

South Dakota

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR
ENDED JUNE 30, 2012



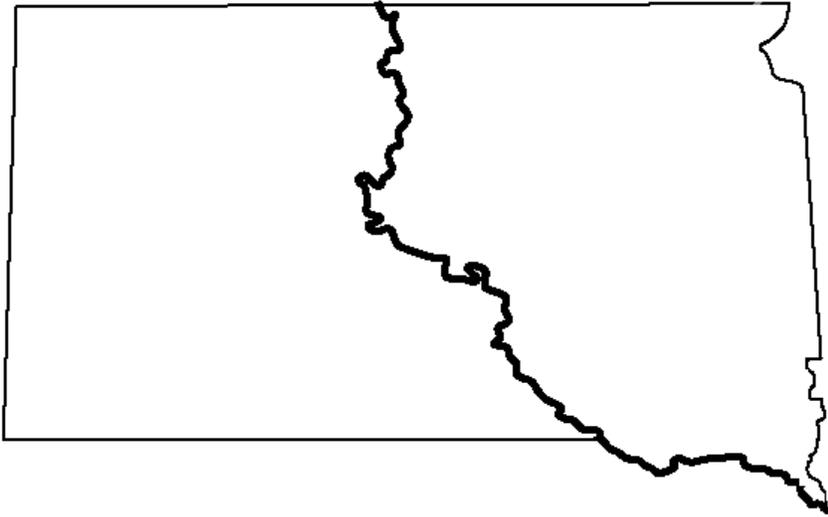
PREPARED BY BUREAU OF FINANCE AND MANAGEMENT
JASON C. DILGES, CHIEF FINANCIAL OFFICER

South Dakota



GREAT FACES. GREAT PLACES. ©

***COMPREHENSIVE ANNUAL FINANCIAL
REPORT
FOR THE YEAR ENDED JUNE 30, 2012***



DENNIS DAUGAARD, GOVERNOR

MATT MICHELS, LT. GOVERNOR

***JASON C. DILGES, CHIEF FINANCIAL OFFICER
BUREAU OF FINANCE AND MANAGEMENT***

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STATE OF SOUTH DAKOTA
DENNIS DAUGAARD, GOVERNOR



March 28, 2013

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, 2012. This is our 26th *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.

South Dakota's economy continues to grow even during times of national and global economic uncertainty. Our state's favorable business climate and strong agriculture base has helped the South Dakota economy to outperform the national economy over the past several years. Recent data supports this, as the state's average annual income growth rate from calendar year 2008 through 2011 was 4.2%, which was the second highest growth rate of all states and much higher than the national growth rate of 1.3% over the same time period. In addition, the nonfarm employment growth rate in South Dakota exceeded the national growth rate from calendar year 2008 through 2011. The unemployment rate in South Dakota was one of the lowest rates in the nation through fiscal year 2012, and remains that way today.

As the Governor of this great state, I am committed to four financial priorities:

- Increasing job growth, economic development, and visitor spending,
- Taking care of those who cannot take care of themselves,
- Providing our children with a quality education, and
- Protecting our society from those who would do us harm.

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

Sincerely,

Dennis Daugaard



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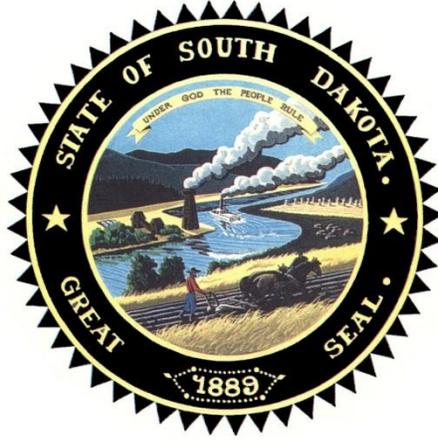
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INTRODUCTORY SECTION





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TO THE HONORABLE DENNIS M. DAUGAARD, 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 (hereinafter referred to as the State) for the fiscal year ended June 30, 2012.

Report. This report is prepared by the Bureau of Finance and Management and submitted as required by South Dakota Codified Law 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 2012 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, 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 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, 2012, 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 and limited to four consecutive terms for the same seat.

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 Constitution of the State of South Dakota requires the Legislature to pass an annual budget in which expenditures and appropriations may not exceed anticipated revenue. The State Constitution requires the State budget be balanced and thus the State Legislature has always passed a balanced budget. 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 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).

More information on the risk management activities can be found in 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 Fund, the South Dakota Retirement System, South Dakota Cement Plant Retirement Fund, School and Public Lands, 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 \$188.8 million for fiscal year 2012. Income for the most recent five years totaled \$966 million and, since inception, has exceeded \$10.9 billion. The Investment Council has grown from \$133.0 million in assets under management at the end of its first year to \$9.9 billion at June 30, 2012.

Investment Council management of the Cash Flow Fund portfolio resulted in earnings this year of \$19.9 million, a yield of 2.33%. The Cash Flow Portfolio has earned taxpayers \$1.0 billion over the past 40 years.

The South Dakota Retirement System's assets have returned 10.3% for the past 39 years (since inception of the Council's management responsibilities for SDRS). This performance has placed the Council in the top one percentile against other state pension funds.

Cash management and investments are discussed more fully in 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 32 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, 2012, \$2.14 billion has been generated to fund many public programs and projects. Lottery provided \$103.7 million income (before transfers) during fiscal year 2012.

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 11.9% in 2003 to 41.6% in 2012. The funding ratio decreased from 97.2% in 2003 to 92.6% in 2012. 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. In fiscal year 2012, SDRS experienced a 1.91% market return, less than the assumed rate of return of 7.75%.

Plan assets at fair value in 2012 were \$7.8 billion compared to plan assets in 2003 of \$4.8 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 seventeen 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 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 Human Resources 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 the Notes to the Financial Statements.

ECONOMIC CONDITIONS AND OUTLOOK

Employment growth is an important indicator of the state's economic health. The 2007 to 2009 national economic recession had a negative impact on employment during 2009 and 2010, but positive employment growth returned in calendar year 2011 and 2012 as the economy continues to recover from the severe recession. South Dakota nonfarm employment growth was -1.9% in 2009, -0.1% in 2010, 1.1% in 2011 and 1.7% in 2012. This compares to the United States nonfarm employment growth of -4.4% in 2009, -0.7% in 2010, 1.2% in 2011 and 1.7% in 2012.

In fiscal year 2012 (July 2011 – June 2012), nonfarm employment in South Dakota grew 1.5% compared to the national growth rate of 1.6% over the same time period. Although South Dakota's employment growth during the fiscal year was slightly lower than the national growth rate, South Dakota's fiscal year 2012 level of employment was 100.4% of the previous peak employment (fiscal year 2008), while the national level of employment was just 96.3% of the previous peak employment (fiscal year 2008). Sectors that experienced growth in fiscal year 2012 in South Dakota included: manufacturing; trade, transportation, and utilities; financial activities; professional and business services; education and health services; leisure and hospitality; and other services. Sectors that experienced declines during fiscal year 2012 include: mining, logging, construction; information; and government.

The unemployment rate in South Dakota continued to remain one of the lowest in the nation during fiscal year 2012, even in an uncertain national economy. In June of 2012, South Dakota's unemployment rate was 4.4%, nearly half the U.S. unemployment rate of 8.2% for the same month.

Income growth is another important indicator of the state's economic health. In calendar year 2011, which is the most recent annual data that is available, South Dakota's personal income grew 12.8%, more than double the national growth rate of 5.2%. South Dakota's large growth in 2011 was driven by record farm income in 2011. From 2008 through 2011, South Dakota's average personal income growth rate was 4.2% which ranked second in the nation over this time period. This was much higher than the national growth rate of 1.3% and the seven state Plains region growth of 1.8%. The other Plains region states of Iowa, Kansas, Minnesota, Missouri, Nebraska, and North Dakota experienced average income growth rates of 2.9%, 1.1%, 1.5%, 0.7%, 2.5%, and 6.3%, respectively, over the same time period.

In addition to employment and income growth, a strong agriculture economy helped the State's economy grow during challenging economic times. From 2008-2011, farm income averaged over \$3.1 billion per year, with 2011 being the highest farm income on record in South Dakota at \$4.8 billion. This record farm income helped to grow the State's economy during those years. In 2012, farm income is expected to be down from 2011 as widespread drought impacted much of the state. However, high crop and livestock prices combined with crop insurance payments are expected to offset much of the lost crop production over the past year.

The long term outlook for South Dakota's economy is cautiously optimistic as the state continues to grow from the national economic recession while the agriculture sector recovers from the 2012 drought. As of January 2013, South Dakota's nonfarm employment levels were 5,100 jobs or 1.2% higher when compared to a year earlier. In addition, the unemployment rate in South Dakota is currently at 4.4%, much lower than the U.S. unemployment rate of 7.7% as of January 2013. South Dakota's economy is expected to continue to grow in 2013 and 2014 as the State continues to boast one of the lowest state per capita taxes in the nation. The state's business friendly environment combined with a healthy farm economy will help South Dakota's economy expand in the future.

MAJOR INITIATIVES

Governor Daugaard continues to focus on job growth, economic development and visitor spending, taking care of those who cannot take care of themselves, providing our children with a quality education, and protecting our society from those who would do us harm.

Listed below are some of the major initiatives the State has implemented in recent years in an effort to accomplish our goals:

Strengthening the State's financial condition and bond rating. South Dakota recently made the cover of Barron's, the Dow Jones financial weekly, as the best-run state in the nation. Our state earned the top spot due to our low debt and responsible pension funding compared to our Gross Domestic Product. Despite being the best, Governor Daugaard is committed to further strengthening the financial condition of the State and pledges to never lose sight of those values that keep our State strong. In doing so the State has taken action to clarify the State Constitutional balance budget requirement, maintain healthy reserves and highly funded pension plans; and work towards timely financial reporting and longer term financial planning with very low debt levels.

- The State has always taken the position that the Constitution of the State of South Dakota requires the State's budget be balanced and thus the State Legislature has always passed a balanced budget. However the language in the Constitution was unclear and ambiguous. At the request of Governor Daugaard, HJR 1007 was passed during the 2012 Legislative Session. This resolution legislatively referred a constitutional amendment to a public vote. At the November 6, 2012 General Election, the voters of South Dakota passed this constitutional amendment which clarified the balanced budget provisions within the Constitution of the State of South Dakota. Specifically, it requires the Governor to propose and the Legislature to pass an annual budget in which expenditures and appropriations may not exceed anticipated revenue. Although this Constitutional amendment provided clarity, it did not change the balanced budget philosophy that the State has followed since statehood.
- In 1991 South Dakota Legislature established a General Fund Budget Reserve and in 1996 created the "Property Tax Reduction Fund". The combined balance of these two reserve accounts for fiscal years 2009, 2010 and 2011 was \$111.8 million, \$111.6 million and \$111.2 million. Through sound budgeting and spending practices, these combined reserves balances have remained stable during the last three fiscal years and increased to \$139.0 million in FY12.
- The long-term experience of SDRS has been very favorable, resulting in a funded status that exceeds virtually all other statewide public retirement systems. The SDRS Funded Ratio based on Market value of assets was 103% in June 2011 compared to 74% for an average of statewide public systems and 93% in June 2012 compared to 70% for other statewide public systems."
- In 1987 the State of South Dakota issued its first CAFR. That report contained an unqualified opinion from the Department of Legislative Audit (the independent auditors). The Independent Auditor's Report included in this report represents the 26th consecutive year South Dakota has received an unqualified opinion on our CAFR. Additionally, it is Governor Daugaard's goal for future CAFRs to be issued 6 months after the close of the fiscal year. Although it will take time, the State is committed to achieving this goal through streamlining processes, implementing new systems and reevaluating resource needs.
- Another aspect of strengthening the state's financial practices is for longer term financial planning. Per current state law, the Governor is required to propose and the Legislature is required to adopt an annual budget plan each fiscal year. In addition to focusing on the short-term annual budget as required by state law, the state's goal is to also implement longer range budget planning of up to 10 years. Implementing longer term budget forecasting and planning will help identify long term financial risks earlier in the process. This enhancement to current practices will provide decision makers with additional information to make sound decisions regarding the annual budget as well as the issuance of debt over a longer period of time. Additionally, on March 14, 2013, the EEFC issued Series 2013A Tobacco Settlement Revenue Bonds (taxable) in the amount of \$123,010,000 and Series 2013B Tobacco Settlement Revenue Bonds (tax exempt) in the amount of \$46,635,000 which refunded the Series 2002A taxable bonds in the outstanding amount of \$54,035,000 and the Series 2002B tax exempt bonds in the outstanding amount of \$129,540,000. The Series 2013A and B bond interest rates ranged from 0.8% to 5.0% compared to 6.5% to 6.72% for the Series 2002 A and B bonds. The projected present value savings of the Series 2013A and

B bonds is \$42,929,150. These bonds received a dual rating by Standard and Poor's. The Series 2013 bonds are rated A through the June 1, 2023 maturity and A- for the bonds maturing on June 1, 2024 through June 1, 2027.

Public Safety Improvement Act. In the past 35 years, South Dakota's prison population increased 500% while not receiving optimal public safety returns. In response, state leaders formed the South Dakota Criminal Justice Initiative Work Group, which was charged with analyzing sentencing and corrections data and developing policies to safely curtail prison growth. The work group recommended a package of policies which resulted in the Public Safety Improvement Act. Its purpose is to improve public safety by strengthening supervision, holding offenders more accountable, focusing prison space on violent and career criminals, and ensuring quality and sustainability of reforms while controlling corrections spending. The Act is projected to save state taxpayers approximately \$162 million in averted prison construction and operating expenses through 2022.

Significant changes were recommended for our criminal justice system to accomplish these provisions. They include enhancing and expanding drug and driving under the influence (DUI) courts, probation and parole supervision, collection of restitution, and training. New programs include two probation supervision programs combining drug testing with swift and certain sanctions, a statewide automated victim information and notification system, a parole supervision program for tribal communities, and reinvestment funding for counties who manage additional offenders locally. This Act also focuses on improved mental health and substance abuse treatment.

Sanford Underground Research Facility (SURF). SURF is a world-class facility for sensitive physics experiments requiring protection from the cosmic radiation bombarding the surface of the earth. In 2007, the National Science Foundation (NSF) selected the Sanford Underground Research Facility (SURF), owned by the South Dakota Science and Technology Authority (SDSTA), as the site for a Deep Underground Science and Engineering Laboratory (DUSEL). In federal fiscal year 2012, the US Department of Energy (DOE) began sponsoring SURF operations. Experiments now installed nearly a mile underground, protected by a thick layer of rock from cosmic noise, could yield answers to some of the deepest mysteries of modern physics in the next few years. The facility also hosts applied research, such as a project to improve the commercial production of ultra-pure germanium crystals and the use of exotic "extremophile" life forms which could boost production of bio-fuels. Fourteen research collaborations are active at Sanford Lab, and they include nearly 1,000 scientists from throughout the United States and Europe. Sanford Lab is poised to become one of the leading physics laboratories in the world, and 13 of the 14 research groups at the laboratory include scientists from South Dakota universities. In December 2012, the DOE approved the Long Baseline Neutrino Experiment (LBNE) to proceed with preliminary designs to construct a large detector at SURF. LBNE construction is projected to begin in 2016 and operations could run through approximately 2040. The NSF and DOE are also considering next generation dark matter (larger detector) as well as Nuclear Astrophysics experiments at SURF that could ensure operational funding through 2030 to 2040.

South Dakota is positioning itself to take better advantage of this world-leading facility. A new physics doctoral program and better opportunities for graduate students will expand research opportunities for South Dakota students. SURF will help build the intellectual capital necessary for South Dakota to thrive in an innovation-rich economy.

Building South Dakota. The sunset of the SDCL 10-45B large project refund program and the defeat of referred law 14 left South Dakota with insufficient economic development tools. In response, Republican and Democrat leadership worked together to formulate a comprehensive economic development package with built in safeguards to ensure fiscal responsibility, transparency and accountability. The multi-faceted approach set forth in 2013 Senate Bill 235 focuses on education, housing, infrastructure, local economic development efforts, and large and small project needs. One component of the legislation provides for the Board of Economic Development to approve discretionary reinvestment payments, up to the amount of sales and use tax paid on project costs, for new or expanded facilities with a total project cost in excess of twenty million dollars, and for equipment upgrades with a total project cost in excess of two million dollars.

The legislation also creates the Building South Dakota fund, which is funded by twenty-five percent of the unclaimed property receipts in fiscal year 2015 and fifty percent of said receipts in each year thereafter, in addition to the contractor's excise tax collected on projects in excess of twenty million dollars which are approved to receive a reinvestment payment. The Building South Dakota fund will receive a one-time appropriation of \$7.0 million in

fiscal year 2014 to provide the initial capitalization of the fund. The Building South Dakota fund is allocated as follows:

- 30% to the Workforce Education fund to provide grants to schools to fund the limited English proficiency adjustment and provide grants for secondary career and technical education programs
- 25% to the South Dakota Housing Opportunity fund to preserve and expand sustainable, affordable and safe housing targeted at low and moderate income families and individuals
- 25% to the Local Infrastructure Improvement grant fund to issue grants to political subdivisions or local development corporations to construct or reconstruct infrastructure for the purpose of serving economic development projects
- 15% to the Economic Development Partnership fund to issue grants to nonprofit development corporations, municipalities, counties, or other political subdivisions of this state on a matching basis for the purpose of development or expanding local, community, and economic development programs
- 5% to the Revolving Economic Development and Initiative fund to provide grants to projects having a total project cost of less than twenty million dollars.

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 each State agency, the Bureau of Finance and Management, and the staff of the Department of Legislative Audit for their talents in making this report possible.

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

Respectfully Submitted,



Jason C. Dilges, Chief Financial Officer
Bureau of Finance and Management

SOUTH DAKOTA FY2012 PRINCIPAL STATE OFFICIALS

EXECUTIVE BRANCH

**THE HONORABLE DENNIS DAUGAARD, GOVERNOR
THE HONORABLE MATT MICHELS, LIEUTENANT GOVERNOR**

CONSTITUTIONAL OFFICERS

**The Honorable Marty J. Jackley, Attorney General
The Honorable Jason M. Gant, Secretary of State
The Honorable Rich Sattgast, Treasurer
The Honorable Steve Barnett, Auditor
The Honorable Jarrod Johnson, Commissioner, School and Public Lands**

PUBLIC UTILITIES COMMISSION

**The Honorable Kristie Fiegen, Commissioner
The Honorable Gary Hanson, Commissioner
The Honorable Chris Nelson, Commissioner**

LEGISLATIVE BRANCH

**The Honorable Val Rausch
Speaker of the House**

**The Honorable Russell Olson
Senate Majority Leader**

**The Honorable Jason Frerichs
Senate Minority Leader**

**The Honorable David Lust
House Majority Leader**

**The Honorable Bernie Hunhoff
House Minority Leader**

JUDICIAL BRANCH

**The Honorable David E. Gilbertson
Chief Justice**

**The Honorable John K. Konenkamp
Associate Justice**

**The Honorable Steven L. Zinter
Associate Justice**

**The Honorable Glen A. Severson
Associate Justice**

**The Honorable Lori S. Wilbur
Associate Justice**

SOUTH DAKOTA FY2012 FUNCTIONS OF STATE GOVERNMENT

GENERAL GOVERNMENT

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

HEALTH, HUMAN AND SOCIAL SERVICES

DEPT. OF SOCIAL SERVICES
DEPT. OF HEALTH
DEPT. OF LABOR AND REGULATION
DEPT. OF VETERANS' AFFAIRS
DEPT. OF HUMAN SERVICES
RETIREMENT SYSTEM

EDUCATION

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

ECONOMIC RESOURCES

DEPT. OF TOURISM
DEPT. OF TRIBAL RELATIONS
GOV.'S OFFICE OF ECONOMIC DEVELOPMENT

AGRICULTURE AND NATURAL RESOURCES

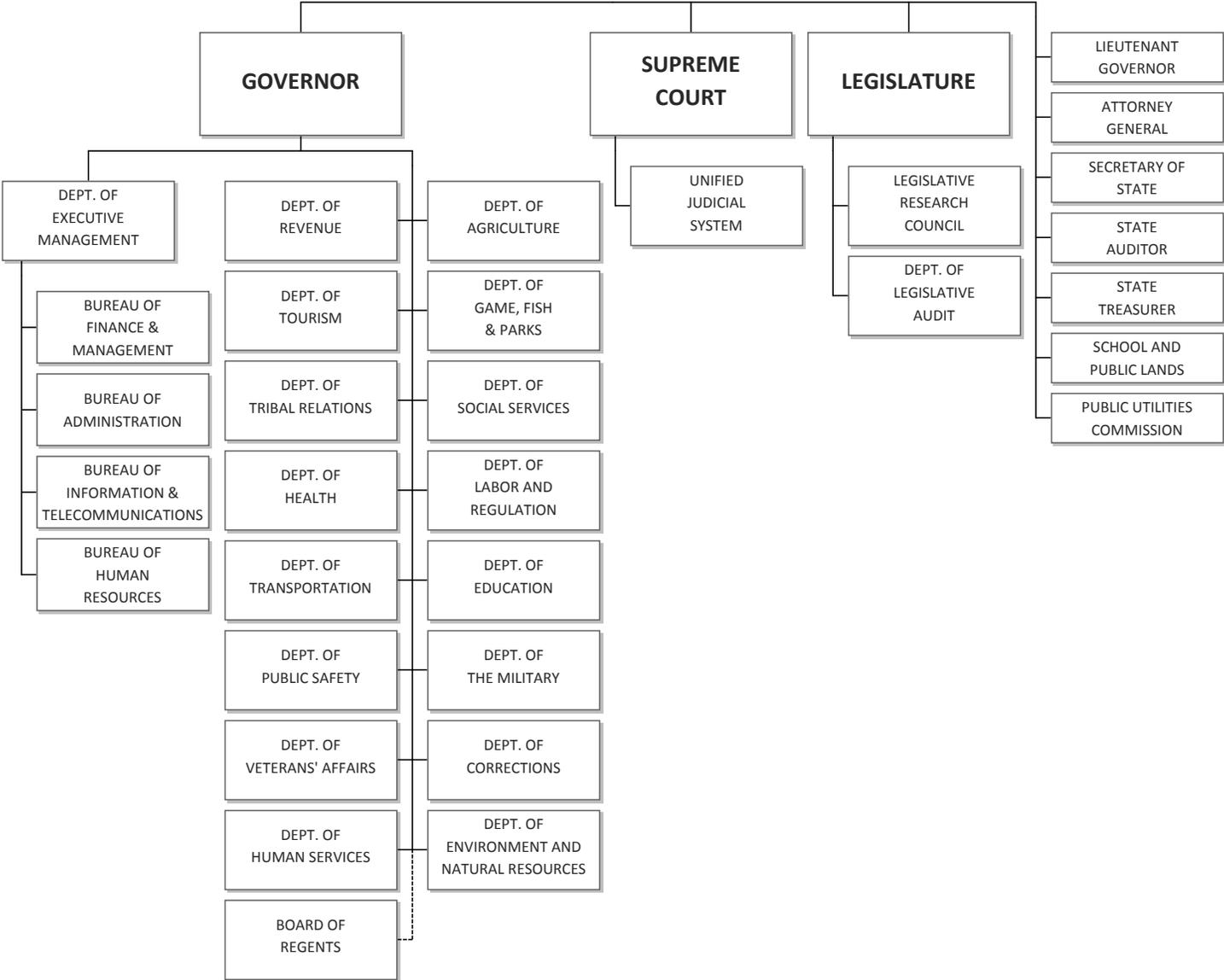
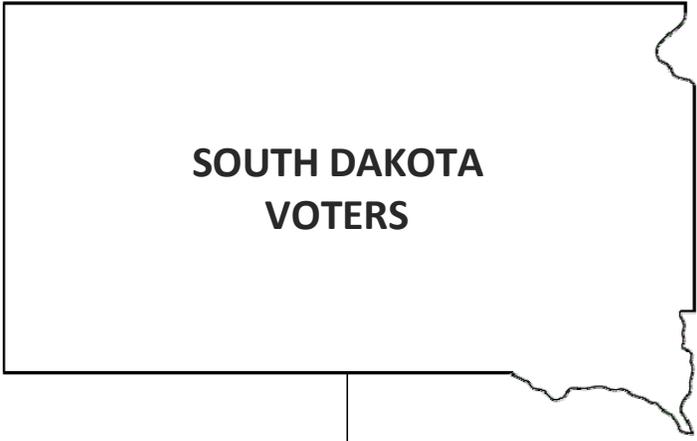
DEPT. OF AGRICULTURE
DEPT. OF GAME, FISH, AND PARKS
DEPT. OF ENVIR. AND NATURAL RESOURCES

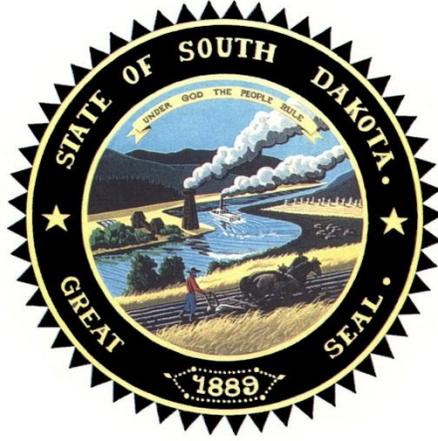
LAW, JUSTICE, PUBLIC PROTECTION AND REGULATION

DEPT. OF CORRECTIONS
DEPT. OF LABOR AND REGULATION - BOARDS
AND COMMISSIONS, FINANCIAL SERVICES,
AND APPRAISER PROGRAM
DEPT. OF THE MILITARY
DEPT. OF PUBLIC SAFETY
DEPT. OF REVENUE - COMMISSION ON GAMING
ATTORNEY GENERAL
PUBLIC UTILITIES COMMISSION
UNIFIED JUDICIAL SYSTEM

TRANSPORTATION

DEPT. OF TRANSPORTATION





FINANCIAL SECTION





427 SOUTH CHAPELLE
 C/O 500 EAST CAPITOL
 PIERRE SD 57501-5070
 (605) 773-3595
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MARTIN L. GUINDON, CPA
 AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable Dennis Daugaard
 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 year ended June 30, 2012, 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 financial statements of the Unemployment Insurance Fund, the South Dakota Retirement System, the South Dakota Housing Authority and certain foundations of Higher Education. Those financial statements reflect total assets and revenue and additions of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information as follows:

	<u>Percent of Total Assets</u>	<u>Percent of Total Revenues/Additions</u>
Business-type activities:		
Unemployment Insurance Fund	5.8%	22.4%
Aggregate discretely presented component units:		
South Dakota Housing Authority	56.3%	15.8%
Foundations of Higher Education	11.7%	6.3%
Aggregate remaining fund information:		
Unemployment Insurance Fund	.5%	2.6%
South Dakota Retirement System	86.5%	14.0%

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those funds and component units, are based on the reports of the other auditors.

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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 29 and budgetary comparison schedules on pages 100 through 115 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The supplementary information, such as the combining and individual fund financial statements on pages 118 through 155 and the other information, such as the introductory and statistical section on pages 1 through 10 and 157 through 175, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Martin L. Guindon, CPA
Auditor General

March 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of South Dakota's (hereinafter 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, 2012. 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

- Total assets of the State exceeded its total liabilities at the close of the fiscal year by \$5.3 billion (reported as net assets), an increase of \$231.7 million from the previous year. Certain resources within the total net assets balance have restrictions and internally imposed limitations that are discussed within the *Government-wide Financial Analysis* section of this document. Component units reported net assets of \$1.5 billion, an increase of \$49.7 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 \$1.5 billion, an increase of \$20.0 million. Of the \$1.5 billion in combined ending fund balance, \$709.0 million is nonspendable and \$460.5 million is restricted by outside sources or enabling legislation. Another \$38.9 million is committed by state law and \$184.5 million has been assigned for various specific purposes. The remaining \$144.5 million is unassigned according to GASB 54. Please refer to Notes to the Financial Statements for further explanation and breakdown of these balances. Certain resources within the \$144.5 million of the unassigned fund balance have internally imposed limitations that are discussed throughout the *Financial Analysis of the State's Funds* section of this document and the Notes to the Financial Statements.
- Proprietary funds reported net assets at year-end of \$542.7 million, an increase of \$11.2 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, 2012, totaled \$531.1 million, an increase of \$47.0 million from the last fiscal year-end. The increase represents the net difference between new issuances, payments and refundings of outstanding debt.
- During the fiscal year, the South Dakota Building Authority did not issue any new bonds for Governmental Activities. The State incurred no new long-term general indebtedness under Business-type Activities. The South Dakota Building Authority issued \$12.9 million in Revenue Bonds for Higher Education (a discretely presented component unit).

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 (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 an extended period of 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 higher education; 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 costs of certain services it provides. The Lottery Fund is an example of a 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 unit columns of the State's government-wide financial statements:
 - ✓ Higher Education
 - ✓ South Dakota Housing Development Authority
 - ✓ South Dakota Science and Technology Authority
 - ✓ South Dakota Economic Development Finance Authority
 - ✓ South Dakota Ellsworth Development Authority
 - ✓ Value Added Finance Authority
 - ✓ Conservation Reserve Enhancement Program (CREP)

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 the Notes to the Financial Statements.

Fund 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 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 the 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.

Since 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 short-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.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements and provide additional narrative and financial information essential to fully understand the data provided in the government-wide financial statements and fund financial statements. The notes to the financial statements are located immediately following the fiduciary funds' 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. 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 funds, proprietary funds, fiduciary funds, and component units 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, 2012 were \$6.3 billion, while total liabilities were \$1.0 billion, resulting in combined net assets (governmental and business-type activities) of \$5.3 billion.

State of South Dakota						
Net Assets						
(Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$1,944,955	\$1,892,874	\$758,668	\$688,087	\$2,703,623	\$2,580,961
Capital Assets	3,591,131	3,388,057	3,893	4,360	3,595,024	3,392,417
Total Assets	5,536,086	5,280,931	762,561	692,447	6,298,647	5,973,378
Long-Term Liabilities Outstanding	417,457	411,499	223,993	175,422	641,450	586,921
Other Liabilities	365,795	328,830	13,576	12,167	379,371	340,997
Total Liabilities	783,252	740,329	237,569	187,589	1,020,821	927,918
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	3,480,152	3,300,829	3,893	4,360	3,484,045	3,305,189
Restricted	1,114,366	1,144,456	891	1,931	1,115,257	1,146,387
Unrestricted	158,316	95,317	520,208	498,567	678,524	593,884
Total Net Assets	\$4,752,834	\$4,540,602	\$524,992	\$504,858	\$5,277,826	\$5,045,460

The largest component of the State's net assets, 66.0%, 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 21.1% 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. The majority of the restricted net assets are restricted for funds held as permanent investments, either as expendable (\$60.5 million) or nonexpendable (\$684.2 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, 2012 was \$236.7 million, a decrease of \$6.0 million from the previous year. The decrease resulted primarily from the minimum required transfer to the General Fund exceeding investment income. The Dakota Cement Trust Fund transferred \$12.0 million to the General Fund in fiscal year 2012.

