened economy.
 2. Increased expenditures (\$78.6 million), primarily due to increased costs of Health, Human, and Social Services function, increased expenditures in Economic Resources due to the appropriation to the Science and Technology Authority for the former Homestake Mine, and increases in State Shared Revenue paid to other governments.
 3. Increased "transfers in" that were statutorily authorized (\$8.15 million).
- **Transportation Fund.** The total fund balance at the end of the current fiscal year for the Transportation Fund was \$62.4 million, a decrease of \$57.1 million from the prior fiscal year. The fund balance net decrease was primarily the result of: (1) operating expenditures exceeding revenue by \$65.7 million due to an increase in contract construction activities and higher construction costs related to inflation as experienced by the highway construction industry as a whole, (2) proceeds from the sale of capital assets of \$7.2 million, and (3) "transfers in" exceeding "transfers out" by \$1.4 million that were statutorily authorized.

Proprietary Funds

The State's proprietary funds are presented on the full accrual basis of accounting and include the State's enterprise funds and internal service funds. The following proprietary funds had significant changes to net assets during fiscal year 2006:

- **Lottery Fund.** At the end of the current fiscal year, the Lottery Fund reported total net assets of \$4.8 million, an increase of \$.5 million in comparison with the prior year. During the current fiscal year, the State Lottery produced income (before transfers) in the amount of \$119.5 million on total revenue of \$151.5 million, compared to the previous fiscal year's income (before transfers) of \$116.7 million on total revenue of \$144.0 million. The increase was the result of increased video lottery revenue and increased instant and on-line ticket sales. During fiscal year 2006, the State Lottery distributed approximately \$109.7 million to the Property Tax Reduction Fund, \$4.9 million to the General Fund, \$4.2 million to the Capital Construction Fund, and \$.2 million to the Department of Human Services.
- **Clean Water State Revolving Fund.** The Clean Water State Revolving Fund program provides low interest loans to governmental entities for wastewater, storm sewer, and nonpoint source pollution projects. Projects with compliance or health and safety concerns receive highest priority. At the end of the current fiscal year, the Clean Water State Revolving Fund reported total net assets of \$138.3 million, an increase of \$13.7 million in comparison with the prior fiscal year. The increase resulted primarily from (1) the receipt of \$9.3 million capitalization grant monies received from the federal government and (2) \$4.4 million of revenue from investments, interest, and other sources in excess of operating expenses.

- **Drinking Water State Revolving Fund.** The Drinking Water State Revolving Fund program provides low interest loans for drinking water projects. Projects with compliance or health and safety concerns receive highest priority. At the end of the current fiscal year, the Drinking Water Revolving Fund reported total net assets of \$84.1 million, an increase of \$12.6 million in comparison with the prior year. This increase resulted primarily from (1) the receipt of \$10.4 million capitalization grant monies received from the federal government and (2) \$2.2 million of revenue from investments, interest, and other sources in excess of operating expenses.

Budgetary Highlights - General 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, reorganizations, 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, reorganizations, and other legally authorized legislative and executive changes after the beginning of the fiscal year.

The difference between the original and the final amended budget (\$40.3 million increase in appropriations) is primarily due to the following areas:

- \$20.1 million appropriation to the Department of Tourism and State Development for the underground laboratory at the former Homestake Mine and creation of the South Dakota Energy Infrastructure Authority.
- \$9.2 million appropriations to the Board of Regents for the construction of USDSU Classrooms and a revision to the FY2006 General Appropriations Act for South Dakota Opportunity Scholarships.
- \$3.0 million appropriations to the Department of Public Safety for costs related to disasters in the State of South Dakota.
- \$2.3 million appropriations to the Department of Military & Veteran Affairs for the design and construction of National Guard armories.
- \$2.3 million appropriations to the Department of Education for costs related to increased energy costs in K-12 school districts and postsecondary vocational education institutions.
- \$1.7 million appropriations to the Department of Agriculture for costs related to the suppression of wildfires and to the State Fair.
- \$1.3 million appropriations to the Department of Social Services to provide low income energy assistance to eligible households and tribes.

The difference between the final amended budget and actual spending (\$23.2 million below final budgeted estimates) resulted primarily from the following:

- Special appropriation amounts of \$15.1 million statutorily authorized to be carried forward and spent in future years, mostly pertaining (but not limited), to: the Lee Medicine and Science Hall renovation or replacement project at the University of South Dakota (\$1.8 million); design and construction of National Guard Armories (\$2.3 million); construction of USDSU classrooms (\$8.0 million); and, the sales tax on food refund program (\$3.0 million).

- State Aid to General Education amounts of \$2.8 million statutorily authorized to be carried forward and spent in future years.
- Maintenance and repair amounts of \$2.2 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.

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, 2006, is \$2.9 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</u>		<u>Business-type</u>		<u>Total Primary</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 73,453	\$ 67,485	\$ 295	\$ 354	\$ 73,748	\$ 67,839
Land Improvements	17,499	13,693	924	924	18,423	14,617
Land Improvements - Roads	574,304	560,152	0	0	574,304	560,152
Buildings	303,276	264,791	4,008	4,008	307,284	268,799
Equipment	150,490	137,890	3,134	2,300	153,624	140,190
Vehicles	103,516	98,172	0	0	103,516	98,172
Infrastructure	2,832,093	2,727,064	0	0	2,832,093	2,727,064
Construction in Progress	252,016	266,325	0	81	252,016	266,406
Total Capital Assets	4,306,647	4,135,572	8,361	7,667	4,315,008	4,143,239
Accumulated Depreciation	(1,387,578)	(1,358,537)	(5,173)	(4,837)	(1,392,751)	(1,363,374)
Total Capital Assets, Net	\$2,919,069	\$2,777,035	\$ 3,188	\$ 2,830	\$2,922,257	\$2,779,865

The most significant capital asset the State reported in fiscal year 2006 was 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 \$2.5 billion (net of accumulated depreciation), which is 85.9% of total capital assets (net of accumulated depreciation).

The State's investment in capital assets (net of accumulated depreciation) increased from fiscal year 2005 to 2006 by approximately 5.1%. 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 \$119.0 million and decreased (projects completed and capitalized) by \$123.2 million. Land and land improvements increased by \$9.7 million which consisted largely of the purchase of excess right-of-way and other land and land improvements by the Department of Transportation (\$6.1 million), and land and land improvements purchased by the Office of the Attorney General (\$2.5 million). Building and building improvements increased by \$38.5 million. This was largely due to the completion of new buildings and building improvements by the Department of Military and Veterans Affairs (\$12.6 million), the completion of the George S Mickelson Criminal Justice Center (\$20.6 million) and the governor's residence which was donated to the State (\$3.2 million). Equipment assets increased by \$13.4 million. This was largely due to the South Dakota Public

Broadcasting's digital television conversion that was federally mandated (\$1.5 million, net of disposals), purchase of new equipment and replacing of aged equipment by the Department of Transportation (\$3.8 million, net of disposals), purchase of new laboratory equipment by the Department of Health (\$1.6 million), and the development of computer systems by the Unified Judicial Systems (\$1.9 million). Vehicles which include trucks, cars, pickups and other vehicles, increased by \$5.3 million largely due to replacing aged vehicles by the Department of Transportation (\$3.5 million, net of disposals), and the Bureau of Administration (\$1.7 million, net of disposals). Construction in progress, not including construction in progress for highways, bridges, and railroads, decreased by \$10.1 million. This was largely due to the completion of the George S Mickelson Criminal Justice Center and related assets (\$15.9 million decrease, net of projects completed and capitalized), building improvement costs for the Department of Corrections (\$4.8 million increase), and the completion and capitalization of building and building improvement projects by the Department of Military and Veterans Affairs (\$.8 million increase, net of projects completed and capitalized).

More detailed information on the State's capital assets can be found in Note 6 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. A combination of rating agencies have been utilized to rate the outstanding uninsured bonds of the South Dakota Building Authority. The uninsured ratings as of June 30, 2006, are A1 from Moody's, A+ from Fitch 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 basic 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 \$12.9 million Governmental Activities Revenue Bonds for the year ending June 30, 2006.

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, 2006, the EEFC Series 2002A and 2002B Bonds had a rating of Baa3 from Moody's and BBB 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 (TSRs) 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. During the year, EEFC incurred no new long-term general indebtedness.

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 for the construction of publicly-owned wastewater treatment facilities; implementation of nonpoint source management programs; development and implementation of plans under the Estuary Protection Program; and construction and maintenance of drinking water facilities respectively. At June 30, 2006, the South Dakota Conservancy District had a rating of Aaa from Moody's and AAA from Standard & Poor'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 CWSRF and DWSRF loan repayments. 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. During the current fiscal year, the South Dakota Conservancy District issued \$41.5 million in Revenue Bonds for the CWSRF Program which was comprised of \$1.5 million in State Match Bonds to be used to provide funds needed for the State match required under the Clean Water Act and \$40.0 million in Leveraged Bonds to meet additional demand for CWSRF Loans. The South Dakota Conservancy District also issued \$8.5 million in Revenue Bonds for the DWSRF Program which was comprised of \$1.7 million in State Match Bonds to be used to provide funds needed for the State match required under the Safe Drinking Water Act and \$6.8 million in Leveraged Bonds to meet additional demand for DWSRF Loans.

At June 30, 2006, primary government had total note and bonded debt outstanding as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenue Bonds:						
South Dakota Building Authority	\$ 84,020	\$ 82,300	\$	\$	\$ 84,020	\$ 82,300
Educational Enhancement Funding Corporation	252,956	257,376			252,956	257,376
South Dakota Conservancy District			102,322	52,272	102,322	52,272
Trust Certificates:						
South Dakota Building Authority	32,465	35,080			32,465	35,080
Capital Leases	30,925	34,413	4	13	30,929	34,426
Total	\$ 400,366	\$ 409,169	\$ 102,326	\$ 52,285	\$ 502,692	\$ 461,454

Additional information on the State's long-term debt obligations is located in Note 13 in the Notes to the Financial Statements.

ECONOMIC CONDITIONS AND OUTLOOK

After growing 1.6%, or 6,000 additional jobs in fiscal year 2005, nonfarm employment in South Dakota continued to strengthen in fiscal year 2006. In fiscal year 2006, nonfarm employment in the State grew 2.0%, or 7,600 jobs. This growth was stronger than the national growth rate for the fifth fiscal year in a row. The unemployment rate in South Dakota continued to remain one of the lowest in the nation in fiscal year 2006. South Dakota's unemployment rate was 3.2% in June 2006, while the U.S. unemployment rate was 4.6% the same month. Over the past four years (2002-2006), South Dakota ranks second in the nation in terms of its per capita personal income growth and ranks seventh in the nation in terms of its personal income growth.

Further information on the South Dakota economy and economic outlook is included in the transmittal letter.

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 and the Value Added Finance Authority, 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, 2006
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and Cash Equivalents	\$ 642,808	\$ 102,010	\$ 744,818	\$ 259,243
Receivables (Net)	297,374	259,680	557,054	1,269,314
Due From Component Units	1,066	25	1,091	
Due From Primary Government			0	1,495
Internal Balances	5,213	(5,213)	0	
Investments	742,891	102,821	845,712	1,112,547
Inventory	20,310	2,064	22,374	9,053
Deferred Fiscal Charges and Other Assets	8,599	1,098	9,697	15,194
Restricted Assets:				
Cash and Cash Equivalents	10,001	21	10,022	16,271
Investments	23,421	1,322	24,743	19,065
Other		974	974	30,073
Securities Lending Collateral	134,707	9,241	143,948	15,592
Capital Assets:				
Land and Other Non-depreciable Assets	651,132	295	651,427	50,372
Infrastructure (net)	1,702,997		1,702,997	
Property, Plant and Equipment (net)	312,924	2,893	315,817	284,282
Construction in Progress	252,016		252,016	88,784
Total Assets	4,805,459	477,231	5,282,690	3,171,285
Liabilities				
Accounts Payable and Other Liabilities	224,639	5,975	230,614	42,171
Due To Primary Government			0	1,091
Due To Component Units	1,495		1,495	
Accrued Interest Payable	7,360	1,882	9,242	15,312
Deferred Revenue	43,764	1,473	45,237	1,296
Securities Lending Collateral Liability	134,707	9,241	143,948	15,592
Noncurrent Liabilities:				
Due Within One Year	48,062	3,041	51,103	364,854
Due In More Than One Year	418,232	100,263	518,495	1,731,434
Total Liabilities	878,259	121,875	1,000,134	2,171,752
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,829,173	3,184	2,832,357	266,248
Restricted For:				
Highways	53,543		53,543	
Agriculture and Natural Resources	75,940	1,448	77,388	
Health and Public Assistance	5,142	3,311	8,453	
Economic Development	15,682		15,682	
Debt Service	58,086	1,344	59,430	333,373
Capital Projects	10,114		10,114	
Unemployment Compensation		19,877	19,877	
Environmental Projects	10,000	220,976	230,976	
Energy Conservation Programs	9,241		9,241	
Revolving Loan Programs		8,493	8,493	
Higher Education - Expendable			0	96,673
Higher Education - Nonexpendable			0	200,480
Funds held as Permanent Investments				
Expendable	76,326		76,326	
Nonexpendable	671,693		671,693	
Other Purposes	26,590	6,844	33,434	11,045
Unrestricted	85,670	89,879	175,549	91,714
Net Assets	\$ 3,927,200	\$ 355,356	\$ 4,282,556	\$ 999,533

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, 2006
(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 175,826	\$ 137,188	\$ 21,242	\$
Education - Elementary, Secondary and Vocational Schools	191,460	4,055	157,326	
Education - State Support to Universities	149,040			
Health, Human and Social Services	1,012,533	30,665	670,827	
Law, Justice, Public Protection and Regulation	212,600	44,624	65,497	5,030
Agriculture and Natural Resources	109,904	52,962	32,080	
Economic Resources	58,235	2,183	12,387	
Transportation	316,125	13,718	245,958	1,540
Intergovernmental - Payments to School Districts	338,008			
Intergovernmental - Revenue Sharing	99,171			
Unallocated Interest Expense	23,998			
Unallocated Depreciation	58			
Total Governmental Activities	2,686,958	285,395	1,205,317	6,570
Business-type Activities:				
Lottery	32,409	151,647	300	
Clean Water State Revolving	3,286	3,659	13,318	
Drinking Water State Revolving	2,574	2,773	12,502	
Revolving Economic Development and Initiative	767	1,547	1,307	
Unemployment Insurance	25,778	22,069	1,194	
Second Injury	7,791	7,928	33	
State Fair	2,558	1,670	7	
Federal Surplus Property	4,164	4,090	11	
Rural Rehabilitation	664	216	166	
Prison Industries	4,964	5,750	40	
Health Insurance Risk Pool	4,388	4,290	170	
Professional and Licensing	5,665	5,556	417	
Banking and Insurance	1,669	2,640	26	
Other	2,205	1,928	607	
Total Business-type Activities	98,882	215,763	30,098	0
Total Primary Government	\$ 2,785,840	\$ 501,158	\$ 1,235,415	\$ 6,570
Component Units:				
Higher Education	\$ 462,314	\$ 246,457	\$ 118,405	\$ 6,090
Housing Authority	110,328	116,635		
Finance Authority	1,050	1,388		
CREP Program	252	211		
Science and Technology Authority	669		20,833	
Value Added Finance Authority	35	46	27	
Total Component Units	\$ 574,648	\$ 364,737	\$ 139,265	\$ 6,090

General Revenues:

Taxes:

Sales Taxes

Motor Fuel Taxes

Contractors Excise Taxes

Bank Card and Franchise Taxes

Other Taxes

Unrestricted Investment Earnings

State Support to Universities

Gain on Sale of Capital Assets

Miscellaneous

Additions to Endowments

Transfers

Total General Revenues, Additions to Endowments 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
\$ (17,396)	\$	\$ (17,396)	
(30,079)		(30,079)	
(149,040)		(149,040)	
(311,041)		(311,041)	
(97,449)		(97,449)	
(24,862)		(24,862)	
(43,665)		(43,665)	
(54,909)		(54,909)	
(338,008)		(338,008)	
(99,171)		(99,171)	
(23,998)		(23,998)	
(58)		(58)	
(1,189,676)	0	(1,189,676)	
	119,538	119,538	
	13,691	13,691	
	12,701	12,701	
	2,087	2,087	
	(2,515)	(2,515)	
	170	170	
	(881)	(881)	
	(63)	(63)	
	(282)	(282)	
	826	826	
	72	72	
	308	308	
	997	997	
	330	330	
0	146,979	146,979	
(1,189,676)	146,979	(1,042,697)	
			\$ (91,362)
			6,307
			338
			(41)
			20,164
			38
			(64,556)
597,230		597,230	
145,415		145,415	
76,979		76,979	
65,187		65,187	
183,236		183,236	
60,956		60,956	3,664
			149,040
42,344		42,344	
35,493		35,493	
			36,280
117,703	(117,703)		
1,324,543	(117,703)	1,206,840	188,984
134,867	29,276	164,143	124,428
3,792,333	326,080	4,118,413	875,105
\$ 3,927,200	\$ 355,356	\$ 4,282,556	\$ 999,533

**STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006
(Expressed in Thousands)**

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust
Assets					
Cash and Cash Equivalents	\$ 95,626	\$ 59,658	\$	\$ 28,718	\$ 42,242
Investments				225,756	341,352
Securities Lending Collateral	18,114	7,579		53,241	
Receivables From:					
Taxes (net)	92,707	9,708			
Interest and Dividends	2,987	754	2	1,331	2,212
Other Funds	38,837	1,112	23		
Component Units	37				
Other Governments	911	21,142	30,708		
Loans and Notes (net)		463			
Other (net)	4,527	89	5,339		
Inventory	2,120	13,454			
Deferred Fiscal Charges and Other Assets	597		45		
Total Assets	\$ 256,463	\$ 113,959	\$ 36,117	\$ 309,046	\$ 385,806
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 33,455	\$ 38,095	\$ 30,122	\$	\$
Payable To:					
Other Funds	3,105	1,228	5,605		14,986
Component Units	23	51	87		
Other Governments	34,274	4,463	68		
Claims, Judgments and Compensated Absences	227	112	20		
Deferred Revenue	1,767	12	162		
Securities Lending Collateral Liability	18,114	7,579		53,241	
Total Liabilities	90,965	51,540	36,064	53,241	14,986
Fund Balances:					
Reserved For:					
Encumbrances	20,873	887	1,629		
Inventories	2,120	13,454			
Debt Service					
Environmental Projects					
School Perpetuity					
Noncurrent Assets		287			
Funds held as Permanent Investments				238,000	325,484
Unreserved Designated	43,000				
Unreserved Undesignated, Reported In:					
General Fund	99,505				
Special Revenue Funds		47,791	(1,576)	17,805	45,336
Capital Project Funds					
Total Fund Balances	165,498	62,419	53	255,805	370,820
Total Liabilities and Fund Balances	\$ 256,463	\$ 113,959	\$ 36,117	\$ 309,046	\$ 385,806

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

<u>Nonmajor</u>	<u>Total</u>
\$ 367,348	\$ 593,592
199,204	766,312
48,351	127,285
4,951	107,366
2,909	10,195
11,444	51,416
41	78
70,261	123,022
29,062	29,525
16,105	26,060
3,358	18,932
750	1,392
\$ 753,784	\$ 1,855,175

\$ 30,733	\$ 132,405
27,147	52,071
1,283	1,444
41,010	79,815
160	519
52,723	54,664
48,351	127,285
201,407	448,203

11,348	34,737
3,358	18,932
91,772	91,772
13,151	13,151
27,401	27,401
28,331	28,618
81,668	645,152
	43,000
	99,505
285,280	394,636
10,068	10,068
552,377	1,406,972
\$ 753,784	\$ 1,855,175



**STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds \$ 1,406,972

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	903,028	
Infrastructure	2,832,093	
Other Capital Assets	498,646	
Accumulated Depreciation	<u>(1,337,395)</u>	
Total Capital Assets		2,896,372

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. 17,680

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. 44,512

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	(364,236)	
Accrued Interest on Bonds	(7,360)	
Capital Leases	(24,067)	
Compensated Absences	(41,358)	
Unclaimed Property	(1,020)	
Workers Compensation	<u>(295)</u>	
Total Long-Term Liabilities		<u>(438,336)</u>

Net Assets of Governmental Activities \$ 3,927,200

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, 2006
(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	\$ 821,843	\$ 171,095	\$	\$	\$
Licenses, Permits and Fees	6,506	3,378			
Fines, Forfeits and Penalties	573				
Use of Money and Property	14,337	2,483	10	16,565	22,764
Sales and Services	6,852	1,421			
Administering Programs	37	244,412	489,850		
Tobacco Settlement					
Other Revenue	13,155	3,067	5,100		
Total Revenue	863,303	425,856	494,960	16,565	22,764
Expenditures:					
Current:					
General Government	27,392			1,882	670
Education	26,691				
Education - Payments to School Districts	339,293				
Education - State Support to Universities	149,040				
Health, Human and Social Services	319,541		494,960		
Law, Justice, Public Protection and Regulation	115,923	16,656			
Agriculture and Natural Resources	14,868				
Economic Resources	29,763				
Transportation		474,854			
State Shared Revenue Paid to Other Governments	31,452				
Debt Service:					
Principal					
Interest					
Total Expenditures	1,053,963	491,510	494,960	1,882	670
Excess of Revenues Over (Under) Expenditures	(190,660)	(65,654)	0	14,683	22,094
Other Financing Sources (Uses):					
Bonds Issued					
Proceeds of Refunding Bonds					
Payments on Advance Refundings					
Premiums on Bond Issuance					
Premiums on Refunding Bonds					
Proceeds from Sale of Capital Assets	26	7,180			
Transfers In	223,037	3,698			
Transfers Out	(19,012)	(2,305)		(13,322)	(14,986)
Net Other Financing Sources (Uses)	204,051	8,573	0	(13,322)	(14,986)
Special Items					
Sale of Railroad Infrastructure					
Total Special Items	0	0	0	0	0
Net Change in Fund Balances	13,391	(57,081)	0	1,361	7,108
Fund Balances at Beginning of Year	152,107	119,500	53	254,444	363,712
Fund Balances at End of Year	\$ 165,498	\$ 62,419	\$ 53	\$ 255,805	\$ 370,820

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

<u>Nonmajor</u>	<u>Total</u>
\$ 75,110	\$ 1,068,048
149,713	159,597
6,824	7,397
<u>30,147</u>	<u>86,306</u>
18,931	27,204
461,543	1,195,842
20,415	20,415
<u>11,120</u>	<u>32,442</u>
<u>773,803</u>	<u>2,597,251</u>
<u>46,790</u>	<u>76,734</u>
160,076	186,767
	339,293
	149,040
195,786	1,010,287
<u>100,224</u>	<u>232,603</u>
94,913	109,781
28,218	57,981
2,991	477,845
<u>67,719</u>	<u>99,171</u>
15,704	15,704
<u>22,980</u>	<u>22,980</u>
<u>735,401</u>	<u>2,778,386</u>
38,402	(181,135)
10,000	10,000
2,864	2,864
(2,932)	(2,932)
<u>280</u>	<u>280</u>
149	149
3,593	10,799
189,048	415,783
(249,243)	(298,868)
<u>(46,241)</u>	<u>138,075</u>
<u>34,337</u>	<u>34,337</u>
<u>34,337</u>	<u>34,337</u>
26,498	(8,723)
<u>525,879</u>	<u>1,415,695</u>
<u>\$ 552,377</u>	<u>\$ 1,406,972</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, 2006
(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds \$ (8,723)

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	255,314	
Depreciation Expense	(69,973)	
Excess of Capital Outlay Over Depreciation Expense		185,341

The net effect of various miscellaneous transactions involving capital assets, including sales, donations and trade-ins is to decrease net assets. (41,710)

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	18,636	
Capital Lease Payments	1,593	
Total Long-Term Debt Repayment		20,229

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. (209)

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. (4,522)

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	(12,864)	
Bond Issuance and Refunding Costs	(204)	
Bond Premium	(429)	
Total Issuance of Bonds		(13,497)

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	(502)	
(Increase) Decrease in Compensated Absences	(1,419)	
(Increase) Decrease in Workers Compensation	(37)	
(Increase) Decrease in Unclaimed Property	(84)	
Total Additional Expenditures		(2,042)

Change in Net Assets of Governmental Activities \$ 134,867

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, 2006
(Expressed in Thousands)

Assets	Business type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Major			Nonmajor	Total	
	Lottery	Clean Water State Revolving	Drinking Water State Revolving			
Current Assets:						
Cash and Cash Equivalents	\$ 6,526	\$ 8,690	\$ 2,810	\$ 85,984	\$ 102,010	\$ 59,217
Receivables:						
Interest and Dividends	100	2,253	1,355	722	4,430	564
Other Funds				400	400	7,147
Component Units				25	25	988
Other Governments		277	585	212	1,054	105
Loans and Notes (Net)		6,271	5,236	5,619	17,126	
Other (Net)	5,223			1,274	6,497	353
Inventory				2,064	2,064	953
Securities Lending Collateral	785			8,456	9,241	7,422
Deferred Fiscal Charges and Other Assets		30	35	71	136	2,003
Total Current Assets	12,634	15,521	10,001	104,827	142,983	78,752
Restricted Assets:						
Restricted Cash		10	11		21	
Restricted Investments		374	948		1,322	
Other	974				974	
Investments		69,392	33,429		102,821	
Capital Assets:						
Land and Other Non-depreciable Assets				295	295	
Property, Plant and Equipment	960			7,106	8,066	72,761
Accumulated Depreciation	(930)			(4,243)	(5,173)	(50,184)
Construction in Progress					0	120
Total Capital Assets	30	0	0	3,158	3,188	22,697
Other Noncurrent Assets		110,344	86,925	34,236	231,505	
Total Assets	13,638	195,641	131,314	142,221	482,814	101,449
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	2,132	283	84	1,356	3,855	3,456
Payable To:						
Other Funds	5,392			204	5,596	1,301
Component Units					0	51
Escrow Payable	51				51	
Bonds, Notes and Leases Payable		1,119	1,404	4	2,527	2,272
Claims, Judgments and Compensated Absences	115	17	17	2,421	2,570	14,985
Accrued Interest Payable		940	942		1,882	
Deferred Revenue	212			1,261	1,473	6,355
Securities Lending Collateral Liability	785			8,456	9,241	7,422
Total Current Liabilities	8,687	2,359	2,447	13,702	27,195	35,842
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		54,997	44,801		99,798	4,586
Claims, Judgments and Compensated Absences	104	16	15	330	465	16,509
Total Liabilities	8,791	57,372	47,263	14,032	127,458	56,937
Net Assets						
Invested In Capital Assets, Net of Related Debt	30			3,154	3,184	15,839
Restricted For:						
Debt Service		385	959		1,344	
Other	974				974	
Unrestricted	3,843	137,864	83,092	125,035	349,854	28,673
Total Net Assets	\$ 4,847	\$ 138,269	\$ 84,051	\$ 128,189	\$ 355,356	\$ 44,512

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, 2006
(Expressed in Thousands)

	Business type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Major			Nonmajor	Total	
	Lottery	Clean Water State Revolving	Drinking Water State Revolving			
Operating Revenue:						
Licenses, Permits and Fees	\$ 1,292	\$	\$ 2,095	\$ 8,776	\$ 10,068	\$
Use of Money and Property	4	2,793	2,095	1,480	6,372	29
Sales and Services	150,205	866	678	16,338	168,087	166,890
Administering Programs		9,272	10,447	813	20,532	
Assessments				29,997	29,997	
Other Revenue				734	734	1,121
Total Operating Revenue	151,501	12,931	13,220	58,138	235,790	168,040
Operating Expenses:						
Personal Services and Benefits	1,322	187	163	6,972	8,644	27,827
Travel	142	8	10	853	1,013	661
Contractual Services	7,399	175	204	6,975	14,753	27,652
Supplies and Materials	1,064	3	3	7,371	8,441	16,185
Other	51	1,050	52	335	1,488	
Interest		1,836	2,108		3,944	345
Depreciation/Amortization	8	27	34	339	408	7,792
Lottery Prizes	22,373				22,373	
Insurance Claims				37,500	37,500	90,234
Total Operating Expenses	32,359	3,286	2,574	60,345	98,564	170,696
Operating Income (Loss)	119,142	9,645	10,646	(2,207)	137,226	(2,656)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets				54	54	417
Loss on Disposal of Assets					0	(152)
Interest Income	300	4,046	2,055	3,165	9,566	1,720
Other Expense	(50)			(322)	(372)	(328)
Grant and Other Income	146			359	505	
Total Nonoperating Revenue (Expenses)	396	4,046	2,055	3,256	9,753	1,657
Income (Loss) Before Transfers	119,538	13,691	12,701	1,049	146,979	(999)
Transfers:						
Transfers In		81		1,828	1,909	1,006
Transfers Out	(118,999)	(26)	(106)	(481)	(119,612)	(216)
Net Transfers In (Out)	(118,999)	55	(106)	1,347	(117,703)	790
Change in Net Assets	539	13,746	12,595	2,396	29,276	(209)
Net Assets at Beginning of Year, Restated	4,308	124,523	71,456	125,793	326,080	44,721
Net Assets at End of Year	\$ 4,847	\$ 138,269	\$ 84,051	\$ 128,189	\$ 355,356	\$ 44,512

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, 2006
(Expressed in Thousands)**

	<u>Business-type Activities - Enterprise Funds</u>					<u>Governmental Activities Internal Service Funds</u>
	<u>Major</u>				<u>Total</u>	
	<u>Lottery</u>	<u>Clean Water State Revolving</u>	<u>Drinking Water State Revolving</u>	<u>Nonmajor</u>		
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 151,055	\$ 766	\$ 658	\$ 51,049	\$ 203,528	\$ 60,211
Receipts from Interfund Services Provided				6,785	6,785	106,865
Receipts from Federal Agencies		9,255	10,442	737	20,434	
Receipts from Loan Payments		9,476	5,223	4,686	19,385	
Payments to Suppliers and for Benefits and Claims	(7,604)	(1,078)	(194)	(52,139)	(61,015)	(123,093)
Payments for Employee Services	(1,359)	(192)	(181)	(7,008)	(8,740)	(28,122)
Payments for Interfund Services Used	(854)			(1,360)	(2,214)	(11,738)
Payments for Lottery Prizes	(21,828)				(21,828)	
Payments for Loans Originated		(42,900)	(25,895)	(11,513)	(80,308)	
Other Receipts (Payments)	(7)	(9)	(77)	269	176	155
Net Cash Provided (Used) by Operating Activities	119,403	(24,682)	(10,024)	(8,494)	76,203	4,278
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets	(25)			(754)	(779)	(5,903)
Sales of Capital Assets				113	113	876
Payments on Capital Lease Obligations				(9)	(9)	(3,619)
Net Cash Provided (Used) by Capital and Related Financing Activities	(25)	0	0	(650)	(675)	(8,646)
Cash Flows From Noncapital Financing Activities:						
Transfers In		81		1,828	1,909	1,000
Transfers Out	(118,651)	(26)	(106)	(481)	(119,264)	(216)
Received (Paid) on Interfund Borrowing				(2)	(2)	23
Issuance of Bonds		42,803	8,763		51,566	
Payments on Bonds and Notes		(1,165)	(440)		(1,605)	
Bond Issuance Costs		(288)	(86)		(374)	
Interest Payments on Bonds and Notes		(1,021)	(1,931)		(2,952)	
Other Noncapital Financing Activities				25	25	
Net Cash Provided (Used) by Noncapital Financing Activities	(118,651)	40,384	6,200	1,370	(70,697)	807
Cash Flows From Investing Activities:						
Investment Income	259	3,629	2,067	2,961	8,916	1,521
Purchase of Investment Securities		(53,965)	(24,395)		(78,360)	
Proceeds from the Sale and Maturity of Investments		33,998	25,772		59,770	
Security Lending Rebate Fees	(50)			(314)	(364)	(278)
Net Cash Provided (Used) by Investing Activities	209	(16,338)	3,444	2,647	(10,038)	1,243
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	936	(636)	(380)	(5,127)	(5,207)	(2,318)
Cash and Cash Equivalents at Beginning of Year	5,590	7,336	3,201	91,111	107,238	61,535
Cash and Cash Equivalents at End of Year	\$ 6,526	\$ 6,700	\$ 2,821	\$ 85,984	\$ 102,031	\$ 59,217

continued on next page

**STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)**

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds	
	Major	Major		Nonmajor		Total
	Lottery	Clean Water State Revolving	Drinking Water State Revolving			
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 119,142	\$ 9,645	\$ 10,646	\$ (2,207)	\$ 137,226	\$ (2,856)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	8	27	34	339	408	7,792
Interest Expense		1,836	2,108		3,944	326
Miscellaneous Nonoperating Items	146			325	471	
Decrease/(Increase) in Assets:						
Accounts Receivable	(429)			255	(174)	(69)
Interest, Dividends & Penalties Receivable		(228)	(99)	36	(289)	
Loans and Notes Receivable		(35,990)	(22,668)	(7,064)	(65,722)	
Due From Other Funds				266	266	(520)
Due From Component Units				9	9	(314)
Due From Other Governments		(117)	(24)	(71)	(212)	(1)
Inventory				(48)	(48)	67
Deferred Fiscal Charges and Other Assets	11			(39)	(28)	(492)
Other Restricted Assets	(73)				(73)	
Increase/(Decrease) in Liabilities:						
Accounts Payable	618	148	(3)	92	855	(147)
Accrued Liabilities	(6)	3	(2)	25	20	119
Compensated Absences Payable	(30)	(8)	(16)	(66)	(120)	(407)
Due To Other Funds	(12)			43	31	167
Due to Component Units						11
Deferred Revenue	61			(26)	35	286
Escrow Payable	5				5	
Policy Claim Liabilities				(363)	(363)	116
Other Liabilities	(38)				(38)	
Net Cash Provided (Used) by Operating Activities	<u>\$ 119,403</u>	<u>\$ (24,682)</u>	<u>\$ (10,024)</u>	<u>\$ (8,494)</u>	<u>\$ 76,203</u>	<u>\$ 4,278</u>
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets						265
Capital Lease Obligations Entered Into						(1,319)
Transfers In (Out) of Fixed Assets						5

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, 2006
(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	\$ 6,151	\$ 21,334	\$ 22,717
Receivables:			
Employer	2,491		
Employee	7,798		
Benefits	106		
Unsettled Investment Sales	54,218		
Taxes Receivable			26,573
Due From Other Funds		124	95
Due From Other Governments			379
Investment Income	21,200	646	75
Other		159	129
Total Receivables	<u>85,813</u>	<u>929</u>	<u>27,251</u>
Investments, at Fair Value:			
Fixed Income	1,938,729		
Equities	4,282,819		
Real Estate	439,801		
Private Equity	343,060		
Pooled Investment Funds		116,365	
Money Market		3	
Total Investments	<u>7,004,409</u>	<u>116,368</u>	<u>0</u>
Securities Lending Collateral	568,396	32,793	
Properties, at Cost	58	14,120	
Accumulated Depreciation	(32)		
Other Assets	481	48	
Total Assets	<u>7,665,276</u>	<u>185,592</u>	<u>\$ 49,968</u>
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,012	280	\$ 9,944
Due To Other Funds	40	174	
Due To Other Governments			40,024
Compensated Absences Payable	198		
Securities Sold, But Not Yet Purchased, at Fair Value	154,926		
Unsettled Investment Purchases	52,408		
Securities Lending Collateral Liability	568,396	32,793	
Total Liabilities	<u>777,980</u>	<u>33,247</u>	<u>\$ 49,968</u>
Net Assets			
Held in Trust For:			
Pension Benefits	6,887,296		
Individuals and Other Governments		152,345	
Total Net Assets	<u>\$ 6,887,296</u>	<u>\$ 152,345</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, 2006
(Expressed in Thousands)

<u>Additions</u>	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
Contributions:		
Employee	\$ 82,465	\$
Employer	80,829	
From Participants		297
From Clients and Inmates		8,782
Total Contributions	<u>163,294</u>	<u>9,079</u>
Investment Income:		
<i>From Investing Activities</i>		
Net Increase (Decrease) in Fair Value of Investments	593,790	(1,582)
Interest	90,573	8,519
Dividends	103,984	2,029
Real Estate	13,677	
Investment Activity Income	<u>802,024</u>	<u>8,966</u>
Less Investment Activity Expenses	<u>(14,745)</u>	
Net Investment Activity Income	787,279	8,966
<i>From Security Lending Activities</i>		
Security Lending Income	18,945	1,189
Security Lending Expenses	<u>(17,461)</u>	<u>(1,144)</u>
Net Security Lending Activity Income	1,484	45
Net Investment Income (Loss)	<u>788,763</u>	<u>9,011</u>
Escheated Property		91
Gain from Sale of Assets		1,383
Miscellaneous Income		4,350
Transfers From Other Funds		3
Total Additions	<u>952,057</u>	<u>23,917</u>
Deductions		
Benefits	237,333	
Refunds of Contributions	25,070	
Distribution to School Districts		8,265
Payments made for Trust Purposes		9,773
Administrative Expenses	<u>2,793</u>	<u>1</u>
Total Deductions	<u>265,196</u>	<u>18,039</u>
Net Increase (Decrease)	686,861	5,878
Net Assets Held in Trust		
Beginning of Year	<u>6,200,435</u>	<u>146,467</u>
End of Year	<u>\$ 6,887,296</u>	<u>\$ 152,345</u>

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, 2006
 (Expressed in Thousands)

Assets	Business-type Activities						Total
	Housing Authority	Finance Authority	CREP Program	Value Added Finance Authority	Science and Technology Authority	Higher Education	
Current Assets:							
Cash and Cash Equivalents	\$ 124,860	\$ 1,463	\$ 473	\$ 387	\$ 23,631	\$ 108,429	\$ 259,243
Receivables:							
Interest and Dividends	17,223	118	122	3	276	2,162	19,904
Primary Government						1,485	1,485
Other Governments						7,671	7,671
Loans and Notes (Net)	59,548	1,178	697	173		8,878	70,474
Other (Net)			2			10,244	10,246
Investments	347,362	1,979				5,051	354,392
Inventory	2,537					6,516	9,053
Securities Lending Collateral					4,374	11,218	15,592
Deferred Fiscal Charges and Other Assets		71	51		2	1,882	2,006
Total Current Assets	<u>551,530</u>	<u>4,809</u>	<u>1,345</u>	<u>563</u>	<u>28,283</u>	<u>163,548</u>	<u>750,076</u>
Investments	514,718	803	302			242,332	758,155
Restricted Assets:							
Cash and Cash Equivalents		125			11,045	5,101	16,271
Investments		6,814				12,251	19,065
Other						30,073	30,073
Capital Assets:							
Land and Other Non-depreciable Assets						50,372	50,372
Property, Plant and Equipment	3,568				94	601,133	604,793
Accumulated Depreciation	(2,508)				(23)	(317,862)	(320,511)
Construction in Progress						88,784	88,784
Total Capital Assets	<u>1,060</u>				<u>71</u>	<u>422,307</u>	<u>423,438</u>
Other Noncurrent Assets (net)	<u>1,119,341</u>	<u>18,470</u>	<u>1,425</u>	<u>1,030</u>		<u>33,941</u>	<u>1,174,207</u>
Total Assets	2,186,649	31,021	3,072	1,593	38,389	809,551	3,171,285
Liabilities							
Current Liabilities:							
Accounts Payable and Other Liabilities	3,449	9	3		124	15,324	18,909
Payable To:							
Primary Government	23					1,068	1,091
Escrow Payable	21,245						21,245
Bonds, Notes and Leases Payable	330,792	940	970	24		8,041	340,767
Claims, Judgments and Compensated Absences	141				4	9,250	9,395
Accrued Interest Payable	12,824	269	24	8		2,187	15,312
Deferred Revenue			46			1,252	1,298
Securities Lending Collateral Liability					4,374	11,218	15,592
Other Current Liabilities		119				14,573	14,692
Total Current Liabilities	<u>368,474</u>	<u>1,337</u>	<u>1,043</u>	<u>32</u>	<u>4,502</u>	<u>62,913</u>	<u>438,301</u>
Noncurrent Liabilities:							
Bonds, Notes and Leases Payable	1,493,820	19,874	1,320	1,249		144,344	1,660,607
Claims, Judgments and Compensated Absences	127				9	20,867	21,003
Federal Capital Contribution Refundable Advance						34,856	34,856
Other Noncurrent Liabilities	20	2,017				15,148	17,185
Total Liabilities	<u>1,862,441</u>	<u>23,228</u>	<u>2,363</u>	<u>1,281</u>	<u>4,511</u>	<u>277,928</u>	<u>2,171,752</u>
Net Assets							
Invested in Capital Assets, Net of Related Debt	1,060				71	265,117	266,248
Restricted For:							
Debt Service	323,148	6,938				3,286	333,373
Higher Education - Expendable						96,673	96,673
Higher Education - Nonexpendable						200,480	200,480
Indemnification					10,000		10,000
Mine Closure					1,045		1,045
Unrestricted		854	709	312	23,772	66,067	91,714
Total Net Assets	\$ 324,208	\$ 7,793	\$ 709	\$ 312	\$ 34,888	\$ 631,623	\$ 999,533

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, 2006
 (Expressed in Thousands)

	Business-type Activities					Total
	Housing Authority	Finance Authority	CREP Program	Value Added Finance Authority	Science and Technology Authority	
Operating Revenue:						
Tuition and Fees (net of discounts and allowances for scholarships of \$15,298)	\$	\$	\$	\$	\$	\$ 125,376
Use of Money and Property	107,278	1,388	210	46		108,920
Sales and Services (net of discounts and allowances for scholarships of \$5,694)						69,345
Administering Programs						101,623
Other Revenue	9,359		1			51,736
Total Operating Revenue	116,635	1,388	211	46	0	468,980
Operating Expenses:						
Personal Services and Benefits	2,911		45		202	274,461
Travel	211				31	12,225
Contractual Services	6,782	51	25		168	65,020
Supplies and Materials	105		1		102	52,090
Grants and Subsidies	26,493					27,512
Other	714	27		25		3,570
Interest	71,118	972	165			35
Depreciation/Amortization	1,984		16		9	23,407
Total Operating Expenses	110,528	1,050	252	25	532	458,518
Operating Income (Loss)	6,307	338	(41)	21	(532)	(104,145)
Nonoperating Revenue (Expenses):						
Loss on Disposal of Assets						(294)
Interest Income			19	5	732	2,906
Interest Expense				(10)		(1,056)
Other Expense					(137)	(2,646)
State Aid from Primary Government						149,040
Federal Appropriation						6,875
Grant and Other Income				27	20,833	9,907
Total Nonoperating Revenue (Expenses)	0	0	19	22	21,428	164,734
Income (Loss) Before Capital Grants and Additions to Endowments	6,307	338	(22)	43	20,896	54,496
Capital Grants						6,090
Additions to Endowments						36,280
Change in Net Assets	6,307	338	(22)	43	20,896	96,866
Net Assets At Beginning of Year	317,901	7,455	731	269	13,992	534,757
Net Assets at End of Year	\$ 324,208	\$ 7,793	\$ 709	\$ 312	\$ 34,888	\$ 631,623

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



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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

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)
- South Dakota Finance Authority
- South Dakota Housing Authority
- Value Added Finance Authority
- Science and Technology Authority
- Higher Education (Affiliated organizations of Higher Education were excluded from the notes to the financial statements.)

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, South Dakota Housing Authority, and Science and Technology 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 and notes to the 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 fiduciary funds 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 for the construction, maintenance, and supervision of state highways and bridges and federal grants received by the Department of Transportation.

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

The Drinking Water State Revolving Fund is used to provide loans to local governments for drinking water projects.

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

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. These goods and services included information services, telecommunications, insurance risk pools, and fleet and travel management. 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. The Common School Fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support local school districts.

Agency Funds report assets and liabilities of resources held for temporary investment and remittance of the resources to individuals, private organizations, or other governments. Examples of funds in this category include local government tax collections by the Department of Revenue and Regulation, child support payments collected by the Department of Social Services and employee payroll withholdings by the State Auditor.

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. 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, 2006 totaled \$34,737,000.

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. Participating funds are determined by the Bureau of Finance and Management and approved by the Joint Interim Appropriations Committee of the Legislature.

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, 2006 market price. Inventories are expensed using the consumption method.

Federal commodities on hand are reported as inventories, offset by deferred revenue. Commodities are reported at fair value established by the federal government at the date received. At June 30, 2006, the commodities inventory was reported in the amount of \$425,000.

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 discretely presented 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 \$7,559,745 and \$379,085, respectively, as of June 30, 2006. 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 or enabling legislation of the State.

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

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 10% of the prior year's General Fund appropriation. The balance in the budget reserve at June 30, 2006 was \$43,000,000 and is reported as unreserved designated equity 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 fund 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, 2006, the amount of certificate of deposits being held by the Lottery was \$376,996 and is included in cash and cash equivalents on the balance sheet. The amount of \$5,956,200 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. An example is 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 a special revenue fund but are transferred to and 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

Restatements-Primary Government

The beginning fund balance for the Lottery Fund, reported as a major proprietary fund, was increased by \$901,000 for the restatement of assets not reported in previous years.

Recently Issued Pronouncements

In April 2004, the GASB issued Statement No.43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). The statement establishes uniform financial reporting standards for OPEB plans. The requirements of this GASB Statement No. 43 are effective for the State's fiscal year 2007 financial statements.

In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The requirements of this GASB Statement No. 45 are effective for the State's fiscal year 2008 financial statements.

In September 2006, the GASB issued Statement 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. This statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. The requirements of this GASB Statement No. 48 are effective for the State's fiscal year 2008 financial statements.

In November 2006, the GASB issued Statement 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement establishes standards for accounting and financial reporting for pollution remediation obligations. The requirements of this GASB Statement No. 49 are effective for the State's fiscal year 2009 financial statements.

Management has not yet determined the impact that the new GASB statements 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 \$13,993,941 for deficit cash balances that existed in various state funds at June 30, 2006, 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.

A. Primary Government

Investments of the Primary Government are grouped into four categories, based upon investment objectives and risk. The first category is the Cash Flow Portfolio. This category represents the pooled public funds of the Primary Government (comprising 84% of the Cash Flow Portfolio) and discretely presented component units (comprising 16% of the Cash Flow Portfolio). Higher Education and the Science and Technology Authority are discretely presented component units and have deposits and investments in the Cash Flow Portfolio. Because of the pooled deposit and investment concept of the Cash Flow Portfolio, the discretely presented component units' share of the portfolio cannot be broken out separately for risk disclosure purposes. For risk disclosure purposes, their share of the Cash Flow Portfolio is included in the Primary Government. The second category is the Retirement Portfolios. This category represents the investments of the South Dakota Retirement System and the Cement Plant Retirement Fund. The third category is the Trust Portfolios. This category includes the portfolios of School and Public Lands, Dakota Cement Trust Fund, Education Enhancement Trust Fund and Health Care Trust Fund. The fourth category is Other Funds. This category represents funds that are not managed by the South Dakota Investment Council and includes Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, Drinking Water State Revolving Fund, Cement Commission Fund, Building Authority CREP Program and the Vocational Education Program.

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the State of South Dakota's deposits may not be returned to it. Deposits in excess of depository insurance must be 100% collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A-7. Collateral is required to be segregated by each depository as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. At June 30, 2006, pledged collateral for one depository did not equal at least 100 % of the total public deposits in excess of depository insurance. As a result, \$7,525 of the Cash Flow Portfolio's certificates of deposit was exposed to custodial credit.

At June 30, 2006, the Retirement Portfolios had bank balances in foreign currencies in various foreign countries. These deposits are not collateralized or covered by depository insurance. As a result, the Retirement Portfolios were exposed to custodial credit risk of \$43,815,476.

At June 30, 2006, the Trust Portfolios had bank balances in foreign currencies in various foreign countries. These deposits are not collateralized or covered by depository insurance. As a result, the Trust Portfolios were exposed to custodial credit risk of \$5,219,699.

At June 30, 2006, the Other Funds had bank balances that are not collateralized or covered by depository insurance. As a result, the Other Funds were exposed to custodial credit risk of \$1,793,175.

Investments

Custodial Credit Risk. At June 30, 2006, the following investments were uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in South Dakota's name (expressed in thousands):

	Cash Flow Portfolio	Retirement Portfolios	Trust Portfolios	Other Funds
Total Investments	\$	\$ 7,005	\$	\$ 137,259
Security Lending Collateral	99,944	567,991	92,794	
Total Fair Value	\$ 99,944	\$ 574,996	\$ 92,794	\$ 137,259

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. South Dakota Investment Council (SDIC) policy limits or establishes ranges for the durations of the fixed income portfolios held by the various funds. The Cash Flow Portfolio policy limits average portfolio duration to 2.88 years, and no holding's maturity can exceed 5 years. The Retirement Portfolios fixed income portfolio duration must fall between 70% and 130% of the duration of the Citigroup Broad Investment Grade (BIG) Index. The Trust Portfolios fixed income portfolios are benchmarked to the duration of the Citigroup (BIG) Index. No formal interest rate risk policy exists for the fixed income portfolios of the Other Funds. The modified durations (in years) of the various funds are listed in the following table (expressed in thousands):

Investment Type	Cash Flow Portfolio		Retirement Portfolios		Trust Portfolios		Other Funds	
	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.
U.S. Treasuries	\$ 49,500	.93	\$ 105,078	7.84	\$ 24,748	5.97	\$ 9,694	.43
U.S. Treasury strips			24,342	16.68	3,486	9.86		
U.S. Treasury inflation protected securities					62,356	3.70		
U.S. agencies	227,565	1.63	115,435	6.28	31,002	5.58		
U.S. Government-backed loans					4,545	10.63		
Investment grade corporate	425,737	1.39	300,500	3.90	29,332	4.03		
High-yield corporates			278,297	3.53	5,011	3.83		
High-yield bond mutual fund					13,050	4.30		
Mortgage-backed securities			332,078	4.62	66,876	4.55		
Mutual funds			517,439					
Municipal bonds					117,330	5.56		
Commercial paper	39,825	.08			18,994	.01		
Bank debt			4,328	1.00				
Investment agreements							127,565	16.48
Total	\$ 742,627		\$ 1,677,497		\$ 376,730		\$ 137,259	
Portfolio modified duration		1.37		3.36		4.74		15.35

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State of South Dakota. SDIC policy establishes a percentage range and a normal allocation to various credit risk categories. The Cash Flow Portfolio can invest 4% of the portfolio into each corporate security rated Aaa or Aa, 2% in A-rated, 1% in Baa1 or Baa2, and .5% in individual holdings of corporate securities rating Baa3. The maximum overweight of Baa3 rated holdings versus the benchmark is 5% of the Cash Flow Portfolio. The SDIC sets the investment policy annually for the Trust Portfolios and the Retirement Portfolios. This policy establishes the average percentage invested in each asset category and the fund allocation range that each asset category can vary during the fiscal year. No formal credit risk policy exists for the Other Funds. As of June 30, 2006, the portfolios held the following investments, excluding those issued by or explicitly guaranteed by the U.S. Government which are not considered to have credit risk. The investments are grouped as rated by Moody's Investors Service (expressed in thousands):

Moody's Rating	Cash Flow Portfolio	Retirement Portfolios	Trust Portfolios	Other Funds
	Fair Value	Fair Value	Fair Value	Fair Value
Aaa	\$ 298,854	\$ 929,033	\$ 230,301	\$ 31,754
Aa	171,726	78,053	36,191	95,811
A	195,722	80,875	12,178	
Baa	11,087	90,587	6,101	
Ba		198,419	5,011	
B		70,877		
Caa		15,889		
Ca				
C		(404)		
P-1	39,825		23,809	
Unrated		39,131	18,643	58,086
Total	\$ 717,214	\$ 1,502,460	\$ 332,234	\$ 185,651

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Retirement and Trust Portfolios' exposure to foreign currency risk is derived from their positions in foreign currency and foreign currency-denominated equity investments. The Retirement and Trust Portfolios do not hedge foreign currency back to U.S. dollars (to match the unhedged benchmark) but do allow hedging under certain circumstances when deemed appropriate by the State Investment Officer and portfolio manager. The Retirement and Trust Portfolios' exposure to foreign currency risk at June 30, 2006, are as follows (in U.S. dollar fair value, expressed in thousands):

Currency	Retirement Portfolios			Trust Portfolios			
	Equities U.S. Dollar Fair Value	Fixed Income U.S. Dollar Fair Value	Cash U.S. Dollar Fair Value	Total	Equities U.S. Dollar Fair Value	Cash U.S. Dollar Fair Value	Total
Australian Dollar	\$ 3,077		\$ 13	\$ 3,090			\$ 3,090
Brazilian Real	1,640			1,640			1,640
British Pound	339,778		8,643	348,421	9,180	474	9,854
Canadian Dollar	88,176		3,312	91,488			91,488
Chinese Renminbi	424		6	430			430
Danish Kroner			28	28			28
Euro	444,135	5,799	4,451	454,385	10,552	4,593	15,145
Hong Kong Dollar	2,300		1	2,301			2,301
Hungarian Forint	187			187			187
Indonesian Rupiah	317			317			317
Israeli Shekel	771		3	774			774
Japanese Yen	210,628		22,676	233,304	9,766	58	9,824
Korean Won	29,035			29,035			29,035
Malaysian Ringgit	419			419			419
New Zealand Dollar	487			487			487
Nonwegian Krone	17,955		262	18,217			18,217
Singapore Dollar	11,338		356	11,694			11,694
Swedish Krona	3,689		88	3,777			3,777
Swiss Franc	135,702		3,977	139,679	6,106	95	6,201
Taiwan Dollar	880			880			880
Total Fair Value	\$ 1,290,938	\$ 5,799	\$ 43,816	\$ 1,340,553	\$ 35,604	\$ 5,220	\$ 40,824

Investments with limited partnerships and certain global equity investments with outside managers, which are not included in the table above, may expose the State to additional foreign currency risk. For the Trust Portfolios, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2006 was \$8,514,001. For the Retirement Portfolios, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2006 was \$782,860,629. The total fair value of global equity investments managed by outside managers was \$258,470,831.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. The SDIC does not have guidelines to limit its investments in any particular investment.

Securities Lending Transactions

State statutes and the 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 securities and shall accept only cash and Government securities as collateral for any loan or loaned securities and the maintenance percentage with respect to such loaned securities shall be 100% plus accrued interest for Government securities, 102% plus accrued interest for corporate debt securities and 102% for equity securities. 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 the dealers, results in net earnings from lending activities, which is then split on a percentage basis with the lending agent.

At year-end, the SDIC has no credit risk exposure to borrowers because the amounts the SDIC owes the borrowers exceed the amounts the borrowers owe the SDIC. The contract with the lending agent requires the agent to indemnify SDIC if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent.

All securities loans can be terminated on demand by either SDIC or the borrower. 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 exist on the amount of the loans.

Derivative Financial Instruments in Retirement 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, 2006 were as follows (expressed in thousands):

	<u>Open Positions</u>	<u>Contracts</u>	<u>Fair Value</u>
S&P 500 Index due September 2006	Short	583	(\$185,132)

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 cash or U.S. government securities equal to the minimum "initial margin" requirement of the futures exchange to the broker. 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 raises 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 \$154,925,750 as of June 30, 2006. 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. The unrealized loss on foreign exchange forward contracts as of June 30, 2006 was \$3,313,293. This amount does not include limited partnerships and certain global equity investments with outside managers, which may also enter into foreign exchange forward contracts. The total fair value of investments in real estate and private equity limited partnerships as of June 30, 2006 was \$778,016,386. The total fair value of global equity investments managed by outside managers was \$257,295,426.

SDRS's 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 issued by the Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). The fair value of these securities as of June 30, 2006 was \$441,356,320. These securities may be subject to prepayment by the mortgagees, which may reduce the fair value of these securities. The SDIC is using this investment to enhance fixed returns.

Cement Plant Retirement Fund. The South Dakota Cement Plant Retirement Fund is a unit pension trust fund. Investment portfolio management 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, 2006 were as follows (expressed in thousands):

	Open Positions	Contracts	Fair Value
S&P 500 Index due September 2006	Short	3	(\$953)

The Cement Plant Retirement Fund also held mortgage-backed securities in the form of GNMA's and FNMA's. The fair value of these securities as of June 30, 2006 was \$2,763,464. The SDIC is using this investment to enhance fixed returns.

B. Component Units

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. The component units do not have deposit policies for custodial credit risk. As of June 30, 2006 the component units had deposits that were not collateralized or covered by depository insurance in the amount of \$1,062,727.

Investments

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The component units do not have investment policies for custodial credit risk. At June 30, 2006, investments in the amount of \$10,954,955 were uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in the component unit's name.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The component units have limits on the maturities of investments for their restricted accounts. Investments of the Housing Development Authority Capital Reserve accounts must have an average maturity within 5 years, with 15% thereof within two years, from the date of purchase. Investments of the Mortgage Reserve accounts must mature within 5 years from the date of purchase. The Housing Authority assumes that its callable investments will not be called. The Housing Authority invests in mortgage pass-through securities issued by GNMA, FNMA and FHLMC. Because prepayments of mortgages underlying these securities affect the principal and interest payments received by these securities, these securities are considered highly sensitive to interest rate risk.

The Economic Development Finance Authority limits the maturities of investments for its restricted accounts (all accounts other than the General Account) to terms of two years or less from the date of the investment.

As of June 30, 2006, component units had investments maturing as follows (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	Greater than 10
U.S. Treasuries bills	\$ 2,182	\$ 2,182	\$	\$	\$
U.S. Treasuries notes	42,632	1,651	26,139	14,842	
U.S. Treasury strips	43			43	
U.S. Treasury bonds	6,360				6,360
U.S. agencies	533,388	327,320	136,846	36,330	32,892
Investment grade corporate	135		65	70	
Mutual funds	100,359	100,359			
State Obligations	20,316	1,891	11,629	6,796	
Investment agreements	238,969	38,892	195,096		4,981
Total	\$ 944,384	\$ 472,295	\$ 369,775	\$ 58,081	\$ 44,233

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the investment policy of the Housing Development Authority to invest in securities limited to direct general obligations of the U.S. Government, U.S. Government agencies, direct and general obligations of any state within the United States rated in the two highest categories by a national rating agency, mutual funds invested in securities mentioned above and investment agreements secured by securities mentioned above. The State obligations were rated Aa and Aaa by Moody's Investors Service. U.S. Government agencies are rated Aaa by Moody's Investors Service. Investment agreements are unrated, however, the underlying collateral pledged against them are invested in direct obligations of the U.S. Government and U.S. Government agencies. Mutual fund investments are rated Aaa by Moody's Investors Service. Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have a credit risk.

The investment management policy of the Economic Development Finance Authority limits investments in corporate bonds to those rated in either of the two highest rating categories by either Moody's Investors Service or Standard & Poor's Corporation.

As of June 30, 2006, the Housing Development Authority and the Economic Development Finance Authority's investments had the following ratings (expressed in thousands):

Moody's Rating	Fair Value
AAA	\$ 763,173
AA	128,605
A	135
Unrated	684
Total Fair Value	\$ 892,597

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The component units place no limit on the amounts that they may invest in any one issuer. As of June 30, 2006, the following issuers held 5 % or more of the Housing Development Authority's investments: Federal Home Loan Bank (6.29%), Federal National Mortgage Association (9.79%), Societe Generale Investment Agreement (13.31%), Pallas Capital Corporation Investment Agreement (7.58%) and Federal Home Loan Mortgage Corporation (37.79%).

Derivative Financial Instruments in Component Units

Housing Development Authority. The Authority has entered into interest rate swap agreements in connection with issuing variable rate mortgage revenue bonds. The intentions of the swaps are to create synthetic fixed rate debt at a lower interest rate than achievable from long-term fixed rate bonds and to achieve the Authority's goal of lending to low and moderate-income first-time home buyers at below market fixed interest rates.