At the November 6, 2012 General Election, the voters of South Dakota passed a constitutional amendment that replaces the \$12.0 million yearly transfer to the General Fund with a yearly transfer of 4% of the market value of the State Cement Plant to the General Fund for the support of education starting in fiscal year 2013.

- **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, 2012 was \$103.0 million, a decrease of \$1.1 million from the previous year due primarily from the minimum required transfer to the General Fund exceeding investment income. On an accrual basis, the Health Care Trust Fund transferred \$3.8 million to the General Fund in fiscal year 2012.
- **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, 2012 was \$372.8 million, a decrease of \$4.3 million from the previous year. The decrease resulted primarily from the minimum required transfer to the General Fund exceeding investment income. On an accrual basis, the Education Enhancement Trust Fund transferred \$14.1 million to the General Fund in fiscal year 2012.

The combined fund balance of these three trust funds totals \$712.5 million. Aside from the constitutionally authorized annual distributions described above, these trust funds can only be accessed through a constitutional amendment (Dakota Cement Trust Fund) or by a three-fourths vote of the legislature (Health Care Trust Fund and Education Enhancement Trust Fund).

The remaining balance, \$678.5 million, is defined by accounting standards as “unrestricted” net assets. However, much of the unrestricted net assets cannot be used to meet the State’s general ongoing obligations to citizens and creditors as resources because of limitations imposed by federal regulations, bond covenants, constitutional provision or state law. Limitations on unrestricted net assets imposed by federal regulations and bond covenants include \$193.8 million within the Clean Water State Revolving Fund and \$148.8 million within the Drinking Water State Revolving Fund. Other federal and state regulation limitations include, but are not limited to, \$98.7 million within the Revolving Economic Development and Initiative Fund, \$43.8 million for unemployment insurance claims, \$7.1 million for revolving loan programs, and \$4.9 million for health and public assistance.

Those funds with limitations imposed by State Law include the following:

- **General Fund Budget Reserve.** The 1991 South Dakota Legislature established a General Fund Budget Reserve whereas expenditures out of the budget reserve fund shall only be used by special appropriation (which requires a two-thirds vote of all the members of each branch of the Legislature) and shall only redress such unforeseen expenditure obligations or such unforeseen revenue shortfalls as may constitute an emergency pursuant to S.D. Const., Art. III, § 1. The balance in the General Fund Budget Reserve at June 30, 2012 was \$71.1 million, an increase of \$27.7 million from the previous year.
- **Property Tax Reduction Fund.** Senate Bill 225, passed during the 1996 legislative session, created the “Property Tax Reduction Fund” (PTRF). Its intent is to fund property tax relief in South Dakota by decreasing local effect and increasing the state share in funding education. This law provides that the Commissioner of 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 four 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, (3) 33% share of revenue generated from the tobacco tax in excess of \$35 million; and (4) unobligated cash remaining at the end of a fiscal year after the transfer into the Budget Reserve, 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. This statutorily created fund does not qualify as a special revenue fund under GASB 54. Starting in FY11, it

is being reported as a subfund of the General Fund. It is and will continue to be budgeted for, accounted for and tracked separately on the State's budget and accounting system. The fund balance in the Property Tax Reduction Fund at June 30, 2012 was \$67.9 million, an increase of \$0.1 million from the previous year. \$102.4 million from the property tax reduction fund was used to provide property tax relief through state aid to education in FY2012.

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 2012.

(Expressed in Thousands)	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Service (As Restated)	\$ 379,964	\$ 350,175	\$ 248,132	\$ 268,155	\$ 628,096	\$ 618,330
Operating Grants and Contributions	1,670,046	1,838,312	30,910	52,926	1,700,956	1,891,238
Capital Grants and Contributions	1,608	3,945			1,608	3,945
General Revenues:						
Sales Taxes	779,002	741,455			779,002	741,455
Motor Fuel Taxes	130,864	130,542			130,864	130,542
Contractors Excise Taxes	90,636	66,518			90,636	66,518
Bank Card and Franchise Taxes	32,941	16,954			32,941	16,954
Other Taxes	297,750	266,415			297,750	266,415
Investment Earnings	29,925	143,106			29,925	143,106
Gain on Sale of Capital Assets	3,915	819			3,915	819
Miscellaneous	51,652	41,519			51,652	41,519
Total Revenue	3,468,303	3,599,760	279,042	321,081	3,747,345	3,920,841
Program Expenses:						
General Government	164,005	157,405			164,005	157,405
Education – Elementary, Secondary and Vocational Schools	211,413	218,959			211,413	218,959
Education – State Support to Higher Education	171,701	185,757			171,701	185,757
Health, Human and Social Services	1,354,764	1,354,829			1,354,764	1,354,829
Law, Justice, Public Protection and Regulation	286,127	286,824			286,127	286,824
Agriculture and Natural Resources	130,279	151,116			130,279	151,116
Economic Resources	40,865	51,157			40,865	51,157
Transportation	482,400	508,548			482,400	508,548
Intergovernmental – Payments to School Districts	375,008	412,310			375,008	412,310
Intergovernmental – Revenue Sharing	122,320	100,493			122,320	100,493
Unallocated Interest Expense	17,393	18,711			17,393	18,711
Unallocated Depreciation	53	58			53	58
Lottery			39,877	36,775	39,877	36,775
Clean Water State Revolving			16,406	11,109	16,406	11,109
Drinking Water State Revolving			10,936	11,964	10,936	11,964
Other			92,096	100,406	92,096	100,406
Total Expenses	3,356,328	3,446,167	159,315	160,254	3,515,643	3,606,421
Excess (Deficiency) Before Transfers	111,975	153,593	119,727	160,827	231,702	314,420
Transfers	100,257	107,750	(100,257)	(107,750)	0	0
Change in Net Assets	212,232	261,343	19,470	53,077	231,702	314,420
Net Assets – Beginning (As Restated)	4,540,602	4,279,259	505,522	452,445	5,046,124	4,731,704
Net Assets – Ending (As Restated)	\$ 4,752,834	\$ 4,540,602	\$ 524,992	\$ 505,522	\$ 5,277,826	\$ 5,046,124

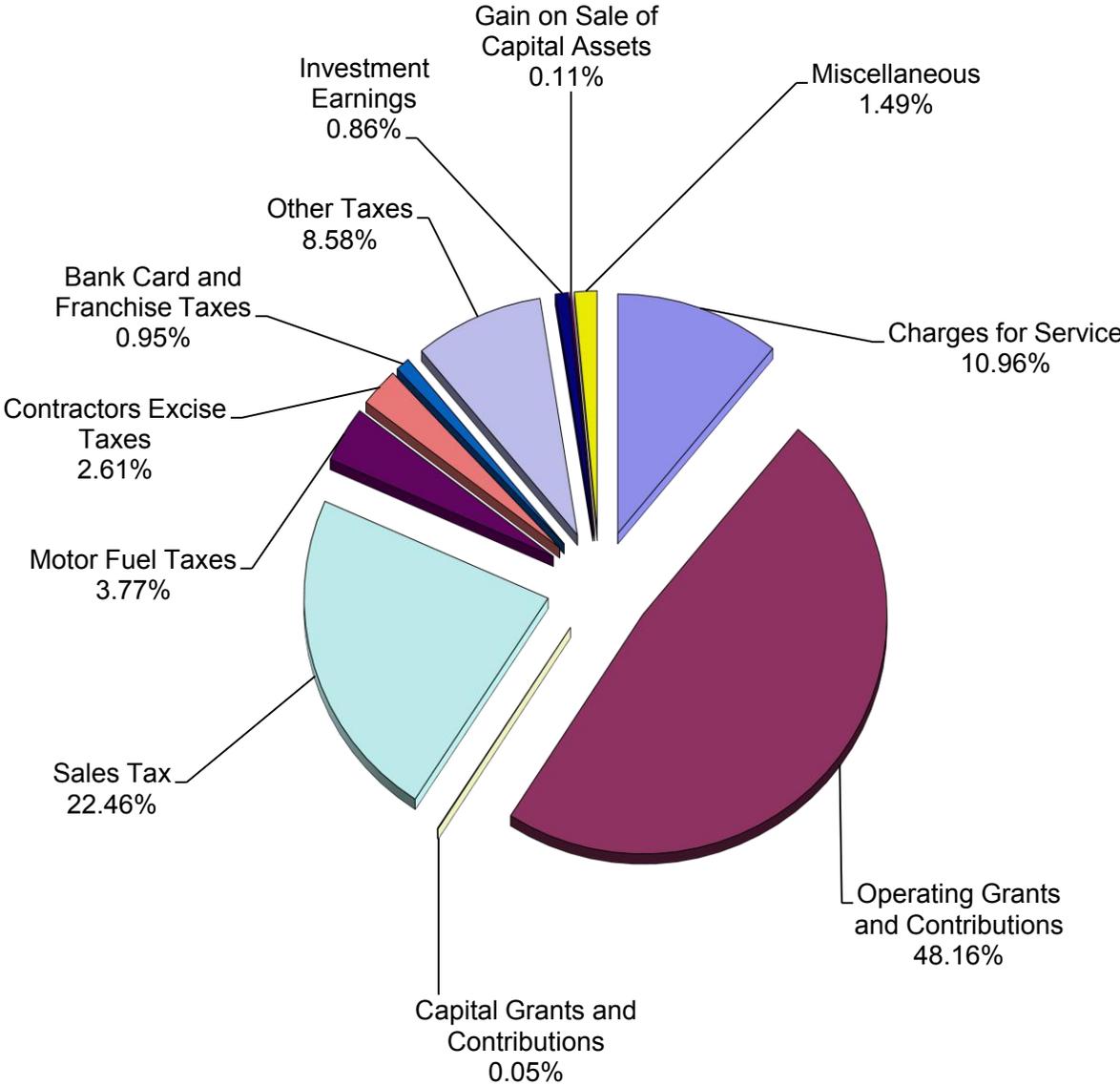
Governmental Activities:

The State's net assets for Governmental Activities increased by \$212.2 million, or 4.7%, from its current operations. This was the result of the net effect of the following: (1) \$3.5 billion revenues (a decrease from the prior year of \$131.5 million); less (2) \$3.4 billion expenses (a decrease over the prior year of \$89.8 million); plus (3) net transfers of \$100.3 million (primarily from "transfers in" from the South Dakota Lottery in the amount of \$103.7 million).

- The decrease in revenues was primarily due to a \$168.3 million decrease in operating grants and contributions and a \$113.2 million decrease in investment earnings offset by a \$109.3 million increase in sales, motor fuel, contractors excise, bank and other tax revenues.
- The decrease in expenses was primarily due to a \$37.3 million and a \$26.1 million decreases in Payments to School Districts and Transportation functions of government.

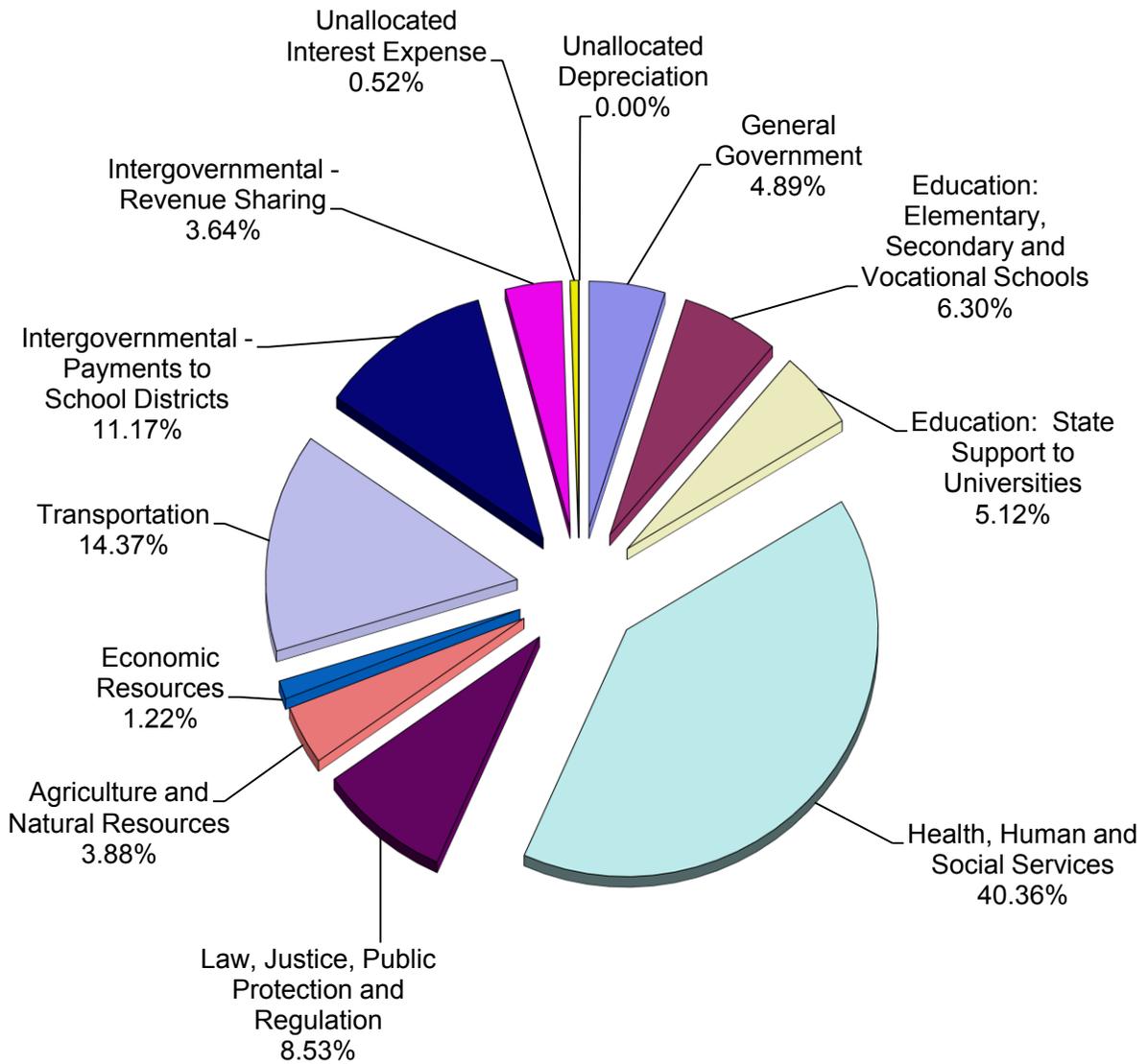
The following two charts illustrate the above program revenues and expenses for Governmental Activities for fiscal year ending June 30, 2012:

State of South Dakota Revenues - Governmental Activities Fiscal Year Ended June 30, 2012



Total Revenues \$3,468,303
(Expressed in Thousands)

**State of South Dakota
Expenses - Governmental Activities
Fiscal Year Ended June 30, 2012**



Total Expenses \$3,356,328
(Expressed in Thousands)

Business-type Activities:

- Net assets of the business-type activities increased by \$19.5 million due to total revenues exceeding total expenses and transfers out.

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, 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 constitutional or 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 \$1.5 billion, an increase of \$20.0 million during the year.

Approximately 46.1%, or \$709.0 million, of the combined ending fund balances, is nonspendable; predominately made up of the Dakota Cement Trust, Health Care Trust, and the Education Enhancement Trust funds to be held as permanent investments. Approximately 30.0%, or \$460.5 million, of the combined ending fund balances, is restricted by outside sources or enabling legislation. 2.5%, or \$39.0 million, of the combined balance is committed by state law and 12.0%, or \$184.5 million, has been assigned internally for specific purposes. The remaining \$144.5 million or 9.4% is unassigned according to GASB 54. Certain resources within the \$144.5 million of the unassigned fund balance have other internally imposed limitations as discussed below. (Please refer to Notes to the Financial Statements for a further explanations and breakdown of these balances.)

The following governmental funds are major funds and had significant impact on the state's financial position during fiscal year 2012:

- ***General Fund.*** The General Fund is the chief operating fund of the State. As a result of the implementation of GASB 54 in FY11, seven funds previously reported as non-major special revenue funds (Property Tax Reduction Fund, Tourism Promotion Fund, Investment Council Operating Fund, Private Activity Bonds Fund, Tax Relief Fund, Extraordinary Litigation Fund, and Unclaimed Property Administrative Fund) no longer qualify as special revenue funds and have been incorporated into the General Fund as subfunds for financial statement reporting purposes. Thus, the General Fund appears differently in the FY11 and FY12 financial statements than it has in the past as it will include all of the activity (revenues, expenses, assets, liabilities, and fund equity) of these seven funds. The General Fund and these seven funds were, and will continue to be budgeted for, accounted for and tracked separately on the State's budget and accounting system.

The following table identifies the General Fund beginning and ending fund balances before and after the GASB 54 changes (expressed in thousands):

	General Fund Beginning Fund Balance	General Fund Ending Fund Balance
Fund Balance - General Fund with GASB 54 "subfunds"	\$ 287,303	\$ 291,067
General Fund "subfunds"	Beginning "subfund" Balance	Ending "subfund" Balance
Property Tax Reduction - assigned for Education	\$ 67,754	\$ 67,941
Tourism Promotion - assigned for Tourism Promotion	2,454	2,908
Investment Council Operating - assigned for Other	1,728	1,297
Private Activity Bond - assigned for Other	67	69
Tax Relief - unassigned	936	2,631
Extraordinary Litigation Expense - unassigned	154	1,219
Unclaimed Property - unassigned	30	31
Total "subfunds"	73,123	76,096
Fund Balance - General Fund - without "subfunds"	\$ 214,180	\$ 214,971

See the Notes to the Financial Statements for more information on the GASB 54 changes.

At the end of the fiscal year, total fund balance of the General Fund was \$291.1 million (including GASB 54 subfunds). \$140.7 million of the total fund balance was assigned for specific purposes; \$147.4 million was unassigned with the remaining \$2.9 million as nonspendable. However, it is important to note that some of this unassigned fund balance has other limiting factors that may limit or decrease its availability for general appropriations because it either has another purpose as intended by state law or has internally imposed limitations. Those limitations on the unassigned fund balance include; \$71.1 million is the General Fund Budget Reserve which is created by state law and only to be used to address emergency situations without having to raise taxes or cut spending; and \$3.9 million is intended for use within the GASB 54 reclassified subfunds within the General Fund. Other limitations on the General Fund include:

- \$43.8 million represents tax revenue that was received in FY12, recognized in the General Fund in FY12 for financial reporting purposes, but not distributed on a cash basis to the General Fund until FY13 for purposes of meeting the State's ongoing obligations to the citizens and creditors for the next fiscal year.
- \$50.1 million is not part of cash and cash equivalents, but rather a net effect of receivables and other assets in excess of liabilities.

As a measure of General Fund's liquidity, it may be useful to compare both the assigned and unassigned fund balances to total fund expenditures. The assigned fund balance represents 11.48% of the total General Fund operating expenditures, while the unassigned fund balance (including the Budget Reserve) represents 12.0% of that same amount.

- **Transportation.** The total fund balance at the end of the current fiscal year for the Transportation Fund was \$153.2 million, a decrease of \$2.7 million from the prior fiscal year resulting from greater highway construction expenditures.
- **Social Services Federal.** The total fund balance at the end of the current fiscal year for the Social Services Federal Fund was \$2.4 million, an increase of \$2.3 million from the prior fiscal year. The increase resulted primarily from an FY12 reorganization within the primary Government which moved the Human Services Center from the Department of Human Services to the Department of Social Services; and changes in Medicare revenue.
- **Dakota Cement Trust.** The total fund balance at the end of the current fiscal year for the Dakota Cement Trust Fund was \$236.7 million, a decrease of \$6.0 million from the prior fiscal year. The decrease resulted primarily from the minimum required transfer out exceeding investment income during the fiscal year.

- **Education Enhancement Trust.** The total fund balance at the end of the current fiscal year for the Education Enhancement Trust Fund was \$372.8 million, a decrease of \$4.3 million from the prior fiscal year. The decrease resulted primarily from the minimum required transfer out exceeding investment income during the fiscal year.

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 activity or changes to net assets during fiscal year 2012:

- **Lottery Fund.** The Lottery Fund accounts for the operations of the South Dakota State Lottery which markets instant tickets and lotto games, and regulates video lottery to raise revenue for State programs and projects. At the end of the current fiscal year, the Lottery Fund reported total net assets of \$6.8 million, a decrease of \$0.2 million in comparison with the prior year. During the current fiscal year, the State Lottery produced income (before transfers) in the amount of \$103.5 million on total revenue of \$143.0 million, compared to the previous fiscal year's income (before transfers) of \$108.0 million on total revenue of \$144.4 million. The decrease in revenues was the result of a decrease in video lottery sales. During fiscal year 2012, the State Lottery distributed approximately \$87.4 million to the Property Tax Reduction Fund (a subfund of the General Fund), \$8.2 million to the General Fund, \$7.9 million to the Capital Construction Fund, and \$0.13 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 \$193.8 million, a decrease of \$3.0 million in comparison with the prior fiscal year. The decrease resulted primarily from (1) \$10.6 million in grant expenses and (2) revenue from capitalization grant funds, investments, interest, and other sources only being \$7.6 million higher than the remaining 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 \$148.8 million, an increase of \$3.4 million in comparison with the prior year. This increase resulted primarily from (1) the receipt of \$7.1 million of capitalization grant monies received from the federal government and (2) \$3.7 million of operating expenses in excess of revenue from investments, interest, and other sources.

Budgetary Highlights

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

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

General Fund. The difference between the original and the final amended budget was a \$55.5 million increase in appropriations. That increase can be attributed to two separate appropriation areas comprised of emergency specials and general bill adjustments.

The general fund had \$24.7 million worth of emergency special appropriations during fiscal year 2012 that consisted of the following:

- \$1.0 million appropriation to the Department of Veterans' Affairs for costs related to the Veterans' Bonus Program.
- \$0.5 million appropriation to the Department of Revenue for costs related to the tax refunds for elderly and disabled individuals.
- \$14.0 million appropriation to the Department of Public Safety for costs related to the emergency and disaster fund.
- \$0.1 million appropriation to the Department of Health for costs related to the physician and dentist tuition reimbursement program.
- \$0.2 million appropriation to the Secretary of State for costs related to revising Article 9 of the Uniform Commercial Code.
- \$1.0 million appropriation to the Bureau of Administration for costs related to the extraordinary litigation fund.
- \$7.9 million appropriation to the Department of Agriculture for costs related to the suppression of wildfires, construction, and pine beetle suppression.

The general fund had general bill adjustments that increased the original budget by \$30.8 million during fiscal year 2012 which consisted of the following:

- \$20.0 million increase in appropriation to the Department of Executive Management for programs in Governor's Office of Economic Development, Employee Compensation, and Statewide Maintenance and Repair.
- \$0.3 million increase in appropriation to the Department of Health for programs in Health and Medical Services.
- \$0.3 million increase in appropriation to the Department of Labor and Regulation for programs in the Secretary of Labor Administration.
- \$9.0 million increase in appropriation to the Department of Education for programs in Education Resources.
- \$1.2 million increase in appropriation to the Department of Human Services for programs in Developmental Disabilities and Rehabilitation Services.

The net effect of the emergency special appropriations and the general bill adjustments resulted in a \$55.5 million increase in appropriations. Overall, there were no over-expenditures by any State departments. The difference between the final amended budget and actual spending was \$22.2 million below final budgeted estimates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's capital assets are capitalized at historic cost. The State's investment in capital assets for its governmental and business-type activities as of June 30, 2012 is \$3.6 billion (net of accumulated depreciation). This investment in capital assets includes land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 110,453	\$ 111,665	\$ 295	\$ 295	\$ 110,748	\$ 111,960
Land Improvements	32,686	28,093	924	924	33,610	29,017
Land Improvements - Roads	602,085	598,800			602,085	598,800
Buildings	447,046	411,562	4,008	4,008	451,054	415,570
Equipment	184,091	168,904	4,535	4,520	188,626	173,424
Intangible Assets – Software	54,547	49,069	725	725	55,272	49,794
Vehicles	133,484	132,811			133,484	132,811
Infrastructure	3,476,514	3,315,207			3,476,514	3,315,207
Construction in Progress	304,417	269,930			304,417	269,930
Total Capital Assets	5,345,323	5,086,041	10,487	10,472	5,355,810	5,096,513
Accumulated Depreciation	(1,754,192)	(1,697,984)	(6,594)	(6,112)	(1,760,786)	(1,704,096)
Total Capital Assets, Net	\$ 3,591,131	\$ 3,388,057	\$ 3,893	\$ 4,360	\$ 3,595,024	\$ 3,392,417

The most significant capital asset the State reported in fiscal year 2012 was infrastructure assets. 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 \$2.1 billion (net of accumulated depreciation), which is 59.1% of total capital assets (net of accumulated depreciation).

The State's investment in capital assets (net of accumulated depreciation) increased from fiscal year 2011 to 2012 by approximately 6.0%. This change was primarily due to ongoing construction and completion of segments of infrastructure - highways, bridges, and railroads. The increase consisted of:

- Construction in progress for highways and bridges increased by \$149.7 million for new projects and decreased by \$148.4 million for projects completed and capitalized.
- Other construction in progress increased by \$34.5 million. This increase was the result of new and ongoing projects by the Department of Military (\$11.4 million, net of projects completed and capitalized), the Department of Game, Fish and Parks (\$9.7 million, net of projects completed and capitalized), the Department of Social Services (\$6.7 million, net of projects completed and capitalized), the Department of Corrections (\$4.0 million, net of projects completed and capitalized), and the Department of Transportation (\$2.4 million, net of projects completed and capitalized).
- Building and building improvements increased by \$35.5 million. New buildings included the vocational education buildings at Lake Area Technical Institute and the Mitchell Technical Institution (\$25.8 million), The Department of Transportation's Lennox shop site (\$1.6 million), The Tellinghuisen addition to the Department of Transportation's Pierre district office (\$1.4 million) and, The Department of Transportation's Miller shop site (\$0.7 million). Building improvements included the South Dakota State Penitentiary Jamison Annex (\$0.9 million) and The Department of Military Pennington County hanger renovation (\$0.9 million).
- Equipment assets increased by \$15.2 million. This was mainly due to the purchase of new equipment and replacing of aged equipment by the Department of Executive Management (\$6.3 million, net of

disposals), the Department of Transportation (\$3.5 million, net of disposals), the Department of Game, Fish & Parks (\$1.1 million, net of disposals), and the Department of Corrections (\$1.1 million, net of disposals).

- Intangible assets increased by \$5.5 million, comprised of new software for the Unified Judicial System (\$4.5 million, net of disposals) and the Department of Corrections (\$0.9 million).
- Land and land improvements increased by \$3.4 million which consisted primarily of land improvements by the Department of Transportation (\$2.9 million).
- Vehicles increased by \$0.7 million which consisted of replacing aged vehicles by the Department of Game Fish and Parks (\$0.5 million, net of disposals) and the Department of Public Safety (\$0.3 million, net of disposals).

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

Debt Administration

The authority of the State to incur limited debt for specific purposes 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. At June 30, 2012 the issuer credit rating (ICR) for the State of South Dakota from Standard and Poor's was AA+. The South Dakota Building Authority, a legally separate blended component unit of the State, was created and organized by Chapter 5-12 of the South Dakota Codified Laws to issue debt on behalf of the primary government.

The South Dakota Building Authority issues bonds, certificates of participation, and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities of State departments and institutions. These obligations are payable from revenue generated through lease agreements between the South Dakota Building Authority and other State departments and institutions. The South Dakota Building Authority is a blended component unit of the State. At June 30, 2012, the uninsured rating was Aa2 from Moody's and AA from Standard and Poor's. The indebtedness, bonds, or obligations incurred or created by the South Dakota Building Authority may not be or become a lien, charge, or liability against the State. The bonds and all related financial transactions used to finance buildings of State departments and institutions are reported as part of governmental activities in the State's 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 did not issue any new bonds for Governmental Activities. The State incurred no new long-term general indebtedness under Business-type Activities. The South Dakota Building Authority issued \$12.9 million in Revenue Bonds for Higher Education (a discretely presented component unit).

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, 2012, the EEFC Series 2002A and 2002B Bonds had a rating of A1 and A3 from Moody's and BBB for both Series 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 fiscal year 2012, EEFC incurred no new long-term general indebtedness. On March 14, 2013, the EEFC issued Series 2013A Tobacco Settlement Revenue Bonds (taxable) in the amount of \$123,010,000 and Series 2013B Tobacco Settlement Revenue Bonds (tax exempt) in the amount of \$46,635,000. These bonds refunded the Series 2002A taxable bonds in the outstanding amount of \$54,035,000 and the Series 2002B tax exempt bonds in the outstanding amount of \$129,540,000. The Series 2013A and B bond interest rates ranged from 0.8% to 5.0% compared to 6.5% to 6.72% for the Series 2002 A and B bonds. The Series 2013 bonds received a dual rating by Standard and Poor's. The Series 2013 bonds are rated A through the June 1, 2023 maturity and A- for the bonds maturing on June 1, 2024 through June 1, 2027.

The South Dakota Conservancy District issues 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; and construction and maintenance of drinking water facilities respectively. At June 30, 2012, the South Dakota Conservancy District had maintained its long-term rating of Aaa from Moody's and AAA from Standard & Poor's on all outstanding State Revolving Fund Program Bonds. 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 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 \$69.8 million in Taxable Revenue Bonds, (Series 2012A), on 5/23/2012. (Of this amount, \$39.6 million was for the CWSRF Program and \$30.2 million was for the DWSRF Program.) This issue was used to advance refund the 2004 and 2005 bond issues. The District also issued \$53.5 million in Tax-exempt Revenue Bonds, (Series 2012B), on 5/23/2012. (Of this amount, \$50.7 million was for the CWSRF Program and \$2.8 million was for the DWSRF Program.) This issue was used to refund on a current basis the 2001 bond issues and provide additional funding for the CW SRF Program.

At June 30, 2012, primary government had total notes and bonded debt outstanding as follows:

State of South Dakota Outstanding Loans and Bonded Debt (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenue Bonds:						
South Dakota Building Authority	\$ 45,199	\$ 53,698	\$	\$	\$ 45,199	\$ 53,698
Educational Enhancement Funding Corporation	182,388	196,679			182,388	196,679
South Dakota Conservancy District			222,705	174,218	222,705	174,218
Trust Certificates:						
South Dakota Building Authority	16,490	19,249			16,490	19,249
Capital Leases:	64,279	40,186			64,279	40,186
Total	<u>\$ 308,356</u>	<u>\$ 309,812</u>	<u>\$ 222,705</u>	<u>\$ 174,218</u>	<u>\$ 531,061</u>	<u>\$ 484,030</u>

Additional information on the State's long-term debt obligations can be found in the Notes to the Financial Statements.