Swap Terms. The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2006, are contained in the table below. The initial notional amounts of the swaps match the principal amounts of the associated debt. The Authority has purchased the right to terminate the outstanding swap balances at par value on dates that are generally 10 years after the date of issuance of the related bonds.

Bond Series	Current Notional Amount	Effective Date	Fixed Rate	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating*	Fair Value
2003 C-1	\$ 26,500,000	6/18/04	3.400%	57% of LIBOR plus 0.42%	5/01/2013	Aa3	\$ 337,959
2004 G	33,000,000	10/20/04	3.897%	63.4% of LIBOR plus 0.29%	5/01/2034	Aaa	1,422,216
2005 C	41,000,000	4/13/05	3.930%	63.3% of LIBOR plus 0.30%	5/01/2035	Aaa	1,573,613
2005 D	6,925,000	4/13/05	3.290%	57.3% of LIBOR plus 0.40%	5/01/2015	Aa3	169,426
2003 F	13,000,000	6/21/05	3.763%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa2	785,633
2003 I	28,000,000	6/21/05	3.763%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa2	1,706,321
2004 C	34,000,000	6/21/05	3.745%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa2	2,116,022
2005 G	25,000,000	7/19/05	3.773%	63.8% of LIBOR plus 0.29%	5/01/2035	Aa3	1,463,440
2006 C	45,000,000	6/14/06	4.419%	64% of LIBOR plus 0.29%	5/01/2037	Aa3	(276,154)

* Moody's Investor Service

The fair values presented above were estimated by the Authority's counterparty to the swaps. The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations determine the current fair value of the Authority's swap contracts. The fair values in the table above represent the termination payments that would have been due had the swaps been terminated as of June 30, 2006. A positive fair value represents money due the Authority by the counterparty upon termination of the swap, while a negative fair value represents money payable by the Authority.

Swap Risks

Credit Risk. The terms of the swaps expose the Authority to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Authority's current credit exposure to the counterparty with which the swaps were executed. As of June 30, 2006, the Authority has a net credit risk exposure to its counterparty because the combined swap position had a positive net fair value.

Basis Risk. The Authority incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Authority pays the actual variable rate on its bonds, but under the terms of its swaps receives a variable rate based upon the one-month, taxable LIBOR rate. Basis risk will vary over time due to inter-market conditions. For the year ended June 30, 2006, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 3.03% per annum, while the weighted average interest rate on the swaps was 3.00% per annum. In order to reduce the cumulative effects of basis risk, the variable rate determination structure for interest receipts within the swap is based upon a regression analysis of the long-term relationship between variable tax exempt rates and the one-month, taxable LIBOR rate.

Termination Risk. The Authority's swap contracts are based upon the International Swap Dealers Association Master Agreement, which includes standard termination events. The swap contracts may be terminated by either party if the other party fails to perform under the terms of the contract. Upon termination, a payment is due to one party irrespective of causality based upon the fair value of the swap. The potential termination risks to the Authority are the liability for a termination payment to the counterparty or the inability to replace the swap under favorable financial terms. To reduce the Authority's termination risk, the swap contracts limit the counterparty's ability to terminate due to the following Authority actions or events: payment default, other defaults that remain uncured for 30 days after notice, bankruptcy and insolvency.

Amortization Risk. The Authority may incur amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding amount of variable rate bonds to decline faster than the amortization of the swap. To ameliorate amortization risk, call options were structured within the swaps to enable the Authority to manage the outstanding balances of variable rate bonds and notional swap amounts. Additionally, the Authority may terminate the swaps at market value at any time.

Tax Risk. The structure of the variable interest rate payments the Authority receives from its swap contracts are based upon the historical long-term relationship between taxable and tax-exempt short-term interest rates. Tax risk represents a risk that may arise due to a change in the tax code that may fundamentally alter this relationship. The Authority has chosen to assume this risk because it was not economically feasible to transfer to the swap counterparty.

Swap Payments and Associated Debt. As rates vary, variable-rate bond interest payments and net swap payments will vary. Debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows using rates as of June 30, 2006:

Year End June 30	Variable-Rate Bond		Interest Rate	Total
	Principal	Interest	Swap – Net	
2007	\$	\$ 10,151,288	\$ 483,494	\$ 10,634,782
2008		10,151,288	529,408	10,680,696
2009		10,151,288	529,408	10,680,696
2010		10,151,288	529,408	10,680,696
2011		10,151,288	529,408	10,680,696
2012-2016		50,756,438	2,709,521	53,465,959
2017-2021		50,756,438	2,790,375	53,546,813
2022-2026		50,756,438	2,790,375	53,546,813
2027-2031	28,955,000	49,458,979	2,710,036	81,124,015
2032-2036	215,135,000	24,096,926	1,532,528	240,754,454
2037	8,335,000	252,983	44,658	8,632,641
Total	\$ 252,425,000	\$ 276,824,642	\$ 15,178,619	\$ 544,428,261

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	\$ 97,546	\$ 9,718	\$	\$	\$	\$ 5,038	\$	\$112,302
Allowance	(4,839)	(10)				(87)		(4,936)
Accounts Receivable	4,875	89	5,339			16,142	353	26,798
Allowance	(348)					(37)		(385)
Due From Other Governments	911	21,142	30,708			70,261	105	123,127
Interest Receivable	2,987	754	2	1,331	2,212	2,909	564	10,759
Current Loans and Notes		176				1,480		1,656
Allowance						(271)		(271)
Non-current Loans and Notes		267				27,913		28,200
Allowance						(80)		(80)
Due From Fiduciary Funds	24					120	40	184
Receivables, net	<u>\$101,156</u>	<u>\$ 32,156</u>	<u>\$ 36,049</u>	<u>\$ 1,331</u>	<u>\$ 2,212</u>	<u>\$ 123,408</u>	<u>\$ 1,062</u>	<u>\$297,374</u>

	Business-type Activities				Total
	Lottery Fund	Drinking Water State Revolving Fund	Clean Water State Revolving Fund	Non-major Enterprise Funds	
Accounts Receivable	\$ 5,238	\$	\$	\$ 3,372	\$ 8,610
Allowance	(15)			(2,098)	(2,113)
Due From Other Governments		277	565	212	1,054
Interest Receivable	100	2,253	1,355	722	4,430
Current Loans Receivable		6,271	5,236	5,886	17,393
Allowance				(267)	(267)
Noncurrent Loans Receivable		109,901	86,406	36,142	232,449
Allowance				(1,906)	(1,906)
Due From Fiduciary Funds				30	30
Receivables, net	<u>\$ 5,323</u>	<u>\$ 118,702</u>	<u>\$ 93,562</u>	<u>\$ 42,093</u>	<u>\$ 259,680</u>

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 Fund	Non-major Governmental Funds	Internal Service Funds	
Payroll and Withholdings	\$ 9,824	\$ 3,989	\$ 1,588	\$ 7,634	\$ 1,778	\$ 24,813
Accounts Payable	8,294	34,106	1,943	16,587	1,678	62,608
Medicaid Claims	14,039		26,591	6,512		47,142
Due to Other Governments	2,344	4,463	68	28,293		35,168
Shared Revenue Distribution	31,930			12,717		44,647
Claims Payable					10,056	10,055
Due to Fiduciary Funds	150			56		206
Total	\$ 66,551	\$ 42,558	\$ 30,190	\$ 71,799	\$ 13,511	\$ 224,639

	Business-type Activities				Total
	Lottery Fund	Drinking Water State Revolving Fund	Clean Water State Revolving Fund	Nonmajor Enterprise Funds	
Payroll and Withholdings	\$ 87	\$ 13	\$ 11	\$ 440	\$ 551
Accounts Payable	1,646	270	73	916	2,905
Due to Fiduciary Funds				13	13
Escrow Payable	51				51
Claims Payable				2,056	2,056
Other Liabilities	399				399
Total	\$ 2,183	\$ 283	\$ 84	\$ 3,425	\$ 5,975

5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2006 is as follows (expressed in thousands):

A. Interfund Receivables and Payables

Due To	Due From									Total
	General Fund	Transportation Fund	Social Services Federal	Education Enhancement Fund	Non-major Governmental Funds	Lottery Fund	Non-major Enterprise Funds	Internal Service	Fiduciary	
General Fund	\$	\$	\$ 4,525	\$ 14,966	\$ 18,843	\$ 419	\$ 2	\$ 36	\$ 24	\$ 38,837
Transportation Fund	142		20		475	13	3	459		1,112
Social Services Fund	1				22					23
Non-major Governmental Funds	329	232	412		4,838	4,887	50	97	120	10,965
Non-major Enterprise Funds	64	3	15		243			45	30	400
Internal Service Funds	1,940	993	633		2,670	73	136	662	40	7,147
Fiduciary Funds	150				56		13			219
Total	\$ 2,626	\$ 1,228	\$ 5,605	\$ 14,966	\$ 27,147	\$ 5,392	\$ 204	\$ 1,301	\$ 214	\$ 58,703

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, 2006, which are not shown in the above table. These are amounts owed between funds that are not due within one year and include \$479,000 due from the Aeronautics Fund, reported as a non-major governmental fund to the General Fund for the reimbursement of state aircraft maintenance costs.

B. Interfund Transfers

Transferred Out	Transferred In							Total Transferred In
	General Fund	Transportation Fund	Non-major Governmental Funds	Clean Water State Revolving Fund	Non-major Enterprise Funds	Internal Service	Fiduciary	
General Fund	\$	\$ 177	\$ 16,305	\$	\$ 1,529	\$ 1,001	\$	\$ 19,012
Transportation Fund	2,158		147					2,305
Dakota Cement Trust Fund	13,322							13,322
Education Enhancement Trust Fund	14,966							14,966
Non-major Governmental Funds	187,604	3,521	58,038		77		3	249,243
Lottery Fund	4,964		114,035					118,999
Clean Water State Revolving Fund			26					26
Drinking Water State Revolving Fund			25	81				106
Non-major Enterprise Funds	3		256		222			481
Internal Service Funds			216					216
Total Transferred Out	223,037	3,698	189,048	81	1,828	1,001	3	418,696
Transfers of Capital Assets from General Capital Assets To: Internal Service Funds								5
Total	\$ 223,037	\$ 3,698	\$ 189,048	\$ 81	\$ 1,828	\$ 1,001	\$ 3	\$ 418,701

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 funds 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 \$5,000 lower 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 2006, \$149,040,000 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 unit's column of the Statement of Activities.

6. CAPITAL ASSETS

A. Primary Government

Capital Assets consisted of the following for fiscal year 2006 (expressed in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated:				
Land	\$ 67,485	\$ 7,275	\$ 1,307	\$ 73,453
Land Improvements	1,775	1,600		3,375
Land Improvements - Roads	560,152	14,152		574,304
Construction in Progress	266,325	140,190	154,499	252,016
Total Capital Assets Not Being Depreciated	<u>895,737</u>	<u>163,217</u>	<u>155,806</u>	<u>903,148</u>
Capital Assets Being Depreciated:				
Land Improvements	11,918	2,259	53	14,124
Buildings	264,791	38,628	143	303,276
Equipment	137,890	18,448	5,848	150,490
Vehicles	98,172	13,384	8,040	103,516
Infrastructure	2,727,064	185,846	80,817	2,832,093
Total Capital Assets Being Depreciated	<u>3,239,835</u>	<u>258,565</u>	<u>94,901</u>	<u>3,403,499</u>
Less: Accumulated Depreciation for:				
Land Improvements	2,962	687	2	3,647
Buildings	105,352	8,084	385	113,051
Equipment	75,197	10,562	3,422	82,337
Vehicles	56,459	9,726	6,738	59,447
Infrastructure	1,118,567	48,666	38,137	1,129,096
Total Accumulated Depreciation	<u>1,358,537</u>	<u>77,725</u>	<u>48,684</u>	<u>1,387,578</u>
Total Capital Assets Being Depreciated, Net	<u>1,881,298</u>	<u>180,840</u>	<u>46,217</u>	<u>2,015,921</u>
Total Governmental Activities, Net	<u>\$ 2,777,035</u>	<u>\$ 344,057</u>	<u>\$ 202,023</u>	<u>\$ 2,919,069</u>
	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated:				
Land	\$ 354	\$	\$ 59	\$ 295
Construction in Progress	81		81	
Total Capital Assets Not Being Depreciated	<u>435</u>		<u>140</u>	<u>295</u>
Capital Assets Being Depreciated:				
Land Improvements	924			924
Buildings	4,008			4,008
Equipment	2,300	852	18	3,134
Total Capital Assets Being Depreciated	<u>7,232</u>	<u>852</u>	<u>18</u>	<u>8,066</u>
Less: Accumulated Depreciation for:				
Land Improvements	400	28		428
Buildings	2,514	81		2,595
Equipment	1,923	238	11	2,150
Total Accumulated Depreciation	<u>4,837</u>	<u>347</u>	<u>11</u>	<u>5,173</u>
Total Capital Assets Being Depreciated, Net	<u>2,395</u>	<u>505</u>	<u>7</u>	<u>2,893</u>
Total Business-type Activities, Net	<u>\$ 2,830</u>	<u>\$ 505</u>	<u>\$ 147</u>	<u>\$ 3,188</u>

Depreciation was charged to the function of government as follows:

	<u>Amount</u>
Governmental Activities	
Unallocated	\$ 58
General Government	9,024
Health and Human Services	2,434
Law, Justice, and Public Protection	6,145
Agriculture and Natural Resources	2,701
Transportation	55,929
Education	1,195
Economic Resources	239
Total Governmental Activities	<u>\$ 77,725</u>
Business-type Activities	
Enterprise Funds	<u>\$ 347</u>

A. Component Units

Capital Assets for Component Units consisted of the following for fiscal year 2006 (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Higher Education:				
Capital Assets Not Being Depreciated:				
Land	\$ 5,157	\$ 6,013	\$ 11,311	\$ 11,170
Construction in Progress	48,991	51,104	11,311	88,784
Works of Art and Historical Treasures	7,887	52		7,939
Total Capital Assets Not Being Depreciated	<u>62,035</u>	<u>57,169</u>	<u>11,311</u>	<u>107,893</u>
Capital Assets Being Depreciated:				
Land Improvements	14,678	1,704		16,382
Infrastructure	21,872	1,091	113	22,850
Buildings	384,672	15,023		399,695
Equipment and Other Assets	165,078	15,607	2,187	178,498
Total Capital Assets Being Depreciated	<u>586,300</u>	<u>33,425</u>	<u>2,300</u>	<u>617,425</u>
Less: Accumulated Depreciation for:				
Land Improvements	6,272	617		6,889
Infrastructure	9,869	760	113	10,516
Buildings	162,912	11,090		174,002
Equipment and Other Assets	116,886	10,619	1,854	125,651
Total Accumulated Depreciation	<u>295,939</u>	<u>23,086</u>	<u>1,967</u>	<u>317,058</u>
Total Capital Assets Being Depreciated, Net	<u>290,361</u>	<u>10,339</u>	<u>333</u>	<u>300,367</u>
Total Higher Education Capital Assets, Net	<u>352,396</u>	<u>67,508</u>	<u>11,644</u>	<u>408,260</u>
South Dakota Housing Development Authority:				
Capital Assets Being Depreciated:				
Equipment	3,476	294	204	3,566
Less: Accumulated Depreciation for:				
Equipment	2,373	337	204	2,506
Total Capital Assets Being Depreciated, Net	<u>1,103</u>	<u>(43)</u>	<u>0</u>	<u>1,060</u>
Science and Technology Authority:				
Capital Assets Being Depreciated:				
Equipment	33	61		94
Less: Accumulated Depreciation for:				
Equipment	14	9		23
Total Capital Assets Being Depreciated, Net	<u>19</u>	<u>52</u>		<u>71</u>
Total Discretely Presented Component Units, Net	<u>\$ 353,518</u>	<u>\$ 67,517</u>	<u>\$ 11,644</u>	<u>\$ 408,391</u>

C. Construction in Progress

The State has entered into contracts for the renovation and construction of buildings, structures, and infrastructure (highway projects). Constructions in progress at June 30, 2006 are as follow (expressed in thousands):

	<u>Amount</u>
Primary Government	
Governmental Activities	
Land Improvements	\$ 168
Buildings and Structures	17,069
Equipment	2,403
Infrastructure	232,378
Total Primary Government	<u>\$ 252,016</u>
Discretely Presented Component Units	
Higher Education	
Land Improvements	\$ 109
Buildings and Structures	88,567
Infrastructure	108
Total Discretely Presented Component Units	<u>\$ 88,784</u>

7. RETIREMENT PLANS

South Dakota Retirement System, Plan Description: The South Dakota Retirement System (SDRS) is a cost-sharing, multiple-employer, defined benefit pension plan, 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 is 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, 2006, the number of participating governmental employers was:

School Districts	183
State of South Dakota	1
Board of Regents	1
Municipalities	143
Counties	64
Boards and Commissions	<u>86</u>
Total Employers	<u>478</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 when due pursuant to formal commitment as well as statutory requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are carried at fair value to properly reflect the asset values of the fund at June 30, 2006. Fair values were determined based on closing market prices at June 30, 2006 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. 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 1.2% of compensation for optional spouse coverage.

Contributions during fiscal year 2006 totaling \$163,294,065 (\$82,464,727 employee and \$80,829,338 employer) were made in accordance with statutory rates. These contributions represent 13.3% 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 2005 and 2004 were \$77,474,967 and \$74,854,496 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, 2006 actuarial valuation of the plan determined that the contractually-required employer contributions equal the requirements for the annual required contribution of the employers under GASB Statement No. 25.

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, 2006, deferred contribution payments will be received as follows (expressed in thousands):

Year Ending June 30	Employees
2007	\$ 2,036
2008	1,401
2009	997
2010	620
2011	461
Later	807
	<hr/>
	6,322
Less interest	1,065
Total	<hr/>
	\$ 5,257

South Dakota Cement Commission Retirement Plans: The South Dakota Cement Commission (SDCC) administers the South Dakota Cement Pension Trust 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 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 which is based on the quoted market price of each investment traded on stock exchanges. 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, 2006 and the realized gain or loss on sales of investments during the period then ended are determined using the average cost of the investments. At June 30, 2006 the fair value of net assets held in trust for pension benefits was \$42,666,513.

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, 2005. 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, 2005 (most recent actuarial valuation date), the payroll and contributions for employees covered by the plan was \$2,697,784 and \$98,518, respectively. On June 30, 2005 participants in the plan consisted of the following:

Active Participants	70
Vested Terminated Participants	7
Retired Participants and Beneficiaries	200

Investments are carried at fair value to properly reflect asset values at June 30, 2005. Contributions are made by active life plan participants at 5% of their salaries. The Department of Labor has not contributed to the plan since 1984 and no future employer contributions are expected to be required, based on the actuarial assumptions used. The following is a schedule of funding progress (expressed in thousands):

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)
1998	\$ 54,377	\$ 41,298	131.7%	\$ 13,080	\$ 3,386	386.3%
1999	57,211	42,559	134.4	14,652	3,264	448.9
2000	59,370	44,456	133.5	14,914	3,036	491.3
2001	56,174	45,540	123.4	10,634	2,948	360.7
2002	57,914	46,442	124.7	11,472	2,957	388.0
2003	58,633	47,386	119.5	9,247	2,758	335.3
2004	62,477	48,597	128.6	13,880	2,717	510.8
2005	66,065	49,885	132.4	16,180	2,698	599.8

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 emergency.

All amounts of compensation deferred under the plan, all property and rights held by the deferred compensation plan, 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 who administers and markets the plan for the participants.

9. SPECIAL PAY PLAN

The special pay plan was established in July 2004 as a qualified plan pursuant to Internal Revenue Code Section 401(a) under the administrative responsibility of the South Dakota Retirement System Board of Trustees. South Dakota state government and the South Dakota Board of Regents are participating units and every state political subdivision may become a participating unit in the plan. The plan mandates that qualifying employees (over age 55 and \$2,000 or more in "special" pay) of participating units defer one hundred percent of their special lump-sum termination pay to the plan. The participating unit transfers the deferred pay to the fund. This deferred pay is available to a participant immediately after termination or upon later retirement, or to beneficiaries or an estate upon the participant's death.

Of the \$6,822,859 net assets available for plan benefits at June 30, 2006, \$3,831,627 was held in trust for employees of the State while the remaining \$2,991,232 represents the assets held in trust for employees of other jurisdictions. The assets of the special pay plan are not included in the accompanying financial statements because the assets are remitted to a third-party who administers and markets the plan for the participants.

10. COMMITMENTS

Construction and Other Commitments: At June 30, 2006 the Department of Transportation had contractual construction commitments of \$221,211,988 for various highway projects and maintenance commitments (including stockpile) of \$9,446,900. 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 \$132,980,466 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	\$68,528,144
Drinking Water State Revolving Fund	\$34,023,905
Water and Environment Fund Program	\$19,917,391
Federal Funds	\$10,511,026

The Building Authority has contracts and other construction commitments of \$14,837,046.

The South Dakota Housing Development Authority had commitments to purchase home-ownership mortgage loans aggregating approximately \$58,648,109. Financing for these future expenditures will be from home-ownership mortgage bonds.

The Department of Tourism and State Development had construction and other contractual commitments of \$28,850,937. Financing for these future expenditures will be from approved federal grants, bond issuances, 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 Tourism Sub Fund	\$ 69,041
Value-Added Agriculture Sub Fund	\$ 367,449
REDI Fund Loans	\$ 9,452,464
SD Economic Development Authority	\$ 325,000
Economic Development Finance Authority, Agriculture Processing and Export Program (APEX)	
	\$ 318,200
Community Development Block Grant (CDBG)	\$10,914,330
Future Fund Program	\$ 7,404,453

The Petroleum Release Compensation Fund has commitments of \$4,500,000.

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 Brohm Mine in Lawrence County. The State is required by law to pay 10% of the final costs of reclamation and remediation of the site, originally estimated to be \$45 million. 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. The State has already spent approximately \$2.5 million from the Regulated Response Fund. The State had a cash balance of approximately \$5.95 million as of June 30, 2006 available for reclamation costs from the cash deposited by Brohm. 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.

11. 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 \$10,207,000 at June 30, 2006. The Workers' Compensation Fund liability at June 30, 2006 and the changes to the liability during fiscal years ended June 30, 2006 and 2005 listed on the following page were as follows (expressed in thousands):

	<u>FY2006</u>	<u>FY2005</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 14,027	\$ 14,946
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	348	905
Changes in provision for insured events of prior fiscal years	3,476	1,053
Total incurred claims and claim adjustment expenses	<u>3,824</u>	<u>1,958</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	874	1,042
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	2,837	1,835
Total payments	<u>3,711</u>	<u>2,877</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 14,140</u>	<u>\$ 14,027</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 Fund, reported as an 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 fiscal year 2006, \$725,000 of the retained earnings 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, 2006 and the changes to the liability during fiscal years ended June 30, 2006 and 2005 were as follows (expressed in thousands):

	Health Insurance		Life Insurance	
	FY2006	FY2005	FY2006	FY2005
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 7,825	\$ 6,963	\$ 421	\$ 103
Incurred claims and claim adjustment expenses	74,603	63,561	2,140	2,987
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	65,466	55,736	1,710	2,566
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	7,825	6,963	421	103
Total payments	73,291	62,699	2,131	2,669
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 9,137	\$ 7,825	\$ 430	\$ 421

C. Public Entity Pool for Liability

The State is insured through a Public Entity Pool for Liability Fund (PEPL), 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 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 fiscal year 2006, \$8,796,000 of the retained earnings balance in the PEPL Fund was designated for future catastrophic losses. The PEPL Fund liability at June 30, 2006 and the changes to the liability during fiscal years ended June 30, 2006 and 2005 were as follows (expressed in thousands):

	FY2006	FY2005
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 4,498	\$ 4,447
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	521	471
Changes in provision for insured events of prior fiscal years	(652)	1,171
Total incurred claims and claim adjustment expenses	(131)	1,642
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	146	167
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	1,023	1,424
Total payments	1,169	1,591
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 3,198	\$ 4,498

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.

12. 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, 2006 (expressed in thousands):

Year Ending June 30,	Primary Government	Component Units	Total
2007	\$ 4,879	\$ 1,863	\$ 6,742
2008	4,444	1,277	5,721
2009	3,748	674	4,422
2010	2,974	560	3,534
2011	2,637	557	3,194
2012-2016	9,272	2,217	11,489
2017-2021	2,420	1,774	4,194
2022-2026	379		379
2027-2031	12		12
Total Minimum Payments	\$ 30,765	\$ 8,922	\$ 39,687

The total rental expenses for all operating leases for the fiscal year ended June 30, 2006 was \$10,468,203 for the primary government and \$1,882,645 for component units.

13. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2006 and changes to long-term liabilities during the fiscal year then ended are as follows (expressed in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Revenue Bonds	\$ 342,060	\$ 12,864	\$ (15,922)	\$ 339,002	\$ 13,244
Less Unamortized Discount	(2,409)		82	(2,327)	(92)
Less Deferred Loss on Refunding	(24)	(179)	24	(179)	(60)
Add Unamortized Premium	49	439	(8)	480	37
Net Revenue Bonds	339,676	13,124	(15,824)	336,976	13,129
Trust Certificates	35,080		(2,615)	32,465	2,735
Compensated Absences	44,874	28,914	(27,813)	45,975	24,196
Policy Claims Liability	4,498		(1,300)	3,198	1,079
Workers Compensation	14,286	3,862	(3,711)	14,437	1,730
Capital Leases	34,413	1,407	(4,895)	30,925	3,895
Escheat Property	2,675	1,866	(2,223)	2,318	1,298
Total Governmental Activities	475,502	49,173	(58,381)	466,294	48,062
Business-type Activities					
Revenue Bonds	52,936	50,000	(1,606)	101,330	2,570
Less Unamortized Discount	(121)		8	(113)	(9)
Less Deferred Loss on Refunding	(1,402)		190	(1,212)	(167)
Add Unamortized Premium	859	1,566	(108)	2,317	129
Net Revenue Bonds	52,272	51,566	(1,516)	102,322	2,523
Compensated Absences	1,101	565	(688)	978	514
Capital Leases	13		(8)	4	4
Total Business-type Activities	53,386	52,131	(2,213)	103,304	3,041
Component Units					
Revenue Bonds	1,456,030	853,896	(333,524)	1,976,402	338,614
Less Deferred Issuance Costs	(849)	(73)	45	(877)	(135)
Less Deferred Loss on Refunding	(3,545)	(877)	324	(4,098)	(47)
Add Unamortized Premium	8,601	13,340	(4,984)	16,957	213
Net Revenue Bonds	1,460,237	866,286	(338,139)	1,988,384	338,645
Trust Certificates	2,465		(1,680)	785	240
Compensated Absences	33,460	10,776	(13,972)	30,264	9,352
Capital Leases	3,000	295	(937)	2,358	908
Rural Development Loans	2,083	1,411	(131)	3,363	140
Federal Portion of Perkins Loan Program	34,545	111		34,656	
Other Liabilities		844		844	
Total Component Units	1,535,790	879,723	(354,859)	2,060,654	349,285
Total Long-Term Obligations	\$ 2,064,678	\$ 981,027	\$ (415,453)	\$ 2,630,252	\$ 400,388

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 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, 2006 (expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
1996A	2016	5.000%-5.950%	\$ 53,227
1996C	2014	5.100%-5.250%	2,615
1996D	2011	5.200%-5.300%	180
1999	2019	4.500%-5.125%	1,157
2003	2015	2.500%-5.000%	1,114
2005A	2026	3.000%-4.650%	4,500
2005B	2026	3.000%-5.000%	8,135
2006A	2026	Serial 4.250%-5.000%	9,573
2006A	2026	Term 5.000%	3,291
Less Unamortized Discount			(73)
Add Unamortized Premium			480
Less Deferred Loss on Refunding			(179)
Total Bonds			84,020
Trust Certificate Series:			
1991A&B	2016	6.500%-6.750%	9,070
1993A&B	2017	6.375%-6.700%	23,395
Total Trust Certificates			32,465
Total			\$ 116,485

As of June 30, 2006, debt service requirements for principal and interest for the Building Authority were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2007	\$ 15,979	\$ 5,546	\$ 21,525
2008	11,571	4,898	16,469
2009	10,946	4,302	15,248
2010	10,863	3,715	14,578
2011	10,767	3,122	13,889
2012-2016	37,727	17,725	55,452
2017-2021	11,628	5,403	17,031
2022-2026	6,010	971	6,981
2027-2030	766	19	785
Total	\$ 116,257	\$ 45,701	\$ 161,958

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 selling 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.

Following are Educational Enhancement Funding Corporation bonds outstanding at June 30, 2006 (expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
2002A	2025	6.72%	\$ 125,670
2002B	2032	6.50%	129,540
Less Unamortized Discount			(2,254)
Total			\$ 252,956

As of June 30, 2006, 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
2007	\$	\$ 16,865	\$ 16,865
2008		16,865	16,865
2009		16,865	16,865
2010		16,865	16,865
2011	2,374	16,865	19,239
2012-2016	36,335	79,003	115,338
2017-2021	41,995	65,807	107,802
2022-2026	59,745	49,939	109,684
2027-2031	92,075	28,181	118,256
2032	22,686	1,475	24,161
Total	\$ 255,210	\$ 308,730	\$ 561,940

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 Estuary Protection Program, and construction and maintenance of drinking water facilities. To date, the programs have 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 \$2.8 million and \$2.1 million, respectively.

The following is a schedule of outstanding bonds as of June 30, 2006 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Clean Water State Revolving Fund			
1996A	2017	5.63%	\$ 100
2001	2022	4.00%-5.00%	3,960
2004	2017	2.00%-5.25%	10,380
2005	2026	3.25%-5.00%	41,530
Less Unamortized Deferred Loss on Refunding			(1,212)
Less Unamortized Discount			(25)
Add Unamortized Premium			1,384
Total			56,117
Drinking Water State Revolving Fund			
1998A	2019	4.40%-5.00%	5,080
2001	2022	4.00%-5.00%	4,740
2004	2025	2.00%-5.25%	27,070
2005	2026	3.25%-5.00%	8,470
Less Unamortized Discount			(88)
Add Unamortized Premium			933
Total			46,205
Total Revenue Bonds			\$ 102,322

As of June 30, 2006, 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			
2007	\$ 1,210	\$ 2,322	\$ 3,532
2008	2,635	2,345	4,980
2009	2,730	2,258	4,988
2010	2,820	2,162	4,982
2011	2,910	2,059	4,969
2012-2016	14,170	8,582	22,752
2017-2021	12,360	5,716	18,076
2022-2026	14,045	2,509	16,554
2027-2031	3,090	77	3,167
Total	55,970	28,030	84,000
Drinking Water State Revolving Fund			
2007	1,360	2,159	3,519
2008	1,685	2,028	3,713
2009	1,745	1,968	3,713
2010	1,815	1,902	3,717
2011	1,875	1,831	3,706
2012-2016	10,665	7,871	18,536
2017-2021	12,800	5,048	17,848
2022-2026	12,790	1,769	14,559
2027-2031	625	16	641
Total	45,360	24,592	69,952
Total	\$ 101,330	\$ 52,622	\$ 153,952

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, 2006 (expressed in thousands):

	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
Home-Ownership Mortgage Program			
	2007-2036	2.15%-8.50%	
Serial Bonds			\$ 367,576
Term Bonds			1,350,315
Add Unamortized Premium			13,614
Less Deferred Loss on Refunding			(1,321)
Total			<u>1,730,184</u>
Multifamily Housing Trust Funds			
	2006-2021	2.75%-5.15%	
Serial Bonds			19,885
Term Bonds			22,320
Less Deferred Loss on Refunding			(968)
Total			<u>41,237</u>
Multifamily Housing Revenue Bonds			
	2006-2034	2.80%-6.15%	
Serial Bonds			3,325
Term Bonds			21,835
Total			<u>25,160</u>
Multifamily Mortgage Pass-Through Term Bonds			
	2010-2017	3.75%-8.50%	
Total			<u>12,963</u>
Multifamily Risk Sharing Bonds			
	2006-2043	3.70%-5.85%	
Serial Bonds			324
Term Bonds			13,900
Total			<u>14,224</u>
Total Bonds			<u>\$ 1,823,768</u>

As of June 30, 2006, debt service requirements for principal and interest for the Housing Development Authority were as follows (expressed in thousands):

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 330,796	\$ 77,441	\$ 408,239
2008	32,756	69,431	102,187
2009	34,749	68,160	102,909
2010	35,266	66,846	103,112
2011	35,298	65,252	100,550
2012-2016	200,619	301,175	501,794
2017-2021	231,029	294,044	525,073
2022-2026	249,930	188,747	438,677
2027-2031	234,156	123,020	357,176
2032-2036	343,966	54,160	398,126
2037-2041	11,110	17,227	28,337
2042-2046	71,766	12,798	84,564
Total	<u>\$ 1,812,443</u>	<u>\$ 1,338,301</u>	<u>\$ 3,150,744</u>

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, 2006 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1998A	2009	6.35%-6.50%	\$ 2,290

As of June 30, 2006, debt service requirements for principal and interest for the CREP Program were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2007	\$ 970	\$ 115	\$ 1,085
2008	1,030	52	1,082
2009	260	10	270
2010	30	1	31
Total	\$ 2,290	\$ 178	\$ 2,468

3. South Dakota Economic Development Finance Authority

The Authority was established for the purpose of making loans to businesses for the acquisition and/or 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, 2006, the balance in the Capital Reserve Account was \$5,000,000 and the reserve requirement was \$2,340,625.

The following is a schedule of outstanding bonds as of June 30, 2006 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1996A	2009-2016	6.00%-6.75%	\$ 1,240
1998A	2018	5.50%	685
1998B	2009	7.00%	115
1999A	2009-2019	4.95%-5.50%	1,815
2003A	2013	3.75%-5.25%	1,935
2004A	2011-2029	4.375%-6.00%	4,785
2004B	2011-2024	4.375%-5.95%	3,325
2005A	2016-2026	5.25%-6.05%	4,825
Total			\$ 18,725

As of June 30, 2006, 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
2007	\$ 825	\$ 1,057	\$ 1,882
2008	850	1,018	1,868
2009	885	977	1,862
2010	935	934	1,869
2011	990	886	1,876
2012-2016	4,775	3,622	8,397
2017-2021	3,835	2,350	6,185
2022-2026	4,300	1,202	5,502
2027-2031	1,330	185	1,515
Total	\$ 18,725	\$ 12,231	\$ 30,956

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 fiscal year 2006 equaled \$11,068,579.

Following are revenue bonds outstanding at June 30, 2006 (expressed in thousands):

	<u>Amount</u>
School of Mines and Technology	
2003	\$ 7,580
University of South Dakota	
2003	15,305
2005A	12,785
South Dakota State University	
2004	29,050
2005A	3,025
Less Deferred Loss on Refunding	(703)
Less Deferred Issuance Costs	(538)
Add Unamortized Premium	1,177
Northern State University	
2004A	6,085
Less Deferred Loss on Refunding	(120)
Less Deferred Issuance Costs	(166)
Add Unamortized Premium	173
Dakota State University	
2004A	3,150
Less Deferred Loss on Refunding	(56)
Less Deferred Issuance Costs	(85)
Add Unamortized Premium	119
Black Hills State University	
2004	4,830
2004A	3,325
Less Deferred Loss on Refunding	(108)
Less Deferred Issuance Costs	(88)
Add Unamortized Premium	116
Total	\$ 84,856

As of June 30, 2006, debt service requirements for principal and interest were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2007	\$ 2,620	\$ 3,697	\$ 6,317
2008	3,020	3,616	6,636
2009	3,105	3,530	6,635
2010	3,180	3,439	6,619
2011	3,295	3,337	6,632
2012-2016	17,920	14,758	32,678
2017-2021	22,270	10,389	32,659
2022-2026	19,465	4,930	24,395
2027-2031	9,295	1,332	10,627
2032-2036	965	77	1,042
Total	\$ 85,135	\$ 49,105	\$ 134,240

b. Building Authority

The 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, 2006 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Revenue Bonds			
1996C	2014	4.100%-5.300%	\$ 1,280
1999	2019	4.500%-6.500%	1,713
2000	2024	4.500%-6.500%	985
2002	2026	4.400%-5.750%	4,610
2003	2015	2.500%-5.000%	12,816
2003A	2028	2.000%-5.000%	15,880
2005C	2023	Serial 3.500%-4.250%	14,150
2005C	2029	Term 4.500%	2,975
2006A	2021	Serial 4.250%-5.000%	2,532
2006A	2021	Term 5.000%	868
Less Deferred Loss on Refunding			(822)
Add Unamortized Premium			1,758
Total Revenue Bonds			58,745
Trust Certificates			
1991B	2013	6.500%-6.625%	785
Total			\$ 59,530

As of June 30, 2006, 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
2007	\$ 3,391	\$ 2,508	\$ 5,899
2008	3,749	2,429	6,178
2009	3,919	2,285	6,204
2010	3,792	2,118	5,910
2011	3,950	1,940	5,890
2012-2016	14,300	7,470	21,770
2017-2021	10,985	4,698	15,683
2022-2026	9,605	2,279	11,884
2027-2030	4,903	378	5,281
Total	\$ 58,594	\$ 26,105	\$ 84,699

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, 2006 (expressed in thousands):

Fiscal Year Ending June 30,	Primary Government		Component Units	Total
	Governmental Activities	Business-type Activities		
2007	\$ 5,271	\$ 4	\$ 992	\$ 6,267
2008	5,170		745	5,915
2009	4,281		334	4,615
2010	3,079		202	3,281
2011	2,546		172	2,718
2012-2016	9,768		119	9,887
2017-2021	7,529			7,529
2022-2026	4,244			4,244
Total Minimum Lease Payments	41,888	4	2,564	44,456
Less: Amount Representing Interest	10,963		206	11,169
Present Value of Net Minimum Lease Payments	\$ 30,925	\$ 4	\$ 2,358	\$ 33,287

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, 2006 are as follows (expressed in thousands):

	Primary Government	
	Governmental Activities	Business-type Activities
Land	\$	\$ 28
Buildings	41,482	
Equipment	2,528	
Vehicles	9,817	
Total	53,827	28
Less Accumulated Depreciation	15,199	
Total, Net	\$ 38,628	\$ 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 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, 2006, there were 215 Beginning Farmer Bond Program series revenue bonds outstanding. The aggregate principal amount payable on June 30, 2006 could not be determined; however, the original issue amount totaled \$25,456,969.

As of June 30, 2006, there were eight Agribusiness Bonding Program series revenue bonds outstanding. The aggregate principal amount payable on June 30, 2006 could not be determined; however, the original issue amount totaled \$5,335,000.

As of June 30, 2006, there were nineteen Agribusiness Relending Loans outstanding. The aggregate principal amount payable at June 30, 2006 could not be determined; however, the original issue amount totaled \$1,578,900.

2. 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 and are hereby irrevocably pledged.

As of June 30, 2006, the aggregate amount of stand-alone bond principal outstanding was \$16,560,000. The original issue amount of stand-alone bonds totaled \$26,515,000.

Refunded Bonds

The Building Authority has 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, 2006, \$21,805,000 of the Building Authority bonds outstanding is considered defeased.

On July 28, 2005 the Building Authority issued \$17,125,000 in Refunding and Revenue Bonds Series 2005C to finance the Northern State University Mewalt/Jensen Technology Center & to refund a portion of the Series 1999 and 2000 bonds. The refunding portion with an average interest rate of 4.7 percent was used to refund \$4,900,000 of outstanding Series 1999 bonds with an average interest rate of 5.0 percent and \$4,805,000 of the outstanding Series 2000 bonds with an average interest rate of 5.5 percent. The net proceeds of the refunding portion of \$10,457,158 (after payment of \$187,717 in underwriting fees, insurance, and other issuance costs) plus \$459,875 were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded portion of the Series 1999 and 2000 bonds. As a result, the refunded portion of the Series 1999 and 2000 bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$752,158. This difference is being charged to operations through fiscal year 2018 using the effective-interest method. The Authority completed the advanced refunding for a net economic gain of \$238,648. The difference between the cash flows of the refunded bonds and the refunding bonds is a \$266,820 reduction in debt service payments. The actual cash amount realized was \$238,015.

On June 8, 2006 the Building Authority issued \$16,265,000 in Revenue Bonds Series 2006A to finance the USDSU G.E.A.R. Building, the Department of Game, Fish & Parks fish hatcheries renovation projects & to refund a portion of the Series 1996C bonds. The refunding portion with an average interest rate of 5.0 percent was used to refund \$4,220,000 of outstanding Series 1996C bonds with an average interest rate of 5.3 percent. The net proceeds of the refunding portion of \$4,367,411 (after payment of \$68,872 in underwriting fees, insurance, and other issuance costs) plus \$171,283 were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded portion of the Series 1996C bonds. As a result, the refunded portion of the Series 1996C bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$147,411. This difference is being charged to operations through fiscal year 2010 using the effective-interest method. The Authority completed the advanced refunding for a net economic gain of \$77,780. The difference between the cash flows of the refunded bonds and the refunding bonds is an \$83,691 reduction in debt service payments. The actual cash amount realized was \$62,716.

14. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES

The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets are presented in natural classifications. The following table presents those same expenses in functional classifications as of June 30, 2006 as recommended by NACUBO (expressed in thousands):

Function	Personal Services	Travel	Contractual	Supplies & Noncapitalized Equipment	Grants & Subsidies	Interest & Other Expenses	Depreciation
Instruction	\$ 120,367	\$ 2,537	\$ 8,849	\$ 4,799	\$ 382	\$ 4	\$ 2,170
Research	33,632	2,303	7,205	7,361	3,379		2,461
Public Service	24,174	1,267	5,015	4,281	1,570	62	239
Academic Support	26,994	670	4,197	3,010	49	3	3,092
Student Services	17,815	3,287	5,470	4,234	374	841	554
Institutional Support	25,820	1,153	8,439	5,528	1,525	57	827
O&M of Plant	11,321	173	7,510	7,786			2,112
Scholarships and Fellowships	888	3	155	1	14,745	48	
Auxiliary Enterprises	10,159	91	17,277	12,554	8	17	1,628
Other Expenses			199			131	
Unallocated Depreciation							10,002
Total	\$ 271,170	\$ 11,684	\$ 64,316	\$ 49,554	\$ 22,032	\$ 1,163	\$ 23,085

15. FUND BALANCES AND NET ASSETS

Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$1.27 billion of restricted net assets for the primary government of which \$103.8 million was by enabling legislation. Restrictions imposed by enabling legislation could be changed by future legislative action.

Funds Held as Permanent Investments

Funds held as permanent investments represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. Funds held in special revenue funds for this purpose have their principal balance reserved in the governmental fund financial statements since these amounts are not available for appropriation. In the government-wide statement of net assets the principal balance is shown as unexpendable and the investment earnings remaining in these funds at June 30, 2006 is shown as expendable. These balances at June 30, 2006 are summarized as follows (expressed in thousands):

Fund	Expendable	Nonexpendable	Total Restriction
Dakota Cement Trust	\$ 17,805	\$ 238,000	\$ 255,805
Education Enhancement Trust	45,335	325,484	370,820
Health Care Trust	12,325	81,668	93,993
Permanent	860	26,541	27,401
Total	\$ 76,326	\$ 671,693	\$ 748,019

Individual Fund Deficits

The following individual funds had deficit fund equity at June 30, 2006 (expressed in thousands):

Fund Type/Fund	Deficit
Internal Service:	
State Worker's Compensation	\$ 10,207
Enterprise:	
Second Injury	\$ 865
Special Revenue:	
Fire Suppression	\$ 3,375
PUC Hearing	204
Revenue - Other	455
Law Enforcement Revolving	456

16. 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 2006, the State provided \$17,536,433 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.

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 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. 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.

17. RELATED PARTY TRANSACTIONS

The South Dakota Health Research Foundation was created by the Sioux Valley Health Care Systems and the University of South Dakota School of Medicine to facilitate medical research and technology transfer. The University of South Dakota (USD) is a part of Higher Education and is a component unit of the State of South Dakota. The South Dakota Health Research Foundation entered into an operating lease with the Sioux Valley Physicians Partners, a subsidiary of Sioux Valley Health Care Systems, to secure specialized laboratory space, equipment, and related operating support services, including utilities, maintenance, and custodial services. The term of the lease is from October 1, 2002 through September 30, 2008. Throughout the term of the lease, it is estimated that USD will pay \$2,432,468 for the laboratory space. Funding for this lease will be provided from indirect costs recovered from USD grants specific to the Cardiovascular Research Institute which operates under the auspices of the South Dakota Health Research Foundation.

18. CONTINGENCIES AND LITIGATION

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 these claims will materially affect the financial position of the State.

The contingent liabilities at June 30, 2006 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, 2006, PRCF was currently involved with 237 active cases, 139 active/monitoring cases, and 6 pending cases (spill report not yet filed), for a total of 382 cases. Contingent liabilities for the PRCF are \$5,800,000 for sites that haven't received any payments.

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 an enrolled tribal member or a tribe on Indian country controlled by the enrolled tribal member's tribe or the tribe. 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. Additional legal proceedings are ongoing at the Circuit Court level. Counsel for the Department of Revenue is vigorously defending this action. If the decision is left standing, the refund amount could have a material impact on the State's Transportation Fund.

Yankton Sioux Tribe v. United States Army Corps of Engineers. This case was commenced in 2002. In 2004, the Court allowed the Yankton Sioux Tribe to amend its complaint. The amendment alleges that those lands already transferred to the State of South Dakota under Title VI, and lands to be transferred under Title VI, include lands which are within the existing boundaries of the Yankton Sioux Reservation. Therefore, the amendment argues, the transfer of those lands already accomplished should be set aside and further transfers prohibited. The probable worth of the lands and the improvements already transferred 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 parallel attempt to prohibit further transfers is not likely to succeed.

Metropolitan Life Insurance Company, et al. v. Viken, et al. This case concerns a refund claim for insurance premium taxes. Metropolitan Life, and other related companies, filed an action in Circuit Court, Hughes County, in August 2004, seeking refund of insurance premium taxes paid by these entities since 1981 totaling a claimed \$4,470,000. A bench trial has been tentatively set for April 2007. The insurance companies are challenging the constitutionality of the State's insurance premium credit tax provisions. Counsel for the Department of Revenue and Regulation are vigorously defending this action on both substantive and procedural grounds. If the decision is unfavorable, it could have a material impact on the State's General Fund.

19. SUBSEQUENT EVENTS

Housing Authority

In December of 2006, the Authority issued \$100,000,000 of Homeownership Mortgage Bonds Series 2006 D and E. The Bonds will mature on May 1, 2008, through May 1, 2036, with interest rates from 3.6% to 5.75%.

In December of 2006, the Authority issued \$100,000,000 of Homeownership Mortgage Bonds Series 2006 F. The Bonds will mature on February 1, 2008, with interest rates of 4.5%.

Building Authority

In September of 2006, the Authority issued the Series 2006B & C bonds in the amount of \$25,855,000 to partially refund the Series 1996A bonds.

Economic Development Finance Authority

On August 17, 2006 the Economic Development Finance Authority Board authorized the issuance and sale of Economic Development Revenue Bonds in the amount of \$2,900,000 on a Stand-Alone basis to finance a project for the Sweetman Construction Company.

20. SPECIAL ITEM

On December 16, 2005, the State of South Dakota sold 368 miles of railroad to BNSF Railway Company. The proceeds from the sale were \$34,337,000. For the fund financial statements, this amount was recorded as a special item within the Railroad Trust Fund, a nonmajor special revenue fund.

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, 2006
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
OFFICE OF THE GOVERNOR				
Personal Services	\$ 1,631	\$ 1,601	\$ 1,601	\$ 0
Operating Expenses	1,093	1,168	1,164	4
TOTAL	<u>2,724</u>	<u>2,769</u>	<u>2,765</u>	<u>4</u>
GOVERNOR'S CONTINGENCY FUND				
Personal Services	0	0	0	0
Operating Expenses	100	55	55	0
TOTAL	<u>100</u>	<u>55</u>	<u>55</u>	<u>0</u>
LIEUTENANT GOVERNOR				
Personal Services	17	17	17	0
Operating Expenses	14	14	14	0
TOTAL	<u>31</u>	<u>31</u>	<u>31</u>	<u>0</u>
BUREAU OF FINANCE AND MANAGEMENT				
Personal Services	645	564	563	1
Operating Expenses	217	297	297	0
TOTAL	<u>862</u>	<u>861</u>	<u>860</u>	<u>1</u>
SALE LEASEBACK, B.F.M.				
Personal Services	0	0	0	0
Operating Expenses	10,407	10,407	10,407	0
TOTAL	<u>10,407</u>	<u>10,407</u>	<u>10,407</u>	<u>0</u>
SDDS, INC SETTLEMENT				
Personal Services	0	0	0	0
Operating Expenses	11	11	0	11
TOTAL	<u>11</u>	<u>11</u>	<u>0</u>	<u>11</u>
ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION				
Personal Services	0	0	0	0
Operating Expenses	711	711	631	80
TOTAL	<u>711</u>	<u>711</u>	<u>631</u>	<u>80</u>
SALE LEASEBACK, B.O.A.				
Personal Services	0	0	0	0
Operating Expenses	761	761	761	0
TOTAL	<u>761</u>	<u>761</u>	<u>761</u>	<u>0</u>
CENTRAL SERVICES				
Personal Services	178	178	177	1
Operating Expenses	215	215	215	0
TOTAL	<u>393</u>	<u>393</u>	<u>392</u>	<u>1</u>
STATEWIDE MAINTENANCE & REPAIR				
Personal Services	0	0	0	0
Operating Expenses	4,770	4,770	2,540	2,230
TOTAL	<u>4,770</u>	<u>4,770</u>	<u>2,540</u>	<u>2,230</u>
OFFICE OF HEARING EXAMINERS				
Personal Services	278	278	277	1
Operating Expenses	86	86	86	0
TOTAL	<u>364</u>	<u>364</u>	<u>363</u>	<u>1</u>

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
SOUTH DAKOTA PUBLIC BROADCASTING				
Personal Services	\$ 2,341	\$ 2,341	\$ 2,341	\$ 0
Operating Expenses	1,483	1,483	1,483	0
TOTAL	<u>3,824</u>	<u>3,824</u>	<u>3,824</u>	<u>0</u>
STATE RADIO ENGINEERING				
Personal Services	504	504	504	0
Operating Expenses	1,002	1,002	1,000	2
TOTAL	<u>1,506</u>	<u>1,506</u>	<u>1,504</u>	<u>2</u>
PERSONNEL MANAGEMENT & EMPLOYEE BENEFITS				
Personal Services	327	327	326	1
Operating Expenses	78	78	78	0
TOTAL	<u>405</u>	<u>405</u>	<u>404</u>	<u>1</u>
EMPLOYEE COMPENSATION & HEALTH INSURANCE				
Personal Services	2	2	0	2
Operating Expenses	0	0	0	0
TOTAL	<u>2</u>	<u>2</u>	<u>0</u>	<u>2</u>
SOUTH DAKOTA RISK POOL				
Personal Services	57	57	55	2
Operating Expenses	446	446	446	0
TOTAL	<u>503</u>	<u>503</u>	<u>501</u>	<u>2</u>
DEPARTMENT TOTAL, EXECUTIVE MANAGEMENT				
Personal Services	5,980	5,869	5,861	8
Operating Expenses	21,394	21,504	19,177	2,327
TOTAL	<u>27,374</u>	<u>27,373</u>	<u>25,038</u>	<u>2,335</u>
SECRETARIAT				
Personal Services	103	103	102	1
Operating Expenses	65	65	64	1
TOTAL	<u>168</u>	<u>168</u>	<u>166</u>	<u>2</u>
PROPERTY AND SPECIAL TAXES				
Personal Services	569	583	582	1
Operating Expenses	1,204	1,189	849	340
TOTAL	<u>1,773</u>	<u>1,772</u>	<u>1,431</u>	<u>341</u>
DEPARTMENT TOTAL, REVENUE				
Personal Services	672	686	684	2
Operating Expenses	1,269	1,254	913	341
TOTAL	<u>1,941</u>	<u>1,940</u>	<u>1,597</u>	<u>343</u>
ADMINISTRATION, SECRETARY OF AGRICULTURE				
Personal Services	417	417	417	0
Operating Expenses	230	230	226	4
TOTAL	<u>647</u>	<u>647</u>	<u>643</u>	<u>4</u>

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
AGRICULTURAL SERVICES				
Personal Services	\$ 1,193	\$ 1,193	\$ 1,193	\$ 0
Operating Expenses	975	1,731	1,730	1
TOTAL	<u>2,168</u>	<u>2,924</u>	<u>2,923</u>	<u>1</u>
AGRICULTURAL DEVELOPMENT				
Personal Services	760	760	759	1
Operating Expenses	629	1,623	1,619	4
TOTAL	<u>1,389</u>	<u>2,383</u>	<u>2,378</u>	<u>5</u>
ANIMAL INDUSTRY BOARD				
Personal Services	1,361	1,361	1,361	0
Operating Expenses	292	292	292	0
TOTAL	<u>1,653</u>	<u>1,653</u>	<u>1,653</u>	<u>0</u>
DEPARTMENT TOTAL, AGRICULTURE				
Personal Services	3,731	3,731	3,730	1
Operating Expenses	2,126	3,876	3,867	9
TOTAL	<u>5,857</u>	<u>7,607</u>	<u>7,597</u>	<u>10</u>
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT				
Personal Services	1,479	1,459	1,458	1
Operating Expenses	1,925	2,086	2,086	0
TOTAL	<u>3,404</u>	<u>3,545</u>	<u>3,544</u>	<u>1</u>
DIVISION OF RESEARCH COMMERCE				
Personal Services	141	131	131	0
Operating Expenses	3,386	3,386	3,386	0
TOTAL	<u>3,527</u>	<u>3,517</u>	<u>3,517</u>	<u>0</u>
TRIBAL GOVERNMENT RELATIONS				
Personal Services	168	123	123	0
Operating Expenses	57	57	57	0
TOTAL	<u>225</u>	<u>180</u>	<u>180</u>	<u>0</u>
ARTS				
Personal Services	189	189	187	2
Operating Expenses	414	414	414	0
TOTAL	<u>603</u>	<u>603</u>	<u>601</u>	<u>2</u>
HISTORY				
Personal Services	1,110	1,024	1,024	0
Operating Expenses	1,572	1,572	1,572	0
TOTAL	<u>2,682</u>	<u>2,596</u>	<u>2,596</u>	<u>0</u>
SD SCIENCE & TECH AUTHORITY				
Personal Services	0	0	0	0
Operating Expenses	0	19,888	19,888	0
TOTAL	<u>0</u>	<u>19,888</u>	<u>19,888</u>	<u>0</u>
SD ENERGY INFRASTRUCTURE AUTHORITY				
Personal Services	0	47	1	46
Operating Expenses	0	200	6	194
TOTAL	<u>0</u>	<u>247</u>	<u>7</u>	<u>240</u>

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2006
 (Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, TOURISM & STATE DEVELOPMENT				
Personal Services	\$ 3,087	\$ 2,973	\$ 2,924	\$ 49
Operating Expenses	7,354	27,603	27,409	194
TOTAL	10,441	30,576	30,333	243
CONSERVATION RESERVE ENHANCEMENT PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	1,179	1,179	1,176	3
TOTAL	1,179	1,179	1,176	3
ADMINISTRATION, SECRETARY OF GAME, FISH & PARKS				
Personal Services	74	74	74	0
Operating Expenses	280	280	280	0
TOTAL	354	354	354	0
PARKS & RECREATION				
Personal Services	2,679	2,679	2,679	0
Operating Expenses	443	443	443	0
TOTAL	3,122	3,122	3,122	0
DEVELOPMENT & IMPROVEMENT, PARKS & RECREATION				
Personal Services	0	0	0	0
Operating Expenses	296	296	138	158
TOTAL	296	296	138	158
DEPARTMENT TOTAL, GAME, FISH & PARKS				
Personal Services	2,753	2,753	2,753	0
Operating Expenses	2,198	2,198	2,037	161
TOTAL	4,951	4,951	4,790	161
ADMINISTRATION				
Personal Services	2,793	2,643	2,643	0
Operating Expenses	5,015	5,885	5,837	48
TOTAL	7,808	8,528	8,480	48
ECONOMIC ASSISTANCE				
Personal Services	5,825	5,625	5,587	38
Operating Expenses	21,658	24,123	21,024	3,099
TOTAL	27,483	29,748	26,611	3,137
MEDICAL AND ADULT SERVICES				
Personal Services	2,239	2,129	2,129	0
Operating Expenses	174,871	165,881	165,880	1
TOTAL	177,110	168,010	168,009	1
CHILDREN'S SERVICES				
Personal Services	4,980	6,066	6,066	0
Operating Expenses	13,044	19,373	19,330	43
TOTAL	18,024	25,439	25,396	43

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2006
 (Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	\$ 15,837	\$ 16,463	\$ 16,425	\$ 38
Operating Expenses	214,588	215,262	212,071	3,191
TOTAL	230,425	231,725	228,496	3,229
ADMINISTRATION, SECRETARY OF HEALTH				
Personal Services	721	646	646	0
Operating Expenses	674	674	674	0
TOTAL	1,395	1,320	1,320	0
FAMILY PRACTICE RESIDENCY PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	895	895	895	0
TOTAL	895	895	895	0
HEALTH SYSTEMS DEVELOPMENT AND REGULATION				
Personal Services	1,322	1,138	1,138	0
Operating Expenses	739	739	730	9
TOTAL	2,061	1,877	1,868	9
HEALTH AND MEDICAL SERVICES				
Personal Services	1,436	1,436	1,436	0
Operating Expenses	1,842	2,101	2,101	0
TOTAL	3,278	3,537	3,537	0
TOBACCO PREVENTION AND REDUCTION PLAN				
Personal Services	33	0	0	0
Operating Expenses	938	971	969	2
TOTAL	971	971	969	2
DEPARTMENT TOTAL, HEALTH				
Personal Services	3,512	3,220	3,220	0
Operating Expenses	5,088	5,380	5,369	11
TOTAL	8,600	8,600	8,589	11
ADMINISTRATION, SECRETARY OF LABOR				
Personal Services	0	0	0	0
Operating Expenses	200	200	200	0
TOTAL	200	200	200	0
STATE LABOR LAW ADMINISTRATION				
Personal Services	517	517	517	0
Operating Expenses	88	88	88	0
TOTAL	605	605	605	0
ADMINISTRATION, PUBLIC UTILITIES COMMISSION				
Personal Services	484	484	481	3
Operating Expenses	83	83	65	18
TOTAL	567	567	546	21
DEPARTMENT TOTAL, LABOR				
Personal Services	1,001	1,001	998	3
Operating Expenses	371	371	353	18
TOTAL	1,372	1,372	1,351	21