ECONOMIC CONDITIONS AND OUTLOOK

Nonfarm employment in South Dakota increased during fiscal year 2012 and exceeded the previous peak employment levels that were reached before the 2007-2009 national recession. In fiscal year 2012, nonfarm employment in the State increased 1.5%, or 6,100 jobs. Although South Dakota's employment growth during the fiscal year was slightly lower than the national growth rate of 1.6%, South Dakota's fiscal year 2012 level of employment was 100.4% of the previous peak employment (fiscal year 2008), while the national level of employment was just 96.3% of the previous peak employment (fiscal year 2008). The unemployment rate in South Dakota remained one of the lowest in the nation in fiscal year 2012. South Dakota's unemployment rate was 4.4% in June 2012, while the U.S. unemployment rate was 8.2% the same month. In calendar year 2011, the most recent annual data that is available, South Dakota's personal income grew 12.8%, which was more than double the national growth rate of 5.2%. South Dakota's personal income growth rate ranked 1st of all states in calendar year 2011, driven by record farm income during 2011.

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 or visit our website at <http://bfm.sd.gov>.

The State's discretely presented component units, with the exception of Higher Education, the Value Added Finance Authority, and the Ellsworth Development 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 or visit their website at <http://legislativeaudit.sd.gov>.



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, 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

Notes to the Financial Statements

STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
June 30, 2012
(Expressed in Thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 707,963	\$ 247,088	\$ 955,051
Receivables (Net)	412,897	402,826	815,723
Due From Component Units	994	11	1,005
Due From Primary Government			0
Internal Balances	7,451	(7,451)	0
Investments	759,760	110,691	870,451
Inventory	23,073	2,511	25,584
Deferred Swap Outflow			0
Deferred Fiscal Charges and Other Assets	9,305	1,581	10,886
Assets Held for Resale			0
Restricted Assets:			
Cash and Cash Equivalents	1	20	21
Investments	23,511	599	24,110
Other		792	792
Capital Assets:			
Land and Other Non-depreciable Assets	719,677	295	719,972
Infrastructure (net)	2,123,187		2,123,187
Property, Plant and Equipment (net)	443,850	3,598	447,448
Construction in Progress	304,417		304,417
Total Assets	5,536,086	762,561	6,298,647
Liabilities			
Accounts Payable and Other Liabilities	301,412	8,791	310,203
Due To Primary Government			0
Due To Component Units	1,681	48	1,729
Accrued Interest Payable	11,132	2,182	13,314
Deferred Revenue	51,570	2,555	54,125
Fair Value of Interest Rate Swap Agreements			0
Noncurrent Liabilities:			
Due Within One Year	48,236	10,730	58,966
Due In More Than One Year	369,221	213,263	582,484
Total Liabilities	783,252	237,569	1,020,821
Net Assets			
Invested In Capital Assets, Net of Related Debt	3,480,152	3,893	3,484,045
Restricted For:			
Education	6,788		6,788
Highways	126,303		126,303
Railroads	38,232		38,232
Law, Justice, Public Protection and Regulation	11,020		11,020
Agriculture and Natural Resources	64,483		64,483
Game and Fish	6,554		6,554
Parks and Recreation	3,979		3,979
Health and Public Assistance	6,568		6,568
Economic Development	40,066		40,066
Debt Service	46,036	99	46,135
Capital Projects	498		498
HOME and NSP Program			0
Energy Conservation Programs	11,359		11,359
Higher Education - Expendable			0
Higher Education - Nonexpendable			0
Funds held as Permanent Investments			
Expendable	60,502		60,502
Nonexpendable	684,221		684,221
Interim Lab			0
Sanford Center for Science Education			0
Other Purposes	7,757	792	8,549
Unrestricted	158,316	520,208	678,524
Net Assets	\$ 4,752,834	\$ 524,992	\$ 5,277,826

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

Component Units

Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
\$ 153,167	\$ 25,150	\$ 199,374	\$ 3,787
1,455,045	2,247	122,466	21,842
	239	1,490	
510,048		322,121	3,483
2,063	2,994	7,615	
36,993			
12,011	983	5,525	74
			7,707
		24,450	22
		29,375	6,303
		12,112	
220	18,313	36,233	
6,289	37,177	741,394	
	9,673	49,307	
<u>2,175,836</u>	<u>96,776</u>	<u>1,551,462</u>	<u>43,218</u>
18,171	1,853	55,966	1,579
12	2	991	
10,258		4,067	299
		7,973	
36,992			
49,442	264	33,126	1,668
1,584,648	264	520,440	24,156
<u>1,699,523</u>	<u>2,383</u>	<u>622,563</u>	<u>27,702</u>
(91)	65,163	448,098	
416,099		7,083	5,000
60,305			
		107,032	
		314,881	
	7,481		
	5,000		
	11,517		
	5,232	51,805	10,516
<u>\$ 476,313</u>	<u>\$ 94,393</u>	<u>\$ 928,899</u>	<u>\$ 15,516</u>

STATE OF SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012
(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	\$ 164,005	\$ 194,439	\$ 11,794	\$
Education - Elementary, Secondary and Vocational Schools	211,413	6,147	174,115	
Education - State Support to Higher Education	171,701		4,317	
Health, Human and Social Services	1,354,764	33,030	895,793	
Law, Justice, Public Protection and Regulation	286,127	66,235	111,739	
Agriculture and Natural Resources	130,279	69,331	40,603	
Economic Resources	40,865	3,268	13,378	
Transportation	482,400	7,514	418,307	1,608
Intergovernmental - Payments to School Districts	375,008			
Intergovernmental - Revenue Sharing	122,320			
Unallocated Interest Expense	17,393			
Unallocated Depreciation	53			
Total Governmental Activities	<u>3,356,328</u>	<u>379,964</u>	<u>1,670,046</u>	<u>1,608</u>
Business-type Activities:				
Lottery	39,877	143,078	258	
Clean Water State Revolving	16,406	5,677	7,783	
Drinking Water State Revolving	10,936	4,922	9,476	
Revolving Economic Development and Initiative	754	1,643	880	
Unemployment Insurance	46,999	59,842	1,451	
Second Injury	3,160	3,172	53	
State Fair	2,531	2,248	49	
Federal Surplus Property	3,672	3,769	9	
Rural Rehabilitation	787	183	86	
Prison Industries	2,385	2,608	66	
Health Insurance Risk Pool	8,360	6,020	749	
Professional and Licensing	6,691	7,751	242	
Banking and Insurance	3,455	4,062	25	
Other	13,302	3,157	9,783	
Total Business-type Activities	<u>159,315</u>	<u>248,132</u>	<u>30,910</u>	<u>0</u>
Total Primary Government	<u>\$ 3,515,643</u>	<u>\$ 628,096</u>	<u>\$ 1,700,956</u>	<u>\$ 1,608</u>
Component Units:				
Housing Authority	\$ 114,417	\$ 99,820	\$ 36,755	\$
Science and Technology Authority	16,739	586	14,890	221
Higher Education	678,556	342,575	161,559	9,126
Nonmajor	2,991	1,365	127	5,279
Total Component Units	<u>\$ 812,703</u>	<u>\$ 444,346</u>	<u>\$ 213,331</u>	<u>\$ 14,626</u>

General Revenues:

Taxes:
Sales Taxes
Motor Fuel Taxes
Contractors Excise Taxes
Bank Card and Franchise Taxes
Other Taxes
Investment Earnings
State Support to Higher Education
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			Component Units			
Governmental Activities	Business-type Activities	Total	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
\$ 42,228	\$	\$ 42,228				
(31,151)		(31,151)				
(167,384)		(167,384)				
(425,941)		(425,941)				
(108,153)		(108,153)				
(20,345)		(20,345)				
(24,219)		(24,219)				
(54,971)		(54,971)				
(375,008)		(375,008)				
(122,320)		(122,320)				
(17,393)		(17,393)				
(53)		(53)				
<u>(1,304,710)</u>	<u>0</u>	<u>(1,304,710)</u>				
	103,459	103,459				
	(2,946)	(2,946)				
	3,462	3,462				
	1,769	1,769				
	14,294	14,294				
	65	65				
	(234)	(234)				
	106	106				
	(518)	(518)				
	289	289				
	(1,591)	(1,591)				
	1,302	1,302				
	632	632				
	(362)	(362)				
<u>0</u>	<u>119,727</u>	<u>119,727</u>				
<u>(1,304,710)</u>	<u>119,727</u>	<u>(1,184,983)</u>				
			\$ 22,158	\$	\$	\$
				(1,042)		
					(165,296)	
						3,780
			<u>22,158</u>	<u>(1,042)</u>	<u>(165,296)</u>	<u>3,780</u>
779,002		779,002				
130,864		130,864				
90,636		90,636				
32,941		32,941				
297,750		297,750				
29,925		29,925		372	6,400	91
		0			171,701	
3,915		3,915				
51,652		51,652				
		0			11,563	
100,257	(100,257)	0				
<u>1,516,942</u>	<u>(100,257)</u>	<u>1,416,685</u>	<u>0</u>	<u>372</u>	<u>189,664</u>	<u>91</u>
212,232	19,470	231,702	22,158	(670)	24,368	3,871
4,540,602	505,522	5,046,124	454,155	95,063	904,531	11,645
<u>\$ 4,752,834</u>	<u>\$ 524,992</u>	<u>\$ 5,277,826</u>	<u>\$ 476,313</u>	<u>\$ 94,393</u>	<u>\$ 928,899</u>	<u>\$ 15,516</u>

**STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012
(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>	<u>Nonmajor</u>	<u>Total</u>
Assets							
Cash and Cash Equivalents	\$ 240,995	\$ 116,079	\$	\$ 5,166	\$ 19,000	\$ 280,592	\$ 661,832
Investments				230,783	366,213	186,275	783,271
Receivables From:							
Taxes (net)	112,849	13,488				4,407	130,744
Interest and Dividends	1,396	412	2	807	1,692	1,535	5,844
Other Funds	37,557	1,789	30			7,250	46,626
Component Units	21					106	127
Other Governments	1,212	59,635	40,107			84,550	185,504
Loans and Notes (net)		132				62,335	62,467
Other (net)	4,485	735	4,894	3	5	16,698	26,820
Inventory	1,996	16,881	119			2,597	21,593
Deferred Fiscal Charges and Other Assets	919	373	255			1,616	3,163
Total Assets	\$ 401,430	\$ 209,524	\$ 45,407	\$ 236,759	\$ 386,910	\$ 647,961	\$ 1,927,991
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable and Other Liabilities	\$ 63,552	\$ 48,151	\$ 40,285	\$ 35	\$ 55	\$ 37,784	\$ 189,862
Payable To:							
Other Funds	4,000	1,120	2,251		14,053	23,552	44,976
Component Units	142	66	176			1,236	1,620
Other Governments	26,274	4,957	217			64,524	95,972
Claims, Judgments and Compensated Absences	156	8	24			78	266
Deferred Revenue	16,239	2,017	40			39,614	57,910
Total Liabilities	110,363	56,319	42,993	35	14,108	166,788	390,606
Fund Balances:							
Nonspendable	2,916	17,254	374	238,000	329,330	121,096	708,970
Restricted		135,951	10		43,472	281,017	460,450
Committed						38,930	38,930
Assigned	140,706		2,030			41,785	184,521
Unassigned	147,445			(1,276)		(1,655)	144,514
Total Fund Balances	291,067	153,205	2,414	236,724	372,802	481,173	1,537,385
Total Liabilities and Fund Balances	\$ 401,430	\$ 209,524	\$ 45,407	\$ 236,759	\$ 386,910	\$ 647,961	\$ 1,927,991

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

**STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds \$ 1,537,385

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	\$ 1,022,735	
Infrastructure	3,476,513	
Other Capital Assets	752,607	
Accumulated Depreciation	<u>(1,684,547)</u>	
Total Capital Assets		3,567,308

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. 15,281

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. 17,714

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	(240,464)	
Accrued Interest on Bonds	(11,132)	
Capital Leases	(58,072)	
Compensated Absences	(46,188)	
Unclaimed Property	(2,594)	
Net OPEB Obligation	(15,247)	
Pollution Remediation	<u>(11,157)</u>	
Total Long-Term Liabilities		(384,854)

Net Assets of Governmental Activities \$ 4,752,834

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, 2012
(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>	<u>Nonmajor</u>	<u>Total</u>
Revenue:							
Taxes	\$ 1,029,285	\$ 200,112	\$	\$	\$	\$ 101,798	\$ 1,331,195
Licenses, Permits and Fees	9,251	5,371				211,181	225,803
Fines, Forfeits and Penalties	470					13,020	13,490
Use of Money and Property	9,759	2,102	11	6,617	10,907	13,485	42,881
Sales and Services	14,382	1,016				18,892	34,290
Administering Programs	119	398,724	706,576			552,183	1,657,602
Tobacco Settlement						24,135	24,135
Other Revenue	24,302	834	5,346			12,194	42,676
Total Revenue	1,087,568	608,159	711,933	6,617	10,907	946,888	3,372,072
Expenditures:							
Current:							
General Government	38,233			591	1,186	33,704	73,714
Education	27,785					202,423	230,208
Education - Payments to School Districts	376,410					388	376,798
Education - State Support to Higher Education	167,384					4,317	171,701
Health, Human and Social Services	426,700		709,439			214,961	1,351,100
Law, Justice, Public Protection and Regulation	131,868	14,869				156,500	303,237
Agriculture and Natural Resources	13,257					125,341	138,598
Economic Resources	20,002					20,551	40,553
Transportation		598,988				26,673	625,661
State Shared Revenue Paid to Other Governments	23,574					98,746	122,320
Capital Outlay						4,773	4,773
Debt Service:							
Principal						25,622	25,622
Interest						16,219	16,219
Total Expenditures	1,225,213	613,857	709,439	591	1,186	930,218	3,480,504
Excess of Revenues Over (Under) Expenditures	(137,645)	(5,698)	2,494	6,026	9,721	16,670	(108,432)
Other Financing Sources (Uses):							
Capital Leases						23,770	23,770
Insurance Proceeds						222	222
Bonds Issued							0
Premiums on Bond Issuance							0
Proceeds of Refunding Bonds							0
Premiums on Refunding Bonds							0
Proceeds from Sale of Capital Assets	2,813	1,204				2,079	6,096
Payment on Advanced Refundings							0
Transfers In	195,605	5,416	96			69,198	270,315
Transfers Out	(57,009)	(3,603)	(271)	(12,000)	(14,053)	(85,046)	(171,982)
Net Other Financing Sources (Uses)	141,409	3,017	(175)	(12,000)	(14,053)	10,223	128,421
Net Change in Fund Balances	3,764	(2,681)	2,319	(5,974)	(4,332)	26,893	19,989
Fund Balances at Beginning of Year	287,303	155,886	95	242,698	377,134	454,280	1,517,396
Fund Balances at End of Year	\$ 291,067	\$ 153,205	\$ 2,414	\$ 236,724	\$ 372,802	\$ 481,173	\$ 1,537,385

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

**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, 2012
(Expressed in Thousands)**

Net Change in Fund Balances - Total Governmental Funds \$ 19,989

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	\$ 295,955	
Depreciation Expense	(90,337)	
Excess of Capital Outlay Over Depreciation Expense		205,618

The net effect of various miscellaneous transactions involving capital assets, including sales, donations and trade-ins is to decrease net assets. (3,882)

Capital leases entered into during the fiscal year are reported as other financing sources in the governmental funds. However, it is not reported in the statement of activities as it is shown as an increase in long-term liabilities in the statement of net assets. (23,770)

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	25,622	
Capital Lease Payments	1,811	
Total Long-Term Debt Repayment		27,433

Internal service funds are used by management to charge costs of certain activities to individual funds. The net revenue (expense) of certain activities of internal service funds is reported in governmental activities. (8,274)

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 increased (decreased) by this amount this year. 767

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	0	
Bond Issuance and Refunding Costs	(342)	
Bond Premium	0	
		(342)

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	(703)	
(Increase) Decrease in Compensated Absences	(1,729)	
(Increase) Decrease in Unclaimed Property	(1,025)	
(Increase) Decrease in Net OPEB Obligation	(2,362)	
(Increase) Decrease in Pollution Remediation	512	
Total Additional Expenditures		(5,307)

Change in Net Assets of Governmental Activities \$ 212,232

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, 2012
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Major					Activities
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 9,110	\$ 84,701	\$ 25,109	\$ 128,168	\$ 247,088	\$ 46,132
Receivables:						
Interest and Dividends	51	2,080	1,564	399	4,094	164
Other Funds				233	233	7,505
Component Units				11	11	867
Other Governments		357	446	1,772	2,575	122
Loans and Notes (Net)		14,832	9,667	9,581	34,080	
Other (Net)	4,302			2,612	6,914	985
Investments		716			716	
Inventory				2,511	2,511	654
Deferred Fiscal Charges and Other Assets		52	28	184	264	2,530
Total Current Assets	<u>13,463</u>	<u>102,738</u>	<u>36,814</u>	<u>145,471</u>	<u>298,486</u>	<u>58,959</u>
Restricted Assets:						
Restricted Cash	17	3			20	
Restricted Investments	503	96			599	
Other	792				792	
Investments		59,608	50,367		109,975	
Capital Assets:						
Land and Other Non-depreciable Assets				295	295	
Property, Plant and Equipment	2,969			7,224	10,193	92,029
Accumulated Depreciation	(933)			(5,662)	(6,595)	(69,565)
Construction in Progress					0	1,359
Total Capital Assets	<u>2,036</u>	<u>0</u>	<u>0</u>	<u>1,857</u>	<u>3,893</u>	<u>23,823</u>
Other Noncurrent Assets		187,800	131,300	37,356	356,456	
Total Assets	<u>16,811</u>	<u>350,245</u>	<u>218,481</u>	<u>184,684</u>	<u>770,221</u>	<u>82,782</u>
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	2,522	658	274	3,007	6,461	3,582
Payable To:						
Other Funds	6,861	197		614	7,672	1,532
Component Units				48	48	61
Escrow Payable	77				77	
Bonds, Notes and Leases Payable		6,238	3,798		10,036	2,012
Claims, Judgments and Compensated Absences	138	34	29	2,734	2,935	20,182
Accrued Interest Payable		1,408	774		2,182	
Deferred Revenue	289			2,266	2,555	8,115
Total Current Liabilities	<u>9,887</u>	<u>8,535</u>	<u>4,875</u>	<u>8,669</u>	<u>31,966</u>	<u>35,484</u>
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		147,837	64,831		212,668	4,194
Claims, Judgments and Compensated Absences	121	29	25	420	595	25,390
Total Noncurrent Liabilities	<u>121</u>	<u>147,866</u>	<u>64,856</u>	<u>420</u>	<u>213,263</u>	<u>29,584</u>
Total Liabilities	<u>10,008</u>	<u>156,401</u>	<u>69,731</u>	<u>9,089</u>	<u>245,229</u>	<u>65,068</u>
Net Assets						
Invested In Capital Assets, Net of Related Debt	2,036			1,857	3,893	17,617
Restricted For:						
Debt Service		99			99	
Other	792				792	
Unrestricted	<u>3,975</u>	<u>193,745</u>	<u>148,750</u>	<u>173,738</u>	<u>520,208</u>	<u>97</u>
Total Net Assets	<u>\$ 6,803</u>	<u>\$ 193,844</u>	<u>\$ 148,750</u>	<u>\$ 175,595</u>	<u>\$ 524,992</u>	<u>\$ 17,714</u>

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, 2012
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Major				Total	Activities
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor		Internal Service Funds
Operating Revenue:						
Licenses, Permits and Fees	\$ 1,579	\$	\$	\$ 12,145	\$ 13,724	\$
Use of Money and Property		3,930	3,611	1,925	9,466	15
Sales and Services	141,463	1,243	1,066	15,843	159,615	194,770
Administering Programs		4,289	7,125	136	11,550	
Assessments				63,014	63,014	
Other Revenue				1,232	1,232	5,385
Total Operating Revenue	<u>143,042</u>	<u>9,462</u>	<u>11,802</u>	<u>94,295</u>	<u>258,601</u>	<u>200,170</u>
Operating Expenses:						
Personal Services and Benefits	1,505	245	233	9,041	11,024	32,128
Travel	127	8	11	997	1,143	575
Contractual Services	7,436	533	378	8,393	16,740	30,355
Supplies and Materials	1,131	3	3	4,545	5,682	17,094
Grant and Other	81	11,575	7,776	214	19,646	18
Interest		3,990	2,496		6,486	175
Depreciation/Amortization	357	52	39	137	585	5,666
Lottery Prizes	29,240				29,240	
Insurance Claims				68,517	68,517	124,777
Total Operating Expenses	<u>39,877</u>	<u>16,406</u>	<u>10,936</u>	<u>91,844</u>	<u>159,063</u>	<u>210,788</u>
Operating Income (Loss)	103,165	(6,944)	866	2,451	99,538	(10,618)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets				11	11	713
Loss on Disposal of Assets					0	(60)
Interest Income	258	3,494	2,351	2,864	8,967	720
Other Expense				(252)	(252)	
Capital Contribution					0	47
Grant and Other Income	36	504	245	10,678	11,463	
Total Nonoperating Revenue (Expenses)	<u>294</u>	<u>3,998</u>	<u>2,596</u>	<u>13,301</u>	<u>20,189</u>	<u>1,420</u>
Income (Loss) Before Transfers	103,459	(2,946)	3,462	15,752	119,727	(9,198)
Transfers:						
Transfers In				6,728	6,728	1,345
Transfers Out	(103,701)	(31)	(28)	(3,225)	(106,985)	(421)
Net Transfers In (Out)	<u>(103,701)</u>	<u>(31)</u>	<u>(28)</u>	<u>3,503</u>	<u>(100,257)</u>	<u>924</u>
Change in Net Assets	(242)	(2,977)	3,434	19,255	19,470	(8,274)
Net Assets at Beginning of Year, as restated	<u>7,045</u>	<u>196,821</u>	<u>145,316</u>	<u>156,340</u>	<u>505,522</u>	<u>25,988</u>
Net Assets at End of Year	<u>\$ 6,803</u>	<u>\$ 193,844</u>	<u>\$ 148,750</u>	<u>\$ 175,595</u>	<u>\$ 524,992</u>	<u>\$ 17,714</u>

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

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Major					Activities
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 142,791	\$ 1,248	\$ 1,117	\$ 88,807	\$ 233,963	\$ 81,105
Receipts from Interfund Services Provided				3,609	3,609	117,622
Receipts from Federal Agencies		4,305	7,134	280	11,719	
Receipts from Loan Payments		29,087	34,792	12,656	76,535	
Payments to Suppliers and for Benefits and Claims	(7,985)	(11,612)	(8,194)	(79,062)	(106,853)	(162,473)
Payments for Employee Services	(1,486)	(244)	(218)	(8,958)	(10,906)	(31,975)
Payments for Interfund Services Used	(625)			(1,934)	(2,559)	(8,102)
Payments for Lottery Prizes	(28,918)				(28,918)	
Payments for Loans Originated		(37,009)	(19,333)	(8,808)	(65,150)	
Other Receipts (Payments)	(49)	(10)	(13)	14	(58)	169
Net Cash Provided (Used) by Operating Activities	103,728	(14,235)	15,285	6,604	111,382	(3,654)
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets	(7)			(17)	(24)	(3,049)
Sales of Capital Assets						1,174
Payments on Capital Lease Obligations						(2,822)
Net Cash Provided (Used) by Capital and Related Financing Activities	(7)	0	0	(17)	(24)	(4,697)
Cash Flows From Noncapital Financing Activities:						
Transfers In				6,727	6,727	1,345
Transfers Out	(103,020)	(31)	(28)	(3,224)	(106,303)	(421)
Transfer to Escrow Account		(42,571)			(42,571)	
Issuance of Bonds		102,196	36,456		138,652	
Payments on Bonds and Notes		(7,266)	(39,492)		(46,758)	
Bond Issuance Costs		(459)	(212)		(671)	
Interest Payments on Bonds and Notes		(4,840)	(3,448)		(8,288)	
Other Noncapital Financing Activities		504	245	9,702	10,451	(1)
Net Cash Provided (Used) by Noncapital Financing Activities	(103,020)	47,533	(6,479)	13,205	(48,761)	923
Cash Flows From Investing Activities:						
Investment Income	278	3,810	2,351	2,959	9,398	850
Purchase of Investment Securities		(13,329)	(15,501)		(28,830)	
Proceeds from the Sale and Maturity of Investments		33,133	3,624		36,757	
Net Cash Provided (Used) by Investing Activities	278	23,614	(9,526)	2,959	17,325	850
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	979	56,912	(720)	22,751	79,922	(6,578)
Cash and Cash Equivalents at Beginning of Year, Restated	8,148	27,792	25,829	105,417	167,186	52,710
Cash and Cash Equivalents at End of Year	\$ 9,127	\$ 84,704	\$ 25,109	\$ 128,168	\$ 247,108	\$ 46,132

Continued on next page

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Major					Activities
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 103,165	\$ (6,944)	\$ 866	\$ 2,451	\$ 99,538	\$ (10,618)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	357	52	39	137	585	5,666
Interest Expense		3,990	2,496		6,486	163
Miscellaneous Nonoperating Items	36				36	1
Decrease/(Increase) in Assets:						
Accounts Receivable	(317)			(392)	(709)	(782)
Interest, Dividends & Penalties Receivable		9	193	(7)	195	
Loans and Notes Receivable		(11,858)	11,655	2,684	2,481	
Due From Other Funds				74	74	(410)
Due From Component Units				15	15	(105)
Due From Other Governments		21	61	173	255	
Inventory				(171)	(171)	138
Deferred Fiscal Charges and Other Assets				(21)	(21)	(359)
Other Restricted Assets	(47)				(47)	
Increase/(Decrease) in Liabilities:						
Accounts Payable	308	298	(39)	911	1,478	(143)
Accrued Liabilities	19		2	51	72	(20)
Compensated Absences Payable			12	27	39	212
Due To Other Funds	9	197		(459)	(253)	(47)
Due To Component Units				48	48	(50)
Due To Other Governments	3			51	54	44
Deferred Revenue	137			49	186	(74)
Escrow Payable	7				7	
Policy Claim Liabilities				967	967	2,730
Other Liabilities	51			16	67	
Net Cash Provided (Used) by Operating Activities	<u>\$ 103,728</u>	<u>\$ (14,235)</u>	<u>\$ 15,285</u>	<u>\$ 6,604</u>	<u>\$ 111,382</u>	<u>\$ (3,654)</u>
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets	\$	\$	\$	\$	\$	\$ 653
Capital Lease Obligations Entered Into						4,826
Transfers In (Out) of Fixed Assets						47
Other						0

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, 2012
(Expressed in Thousands)

Assets	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
Cash and Cash Equivalents	\$ 6,223	\$ 6,324	\$ 61,234
Receivables:			
Employer	2,100		
Employee	2,818		
Benefits	196		
Unsettled Investment Sales	2,205		
Taxes Receivable			38,252
Due From Other Funds		87	
Due From Other Governments			332
Investment Income	17,639	544	38
Other		20	1,225
Total Receivables	<u>24,958</u>	<u>651</u>	<u>39,847</u>
Investments, at Fair Value:			
Fixed Income	1,946,456		
Equities	3,965,187		
Real Estate	1,138,927		
Private Equity	863,806		
Commodities	121		
Pooled Investment Funds		152,255	
Total Investments	<u>7,914,497</u>	<u>152,255</u>	<u>0</u>
Properties, at Cost	16	13,883	
Accumulated Depreciation	(9)		
Other Assets	16	5	
Total Assets	<u>7,945,701</u>	<u>173,118</u>	<u>\$ 101,081</u>
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,085	178	\$ 10,933
Refunds - Contractors Excise Tax			33,785
Due To Other Funds	48	223	
Due To Other Governments			56,363
Compensated Absences Payable	270		
Securities Sold, But Not Yet Purchased, at Fair Value	46,263		
Unsettled Investment Purchases	6,891		
Total Liabilities	<u>55,557</u>	<u>401</u>	<u>\$ 101,081</u>
Net Assets			
Held in Trust For:			
Pension Benefits	7,890,144		
Individuals and Other Governments		172,717	
Total Net Assets	<u>\$ 7,890,144</u>	<u>\$ 172,717</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, 2012
(Expressed in Thousands)

Additions	Pension Trust Funds	Private Purpose Trust Funds
Contributions:		
Employee	\$ 100,484	\$
Employer	98,867	
From Clients and Inmates		8,059
Other		7,243
Total Contributions	199,351	15,302
Investment Income:		
<i>From Investing Activities</i>		
Net Increase (Decrease) in Fair Value of Investments	(68,910)	(251)
Interest	87,772	
Dividends	116,875	
Real Estate	7,263	
Securities Lending, Net	723	16
Pooled Interest and Dividends		4,095
Investment Activity Income	143,723	3,860
Less Investment Activity Expenses	(35,366)	
Net Investment Income (Loss)	108,357	3,860
Escheated Property		
Miscellaneous Income		825
Transfers From Other Funds	1,000	
Total Additions	308,708	19,987
Deductions		
Benefits	375,117	
Refunds of Contributions	25,942	
Distribution to School Districts		7,433
Escheat Distributions		12
Payments made for Trust Purposes		8,601
Administrative Expenses	3,308	1
Total Deductions	404,367	16,047
Net Increase (Decrease)	(95,659)	3,940
Net Assets Held In Trust		
Beginning of Year	7,985,803	168,777
End of Year	\$ 7,890,144	\$ 172,717

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



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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

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 South Dakota Building Authority, South Dakota Conservancy District, 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 State's major discretely presented component units are:

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

The State's nonmajor discretely presented component units are:

- South Dakota Value Added Finance Authority
- Conservation Reserve Enhancement Program (CREP)
- South Dakota Economic Development Finance Authority
- South Dakota Ellsworth Development Authority

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 Economic Development Finance Authority, South Dakota Housing Development Authority, and Science and Technology Authority are available from the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, or by calling (605) 773-3595.

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 each major discretely presented component unit and a column for all nonmajor discretely presented component units in the aggregate.

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, income, 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, 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 at June 30, 2012 totaled \$12,178,896. The encumbrance amount is broken down by Major Fund and Nonmajor Fund below:

Fund	Amount Encumbered
Major Fund:	
General Fund	\$ 1,530,598
Transportation	6,134,556
Non-Major:	
Non-Major Total	4,513,742
TOTAL	\$ 12,178,896

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 valued at cost plus accrued interest. 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 per South Dakota law. 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 and agency securities, repurchase

agreements, annuity contracts, investment contracts, international securities, private equity and real estate. Investments are reported at fair value.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair values for the fixed income securities are obtained from Bloomberg Financial Markets, Bank of America Merrill Lynch, and Citigroup Global Markets. Domestic and Canadian equity security fair values are obtained from FT Interactive Data, non-Canadian foreign equity security fair values are obtained from Exshare, and spot foreign currency exchange rates are obtained from Reuters. Investments denominated in foreign currencies and foreign currency cash balances are translated into U.S. dollars using the year-end spot foreign currency exchange rates. Fair values of foreign currency forward contracts are obtained from Bloomberg Financial Markets. Fair values of limited partnership investments are based on valuations on the underlying companies of the limited partnerships as reported by the general partner.

For alternative investments where no readily available market value exists, management, in consultation with their investment managers, values these investments in good faith based upon audited financial statements or other information provided by the underlying investment managers.

Futures contracts are utilized to adjust the portfolio asset mix. The fair value of the equity securities futures position is determined using Standard & Poor's contract data. The fair value of the fixed income futures position is determined by using the U.S. Treasury note and bond contracts information and the Citigroup Broad Investment Grade Index. Changes in the fair value of these futures contracts are recognized as gains or losses in the period of change.

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 weighted 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, 2012 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, 2012, the commodities inventory was reported in the amount of \$826,000.

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 (including purchased software licenses) 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. Intangible assets such as easements, patents, trademarks, internally generated computer software, etc. (as defined by GASB Statement 51) are capitalized when the cost is \$250,000 or more. 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
Intangible Assets	3-25

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 treasures 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 \$8,339,859 and \$375,585, respectively, as of June 30, 2012. 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 and 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.

The state's policy is that restricted amounts are spent first, when expenditures are incurred for purposes of which multiple resources are available within a fund.

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund Balances can be reported in five different categories:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items

that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

Restricted fund balance consists 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.

Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the State Legislature through legislation passed into law.

Assigned fund balance includes amounts that are constrained by the State's intent to be used for specific purposes, but are neither restricted nor committed. Assignments of fund balance are created by the executive branch or by directive of the Appropriations Committee of the Legislature or in some cases by passage of an appropriation. In governmental funds other than the General Fund, assigned fund balance also represents the remaining amount that is not restricted or committed.

Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance also includes negative residual balances in other governmental funds.

The state's policy is that restricted amounts are spent first, then committed, assigned and finally unassigned when expenditures are incurred for purposes of which multiple resources are available within a 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, 2012, the amount of certificate of deposits being held by the Lottery was \$503,021 and is included in cash and cash equivalents on the balance sheet. The amount of \$5,028,882 was in the form of surety bonds, deposits in cash, or irrevocable letters of credit and is not reported on the Statement of Net Assets.

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 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 net asset balance for Clean Water State Revolving Fund, reported as a major Enterprise Fund, was increased \$230,000 for investment income that was allocated to the fund from the South Dakota Cash Flow Portfolio but was not accrued in prior years. This also caused the beginning cash balance on the statement of cash flows to be increased by \$203,000.

The beginning net asset balance for Drinking Water State Revolving Fund, reported as a major Enterprise Fund, was increased \$434,000 for investment income that was allocated to the fund from the South Dakota Cash Flow Portfolio but was not accrued in prior years. This also caused the beginning cash balance on the statement of cash flows to be increased by \$384,000.

Restatements-Component Units

The beginning net assets balance reported for Higher Education was decreased by \$807,000 for errors in the reporting of receivables, liabilities, construction in progress, fixed assets, and other miscellaneous reporting errors in prior years.

The beginning net assets balance reported for S.D. Ellsworth Development Authority increased by \$1,651,000. Last year, it was determined that its materiality threshold was not met and would not be included in 2011 financial statements.

Recently Issued Pronouncements

In November 2010, the GASB issued Statement 60, Accounting and Financial Reporting for Service Concession Arrangements. This Statement provides accounting and financial reporting guidance for service concession arrangement issues. The requirements of GASB Statement No. 60 are effective for the State's fiscal year 2013 financial statements.

In November 2010, the GASB issued Statement 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. This statement modifies certain component unit requirements in the financial reporting entity. The requirements of GASB Statement No. 61 are effective for the State's fiscal year 2013 financial statements.

In December 2010, the GASB issued Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This Statement incorporates all 1) Financial Accounting Standards Board (FASB) Statements and Interpretations, 2) Accounting Principles Board Opinions and 3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements into the GASB's authoritative literature. The requirements of GASB Statement 62 are effective for the State's fiscal year 2013 financial statements.

In June 2011, the GASB issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of GASB Statement No. 63 are effective for the State's fiscal year 2013 financial statements.

In June 2011, the GASB issued Statement 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53. This Statement provides financial reporting guidance for derivative instruments and hedge accounting. The requirements of GASB Statement No. 64 are effective for the State's fiscal year 2013 financial statements.

In March 2012, the GASB issued Statement 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify previously reported assets and liabilities as deferred outflows or deferred inflows of resources. The requirements of GASB Statement No. 65 are effective for the State's fiscal year 2014 financial statements.

In March 2012, the GASB issued Statement 66, Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62. This Statements objective is to improve governmental accounting and financial reporting by cleaning up

conflicting guidance issued from Statement No. 54, Fund balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance (Pre-November 1989 FASB and AICPA Pronouncements). The requirements of GASB Statement No. 66 are effective for the State's fiscal year 2014 financial statements.

In June 2012, the GASB issued Statement 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. This Statements objective is to improve financial reporting by state and local government pension plans. This statement replaces Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, where they relate to pension plans administered through trusts or equivalent arrangements. The requirements of GASB Statement No. 67 are effective for the State's fiscal year 2014 financial statements.

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27. This Statements objective is to improve financial reporting by state and local governments relative to pensions and its supporting documents usefulness. This statement replaces the requirements found in Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and No. 50, Pension Disclosures, where the relate to pension plans administered through trusts or equivalent arrangements. The requirements of GASB Statement No. 68 are effective for the State's fiscal year 2015 financial statements.

Management has not yet determined the impact that the unimplemented 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 \$12,134,516 for deficit cash balances that existed in various state funds at June 30, 2012, 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 79% of the Cash Flow Portfolio) and discretely presented component units (comprising 21% 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 (SDIC) and includes Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, Drinking Water State Revolving 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 the failure of a depository institution, the State of South Dakota will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. 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, 2012, pledged collateral for all depositories equaled at least 100 percent of the total public deposits in excess of depository insurance. As a result, none of the Cash Flow portfolio's certificates of deposit was exposed to custodial credit risk.

At June 30, 2012, 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 \$60,380,305.

At June 30, 2012, 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 \$1,836,239.

At June 30, 2012, 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 \$584,101.

Investments

Securities Lending. State statutes and the SDIC policies permit the use of investments for securities lending transactions. These transactions involve the lending of corporate debt, foreign equity securities, and domestic equity securities to broker-dealers for collateral in the form of securities, with the simultaneous agreement to return the collateral for the same securities in the future. All securities loans can be terminated on demand by either the SDIC or the borrower. 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 SDIC's securities custodian is an agent in lending securities and shall accept only U.S. Government securities or its agencies as collateral for any loan or loaned securities. The collateral required must equal 102% of fair value plus accrued interest for corporate debt securities, 102% of fair value for U.S. equity securities and 105% of fair value for foreign securities except in the case of loans of foreign securities which are denominated and payable in US Dollars, in which event the collateral required is 102% of fair value. The earnings generated from the collateral investments results in the gross earnings from lending activities, which is then split on a percentage basis with the lending agent. The contract with the lending agent requires the agent to indemnify the SDIC if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent.

The SDIC does not have the ability to pledge or sell collateral securities unless the borrower defaults, therefore no asset and corresponding liability for the collateral value of securities received has been established on the Statement of Net Assets. Regarding restrictions on loans, the securities lending agreement does limit the total value of securities that can be out on loan on any given day.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. No collateral securities were held by the Cash Flow Portfolio, the Retirement Portfolios, or the Trust Portfolios at June 30, 2012, which resulted in no custodial credit risk for those funds. The Other Funds, however, had custodial credit risk totaling \$144,952,221 at June 30, 2012.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 investment-grade fixed income portfolios are benchmarked to the duration of the Citigroup BIG Index. The internally managed high yield fixed income portfolios have a duration range of 85% to 115% of the Citigroup High-Yield Cash Pay Capped Index duration. The Treasury Inflation Protected Securities (TIPS) investments have a range of 5 to 10 years to maturity at purchase. No formal interest rate risk policy exists for the fixed income portfolios of the Other Funds.

The weighted 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	\$ 10,052	0.58	\$ 126,011	7.07	\$ 18,954	7.19	\$	
U.S. Treasury bills			2,522	0.21				
U.S. Treasury STRIPS			48,383	11.01				
U.S. Treasury inflation protected securities					25,568	2.08		
U.S. agencies	246,688	1.83	56,528	3.84	13,595	8.18	10,654	0.72
FDIC's Temporary Liquidity Guarantee Program	35,353	0.46	5,050	0.03				
U.S. agency discount notes			2,060		210	0.16		
Investment grade corporates	697,612	2.19	399,098	4.28	46,276	4.55		
High-yield corporates			138,261	3.57	10,629	3.88		
U.S. Government-backed loans					1,546	9.96		
Mortgage-backed securities			331,400	3.1	45,984	3.22		
Municipal Bonds					116,997	4.31		
Mutual funds			121,621	0				
Non-agency mortgage-backed			143,317	0.09	16,475	0.09		
Investment agreements							134,298	14.55
Total	\$ 989,705		\$ 1,374,251		\$296,234		\$144,952	
Portfolio modified duration		2.02		3.55		4.12		13.53

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 actively managed portion 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, 2012, 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	\$ 351,464	\$ 468,099	\$ 75,460	\$ 10,654
Aa	176,959	43,527	77,107	716
A	402,399	114,028	44,161	776
Baa	92,876	201,437	27,344	108,712
Ba		38,960	3,340	
B		73,461	7,057	583
Caa		79,175	9,007	
Ca		39,437	4,524	
C		2,198	252	
P-1		79,057	210	23,511
Unrated		2,066	12,641	22,524
Total	\$ 1,023,698	\$ 1,141,445	\$ 261,103	\$ 167,476

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, 2012, are as follows (in U.S. dollar fair value, expressed in thousands):

Currency	Retirement Portfolios				Trust Portfolios		
	Equities	Fixed	Cash	Total	Equities	Cash	Total
	U.S. Dollar	Income	U.S Dollar		U.S. Dollar	U.S Dollar	
Fair Value	U.S.	Fair Value	Fair Value	Fair Value	Fair Value		
Australian Dollar	\$ 9,591	\$	\$ 48	\$ 9,639	\$	\$	\$
Brazilian Real	1,135		13	1,148			
British Pound	226,665		2,159	228,824	23,731	544	24,275
Canadian Dollar	50,173		498	50,671	2,094	21	2,115
Danish Kroner	6,087			6,087			
Euro	248,354		2,248	250,602	28,623	350	28,973
Hong Kong Dollar	2,649		37	2,686			
Hungarian Forint	412			412			
Japanese Yen	181,189		2,088	183,277	20,446	628	21,074
Korean Won	14,336		1	14,337			
Norwegian Krone	6,144		96	6,240	115		115
Singapore Dollar	276			276			
Swedish Krona	132		36	168			
Swiss Franc	184,052		3,376	187,428	22,167	293	22,460
Turkish Lira	620			620			
Total Fair Value	\$ 931,815	\$	\$ 10,600	\$ 942,415	\$ 97,176	\$ 1,836	\$ 106,661

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, 2012 was \$148,966,975. For the Retirement Portfolios, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2012 was \$2,589,074,228. The total fair value of global equity investments managed by outside managers was \$195,619,053. The total fair value of arbitrage equity investments managed by outside managers was \$85,900,947.

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 issuer. The Cash Flow Portfolio has a policy in place limiting its investments in individual holdings. Information regarding the Cash Flow Portfolio policy is located in the Credit Risk section. The SDIC does not have a formal policy in place to limit investments in any particular issuer for the Retirement Portfolios and Trust Portfolios. Additionally, there are no single issuer exposures (excluding those issued by or explicitly guaranteed by the U.S. Government, or involving mutual funds or investment pools) within the portfolios that comprise 5% of the overall portfolios at June 30, 2012.

Derivative Financial Instruments in Primary Government

Retirement Portfolios. Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate or index. The Retirement Portfolios are exposed to a variety of derivative products through the investment management of the SDIC and their outside managers. The following notes detail the derivatives instruments used in the SDIC's internally managed portfolios. All of the SDIC's derivatives are classified as investment derivatives.

Futures Contracts. 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. The SDIC purchases and sells financial and interest rate futures as a means of adjusting the Retirement Portfolios mix and at a lower transaction cost substitute for transactions that would otherwise occur in the underlying portfolios. During fiscal year ended June 30, 2012, S&P 500 futures and 10-year U.S. Treasury note futures were utilized. Upon entering into such a contract, the SDIC pledges to the broker cash or U.S.

government securities equal to the minimum initial margin requirement of the futures exchange. Additionally, the portfolios receive or pay a daily variation margin, which is an amount of cash equal to the daily fluctuation in value of the contract. The net change in fair value from futures contracts for fiscal year ended June 30, 2012 was \$22,921,518. Futures contracts outstanding at June 30, 2012 were as follows:

	<u>Open Position</u>	<u>Contracts</u>	<u>Notional Contract size</u>	<u>Fair Value</u>
U.S. Treasury note due September 2012	Long	616	\$100,000 par value 6% U.S. Treasury note	\$ 1,076,748

Foreign Currency Forward Contracts. The SDIC enters into foreign exchange forward contracts to manage foreign currency exposure, as permitted by portfolio policies. The net change in fair value from foreign currency forward contracts for fiscal year ended June 30, 2012 was \$(3,193,513). At June 30, 2012, the foreign currency forward contracts outstanding were as follows:

<u>Description</u>	<u>Notional Amount</u>	<u>Maturity Date</u>	<u>Fair Value (U.S. Dollars)</u>
Forward sale	(801,363) GBP	07/13/2012	\$ 12,479
Forward sale	(2,122,956) SWF	07/27/2012	94,319
Forward sale	(19,770,519) SWF	08/03/2012	961,201
Forward sale	(115,000,000) JPY	08/08/2012	(3,107)
Forward sale	(282,573) EUR	08/10/2012	9,695
Forward sale	(114,780,000) JPY	08/14/2012	1,511
Forward sale	(1,587,150) EUR	09/04/2012	(38,552)
Forward sale	(630,435) GBP	09/07/2012	(12,897)
Forward sale	(828,930) GBP	09/13/2012	(7,721)
Forward sale	(118,000,000) JPY	09/14/2012	11,427
Forward sale	(20,777,375) EUR	09/24/2012	(41,347)
Forward purchase	828,930 GBP	09/13/2012	7,212
Forward purchase	129,400,000 CNY	07/24/2014	219,919
Forward purchase	128,050,000 CNY	07/28/2014	8,969
Forward purchase	150,250,000 CNY	03/30/2015	(1,522,080)
Forward purchase	117,237,000 CNY	09/10/2015	319,434
Forward purchase	158,375,000 CNY	11/30/2016	(252,476)
Forward sale	(282,573) EUR	08/10/2012	9,237

Credit Risk. SDIC is exposed to credit risk on derivative instruments that are in asset positions. The SDIC attempts to minimize credit risk by entering into derivatives contracts with major financial institutions. At June 30, 2012, the net fair value of foreign currency forward contracts was \$(222,777). This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. The credit ratings of the counterparties are as follows:

<u>Moody's Credit Rating</u>	<u>Number of Counterparties</u>	<u>Fair Value</u>
Aaa	1	\$ 984,389
Aa3	1	(1,207,166)

Interest Rate Risk. The SDIC is exposed to interest rate risk on its 10-year U.S. Treasury Note futures contract. As interest rates increase, the value of the futures contract decreases.

Foreign Currency Risk. SDIC is exposed to foreign currency risk on its foreign currency forward contracts because they are denominated in foreign currencies. The net fair value of the foreign currency forward contracts in U.S. dollars is \$(222,777).

B. Component Units

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of a depository institution, 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, 2012 the component units had deposits that were not collateralized or covered by depository insurance in the amount of \$1,913,676.

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, 2012, investments in the amount of \$2,220,590 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 Capital Reserve accounts must provide for the purposes thereof as estimated by the Authority. The investments must not mature later than the final maturity of the related Series of the Bonds. The average duration of individual securities will not exceed twenty years. Investments of the Mortgage Reserve accounts must provide for the purposes thereof as estimated by the Authority.

The duration of fifty percent of individual securities will not exceed two years from the date of purchase or deposit. The Housing Development Authority assumes that its callable investments will not be called. The Housing Development 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, 2012, 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. Treasury bills	\$ 10,236	\$ 10,236	\$	\$	\$
U.S. Treasury notes	116,407	1,574	77,526	28,765	8,542
U.S. Treasury strips	62		62		
U.S. agencies	369,724	15,262	155,704	46,049	152,709
Mutual funds	150,955	150,955			
State Obligations	6,671	251	5,849	571	
Investment agreements	17,224	5,325	6,792	98	5,009
Total	\$ 671,279	\$ 183,603	\$ 245,933	\$ 75,483	\$ 166,260

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, 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, 2012, the Housing Development Authority and the Economic Development Finance Authority investments had the following ratings (expressed in thousands):

Moody's Rating	Fair Value
Aaa	\$ 156,905
Aa	366,569
A	158
Baa	546
Unrated	9,115
Total Fair Value	\$ 533,293

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, 2012, the following issuers held 5 % or more of the Housing Development Authority's investments: Federal Home Loan Bank (17.23%), Federal National Mortgage Association (21.37%), and Federal Home Loan Mortgage Corporation (11.83%).

Derivative Financial Instruments in Component Units

South Dakota 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, 2012, 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 (expressed in thousands).

<u>Bond Series</u>	<u>Current Notional Amount</u>	<u>Effective Date</u>	<u>Fixed Rate</u>	<u>Variable Rate Received</u>	<u>Termination Date</u>	<u>Counterparty Credit Rating*</u>	<u>Fair Value</u>
Merrill Lynch Capital Services							
2003 C-1	\$26,500	06/18/2004	3.40%	57% of LIBOR plus 0.42%	05/01/2013	Baa2	\$ (744)
2005 D	6,925	04/13/2005	3.29%	57.3 % of LIBOR plus 0.40%	05/01/2015	Baa2	(541)
2007 I	34,000	10/16/2007	4.14%	63.8% of LIBOR plus 0.30%	05/01/2038	Baa2	(5,242)
JPMorgan Chase Bank, N.A.							
2004 G	33,000	10/20/2004	3.90%	63.4% of LIBOR plus 0.29%	05/01/2034	Aa3	(2,363)
2005 C	41,000	04/13/2005	3.93%	63.3% of LIBOR plus 0.30%	05/01/2035	Aa3	(3,509)
2008 F	34,000	09/04/2008	3.85%	63.7% of LIBOR plus 0.31%	05/03/2039	Aa3	(5,105)
The Bank of New York, Mellon, N.A.**							
2003 F	13,000	06/21/2005	3.76%	63.8% of LIBOR plus 0.29%	05/01/2034	Aa2	(538)
2003 I	28,000	06/21/2005	3.76%	63.8% of LIBOR plus 0.29%	05/01/2034	Aa2	(1,155)
2004 C	34,000	06/21/2005	3.75%	63.8% of LIBOR plus 0.29%	05/01/2034	Aa2	(1,824)
Bank of America, N.A.							
2009 C	22,000	11/18/2009	3.14%	64.0% of LIBOR plus 0.22%	05/01/2039	A3	(2,464)
Merrill Lynch Derivative Products, AG.							
2005 G	25,000	07/19/2005	3.77%	63.8% of LIBOR plus 0.29%	05/01/2035	Aa3	(2,237)
2006 C	45,000	06/14/2006	4.42%	64% of LIBOR plus 0.29%	05/01/2037	Aa3	(5,988)
2008 C	43,575	03/26/2008	3.42%	63.7% of LIBOR plus 0.30%	05/01/2039	Aa3	(4,341)
MPB 2008 A	7,160	08/02/2008	3.55%	63.8% of LIBOR plus 0.20%	05/01/2048	Aa3	(940)

* Moody's Investors Service

** Swaps were novated from UBS on July 22, 2010

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, 2012. 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. The Authority has credit risk exposure to its counterparties when the swap positions have a positive 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, 2012, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.75% per annum, while the weighted average interest rate on the swaps was 1.75% 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.

Concentration Risk. The total outstanding notional amount of swaps with a single counterparty will not exceed \$150,000,000.

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, 2012 (expressed in thousands):

Year End 30-Jun	Variable-Rate Bond		Interest Rate	Total
	Principal	Interest	Swap – Net	
2013	\$ 90	\$ 924	\$ 13,003	\$ 14,017
2014	90	924	12,304	13,318
2015	95	923	12,204	13,222
2016	100	923	11,981	13,004
2017	100	923	11,921	12,944
2018-2022	585	4,612	59,480	64,677
2023-2027	3,040	4,603	59,370	67,013
2028-2032	118,245	4,218	54,276	176,739
2033-2037	243,915	2,437	34,006	280,358
2038-2042	31,280	111	1,542	32,933
2043-2047	1,670	17	212	1,899
2048-2051	375	1	9	385
Total	\$ 399,585	\$ 20,616	\$ 270,308	\$ 690,509

Rollover Risk. Rollover risk is the risk that a swap associated with a bond issue does not extend to the maturity of that debt. When the swap terminates, the associated debt will no longer have the benefit of the swap. The Authority is exposed to rollover risk on the following debt:

Bond Series	Debt Maturity Date	Swap Termination Date
2003 C - 1	05/01/2032	05/01/2013
2005 D	05/01/2031	05/01/2015

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	\$123,162	\$ 13,512	\$	\$	\$	\$ 4,689	\$	\$141,363
Allowance	(10,313)	(24)				(282)		(10,619)
Accounts Receivable	5,752	1,002	4,894	3	5	20,892	985	33,533
Allowance	(1,267)	(267)				(4,194)		(5,728)
Due From Other Governments	1,212	59,635	40,107			84,550	122	185,626
Interest Receivable	1,396	412	2	807	1,692	1,535	164	6,008
Current Loans and Notes						4,891		4,891
Allowance						(339)		(339)
Non-current Loans and Notes		132				63,672		63,804
Allowance						(5,889)		(5,889)
Due From Fiduciary Funds	26					173	48	247
Receivables, net	\$119,968	\$ 74,402	\$ 45,003	\$ 810	\$ 1,697	\$ 169,698	\$1,319	\$412,897

	Business-type Activities				Total
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds	
Accounts Receivable	\$ 4,314	\$	\$	\$ 6,109	\$ 10,423
Allowance	(12)			(3,496)	(3,508)
Due From Other Governments		357	446	1,772	2,575
Interest Receivable	51	2,080	1,564	399	4,094
Current Loans Receivable		14,832	9,667	9,880	34,379
Allowance				(300)	(300)
Noncurrent Loans Receivable		186,934	130,849	39,403	357,186
Allowance				(2,047)	(2,047)
Due From Fiduciary Funds				24	24
Receivables, net	\$ 4,353	\$ 204,203	\$ 142,526	\$ 51,744	\$ 402,826

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	Dakota Cement Trust	Educational Enhancement Trust	Non-major Governmental Funds	Internal Service Funds	
Payroll and Withholdings	\$10,770	\$ 4,069	\$ 2,082	\$	\$	\$ 8,058	\$ 1,875	\$ 26,854
Accounts Payable	9,072	44,082	7,395	35	55	23,609	1,602	85,850
Bank Tax Refund	20,846							20,846
Medicaid and CHIP Claims	20,683		30,808			6,117		57,608
Due to Other Governments	2,884	4,957	217			37,088	105	45,251
Shared Revenue Distribution	23,390					27,436		50,826
Claims Payable							14,102	14,102
Due to Fiduciary Funds	35					40		75
Total	\$87,680	\$ 53,108	\$ 40,502	\$ 35	\$ 55	\$ 102,348	\$17,684	\$301,412

	Business-type Activities				Total
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds	
Payroll and Withholdings	\$ 92	\$ 16	\$ 14	\$ 501	\$ 623
Accounts Payable	1,910	642	260	2,495	5,307
Due to Fiduciary Funds				12	12
Escrow Payable	77				77
Claims Payable				2,242	2,242
Other Liabilities	520			10	530
Total	\$ 2,599	\$ 658	\$ 274	\$ 5,260	\$ 8,791

5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2012 is as follows (expressed in thousands):

A. Interfund Receivables and Payables

Due To	Due From										Total
	General Fund	Transportation Fund	Social Services Federal Fund	Education Enhancement Fund	Non-major Governmental Funds	Lottery Fund	Clean Water State Revolving Fund	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$	\$	\$ 1,275	\$ 14,053	\$ 17,315	\$ 4,874	\$	\$ 7	\$ 7	\$ 26	\$ 37,557
Transportation Fund			5		1,109	50		1	624		1,789
Social Services Federal Fund					30						30
Non-major Governmental Funds	549	91	312		2,270	1,871	197	439	164	173	6,066
Non-major Enterprise Funds	20	4	18		98				69	24	233
Internal Service Funds	2,212	1,025	641		2,690	66		155	668	48	7,505
Fiduciary Funds	35				40			12			87
Total	\$ 2,816	\$ 1,120	\$ 2,251	\$ 14,053	\$ 23,552	\$ 6,861	\$ 197	\$ 614	\$ 1,532	\$ 271	\$ 53,267

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, 2012 which are not shown in the above table. These are amounts owed between funds that are not due within one year. In fiscal year 2012, advances include \$1,183,860 from the Energy Conservation Fund, reported as a non-major governmental fund, to the General Fund for energy conservation projects.

B. Interfund Transfers

Transferred From	Transferred To							Total
	General Fund	Transportation Fund	Social Services Federal Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$	\$ 82	\$ 47	\$ 50,981	\$ 3,554	\$ 1,345	\$ 1,000	\$ 57,009
Transportation Fund	2,429			1,174				3,603
Social Services Federal Fund				271				271
Dakota Cement Trust Fund	12,000							12,000
Education Enhancement Trust Fund	14,053							14,053
Non-major Governmental Funds	71,382	5,128	49	5,313	3,174			85,046
Lottery Fund	95,665	206		7,830				103,701
Clean Water State Revolving Fund				31				31
Drinking Water State Revolving Fund				28				28
Non-major Enterprise Funds				3,225				3,225
Internal Service Funds	76			345				421
Total	\$ 195,605	\$ 5,416	\$ 96	\$ 69,198	\$ 6,728	\$ 1,345	\$ 1,000	\$ 279,388

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 fiscal year 2012, \$171,701,000 of State appropriations was used to support state-run universities, which are reported under Higher Education, a component unit. The amounts are reported as expenditures in the Governmental Fund Balance Sheet and as expenses in 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 2012 (expressed in thousands):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not Being Depreciated:				
Land	\$ 111,665	\$ 293	\$ 1,505	\$ 110,453
Land Improvements	6,279	860		7,139
Land & Improvements - Roads	598,800	3,570	285	602,085
Construction in Progress	269,930	205,300	170,813	304,417
Total Capital Assets Not Being Depreciated	986,674	210,023	172,603	1,024,094
Capital Assets Being Depreciated:				
Land Improvements	21,814	3,789	56	25,547
Buildings	411,562	38,113	2,629	447,046
Equipment	168,904	20,076	4,889	184,091
Intangible Assets - Software	49,069	5,872	394	54,547
Vehicles	132,811	10,681	10,008	133,484
Infrastructure	3,315,207	198,275	36,968	3,476,514
Total Capital Assets Being Depreciated	4,099,367	276,806	54,944	4,321,229
Less: Accumulated Depreciation for:				
Land Improvements	7,535	1,088	65	8,558
Buildings	158,124	11,779	334	169,569
Equipment	97,221	12,740	4,580	105,381
Intangible Assets - Software	35,656	4,083	1,025	38,714
Vehicles	78,703	8,529	8,589	78,643
Infrastructure	1,320,745	57,150	24,568	1,353,327
Total Accumulated Depreciation	1,697,984	95,369	39,161	1,754,192
Total Capital Assets Being Depreciated, Net	2,401,383	181,437	15,783	2,567,037
Total Governmental Activities, Net	\$ 3,388,057	\$ 391,460	\$ 188,386	\$ 3,591,131

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not Being Depreciated:				
Land	\$ 295	\$	\$	\$ 295
Total Capital Assets Not Being Depreciated	295			295
Capital Assets Being Depreciated:				
Land Improvements	924			924
Buildings	4,008			4,008
Equipment	4,520	52	37	4,535
Intangible Assets - Software	725			725
Total Capital Assets Being Depreciated	10,177	52	37	10,192
Less: Accumulated Depreciation for:				
Land Improvements	562	14		576
Buildings	2,972	65		3,037
Equipment	1,870	399		2,269
Intangible Assets - Software	708	4		712
Total Accumulated Depreciation	6,112	482		6,594
Total Capital Assets Being Depreciated, Net	4,065	(430)	37	3,598
Total Business-type Activities, Net	\$ 4,360	\$ (430)	\$ 37	\$ 3,893

Depreciation was charged to the function of government as follows:

Governmental Activities	Amount
Unallocated	\$ 53
General Government	9,236
Health, Human and Social Services	3,133
Law, Justice, Public Protection and Regulation	8,251
Agriculture and Natural Resources	3,588
Transportation	69,333
Education	1,675
Economic Resources	100
Total Governmental Activities	\$ 95,369
Business-type Activities	
Enterprise Funds	\$ 482

B. Component Units

Capital Assets for Component Units consisted of the following for fiscal year 2012 (expressed in thousands):

	Beginning Balance (Restated)	Additions	Deletions	Balance
Higher Education:				
Capital Assets Not Being Depreciated:				
Land	\$ 22,447	\$ 1,204	\$	\$ 23,651
Construction in Progress	34,137	54,172	39,019	49,290
Works of Art and Historical Treasures	8,637	79		8,716
Total Capital Assets Not Being Depreciated	65,221	55,455	39,019	81,657
Capital Assets Being Depreciated:				
Land Improvements	27,651	2,660		30,311
Infrastructure	33,113	10,293		43,406
Buildings	858,355	31,749	3,113	886,991
Equipment and Other Assets	224,851	12,661	5,634	231,878
Intangible Assets	341	103	341	103
Total Capital Assets Being Depreciated	1,144,311	57,466	9,088	1,192,689
Less: Accumulated Depreciation for:				
Land Improvements	11,943	1,077		13,020
Infrastructure	14,860	1,226		16,086
Buildings	240,136	23,765	1,516	262,385
Equipment and Other Assets	166,684	12,404	4,897	174,191
Intangible Assets	34	6	34	6
Total Accumulated Depreciation	433,657	38,478	6,447	465,688
Total Capital Assets Being Depreciated, Net	710,654	18,988	2,641	727,001
Total Higher Education Capital Assets, Net	775,875	74,443	41,660	808,658
South Dakota Housing Development Authority:				
Capital Assets Not Being Depreciated:				
Land	220			220
Total Capital Assets Not Being Depreciated	220			220
Capital Assets Being Depreciated:				
Land Improvements	1,210			1,210
Buildings	4,949			4,949
Equipment	3,380	361	184	3,557
Total Capital Assets Being Depreciated	9,539	361	184	9,716
Less: Accumulated Depreciation for:				
Land Improvements	431	56		487
Buildings	334	126		460
Equipment and Other Assets	2,446	212	178	2,480
Total Accumulated Depreciation	3,211	394	178	3,427
Total Capital Assets Being Depreciated, Net	6,328	(33)	6	6,289
Total Housing Authority Capital Assets, Net	6,548	(33)	6	6,509
Science and Technology Authority:				
Capital Assets Not Being Depreciated:				
Land	1,534			1,534
Underground Mine	16,641	68		16,709
Archive Materials	70			70
Construction in Progress	726	8,947		9,673
Total Capital Assets Not Being Depreciated	18,971	9,015		27,986
Capital Assets Being Depreciated:				
Building Improvements	25,125	42		25,167
Buildings	7,223			7,223
Equipment	6,491	675		7,166
Vehicles	79			79
Infrastructure	1,659			1,659
Total Capital Assets Being Depreciated	40,577	717		41,294
Less: Accumulated Depreciation for:				
Building Improvements	988	582		1,570
Buildings	879	146		1,025
Equipment	914	479		1,393
Vehicles	24	10		34
Infrastructure	57	38		95
Total Accumulated Depreciation	2,862	1,255		4,117
Total Capital Assets Being Depreciated, Net	37,715	(534)		37,177
Total Science and Technology Authority Capital Assets, Net	56,686	8,477		65,163
Total Discretely Presented Component Units, Net	\$ 839,109	\$ 82,887	\$ 41,666	\$ 880,330

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, 2012 are as follow (expressed in thousands):

Governmental Activities	
Land Improvements	\$ 3,001
Buildings and Structures	86,649
Equipment	5,178
Intangibles - Computer Software	53,567
Infrastructure	156,022
Total Primary Government	\$ 304,417

Discretely Presented Component Units	
Higher Education	
Land Improvements	\$ 1,613
Buildings and Structures	45,467
Infrastructure	2,210
Science and Technology	
Buildings and Structures	703
Infrastructure	8,970
Total Discretely Presented Component Units	\$ 58,963

7. RETIREMENT PLANS

South Dakota Retirement System, Plan Description: The South Dakota Retirement System (SDRS) is a cost-sharing, multiple-employer, hybrid defined benefit plan for employees of the State and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. 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, 2012, the number of participating governmental employers was:

School Districts	168
State of South Dakota	1
Board of Regents	1
Municipalities	153
Counties	64
Boards and Commissions	86
Total Employers	473

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, 2012. Fair values were determined based on closing market prices at June 30, 2012 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. For alternative investments where no readily ascertainable market value exists, management, in consultation with their

investment advisors, values these investments in good faith based upon the investment's current financial statements or other information provided by the underlying investment advisor. The value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. 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 is accrued in the period it is earned and dividend income is recorded on the ex-dividend date.