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2006
 (Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
GENERAL OPERATIONS				
Personal Services	\$ 253	\$ 266	\$ 266	\$ 0
Operating Expenses	240	228	228	0
TOTAL	<u>493</u>	<u>494</u>	<u>494</u>	<u>0</u>
DEPARTMENT TOTAL, TRANSPORTATION				
Personal Services	253	266	266	0
Operating Expenses	240	228	228	0
TOTAL	<u>493</u>	<u>494</u>	<u>494</u>	<u>0</u>
ADMINISTRATION, SECRETARY OF EDUCATION				
Personal Services	1,047	1,101	1,101	0
Operating Expenses	1,308	3,608	3,470	138
TOTAL	<u>2,355</u>	<u>4,709</u>	<u>4,571</u>	<u>138</u>
STATE AID TO GENERAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	289,608	289,608	286,792	2,816
TOTAL	<u>289,608</u>	<u>289,608</u>	<u>286,792</u>	<u>2,816</u>
STATE AID TO SPECIAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	45,547	44,694	44,643	51
TOTAL	<u>45,547</u>	<u>44,694</u>	<u>44,643</u>	<u>51</u>
ALTERNATIVE EDUCATION PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	450	450	450	0
TOTAL	<u>450</u>	<u>450</u>	<u>450</u>	<u>0</u>
NATIONAL BOARD CERTIFIED TEACHERS				
Personal Services	0	0	0	0
Operating Expenses	90	55	55	0
TOTAL	<u>90</u>	<u>55</u>	<u>55</u>	<u>0</u>
TECHNOLOGY IN SCHOOLS				
Personal Services	0	0	0	0
Operating Expenses	6,501	7,685	7,678	7
TOTAL	<u>6,501</u>	<u>7,685</u>	<u>7,678</u>	<u>7</u>
CAREER AND TECHNICAL EDUCATION				
Personal Services	334	334	334	0
Operating Expenses	485	485	485	0
TOTAL	<u>819</u>	<u>819</u>	<u>819</u>	<u>0</u>
POST-SECONDARY VOCATIONAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	18,360	18,648	18,360	288
TOTAL	<u>18,360</u>	<u>18,648</u>	<u>18,360</u>	<u>288</u>
ED RESOURCES				
Personal Services	1,074	899	899	0
Operating Expenses	5,556	4,780	4,578	182
TOTAL	<u>6,630</u>	<u>5,679</u>	<u>5,477</u>	<u>182</u>

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2006
 (Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
EDUCATION SERVICE AGENCIES				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	522	1,471	1,471	0
TOTAL	522	1,471	1,471	0
STATE LIBRARY				
Personal Services	1,117	984	984	0
Operating Expenses	1,170	976	975	1
TOTAL	2,287	1,960	1,959	1
DEPARTMENT TOTAL, EDUCATION				
Personal Services	3,572	3,318	3,318	0
Operating Expenses	369,597	372,438	368,957	3,481
TOTAL	373,169	375,756	372,275	3,481
ADMINISTRATION, SECRETARY OF PUBLIC SAFETY				
SAFETY				
Personal Services	28	28	28	0
Operating Expenses	62	62	62	0
TOTAL	90	90	90	0
ENFORCEMENT				
Personal Services	1,539	1,455	1,453	2
Operating Expenses	211	162	162	0
TOTAL	1,750	1,617	1,615	2
EMERGENCY SERVICES				
Personal Services	1,005	812	812	0
Operating Expenses	2,994	3,325	3,325	0
TOTAL	3,999	4,137	4,137	0
EMERGENCY AND DISASTER FUND				
Personal Services	0	0	0	0
Operating Expenses	0	3,000	3,000	0
TOTAL	0	3,000	3,000	0
INSPECTION AND LICENSING				
Personal Services	46	44	44	0
Operating Expenses	436	433	433	0
TOTAL	482	477	477	0
DEPARTMENT TOTAL, PUBLIC SAFETY				
Personal Services	2,618	2,339	2,337	2
Operating Expenses	3,703	6,982	6,982	0
TOTAL	6,321	9,321	9,319	2
REGENTS SYSTEM OFFICE				
Personal Services	3,264	3,072	3,072	0
Operating Expenses	4,131	11,823	3,823	8,000
TOTAL	7,395	14,895	6,895	8,000
SOUTH DAKOTA OPPORTUNITY SCHOLARSHIPS				
Personal Services	0	0	0	0
Operating Expenses	1,890	3,098	3,098	0
TOTAL	1,890	3,098	3,098	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
UNIVERSITY OF SOUTH DAKOTA PROPER				
Personal Services	\$ 27,948	\$ 27,745	\$ 27,745	\$ 0
Operating Expenses	1,383	1,764	1,750	14
TOTAL	29,331	29,509	29,495	14
UNIVERSITY OF SOUTH DAKOTA SCHOOL OF MEDICINE				
Personal Services	15,628	13,030	12,617	413
Operating Expenses	2,714	5,313	3,512	1,801
TOTAL	18,342	18,343	16,129	2,214
SOUTH DAKOTA STATE UNIVERSITY PROPER				
Personal Services	36,892	37,046	36,925	121
Operating Expenses	3,473	3,412	3,410	2
TOTAL	40,365	40,458	40,335	123
COOPERATIVE EXTENSION SERVICE				
Personal Services	7,143	7,209	7,209	0
Operating Expenses	472	405	405	0
TOTAL	7,615	7,614	7,614	0
AGRICULTURAL EXPERIMENT STATION				
Personal Services	9,107	9,044	9,044	0
Operating Expenses	521	584	584	0
TOTAL	9,628	9,628	9,628	0
SOUTH DAKOTA SCHOOL OF MINES & TECHNOLOGY				
Personal Services	11,168	11,216	11,216	0
Operating Expenses	1,267	1,236	1,236	0
TOTAL	12,435	12,452	12,452	0
NORTHERN STATE UNIVERSITY				
Personal Services	9,803	9,614	9,614	0
Operating Expenses	1,029	1,235	1,235	0
TOTAL	10,832	10,849	10,849	0
BLACK HILLS STATE UNIVERSITY				
Personal Services	6,978	7,017	7,017	0
Operating Expenses	685	818	818	0
TOTAL	7,663	7,835	7,835	0
DAKOTA STATE UNIVERSITY				
Personal Services	6,177	6,298	6,298	0
Operating Expenses	604	505	505	0
TOTAL	6,781	6,803	6,803	0
SOUTH DAKOTA SCHOOL FOR THE DEAF				
Personal Services	2,894	2,709	2,709	0
Operating Expenses	449	635	635	0
TOTAL	3,343	3,344	3,344	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED				
Personal Services	\$ 2,243	\$ 2,194	\$ 2,194	\$ 0
Operating Expenses	141	190	190	0
TOTAL	2,384	2,384	2,384	0
DEPARTMENT TOTAL, BOARD OF REGENTS				
Personal Services	139,245	136,194	135,660	534
Operating Expenses	18,759	31,018	21,201	9,817
TOTAL	158,004	167,212	156,861	10,351
ADJUTANT GENERAL				
Personal Services	285	274	271	3
Operating Expenses	385	403	401	2
TOTAL	670	677	672	5
ARMY GUARD				
Personal Services	764	711	709	2
Operating Expenses	1,146	3,549	1,237	2,312
TOTAL	1,910	4,260	1,946	2,314
AIR GUARD				
Personal Services	152	138	137	1
Operating Expenses	156	165	165	0
TOTAL	308	303	302	1
VETERANS' BENEFITS & SERVICES				
Personal Services	719	715	715	0
Operating Expenses	2,914	2,924	2,924	0
TOTAL	3,633	3,639	3,639	0
STATE VETERAN'S HOME				
Personal Services	1,256	1,236	1,234	2
Operating Expenses	521	522	521	1
TOTAL	1,777	1,758	1,755	3
DEPARTMENT TOTAL, MILITARY & VETERANS AFFAIRS				
Personal Services	3,176	3,074	3,066	8
Operating Expenses	5,122	7,563	5,248	2,315
TOTAL	8,298	10,637	8,314	2,323
ADMINISTRATION, CENTRAL OFFICE				
Personal Services	1,583	1,448	1,448	0
Operating Expenses	14,867	15,051	14,974	77
TOTAL	16,450	16,499	16,422	77
CONTINGENCY FUND				
Personal Services	0	0	0	0
Operating Expenses	239	0	0	0
TOTAL	239	0	0	0
MIKE DURFEE STATE PRISON				
Personal Services	7,782	7,562	7,562	0
Operating Expenses	3,446	3,525	3,525	0
TOTAL	11,228	11,087	11,087	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
STATE PENITENTIARY				
Personal Services	\$ 11,637	\$ 11,011	\$ 11,010	\$ 1
Operating Expenses	4,032	4,621	4,616	5
TOTAL	<u>15,669</u>	<u>15,632</u>	<u>15,626</u>	<u>6</u>
WOMEN'S PRISON				
Personal Services	2,019	2,014	2,014	0
Operating Expenses	764	1,215	1,205	10
TOTAL	<u>2,783</u>	<u>3,229</u>	<u>3,219</u>	<u>10</u>
COMMUNITY SERVICE				
Personal Services	2,364	2,332	2,332	0
Operating Expenses	1,208	1,240	1,240	0
TOTAL	<u>3,572</u>	<u>3,572</u>	<u>3,572</u>	<u>0</u>
PAROLE SERVICES				
Personal Services	2,303	2,253	2,253	0
Operating Expenses	769	824	824	0
TOTAL	<u>3,072</u>	<u>3,077</u>	<u>3,077</u>	<u>0</u>
JUVENILE COMMUNITY CORRECTIONS				
Personal Services	2,116	2,024	2,024	0
Operating Expenses	7,963	7,963	7,963	0
TOTAL	<u>10,079</u>	<u>9,987</u>	<u>9,987</u>	<u>0</u>
YOUTH CHALLENGE CENTER/LIVING CENTER				
Personal Services	1,483	1,503	1,503	0
Operating Expenses	189	170	170	0
TOTAL	<u>1,672</u>	<u>1,673</u>	<u>1,673</u>	<u>0</u>
PATRICK HENRY BRADY ACADEMY				
Personal Services	1,701	1,603	1,603	0
Operating Expenses	144	124	124	0
TOTAL	<u>1,845</u>	<u>1,727</u>	<u>1,727</u>	<u>0</u>
STATE TREATMENT AND REHABILITATION ACADEMY				
Personal Services	1,828	1,810	1,810	0
Operating Expenses	2,193	2,295	2,290	5
TOTAL	<u>4,021</u>	<u>4,105</u>	<u>4,100</u>	<u>5</u>
QUEST/EXCEL				
Personal Services	149	189	189	0
Operating Expenses	135	135	135	0
TOTAL	<u>284</u>	<u>324</u>	<u>324</u>	<u>0</u>
DEPARTMENT TOTAL, CORRECTIONS				
Personal Services	34,965	33,749	33,748	1
Operating Expenses	35,949	37,163	37,066	97
TOTAL	<u>70,914</u>	<u>70,912</u>	<u>70,814</u>	<u>98</u>
ADMINISTRATION, SECRETARY OF HUMAN SERVICES				
Personal Services	634	634	634	0
Operating Expenses	299	374	374	0
TOTAL	<u>933</u>	<u>1,008</u>	<u>1,008</u>	<u>0</u>

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2006
 (Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEVELOPMENTAL DISABILITIES				
Personal Services	\$ 473	\$ 387	\$ 387	\$ 0
Operating Expenses	28,340	28,426	28,426	0
TOTAL	28,813	28,813	28,813	0
SOUTH DAKOTA DEVELOPMENTAL CENTER - REDFIELD				
Personal Services	6,057	6,057	6,057	0
Operating Expenses	2,077	2,077	2,077	0
TOTAL	8,134	8,134	8,134	0
ALCOHOL & DRUG ABUSE				
Personal Services	1,387	1,283	1,283	0
Operating Expenses	3,992	4,351	4,351	0
TOTAL	5,379	5,634	5,634	0
REHABILITATION SERVICES				
Personal Services	644	581	581	0
Operating Expenses	2,982	3,045	3,045	0
TOTAL	3,626	3,626	3,626	0
SERVICES TO THE BLIND & VISUALLY IMPAIRED				
Personal Services	414	394	394	0
Operating Expenses	428	318	318	0
TOTAL	842	712	712	0
HUMAN SERVICES CENTER				
Personal Services	18,331	18,331	18,331	0
Operating Expenses	9,095	9,495	9,495	0
TOTAL	27,426	27,826	27,826	0
COMMUNITY MENTAL HEALTH				
Personal Services	814	656	656	0
Operating Expenses	11,801	11,359	11,359	0
TOTAL	12,615	12,015	12,015	0
DEPARTMENT TOTAL, HUMAN SERVICES				
Personal Services	28,754	28,323	28,323	0
Operating Expenses	59,014	59,445	59,445	0
TOTAL	87,768	87,768	87,768	0
FINANCIAL AND TECHNICAL ASSISTANCE				
Personal Services	1,688	1,688	1,676	12
Operating Expenses	439	439	438	1
TOTAL	2,127	2,127	2,114	13
ENVIRONMENTAL SERVICES				
Personal Services	3,045	2,915	2,904	11
Operating Expenses	782	912	912	0
TOTAL	3,827	3,827	3,816	11
DEPARTMENT TOTAL, ENVIRONMENT & NATURAL RESOURCES				
Personal Services	4,733	4,603	4,580	23
Operating Expenses	1,221	1,351	1,350	1
TOTAL	5,954	5,954	5,930	24

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2006
 (Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
UNIFIED JUDICIAL SYSTEM				
Personal Services	\$ 25,248	\$ 25,198	\$ 24,942	\$ 256
Operating Expenses	3,510	3,580	3,509	51
TOTAL	28,758	28,758	28,451	307
DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM				
Personal Services	25,248	25,198	24,942	256
Operating Expenses	3,510	3,560	3,509	51
TOTAL	28,758	28,758	28,451	307
LEGISLATIVE OPERATIONS				
Personal Services	40	40	40	0
Operating Expenses	111	111	111	0
Appropriation	4,435	4,435	4,341	94
TOTAL	4,586	4,586	4,492	94
LEGISLATIVE AUDIT				
Personal Services	2,287	2,287	2,225	62
Operating Expenses	359	359	339	20
Appropriation	0	0	0	0
TOTAL	2,646	2,646	2,564	82
DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT				
Personal Services	2,327	2,327	2,265	62
Operating Expenses	470	470	450	20
Appropriation	4,435	4,435	4,341	94
TOTAL	7,232	7,232	7,056	176
LEGAL SERVICES				
Personal Services	3,135	3,135	3,134	1
Operating Expenses	452	452	452	0
TOTAL	3,587	3,587	3,586	1
CRIMINAL INVESTIGATION				
Personal Services	2,182	2,182	2,182	0
Operating Expenses	4,134	4,134	4,068	66
TOTAL	6,316	6,316	6,250	66
DEPARTMENT TOTAL, ATTORNEY GENERAL				
Personal Services	5,317	5,317	5,316	1
Operating Expenses	4,586	4,586	4,520	66
TOTAL	9,903	9,903	9,836	67
ADMINISTRATION OF SCHOOL AND PUBLIC LANDS				
Personal Services	395	395	395	0
Operating Expenses	117	117	117	0
TOTAL	512	512	512	0
DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS				
Personal Services	395	395	395	0
Operating Expenses	117	117	117	0
TOTAL	512	512	512	0

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2006
 (Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
SECRETARY OF STATE				
Personal Services	\$ 612	\$ 612	\$ 608	\$ 4
Operating Expenses	302	302	297	5
TOTAL	<u>914</u>	<u>914</u>	<u>905</u>	<u>9</u>
DEPARTMENT TOTAL, SECRETARY OF STATE				
Personal Services	612	612	608	4
Operating Expenses	302	302	297	5
TOTAL	<u>914</u>	<u>914</u>	<u>905</u>	<u>9</u>
TREASURY MANAGEMENT				
Personal Services	281	288	287	1
Operating Expenses	199	192	171	21
TOTAL	<u>480</u>	<u>480</u>	<u>458</u>	<u>22</u>
DEPARTMENT TOTAL, STATE TREASURER				
Personal Services	281	288	287	1
Operating Expenses	199	192	171	21
TOTAL	<u>480</u>	<u>480</u>	<u>458</u>	<u>22</u>
STATE AUDITOR				
Personal Services	895	903	903	0
Operating Expenses	185	177	171	6
TOTAL	<u>1,080</u>	<u>1,080</u>	<u>1,074</u>	<u>6</u>
DEPARTMENT TOTAL, STATE AUDITOR				
Personal Services	895	903	903	0
Operating Expenses	185	177	171	6
TOTAL	<u>1,080</u>	<u>1,080</u>	<u>1,074</u>	<u>6</u>
STATE TOTAL				
Personal Services	288,964	283,602	282,609	993
Operating Expenses	757,362	803,040	780,908	22,132
APPROPRIATION	4,435	4,435	4,341	94
TOTAL	<u>\$ 1,050,761</u>	<u>\$ 1,091,077</u>	<u>\$ 1,067,858</u>	<u>\$ 23,219</u>

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
GENERAL OPERATIONS				
Personal Services	\$ 53,491	\$ 51,267	\$ 49,573	\$ 1,694
Operating Expenses	84,960	87,185	82,922	4,263
TOTAL	<u>138,451</u>	<u>138,452</u>	<u>132,495</u>	<u>5,957</u>
CONTRACT CONSTRUCTION--INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	310,548	310,348	340,709	(30,361)
TOTAL	<u>310,548</u>	<u>310,348</u>	<u>340,709</u>	<u>(30,361)</u>
ENFORCEMENT				
Personal Services	12,746	12,744	12,580	164
Operating Expenses	4,199	4,199	4,193	6
TOTAL	<u>16,945</u>	<u>16,943</u>	<u>16,773</u>	<u>170</u>
FUND TOTAL, TRANSPORTATION				
Personal Services	86,237	64,011	62,153	1,858
Operating Expenses	399,707	401,732	427,824	(26,092)
TOTAL	<u>\$ 485,944</u>	<u>\$ 465,743</u>	<u>\$ 489,977</u>	<u>\$ (24,234)</u>

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 SOCIAL SERVICES FEDERAL FUND
 For the Fiscal Year Ended June 30, 2006
 (Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION				
Personal Services	\$ 3,698	\$ 3,698	\$ 3,464	\$ 234
Operating Expenses	8,965	8,965	8,131	834
TOTAL	12,663	12,663	11,595	1,068
ECONOMIC ASSISTANCE				
Personal Services	7,886	7,886	7,578	308
Operating Expenses	33,693	33,693	27,797	5,896
TOTAL	41,579	41,579	35,375	6,204
MEDICAL AND ADULT SERVICES				
Personal Services	3,920	3,920	3,854	66
Operating Expenses	385,628	385,628	336,804	48,824
TOTAL	389,548	389,548	340,658	48,890
CHILDREN'S SERVICES				
Personal Services	10,390	10,390	10,022	368
Operating Expenses	44,679	44,679	37,242	7,437
TOTAL	55,069	55,069	47,264	7,805
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	25,894	25,894	24,918	976
Operating Expenses	472,965	472,965	409,974	62,991
TOTAL	\$ 498,859	\$ 498,859	\$ 434,892	\$ 63,967

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
For the Fiscal Year Ended June 30, 2006
(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	\$1,067,858	\$489,977	\$434,892
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.	(21,228)	(1,197)	(1,690)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(25,717)		
To Adjust Expenditures/Expenses for Accruals	<u>33,050</u>	<u>2,730</u>	<u>61,758</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$1,053,963</u>	<u>\$491,510</u>	<u>\$494,960</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 major special revenue fund that has a legally adopted annual budget. There are currently two major special revenue funds that fit this criterion: the Social Services Federal Fund and the Transportation Fund. The Budget Comparison Schedule follows the same format, terminology, and classification as the state's General Appropriations Act (General Bill). 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 over expended budget. For the year ended June 30, 2006, the only program in which expenditures exceeded appropriations was the contract construction--informational program. This program budget is budgeted as an informational budget tool and therefore does not violate any finance-related legal provisions. However, the contract construction--informational program's negative variance affected the Transportation Fund overall variance on the schedule.

The original budget is defined as the first complete appropriated budget, adjusted by reserves, transfers, allocations, supplemental appropriations, reorganizations, 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. Any of these adjustments may change the format, terminology, or classification of a Budget Comparison Schedule. 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, reorganizations, 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, 2006 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 and Fiduciary Funds. 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

STATE OF SOUTH DAKOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
 June 30, 2006
 (Expressed in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Assets					
Cash and Cash Equivalents	\$ 356,078	\$ 318	\$ 10,173	\$ 779	\$ 367,348
Investments	81,433	91,201		26,570	199,204
Securities Lending Collateral	40,326		1,417	6,608	48,351
Receivables From:					
Taxes (Net)	4,951				4,951
Interest and Dividends	2,519	243	18	129	2,909
Other Funds	11,444				11,444
Component Units	41				41
Other Governments	70,261				70,261
Loans and Notes (Net)	29,061			1	29,062
Other (Net)	5,853	10,252			16,105
Inventory	3,358				3,358
Deferred Fiscal Charges and Other Assets	740	10			750
Total Assets	\$ 606,065	\$ 102,024	\$ 11,608	\$ 34,087	\$ 753,784
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 30,733	\$	\$	\$	\$ 30,733
Payable To:					
Other Funds	26,946		123	78	27,147
Component Units	1,283				1,283
Other Governments	41,010				41,010
Claims, Judgments and Compensated Absences	160				160
Deferred Revenue	42,471	10,252			52,723
Securities Lending Collateral Liability	40,326		1,417	6,608	48,351
Total Liabilities	182,929	10,252	1,540	6,686	201,407
Fund Balances:					
Reserved For:					
Encumbrances	11,348				11,348
Inventories	3,358				3,358
Debt Service		91,772			91,772
Environmental Projects	13,151				13,151
School Perpetuity				27,401	27,401
Noncurrent Assets	28,331				28,331
Funds held as Permanent Investments	81,668				81,668
Unreserved	285,280		10,068		295,348
Total Fund Balances	423,136	91,772	10,068	27,401	552,377
Total Liabilities and Fund Balances	\$ 606,065	\$ 102,024	\$ 11,608	\$ 34,087	\$ 753,784

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, 2006
(Expressed in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Revenue:					
Taxes	\$ 75,110	\$	\$	\$	\$ 75,110
Licenses, Permits and Fees	149,713				149,713
Fines, Forfeits and Penalties	6,824				6,824
Use of Money and Property	25,910	1,509	60	2,668	30,147
Sales and Services	18,931				18,931
Administering Programs	461,543				461,543
Tobacco Settlement		20,415			20,415
Other Revenue	11,056	56	8		11,120
Total Revenue	749,087	21,980	68	2,668	773,803
Expenditures:					
Current:					
General Government	44,873	185	341	1,391	46,790
Education	160,076				160,076
Health, Human and Social Services	195,786				195,786
Law, Justice, Public Protection and Regulation	97,509		2,715		100,224
Agriculture and Natural Resources	94,913				94,913
Economic Resources	28,218				28,218
Transportation	2,991				2,991
State Shared Revenue Paid to Other Governments	67,719				67,719
Debt Service:					
Principal		15,704			15,704
Interest		22,980			22,980
Total Expenditures	692,085	38,869	3,056	1,391	735,401
Excess of Revenue Over (Under) Expenditures	57,002	(16,889)	(2,988)	1,277	38,402
Other Financing Sources (Uses):					
Bonds Issued			10,000		10,000
Proceeds of Refunding Bonds		2,864			2,864
Payments on Advance Refundings		(2,932)			(2,932)
Premiums on Bond Issuance			280		280
Premiums on Refunding Bonds		149			149
Proceeds from Sale of Capital Assets	3,593				3,593
Transfers In	178,757	10,291			189,048
Transfers Out	(248,432)	(34)	(364)	(413)	(249,243)
Total Other Financing Sources (Uses)	(66,082)	10,338	9,916	(413)	(46,241)
Special Items					
Sale of Railroad Infrastructure	34,337				34,337
Total Special Items	34,337	0	0	0	34,337
Net Change in Fund Balances	25,257	(6,551)	6,928	864	26,498
Fund Balances at Beginning of Year	397,879	98,323	3,140	26,537	525,879
Fund Balances at End of Year	\$ 423,136	\$ 91,772	\$ 10,068	\$ 27,401	\$ 552,377

STATE OF SOUTH DAKOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2006
 (Expressed in Thousands)

	Education Federal	Human Services Federal	Labor Federal	Health Federal	Tourism and State Development Federal
Assets					
Cash and Cash Equivalents	\$ 387	\$	\$	\$ 210	\$
Investments					
Securities Lending Collateral	16			26	
Receivables From:					
Taxes (Net)					
Interest and Dividends					
Other Funds	46	295	384	8	
Component Units	4				
Other Governments	26,555	12,083	2,557	1,610	1,281
Loans and Notes (Net)					
Other (Net)			8		
Inventory		313	109	2,493	
Deferred Fiscal Charges and Other Assets	5		36		
Total Assets	\$ 27,013	\$ 12,691	\$ 3,094	\$ 4,347	\$ 1,281
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 3,817	\$ 8,731	\$ 1,587	\$ 1,390	\$ 19
Payable To:					
Other Funds	542	3,146	1,274	229	49
Component Units	605	33			58
Other Governments	21,375	268		76	1,155
Claims, Judgments and Compensated Absences		15	51	3	
Deferred Revenue	319	161			
Securities Lending Collateral Liability	16			26	
Total Liabilities	26,674	12,354	2,912	1,724	1,281
Fund Balances:					
Reserved For:					
Encumbrances	28	405	34	344	563
Inventories		313	109	2,493	
Environmental Projects					
Noncurrent Assets					
Funds held as Permanent Investments					
Unreserved	311	(381)	39	(214)	(563)
Total Fund Balances	339	337	162	2,623	0
Total Liabilities and Fund Balances	\$ 27,013	\$ 12,691	\$ 3,094	\$ 4,347	\$ 1,281

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$	\$	\$ 6,889	\$ 17,992	\$ 7,775	\$ 383	\$ 3,142	\$ 7,669
		872	2,259	949	54	357	103
		67	175	14	28		621
			410	142		18	17
3,549	2,166	2,212		179		46	
			75		2,358	104	
						358	
<u>\$ 3,549</u>	<u>\$ 2,166</u>	<u>\$ 10,040</u>	<u>\$ 20,911</u>	<u>\$ 9,059</u>	<u>\$ 2,823</u>	<u>\$ 4,025</u>	<u>\$ 8,410</u>
\$ 529	\$ 355	\$ 558	\$ 1,197	\$ 925	\$ 114	\$ 169	\$ 59
1,436	1,281	465	1,086	244	2,389	550	505
		411	37				
1,580	458	24	3				651
3			2				
		7,710					6,900
		872	2,259	949	54	357	103
<u>3,548</u>	<u>2,094</u>	<u>10,040</u>	<u>4,584</u>	<u>2,118</u>	<u>2,557</u>	<u>1,076</u>	<u>8,218</u>
789	1,774	150	366	523		368	
			3,151			358	
(788)	(1,702)	(150)	12,810	6,418	266	2,223	192
1	72	0	16,327	6,941	266	2,949	192
<u>\$ 3,549</u>	<u>\$ 2,166</u>	<u>\$ 10,040</u>	<u>\$ 20,911</u>	<u>\$ 9,059</u>	<u>\$ 2,823</u>	<u>\$ 4,025</u>	<u>\$ 8,410</u>

Continued on next page

STATE OF SOUTH DAKOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS (continued)
 June 30, 2006
 (Expressed in Thousands)

Assets	Motor Vehicle	Revenue	Future	Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair
Cash and Cash Equivalents	\$ 10,313	\$ 213	\$ 16,308	\$ 94,189	\$ 5,900	\$ 4,089
Investments						
Securities Lending Collateral	1,305	31	2,061	11,727	746	566
Receivables From:						
Taxes (Net)	211			558	131	
Interest and Dividends	25	20	144		54	24
Other Funds		1		4,387		183
Component Units						
Other Governments	6,347	133				
Loans and Notes (Net)						
Other (Net)	36					
Inventory						
Deferred Fiscal Charges and Other Assets	13					
Total Assets	\$ 18,250	\$ 398	\$ 18,513	\$ 110,861	\$ 6,831	\$ 4,862
Liabilities and Fund Equity						
Liabilities:						
Accounts Payable and Other Liabilities	\$ 350	\$ 437	\$ 452	\$	\$ 148	\$ 96
Payable To:						
Other Funds	507	374			8	3
Component Units			122			
Other Governments	13,893		196			
Claims, Judgments and Compensated Absences	14	11				
Deferred Revenue						
Securities Lending Collateral Liability	1,305	31	2,061	11,727	746	566
Total Liabilities	15,869	853	2,831	11,727	902	665
Fund Balances:						
Reserved For:						
Encumbrances	283	855				
Inventories						
Environmental Projects						
Noncurrent Assets						
Funds held as Permanent Investments						
Unreserved	2,098	(1,310)	15,682	99,134	5,929	4,197
Total Fund Balances	2,381	(455)	15,682	99,134	5,929	4,197
Total Liabilities and Fund Balances	\$ 18,250	\$ 398	\$ 18,513	\$ 110,861	\$ 6,831	\$ 4,862

Water and Environment	Energy Conservation	Cement Plant Commission	Health Care Trust	Railroad Trust	Other	Total
\$ 14,785	\$ 9,243	\$ 12,147	\$ 17,304	\$ 20,207	\$ 106,933	\$ 356,078
1,830	1,170	270	80,112	2,575	1,321	81,433
386					13,409	40,326
142	90	61	378	520	3,044	4,951
357					760	2,519
					5,213	11,444
117					37	41
21,872				6,991	11,426	70,261
					198	29,061
					3,272	5,853
					85	3,358
		2			684	740
<u>\$ 39,489</u>	<u>\$ 10,503</u>	<u>\$ 12,480</u>	<u>\$ 97,794</u>	<u>\$ 30,293</u>	<u>\$ 146,382</u>	<u>\$ 606,065</u>
\$ 2,009	\$ 5	\$ 6	\$	\$ 5	\$ 7,775	\$ 30,733
	3		3,801	5	9,049	26,946
					17	1,283
465					1,066	41,010
					61	160
					27,381	42,471
1,830	1,170	270		2,575	13,409	40,326
4,304	1,178	276	3,801	2,585	58,758	182,929
1,757					3,109	11,348
					85	3,358
		10,000				13,151
21,494				6,221	616	28,331
			81,668			81,668
11,934	9,325	2,204	12,325	21,487	83,814	285,280
35,185	9,325	12,204	93,993	27,708	87,624	423,136
<u>\$ 39,489</u>	<u>\$ 10,503</u>	<u>\$ 12,480</u>	<u>\$ 97,794</u>	<u>\$ 30,293</u>	<u>\$ 146,382</u>	<u>\$ 606,065</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, 2006
(Expressed in Thousands)