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 1.5% of compensation for optional spouse coverage.

Contributions for all participating employers during fiscal year 2012 totaling \$199,350,762 (\$100,484,113 employee and \$98,866,649 employer) were made in accordance with statutory rates. The primary government and its discretely presented component units' share was \$74,486,642 (\$37,427,993 employee and \$37,058,649 employer). These contributions represent 100% 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 all participating employers for fiscal years 2011, 2010, and 2009 were \$98,624,737; \$96,914,192; and \$94,244,915 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, 2012 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, 2012, deferred contribution payments will be received as follows (expressed in thousands):

Year Ending June 30	Employees
2013	\$ 333
2014	242
2015	49
2016	45
2017	46
Later	43
Total	<u>\$ 758</u>

South Dakota Cement Commission Retirement Plans: On July 1, 2010, the South Dakota Retirement System (SDRS) began administering the South Dakota Cement Plant Retirement Fund (CPRF), in conjunction to the dissolution of the South Dakota Cement Commission. The Fund is a single-employer public employee retirement system (PERS). The Fund consists of six defined benefit pension plans covering all former employees of the State Cement Plant. The Plans are actuarially funded using the entry age normal, level percent of pay, funding method. The Plan's funding policy provides for the unfunded actuarial accrued liability to be amortized as a level dollar over an open 20 year period. The most recent actuarial evaluation was prepared as of July 1, 2012.

On March 16, 2001, the State of South Dakota sold the State Cement Plant to a private corporation. As of that date the Plans were frozen as to new participants, final average earnings, credited service and primary social security benefits.

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, c/o 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 in accordance with GASB Statement No. 31. For alternative investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, values these investments in good faith based upon the investment's current financial statements or other information provided by the underlying investment advisor. 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, 2012 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, 2012 the fair value of net assets held in trust for pension benefits was \$47,619,968.

Department of Labor Employment Security Retirement Plan: Employees of the Department of Labor and Regulation 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. The plan can be changed at any time. If the plan should terminate, the full amount in the employee account will be used to provide a retirement benefit to the employee. The plan assets over and above employee accounts will be used up on a priority basis to provide retirement income for plan members.

Financial statements are not available from the insurance company. The latest actuarial information available is as of July 1, 2011. 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.

As of July 1, 2011 (most recent actuarial valuation date), the payroll and contributions for employees covered by the plan was \$1,254,073 and \$12,774, respectively. On July 1, 2011 participants in the plan consisted of the following:

Active Participants	32
Vested Terminated Participants	4
Retired Participants and Beneficiaries	217

Based on the requirements of GASB 27, Paragraph 21c, the following actuarial methods and assumptions were used:

Actuarial Cost Method:	Entry Age Normal
Actuarial Value of Assets Method:	Market Value
Inflation Rate:	3.00%
Investment Return Assumption:	7.50%
Projected Salary Increases:	3.50%
Postretirement Benefit Increases:	3.50%
Amortization Method:	Level Dollar
Amortization Period:	25 Years, Open

Investments are carried at fair value to properly reflect asset values at June 30, 2011. Contributions are made by active life plan participants at 5% of their salaries. As of July 1, 2011, the plan is overfunded by \$4.4 million, based on the actuarial assumptions used. The primary reason for this change was an asset gain of \$8.2 million due to returns more favorable than expected (actual 24.2% vs. 7.5% expected). This gain was offset by a demographic loss of approximately \$0.2 million due to less retiree deaths than expected and higher COLA than expected (actual 3.6% vs. 3.5% expected) offset by lower salaries than expected.

The following table shows the recommended contribution for plan year ending June 30, 2012:

I.	Recommended employer contribution, before test of unfunded liability	
	(a) Total Normal Cost	\$ 8,813
	(b) Expected employee contributions	(6,578)
	(c) Employer normal cost (a)-(b)	<u>2,235</u>
	(d) 25-year amortization payment toward unfunded actuarial liability	N/A*
	(e) Interest to June 30, 2011 on (c)+(d)	<u>168</u>
	(f) Recommended employer contribution, before test of unfunded liability: (c)+(d)+(e), but not less than \$0	2,403
II.	Test of unfunded liability	
	(g) Unfunded actuarial liability	
	(i) Actuarial liability as of July 1, 2011	\$ 55,470,085
	(ii) Actuarial value of assets as of July 1, 2011	<u>(59,870,226)</u>
	(iii) Unfunded actuarial liability: (i)-(ii)	<u>(4,400,141)</u>
	(h) Interest to June 30, 2012 on (c)+(g)	(329,843)
	(i) Expected unfunded liability as of June 30, 2012:	
	(c)+(g)+(h), but not less than \$0	0
III.	Recommended employer contribution: lesser of (f) and (i)	0

*Not applicable since there is no unfunded actuarial liability.

The GASB No. 27 annual pension expense is defined as the Annual Required Contribution (ARC) plus one year's interest on the Net Pension Obligation (NPO) offset by an adjustment to the ARC. The ARC may be defined as the recommended annual employer contribution as developed above. The NPO is defined as the cumulative difference, including interest, for the years prior to the transition date (July 1, 1997) between (a) the employer's required contributions in accordance with the plan's actuarially determined funding requirements and (b) the contributions made by the employer in relation to the required contributions. The following table displays the development of the NPO and the annual pension cost:

Fiscal Year Ended June 30	(a) Annual Required Contribution (ARC)	(b) Employer Contribution	(c) Interest on NPO	(d) ARC Adjustment LY (h)/(e)	(e) Amortization Factor	(f) Annual Pension Cost (a)+(c)-(d)	(g) Change in NPO (f)-(b)	(h) NPO Balance LY+(g)
2010	\$ 503,139	\$	\$	\$	11.147	\$ 503,139	\$ 503,139	\$503,139
2011	305,337		37,735	45,137	11.147	297,935	297,935	801,074
2012			60,081	71,865	11.147	(11,784)	(11,784)	789,290

The schedule of funding progress (expressed in thousands) is as follows:

As of 01-Jul	(1) Value of Actuarial Net Assets Available For Benefits	(2) Entry Age Normal Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Assets in Excess of AAL (1)-(2)	(5) Annual Covered Payroll	(6) Assets in Excess Of AAL as a Percent of Covered Payroll (4)/(5)
2002	\$ 57,914	\$ 46,442	124.7%	\$11,472	\$ 2,957	388.0%
2003	56,633	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%
2006	69,259	52,534	131.8%	16,725	2,254	742.1%
2007	76,357	53,395	143.0%	22,962	2,010	1142.2%
2008	68,209	54,703	124.7%	13,506	1,696	796.6%
2009	48,578	54,144	89.7%	(5,566)	1,631	(341.2)%
2010	51,550	54,930	93.8%	(3,380)	1,407	(240.2)%
2011	59,870	55,470	107.9%	4,400	1,254	350.9%

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 (SPP) was established in July 2004 as a qualified plan pursuant to Internal Revenue Code Section 401(a) under the administrative responsibility of the SDRS 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 SPP mandates that qualifying employees (over age 55 and \$600 or more in "special" pay) of participating units defer 100 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, upon later retirement, or to beneficiaries or an estate upon the participant's death.

Of the \$27,762,040 net assets available for plan benefits at June 30, 2012, \$15,665,432 was held in trust for employees of the State, while the remaining \$12,096,608 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. OTHER POST EMPLOYMENT BENEFITS

The State of South Dakota implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45) during the year ended June 30, 2008.

Plan Description: In accordance with Administrative Rules 55:08:04 other postemployment benefits (OPEB) are available to health plan retirees that are receiving a retirement benefit from the South Dakota Retirement System. In order to receive an SDRS benefit, the retiree must be at least age 55 with three years of service. Certain Public Safety employees qualify for SDRS at age 45 with three years of service.

Pre-Medicare retirees are eligible to be covered under the same medical plans that are provided to active employees as authorized by SDCL 3-6E-1 until the age of 65. However, retirees must contribute towards the cost of this coverage based on the contribution scale determined by the South Dakota Bureau of Personnel. Dependents at the time of retirement can continue to be covered during retirement for as long as they are eligible as dependents under the plan and contribute towards the cost of the coverage. Although the retirees generally must pay 100% of the premium rate, GASB 45 requires that employers recognize the Implicit Rate Subsidy that exists in postretirement medical plans provided by governmental employers.

The Implicit Rate Subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate higher claims on average than active participants. When a medical plan is self insured or fully insured through a third-party administrator, a premium is usually determined by analyzing the claims of the entire population in that plan and adjusting for administrative costs. The resulting premium is called a blended premium because it blends the claims of active and retired

participants. Since individuals generally have more and higher claims as they get older, the blended premium paid for retirees is lower than their expected claims. Another way of considering this is that if the retirees were removed from the plan, the premium for the active group would be lower; therefore, the retirees' premiums are being subsidized by the active group. Since the employer generally pays a large portion or all of the premiums for the active group, this subsidy creates a liability for the employer. The difference between the expected claims for the retiree group and the blended premium is called the Implicit Rate Subsidy.

The State operates an agent multiple defined employer retiree benefit plan which provides medical insurance benefits for retirees. There were 545 retirees as of July 1, 2011. The State has a self-insured health plan with the choice of three different deductibles for the participants to choose from.

Funding Policy: The contribution requirements of the plan participants are established by the Bureau of Personnel. The State currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation: The state's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 3.519% discount rate. For year ending June 30, 2012, the state's ARC is \$7,364,512.

The following table shows the components of the state's annual OPEB cost for the year, the amount contributed to the plan, and the changes to the state's net OPEB obligation. Because Higher Education is a discretely presented component unit that contributes 36% of the revenue for active employees 36% of the Net OPEB Obligation was reported by Higher Education.

Annual Required Contribution (ARC)	\$ 7,364,512
Interest on Net OPEB Obligations (NOO)	679,566
Amortization Adjustment to ARC	<u>(1,016,707)</u>
Annual OPEB Cost (Expense)	7,027,371
Contributions	<u>(3,336,683)</u>
Increase in Net OPEB Obligation (NOO)	3,690,688
NOO, Beginning Balance	<u>20,132,845</u>
NOO, Ending Balance	<u><u>\$ 23,823,533</u></u>

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to this plan, and the net OPEB obligation for FY 2008, FY 2009, FY 2010, FY 2011, and FY 2012 are as follows:

Fiscal Year	Annual	Percentage of Annual	Net OPEB
Ended	OPEB Cost	OPEB Cost Contributed	Obligation
June 30			
2008	\$9,429,305	37.17%	\$ 5,924,549
2009	7,560,788	39.68%	10,485,515
2010	8,184,906	42.20%	15,218,459
2011	7,808,235	37.10%	20,132,845
2012	7,027,371	47.48%	23,823,533

Funded Status and Funding Progress: As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was \$65.8 million. The actuarial value of assets is zero as no assets have been deposited into an irrevocable OPEB trust for future benefits. The covered payroll for active employees was \$658.0 million and the ratio of the UAAL to the covered payroll was 10%.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule

of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumption included a 3.519% discount rate based on the State's average bond portfolio yield for the valuation period. The annual medical trend rate is assumed to grade from 8.0 percent to 7.0 percent in 2014 and to reduce .5% each year through 2018. The annual pharmacy trend rate is assumed to grade from 7.0% to 6.0% in 2014 and to reduce by .5% the next two years then remain at 5.0% for all future years. This trend curve reflects current general medical and pharmacy trend and an assumption that trend rates will gradually lower over the next 6 years.

Mortality rates are from the 1995 Buck Mortality Table for males and females.

The UAAL is being amortized on an open, level dollar basis over 30 years.

The following is a schedule of funding progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (ALL)* (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
07/01/2007	\$ 0	\$ 76,406,237	\$ 76,406,237	0%	\$ 591,271,605	12.92%
07/01/2008	0	67,080,768	67,080,768	0%	617,186,072	10.87%
07/01/2009	0	70,548,028	70,548,028	0%	626,434,784	11.26%
07/01/2010	0	74,398,195	74,398,195	0%	634,017,694	11.73%
07/01/2011	0	65,808,599	65,808,599	0%	658,086,666	10.00%

* The projected unit credit actuarial cost method is used to calculate the actuarial accrued liability and the annual required contribution.

11. COMMITMENTS

Construction and Other Commitments: At June 30, 2012, the Department of Transportation had contractual construction commitments of \$325,767,057 for various highway projects and maintenance commitments (including stockpile) of \$5,366,978. 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 \$118,488,751 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	\$ 54,796,739
Drinking Water State Revolving Fund	\$ 35,714,038
Water and Environment Fund Program	\$ 22,284,839
Federal Funds	\$ 5,693,135

The Building Authority has contracts and other construction commitments of \$10,410,215.

The South Dakota Housing Development Authority had commitments to purchase home-ownership mortgage loans aggregating approximately \$9,233,002. Financing for these commitments will be from home-ownership mortgage bonds.

The Governor's Office of Economic Development had construction and other contractual commitments of \$51,423,814. 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 Agriculture Sub Fund	\$ 358,866
REDI Fund Loans	\$ 20,200,000
SD Economic Development Authority	\$ 325,000
Economic Development Finance Authority, Pooled Loans	
	\$ 10,000,000
Community Development Block Grant (CDBG)	\$ 10,213,745
Future Fund Program	\$ 9,413,814
Energy Program Loans	\$ 321,638
Energy Program Grants	\$ 590,751

The South Dakota Science and Technology Authority had a contractual commitment of \$4,482,500 for the Homestake Mine for the installation and maintenance of a deep level pump system and had contractual commitments of \$8,562,501 to outfit the underground Davis Campus at the Homestake Mine.

12. 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 \$14,580,000 at June 30, 2012. The Workers' Compensation Fund liability at June 30, 2012 and the changes to the liability during fiscal years ended June 30, 2012 and 2011 listed on the following page were as follows (expressed in thousands):

	<u>FY2012</u>	<u>FY2011</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 21,034	\$ 19,168
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	1,074	3,850
Changes in provision for insured events of prior fiscal years	<u>3,283</u>	<u>744</u>
Total incurred claims and claim adjustment expenses	<u>4,357</u>	<u>4,594</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,117	967
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	<u>2,132</u>	<u>1,761</u>
Total payments	<u>3,249</u>	<u>2,728</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 22,142</u>	<u>\$ 21,034</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 2012, \$725,000 of the net assets balance in the Self-Insurance Fund was designated for future catastrophic losses relating to life insurance. The health and life insurance programs liability at June 30, 2012 and the changes to the liability during fiscal years ended June 30, 2012 and 2011 were as follows (expressed in thousands):

	<u>Health Insurance</u>		<u>Life Insurance</u>	
	<u>FY2012</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2011</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 11,181	\$ 11,350	\$ 177	\$ 20
Incurred claims and claim adjustment expenses	103,239	94,575	3,120	2,672
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	90,683	83,394	2,989	2,495
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	11,181	11,350	177	20
Total payments	101,864	94,744	3,166	2,515
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 12,556</u>	<u>\$ 11,181</u>	<u>\$ 131</u>	<u>\$ 177</u>

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. Beginning in FY2001 through FY2003 the State purchased reinsurance for claims costs over \$250,000 with 100% of the remaining \$750,000. In FY2004 the State purchased reinsurance for claims costs over \$250,000 with 90% of the remaining \$750,000. In FY2005 through FY2012 the State purchased reinsurance for claims costs over \$250,000 with 75% of the remaining \$750,000. 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 2012, \$5,917,953 of the net assets balance in the PEPL Fund was designated for future catastrophic losses. The PEPL Fund liability at June 30, 2012 and the changes to the liability during fiscal years ended June 30, 2012 and 2011 were as follows (expressed in thousands):

	<u>FY2012</u>	<u>FY2011</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 4,835	\$ 3,714
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	1,370	1,160
Changes in provision for insured events of prior fiscal years	(643)	1,261
Total incurred claims and claim adjustment expenses	<u>727</u>	<u>2,421</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	403	269
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	573	1,031
Total payments	<u>976</u>	<u>1,300</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 4,586</u>	<u>\$ 4,835</u>

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 all bonded buildings, all higher education facilities and buildings and certain other revenue-producing buildings that are covered through outside insurance companies.

13. 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, 2012 (expressed in thousands):

<u>Year Ending June 30</u>	<u>Primary Government</u>	<u>Component Units</u>
2013	\$ 7,263	\$ 1,005
2014	6,574	855
2015	5,587	582
2016	4,915	264
2017	4,247	92
2018-2022	11,841	18
2023-2027	5,591	
2028-2032	3,212	
2033-2037	692	
2038-2042	35	
Total Minimum Payments	<u>\$ 49,957</u>	<u>\$ 2,816</u>

The total rental expenses for all operating leases for the fiscal year ended June 30, 2012 was \$11,490,443 for the primary government and \$2,676,235 for component units.

14. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2012 and changes to long-term liabilities during the fiscal year then ended are as follows (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities *					
Revenue Bonds	\$ 251,809	\$	\$ (22,861)	\$ 228,948	\$ 7,819
Less Unamortized Discount	(1,866)		92	(1,774)	(5)
Less Deferred Loss on Refunding	(398)		198	(200)	(81)
Add Unamortized Premium	831		(219)	612	219
Net Revenue Bonds	<u>250,376</u>		<u>(22,790)</u>	<u>227,586</u>	<u>7,952</u>
Trust Certificates	19,249		(2,759)	16,490	2,762
Compensated Absences	49,162	30,817	(28,789)	51,190	27,357
Policy Claims Liability	4,835	727	(976)	4,586	1,252
Workers Compensation	21,043	4,357	(3,254)	22,146	2,303
Capital Leases	40,186	28,535	(4,442)	64,279	3,829
Pollution Remediation Obligation	11,669		(511)	11,158	600
Escheat Property	2,094	6,350	(3,669)	4,775	2,181
Net OPEB Obligation	12,885	4,497	(2,135)	15,247	-
Total Governmental Activities	<u>\$ 411,499</u>	<u>\$ 75,283</u>	<u>\$ (69,325)</u>	<u>\$ 417,457</u>	<u>\$ 48,236</u>
Business-type Activities					
Revenue Bonds	\$ 169,291	\$123,305	\$ (74,930)	217,666	\$ 10,160
Less Unamortized Discount	(34)		34		
Less Deferred Loss on Refunding	(752)	(7,758)	491	(8,019)	(711)
Add Unamortized Premium	5,713	9,284	(1,939)	13,058	587
Net Revenue Bonds	<u>174,218</u>	<u>124,831</u>	<u>(76,344)</u>	<u>222,705</u>	<u>10,036</u>
Compensated Absences	1,204	703	(619)	1,288	694
Total Business-type Activities	<u>\$ 175,422</u>	<u>\$125,534</u>	<u>\$ (76,963)</u>	<u>\$ 223,993</u>	<u>\$ 10,730</u>
Component Units					
Revenue Bonds	\$ 2,180,545	\$336,155	\$ (444,318)	\$2,072,382	\$ 66,363
Less Deferred Loss on Refunding	(2,714)	162	(760)	(3,312)	(164)
Less Unamortized Discount	(291)	11		(280)	(11)
Add Unamortized Premium	14,419	6,622	(1,956)	19,085	505
Net Revenue Bonds	<u>2,191,959</u>	<u>342,950</u>	<u>(447,034)</u>	<u>2,087,875</u>	<u>66,693</u>
Compensated Absences	37,458	14,348	(14,780)	37,026	12,186
Capital Leases	2,964	1,233	(2,278)	1,919	1,315
Rural Development Loans	4,279	76	(233)	4,122	226
Federal Portion of Perkins Loan Program	37,704	92		37,796	
Net OPEB Obligation	7,248	2,530	(1,201)	8,577	
Total Component Units	<u>\$ 2,281,612</u>	<u>\$361,229</u>	<u>\$ (465,526)</u>	<u>\$2,177,315</u>	<u>\$ 80,420</u>

*Governmental Activities Other Long-Term Obligations - The General Fund, special revenue and internal service funds in which the leases are recorded will liquidate the capital lease obligations. The compensated absence liability will be liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The workers' compensation and policy claims liabilities will be liquidated by applicable Internal Service funds which will ultimately be billed out to the applicable funds that account for the salaries and wages of the related employees. The net OPEB obligations will be liquidated by the State's governmental and internal service funds that contribute toward the Health Insurance Internal Service Fund, based on the contribution rates. The pollution remediation obligations will be liquidated by the Petroleum Release Compensation Fund and the Department of Energy and Natural Resources - Other Fund. The escheat property obligation will be liquidated by the State's General Fund.

Revenue Bonds and Trust Certificates

A. Governmental Activities

1. South Dakota Building Authority

The South Dakota Building Authority (SDBA) 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 SDBA 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 SDBA 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 SDBA.

The indebtedness or obligations incurred or created by the SDBA 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 SDBA bonds and trust certificates outstanding at June 30, 2012 (expressed in thousands):

<u>Bond Series:</u>	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
1996A	2016	5.800% - 5.950%	6,327
2003	2015	4.000% - 5.000%	227
2005B	2026	4.000% - 5.000%	6,370
2006A	2026	4.250% - 5.000%	9,611
2006B	2013	4.250% - 5.000%	5,530
2006C	2013	5.550%	310
2007	2032	4.250% - 5.000%	4,785
2008	2033	4.000% - 5.000%	1,885
2010B	2035	.900% - 6.200%	5,325
2010C	2031	3.125% - 5.850%	3,745
2010D	2019	2.250% - 3.250%	714
Add Unamortized Premium			612
Less Unamortized Discount			(42)
Less Deferred Loss on Refunding			(200)
Total Bonds			<u>45,199</u>
Trust Certificate Series:			
1991 (A&B)	2016	6.625%-6.750%	2,765
1993 (A)	2017	6.625%-6.700%	13,725
Total Trust Certificates			<u>16,490</u>
Total			<u>\$61,689</u>

As of June 30, 2012, debt service requirements for principal and interest for the SDBA were as follows (expressed in thousands):

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2013	10,714	2,675	\$ 13,389
2014	6,918	5,367	12,285
2015	6,349	5,232	11,581
2016	5,766	4,738	10,504
2017	5,682	4,238	9,920
2018 - 2022	11,885	4,887	16,772
2023 - 2027	10,495	2,434	12,929
2028 - 2032	2,595	693	3,288
2033 - 2037	915	111	1,026
Total	<u>\$61,319</u>	<u>\$30,375</u>	<u>\$ 91,694</u>

2. 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, 2012 (expressed in thousands):

<u>Bond Series:</u>	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
2002A	2025	6.72%	\$ 54,580
2002B	2032	6.50%	129,540
Less Unamortized Discount			<u>(1,732)</u>
Total			<u>\$182,388</u>

As of June 30, 2012, debt service requirements for principal and interest for the Educational Enhancement Funding Corporation were as follows (expressed in thousands):

<u>Year Ended</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$	\$ 12,088	\$ 12,088
2014		12,088	12,088
2015		12,088	12,088
2016		12,088	12,088
2017		12,088	12,088
2018		12,088	12,088
2019		12,088	12,088
2020-2024	42,035	56,409	98,444
2025-2029	78,585	36,888	115,473
2030-2032	63,500	8,450	71,950
Total	<u>\$184,120</u>	<u>\$186,363</u>	<u>\$370,483</u>

B. Business-type Activities

South Dakota Conservancy District - 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 following is a schedule of outstanding bonds as of June 30, 2012 (expressed in thousands):

<u>Bond Series</u>	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
Clean Water State Revolving Fund			
1996A	2017	5.625%	\$ 100
2004	2017	2.50%-5.25%	1,305
2005	2026	3.25%-5.00%	1,650
2010AB	2030-2031	4.084%-5.646%	54,395
2012AB	2027-2033	.25%-5.00%	90,295
Less Unamortized Deferred Loss on Refunding			(4,713)
Add Unamortized Premium			11,044
Total			154,076
Drinking Water State Revolving Fund			
2004	2025	3.00%-5.25%	1,120
2005	2026	3.25%-5.00%	340
2010AB	2030 - 2031	2.00%-5.646%	35,450
2012AB	2023 - 2027	.25%-5.00%	33,010
Less Unamortized Deferred Amount of Refunding			(3,305)
Add Unamortized Premium			2,014
Total			68,629
Total Revenue Bonds			\$ 222,705

As of June 30, 2012, debt service requirements for principal and interest for the CWSRF and the DWSRF were as follows (expressed in thousands):

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30			
Clean Water State Revolving Fund			
2013	\$ 6,110	\$ 5,504	\$ 11,614
2014	7,415	5,422	12,837
2015	7,580	5,235	12,815
2016	7,460	5,019	12,479
2017	7,500	4,794	12,294
2018-2022	37,735	20,309	58,044
2023-2027	42,910	12,465	55,375
2028-2033	31,035	4,013	35,048
Total	147,745	62,761	210,506
Drinking Water State Revolving Fund			
2013	4,050	2,780	6,830
2014	4,380	2,197	6,577
2015	4,475	2,088	6,563
2016	4,575	1,969	6,544
2017	4,685	1,844	6,529
2018-2022	22,455	7,155	29,610
2023-2027	17,560	3,694	21,254
2028-2033	7,740	732	8,472
Total	69,920	22,459	92,379
Total	\$ 217,665	\$ 85,220	\$ 302,885

C. Component Units

1. South Dakota Housing Development Authority

The South Dakota Housing Development Authority (SDHDA) 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 SDHDA issues negotiable notes and bonds in amounts authorized by the Governor of South Dakota. Notes and bonds of the SDHDA 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 SDHDA. Following is a schedule of bonds, consolidated by category, outstanding at June 30, 2012 (expressed in thousands):

	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
Home-Ownership Mortgage Program			
Serial Bonds	2012-2042	.08%-6.25%	\$ 225,100
Term Bonds			970,105
Add Unamortized Premium			9,292
Less Deferred Loss on Refunding			<u>(1,106)</u>
Total			<u>1,203,391</u>
Single Family Mortgage Revenue Bonds			
Serial Bonds	2012-2041	.45%-5.00%	60,370
Term Bonds			277,970
Add Unamortized Premium			<u>1,946</u>
Total			<u>340,286</u>
Multifamily Housing Trust Funds			
Serial Bonds	2012-2048	.26%-5.15%	4,300
Term Bonds			33,345
Less Deferred Loss on Refunding			<u>(569)</u>
Total			<u>37,076</u>
Multifamily Housing Revenue Bonds			
Serial Bonds	2012-2044	.18%-6.15%	2,910
Term Bonds			<u>26,575</u>
Total			<u>29,485</u>
Multifamily Mortgage Pass-Through			
Term Bonds	2012-2017	3.75%-7.50%	<u>9,353</u>
Multifamily Risk Sharing Bonds			
Term Bonds	2012-2043	5.35%-5.85%	<u>12,975</u>
Total Bonds			<u>\$1,632,566</u>

As of June 30, 2012, debt service requirements for principal and interest for the SDHDA were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 49,442	\$ 62,169	\$ 111,611
2014	46,886	60,777	107,663
2015	46,026	59,089	105,115
2016	45,544	57,557	103,101
2017	48,829	55,693	104,522
2018-2022	225,580	250,998	476,578
2023-2027	224,761	202,134	426,895
2028-2032	319,056	151,290	470,346
2033-2037	485,150	63,880	549,030
2038-2042	121,390	8,509	129,899
2043-2047	9,335	97	9,432
2048-2052	1,005	2	1,007
Total	<u>\$1,623,004</u>	<u>\$ 972,195</u>	<u>\$ 2,595,199</u>

2. South Dakota Economic Development Finance Authority

The South Dakota Economic Development Finance Authority (EDFA) 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 EDFA 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 EDFA 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 EDFA issues pooled and stand alone bond issues. A pooled bond issue is secured by the EDFA's Capital Reserve Account. A stand alone issue is based solely on the credit of the borrower and the EDFA 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 money on deposit in the Capital Reserve Account is 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 12.5% 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, 2012, the balance in the Capital Reserve Account was \$5,000,000 and the reserve requirement was \$2,481,875.

The following is a schedule of outstanding bonds as of June 30, 2012 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
2003A	2013	5.25%	320
2004A	2014-2029	5.00%-6.00%	4,095
2004B	2014-2029	5.00%-5.95%	2,615
2005A	2016-2026	5.50%-6.05%	3,965
2008	2015-2028	4.50%-5.875%	6,640
2009A&B	2016-2019	4.00%-5.00%	2,220
Total			<u>\$ 19,855</u>

As of June 30, 2012, debt service requirements for principal and interest for the EDFA were as follows (expressed in thousands):

Year Ended	Principal	Interest	Total
June 30			
2013	\$ 1,315	\$ 1,130	\$ 2,445
2014	1,035	1,067	2,102
2015	1,090	1,018	2,108
2016	1,145	962	2,107
2017	1,215	900	2,115
2018-2022	5,950	3,440	9,390
2023-2027	6,460	1,599	8,059
2028-2029	1,645	141	1,786
Total	<u>\$ 19,855</u>	<u>\$10,257</u>	<u>\$30,112</u>

3. 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 2012 equaled \$24,871,868.