	Education Federal	Human Services Federal	Labor Federal	Health Federal	Tourism and State Development Federal
Revenue:					
Taxes	\$	\$	\$ 490	\$	\$
Licenses, Permits and Fees				19	
Fines, Forfeits and Penalties					
Use of Money and Property			2		
Sales and Services	46		2		
Administering Programs	152,164	110,847	30,371	35,905	10,134
Other Revenue	39	21	27	30	
Total Revenue	<u>152,249</u>	<u>110,868</u>	<u>30,892</u>	<u>35,954</u>	<u>10,134</u>
Expenditures:					
General Government					
Education	151,977				
Health, Human and Social Services		110,650	32,303	34,813	
Law, Justice, Public Protection and Regulation					
Agriculture and Natural Resources					
Economic Resources					10,138
Transportation					
State Shared Revenue Paid to Other Governments					
Total Expenditures	<u>151,977</u>	<u>110,650</u>	<u>32,303</u>	<u>34,813</u>	<u>10,138</u>
Excess of Revenue Over (Under) Expenditures	272	218	(1,411)	1,141	(4)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets					
Transfers In		158	1,179	202	
Transfers Out	(256)	(331)		(12)	
Total Other Financing Sources (Uses)	<u>(256)</u>	<u>(173)</u>	<u>1,179</u>	<u>190</u>	<u>0</u>
Special Items					
Sale of Railroad Infrastructure					
Total Special Items	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>16</u>	<u>45</u>	<u>(232)</u>	<u>1,331</u>	<u>(4)</u>
Fund Balances at Beginning of Year	<u>323</u>	<u>292</u>	<u>414</u>	<u>1,292</u>	<u>4</u>
Fund Balances at End of Year	<u>\$ 339</u>	<u>\$ 337</u>	<u>\$ 182</u>	<u>\$ 2,623</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
\$	\$	\$	\$	\$	\$	\$	\$
			25,892	1,483 9,005	15,892 15,015 23	36 6,464	7,100 6,506 7
		224	843	1,359	96		52
36,875	8,996	8,565	353	682	11		
		5	110	72			
<u>36,875</u>	<u>8,996</u>	<u>8,794</u>	<u>27,152</u>	<u>12,623</u>	<u>31,348</u>	<u>6,628</u>	<u>13,665</u>
						6,142	
36,708	9,084	9,703	21,165	10,728	2,120		1,152
							8,255
<u>36,708</u>	<u>9,084</u>	<u>9,703</u>	<u>21,165</u>	<u>10,728</u>	<u>2,120</u>	<u>6,142</u>	<u>9,407</u>
167	(88)	(909)	5,987	1,895	29,228	486	4,258
			202	61			
	43	2,000	353	142		12	
(167)		(1,167)	(4,707)	(732)	(29,228)	(709)	(4,330)
<u>(167)</u>	<u>43</u>	<u>833</u>	<u>(4,152)</u>	<u>(529)</u>	<u>(29,228)</u>	<u>(697)</u>	<u>(4,330)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	(45)	(76)	1,835	1,366		(211)	(72)
1	117	76	14,492	5,575	266	3,160	264
<u>\$ 1</u>	<u>\$ 72</u>	<u>\$ 0</u>	<u>\$ 16,327</u>	<u>\$ 6,941</u>	<u>\$ 266</u>	<u>\$ 2,949</u>	<u>\$ 192</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, 2006
(Expressed in Thousands)

	Motor Vehicle	Revenue	Future	Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair
Revenue:						
Taxes	\$ 2,682	\$ 7,955	\$ 8,232	\$ 5,266	\$ 1,611	\$
Licenses, Permits and Fees	65,313	2,016				
Fines, Forfeits and Penalties						
Use of Money and Property	73	55	443		169	58
Sales and Services	2,032		12			756
Administering Programs						
Other Revenue	15				50	203
Total Revenue	70,115	10,026	8,687	5,266	1,830	1,017
Expenditures:						
General Government	5,750	11,708				173
Education						
Health, Human and Social Services						
Law, Justice, Public Protection and Regulation	3,691					
Agriculture and Natural Resources					1,565	
Economic Resources			7,028			
Transportation						
State Shared Revenue Paid to Other Governments	59,464					
Total Expenditures	68,905	11,708	7,028	0	1,565	173
Excess of Revenue Over (Under) Expenditures	1,210	(1,682)	1,659	5,266	265	844
Other Financing Sources (Uses):						
Proceeds from Sale of Capital Assets						
Transfers In				147,660		34
Transfers Out	(436)	(542)	(46)	(150,088)		(19)
Total Other Financing Sources (Uses)	(436)	(542)	(46)	(2,428)	0	15
Special Items						
Sale of Railroad Infrastructure						
Total Special Items	0	0	0	0	0	0
Net Change in Fund Balances	774	(2,224)	1,613	2,836	265	859
Fund Balances at Beginning of Year	1,607	1,769	14,069	96,296	5,664	3,338
Fund Balances at End of Year	\$ 2,381	\$ (455)	\$ 15,682	\$ 99,134	\$ 5,929	\$ 4,197

Water and Environment	Energy Conservation	Cement Plant Commission	Health Care Trust	Railroad Trust	Other	Total
\$ 4,800	\$	\$	\$	\$	\$ 19,563	\$ 75,110
1,659				168	17,656	149,713
					6,794	6,824
518	276	447	5,719	12,545	3,231	25,910
	49				14,988	18,931
	31		2,586		64,887	461,543
1	168	4		64	9,814	11,056
6,978	524	451	8,305	12,777	136,933	749,087
		114	87		27,041	44,873
					8,099	160,076
					11,878	195,786
					53,838	97,509
9,038					33,630	94,913
	235				10,817	28,218
				1,469	1,522	2,991
						67,719
9,038	235	114	87	1,469	146,825	692,085
(2,060)	289	337	8,218	11,308	(9,892)	57,002
				3,330		3,593
3,014				147	23,813	178,757
(400)			(3,801)	(44,178)	(7,283)	(248,432)
2,614	0	0	(3,801)	(40,701)	16,530	(66,082)
				34,337		34,337
0	0	0	0	34,337	0	34,337
554	289	337	4,417	4,944	6,638	25,257
34,631	9,036	11,867	89,576	22,764	80,986	397,879
\$ 35,185	\$ 9,325	\$ 12,204	\$ 93,993	\$ 27,708	\$ 87,624	\$ 423,136

STATE OF SOUTH DAKOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 June 30, 2006
 (Expressed in Thousands)

	Building Authority	Tobacco Securitization	Total
Assets			
Cash and Cash Equivalents	\$ 20	\$ 298	\$ 318
Investments	58,086	33,115	91,201
Receivables From:			
Interest and Dividends		243	243
Other (net)		10,252	10,252
Deferred Fiscal Charges and Other Assets		10	10
Total Assets	\$ 58,106	\$ 43,918	\$ 102,024
Liabilities and Fund Balances			
Liabilities:			
Deferred Revenue	\$ 0	\$ 10,252	\$ 10,252
Total Liabilities	0	10,252	10,252
Fund Balances:			
Reserved For:			
Debt Service	58,106	33,666	91,772
Total Fund Balances	58,106	33,666	91,772
Total Liabilities and Fund Balances	\$ 58,106	\$ 43,918	\$ 102,024

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, 2006
(Expressed in Thousands)

	<u>Building Authority</u>	<u>Tobacco Securitization</u>	<u>Total</u>
Revenue:			
Use of Money and Property	\$	\$ 1,509	\$ 1,509
Tobacco Settlement		20,415	20,415
Other Revenue	56		56
Total Revenue	<u>56</u>	<u>21,924</u>	<u>21,980</u>
Expenditures:			
Current:			
General Government	37	148	185
Debt Service:			
Principal	11,196	4,508	15,704
Interest	5,845	17,135	22,980
Total Expenditures	<u>17,078</u>	<u>21,791</u>	<u>38,869</u>
Excess of Revenue Over (Under) Expenditures	(17,022)	133	(16,889)
Other Financing Sources (Uses):			
Proceeds of Refunding Bonds	2,864		2,864
Payments on Advance Refundings	(2,932)		(2,932)
Premiums on Refunding Bonds	149		149
Transfers In	10,291		10,291
Transfers Out	(34)		(34)
Total Other Financing Sources (Uses)	<u>10,338</u>	<u>0</u>	<u>10,338</u>
Net Change in Fund Balances	(6,684)	133	(6,551)
Fund Balances at Beginning of Year	64,790	33,533	98,323
Fund Balances at End of Year	<u>\$ 58,106</u>	<u>\$ 33,666</u>	<u>\$ 91,772</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2006
(Expressed in Thousands)

Assets	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Current Assets:					
Cash and Cash Equivalents	\$ 42,120	\$ 18,780	\$ 469	\$ 450	\$ 319
Receivables:					
Interest and Dividends	474		10	2	4
Other Funds		36		9	
Component Units					1
Other Governments		192			20
Loans and Notes (Net)	4,873				
Other (Net)	7	913		14	199
Inventory					836
Securities Lending Collateral	5,305		60	54	40
Deferred Fiscal Charges and Other Assets					
Total Current Assets	<u>52,779</u>	<u>19,921</u>	<u>539</u>	<u>529</u>	<u>1,419</u>
Capital Assets:					
Land and Other Non-depreciable Assets				192	103
Property, Plant and Equipment				3,242	559
Accumulated Depreciation				(2,714)	(311)
Total Capital Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>720</u>	<u>351</u>
Other Noncurrent Assets	32,750				
Total Assets	<u>85,529</u>	<u>19,921</u>	<u>539</u>	<u>1,249</u>	<u>1,770</u>
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	36		1	85	206
Payable To:					
Other Funds	5	45		11	4
Bonds, Notes and Leases Payable					4
Claims, Judgments and Compensated Absences	15		1,342	15	39
Deferred Revenue				252	3
Securities Lending Collateral Liability	5,305		60	54	40
Total Current Liabilities	<u>5,381</u>	<u>45</u>	<u>1,403</u>	<u>417</u>	<u>296</u>
Noncurrent Liabilities:					
Claims, Judgments and Compensated Absences	13		1	14	35
Total Liabilities	<u>5,374</u>	<u>45</u>	<u>1,404</u>	<u>431</u>	<u>331</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt				720	347
Unrestricted	80,155	19,876	(865)	98	1,092
Total Net Assets	<u>\$ 80,155</u>	<u>\$ 19,876</u>	<u>\$ (865)</u>	<u>\$ 818</u>	<u>\$ 1,439</u>

<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>Health Insurance Risk Pool</u>	<u>Professional and Licensing</u>	<u>Banking and Insurance</u>	<u>Other</u>	<u>Total</u>
\$ 6,245	\$ 1,907	\$ 5,890	\$ 5,825	\$ 1,631	\$ 2,348	\$ 85,984
81	11	58	53	10	19	722
	354				1	400
	24					25
746						212
	103	25			13	5,619
	1,138				90	1,274
789	240	746	731	205	286	2,064
	9				62	8,456
<u>7,861</u>	<u>3,786</u>	<u>6,719</u>	<u>6,609</u>	<u>1,846</u>	<u>2,819</u>	<u>104,827</u>
						295
5	2,477		23	7	793	7,106
(4)	(1,004)		(20)	(6)	(184)	(4,243)
<u>1</u>	<u>1,473</u>	<u>0</u>	<u>3</u>	<u>1</u>	<u>609</u>	<u>3,158</u>
<u>1,486</u>						<u>34,236</u>
<u>9,348</u>	<u>5,259</u>	<u>6,719</u>	<u>6,612</u>	<u>1,847</u>	<u>3,428</u>	<u>142,221</u>
29	335	50	304	269	41	1,356
8	34		65	9	23	204
15	64	718	133	71	9	4
	70	317	617		2	2,421
789	240	746	731	205	286	1,261
<u>841</u>	<u>743</u>	<u>1,831</u>	<u>1,850</u>	<u>554</u>	<u>361</u>	<u>8,456</u>
						13,702
14	58	3	120	64	8	330
<u>855</u>	<u>801</u>	<u>1,834</u>	<u>1,970</u>	<u>618</u>	<u>369</u>	<u>14,032</u>
1	1,473		3	1	609	3,154
8,492	2,985	4,885	4,639	1,228	2,450	125,035
<u>\$ 8,493</u>	<u>\$ 4,458</u>	<u>\$ 4,885</u>	<u>\$ 4,642</u>	<u>\$ 1,229</u>	<u>\$ 3,059</u>	<u>\$ 128,189</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, 2006
(Expressed in Thousands)

	<u>Revolving Economic Development and Initiative</u>	<u>Unemployment Insurance</u>	<u>Second Injury</u>	<u>State Fair</u>	<u>Federal Surplus Property</u>
Operating Revenue:					
Licenses, Permits and Fees	\$	\$	\$	\$	\$
Use of Money and Property	1,013			327	
Sales and Services				1,172	4,090
Administering Programs					
Assessments		22,069	7,928		
Other Revenue	200			146	
Total Operating Revenue	<u>1,213</u>	<u>22,069</u>	<u>7,928</u>	<u>1,645</u>	<u>4,090</u>
Operating Expenses:					
Personal Services and Benefits	339		21	931	497
Travel	20			20	10
Contractual Services	177		1	1,361	927
Supplies and Materials	11			225	2,703
Other	15			39	
Depreciation/Amortization				35	25
Insurance Claims		25,778	7,756		
Total Operating Expenses	<u>562</u>	<u>25,778</u>	<u>7,778</u>	<u>2,611</u>	<u>4,162</u>
Operating Income (Loss)	651	(3,709)	150	(966)	(72)
Nonoperating Revenue (Expenses):					
Gain on Disposal of Assets				54	
Interest Income	1,307	1,194	33	7	11
Other Expense	(205)		(13)	(1)	(2)
Grant and Other Income	334			25	
Total Nonoperating Revenue (Expenses)	<u>1,436</u>	<u>1,194</u>	<u>20</u>	<u>85</u>	<u>9</u>
Income (Loss) Before Transfers	2,087	(2,515)	170	(881)	(63)
Transfers:					
Transfers In		222		994	
Transfers Out		(242)			
Net Transfers In (Out)	<u>0</u>	<u>(20)</u>	<u>0</u>	<u>994</u>	<u>0</u>
Change in Net Assets	2,087	(2,535)	170	113	(63)
Net Assets at Beginning of Year	78,068	22,411	(1,035)	705	1,502
Net Assets at End of Year	<u>\$ 80,155</u>	<u>\$ 19,876</u>	<u>\$ (865)</u>	<u>\$ 818</u>	<u>\$ 1,439</u>

<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>Health Insurance Risk Pool</u>	<u>Professional and Licensing</u>	<u>Banking and Insurance</u>	<u>Other</u>	<u>Total</u>
\$ 46	\$	\$	\$ 5,164	\$ 2,454	\$ 1,112	\$ 8,776
140						1,480
8	5,750	4,282	216	6	814	16,338
			254		559	813
						29,997
22		8	176	180	2	734
<u>216</u>	<u>5,750</u>	<u>4,290</u>	<u>5,810</u>	<u>2,640</u>	<u>2,487</u>	<u>58,138</u>
328	908	54	2,839	977	280	6,972
39	7	3	624	115	15	853
156	395	337	1,877	526	1,418	6,975
48	3,555		483	45	301	7,371
66			214		1	335
	94		2	1	182	339
		3,966				37,500
<u>637</u>	<u>4,957</u>	<u>4,360</u>	<u>5,639</u>	<u>1,664</u>	<u>2,197</u>	<u>60,345</u>
(421)	793	(70)	171	976	290	(2,207)
						54
166	40	170	163	26	48	3,165
(27)	(7)	(28)	(26)	(5)	(8)	(322)
						359
<u>139</u>	<u>33</u>	<u>142</u>	<u>137</u>	<u>21</u>	<u>40</u>	<u>3,256</u>
(282)	626	72	308	997	330	1,049
		501		31	80	1,828
(3)	(77)		(67)		(92)	(481)
<u>(3)</u>	<u>(77)</u>	<u>501</u>	<u>(67)</u>	<u>31</u>	<u>(12)</u>	<u>1,347</u>
(285)	749	573	241	1,028	318	2,396
8,778	3,709	4,312	4,401	201	2,741	125,793
<u>\$ 8,493</u>	<u>\$ 4,458</u>	<u>\$ 4,885</u>	<u>\$ 4,642</u>	<u>\$ 1,229</u>	<u>\$ 3,059</u>	<u>\$ 128,189</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 109	\$ 22,276	\$ 7,928	\$ 1,564	\$ 2,569
Receipts from Interfund Services Provided					1,474
Receipts from Federal Agencies					87
Receipts from Loan Payments	4,686				
Payments to Suppliers and for Benefits and Claims	(252)	(25,778)	(8,264)	(1,469)	(3,511)
Payments for Employee Services	(341)		(21)	(932)	(493)
Payments for Interfund Services Used	(46)	(9)	(1)	(198)	(71)
Payments for Loans Originated	(11,513)				
Other Receipts (Payments)	223		(8)		
Net Cash Provided (Used) by Operating Activities	(7,134)	(3,511)	(366)	(1,035)	55
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets					
Sales of Equipment				113	
Payments on Capital Lease Obligations					(9)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	113	(9)
Cash Flows From Noncapital Financing Activities:					
Transfers In		222		994	
Transfers Out		(242)			
Received (Paid) on Interfund Borrowing				25	
Other Noncapital Financing Activities					
Net Cash Provided (Used) by Noncapital Financing Activities	0	(20)	0	1,019	0
Cash Flows From Investing Activities:					
Investment Income	1,189	1,194	32	5	9
Security Lending Rebate Fees	(205)		(5)	(1)	(2)
Net Cash Provided (Used) by Investing Activities	984	1,194	27	4	7
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(6,150)	(2,337)	(339)	101	53
Cash and Cash Equivalents at Beginning of Year	48,270	21,117	808	349	266
Cash and Cash Equivalents at End of Year	\$ 42,120	\$ 18,780	\$ 469	\$ 450	\$ 319
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 651	\$ (3,709)	\$ 150	\$ (966)	\$ (72)
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense				35	25
Miscellaneous Nonoperating Items	334		(8)		
Decrease/(Increase) in Assets:					
Accounts Receivable	(2)	207			55
Interest, Dividends & Penalties Receivable	(23)				
Loans and Notes Receivable	(8,072)				
Due From Other Funds		22		(9)	2
Due From Component Units					
Due From Other Governments		(56)			(15)
Inventory					64
Deferred Fiscal Charges and Other Assets					
Increase/(Decrease) in Liabilities:					
Accounts Payable	(21)			(12)	(5)
Accrued Liabilities				(6)	9
Compensated Absences Payable	(2)			5	(5)
Due To Other Funds	1	25		(1)	
Deferred Revenue				(81)	(3)
Policy Claim Liabilities			(508)		
Net Cash Provided (Used) by Operating Activities	\$ (7,134)	\$ (3,511)	\$ (366)	\$ (1,035)	\$ 55

<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>Health Insurance Risk Pool</u>	<u>Professional and Licensing</u>	<u>Banking and Insurance</u>	<u>Other</u>	<u>Total</u>
\$ 1,283	\$ 835	\$ 4,301	\$ 5,393	\$ 3,058	\$ 1,733	\$ 51,049
	4,759		445		107	6,785
					650	737
						4,686
(204)	(3,823)	(4,133)	(2,420)	(730)	(1,555)	(52,139)
(341)	(908)	(55)	(2,638)	(995)	(284)	(7,008)
(105)	(160)	(19)	(522)		(229)	(1,360)
			54			(11,513)
						269
633	703	94	312	1,333	422	(8,494)
	(112)				(642)	(754)
						113
						(9)
0	(112)	0	0	0	(642)	(650)
		501		31	80	1,828
(3)	(77)		(67)		(92)	(481)
					(2)	(2)
						25
(3)	(77)	501	(67)	31	(14)	1,370
146	38	144	145	18	41	2,961
(27)	(6)	(28)	(26)	(5)	(9)	(314)
119	32	116	119	13	32	2,647
749	546	711	364	1,377	(202)	(5,127)
5,496	1,361	5,179	5,461	254	2,550	91,111
\$ 6,245	\$ 1,907	\$ 5,890	\$ 5,825	\$ 1,631	\$ 2,348	\$ 85,984
\$ (421)	\$ 793	\$ (70)	\$ 171	\$ 976	\$ 290	\$ (2,207)
	94		2	1	182	339
		(1)				325
	22	(25)			(2)	255
59						36
1,008						(7,064)
	(167)			418		266
	9					9
						(71)
	(125)				13	(48)
	7				(46)	(39)
1	75	21	91	(45)	(13)	92
			21	1		25
(14)	(5)	(1)	(21)	(19)	(4)	(66)
	8	(12)	19	1	2	43
	(8)	37	29			(26)
		145				(383)
\$ 633	\$ 703	\$ 94	\$ 312	\$ 1,333	\$ 422	\$ (8,494)

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2006
(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 26,242	\$ 1,440	\$ 2,463	\$ 6,282	\$ 456	\$ 557
Receivables:						
Interest and Dividends	266	3	20	58	4	3
Other Funds		1,511	841	728	1,055	358
Component Units		24	460	31		1
Other Governments						
Other		1	56		1	3
Inventory		17	276		34	245
Securities Lending Collateral	3,323	180	311	794	56	70
Deferred Fiscal Charges and Other Assets	338	851	372	357		9
Total Current Assets	30,169	4,027	4,799	8,250	1,606	1,246
Capital Assets:						
Property, Plant and Equipment	9	10,533	4,682	9,296	1,033	432
Accumulated Depreciation	(7)	(7,858)	(4,198)	(8,740)	(818)	(320)
Construction in Progress		31	89			
Total Capital Assets	2	2,706	573	556	215	112
Total Assets	30,171	6,733	5,372	8,806	1,821	1,358
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	239	781	798	41	411	34
Payable To:						
Other Funds	27	127	124	87	61	5
Component Units						
Bonds, Notes and Leases Payable		64				
Claims, Judgments and Compensated Absences	10,070	868	309	83	134	35
Deferred Revenue	6,299					22
Securities Lending Collateral Liability	3,323	180	311	794	56	70
	<u>19,958</u>	<u>2,020</u>	<u>1,542</u>	<u>1,005</u>	<u>662</u>	<u>166</u>
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		132				
Claims, Judgments and Compensated Absences	13	782	278	75	121	31
Total Liabilities	19,971	2,934	1,820	1,080	783	197
Net Assets						
Invested in Capital Assets, Net of Related Debt	2	2,510	573	556	215	112
Unrestricted	10,198	1,289	2,979	7,170	823	1,049
Total Net Assets	\$ 10,200	\$ 3,799	\$ 3,552	\$ 7,726	\$ 1,038	\$ 1,161

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 494	\$ 11,967	\$ 1,755	\$ 558	\$ 3,920	\$ 3,063	\$ 59,217
2	108	21	5	44	30	564
73		1,459	277		845	7,147
		378	1		93	988
					105	105
15		14	2		261	353
					381	953
62	1,515	158	71	497	385	7,422
45		28			3	2,003
691	13,610	3,813	914	4,461	5,166	78,752
379	58	38,680	24		7,635	72,761
(324)	(36)	(25,184)	(20)		(2,679)	(50,184)
						120
55	22	13,496	4	0	4,956	22,697
746	13,632	17,309	918	4,461	10,122	101,449
21	24	389	211	8	499	3,456
18	25	511	50	3	263	1,301
		51				51
		1,974			234	2,272
31	1,106	31	226	1,704	388	14,985
					34	6,355
62	1,515	158	71	497	385	7,422
132	2,670	3,114	558	2,212	1,803	35,842
		3,835			619	4,586
29	2,144	28	203	12,456	349	16,509
161	4,814	6,977	761	14,668	2,771	56,937
55	22	7,887	4		4,103	15,839
530	8,796	2,645	153	(10,207)	3,248	28,673
\$ 585	\$ 8,818	\$ 10,332	\$ 157	\$ (10,207)	\$ 7,351	\$ 44,512

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, 2006
(Expressed in Thousands)

	<u>Self- Insurance</u>	<u>Information Services</u>	<u>Tele- communi- cations</u>	<u>Accounting and Payroll</u>	<u>Buildings and Grounds</u>	<u>Central Mail</u>
Operating Revenue:						
Use of Money and Property	\$ 29	\$	\$	\$	\$	\$
Sales and Services	88,972	17,111	13,020	2,826	4,357	3,756
Other Revenue	755			10	2	
Total Operating Revenue:	<u>89,756</u>	<u>17,111</u>	<u>13,020</u>	<u>2,836</u>	<u>4,359</u>	<u>3,756</u>
Operating Expenses:						
Personal Services and Benefits	375	11,093	4,133	575	2,405	328
Travel	7	82	168	4	3	2
Contractual Services	6,666	3,658	7,898	1,730	1,335	168
Supplies and Materials	93	540	622	76	784	3,267
Interest		8				
Depreciation/Amortization		1,584	305	540	68	40
Insurance Claims	86,167					
Total Operating Expenses	<u>93,308</u>	<u>16,965</u>	<u>13,126</u>	<u>2,925</u>	<u>4,595</u>	<u>3,805</u>
Operating Income (Loss)	(3,552)	146	(106)	(89)	(236)	(49)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets					20	
Loss on Disposal of Assets						(4)
Interest Income	818	18	67	169	10	11
Other Expense	(131)	(1)	(10)	(28)	(2)	(2)
Total Nonoperating Revenue (Expenses)	<u>687</u>	<u>17</u>	<u>57</u>	<u>141</u>	<u>28</u>	<u>5</u>
Income (Loss) Before Transfers	(2,865)	163	(49)	52	(208)	(44)
Transfers:						
Transfers In				392		
Transfers Out						
Net Transfers In (Out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>392</u>	<u>0</u>	<u>0</u>
Change in Net Assets	(2,865)	163	(49)	444	(208)	(44)
Net Assets at Beginning of Year	13,065	3,636	3,601	7,282	1,246	1,205
Net Assets at End of Year	<u>\$ 10,200</u>	<u>\$ 3,799</u>	<u>\$ 3,552</u>	<u>\$ 7,726</u>	<u>\$ 1,038</u>	<u>\$ 1,161</u>

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$	\$	\$	\$	\$	\$	\$
797	2,734	15,144	3,726	3,018	11,429	166,890
	138	52		66	100	1,121
797	2,870	15,196	3,726	3,084	11,529	168,040
321	270	491	2,800	111	4,925	27,827
12	16	12	83		272	661
418	1,112	1,597	713	137	2,220	27,652
19	14	7,089	218	6	3,457	16,185
		271			66	345
33	8	4,867	2		545	7,792
				3,824	243	90,234
803	1,420	14,127	3,816	4,078	11,728	170,696
(6)	1,450	1,069	(90)	(994)	(199)	(2,656)
		397				417
		(131)	(3)		(14)	(152)
8	316	59	12	136	96	1,720
(1)	(53)	(10)	(2)	(22)	(66)	(328)
7	263	315	7	114	16	1,657
1	1,713	1,384	(83)	(880)	(183)	(999)
6			224		384	1,006
					(216)	(216)
6	0	0	224	0	168	790
7	1,713	1,384	141	(880)	(15)	(209)
578	7,105	8,948	16	(9,327)	7,366	44,721
\$ 585	\$ 8,818	\$ 10,332	\$ 157	\$ (10,207)	\$ 7,351	\$ 44,512

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

**For the Fiscal Year Ended June 30, 2006
(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	\$ 48,961	\$ 433	\$ 3,240	\$ 194	\$ 6	\$ 151
Receipts from Interfund Services Provided	41,060	16,421	9,437	2,748	4,184	3,567
Payments to Suppliers and for Benefits and Claims	(91,206)	(3,518)	(7,997)	(859)	(1,555)	(3,361)
Payments for Employee Services	(363)	(11,219)	(4,194)	(580)	(2,387)	(332)
Payments for Interfund Services Used	(409)	(1,206)	(821)	(943)	(371)	(80)
Other Receipts (Payments)				17	2	
Net Cash Provided (Used) by Operating Activities	(1,957)	911	(335)	577	(121)	(55)
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(843)	(230)		(43)	(64)
Sales of Capital Assets					23	
Payments on Capital Lease Obligations		(90)				
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(933)	(230)	0	(20)	(64)
Cash Flows From Noncapital Financing Activities:						
Transfers In				392		
Transfers Out						
Received (Paid) on Interfund Borrowing						
Net Cash Provided (Used) From Noncapital Financing Activities	0	0	0	392	0	0
Cash Flows From Investing Activities:						
Investment Income (Expense)	727	25	65	143	9	10
Security Lending Rebate Fees	(131)	(1)	(10)	(28)	(2)	(2)
Net Cash Provided (Used) by Investing Activities	596	24	55	115	7	8
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(1,361)	2	(510)	1,084	(134)	(111)
Cash and Cash Equivalents at Beginning of Year	27,603	1,438	2,973	5,196	590	668
Cash and Cash Equivalents at End of Year	\$ 26,242	\$ 1,440	\$ 2,463	\$ 6,282	\$ 456	\$ 557
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (3,552)	\$ 146	\$ (106)	\$ (89)	\$ (236)	\$ (49)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		1,584	305	540	68	40
Interest Expense		8				
Decrease/(Increase) in Assets:						
Accounts Receivable		3	(17)			(1)
Due From Other Funds	33	(252)	(74)	117	(166)	(57)
Due From Component Units		(4)	(253)	6		
Due From Other Governments						
Inventory		(4)	108		3	(15)
Deferred Fiscal Charges and Other Assets		(264)	(196)	(3)		10
Increase/(Decrease) in Liabilities:						
Accounts Payable	(13)	(161)	(43)	1	148	
Accrued Liabilities	6	42	9	4	26	2
Compensated Absences Payable	6	(167)	(70)	(9)	(8)	(6)
Due To Other Funds	(7)		2	10	44	
Due to Component Units						
Deferred Revenue	266					21
Policy Claim Liabilities	1,304					
Net Cash Provided (Used) by Operating Activities	\$ (1,957)	\$ 911	\$ (335)	\$ 577	\$ (121)	\$ (55)
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets					20	(4)
Capital Lease Obligations Entered into						
Transfers In (Out) of Fixed Assets						