Following are revenue bonds outstanding at June 30, 2012 (expressed in thousands):

<u>Bond Series</u>	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
School of Mines and Technology			
2003	2033	2.350%-5.300%	\$ 6,595
2008	2028	4.550%	3,690
2009	2039	2.150%-6.250%	10,005
Less Unamortized Discount			(23)
University of South Dakota			
2003	2028	2.500%-5.000%	11,965
2005A	2030	4.000%-5.000%	11,000
2009	2039	2.150%-6.250%	42,885
Less Unamortized Discount			(186)
Add Unamortized Premium			163
South Dakota State University			
2004	2024	2.500%-5.000%	21,005
2005A	2030	4.000%-5.000%	2,510
2006	2060	3.920%	6,220
2009	2039	2.150%-6.250%	31,445
2011	2031	2.000%-5.000%	57,700
Less Deferred Loss on Refunding			(433)
Less Unamortized Discount			(68)
Add Unamortized Premium			3,553
Northern State University			
2004A	2029	3.000%-5.000%	5,025
2008	2038	4.550%	980
2009	2039	2.150%-6.250%	1,315
2011	2031	2.000%-5.000%	5,780
Less Deferred Loss on Refunding			(64)
Less Unamortized Discount			(3)
Add Unamortized Premium			396
Dakota State University			
2004A	2025	3.000%-5.000%	2,405
2007	2029	3.760%	345
2008	2028	3.760%	4,080
Less Deferred Loss on Refunding			(96)
Add Unamortized Premium			81
Black Hills State University			
2004	2023	4.000%	3,435
2004A	2026	3.000%-5.000%	2,580
2006	2026	3.920%	1,020
2007	2029	3.880%	7,290
Less Deferred Loss on Refunding			(68)
Add Unamortized Premium			75
Total			<u>\$242,602</u>

As of June 30, 2012, debt service requirements for principal and interest were as follows (expressed in thousands):

Year Ended			
June 30	Principal	Interest	Total
2013	\$ 7,245	\$ 10,885	\$ 18,130
2014	8,910	10,618	19,528
2015	9,090	10,289	19,379
2016	9,450	9,939	19,389
2017	9,890	9,549	19,439
2018-2022	56,190	40,540	96,730
2023-2027	56,375	27,102	83,477
2028-2032	47,270	14,355	61,625
2033-2037	31,365	5,214	36,579
2038-2042	3,490	214	3,704
Total	\$239,275	\$138,705	\$377,980

b. South Dakota Building Authority (Higher Education Portion)

The South Dakota Building Authority issues bonds and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities for Higher Education institutions. Lease payments are made from tuition and fees paid by students. The obligations incurred or created by the Building Authority may not be a lien, charge, or liability against the State of South Dakota.

Following is a schedule of bonds outstanding at June 30, 2012 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Revenue Bonds			
2002	2026	4.450%-5.750%	175
2003	2015	3.500%-5.000%	2,608
2003A	2028	2.250%-5.000%	9,535
2005C	2029	3.500%-5.000%	14,785
2006A	2026	4.250%-5.000%	2,299
2007	2032	4.250%-5.000%	43,525
2008	2033	4.000%-5.000%	66,105
2009	2034	2.650%-6.760%	12,430
2010A	2027	.900%-5.650%	10,325
2010B	2035	.900%-6.200%	8,970
2010D	2019	2.250%-3.250%	235
2011	2026	3.000%-4.000%	12,330
2011A	2026	3.000%-4.000%	6,925
Less Deferred Loss on Refunding			(977)
Add Unamortized Premium			3,579
Total Revenue Bonds			\$192,849

As of June 30, 2012, 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
2013	\$ 8,361	\$ 8,898	\$ 17,259
2014	8,172	8,576	16,748
2015	8,062	8,240	16,302
2016	8,162	7,896	16,058
2017	8,146	7,545	15,691
2018-2022	44,705	31,928	76,633
2023-2027	50,095	21,081	71,176
2028-2032	44,710	9,635	54,345
2033-2037	9,835	818	10,653
Total	\$ 190,248	\$ 104,617	\$294,865

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, 2012 (expressed in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
2013	\$ 6,995	\$ 1,395
2014	5,508	597
2015	5,209	31
2016	5,019	
2017	4,977	
2018-2022	21,451	
2023-2027	20,017	
2028-2032	19,393	
2033-2037	18,696	
2038-2042	9,400	
Total Minimum Lease Payments	116,665	2,023
Less: Amount Representing Interest	52,386	105
Present Value of Net Minimum Lease Payments	\$ 64,279	\$ 1,918

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, 2012 are as follows (expressed in thousands):

	<u>Primary Government Governmental Activities</u>
Buildings	\$ 85,062
Equipment	3,232
Vehicles	8,372
Total	96,666
Less: Accumulated Depreciation	21,392
Total, Net	\$ 75,274

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, 2012, there were 201 Beginning Farmer Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2012 could not be determined; however, the original issue amount totaled \$28,514,114.95.

As of June 30, 2012, there were 6 Agribusiness Bonding Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2012 could not be determined; however, the original issue amount totaled \$8,837,500.

As of June 30, 2012, there were 19 Livestock Nutrient Management Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2012 could not be determined; however, the original issue amount totaled \$9,309,765.

As of June 30, 2012, there were 14 Agribusiness Relending Program Loans outstanding. The outstanding loan balance at June 30, 2012 was \$471,548.09

As part of the American Recovery and Reinvestment Act, the South Dakota Value Added Finance Authority issued 3 recovery zone bonds in state fiscal year 2011. The outstanding balance at June 30, 2012 could not be determined; however, the original issue amount totaled \$24,750,000.

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, 2012, the aggregate amount of stand-alone bond principal outstanding was \$14,465,053. The original issue amount of stand-alone bonds totaled \$20,870,000.

Refunded Bonds

The Building Authority and South Dakota Conservancy District have defeased certain 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, 2012, \$13,510,000 of the Building Authority and \$67,765,000 of South Dakota Conservancy District bonds outstanding are considered defeased.

Pollution Remediation Obligations

The state of South Dakota has pollutions remediation obligation liabilities as of June 30, 2012 of \$11,157,550.

1. Gilt Edge Superfund Site

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 Brohm Mine, the Gilt Edge Superfund Site in Lawrence County. The EPA's current estimate of total cleanup cost is \$136 million. The State is required by law to pay 10% of the total costs of reclamation and remediation of the site or \$13.6 million. The State has already spent approximately \$5.9 million with a remaining outstanding liability as of June 30, 2012 of \$7.5 million. The State's contribution to the costs of reclamation and remediation will come from the Regulated Response Fund, which has a cash balance of \$2.9 million, but will grow with future penalties collected for environmental violations deposited into the

fund and interest earned on the cash deposit. After reclamation is completed, and after a holding period by the United States, the State will take control of the site and use the reclamation bond to pay 100% of the ongoing water treatment costs. The State had a cash balance of approximately \$7.6 million as of June 30, 2012 from the cash reclamation bond deposited by Brohm. However, actual costs incurred when the State takes control of the site cannot be anticipated at this time because the final cleanup action has not been determined yet.

2. Petroleum Release Compensation Fund

The Petroleum Release Compensation Fund (PRCF) provides reimbursement for remediation of sites where a petroleum release has occurred. This fund and the requirement that the State provide reimbursement was established under SDCL 34A-13. As of June 30, 2012, PRCF was currently involved with 59 active cases, 22 active/monitoring cases, and 13 pending cases (spill report not yet filed), for a total of 94 cases. The cost remaining for sites that have received at least one payment is \$857,550, the cost for sites that haven't received any payments is \$2,000,000 and the estimated cost for the Abandoned Tank Removal Program is \$600,000. The total liability as of June 30, 2012 for this program is \$3,457,550.

15. 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, 2012 as recommended by NACUBO (expressed in thousands):

Function	Personal Services	Travel	Contractual	Supplies & Noncapitalized Equipment	Grants & Subsidies	Interest & Other Expenses	Depreciation	Total
Instruction	\$ 158,218	\$ 3,247	\$ 11,180	\$ 9,739	\$ 561	\$ 45	\$ 3,376	\$ 186,366
Research	45,954	2,901	11,866	11,433	18,521	2	4,401	95,078
Public Service	26,609	1,650	7,225	5,181	2,541		219	43,425
Academic Support	36,534	869	6,086	7,655	1,141		1,641	53,926
Student Services	27,458	5,869	6,446	5,547	424		819	46,563
Institutional Support	38,161	973	16,142	3,439	2,969	810	10,704	73,198
O&M of Plant	16,038	155	11,606	5,437	(331)	(4)	14,765	47,666
Scholarships and Fellowships	1,584	19	23	211	27,217	79		29,133
Auxilliary Enterprises	10,566	137	27,933	14,344	593	1	1,167	54,741
Other	6		3	9		214	1,366	1,598
Total	\$ 361,128	\$ 15,820	\$ 98,510	\$ 62,995	\$ 53,636	\$ 1,147	\$ 38,458	\$ 631,694

16. FUND BALANCES AND NET ASSETS

Fund Balance Classifications – Governmental Funds

The following table provides additional detail regarding the fund balances reported on the Governmental Fund Balance Sheet at June 30, 2012 (expressed in thousands):

	General	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Non-Major Special Revenue Funds	Total
Non-Spendable							
Inventory	\$ 1,996	\$ 16,881	\$ 119	\$	\$	\$ 2,597	\$ 21,593
Prepays	920	373	255			1,608	3,156
Permanent Fund Principal				238,000	329,330	116,891	684,221
Total Non-Spendable Fund Balances	<u>2,916</u>	<u>17,254</u>	<u>374</u>	<u>238,000</u>	<u>329,330</u>	<u>121,096</u>	<u>708,970</u>
Restricted							
Education					43,472	8,041	51,513
Health and Public Assistance			10			24,410	24,420
Law, Justice and Public Protection						11,483	11,483
Economic Development						40,093	40,093
Transportation		135,951					135,951
Agriculture and Natural Resources						72,909	72,909
Energy Conservation or Development						11,359	11,359
Game and Fish						8,000	8,000
Parks and Recreation						4,765	4,765
Public Buildings						604	604
Public Broadcasting						672	672
Railroads						38,232	38,232
Debt Service						53,387	53,387
Capital Projects						462	462
Other						6,600	6,600
Total Restricted Fund Balances	<u></u>	<u>135,951</u>	<u>10</u>	<u></u>	<u>43,472</u>	<u>281,017</u>	<u>460,450</u>
Committed							
Education						339	339
Health and Public Assistance						2,913	2,913
Law, Justice and Public Protection						7,694	7,694
Agriculture and Natural Resources						10,094	10,094
Environmental Cleanup						4,194	4,194
Energy Conservation or Development						3,249	3,249
Public Buildings						1,775	1,775
Railroads						403	403
Other						8,269	8,269
Total Committed Fund Balances	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>38,930</u>	<u>38,930</u>
Assigned							
Education	86,015					2,192	88,207
Higher Education	6,085						6,085
Health and Public Assistance	31,677		2,030			12,143	45,850
Law, Justice and Public Protection	1,187					18,835	20,022
Agriculture and Natural Resources	441					3,234	3,675
Tourism Promotion	2,908						2,908
Public Buildings	4,693					4,665	9,358
Economic Resources	5,459						5,459
Other	2,241					716	2,957
Total Assigned Fund Balances	<u>140,706</u>	<u></u>	<u>2,030</u>	<u></u>	<u></u>	<u>41,785</u>	<u>184,521</u>
Unassigned Fund Balances *	147,445			(1,276)		(1,655)	144,514
Total Fund Balances	<u>\$ 291,067</u>	<u>\$ 153,205</u>	<u>\$ 2,414</u>	<u>\$ 236,724</u>	<u>\$ 372,802</u>	<u>\$ 481,173</u>	<u>\$ 1,537,385</u>

* This amount includes \$71,093,000 of equity from the Budget Reserve established by the 1991 South Dakota Legislature as discussed further in the following paragraph.

Budget Reserve Account

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. Expenditures out of the budget reserve fund shall only be used by special appropriation (which requires a two-thirds vote of all the members of each branch of the Legislature) and shall only redress such unforeseen expenditure obligations or such unforeseen revenue shortfalls as may constitute an emergency pursuant to South Dakota Constitution, Article III, Section 1. The balance in the budget reserve at June 30, 2012 was \$71,093,000 and is reported as unassigned fund balance within the General Fund.

General Fund

With the implementation of GASB 54 in FY11, seven statutorily created accounts no longer qualify as Special Revenue Funds and were required to be combined with the State's General Fund. As of June 30, 2012 the following equity balances were included within the State's General fund due to the implementation of GASB 54 (expressed in thousands):

Fund Balance - June 30, 2012 as reported	\$291,067
Less: Statutorily Created Funds Combined with the General Fund	
Property Tax Reduction - assigned for Education	67,941
Tourism Promotion - assigned for Tourism Promotion	2,908
Investment Council Operating - assigned for Other	1,297
Private Activity Bond - assigned for Other	69
Tax Relief - unassigned	2,631
Extraordinary Litigation Expense - unassigned	1,219
Unclaimed Property - unassigned	31
Fund Balance - June 30, 2012 excluding GASB 54 combinations	<u>\$214,971</u>

Net Assets Restricted by Enabling Legislation

The government-wide Statement of Net Assets reports \$1.12 billion of restricted net assets for the primary government of which \$158.5 million was restricted 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 classified as nonspendable 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 nonexpendable and the investment earnings remaining in these funds at June 30, 2012 is shown as expendable.

- ***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."
- ***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.”

- **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.”
- **Permanent Fund.** This fund is administered by the Office of School and Public Lands and 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.

These balances at June 30, 2012 are summarized as follows (expressed in thousands):

<u>Fund</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total Restriction</u>
Dakota Cement Trust	\$ (1,276)	\$ 238,000	\$ 236,724
Education Enhancement Trust	43,472	329,330	372,802
Health Care Trust	17,334	85,631	102,965
Permanent	972	31,260	32,232
Total	\$ 60,502	\$ 684,221	\$ 744,723

Individual Fund Deficits

The following individual funds had deficit fund equity at June 30, 2012 (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Deficit</u>
Internal Service:	
State Worker's Compensation	\$ 14,580
Insurance Administration	6,430
Special Revenue:	
Law Enforcement Revolving	629
Public Utilities Commission Federal	100

17. 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 2012, the State provided \$18,798,000 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.

18. RELATED PARTY TRANSACTIONS

The Sanford Research/University of South Dakota (USD) was created by the Sioux Valley (Sanford) Health Care Systems and the USD School of Medicine to facilitate medical research and technology transfer. USD is a part of Higher Education and is a component unit of the State of South Dakota. The University of South Dakota subcontracted research awards totaling \$1,224,793 to Sanford Research/USD in FY12. The research conducted included areas of prenatal alcohol in sudden infant death syndrome, breast cancer cells project, and the Center for Health Research with Tribes in South Dakota, Montana and Wyoming. The funding sources were the National Science Foundation for \$68,359; the National Institutes of Health for \$995,518; SD Governor's Research and Commercialization Council for \$157,265; and the remaining was funded from other sources.

The South Dakota Railroad Board (SDRB) has a loan program which enables the Regional Railroad Authority's to rehabilitate rail lines. In FY10 Sioux Valley Regional Railroad Authority (SVRRA) applied for and was approved for a loan from the SDRB. The loan was to rehabilitate a section of rail between Canton and Elk Point, SD. The SVRRA has tax levying power and was created by D&I Railroad Co. SVRRA passed the loan funds onto D & I Railroad Co who is the operator. A SDRB member is also the president of D & I Railroad Co. Funding for the loan came from the Department of Transportation Railroad Trust fund and a total of \$5,396,622.00 was awarded to Sioux Valley Regional Railroad Authority in FY10. For FY11, Day County Regional Railroad Authority was approved a loan in the amount of \$1,500,000.00 and Aberdeen-Brown County Regional Railroad Authority was approved a loan in the amount of \$3,000,000 to expand South Dakota Wheat Growers existing industrial siding for 10,365 feet near Andover, SD and 12,770 feet near Roscoe, SD, respectively. An employee of South Dakota Wheat Growers is also the chairman of the South Dakota Railroad Board. The South Dakota Railroad Board has a loan program which enables Regional Railroad Authority's and Industries to rehab or build new rail lines. In March 2012, Dakota Mill & Grain was approved for a loan in the amount of \$2,400,000 to build an industrial loop track at a new facility site located near Kimball, South Dakota. Currently, the loan agreement has not been signed and it is uncertain if the project will be constructed. Dakota Mill & Grain has until March 2013 to start construction or the funds will be un-obligated. An employee of Dakota Mill & Grain is also the Vice-Chair of the SDRB.

The South Dakota Development Corporation (SDDC) was created under the South Dakota Nonprofit Corporation Act with the Secretary of State's office. The SDDC is a South Dakota non-profit corporation and a Certified Development Company created for the purpose of administering the U.S. Small Business Administration's (SBA) 503/504 loan programs and the Microloan Program. The Microloan Program was formed as a partnership between Citibank (South Dakota) N.A., the SDDC and the Governor's Office of Economic Development (GOED). Citibank is no longer a part of this partnership. The GOED has agreed to provide certain staff services and related support of the SBA 504 loans and Microloan Program loans made by SDDC. The GOED provides these services out of GOED funds. The GOED grants are provided to SDDC to be used for loans to businesses in South Dakota. The purpose of the SBA's 503/504 loan program and the Microloan program, is to help facilitate economic development and the creation of jobs in South Dakota. These loans are used to assist companies either operating in the state or moving to the State. Businesses use the loan funds to expand their operations, improve their facilities, or set up operations in South Dakota. There were eight 503/504 loans awarded during FY12 totaling \$5,177,000. Funding for these loans came from the SBA. In addition, the SDDC has loaned out \$489,000 for the Microloan Program loans and granted \$2,775,000 from the Future Fund to the SDDC in FY12.

19. 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 negatively impact the State's financial statements. Based on prior experience, it is unlikely that the outcome of these claims will materially affect the financial position of the State. The contingencies at June 30, 2012 are as follows:

Citibank, N.A., v. South Dakota Department of Revenue. Banks and financial institutions are subject to South Dakota's Income Tax on Banks and Financial Corporations as outlined in SDCL ch. 10-43. In 2012, the Department of Revenue received claims for refund of bank franchise tax in the aggregate amount of \$29,944,132. The Department of Revenue reviewed and denied the requests for refund. The denial of the requests is currently being contested. Oral arguments were held before the Office of Hearing Examiners on February 4, 2013. The parties are currently waiting for a decision on the motions. The Department's counsel is not in a position to offer an opinion at this time as to the risk of an unfavorable outcome, which could have a material impact on the State's General Fund.

First Gold Hotel, Mineral Palace Hotel and Gaming, and Four Aces Gaming v. South Dakota Department of Revenue. Several Deadwood gaming establishments filed a declaratory judgment action on June 29, 2010, in the Sixth Judicial Circuit Court, Hughes County, seeking a determination whether certain "free play" promotions on slot machines in Deadwood casinos are subject to taxation under SDCL ch. 42-7B. The Department contends the gaming activity is subject to taxation. The Department intends to vigorously defend this action. However, due to the current stage of litigation and the nature of the claims and potential defenses, counsel is not in the position to give any opinion as to the risk of an unfavorable outcome. If the decision is unfavorable, it could have a material impact on the Gaming Commission Fund.

M.A. Mortenson Company Appeal of Certificate of Assessment. On November 30, 2010, the Department of Revenue issued a certificate of assessment against M.A. Mortenson Company for tax, penalty, and interest in the amount of \$6,037,343.44. On January 28, 2011, M.A. Mortenson Company, along with Tatanka Wind Power, LLC filed a request for an administrative hearing concerning the certificate of assessment. Mortenson, along with Tatanka, are claiming the Department erred as a matter of law in concluding that wind turbines are subject to the contractor's excise tax as wind turbines should not be considered realty fixtures. In the alternative, they argue that Tatanka Wind Farm meets the definition of a qualified utility and therefore the value of the turbines supplied by Tatanka or its affiliates is subject to the Alternate Contractor's Excise Tax under SDCL ch. 10-46B. At this point the matter has not been scheduled for hearing. The Department of Revenue intends to vigorously assert the correctness of the certificate of assessment. However, due to the nature of procedural and substantive defenses, counsel is not in a position to give any opinion at this time as to the risk of an unfavorable outcome regarding this matter. If the decision is unfavorable, it could have a material impact on the State's General Fund.

Mark Long, et. al. v. State. A group of homeowners brought a regulatory takings action against the State of South Dakota and City of Sioux Falls through a complaint filed in the Second Circuit, Minnehaha County, dated October 26, 2010. Plaintiff's takings claims relate to flooding resulting from an extreme precipitation event in Minnehaha County during 2010. The claim is for \$1,250,000 and an additional sum of compensation for diminished use of property. The action has not been scheduled for trial. Counsel for the State is vigorously defending this action. However, due to the current stage of litigation and the nature of the claims and potential defenses, counsel is not in the position to give any opinion as to the risk of an unfavorable outcome or the potential monetary consequences. If the decision is unfavorable, it could have a material impact on the State's General Fund.

Northern Border Pipeline Company v. South Dakota Department of Revenue. The Department conducted an audit of Northern Border Pipeline Company. On September 6, 2011, the Department issued a certificate of assessment against Northern Border Pipeline in the amount of \$5,760,120.25, consisting of \$4,160,756.59 of tax and \$1,599,374.66 of interest. On November 3, 2011, Northern Border Pipeline requested an administrative hearing contesting the assessment stating the Department made mistakes of fact or errors of law in issuing the assessment. This matter was heard before the Office of Hearing Examiners on May 1, 2012 and the parties are awaiting their decision. The Department intends to vigorously assert the correctness of the certificate of assessment. However, due to the nature of procedural and substantive defenses counsel is not in a position to give any opinion at this time as to the risk of a favorable or unfavorable outcome regarding this matter. If the decision is unfavorable, it could have a material impact on the State's General Fund.

Midwest Railcar Repair, Inc. v. South Dakota Department of Revenue. Midwest Railcar Repair requested an administrative hearing concerning a certificate of assessment issued January 31, 2007. Midwest Railcar Repair also filed requests for sales tax refunds exceeding \$1,000,000 along with any interest pursuant to SDCL 10-59-24. The audit assessment and refund issues are currently pending before the Office of Hearing Examiners. The Department is vigorously defending this action however, due to the nature of procedural and substantive defenses counsel is not in a position at this time to give any opinion as to the risk of an unfavorable outcome regarding this case. If the decision is unfavorable, it could have a material impact on the State's General Fund.

South Dakota Department of Transportation Workers Compensation Claim. On November 16, 2011, an employee of the South Dakota Department of Transportation was involved in a car accident. The employee was on the way back from a work trip to Yankton. The car accident occurred in an area where the employee would not have been expected or required to travel for their employment on that day. The claim for workers' compensation benefits was denied on the basis the car accident occurred outside the scope of employment with South Dakota Department of Transportation. The claimant's attorney filed a Petition for medical and indemnity/disability benefits. The Workers' Compensation Program plans to contest the responsibility and liability and defend vigorously on the basis the car accident did not arise out of and in the course of employment. The Present Value of indemnity/disability benefits is \$470,578.40. An estimate of the medical expenses will exceed \$1,000,000. If the decision is unfavorable, it could have a material impact on the State Employee Workers' Compensation Fund.

20. SUBSEQUENT EVENTS

Board of Regents

On February 28, 2013, the Board of Regents issued Housing and Auxiliary Facilities System Revenue Bonds Series 2013A in the amount of \$11,990,000. The bonds are being issued to (i) pay the costs of financing the acquisition of, improvements to, or remodeling or renovation of, University of South Dakota student housing facilities; (ii) provide funds for the current refunding of the South Dakota Board of Regents University of South Dakota Housing and Auxiliary Facilities System Revenue Bonds, Series 2003; and (iii) pay certain expenses incident to the issuance of the Series 2013A bonds.

Building Authority

On October 11, 2012, the Building Authority issued Revenue Refunding Bonds Series 2012A in the amount of \$9,740,000 to refund the outstanding portion of the Series 2003A bonds.

Dakota Cement Trust Fund

At the November 6, 2012 General Election, the voters of South Dakota passed a constitutional amendment that replaces the \$12.0 million yearly transfer from the Dakota Cement Trust Fund to the General Fund with a yearly transfer of 4% of the market value of the Dakota Cement Trust Fund to the General Fund for the support of education starting in fiscal year 2013.

Economic Development Finance Authority

On September 26, 2012, Economic Development Finance Authority issued WL Plastics Stand Alone Bonds in the amount of \$10,000,000.

Education Enhancement Funding Corporation

On March 14, 2013, the Education Enhancement Funding Corporation issued Series 2013A Tobacco Settlement Revenue Bonds (taxable) in the amount of \$123,010,000 and Series 2013B Tobacco Settlement Revenue Bonds (tax exempt) in the amount of \$46,635,000 which refunded the Series 2002A taxable bonds in the outstanding amount of \$54,035,000 and the Series 2002B tax exempt bonds in the outstanding amount of \$129,540,000.

Housing Authority

On November 8, 2012, the Housing Authority issued Homeownership Mortgage Bonds 2012 Series DEF in the amount of \$76,810,000.

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 Fund

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, 2012
 (Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
OFFICE OF THE GOVERNOR				
Personal Services	\$ 1,652	\$ 1,699	\$ 1,699	\$ 0
Operating Expenses	441	441	441	0
TOTAL	2,093	2,140	2,140	0
GOVERNOR'S CONTINGENCY FUND				
Personal Services	0	0	0	0
Operating Expenses	75	75	75	0
TOTAL	75	75	75	0
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT				
Personal Services	1,484	1,812	1,812	0
Operating Expenses	847	6,079	6,079	0
TOTAL	2,331	7,891	7,891	0
OFFICE OF RESEARCH COMMERCE				
Personal Services	157	165	165	0
Operating Expenses	3,691	3,691	3,691	0
TOTAL	3,848	3,856	3,856	0
LIEUTENANT GOVERNOR				
Personal Services	19	19	19	0
Operating Expenses	13	13	13	0
TOTAL	32	32	32	0
BUREAU OF FINANCE AND MANAGEMENT				
Personal Services	547	569	569	0
Operating Expenses	245	245	245	0
TOTAL	792	814	814	0
SALE LEASEBACK, B.F.M.				
Personal Services	0	0	0	0
Operating Expenses	6,632	6,632	6,632	0
TOTAL	6,632	6,632	6,632	0
EMPLOYEE COMPENSATION				
Personal Services	0	22	0	22
Operating Expenses	0	0	0	0
TOTAL	0	22	0	22
ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION				
Personal Services	0	0	0	0
Operating Expenses	728	728	662	66
TOTAL	728	728	662	66
SALE LEASEBACK, B.O.A.				
Personal Services	0	0	0	0
Operating Expenses	482	482	482	0
TOTAL	482	482	482	0
CENTRAL SERVICES				
Personal Services	156	164	164	0
Operating Expenses	222	222	222	0
TOTAL	378	386	386	0

**STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended June 30, 2012
 (Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
STATEWIDE MAINTENANCE & REPAIR				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	6,096	8,135	3,746	4,389
TOTAL	6,096	8,135	3,746	4,389
OFFICE OF HEARING EXAMINERS				
Personal Services	216	224	187	37
Operating Expenses	66	66	66	0
TOTAL	282	290	253	37
PEPL FUND ADMINISTRATION - INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	0	1,043	1,043	0
TOTAL	0	1,043	1,043	0
SOUTH DAKOTA PUBLIC BROADCASTING				
Personal Services	2,280	2,419	2,419	0
Operating Expenses	1,215	1,215	1,215	0
TOTAL	3,495	3,634	3,634	0
STATE RADIO ENGINEERING				
Personal Services	570	596	595	1
Operating Expenses	2,251	2,251	2,251	0
TOTAL	2,821	2,847	2,846	1
PERSONNEL MANAGEMENT & EMPLOYEE BENEFITS				
Personal Services	178	186	186	0
Operating Expenses	54	54	54	0
TOTAL	232	240	240	0
SOUTH DAKOTA RISK POOL				
Personal Services	79	81	81	0
Operating Expenses	561	561	561	0
TOTAL	640	642	642	0
DEPARTMENT TOTAL, EXECUTIVE MANAGEMENT				
Personal Services	7,338	7,956	7,896	60
Operating Expenses	23,619	31,933	27,478	4,455
TOTAL	30,957	39,889	35,374	4,515
PROPERTY AND SPECIAL TAXES				
Personal Services	784	821	785	36
Operating Expenses	919	1,419	708	711
TOTAL	1,703	2,240	1,493	747
DEPARTMENT TOTAL, REVENUE				
Personal Services	784	821	785	36
Operating Expenses	919	1,419	708	711
TOTAL	1,703	2,240	1,493	747
ADMINISTRATION, SECRETARY OF AGRICULTURE				
Personal Services	566	584	558	26
Operating Expenses	167	167	167	0
TOTAL	733	751	725	26

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
AGRICULTURAL SERVICES & ASSISTANCE				
Personal Services	\$ 1,130	\$ 1,171	\$ 1,171	\$ 0
Operating Expenses	522	7,970	7,970	0
TOTAL	1,652	9,141	9,141	0
AGRICULTURAL DEVELOPMENT & PROMOTION				
Personal Services	751	780	769	11
Operating Expenses	336	736	332	404
TOTAL	1,087	1,516	1,101	415
ANIMAL INDUSTRY BOARD				
Personal Services	1,462	1,530	1,527	3
Operating Expenses	312	312	312	0
TOTAL	1,774	1,842	1,839	3
STATE FAIR				
Personal Services	0	0	0	0
Operating Expenses	268	268	268	0
TOTAL	268	268	268	0
DEPARTMENT TOTAL, AGRICULTURE				
Personal Services	3,909	4,065	4,025	40
Operating Expenses	1,605	9,453	9,049	404
TOTAL	5,514	13,518	13,074	444
HISTORY				
Personal Services	789	824	824	0
Operating Expenses	914	914	914	0
TOTAL	1,703	1,738	1,738	0
DEPARTMENT TOTAL, TOURISM				
Personal Services	789	824	824	0
Operating Expenses	914	914	914	0
TOTAL	1,703	1,738	1,738	0
ADMINISTRATION, SECRETARY OF GAME, FISH & PARKS				
Personal Services	84	86	86	0
Operating Expenses	1,070	1,070	1,070	0
TOTAL	1,154	1,156	1,156	0
STATE PARKS & RECREATION				
Personal Services	2,192	2,356	2,356	0
Operating Expenses	1,331	1,331	1,331	0
TOTAL	3,523	3,687	3,687	0
DEPARTMENT TOTAL, GAME, FISH & PARKS				
Personal Services	2,276	2,442	2,442	0
Operating Expenses	2,401	2,401	2,401	0
TOTAL	4,677	4,843	4,843	0
OFFICE OF TRIBAL RELATIONS				
Personal Services	187	190	161	29
Operating Expenses	40	40	40	0
TOTAL	227	230	201	29

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, TRIBAL RELATIONS				
Personal Services	\$ 187	\$ 190	\$ 161	\$ 29
Operating Expenses	40	40	40	0
TOTAL	227	230	201	29
ADMINISTRATION, SECRETARY OF SOCIAL SERVICES				
Personal Services	3,575	3,788	3,788	0
Operating Expenses	3,755	3,755	3,755	0
TOTAL	7,330	7,543	7,543	0
ECONOMIC ASSISTANCE				
Personal Services	6,608	6,934	6,910	24
Operating Expenses	15,090	16,790	15,974	816
TOTAL	21,698	23,724	22,884	840
MEDICAL AND ADULT SERVICES				
Personal Services	2,546	2,655	2,655	0
Operating Expenses	264,340	258,590	249,069	9,521
TOTAL	266,886	261,245	251,724	9,521
CHILDREN'S SERVICES				
Personal Services	8,720	9,094	9,094	0
Operating Expenses	23,635	28,285	28,285	0
TOTAL	32,355	37,379	37,379	0
BEHAVIORAL HEALTH				
Personal Services	23,297	24,216	24,216	0
Operating Expenses	33,120	32,520	32,520	0
TOTAL	56,417	56,736	56,736	0
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	44,746	46,688	46,664	24
Operating Expenses	339,941	339,941	329,604	10,337
TOTAL	384,687	386,629	376,268	10,361
ADMINISTRATION, SECRETARY OF HEALTH				
Personal Services	597	600	596	4
Operating Expenses	518	518	516	2
TOTAL	1,115	1,118	1,112	6
HEALTH SYSTEMS DEVELOPMENT AND REGULATION				
Personal Services	1,333	1,378	1,342	36
Operating Expenses	1,398	1,508	1,373	135
TOTAL	2,731	2,886	2,715	171
HEALTH AND MEDICAL SERVICES				
Personal Services	1,573	1,621	1,599	22
Operating Expenses	2,615	2,989	2,989	0
TOTAL	4,188	4,610	4,588	22
DEPARTMENT TOTAL, HEALTH				
Personal Services	3,503	3,599	3,537	62
Operating Expenses	4,531	5,015	4,878	137
TOTAL	8,034	8,614	8,415	199

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION, SECRETARY OF LABOR				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	180	430	430	0
TOTAL	180	430	430	0
STATE LABOR LAW ADMINISTRATION				
Personal Services	505	532	532	0
Operating Expenses	87	87	87	0
TOTAL	592	619	619	0
DEPARTMENT TOTAL, LABOR & REGULATION				
Personal Services	505	532	532	0
Operating Expenses	267	517	517	0
TOTAL	772	1,049	1,049	0
GENERAL OPERATIONS				
Personal Services	420	446	446	0
Operating Expenses	50	24	24	0
TOTAL	470	470	470	0
DEPARTMENT TOTAL, TRANSPORTATION				
Personal Services	420	446	446	0
Operating Expenses	50	24	24	0
TOTAL	470	470	470	0
ADMINISTRATION, SECRETARY OF EDUCATION				
Personal Services	1,051	1,366	1,366	0
Operating Expenses	429	600	600	0
TOTAL	1,480	1,966	1,966	0
STATE AID TO GENERAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	314,566	314,255	313,531	724
TOTAL	314,566	314,255	313,531	724
STATE AID TO SPECIAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	50,030	50,030	48,510	1,520
TOTAL	50,030	50,030	48,510	1,520
SPARSITY PAYMENTS				
Personal Services	0	0	0	0
Operating Expenses	1,653	1,653	1,653	0
TOTAL	1,653	1,653	1,653	0
CONSOLIDATION INCENTIVES				
Personal Services	0	0	0	0
Operating Expenses	477	477	477	0
TOTAL	477	477	477	0
EDUCATION ENHANCEMENT DISTRIBUTION				
Personal Services	0	0	0	0
Operating Expenses	0	8,689	8,689	0
TOTAL	0	8,689	8,689	0

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
TECHNOLOGY IN SCHOOLS				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	5,961	5,961	5,961	0
TOTAL	5,961	5,961	5,961	0
CURRICULUM, CAREER, AND TECHNICAL EDUCATION				
Personal Services	654	0	0	0
Operating Expenses	601	286	286	0
TOTAL	1,255	286	286	0
POST-SECONDARY VOCATIONAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	20,540	20,540	20,447	93
TOTAL	20,540	20,540	20,447	93
EDUCATION RESOURCES				
Personal Services	725	1,154	1,154	0
Operating Expenses	4,991	5,733	5,733	0
TOTAL	5,716	6,887	6,887	0
STATE LIBRARY				
Personal Services	1,059	1,113	1,113	0
Operating Expenses	556	556	556	0
TOTAL	1,615	1,669	1,669	0
DEPARTMENT TOTAL, EDUCATION				
Personal Services	3,489	3,633	3,633	0
Operating Expenses	399,804	408,780	406,443	2,337
TOTAL	403,293	412,413	410,076	2,337
ADMINISTRATION, SECRETARY OF PUBLIC SAFETY				
Personal Services	104	110	110	0
Operating Expenses	12	12	12	0
TOTAL	116	122	122	0
HIGHWAY PATROL				
Personal Services	1,066	1,121	1,092	29
Operating Expenses	148	148	148	0
TOTAL	1,214	1,269	1,240	29
EMERGENCY SERVICES & HOMELAND SECURITY				
Personal Services	1,032	1,031	1,028	3
Operating Expenses	2,720	2,720	2,720	0
TOTAL	3,752	3,751	3,748	3
EMERGENCY AND DISASTER FUND				
Personal Services	0	0	0	0
Operating Expenses	13,378	27,387	27,387	0
TOTAL	13,378	27,387	27,387	0
INSPECTION AND LICENSING				
Personal Services	57	60	57	3
Operating Expenses	566	608	608	0
TOTAL	623	668	665	3

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, PUBLIC SAFETY				
Personal Services	\$ 2,259	\$ 2,322	\$ 2,287	\$ 35
Operating Expenses	16,824	30,875	30,875	0
TOTAL	19,083	33,197	33,162	35
REGENTS CENTRAL OFFICE				
Personal Services	3,514	3,656	3,656	0
Operating Expenses	9,909	9,909	9,906	3
TOTAL	13,423	13,565	13,562	3
SOUTH DAKOTA SCHOLARSHIPS				
Personal Services	0	0	0	0
Operating Expenses	4,156	4,271	4,271	0
TOTAL	4,156	4,271	4,271	0
UNIVERSITY OF SOUTH DAKOTA PROPER				
Personal Services	26,778	27,737	27,737	0
Operating Expenses	2,737	2,711	2,711	0
TOTAL	29,515	30,448	30,448	0
UNIVERSITY OF SOUTH DAKOTA SCHOOL OF MEDICINE				
Personal Services	15,039	15,602	15,602	0
Operating Expenses	1,896	1,896	1,896	0
TOTAL	16,935	17,498	17,498	0
SOUTH DAKOTA STATE UNIVERSITY PROPER				
Personal Services	33,637	34,952	34,952	0
Operating Expenses	4,137	4,078	4,078	0
TOTAL	37,774	39,030	39,030	0
COOPERATIVE EXTENSION SERVICE				
Personal Services	7,039	7,259	7,259	0
Operating Expenses	329	329	329	0
TOTAL	7,368	7,588	7,588	0
AGRICULTURAL EXPERIMENT STATION				
Personal Services	8,794	9,093	9,093	0
Operating Expenses	314	314	314	0
TOTAL	9,108	9,407	9,407	0
SOUTH DAKOTA SCHOOL OF MINES & TECHNOLOGY				
Personal Services	12,129	12,888	12,888	0
Operating Expenses	1,477	1,159	1,159	0
TOTAL	13,606	14,047	14,047	0
NORTHERN STATE UNIVERSITY				
Personal Services	10,032	10,460	10,460	0
Operating Expenses	1,051	1,013	1,013	0
TOTAL	11,083	11,473	11,473	0
BLACK HILLS STATE UNIVERSITY				
Personal Services	6,477	6,725	6,725	0
Operating Expenses	575	600	600	0
TOTAL	7,052	7,325	7,325	0

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DAKOTA STATE UNIVERSITY				
Personal Services	\$ 7,468	\$ 7,656	\$ 7,656	\$ 0
Operating Expenses	594	694	694	0
TOTAL	8,062	8,350	8,350	0
SOUTH DAKOTA SCHOOL FOR THE DEAF				
Personal Services	1,358	1,314	1,313	1
Operating Expenses	1,194	1,288	1,286	2
TOTAL	2,552	2,602	2,599	3
SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED				
Personal Services	2,260	2,365	2,365	0
Operating Expenses	250	253	253	0
TOTAL	2,510	2,618	2,618	0
DEPARTMENT TOTAL, BOARD OF REGENTS				
Personal Services	134,525	139,707	139,706	1
Operating Expenses	28,619	28,515	28,510	5
TOTAL	163,144	168,222	168,216	6
ADJUTANT GENERAL				
Personal Services	410	422	413	9
Operating Expenses	458	410	410	0
TOTAL	868	832	823	9
ARMY GUARD				
Personal Services	493	263	263	0
Operating Expenses	2,507	2,791	2,223	568
TOTAL	3,000	3,054	2,486	568
AIR GUARD				
Personal Services	159	168	162	6
Operating Expenses	203	210	210	0
TOTAL	362	378	372	6
DEPARTMENT TOTAL, MILITARY				
Personal Services	1,062	853	838	15
Operating Expenses	3,168	3,411	2,843	568
TOTAL	4,230	4,264	3,681	583
VETERANS' BENEFITS AND SERVICES				
Personal Services	802	830	770	60
Operating Expenses	587	1,627	439	1,188
TOTAL	1,389	2,457	1,209	1,248
STATE VETERANS' HOME				
Personal Services	1,413	1,482	1,481	1
Operating Expenses	1,092	1,052	1,052	0
TOTAL	2,505	2,534	2,533	1
DEPARTMENT TOTAL, VETERANS' AFFAIRS				
Personal Services	2,215	2,312	2,251	61
Operating Expenses	1,679	2,679	1,491	1,188
TOTAL	3,894	4,991	3,742	1,249

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION, CENTRAL OFFICE				
Personal Services	\$ 2,039	\$ 2,040	\$ 2,035	\$ 5
Operating Expenses	17,107	16,610	16,595	15
TOTAL	19,146	18,650	18,630	20
MIKE DURFEE STATE PRISON				
Personal Services	7,571	7,977	7,975	2
Operating Expenses	3,777	3,847	3,831	16
TOTAL	11,348	11,824	11,806	18
STATE PENITENTIARY				
Personal Services	12,386	13,098	13,098	0
Operating Expenses	4,114	4,583	4,521	62
TOTAL	16,500	17,681	17,619	62
WOMEN'S PRISON				
Personal Services	2,432	2,309	2,290	19
Operating Expenses	821	974	867	107
TOTAL	3,253	3,283	3,157	126
COMMUNITY SERVICE				
Personal Services	2,631	2,915	2,914	1
Operating Expenses	1,711	1,711	1,654	57
TOTAL	4,342	4,626	4,568	58
PAROLE SERVICES				
Personal Services	2,293	2,476	2,472	4
Operating Expenses	947	1,062	1,045	17
TOTAL	3,240	3,538	3,517	21
JUVENILE COMMUNITY CORRECTIONS				
Personal Services	2,258	2,326	2,323	3
Operating Expenses	11,631	11,560	11,266	294
TOTAL	13,889	13,886	13,589	297
YOUTH CHALLENGE CENTER				
Personal Services	1,230	1,275	1,275	0
Operating Expenses	104	104	98	6
TOTAL	1,334	1,379	1,373	6
PATRICK HENRY BRADY ACADEMY				
Personal Services	1,280	1,275	1,271	4
Operating Expenses	89	89	86	3
TOTAL	1,369	1,364	1,357	7
STATE TREATMENT AND REHABILITATION ACADEMY				
Personal Services	2,112	2,266	2,252	14
Operating Expenses	2,449	2,232	2,188	44
TOTAL	4,561	4,498	4,440	58
QUEST/ExCEL				
Personal Services	1,376	1,369	1,363	6
Operating Expenses	109	119	110	9
TOTAL	1,485	1,488	1,473	15

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, CORRECTIONS				
Personal Services	\$ 37,608	\$ 39,326	\$ 39,268	\$ 58
Operating Expenses	42,859	42,891	42,261	630
TOTAL	80,467	82,217	81,529	688
ADMINISTRATION, SECRETARY OF HUMAN SERVICES				
Personal Services	463	477	477	0
Operating Expenses	270	270	270	0
TOTAL	733	747	747	0
DEVELOPMENTAL DISABILITIES				
Personal Services	549	550	550	0
Operating Expenses	41,225	42,390	42,225	165
TOTAL	41,774	42,940	42,775	165
SOUTH DAKOTA DEVELOPMENTAL CENTER - REDFIELD				
Personal Services	7,369	7,383	7,065	318
Operating Expenses	2,040	2,040	1,923	117
TOTAL	9,409	9,423	8,988	435
REHABILITATION SERVICES				
Personal Services	678	702	702	0
Operating Expenses	3,029	3,096	3,096	0
TOTAL	3,707	3,798	3,798	0
SERVICES TO THE BLIND & VISUALLY IMPAIRED				
Personal Services	413	424	424	0
Operating Expenses	371	671	671	0
TOTAL	784	1,095	1,095	0
DEPARTMENT TOTAL, HUMAN SERVICES				
Personal Services	9,472	9,536	9,218	318
Operating Expenses	46,935	48,467	48,185	282
TOTAL	56,407	58,003	57,403	600
FINANCIAL AND TECHNICAL ASSISTANCE				
Personal Services	1,689	1,760	1,760	0
Operating Expenses	333	333	333	0
TOTAL	2,022	2,093	2,093	0
ENVIRONMENTAL SERVICES				
Personal Services	2,665	2,783	2,783	0
Operating Expenses	600	600	600	0
TOTAL	3,265	3,383	3,383	0
DEPARTMENT TOTAL, ENVIRONMENT & NATURAL RESOURCES				
Personal Services	4,354	4,543	4,543	0
Operating Expenses	933	933	933	0
TOTAL	5,287	5,476	5,476	0
ADMINISTRATION, PUBLIC UTILITIES COMMISSION				
Personal Services	411	418	418	0
Operating Expenses	54	54	54	0
TOTAL	465	472	472	0

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, PUBLIC UTILITIES COMMISSION				
Personal Services	\$ 411	\$ 418	\$ 418	\$ 0
Operating Expenses	54	54	54	0
TOTAL	465	472	472	0
UNIFIED JUDICIAL SYSTEM				
Personal Services	29,424	30,727	30,727	0
Operating Expenses	3,318	3,338	3,227	111
TOTAL	32,742	34,065	33,954	111
DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM				
Personal Services	29,424	30,727	30,727	0
Operating Expenses	3,318	3,338	3,227	111
TOTAL	32,742	34,065	33,954	111
LEGISLATIVE OPERATIONS				
Appropriation	4,335	4,405	4,404	1
TOTAL	4,335	4,405	4,404	1
AUDITOR GENERAL				
Personal Services	2,391	2,498	2,494	4
Operating Expenses	327	327	307	20
TOTAL	2,718	2,825	2,801	24
DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT				
Personal Services	2,391	2,498	2,494	4
Operating Expenses	327	327	307	20
Appropriation	4,335	4,405	4,404	1
TOTAL	7,053	7,230	7,205	25
LEGAL SERVICES PROGRAM				
Personal Services	4,381	4,261	4,261	0
Operating Expenses	634	634	634	0
TOTAL	5,015	4,895	4,895	0
CRIMINAL INVESTIGATION				
Personal Services	2,493	2,593	2,593	0
Operating Expenses	1,353	1,651	1,651	0
TOTAL	3,846	4,244	4,244	0
LAW ENFORCEMENT TRAINING				
Personal Services	0	0	0	0
Operating Expenses	316	316	316	0
TOTAL	316	316	316	0
DEPARTMENT TOTAL, ATTORNEY GENERAL				
Personal Services	6,874	6,854	6,854	0
Operating Expenses	2,303	2,601	2,601	0
TOTAL	9,177	9,455	9,455	0
ADMINISTRATION OF SCHOOL AND PUBLIC LANDS				
Personal Services	387	398	377	21
Operating Expenses	118	118	104	14
TOTAL	505	516	481	35

**STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended June 30, 2012
 (Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS				
Personal Services	\$ 387	\$ 398	\$ 377	\$ 21
Operating Expenses	118	118	104	14
TOTAL	505	516	481	35
SECRETARY OF STATE				
Personal Services	616	631	630	1
Operating Expenses	300	460	287	173
TOTAL	916	1,091	917	174
DEPARTMENT TOTAL, SECRETARY OF STATE				
Personal Services	616	631	630	1
Operating Expenses	300	460	287	173
TOTAL	916	1,091	917	174
TREASURY MANAGEMENT				
Personal Services	339	349	345	4
Operating Expenses	126	126	105	21
TOTAL	465	475	450	25
DEPARTMENT TOTAL, STATE TREASURER				
Personal Services	339	349	345	4
Operating Expenses	126	126	105	21
TOTAL	465	475	450	25
STATE AUDITOR				
Personal Services	960	994	983	11
Operating Expenses	137	137	118	19
TOTAL	1,097	1,131	1,101	30
DEPARTMENT TOTAL, STATE AUDITOR				
Personal Services	960	994	983	11
Operating Expenses	137	137	118	19
TOTAL	1,097	1,131	1,101	30
STATE TOTAL				
Personal Services	300,843	312,664	311,884	780
Operating Expenses	921,791	965,369	943,957	21,412
APPROPRIATION	4,335	4,405	4,404	1
TOTAL	\$ 1,226,969	\$ 1,282,438	\$ 1,260,245	\$ 22,193

**STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 TRANSPORTATION FUND
 For the Fiscal Year Ended June 30, 2012
 (Expressed in Thousands)**

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
GENERAL OPERATIONS				
Personal Services	\$ 56,138	\$ 58,425	\$ 54,102	\$ 4,323
Operating Expenses	117,503	116,933	95,333	21,600
TOTAL	173,641	175,358	149,435	25,923
CONTRACT CONSTRUCTION--INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	407,485	467,085	458,463	8,622
TOTAL	407,485	467,085	458,463	8,622
ENFORCEMENT				
Personal Services	12,279	12,355	10,876	1,479
Operating Expenses	4,319	4,843	4,832	11
TOTAL	16,598	17,198	15,708	1,490
FUND TOTAL, TRANSPORTATION				
Personal Services	68,417	70,780	64,978	5,802
Operating Expenses	529,307	588,861	558,628	30,233
TOTAL	\$ 597,724	\$ 659,641	\$ 623,606	\$ 36,035

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FEDERAL FUND
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)**

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION				
Personal Services	\$ 4,682	\$ 4,868	\$ 4,217	\$ 651
Operating Expenses	14,610	14,610	5,399	9,211
TOTAL	19,292	19,478	9,616	9,862
ECONOMIC ASSISTANCE				
Personal Services	9,311	9,691	8,868	823
Operating Expenses	49,607	49,607	41,568	8,039
TOTAL	58,918	59,298	50,436	8,862
MEDICAL AND ADULT SERVICES				
Personal Services	5,308	5,473	4,438	1,035
Operating Expenses	512,092	512,092	444,807	67,285
TOTAL	517,400	517,565	449,245	68,320
CHILDREN'S SERVICES				
Personal Services	8,238	8,557	7,900	657
Operating Expenses	42,188	42,188	35,714	6,474
TOTAL	50,426	50,745	43,614	7,131
BEHAVIORAL HEALTH				
Personal Services	9,149	9,521	8,990	531
Operating Expenses	28,399	28,399	24,510	3,889
TOTAL	37,548	37,920	33,500	4,420
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	36,688	38,110	34,413	3,697
Operating Expenses	646,896	646,896	551,998	94,898
TOTAL	\$ 683,584	\$ 685,006	\$ 586,411	\$ 98,595

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
For the Fiscal Year Ended June 30, 2012
(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	\$ 1,260,245	\$ 623,606	\$ 586,411
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.	(33,019)	(11,498)	(46,479)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(37,703)		
To Adjust Expenditures/Expenses for Accruals	16,240	1,749	169,507
To Adjust Expenditures/Expenses for reclassification under GASB 54	<u>19,450</u>		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$1,225,213</u></u>	<u><u>\$613,857</u></u>	<u><u>\$709,439</u></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, 2012, there were no over-expenditures by any State departments.

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, 2012 has also been included as Required Supplementary Information.



COMBINING FINANCIAL STATEMENTS

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

Combining Balance Sheet – Nonmajor Governmental Funds – By Type

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

Combining Balance Sheet – Nonmajor Special Revenue Funds

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

Combining Balance Sheet – Nonmajor Debt Service Funds

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

Combining Statement of Net Assets – Nonmajor Enterprise Funds

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

Combining Statement of Cash Flows – Nonmajor Enterprise Funds

Combining Statement of Net Assets – Internal Service Funds

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

Combining Statement of Cash Flows – Internal Service Funds

Combining Statement of Fiduciary Net Assets – Pension Trust Funds

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

Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds

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

Combining Statement of Fiduciary Net Assets – Agency Funds

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Combining Statement of Net Assets – Component Units

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

Statement of Cash Flows – Higher Education

Combining Statement of Net Assets – Nonmajor Component Units

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

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
June 30, 2012
(Expressed in Thousands)**

<u>Assets</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 279,376	\$ 94	\$ 993	\$ 129	\$ 280,592
Investments	101,040	53,199		32,036	186,275
Receivables From:					
Taxes (Net)	4,407				4,407
Interest and Dividends	1,315	93	15	112	1,535
Other Funds	7,250				7,250
Component Units	106				106
Other Governments	84,550				84,550
Loans and Notes (Net)	62,335				62,335
Other (Net)	4,471	12,227			16,698
Inventory	2,597				2,597
Deferred Fiscal Charges and Other Assets	1,609	7			1,616
Total Assets	\$ 549,056	\$ 65,620	\$ 1,008	\$ 32,277	\$ 647,961
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 37,376	\$ 7	\$ 397	\$ 4	\$ 37,784
Payable To:					
Other Funds	23,362		149	41	23,552
Component Units	1,236				1,236
Other Governments	64,524				64,524
Claims, Judgments and Compensated Absences	78				78
Deferred Revenue	27,387	12,227			39,614
Total Liabilities	153,963	12,234	546	45	166,788
Fund Balances:					
Nonspendable	89,836			31,260	121,096
Restricted	226,197	53,386	462	972	281,017
Committed	38,930				38,930
Assigned	41,785				41,785
Unassigned	(1,655)				(1,655)
Total Fund Balances	395,093	53,386	462	32,232	481,173
Total Liabilities and Fund Balances	\$ 549,056	\$ 65,620	\$ 1,008	\$ 32,277	\$ 647,961

**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, 2012
(Expressed in Thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Revenue:					
Taxes	\$ 101,798	\$	\$	\$	\$ 101,798
Licenses, Permits and Fees	211,181				211,181
Fines, Forfeits and Penalties	13,020				13,020
Use of Money and Property	9,524	1,202	67	2,692	13,485
Sales and Services	18,892				18,892
Administering Programs	552,183				552,183
Tobacco Settlement		24,135			24,135
Other Revenue	12,073	121			12,194
Total Revenue	<u>918,671</u>	<u>25,458</u>	<u>67</u>	<u>2,692</u>	<u>946,888</u>
Expenditures:					
Current:					
General Government	31,546	407	14	1,737	33,704
Education	202,423				202,423
Education - Payments to School Districts	388				388
Education - State Support to Higher Education	4,317				4,317
Health, Human and Social Services	214,961				214,961
Law, Justice, Public Protection and Regulation	156,500				156,500
Agriculture and Natural Resources	125,341				125,341
Economic Resources	20,551				20,551
Transportation	26,673				26,673
State Shared Revenue Paid to Other Governments	98,746				98,746
Capital Outlay			4,773		4,773
Debt Service:					
Principal		25,622			25,622
Interest		16,219			16,219
Total Expenditures	<u>881,446</u>	<u>42,248</u>	<u>4,787</u>	<u>1,737</u>	<u>930,218</u>
Excess of Revenue Over (Under) Expenditures	37,225	(16,790)	(4,720)	955	16,670
Other Financing Sources (Uses):					
Capital Leases	23,770				23,770
Bonds Issued					0
Proceeds of Refunding Bonds					0
Premiums on Bond Issuance					0
Premiums on Refunding Bonds					0
Proceeds from Sale of Capital Assets	2,079				2,079
Insurance Proceeds	222				222
Payments on Advanced Refundings					0
Transfers In	59,844	9,354			69,198
Transfers Out	(84,698)	(27)	(103)	(218)	(85,046)
Total Other Financing Sources (Uses)	<u>1,217</u>	<u>9,327</u>	<u>(103)</u>	<u>(218)</u>	<u>10,223</u>
Net Change in Fund Balances	38,442	(7,463)	(4,823)	737	26,893
Fund Balances at Beginning of Year	<u>356,651</u>	<u>60,849</u>	<u>5,285</u>	<u>31,495</u>	<u>454,280</u>
Fund Balances at End of Year	<u>\$ 395,093</u>	<u>\$ 53,386</u>	<u>\$ 462</u>	<u>\$ 32,232</u>	<u>\$ 481,173</u>

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2012
(Expressed in Thousands)**

	<u>Education Federal</u>	<u>Human Services</u>	<u>Labor</u>	<u>Health Federal</u>	<u>Governor's Office and State Development Federal</u>
Assets					
Cash and Cash Equivalents	\$ 531	\$ 2,809	\$ 2,908	\$	\$ 2,837
Investments					
Receivables From:					
Taxes (Net)					
Interest and Dividends			3		
Other Funds	209	37	454	55	
Component Units	24				
Other Governments	30,482	7,902	1,231	3,031	917
Loans and Notes (Net)					1,630
Other (Net)			7		
Inventory		166	73	2,146	
Deferred Fiscal Charges and Other Assets					4
Total Assets	<u>\$ 31,246</u>	<u>\$ 10,914</u>	<u>\$ 4,676</u>	<u>\$ 5,232</u>	<u>\$ 5,388</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 3,806	\$ 7,269	\$ 1,382	\$ 1,890	\$ 36
Payable To:					
Other Funds	166	1,599	284	862	1
Component Units	208	38		60	17
Other Governments	26,329	86	3	61	844
Claims, Judgments and Compensated Absences	6	16	13	10	
Deferred Revenue	450	52	83		2,856
Total Liabilities	<u>30,965</u>	<u>9,060</u>	<u>1,765</u>	<u>2,883</u>	<u>3,754</u>
Fund Balances:					
Nonspendable		166	73	2,146	4
Restricted	281			203	1,630
Committed					
Assigned		1,688	2,838		
Unassigned					
Total Fund Balances	<u>281</u>	<u>1,854</u>	<u>2,911</u>	<u>2,349</u>	<u>1,634</u>
Total Liabilities and Fund Balances	<u>\$ 31,246</u>	<u>\$ 10,914</u>	<u>\$ 4,676</u>	<u>\$ 5,232</u>	<u>\$ 5,388</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
\$ 2,930	\$	\$	\$ 10,348	\$ 5,575	\$ 642	\$ 3,866	\$ 8,155
							748
			41	4	17		7
		267	181	500		56	
3,966	1,806	2,209		157		18	
4,481							
45			379	1,129		96	
						105	
15							
<u>\$ 11,437</u>	<u>\$ 1,806</u>	<u>\$ 2,476</u>	<u>\$ 10,949</u>	<u>\$ 7,365</u>	<u>\$ 659</u>	<u>\$ 4,141</u>	<u>\$ 8,910</u>
\$ 1,213	\$ 576	\$ 459	\$ 1,629	\$ 1,611	\$ 115	\$ 251	\$ 56
235	961	1,148	1,153	198	31	805	570
	10	408	34				
2,391	203	6	131	14		30	781
2		1	3				
		453		785			7,249
<u>3,841</u>	<u>1,750</u>	<u>2,475</u>	<u>2,950</u>	<u>2,608</u>	<u>146</u>	<u>1,086</u>	<u>8,656</u>
15						105	
		1	7,999	4,757		1,740	
					109		254
7,581	56				419	1,244	
					(15)	(34)	
<u>7,596</u>	<u>56</u>	<u>1</u>	<u>7,999</u>	<u>4,757</u>	<u>513</u>	<u>3,055</u>	<u>254</u>
<u>\$ 11,437</u>	<u>\$ 1,806</u>	<u>\$ 2,476</u>	<u>\$ 10,949</u>	<u>\$ 7,365</u>	<u>\$ 659</u>	<u>\$ 4,141</u>	<u>\$ 8,910</u>

Continued on next page

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (continued)
June 30, 2012
(Expressed in Thousands)**

Assets	Motor Vehicle	Revenue	Future	Vocational Education Facilities	Petroleum Release Compensation	Maintenance and Repair
Cash and Cash Equivalents	\$ 19,938	\$ 365	\$ 37,519	\$ 5,524	\$ 4,040	\$ 6,317
Investments						
Receivables From:						
Taxes (Net)	290				199	
Interest and Dividends	12	4	107	5	13	9
Other Funds	5	7				601
Component Units						
Other Governments	11,044	272		68		
Loans and Notes (Net)						
Other (Net)	47					
Inventory						
Deferred Fiscal Charges and Other Assets						
Total Assets	\$ 31,336	\$ 648	\$ 37,626	\$ 5,597	\$ 4,252	\$ 6,927
Liabilities and Fund Equity						
Liabilities:						
Accounts Payable and Other Liabilities	\$ 449	\$ 478	\$ 903	\$	\$ 54	\$ 439
Payable To:						
Other Funds	836	210			4	49
Component Units			303			
Other Governments	27,436		358			
Claims, Judgments and Compensated Absences	1					
Deferred Revenue						
Total Liabilities	28,722	688	1,564	0	58	488
Fund Balances:						
Nonspendable						
Restricted			36,062	5,597		
Committed	2,614	527			4,194	1,775
Assigned						4,664
Unassigned		(567)				
Total Fund Balances	2,614	(40)	36,062	5,597	4,194	6,439
Total Liabilities and Fund Balances	\$ 31,336	\$ 648	\$ 37,626	\$ 5,597	\$ 4,252	\$ 6,927