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 482	\$ 1,007	\$ 2,614	\$ 29	\$ 849	\$ 2,245	\$ 60,211
370	1,726	12,327	3,736	2,235	9,054	106,865
(357)	(2,183)	(3,089)	(480)	(3,824)	(4,664)	(123,093)
(322)	(273)	(497)	(2,836)	(111)	(5,008)	(28,122)
(116)	(107)	(5,502)	(518)	(56)	(1,609)	(11,738)
	5	51			80	155
57	175	5,904	(89)	(907)	98	4,278
	(30)	(4,539)			(154)	(5,903)
		853				876
		(3,254)			(275)	(3,619)
0	(30)	(6,940)	0	0	(429)	(8,646)
			224		384	1,000
					(216)	(216)
					23	23
0	0	0	224	0	191	807
7	268	46	8	122	91	1,521
(1)	(53)	(10)	(2)	(22)	(16)	(278)
6	215	36	6	100	75	1,243
63	360	(1,000)	161	(807)	(65)	(2,318)
431	11,627	2,755	397	4,727	3,128	61,535
\$ 494	\$ 11,987	\$ 1,755	\$ 558	\$ 3,920	\$ 3,063	\$ 59,217
\$ (6)	\$ 1,450	\$ 1,069	\$ (90)	\$ (994)	\$ (199)	\$ (2,656)
33	8	4,667	2		545	7,792
		278			40	326
(1)		(7)	2		(48)	(69)
56		(152)	36		(61)	(520)
		(50)			(13)	(314)
		5			(6)	(1)
					(25)	67
(14)		(5)				(492)
(7)	1	(44)	18	(5)	(42)	(147)
	2	1	6	2	19	119
(2)	(5)	(7)	(41)	(2)	(96)	(407)
(2)	20	138	(2)	(21)	(15)	167
		11				11
					(1)	286
	(1,301)			113		116
\$ 57	\$ 175	\$ 5,904	\$ (89)	\$ (907)	\$ 98	\$ 4,278
		266	(3)		(14)	265
		(1,319)				(1,319)
5						5

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2006
(Expressed in Thousands)

Assets	South Dakota Retirement System	Cement Plant Retirement System	Total
Cash and Cash Equivalents	\$ 3,134	\$ 3,017	\$ 6,151
Receivables:			
Employer	2,491		2,491
Employee	7,798		7,798
Benefits	106		106
Unsettled Investment Sales	52,411	1,807	54,218
Investment Income	21,054	146	21,200
Total Receivables	83,860	1,953	85,813
Investments, at Fair Value:			
Fixed Income	1,930,921	7,808	1,938,729
Equities	4,255,957	26,862	4,282,819
Real Estate	437,295	2,506	439,801
Private Equity	340,722	2,338	343,060
Total Investments	6,964,895	39,514	7,004,409
Securities Lending Collateral	565,300	3,096	568,396
Properties, at Cost	58		58
Accumulated Depreciation	(32)		(32)
Other Assets	481		481
Total Assets	7,617,696	47,580	7,665,276
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,012		2,012
Due to Other Funds	40		40
Compensated Absences Payable	198		198
Securities Sold, But Not Yet Purchased, at Fair Value	154,926		154,926
Unsettled Investment Purchases	50,590	1,818	52,408
Securities Lending Collateral Liability	565,300	3,096	568,396
Total Liabilities	773,066	4,914	777,980
Net Assets Held In Trust For Pension and Other Employee Benefits	\$ 6,844,630	\$ 42,666	\$ 6,887,296

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)

Additions	South Dakota Retirement System	Cement Plant Retirement System	Total
Contributions:			
Employee	\$ 82,465	\$	\$ 82,465
Employer	80,829		80,829
Total Contributions	<u>163,294</u>	<u>0</u>	<u>163,294</u>
Investment Income:			
<i>From Investing Activities</i>			
Net Increase (Decrease) in Fair Value of Investments	590,266	3,524	593,790
Interest	90,042	531	90,573
Dividends	103,344	640	103,984
Real Estate	13,583	94	13,677
Investment Activity Income	<u>797,235</u>	<u>4,789</u>	<u>802,024</u>
Less Investment Activity Expenses	<u>(14,721)</u>	<u>(24)</u>	<u>(14,745)</u>
Net Investment Activity Income	782,514	4,765	787,279
<i>From Security Lending Activities</i>			
Security Lending Income	18,871	74	18,945
Security Lending Expenses	<u>(17,392)</u>	<u>(69)</u>	<u>(17,461)</u>
Net Security Lending Activity Income	<u>1,479</u>	<u>5</u>	<u>1,484</u>
Net Investment Income (Loss)	<u>783,993</u>	<u>4,770</u>	<u>788,763</u>
Total Additions	<u>947,287</u>	<u>4,770</u>	<u>952,057</u>
Deductions			
Benefits	234,826	2,507	237,333
Refunds of Contributions	25,070		25,070
Administrative Expenses	<u>2,697</u>	<u>96</u>	<u>2,793</u>
Total Deductions	<u>262,593</u>	<u>2,603</u>	<u>265,196</u>
Net Increase	684,694	2,167	686,861
Net Assets Held in Trust For Pension and Other Employee Benefits, Beginning of Year	<u>6,159,936</u>	<u>40,499</u>	<u>6,200,435</u>
End of Year	<u>\$ 6,844,630</u>	<u>\$ 42,666</u>	<u>\$ 6,887,296</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2006
(Expressed in Thousands)

Assets	Common School	Child's Own	Corrections	Other	Total
Cash and Cash Equivalents	\$ 17,771	\$ 304	\$ 1,717	\$ 1,542	\$ 21,334
Receivables:					
Due from Other Funds			122	2	124
Investment Income	641	1		4	646
Other		157		2	159
Total Receivables	<u>641</u>	<u>158</u>	<u>122</u>	<u>8</u>	<u>929</u>
Investments, at Fair Value:					
Pooled Investment Funds	116,365				116,365
Money Market				3	3
Total Investments	<u>116,365</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>116,368</u>
Securities Lending Collateral	32,622	18		153	32,793
Properties, at Cost	14,090			30	14,120
Other Assets	29			19	48
Total Assets	<u>181,518</u>	<u>480</u>	<u>1,839</u>	<u>1,755</u>	<u>185,592</u>
Liabilities					
Payables:					
Accounts Payable and Other Liabilities		216		64	280
Due To Other Funds			150	24	174
Securities Lending Collateral Liability	32,622	18		153	32,793
Total Liabilities	<u>32,622</u>	<u>234</u>	<u>150</u>	<u>241</u>	<u>33,247</u>
Net Assets Held In Trust For Others	<u>\$ 148,896</u>	<u>\$ 246</u>	<u>\$ 1,689</u>	<u>\$ 1,514</u>	<u>\$ 152,345</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2006
(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	\$	\$	\$	\$ 297	\$ 297
From Clients and Inmates			7,757	1,025	8,782
Total Contributions	<u>0</u>	<u>0</u>	<u>7,757</u>	<u>1,322</u>	<u>9,079</u>
Investment Income:					
<i>From Investing Activities</i>					
Net Increase (Decrease) in Fair Value of Investments	(1,577)	(1)		(4)	(1,582)
Interest	8,499	4		16	8,519
Dividends	2,029				2,029
Net Investment Activity Income	<u>8,951</u>	<u>3</u>	<u>0</u>	<u>12</u>	<u>8,966</u>
<i>From Security Lending Activities</i>					
Security Lending Income	1,186	1		2	1,189
Security Lending Expenses	(1,141)	(1)		(2)	(1,144)
Net Security Lending Activity Income	<u>45</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>45</u>
Net Investment Income (Loss)	<u>8,996</u>	<u>3</u>	<u>0</u>	<u>12</u>	<u>9,011</u>
Escheated Property	91				91
Gain from Sale of Assets	1,383				1,383
Miscellaneous Income	3,468	882			4,350
Transfers From Other Funds				3	3
Total Additions	<u>13,938</u>	<u>885</u>	<u>7,757</u>	<u>1,337</u>	<u>23,917</u>
Deductions					
Distribution to School Districts	8,265				8,265
Payments made for Trust Purposes		862	7,221	1,690	9,773
Administrative Expenses		1			1
Total Deductions	<u>8,265</u>	<u>863</u>	<u>7,221</u>	<u>1,690</u>	<u>18,039</u>
Net Increase (Decrease)	5,673	22	536	(353)	5,878
Net Assets Held in Trust For Others					
Beginning of Year	<u>143,223</u>	<u>224</u>	<u>1,153</u>	<u>1,867</u>	<u>146,467</u>
End of Year	<u>\$ 148,896</u>	<u>\$ 246</u>	<u>\$ 1,689</u>	<u>\$ 1,514</u>	<u>\$ 152,345</u>



STATE OF SOUTH DAKOTA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 June 30, 2006
 (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	\$ 12,499	\$ 890	\$ 3,898	\$ 3,287	\$ 2,143	\$ 22,717
Receivables:						
Taxes Receivable (net)	26,573					26,573
Due From Other Funds	7		88			95
Due From Other Governments	351				28	379
Interest and Dividends Receivable	71				4	75
Other	95				34	129
Total Receivables	<u>27,097</u>	<u>0</u>	<u>88</u>	<u>0</u>	<u>66</u>	<u>27,251</u>
Total Assets	<u>\$ 39,596</u>	<u>\$ 890</u>	<u>\$ 3,986</u>	<u>\$ 3,287</u>	<u>\$ 2,209</u>	<u>\$ 49,968</u>
Liabilities						
Payables:						
Accounts Payable and Other Liabilities	\$ 4,529	\$ 890	\$ 2	\$ 3,287	\$ 1,236	\$ 9,944
Due To Other Governments	35,067		3,984		973	40,024
Total Liabilities	<u>\$ 39,596</u>	<u>\$ 890</u>	<u>\$ 3,986</u>	<u>\$ 3,287</u>	<u>\$ 2,209</u>	<u>\$ 49,968</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Department of Revenue - Tax Collections				
Assets:				
Cash and Cash Equivalents	\$ 7,804	\$ 270,500	\$ 285,805	\$ 12,499
Accounts Receivable	83	95	83	95
Taxes Receivable (Net)	26,413	26,573	26,413	26,573
Interest and Dividends Receivable	53	71	53	71
Due From Other Funds		7		7
Due From Other Governments	419	351	419	351
Total Assets	\$ 34,772	\$ 297,597	\$ 292,773	\$ 39,596
Liabilities:				
Accounts Payable and Other Liabilities	\$ 2,876	\$ 4,481	\$ 2,828	\$ 4,529
Due To Other Governments	31,896	293,116	289,945	35,067
Total Liabilities	\$ 34,772	\$ 297,597	\$ 292,773	\$ 39,596
Social Services - Child Support				
Assets:				
Cash and Cash Equivalents	\$ 437	\$ 87,512	\$ 87,059	\$ 890
Total Assets	\$ 437	\$ 87,512	\$ 87,059	\$ 890
Liabilities:				
Accounts Payable and Other Liabilities	\$ 437	\$ 87,512	\$ 87,059	\$ 890
Total Liabilities	\$ 437	\$ 87,512	\$ 87,059	\$ 890
State Auditor - Payroll Withholding				
Assets:				
Cash and Cash Equivalents	\$ 3,843	\$ 154,315	\$ 154,260	\$ 3,898
Due From Other Funds		88		88
Total Assets	\$ 3,843	\$ 154,403	\$ 154,260	\$ 3,986
Liabilities:				
Accounts Payable and Other Liabilities	\$ 2	\$ 2,118	\$ 2,118	\$ 2
Due To Other Governments	3,841	152,285	152,142	3,984
Total Liabilities	\$ 3,843	\$ 154,403	\$ 154,260	\$ 3,986
State Clerk of Courts				
Assets:				
Cash and Cash Equivalents	\$ 3,765	\$ 9,209	\$ 9,887	\$ 3,287
Total Assets	\$ 3,765	\$ 9,209	\$ 9,887	\$ 3,287
Liabilities:				
Accounts Payable and Other Liabilities	\$ 3,765	\$ 9,209	\$ 9,887	\$ 3,287
Total Liabilities	\$ 3,765	\$ 9,209	\$ 9,887	\$ 3,287

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS (Continued)
For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)**

Other Agency Funds	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Assets:				
Cash and Cash Equivalents	\$ 1,459	\$ 31,549	\$ 30,865	\$ 2,143
Accounts Receivable	23	34	23	34
Interest and Dividends Receivable	2	4	2	4
Due From Other Governments	61	767	800	28
Total Assets	\$ 1,545	\$ 32,354	\$ 31,690	\$ 2,209
Liabilities:				
Accounts Payable and Other Liabilities	\$ 526	\$ 29,375	\$ 28,665	\$ 1,236
Due To Other Governments	1,019	1,376	1,422	973
Total Liabilities	\$ 1,545	\$ 30,751	\$ 30,087	\$ 2,209
 Total All Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 17,308	\$ 553,085	\$ 547,676	\$ 22,717
Accounts Receivable	106	129	106	129
Taxes Receivable (Net)	26,413	26,573	26,413	26,573
Interest and Dividends Receivable	55	75	55	75
Due From Other Funds		95		95
Due From Other Governments	480	1,118	1,219	379
Total Assets	\$ 44,362	\$ 581,075	\$ 575,469	\$ 49,968
Liabilities:				
Accounts Payable and Other Liabilities	\$ 7,606	\$ 132,695	\$ 130,357	\$ 9,944
Due To Other Governments	36,756	446,777	443,509	40,024
Total Liabilities	\$ 44,362	\$ 579,472	\$ 573,866	\$ 49,968





STATISTICAL SECTION

State of South Dakota
Net Assets by Component,
Last Five Fiscal Years

(accrual basis of accounting, dollars in thousands)

	Fiscal Year				
	2006	2005	2004	2003	2002
Governmental activities:					
Invested in capital assets, net of related debt	\$ 2,829,173	\$ 2,690,656	\$ 2,572,130	\$ 2,520,503	\$ 2,433,483
Restricted	1,012,357	280,219	253,780	248,126	209,216
Unrestricted	85,670	821,458	804,023	701,701	648,416
Total governmental activities net assets	\$ 3,927,200	\$ 3,792,333	\$ 3,629,933	\$ 3,470,330	\$ 3,291,115
Business-type activities					
Invested in capital assets, net of related debt	\$ 3,184	\$ 2,817	\$ 2,737	\$ 2,615	\$ 2,881
Restricted	262,293	227,167	215,957	197,892	197,428
Unrestricted	89,879	95,195	95,578	92,168	87,092
Total business-type activities net assets	\$ 355,356	\$ 325,179	\$ 314,272	\$ 292,675	\$ 287,401
Primary government					
Invested in capital assets, net of related debt	\$ 2,832,357	\$ 2,693,473	\$ 2,574,867	\$ 2,523,118	\$ 2,436,364
Restricted	1,274,650	507,386	469,737	446,018	406,644
Unrestricted	175,549	916,653	899,601	793,869	735,508
Total primary government net assets	\$ 4,282,556	\$ 4,117,512	\$ 3,944,205	\$ 3,763,005	\$ 3,578,516

Source: South Dakota Comprehensive Annual Financial Reports (FY 2002-2006).

Note: (a) The State of South Dakota implemented GASB 34 beginning with the FY 2002 CAFR. To be consistent with reporting changes, statistical data will be reported back to FY 2002.

(b) The increase in restricted net assets from FY 2005 to FY 2006 was primarily due to implementation of GASB 46 - Net Assets Restricted by Enabling Legislation.

**State of South Dakota
Changes in Net Assets,
Last Five Fiscal Years**

(accrual basis of accounting, dollars in thousands)

	Fiscal Year				
	2006	2005	2004	2003	2002
Expenses					
Governmental Activities:					
General Government	\$ 175,826	\$ 131,411	\$ 131,737	\$ 140,681	\$ 138,637
Education - Elementary, Secondary and Vocational Schools	191,460	176,700	156,652	143,229	142,256
Education - State Support to Universities'	149,040	143,358	137,028	133,337	131,462
Health, Human and Social Services	1,012,533	978,950	903,644	876,202	837,325
Law, Justice, Public Protection and Regulation	212,600	200,024	180,802	169,792	148,004
Agriculture and Natural Resources	109,904	100,275	96,077	101,497	95,732
Commerce and Regulation	-	-	-	-	13,351
Economic Resources	58,235	42,419	37,260	36,763	28,170
Transportation	316,125	320,379	336,259	290,739	340,394
Intergovernmental - Payments to School Districts	338,008	337,507	326,559	312,665	322,290
Intergovernmental - Revenue Sharing	99,171	87,105	82,878	83,945	80,434
Unallocated Interest Expense	23,998	24,599	25,410	22,281	8,736
Unallocated Depreciation	58	53	53	70	70
Total Governmental activities expenses	2,686,958	2,542,780	2,414,359	2,311,201	2,286,861
Business-type activities:					
Lottery	32,409	27,516	28,034	23,873	21,981
Clean Water State Revolving	3,286	1,114	1,616	1,500	1,466
Drinking Water State Revolving	2,574	1,976	1,253	899	860
Other	60,613	63,057	61,464	59,853	54,267
Total business-type activities Expenses	98,882	93,663	92,367	86,125	78,574
Total primary government expenses	\$ 2,785,840	\$ 2,636,443	\$ 2,506,726	\$ 2,397,326	\$ 2,365,435
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$ 137,188	\$ 130,213	\$ 124,877	\$ 119,522	\$ 111,597
Education - Elementary, Secondary and Vocational Schools	4,055	2,024	1,776	2,209	2,720
Health, Human and Social Services	30,665	25,589	25,104	24,125	19,293
Law, Justice, Public Protection and Regulation	44,624	42,534	38,491	39,610	12,300
Agriculture and Natural Resources	52,962	48,436	53,609	47,313	45,743
Commerce and Regulation	-	-	-	-	26,164
Economic Resources	2,183	1,752	1,806	1,660	727
Transportation	13,718	8,510	9,177	5,742	5,052
Operating grants and contributions	1,205,317	1,197,637	1,134,512	1,108,871	1,043,588
Capital grants and contributions	6,570	6,564	922	2,734	1,784
Total governmental activities program revenues	1,497,282	1,463,259	1,390,274	1,351,786	1,268,968
Business-type activities:					
Charges for Services:					
Lottery	151,647	143,976	144,091	135,989	131,324
Clean Water State Revolving	3,659	3,441	3,152	3,166	3,002
Drinking Water State Revolving	2,773	2,102	1,585	1,009	942
Other	57,684	50,952	45,577	43,295	39,405
Operating grants and contributions	30,098	22,606	31,995	19,846	40,133
Total business-type activities program revenues	245,861	223,077	226,400	203,305	214,806
Total primary government program revenues	\$ 1,743,143	\$ 1,686,336	\$ 1,616,674	\$ 1,555,091	\$ 1,483,774

State of South Dakota
Changes in Net Assets,
Last Five Fiscal Years (Continued)

(accrual basis of accounting, dollars in thousands)

	Fiscal Year				
	2006	2005	2004	2003	2002
Net (Expense)/Revenue					
Governmental activities	\$ (1,189,676)	\$ (1,079,521)	\$ (1,024,085)	\$ (969,415)	\$ (1,017,893)
Business-type activities	146,979	129,414	134,033	117,180	136,232
Total primary government net (expense)/revenue	<u>\$ (1,042,697)</u>	<u>\$ (950,107)</u>	<u>\$ (890,052)</u>	<u>\$ (842,235)</u>	<u>\$ (881,661)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Sales taxes	\$ 597,230	\$ 554,647	\$ 524,705	\$ 488,742	\$ 471,025
Motor fuel taxes	145,415	153,848	156,212	156,029	125,252
Contractors excise taxes	76,979	66,555	60,322	56,852	53,449
Bank card and franchise taxes	65,187	51,281	47,458	46,847	41,784
Other taxes	183,236	184,452	179,866	181,509	196,776
Unrestricted Investment Earnings	60,956	81,543	54,190	74,953	53,422
Gain on sale of capital assets	42,344	1,747	398	877	1,048
Miscellaneous	35,493	32,526	33,854	32,245	31,428
Transfers	117,703	118,507	112,762	111,906	108,925
Total governmental activities	<u>1,324,543</u>	<u>1,245,104</u>	<u>1,169,767</u>	<u>1,149,960</u>	<u>1,085,109</u>
Business-type activities:					
Transfers	(117,703)	(118,507)	(112,762)	(111,906)	(108,925)
Total business-type activities	<u>(117,703)</u>	<u>(118,507)</u>	<u>(112,762)</u>	<u>(111,906)</u>	<u>(108,925)</u>
Total primary government	<u>\$ 1,206,840</u>	<u>\$ 1,126,597</u>	<u>\$ 1,057,005</u>	<u>\$ 1,038,054</u>	<u>\$ 976,184</u>
Change in Net Assets					
Governmental activities	\$ 134,867	\$ 165,583	\$ 145,682	\$ 190,545	\$ 67,216
Business-type activities	29,276	10,907	21,271	5,274	27,307
Total primary government	<u>\$ 164,143</u>	<u>\$ 176,490</u>	<u>\$ 166,953</u>	<u>\$ 195,819</u>	<u>\$ 94,523</u>

Source South Dakota Comprehensive Annual Financial Reports (FY 2002-2008).

Note: The State of South Dakota implemented GASB 34 beginning with the FY 2002 CAFR. To be consistent with reporting changes, statistical data will be reported back to FY 2002.

**State of South Dakota
Fund Balances, Governmental Funds,
Last Five Fiscal Years**

(modified accrual basis of accounting, dollars in thousands)

	Fiscal Year				
	2006	2005	2004	2003	2002
General Fund					
Reserved	\$ 22,993	\$ 23,326	\$ 18,771	\$ 19,202	\$ 18,098
Unreserved	142,505	128,781	118,800	120,297	96,354
Total General Fund	\$ 165,498	\$ 152,107	\$ 137,571	\$ 139,499	\$ 114,452
All other Governmental Funds					
Reserved	\$ 836,770	\$ 190,036	\$ 203,256	\$ 181,359	\$ 159,383
Unreserved, Reported in:					
Special Revenue Funds	394,636	1,070,412	1,056,614	1,005,812	690,248
Capital Projects Funds	10,068	3,140	420	492	231
Total All Other Governmental Funds	\$ 1,241,474	\$ 1,263,588	\$ 1,260,290	\$ 1,187,663	\$ 849,862

Source: South Dakota Comprehensive Annual Financial Reports (FY 2002-2006).

Note: (a) The State of South Dakota implemented GASB 34 beginning with the FY 2002 CAFR. To be consistent with reporting changes, statistical data will be reported back to FY 2002.

State of South Dakota
Changes in Fund Balances, All Governmental Funds,
Last Five Fiscal Years

(modified accrual basis of accounting, dollars in thousands)

	Fiscal Year				
	2006	2005	2004	2003	2002
Revenues					
Taxes					
Sales & Use	\$ 597,230	\$ 554,647	\$ 524,706	\$ 488,742	\$ 471,025
Insurance Company	55,810	56,295	52,623	48,545	45,440
Liquor	12,602	12,349	12,281	10,899	11,219
Cigarette	26,689	26,246	26,270	20,336	17,466
Bank Franchise	65,187	51,281	47,458	46,847	41,784
Contractor's Excise	76,980	66,555	60,322	56,853	53,449
Severance	4,422	3,060	1,989	2,027	3,019
Other Tobacco	1,460	1,456	1,341	1,330	1,258
Motor Fuel & Vehicle	171,095	179,424	181,935	177,828	173,805
Other	56,573	59,462	59,639	76,573	71,823
Licenses, Permits & Fees	159,597	150,695	144,392	139,700	136,917
Fines, Forfeits & Penalties	7,397	8,601	7,549	6,723	6,845
Use of Money & Property	86,306	96,156	66,692	92,569	63,558
Sales & Services	27,204	26,645	26,267	24,843	19,111
Admin. Programs	1,195,842	1,185,536	1,125,402	1,093,374	1,027,660
Tobacco Settlement	20,415	22,239	21,911	25,603	-
Other Revenue	32,442	24,409	24,817	21,348	46,427
Total Revenues	2,597,251	2,525,056	2,385,794	2,334,140	2,191,006
Expenditures					
General Government	76,734	71,221	63,634	62,544	61,705
Education	675,100	653,690	616,440	586,041	592,498
Health, Human & Social Services	1,010,287	976,328	903,694	874,339	834,224
Law, Justice, Public Protection & Regulation	232,803	211,421	195,300	175,346	149,657
Agriculture & Natural Resources	109,781	100,920	97,095	107,985	97,297
Commerce & Regulation	-	-	-	-	13,279
Economic Resources	57,981	42,436	37,354	36,831	28,133
Transportation	477,845	440,681	390,903	390,628	411,526
State Shared Revenue	99,171	87,105	82,878	83,945	80,434
Capital Outlay	-	-	1	36	5
Debt Service:					
Principal	15,704	16,955	16,528	18,653	11,428
Interest	22,980	23,501	24,426	19,778	7,743
Bond Issuance Costs	-	-	-	1,618	-
Total Expenditures	2,778,386	2,624,258	2,428,253	2,357,744	2,287,929
Excess of Revenues Over (Under) Expenditures	(181,135)	(99,202)	(42,459)	(23,604)	(95,923)
Other Financing Sources (Uses):					
Bonds Issued	10,000	12,635	-	278,045	-
Discount on Bond Issuances	-	(80)	-	(5,472)	-
Proceeds of Refunding Bonds	2,864	-	-	1,263	444
Payments on Advance Refundings	(2,932)	-	-	(1,274)	-
Premiums on Bond Issuance	280	-	-	-	-
Premiums on Refunding Bonds	149	10	-	60	-
Proceeds from Sale of Capital Assets	10,799	-	-	-	-
Capital Leases	-	-	-	935	-
Transfers In	415,783	361,842	296,628	575,562	378,226
Transfers Out	(298,868)	(244,727)	(183,247)	(464,079)	(270,322)
Net Other Financing Sources (Uses)	138,075	129,680	112,381	365,040	108,348
Special Item					
Sale of Railroad Infrastructure	34,337	-	-	-	-
Total Special Items	34,337	-	-	-	-
Net Change in Fund Balances	\$ (8,723)	\$ 30,478	\$ 69,922	\$ 361,436	\$ 11,425
Debt Service as a Percentage of Noncapital Expenditures	1.53%	1.68%	1.79%	1.83%	0.89%

Source: South Dakota Comprehensive Annual Financial Reports (FY 2002-2006).

Note: The State of South Dakota implemented GASB 34 beginning with the FY 2002 CAFR. To be consistent with reporting changes, statistical data will be reported back to FY 2002.



**State of South Dakota
Taxable Sales by Industry,
Last Five Fiscal Years**
(dollars in thousands)

Taxable Sales by Industry	Fiscal Year				
	2006	2005	2004	2003	2002
Agriculture, Forestry, and Fishing	\$ 171,107	\$ 156,415	\$ 149,210	\$ 130,298	\$ 121,969
Mining	73,126	48,038	36,068	33,672	34,027
Construction	20,900	18,126	16,041	25,046	28,745
Manufacturing	612,826	447,457	400,591	380,073	348,934
Transportation and Public Utilities	1,841,662	1,735,166	1,756,328	1,527,025	1,436,502
Wholesale Trade	1,093,658	1,079,877	1,434,049	1,262,450	1,334,247
Retail Trade	7,882,301	7,464,141	6,506,744	6,145,005	5,941,658
Finance, Insurance, and Real Estate	332,456	289,178	265,752	261,591	223,321
Services	2,349,729	2,225,231	2,134,617	2,053,826	1,975,667
Public Administration	1,269	942	560	549	441
Nonclassifiable Establishments	10	20	117	5	-
Totals	\$ 14,379,044	\$ 13,464,591	\$ 12,700,067	\$ 11,819,540	\$ 11,445,511
Direct Sales Tax Rate	3.98%	3.88%	3.97%	3.91%	3.97%

Source: South Dakota Sales and Use Tax Report, Department of Revenue and Regulation.

Notes:

- Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax resources.
- Taxable sales: This is the amount of sales and use taxable sales subject to state tax or reservation tax. No Contractors Excise taxes are included.
- Whenever there are less than 3 licenses in any one classification, the information is combined into the "Nonclassifiable Establishments" category.
- Prior to January 1, 2006, a tax was imposed upon gross receipts from selling, leasing, and renting tangible personal property and the sales of services, except for the gross receipts from the sale and lease of agricultural machinery, irrigation equipment, and oil and gas field services, which were taxed at 3%. Beginning January 1, 2006, all items subject to the state sales tax will be taxed at 4% to conform to the Streamlined Sales Tax Project. A use tax of the same rate as the sales tax rate is imposed on goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax was not paid.
- The taxable figures could include amended returns or payments that were recognized in a different year.
- To be consistent with most of the other statistical data presented, data will be reported back to FY 2002.

State of South Dakota
Sales Tax Revenue Payers by Industry,
Last Five Fiscal Years
(dollars in thousands)

	Fiscal Year 2006			
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	2,711	4.21%	\$ 171,107	1.19%
Mining	153	0.24%	73,126	0.51%
Construction	502	0.78%	20,900	0.15%
Manufacturing	2,120	3.29%	612,826	4.26%
Transportation and Public Utilities	2,722	4.23%	1,841,662	12.81%
Wholesale Trade	3,932	6.11%	1,093,658	7.60%
Retail Trade	23,505	36.50%	7,882,301	54.82%
Finance, Insurance, and Real Estate	1,678	2.61%	332,456	2.31%
Services	27,037	41.96%	2,349,729	16.34%
Public Administration	34	0.05%	1,269	0.01%
Nonclassifiable Establishments	1	0.00%	10	0.00%
Total	64,395	100.00%	\$ 14,379,044	100.00%

	Fiscal Year 2003			
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	2,329	3.86%	\$ 130,290	1.10%
Mining	138	0.23%	33,672	0.29%
Construction	576	0.96%	25,046	0.21%
Manufacturing	1,671	2.77%	380,073	3.22%
Transportation and Public Utilities	3,656	6.05%	1,527,025	12.92%
Wholesale Trade	4,821	7.98%	1,262,450	10.68%
Retail Trade	21,316	35.30%	6,145,005	51.99%
Finance, Insurance, and Real Estate	1,515	2.51%	261,591	2.21%
Services	24,338	40.30%	2,053,626	17.38%
Public Administration	26	0.04%	549	0.00%
Nonclassifiable Establishments	3	0.00%	5	0.00%
Total	60,389	100.00%	\$ 11,819,540	100.00%

Source: South Dakota Sales and Use Tax Report, Department of Revenue and Regulation.

Notes:

- (a) Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax resources.
- (b) Taxable sales: This is the amount of sales and use taxable sales subject to state tax or reservation tax. No Contractors Excise taxes are included.
- (c) Whenever there are less than 3 licenses in any one classification, the information is combined into the "Nonclassifiable Establishments" category.
- (d) Prior to January 1, 2006, a tax was imposed upon gross receipts from selling, leasing, and renting tangible personal property and the sales of services, except for the gross receipts from the sale and lease of agricultural machinery, irrigation equipment, and oil and gas field services, which were taxed at 3%. Beginning January 1, 2006, all items subject to the state sales tax will be taxed at 4% to conform to the Streamlined Sales Tax Project. A use tax of the same rate as the sales tax rate is imposed on goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax was not paid.
- (e) The taxable figures could include amended returns or payments that were recognized in a different year.
- (f) To be consistent with most of the other statistical data presented, data will be reported back to FY 2002.

Fiscal Year 2005				Fiscal Year 2004			
Number of Filers	Percent of Total	Taxable sales	Percent of Total	Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,599	3.95%	\$ 156,415	1.160%	2,409	3.92%	\$ 149,210	1.17%
140	0.21%	48,038	0.350%	136	0.22%	36,058	0.28%
482	0.73%	18,126	0.130%	495	0.81%	16,041	0.13%
1,973	3.00%	447,457	3.320%	1,769	2.88%	400,591	3.16%
3,564	5.41%	1,735,166	12.890%	3,568	5.81%	1,756,328	13.83%
4,769	7.24%	1,079,877	8.020%	4,820	7.85%	1,434,049	11.29%
23,974	36.42%	7,464,141	55.440%	21,780	35.48%	6,506,744	51.23%
1,623	2.47%	289,178	2.150%	1,516	2.47%	265,752	2.09%
26,675	40.52%	2,225,231	16.530%	24,864	40.51%	2,134,617	16.81%
30	0.05%	942	0.010%	23	0.04%	560	0.01%
2	0.00%	20	0.000%	4	0.01%	117	0.00%
65,831	100.00%	\$ 13,464,591	100.00%	61,384	100.00%	\$ 12,700,067	100.00%

Fiscal Year 2002			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,197	3.71%	\$ 121,969	1.07%
132	0.22%	34,027	0.30%
533	0.90%	28,745	0.25%
1,700	2.87%	348,934	3.05%
3,551	6.00%	1,436,502	12.55%
5,083	8.59%	1,334,247	11.66%
20,939	35.37%	5,941,658	51.91%
1,438	2.43%	223,321	1.95%
23,596	39.86%	1,975,667	17.26%
25	0.04%	441	0.00%
2	0.01%	-	0.00%
59,196	100.00%	\$ 11,445,511	100.00%

State of South Dakota
Ratios of Outstanding Long-Term Debt,
Last Five Fiscal Years

(dollars in thousands)

	Fiscal Year				
	2006	2005	2004	2003	2002
Governmental Activities:					
Revenue Bonds	\$ 336,976	\$ 339,676	\$ 341,468	\$ 352,540	\$ 96,306
Trust Certificates	32,465	35,080	37,575	39,955	42,210
Capital Leases	30,925	34,413	34,729	34,255	38,368
Loans	-	-	-	-	44
Total Governmental Activities	400,366	409,169	413,772	426,750	176,928
Business-type Activities:					
Revenue Bonds	102,322	52,272	28,853	30,284	31,359
Capital Leases	4	13	21	29	25
Total Governmental Activities	102,326	52,285	28,874	30,313	31,384
Total Primary Government	\$ 502,692	\$ 461,454	\$ 442,646	\$ 457,063	\$ 208,312
South Dakota Total Personal Income	\$ 26,530,000	\$ 25,328,000	\$ 24,151,000	\$ 22,452,000	\$ 20,596,000
Debt as a Percentage of Personal Income	1.9%	1.8%	1.8%	2.0%	1.0%
South Dakota Population (in thousands)	782	775	770	764	760
Long-Term Debt per Capita	\$ 642.83	\$ 595.42	\$ 574.86	\$ 598.25	\$ 274.09

Source: Debt information obtained from the South Dakota Comprehensive Annual Financial Reports (FY 2002-2006)

Total Personal Income and Population data compiled by USD Business Research Bureau, South Dakota State Data Center.

Note: (a) South Dakota Total Personal Income figure for 2006 is preliminary.

(b) Data for Total Personal Income for 2002 through 2004 has been revised.

(c) Detail about the State's debt can be found in Note 13 of the financial statements.

(e) Generally, the State Constitution prohibits the State from having general obligation indebtedness in excess of \$100,000.

(f) The State has no specific limitation of the debt that can be issued by the Building Authority, Educational Enhancement Funding Corporation, Clean Water State Revolving Fund and the Drinking Water State Revolving Fund, however Legislative approval is required.

(g) To be consistent with most of the other statistical data presented, data will be reported back to FY 2002.

State of South Dakota
Ratios of Outstanding Long-Term Debt,
Last Five Fiscal Years
(dollars in thousands)

	Fiscal Year				
	2006	2005	2004	2003	2002
Revenue Bonds and Trust Certificates					
- Building Authority					
Revenue - lease payments	\$ 16,989	\$ 17,182	\$ 17,811	\$ 18,425	\$ 19,119
Less: Operating expenses	-	-	-	-	-
Net available revenue	<u>\$ 16,989</u>	<u>\$ 17,182</u>	<u>\$ 17,811</u>	<u>\$ 18,425</u>	<u>\$ 19,119</u>
Debt service					
Principal	\$ 11,196	\$ 11,255	\$ 11,265	\$ 11,288	\$ 11,408
Interest	5,844	5,985	6,121	7,125	7,757
Total	<u>\$ 17,040</u>	<u>\$ 17,240</u>	<u>\$ 17,386</u>	<u>\$ 18,413</u>	<u>\$ 19,165</u>
Coverage	1.00	1.00	1.02	1.00	1.00
Revenue Bonds					
- Educational Enhancement Funding Corp.					
Revenue -					
Tobacco settlement	\$ 19,471	\$ 22,324	\$ 22,056	\$ 25,603	
Investment Earnings	1,509	1,258	1,113	943	
Less: Operating expenses	148	176	179	145	
Net available revenue	<u>\$ 20,832</u>	<u>\$ 23,406</u>	<u>\$ 22,990</u>	<u>\$ 26,401</u>	
Debt service					
Principal	\$ -	\$ -	\$ -	\$ 2,205	
Interest	17,134	17,522	17,868	12,624	
Total	<u>\$ 17,134</u>	<u>\$ 17,522</u>	<u>\$ 17,868</u>	<u>\$ 14,829</u>	
Coverage	1.22	1.34	1.29	1.78	
Revenue Bonds					
- Clean Water State Revolving Fund					
Revenue:					
Loan Repayments	\$ 9,702	\$ 11,593	\$ 9,460	\$ 11,105	\$ 11,816
Investment Income	4,046	3,048	2,972	2,930	2,851
Other Income	866	793	694	690	678
Less: Operating expenses	1,219	485	471	295	109
Net available revenue	<u>\$ 13,395</u>	<u>\$ 14,949</u>	<u>\$ 12,655</u>	<u>\$ 14,439</u>	<u>\$ 15,236</u>
Debt service					
Principal	\$ 1,165	\$ 150	\$ 1,125	\$ 945	\$ 900
Interest	1,709	260	1,007	1,061	1,055
Total	<u>\$ 2,874</u>	<u>\$ 410</u>	<u>\$ 2,132</u>	<u>\$ 2,006</u>	<u>\$ 1,955</u>
Coverage	4.66	36.46	5.94	7.20	7.79
Revenue Bonds					
- Drinking Water State Revolving Fund					
Revenue:					
Loan Repayments	\$ 5,322	\$ 4,348	\$ 5,816	\$ 4,297	\$ 2,275
Investment Income	2,055	1,995	520	594	463
Other Income	678	511	388	217	205
Less: Operating expenses	-	-	-	-	-
Net available revenue	<u>\$ 8,055</u>	<u>\$ 6,854</u>	<u>\$ 6,724</u>	<u>\$ 5,108</u>	<u>\$ 2,943</u>
Debt service					
Principal	\$ 440	\$ 415	\$ 400	\$ 225	\$ 215
Interest	2,147	1,732	511	527	474
Total	<u>\$ 2,587</u>	<u>\$ 2,147</u>	<u>\$ 911</u>	<u>\$ 752</u>	<u>\$ 689</u>
Coverage	3.11	3.19	7.38	6.79	4.27

Source: Clean Water State Revolving Fund Financial Statements, Drinking Water State Revolving Fund Financial Statements, Education Enhancement Funding Corporation Annual Report, and Building Authority Lease Rental Schedules and Debt Service Schedules.

- Note:** (a) The Building Authority, Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, and Drinking water State Revolving Fund are considered to be blended component units of the State. The Revenue Bonds and Trust Certificates issued by these entities may not be or become a lien, charge, or liability against the State.
- (b) For the Educational Enhancement Funding Corp: Based upon the adjusted mandatory principal payments. Not in the calculation, \$20,631,000 in principal has been turbo redeemed from June 1, 2003 through June 30, 2006.
- (c) Debt coverage on Clean Water bonds in FY 2005 is 36.46 because all but one previous bond issue was refunded during that fiscal year, so there was not any debt services payment on those bonds during that fiscal year.
- (d) The Educational Enhancement Funding Corporation was created in FY 2003.
- (e) All funds are presented on an accrual basis except for the Building Authority Fund which is presented on a cash basis.
- (f) To be consistent with most of the other statistical data presented, data will be reported back to FY 2002.

POPULATION (THOUSANDS)

YEAR	UNITED STATES	PERCENT CHANGE	WEST N. CENTRAL	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2006	299,398	1.00%	19,942	0.70%	782	0.90%
2005	296,507	1.00%	19,806	0.60%	775	0.60%
2004	293,638	1.00%	19,692	0.60%	770	0.80%
2003	290,796	0.90%	19,574	0.50%	764	0.50%
2002	288,126	1.00%	19,476	0.50%	760	0.30%
2001	285,226	1.40%	19,377	0.70%	758	0.40%
2000	281,422	0.90%	19,238	0.60%	755	0.00%
1999	279,040	1.20%	19,131	0.80%	755	1.20%
1998	275,854	1.20%	18,988	0.70%	746	0.30%
1997	272,647	1.20%	18,850	0.80%	744	0.30%

NOTE: Midyear (July 1) population estimates. Revised estimates for 2001, 2002, 2003, 2004, 2005 and estimates for 2006 were released December 2006. With each new release of July 1 population estimates, the Census Bureau revises estimates for years back to the last census.

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

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

TOTAL PERSONAL INCOME (MILLIONS)

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2005	10,224,761	5.20%	\$661,089	4.30%	\$25,328	4.90%
2004r	9,717,173	6.20%	633,538	5.70%	24,151	7.60%
2003r	9,150,908	3.10%	599,339	3.90%	22,452	9.00%
2002r	8,872,871	1.80%	576,806	2.50%	20,596	0.80%
2001	8,716,992	3.50%	562,733	3.10%	20,429	5.10%
2000	8,422,074	8.00%	545,882	6.70%	19,438	5.80%
1999	7,796,137	5.10%	511,507	3.90%	18,367	4.80%
1998	7,415,709	7.40%	492,324	6.90%	17,523	7.30%
1997	6,907,332	6.10%	460,385	5.30%	16,335	2.40%
1996	6,512,485	6.00%	437,288	7.50%	15,948	10.80%

NOTE: Revised estimates reflect the revision of the National Income and Product Accounts (NIPA's), and newly available state and local data.

* The Plains states include Iowa, Kansas, Minnesota, Missouri, Nebraska, N. Dakota and S. Dakota.

SOURCE: U.S. Department of Commerce, September 2006. Compiled by USD Business Research Bureau, South Dakota State Data Center.

UNEMPLOYMENT RATE

YEAR	SOUTH DAKOTA	UNITED STATES
*2006	3.20%	4.60%
2005	3.90%	5.10%
2004	3.80%	5.50%
2003	3.60%	6.00%
2002	3.30%	5.80%
2001	3.10%	4.70%
2000	2.70%	4.00%
1999	2.80%	4.20%
1998	3.00%	4.50%
1997	3.10%	4.90%

* Preliminary.

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

PER CAPITA PERSONAL INCOME

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2005	\$34,495	4.20%	\$33,362	3.70%	\$32,642	4.20%
2004r	33,090	5.20%	32,164	5.10%	31,340	6.70%
2003r	31,463	2.10%	30,607	3.30%	29,364	8.40%
2002r	30,810	0.80%	29,622	2.00%	27,087	0.50%
2001r	30,574	2.40%	29,047	2.50%	26,949	4.80%
2000	29,845	6.80%	28,326	5.90%	25,720	5.10%
1999	27,939	3.90%	26,737	3.10%	24,475	4.20%
1998	26,883	6.10%	25,928	6.20%	23,488	7.00%
1997	25,334	4.80%	24,422	4.50%	21,949	2.10%
1996	24,175	4.80%	23,378	6.60%	21,488	10.20%

NOTE: Per capita personal income is total personal income divided by total mid-year population estimate. Midyear (July 1) population estimates source: U.S. Census Bureau.

r = Revised

* The Plains states include Iowa, Kansas, Minnesota, Missouri, Nebraska, N. Dakota and S. Dakota.

SOURCE: U.S. Department of Commerce, September 2006. U.S. Census Bureau for midyear (July 1) population estimates. Compiled by USD Business Research Bureau, South Dakota State Data Center.

**State of South Dakota
Top Ten Employers
2005 as Compared to 1996**

2005 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	South Dakota State Government*	13,889	3.38%
2	Federal Government (Statewide)	11,200	2.73%
3	Sioux Falls MSA Local Government**	7,729	1.88%
4	Rapid City MSA Local Government**	5,591	1.36%
5	Sioux Valley Hospital (Sioux Falls)	5,380	1.31%
6	Wal-Mart	4,200	1.02%
7	Avera McKennan Hospital (Sioux Falls)	3,450	0.84%
8	John Morrell	3,300	0.80%
9	Citibank (Sioux Falls)	3,200	0.78%
10	Rapid City Regional Hospital	3,000	0.73%
		60,939	14.83%

* includes Board Of Regent employees, a component unit of the State of South Dakota

** Labor Market Information Center (LMIC) only provides data for covered workers for Sioux Falls and Rapid City Metropolitan Statistical Area (MSA). Other cities are not available.

Sources: Company websites, public relations offices, SD State Govt, SF MSA Local Govt and RC MSA Local Govt figures are from SD Covered Workers Annual Information, SD Dept of Labor, Labor Market Information Center (LMIC).
Compiled by USD Business Research Bureau, South Dakota State Data Center.

Note: (a) Sioux Falls MSA includes the following counties: Lincoln, McCook, Minnehaha and Turner.
(b) Rapid City MSA includes the following counties: Pennington and Meade.
(c) Per LMIC, school district employment data is not available.
(d) Total South Dakota Employment was 410,694

1996 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	Gateway 2000 (North Sioux City & Sioux Falls)	6,280	1.61%
2	Citibank South Dakota NA (Sioux Falls)	3,200	0.82%
3	Sioux Valley Hospital (Sioux Falls)	3,143	0.81%
4	John Morrell & Company (Sioux Falls)	2,800	0.72%
5	McKenna Hospital (Sioux Falls)	2,318	0.59%
6	Rapid City Regional Hospital (Rapid City)	1,900	0.49%
7	Hutchinson Technology (Sioux Falls)	1,550	0.40%
8	Midwest Coast Transport (Sioux Falls)	1,257	0.32%
9	Midcom (Aberdeen, Huron, Watertown)	1,238	0.32%
10	3M (Aberdeen, Brookings)	1,221	0.31%
		24,907	6.39%

Source: State of South Dakota FY 1996 and FY 1997 Comprehensive Annual Financial Reports.

Note: (a) Governments were excluded from the 1996 CAFR data and these amounts were not restated.
(b) Total South Dakota Employment was 390,000.

**NONFARM WAGE AND SALARY
EMPLOYMENT BY INDUSTRY ¹
(Expressed in Thousands)**

	2006*	2005r	2004r	2003	2002	2001	2000	1999	1998	1997
Natural Resources/Mining	0.9	0.9	0.8	0.9	1.0	1.2	1.3	1.3	1.7	2.1
Construction	22.1	20.9	19.9	19.3	18.6	18.5	18.0	17.1	16.1	15.2
Manufacturing	42.0	40.0	38.9	37.7	38.4	41.0	43.8	44.2	44.0	44.2
Transportation/Wareshousing/ Utilities	12.3	11.9	11.5	11.5	11.8	12.1	12.0	11.9	11.8	11.8
Wholesale/Retail Trade	67.7	66.8	65.6	64.9	64.8	65.0	64.8	64.0	63.1	62.3
Wholesale Trade	18.1	17.5	17.1	16.7	16.7	16.7	16.5	16.5	16.4	16.1
Retail Trade	49.6	49.3	48.5	48.2	48.1	48.3	48.3	47.5	46.7	46.2
Information	7.0	6.8	6.7	6.8	6.8	6.8	6.9	6.7	6.7	6.4
Financial Activities	29.4	28.4	27.8	27.7	27.9	28.0	26.2	25.1	23.2	21.7
Professional/Business Svcs.	25.3	24.1	23.9	24.0	24.7	25.7	27.1	25.2	22.9	21.6
Educational/Health Services	58.9	57.7	56.8	55.7	54.2	52.8	52.2	51.4	49.8	48.1
Leisure and Hospitality	42.7	41.6	40.7	39.7	39.4	38.6	38.5	37.7	37.0	36.3
Other Services (Except Public Administration)	15.6	15.6	15.9	15.7	15.9	15.8	16.5	16.9	15.9	14.7
Government	75.2	75.2	74.7	74.3	74.0	73.1	70.3	71.9	71.0	70.5
TOTAL	399.3	389.9	383.4	378.2	377.3	378.4	377.7	373.3	363.2	354.9
% Change in Nonfarm Employment	2.4%	1.7%	1.4%	0.2%	-0.3%	0.2%	1.2%	2.8%	2.3%	1.8%

NOTE: Numbers may not add due to rounding. Data not seasonally adjusted. Effective January 2001, an economic code change moved tribal workers from non-government to government.

¹ Based on NAICS.

* Preliminary Data, r = Revised

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

**EXPANDED AND NEW INDUSTRIES
(Dollars Expressed in Millions)**

	EXPANSIONS		NEW		TOTAL	
	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT
2006	461	\$263.6	13	\$143.9	474	\$407.5
2005	344	221.0	16	54.1	360	275.1
2004	476	169.5	20	72.3	496	241.8
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

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.

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



State of South Dakota
Full-Time Equivalent State Employees by Function of Government,
Last Five Fiscal Years
(excluding Higher Education)

Function of State Government:	Fiscal Year				
	2006	2005	2004	2003	2002
General Government	990	979	964	974	975
Health, Human, and Social Services	3,113	3,083	2,995	2,992	2,887
Law, Justice, Public Protection, and Regulation	2,081	2,012	1,969	1,950	1,989
Agriculture and Natural Resources	907	911	891	884	865
Transportation	1,024	1,020	1,007	1,027	1,035
Education	240	242	227	235	226
Economic Resources	170	168	164	162	168
State Total	8,525	8,415	8,217	8,224	8,145

Source: State's Budget System RB03

Note:

- (a) A full-time equivalent employee, or FTE, represents one full-time position, or a number of part-time or seasonal positions.
- (f) To be consistent with most of the other statistical data presented, data will be reported back to FY 2002.

**State of South Dakota
Operating Indicators by Function,
Last Five Fiscal Years**

	Fiscal Year				
	2006	2005	2004	2003	2002
General Government					
Executive Management					
Bureau of Finance and Management					
Complete Governors Budget Book	Annual	Annual	Annual	Annual	Annual
Finalize State Operating Budget	Annual	Annual	Annual	Annual	Annual
Bureau of Information and Telecommunications					
Data Storage (GB)	6,273	1,732	822	624	374
SDPB Local Production (Hours)	719	615	533	381	355
Radio Calls through Digital Network	18,719,091	14,377,144	13,200,000	7,200,000	1,000
Bureau of Personnel					
Health: Employees, COBRA, Retirees/Dependents	13,105 / 11,713	12,853 / 11,093	12,535 / 10,856	12,344 / 10,625	12,419 / 10,370
Bureau of Administration					
Pieces of Mail Handled/Year	9,977,094	10,286,652	10,381,413	10,053,075	10,494,749
Total Miles Driven	39,406,852	39,017,332	37,488,578	37,197,089	37,053,900
Revenue					
Total Active Business Licenses	70,685	68,691	67,219	64,839	63,222
Vehicles Registered	1,135,960	1,102,710	1,081,123	1,052,766	1,031,453
Misc. Special Tax Licenses	8,030	7,977	7,532	7,319	7,182
Lottery					
Licensed Lottery Retailers--Instant	609	597	589	567	569
Licensed Lottery Retailers--On-line	407	365	353	345	348
Legislature					
Legislative Research Council	N/A	N/A	N/A	N/A	N/A
Auditor General					
Audits Performed	69	73	83	97	78
Audits Reviewed (IPA reports)	293	271	308	275	260
School and Public Lands					
Apportion common school interest fund and income to school districts (in Thousands)	\$ 8,265	\$ 4,297	\$ 6,649	\$ 9,219	\$ 10,381
Apportion endowed income and interest fund to ten endowed institutions (in Thousands)	\$ 1,753	\$ 1,464	\$ 1,275	\$ 1,820	\$ 2,100
Secretary of State					
Business and Secured Transaction Filings	95,518	102,162	90,387	73,792	97,641
State Treasurer					
Cash Receipts (Thousands)	\$ 3,625,844	\$ 3,402,620	\$ 3,300,787	\$ 3,091,868	\$ 2,954,343
Unclaimed Property - Claims Paid	6,138	8,398	13,410	4,376	3,180
State Auditor					
Vouchers Audited	309,479	310,579	292,110	290,140	289,321
Warrants Written	634,882	737,425	899,687	936,117	947,737
Health, Human, and Social Services					
Social Services					
Medicaid Enrolled/Month	100,274	97,810	95,043	91,123	85,516
Long Term Care Services - Clients Served	4,452	4,642	4,634	4,792	4,720
Health					
Immunization Rate, Children 19-35 months					
4:3:1:3:3 shot series	N/A	87%	86%	81%	80%
Public Health Investigations	15,146	16,711	13,080	11,716	9,146
Labor					
State Labor Force	432,442	427,374	426,196	421,980	415,903
Unemployment Rate	3.50%	3.80%	3.50%	3.00%	3.40%
South Dakota Retirement System					
Budget Compared to Assets	0.044%	0.049%	0.049%	0.059%	0.056%
Budget Compared to Benefits	1.260%	1.300%	1.400%	1.500%	1.600%
Veterans Benefits and Services					
South Dakota Veteran Population	74,224	75,104	75,966	78,000	77,400
State Veterans' Home					
Average Daily Census	118.6	122	121	123	128
Human Services					
People with Developmental disabilities served	2,727	2,668	2,521	2,457	2,395
People with mental illness served	11,591	10,389	9,665	9,288	9,032
People with substance abuse issues served	14,180	16,394	16,524	17,190	16,879
People receiving vocational rehabilitation services	6,819	6,717	6,401	6,140	6,017

**State of South Dakota
Operating Indicators by Function,
Last Five Fiscal Years (continued)**

	Fiscal Year				
	2006	2005	2004	2003	2002
Law, Justice, Public Protection, and Regulation					
Corrections					
Adult System ADP (Average Daily Population)	3,466	3,177	3,059	2,954	2,781
Avg. Daily Population on Supervision	2,519	2,243	1,945	1,667	1,471
Juvenile Institutional and Placement ADP	510.1	512.1	519.7	513.6	468
Unified Judicial System					
Felony Offenses Filings/Pending	6,970 / 7,462	7,032 / 7,970	6,895 / 6,936	6,277 / 5,978	6,784 / 6,033
Class one Misdemeanor Filings/Pending	24,064 / 22,570	22,094 / 20,330	20,542 / 18,144	20,107 / 16,948	19,502 / 16,422
Class two Misdemeanor Filings/Pending	141,405 / 43,614	142,605 / 40,449	142,025 / 36,983	141,508 / 39,580	148,326 / 39,853
Attorney General					
New Cases Opened/Closed/Pending (thousands)	1.2/1.2/1.9	1.3/1.2/1.9	1.5/1.4/1.8	1.2/1.2/1.6	1.5/1.2/1.5
Investigations Conducted by DCI	599	580	683	622	636
Public Safety					
Patrol of Public Highways (Hours)	136,428	125,844	129,575	123,880	129,431
Diver Licenses Issued	198,755	189,727	134,282	199,115	204,675
Military and Veterans Affairs					
Assigned Strength of the Army Guard	3,425	3,425	3,425	3,410	3,355
Assigned Strength of the Air Guard	1,015	1,030	1,025	1,035	1,084
Appraiser Program					
New / Renewed licenses	33 / 361	30 / 360	33 / 331	38 / 316	31 / 329
Revenue Financial Services					
Banking Institutions Examined	609	606	618	632	554
Dealer, Broker & Investment Advisor Agents Licensed	54,396	51,146	47,593	44,937	48,410
Renewed & Issued Insurance Appointments/Licenses	211,904	196,673	218,679	206,237	173,550
Revenue Boards and Commissions					
New & Renewed Licenses Issued	7,759	6,577	7,861	6,492	7,364
Public Utilities Commission					
Dockets Opened	258	306	435	327	314
Agriculture and Natural Resources					
Agriculture					
Wildfires Suppressed: (Fires/Acres)	762 / 47,860	412 / 7,309	622 / 73,585	455 / 116,933	564 / 55,976
Dairy Inspections	1,549	1,532	1,691	N/A	1,916
Marketing Consultations	220	240	280	265	380
Insect & Disease Individual Assists	390	373	430	777	234
Game, Fish and Parks					
Total Park Visitations	7,202,975	7,148,102	7,413,106	7,256,419	7,115,630
Acres of Walk-In Areas	1,080,000	935,163	903,000	883,827	821,267
Environment and Natural Resources					
Dollars Awarded/Number of Grants and Loans (added water quality grants in FY05 & FY06)	91.4M / 135	108.2M / 150	34.5M / 117	47.1M / 113	54.5M / 110
Total number of Regulated Facilities	23,123	20,711	20,525	20,328	20,000
Petroleum Release Compensation					
Petroleum Release Cases Initiated	29	27	21	29	16
Abandoned Tank site Cases Initiated	53	38	69	171	794
Transportation					
Transportation					
Percent of Non-interstate State Highway system main lane pavement mileage rated good or better on condition index	77.8	76.6	74.9	71.3	75.4
Percent of interstate pavement in excellent condition based on condition index	35.2	24.1	33.8	30.1	28.9
Education					
Student K-12 public school fall enrollment	120,682	121,327	123,058	124,470	125,612
Economic Resources					
Tourism and State Development					
Capital Investment Reported (Millions)	\$ 275.10	\$ 241.80	\$ 397.50	\$ 165.90	\$ 238.50
New Jobs Created (calendar year)	3,202	3,046	2,190	2,398	2,633
Tourism's Impact on South Dakota Economy (billions)	\$ 2.18	\$ 2.02	\$ 1.75	\$ 1.66	\$ 1.50

Source: State's Budget System and/or Survey of department accounting personnel.

N/A= Not Applicable

Note: To be consistent with most of the other statistical data presented, data will be reported back to FY 2002.

**State of South Dakota
Capital Asset Statistics by Function
as of June 30, 2006**

	<u>Fiscal Year</u>
	<u>2006</u>
General Government	
Vehicles	2,636
Land (Acres)	761,295
Equipment	1,970
Buildings	21
Infrastructure	0
Health, Human, and Social Services	
Vehicles	5
Land (Acres)	901
Equipment	540
Buildings	46
Infrastructure	0
Law, Justice, Public Protection, and Regulation	
Vehicles	323
Land (Acres)	2,313
Equipment	599
Buildings	54
Infrastructure	0
Agriculture and Natural Resources	
Vehicles	300
Land (Acres)	293,775
Equipment	1,095
Buildings	34
Infrastructure	0
Transportation	
Vehicles	1,194
Land (Acres)	3,950
Land, ROW Roads	\$48,033,462
Land Improvements, Roads	\$512,216,849
Equipment	2,258
Buildings	88
Infrastructure	
-Roads: Lane Miles	8,886
-Bridges: Number of	1,805
-Railroads: Track Miles	328
Education	
Vehicles	0
Land (Acres)	33
Equipment	53
Buildings	25
Infrastructure	0
Economic Resources	
Vehicles	2
Land (Acres)	0
Equipment	41
Buildings	0
Infrastructure	0

Source: Survey conducted by BFM of the department's finance personnel.

Note: Because of the complicated nature of retrieving this data, FY 2006 will only be shown.
Data will be added to future CAFR reports until the data shown reaches ten years.