<u>Water and Environment</u>	<u>Energy Conservation</u>	<u>Federal Stimulus (ARRA)</u>	<u>Health Care Trust</u>	<u>Railroad Trust</u>	<u>Other</u>	<u>Total</u>
\$ 16,617	\$ 10,811	\$	\$ 5,794 100,659	\$ 8,767	\$ 123,083 381	\$ 279,376 101,040
602					2,568	4,407
49	37		351	343	313	1,315
1,368	1,184 70	445			1,881 12	7,250 106
123		3,463			17,861	84,550
25,536		2,402		28,166	120	62,335
			1	27	2,740	4,471
		19			107	2,597
					1,571	1,609
<u>\$ 44,295</u>	<u>\$ 12,102</u>	<u>\$ 6,329</u>	<u>\$ 106,805</u>	<u>\$ 37,303</u>	<u>\$ 150,637</u>	<u>\$ 549,056</u>
\$ 323	\$ 51	\$ 2,397	\$ 15	\$ 114	\$ 11,860	\$ 37,376
111		176	3,825	191	9,947	23,362
		6		96	56	1,236
789		1,026		1	4,035 26	64,524 78
		296			15,163	27,387
<u>1,223</u>	<u>51</u>	<u>3,901</u>	<u>3,840</u>	<u>402</u>	<u>41,087</u>	<u>153,963</u>
		19	85,631		1,677	89,836
43,072	11,359	2,409	17,334	36,498	57,255	226,197
	692			403	28,362	38,930
					23,295	41,785
					(1,039)	(1,655)
<u>43,072</u>	<u>12,051</u>	<u>2,428</u>	<u>102,965</u>	<u>36,901</u>	<u>109,550</u>	<u>395,093</u>
<u>\$ 44,295</u>	<u>\$ 12,102</u>	<u>\$ 6,329</u>	<u>\$ 106,805</u>	<u>\$ 37,303</u>	<u>\$ 150,637</u>	<u>\$ 549,056</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, 2012
(Expressed in Thousands)**

	<u>Education Federal</u>	<u>Human Services</u>	<u>Labor</u>	<u>Health Federal</u>	<u>Governor's Office and State Development Federal</u>
Revenue:					
Taxes	\$	\$	\$ 447	\$	\$
Licenses, Permits and Fees		83		38	
Fines, Forfeits and Penalties					
Use of Money and Property		36	16		10
Sales and Services		670			
Administering Programs	166,500	96,741	23,664	53,078	6,643
Other Revenue	36	19	6	62	
Total Revenue	<u>166,536</u>	<u>97,549</u>	<u>24,133</u>	<u>53,178</u>	<u>6,653</u>
Expenditures:					
General Government					92
Education	166,523				
Education - Payments to School Districts					
Education - State Support to Higher Education					
Health, Human and Social Services		98,764	26,046	53,573	
Law, Justice, Public Protection and Regulation			224		
Agriculture and Natural Resources					
Economic Resources					5,078
Transportation					
State Shared Revenue Paid to Other Governments					
Total Expenditures	<u>166,523</u>	<u>98,764</u>	<u>26,270</u>	<u>53,573</u>	<u>5,170</u>
Excess of Revenue Over (Under) Expenditures	13	(1,215)	(2,137)	(395)	1,483
Other Financing Sources (Uses):					
Capital Leases					
Insurance Proceeds					
Proceeds from Sale of Capital Assets		3	2		
Transfers In		169	3,322	260	151
Transfers Out		(375)	(1,130)	(36)	(1)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(203)</u>	<u>2,194</u>	<u>224</u>	<u>150</u>
Net Change in Fund Balances	13	(1,418)	57	(171)	1,633
Fund Balances at Beginning of Year	<u>268</u>	<u>3,272</u>	<u>2,854</u>	<u>2,520</u>	<u>1</u>
Fund Balances at End of Year	<u>\$ 281</u>	<u>\$ 1,854</u>	<u>\$ 2,911</u>	<u>\$ 2,349</u>	<u>\$ 1,634</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
\$	\$	\$	\$	\$ 1,623	\$ 19,196	\$ 15	\$ 9,384
			27,697	12,610	22,002	8,057	7,579
					472		15
		(45)	451	1,644	68		32
			212	578	14		
58,075	9,556	14,744	180	122			
919	11	20	151	34	31	958	
<u>58,994</u>	<u>9,567</u>	<u>14,719</u>	<u>28,691</u>	<u>16,611</u>	<u>41,783</u>	<u>9,030</u>	<u>17,010</u>
						8,103	
61,690	9,683	14,266	30,364	18,087	2,375		1,279
							8,806
<u>61,690</u>	<u>9,683</u>	<u>14,266</u>	<u>30,364</u>	<u>18,087</u>	<u>2,375</u>	<u>8,103</u>	<u>10,085</u>
(2,696)	(116)	453	(1,673)	(1,476)	39,408	927	6,925
5			152	65			
27,387	57	28	942	30		49	
	(11)	(641)	(1,668)	(1,099)	(39,704)	(720)	(7,016)
<u>27,392</u>	<u>46</u>	<u>(613)</u>	<u>(574)</u>	<u>(1,004)</u>	<u>(39,704)</u>	<u>(671)</u>	<u>(7,016)</u>
24,696	(70)	(160)	(2,247)	(2,480)	(296)	256	(91)
(17,100)	126	161	10,246	7,237	809	2,799	345
<u>\$ 7,596</u>	<u>\$ 56</u>	<u>\$ 1</u>	<u>\$ 7,999</u>	<u>\$ 4,757</u>	<u>\$ 513</u>	<u>\$ 3,055</u>	<u>\$ 254</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, 2012
(Expressed in Thousands)**

	Motor Vehicle	Revenue	Future	Vocational Education Facilities	Petroleum Release Compensation	Maintenance and Repair
Revenue:						
Taxes	\$ 2,983	\$ 9,140	\$ 13,470	\$	\$ 1,809	\$
Licenses, Permits and Fees	96,254	2,688		3,401		
Fines, Forfeits and Penalties						
Use of Money and Property	63	17	562	27	63	45
Sales and Services	2,558					1,574
Administering Programs						
Other Revenue	6		1,640	745		391
Total Revenue	<u>101,864</u>	<u>11,845</u>	<u>15,672</u>	<u>4,173</u>	<u>1,872</u>	<u>2,010</u>
Expenditures:						
General Government	5,974	9,611				3,866
Education				29,599		
Education - Payments to School Districts						
Education - State Support to Higher Education						
Health, Human and Social Services						
Law, Justice, Public Protection and Regulation	7,342					
Agriculture and Natural Resources					1,327	
Economic Resources			8,337			
Transportation						
State Shared Revenue Paid to Other Governments	88,240	1,700				
Total Expenditures	<u>101,556</u>	<u>11,311</u>	<u>8,337</u>	<u>29,599</u>	<u>1,327</u>	<u>3,866</u>
Excess of Revenue Over (Under) Expenditures	308	534	7,335	(25,426)	545	(1,856)
Other Financing Sources (Uses):						
Capital Leases				23,770		
Insurance Proceeds						
Proceeds from Sale of Capital Assets						
Transfers In	1,033			1,650		572
Transfers Out	(1,775)	(617)				
Total Other Financing Sources (Uses)	<u>(742)</u>	<u>(617)</u>	<u>0</u>	<u>25,420</u>	<u>0</u>	<u>572</u>
Net Change in Fund Balances	(434)	(83)	7,335	(6)	545	(1,284)
Fund Balances at Beginning of Year	3,048	43	28,727	5,603	3,649	7,723
Fund Balances at End of Year	<u>\$ 2,614</u>	<u>\$ (40)</u>	<u>\$ 36,062</u>	<u>\$ 5,597</u>	<u>\$ 4,194</u>	<u>\$ 6,439</u>

Water and Environment	Energy Conservation	Federal Stimulus (ARRA)	Health Care Trust	Railroad Trust	Other	Total
\$ 5,976	\$ 1,000	\$	\$	\$	\$ 36,755	\$ 101,798
1,565				255	28,952	211,181
					12,533	13,020
324	200		2,980	824	2,207	9,524
					13,286	18,892
		46,181			76,699	552,183
		311		506	6,227	12,073
7,865	1,200	46,492	2,980	1,585	176,659	918,671
		1,204	242		10,557	31,546
		3,582			2,719	202,423
		388				388
		4,317				4,317
		11,827			16,648	214,961
		2,045			81,545	156,500
6,116		373			45,125	125,341
	308	2,727			4,101	20,551
		18,490		5,323	2,860	26,673
						98,746
6,116	308	44,953	242	5,323	163,555	881,446
1,749	892	1,539	2,738	(3,738)	13,104	37,225
						23,770
					222	222
				1,827	25	2,079
5,676				4,913	13,605	59,844
(500)	(84)	(317)	(3,825)		(25,179)	(84,698)
5,176	(84)	(317)	(3,825)	6,740	(11,327)	1,217
6,925	808	1,222	(1,087)	3,002	1,777	38,442
36,147	11,243	1,206	104,052	33,899	107,773	356,651
\$ 43,072	\$ 12,051	\$ 2,428	\$ 102,965	\$ 36,901	\$ 109,550	\$ 395,093

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
June 30, 2012
(Expressed in Thousands)**

	Building Authority	Tobacco Securitization	Total
Assets			
Cash and Cash Equivalents	\$	\$ 94	\$ 94
Investments	22,524	30,675	53,199
Receivables From:			
Interest and Dividends		93	93
Other (net)		12,227	12,227
Deferred Fiscal Charges and Other Assets		7	7
Total Assets	\$ 22,524	\$ 43,096	\$ 65,620
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Other Liabilities	\$	\$ 7	\$ 7
Deferred Revenue		12,227	12,227
Total Liabilities	0	12,234	12,234
Fund Balances:			
Restricted	22,524	30,862	53,386
Total Fund Balances	22,524	30,862	53,386
Total Liabilities and Fund Balances	\$ 22,524	\$ 43,096	\$ 65,620

**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, 2012
(Expressed in Thousands)**

	Building Authority	Tobacco Securitization	Total
Revenue:			
Use of Money and Property	\$	\$ 1,202	\$ 1,202
Tobacco Settlement		24,135	24,135
Other Revenue	121		121
Total Revenue	<u>121</u>	<u>25,337</u>	<u>25,458</u>
Expenditures:			
Current:			
General Government	245	162	407
Debt Service:			
Principal	11,244	14,378	25,622
Interest	3,251	12,968	16,219
Total Expenditures	<u>14,740</u>	<u>27,508</u>	<u>42,248</u>
Excess of Revenue Over (Under) Expenditures	(14,619)	(2,171)	(16,790)
Other Financing Sources (Uses):			
Proceeds of Refunding Bonds			0
Payments on Advanced Refundings			0
Premiums on Refunding Bonds			0
Transfers In	9,354		9,354
Transfers Out	(27)		(27)
Total Other Financing Sources (Uses)	<u>9,327</u>	<u>0</u>	<u>9,327</u>
Net Change in Fund Balances	(5,292)	(2,171)	(7,463)
Fund Balances at Beginning of Year	<u>27,816</u>	<u>33,033</u>	<u>60,849</u>
Fund Balances at End of Year	<u>\$ 22,524</u>	<u>\$ 30,862</u>	<u>\$ 53,386</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2012
(Expressed in Thousands)

Assets	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Current Assets:					
Cash and Cash Equivalents	\$ 52,820	\$ 41,848	\$ 3,005	\$ 1,304	\$ 407
Receivables:					
Interest and Dividends	228		8	2	2
Other Funds		69			1
Component Units					
Other Governments		378			139
Loans and Notes (Net)	9,244				
Other (Net)	418	1,971		35	53
Inventory					1,347
Deferred Fiscal Charges and Other Assets					
Total Current Assets	<u>62,710</u>	<u>44,266</u>	<u>3,013</u>	<u>1,341</u>	<u>1,949</u>
Capital Assets:					
Land and Other Non-depreciable Assets				192	103
Property, Plant and Equipment	28			3,353	559
Accumulated Depreciation	(15)			(2,947)	(419)
Total Capital Assets	<u>13</u>	<u>0</u>	<u>0</u>	<u>598</u>	<u>243</u>
Other Noncurrent Assets	<u>36,096</u>				
Total Assets	<u>98,819</u>	<u>44,266</u>	<u>3,013</u>	<u>1,939</u>	<u>2,192</u>
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	57		96	104	82
Payable To:					
Other Funds	4	434		14	3
Component Units				48	
Claims, Judgments and Compensated Absences	17		1	18	48
Deferred Revenue				515	9
Total Current Liabilities	<u>78</u>	<u>434</u>	<u>97</u>	<u>699</u>	<u>142</u>
Noncurrent Liabilities:					
Claims, Judgments and Compensated Absences	14		1	16	42
Total Noncurrent Liabilities	<u>14</u>	<u>0</u>	<u>1</u>	<u>16</u>	<u>42</u>
Total Liabilities	<u>92</u>	<u>434</u>	<u>98</u>	<u>715</u>	<u>184</u>
Net Assets					
Invested In Capital Assets, Net of Related Debt	13			598	243
Unrestricted	98,714	43,832	2,915	626	1,765
Total Net Assets	<u>\$ 98,727</u>	<u>\$ 43,832</u>	<u>\$ 2,915</u>	<u>\$ 1,224</u>	<u>\$ 2,008</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>
\$ 5,517	\$ 2,799	\$ 6,985	\$ 8,965	\$ 2,633	\$ 1,885	\$ 128,168
84	13	24	28	4	6	399
	150		13			233
	11					11
					1,255	1,772
337						9,581
	48	66	4		17	2,612
	1,099				65	2,511
	20				164	184
<u>5,938</u>	<u>4,140</u>	<u>7,075</u>	<u>9,010</u>	<u>2,637</u>	<u>3,392</u>	<u>145,471</u>
						295
18	2,348		48		870	7,224
(10)	(1,388)		(42)		(841)	(5,662)
<u>8</u>	<u>960</u>	<u>0</u>	<u>6</u>	<u>0</u>	<u>29</u>	<u>1,857</u>
1,260						37,356
<u>7,206</u>	<u>5,100</u>	<u>7,075</u>	<u>9,016</u>	<u>2,637</u>	<u>3,421</u>	<u>184,684</u>
64	126	51	314	1,961	152	3,007
10	33	1	66	12	37	614
						48
24	57	1,134	165	94	1,176	2,734
		1,002	569		171	2,266
<u>98</u>	<u>216</u>	<u>2,188</u>	<u>1,114</u>	<u>2,067</u>	<u>1,536</u>	<u>8,669</u>
21	39	1	145	83	58	420
21	39	1	145	83	58	420
119	255	2,189	1,259	2,150	1,594	9,089
8	960		6		29	1,857
7,079	3,885	4,886	7,751	487	1,798	173,738
<u>\$ 7,087</u>	<u>\$ 4,845</u>	<u>\$ 4,886</u>	<u>\$ 7,757</u>	<u>\$ 487</u>	<u>\$ 1,827</u>	<u>\$ 175,595</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, 2012
(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	1,385			404	
Sales and Services				1,591	3,769
Administering Programs				36	
Assessments		59,842	3,172		
Other Revenue	123			242	
Total Operating Revenue	<u>1,508</u>	<u>59,842</u>	<u>3,172</u>	<u>2,273</u>	<u>3,769</u>
Operating Expenses:					
Personal Services and Benefits	141		20	664	541
Travel	18			9	5
Contractual Services	272			1,307	727
Supplies and Materials	13			476	2,390
Other	54			53	
Depreciation/Amortization	4			22	9
Insurance Claims		46,999	3,140		
Total Operating Expenses	<u>502</u>	<u>46,999</u>	<u>3,160</u>	<u>2,531</u>	<u>3,672</u>
Operating Income (Loss)	1,006	12,843	12	(258)	97
Nonoperating Revenue (Expenses):					
Gain on Disposal of Assets				11	
Interest Income	880	1,451	53	13	9
Other Expense	(252)				
Grant and Other Income	135				
Total Nonoperating Revenue (Expenses)	<u>763</u>	<u>1,451</u>	<u>53</u>	<u>24</u>	<u>9</u>
Income (Loss) Before Transfers	1,769	14,294	65	(234)	106
Transfers:					
Transfers In	4,615	1,124		268	
Transfers Out	(1,729)	(1,729)	(1)		
Net Transfers In (Out)	<u>4,615</u>	<u>(605)</u>	<u>(1)</u>	<u>268</u>	<u>0</u>
Change in Net Assets	6,384	13,689	64	34	106
Net Assets at Beginning of Year	92,343	30,143	2,851	1,190	1,902
Net Assets at End of Year	<u>\$ 98,727</u>	<u>\$ 43,832</u>	<u>\$ 2,915</u>	<u>\$ 1,224</u>	<u>\$ 2,008</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>
\$ 45	\$	\$	\$ 6,845	\$ 3,884	\$ 1,371	\$ 12,145
136						1,925
	2,608	5,749	202	172	1,752	15,843
			100			136
						63,014
2		271	554	6	34	1,232
<u>183</u>	<u>2,608</u>	<u>6,020</u>	<u>7,701</u>	<u>4,062</u>	<u>3,157</u>	<u>94,295</u>
425	691	81	3,418	1,435	1,625	9,041
65	10		599	153	138	997
198	461	348	2,357	1,843	880	8,393
41	1,137	2	261	24	201	4,545
55			52			214
3	86		4		9	137
		7,929			10,449	68,517
<u>787</u>	<u>2,385</u>	<u>8,360</u>	<u>6,691</u>	<u>3,455</u>	<u>13,302</u>	<u>91,844</u>
(604)	223	(2,340)	1,010	607	(10,145)	2,451
						11
86	66	113	142	25	26	2,864
						(252)
		636	150		9,757	10,678
<u>86</u>	<u>66</u>	<u>749</u>	<u>292</u>	<u>25</u>	<u>9,783</u>	<u>13,301</u>
(518)	289	(1,591)	1,302	632	(362)	15,752
		642		5	74	6,728
	(1,342)		(87)	(66)		(3,225)
<u>0</u>	<u>(1,342)</u>	<u>642</u>	<u>(87)</u>	<u>(61)</u>	<u>74</u>	<u>3,503</u>
(518)	(1,053)	(949)	1,215	571	(288)	19,255
7,605	5,898	5,835	6,542	(84)	2,115	156,340
<u>\$ 7,087</u>	<u>\$ 4,845</u>	<u>\$ 4,886</u>	<u>\$ 7,757</u>	<u>\$ 487</u>	<u>\$ 1,827</u>	<u>\$ 175,595</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2012
(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	\$ 123	\$ 59,878	\$ 3,172	\$ 2,267	\$ 2,728
Receipts from Interfund Services Provided					953
Receipts from Federal Agencies					186
Receipts from Loan Payments	11,129				
Payments to Suppliers and for Benefits and Claims	(295)	(46,998)	(3,045)	(1,580)	(3,185)
Payments for Employee Services	(134)		(21)	(665)	(532)
Payments for Interfund Services Used	(46)	(288)		(176)	(87)
Payments for Loans Originated	(8,193)				
Other Receipts (Payments)					
Net Cash Provided (Used) by Operating Activities	2,584	12,592	106	(154)	63
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets					
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	0	0
Cash Flows From Noncapital Financing Activities:					
Transfers In	4,614	1,124		268	
Transfers Out		(1,729)			
Other Noncapital Financing Activities	(117)			11	
Net Cash Provided (Used) by Noncapital Financing Activities	4,497	(605)	0	279	0
Cash Flows From Investing Activities:					
Investment Income	932	1,451	50	13	9
Net Cash Provided (Used) by Investing Activities	932	1,451	50	13	9
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	8,013	13,438	156	138	72
Cash and Cash Equivalents at Beginning of Year	44,807	28,410	2,849	1,166	335
Cash and Cash Equivalents at End of Year	\$ 52,820	\$ 41,848	\$ 3,005	\$ 1,304	\$ 407
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 1,006	\$ 12,843	\$ 12	\$ (258)	\$ 97
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense	4			22	9
Decrease/(Increase) in Assets:					
Accounts Receivable	(353)	37		(28)	23
Interest, Dividends & Penalties Receivable	5				
Loans and Notes Receivable	1,895				
Due From Other Funds		21			4
Due From Component Units					
Due From Other Governments		103		5	65
Inventory					(144)
Deferred Fiscal Charges and Other Assets					
Increase/(Decrease) in Liabilities:					
Accounts Payable	3		93	42	(7)
Accrued Liabilities	1			3	10
Compensated Absences Payable	6		(1)	(4)	
Due To Other Funds	1	(412)	1		(1)
Due To Other Component Units				48	
Due To Other Governments				(1)	
Deferred Revenue			1	17	7
Policy Claim Liabilities					
Other Liabilities	16				
Net Cash Provided (Used) by Operating Activities	\$ 2,584	\$ 12,592	\$ 106	\$ (154)	\$ 63
Noncash Investing, Capital and Financing Activities:					
Loss/(Gain) on Disposal of Fixed Assets					

<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>
\$ 48	\$ 558 2,106	\$ 5,935	\$ 7,309 406	\$ 3,816	\$ 2,973 144	\$ 88,807 3,609
					94	280
1,527						12,656
(269)	(1,420)	(7,969)	(2,590)	(1,088)	(10,623)	(79,062)
(410)	(706)	(81)	(3,401)	(1,436)	(1,572)	(8,958)
(100)	(185)	(12)	(693)		(347)	(1,934)
(615)						(8,808)
			14			14
181	353	(2,127)	1,045	1,292	(9,331)	6,604
	(21)				4	(17)
0	(21)	0	0	0	4	(17)
		642		5	74	6,727
	(1,342)		(87)	(66)		(3,224)
		636	150		9,022	9,702
0	(1,342)	1,278	63	(61)	9,096	13,205
95	71	128	155	25	30	2,959
95	71	128	155	25	30	2,959
276	(939)	(721)	1,263	1,256	(201)	22,751
5,241	3,738	7,706	7,702	1,377	2,086	105,417
<u>\$ 5,517</u>	<u>\$ 2,799</u>	<u>\$ 6,985</u>	<u>\$ 8,965</u>	<u>\$ 2,633</u>	<u>\$ 1,885</u>	<u>\$ 128,168</u>
\$ (604)	\$ 223	\$ (2,340)	\$ 1,010	\$ 607	\$ (10,145)	\$ 2,451
3	86		4		9	137
	15	(67)	(4)		(15)	(392)
(12)						(7)
789						2,684
	49					74
	15					15
						173
	(36)				9	(171)
	7				(28)	(21)
(15)	38	(2)	7	700	52	911
12	(11)	1	24		11	51
3	(10)	(1)	12	(19)	41	27
1			(50)	4	(3)	(459)
						48
4			48			51
	(23)	(18)	(6)		71	49
		300			667	967
						16
<u>\$ 181</u>	<u>\$ 353</u>	<u>\$ (2,127)</u>	<u>\$ 1,045</u>	<u>\$ 1,292</u>	<u>\$ (9,331)</u>	<u>\$ 6,604</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012
(Expressed in Thousands)**

Assets	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Current Assets:						
Cash and Cash Equivalents	\$ 15,095	\$ 2,924	\$ 1,596	\$ 2,023	\$ 90	\$ 689
Receivables:						
Interest and Dividends	71	10	4	7		2
Other Funds		1,611	830	793	1,514	278
Component Units		4	341	70		1
Other Governments						
Other	757	1	28			2
Inventory		15	121		14	224
Deferred Fiscal Charges and Other Assets	300	1,115	453	579	4	9
Total Current Assets	16,223	5,680	3,373	3,472	1,622	1,205
Capital Assets:						
Property, Plant and Equipment		16,451	3,560	10,173	1,208	431
Accumulated Depreciation		(13,614)	(3,075)	(9,857)	(1,092)	(386)
Construction in Progress				1,349		
Total Capital Assets	0	2,837	485	1,665	116	45
Total Assets	16,223	8,517	3,858	5,137	1,738	1,250
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	418	814	653	81	326	38
Payable To:						
Other Funds	39	174	172	76	35	6
Component Units						
Bonds, Notes and Leases Payable		581	119			
Claims, Judgments and Compensated Absences	14,118	1,019	394	124	150	32
Deferred Revenue	8,063					
Total Current Liabilities	22,638	2,588	1,338	281	511	76
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		616	16			
Claims, Judgments and Compensated Absences	14	892	345	109	132	28
Total Noncurrent Liabilities	14	1,508	361	109	132	28
Total Liabilities	22,652	4,096	1,699	390	643	104
Net Assets						
Invested In Capital Assets, Net of Related Debt		1,640	350	1,665	116	45
Unrestricted	(6,429)	2,781	1,809	3,082	979	1,101
Total Net Assets	\$ (6,429)	\$ 4,421	\$ 2,159	\$ 4,747	\$ 1,095	\$ 1,146

<u>Rural Development Telecommunica- tions Network</u>	<u>Public Entity Pool for Liability</u>	<u>Fleet and Travel Management</u>	<u>Personnel</u>	<u>Workers Compensation</u>	<u>Other</u>	<u>Total</u>
\$ 474	\$ 10,571	\$ 164	\$ 899	\$ 7,543	\$ 4,064	\$ 46,132
2	28	1	3	24	12	164
95		1,450	287		647	7,505
95		288			68	867
					122	122
3		27	5	7	155	985
					280	654
20				38	12	2,530
<u>689</u>	<u>10,599</u>	<u>1,930</u>	<u>1,194</u>	<u>7,612</u>	<u>5,360</u>	<u>58,959</u>
2,060	58	48,318	12		9,758	92,029
(1,715)	(58)	(36,046)	(10)		(3,712)	(69,565)
					10	1,359
<u>345</u>	<u>0</u>	<u>12,272</u>	<u>2</u>	<u>0</u>	<u>6,056</u>	<u>23,823</u>
<u>1,034</u>	<u>10,599</u>	<u>14,202</u>	<u>1,196</u>	<u>7,612</u>	<u>11,416</u>	<u>82,782</u>
26	43	457	176	16	534	3,582
24	8	623	49	3	323	1,532
		61				61
		1,275			37	2,012
38	1,276	29	242	2,318	442	20,182
43					9	8,115
<u>131</u>	<u>1,327</u>	<u>2,445</u>	<u>467</u>	<u>2,337</u>	<u>1,345</u>	<u>35,484</u>
		3,444			118	4,194
33	3,355	26	212	19,856	388	25,390
<u>33</u>	<u>3,355</u>	<u>3,470</u>	<u>212</u>	<u>19,856</u>	<u>506</u>	<u>29,584</u>
<u>164</u>	<u>4,682</u>	<u>5,915</u>	<u>679</u>	<u>22,193</u>	<u>1,851</u>	<u>65,068</u>
345		7,553	2		5,901	17,617
525	5,917	734	515	(14,581)	3,664	97
<u>\$ 870</u>	<u>\$ 5,917</u>	<u>\$ 8,287</u>	<u>\$ 517</u>	<u>\$ (14,581)</u>	<u>\$ 9,565</u>	<u>\$ 17,714</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2012
(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	\$ 1	\$	\$	\$	\$	\$
Sales and Services	113,462	17,495	13,011	3,007	5,478	3,523
Other Revenue	5,192	13	6	11	3	1
Total Operating Revenue:	<u>118,655</u>	<u>17,508</u>	<u>13,017</u>	<u>3,018</u>	<u>5,481</u>	<u>3,524</u>
Operating Expenses:						
Personal Services and Benefits	479	12,847	4,437	1,137	2,893	342
Travel	7	47	112	5	1	
Contractual Services	8,372	4,046	7,848	1,628	1,958	195
Supplies and Materials	70	446	202	68	887	3,048
Grant and Other						
Interest		48	10			
Depreciation/Amortization		1,228	259	205	22	10
Insurance Claims	119,252					
Total Operating Expenses	<u>128,180</u>	<u>18,662</u>	<u>12,868</u>	<u>3,043</u>	<u>5,761</u>	<u>3,595</u>
Operating Income (Loss)	(9,525)	(1,154)	149	(25)	(280)	(71)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets			32		13	
Loss on Disposal of Assets						
Interest Income	303	52	15	28	1	9
Capital Contribution		47				
Grant and Other Income						
Total Nonoperating Revenue (Expenses)	<u>303</u>	<u>99</u>	<u>47</u>	<u>28</u>	<u>14</u>	<u>9</u>
Income (Loss) Before Transfers	(9,222)	(1,055)	196	3	(266)	(62)
Transfers:						
Transfers In				635		
Transfers Out			(76)			
Net Transfers In (Out)	<u>0</u>	<u>0</u>	<u>(76)</u>	<u>635</u>	<u>0</u>	<u>0</u>
Change in Net Assets	(9,222)	(1,055)	120	638	(266)	(62)
Net Assets at Beginning of Year	<u>2,793</u>	<u>5,476</u>	<u>2,039</u>	<u>4,109</u>	<u>1,361</u>	<u>1,208</u>
Net Assets at End of Year	<u>\$ (6,429)</u>	<u>\$ 4,421</u>	<u>\$ 2,159</u>	<u>\$ 4,747</u>	<u>\$ 1,095</u>	<u>\$ 1,146</u>

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$	\$	\$	\$	\$	\$ 14	\$ 15
714	3,902	15,368	3,546	4,483	10,781	194,770
	13	24		24	98	5,385
<u>714</u>	<u>3,915</u>	<u>15,392</u>	<u>3,546</u>	<u>4,507</u>	<u>10,893</u>	<u>200,170</u>
332	263	618	3,082	173	5,525	32,128
4	16	6	60		317	575
257	886	2,748	519	163	1,735	30,355
38	12	9,814	126	4	2,379	17,094
		4			14	18
		103			14	175
159		3,429			354	5,666
	728			4,357	440	124,777
<u>790</u>	<u>1,905</u>	<u>16,722</u>	<u>3,787</u>	<u>4,697</u>	<u>10,778</u>	<u>210,788</u>
(76)	2,010	(1,330)	(241)	(190)	115	(10,618)
		668				713
		(56)			(4)	(60)
9	128	(24)	15	129	55	720
						47
						0
<u>9</u>	<u>128</u>	<u>588</u>	<u>15</u>	<u>129</u>	<u>51</u>	<u>1,420</u>
(67)	2,138	(742)	(226)	(61)	166	(9,198)
			240		470	1,345
					(345)	(421)
<u>0</u>	<u>0</u>	<u>0</u>	<u>240</u>	<u>0</u>	<u>125</u>	<u>924</u>
(67)	2,138	(742)	14	(61)	291	(8,274)
<u>937</u>	<u>3,779</u>	<u>9,029</u>	<u>503</u>	<u>(14,520)</u>	<u>9,274</u>	<u>25,988</u>
<u>\$ 870</u>	<u>\$ 5,917</u>	<u>\$ 8,287</u>	<u>\$ 517</u>	<u>\$ (14,581)</u>	<u>\$ 9,565</u>	<u>\$ 17,714</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2012
(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	\$ 68,290	\$ 282	\$ 4,219	\$ 335	\$ 6	\$ 148
Receipts from Interfund Services Provided	49,654	17,303	8,773	2,760	5,129	3,391
Payments to Suppliers and for Benefits and Claims	(125,535)	(3,543)	(7,479)	(876)	(2,035)	(3,078)
Payments for Employee Services	(510)	(12,656)	(4,485)	(1,152)	(2,883)	(345)
Payments for Interfund Services Used	(567)	(1,214)	(640)	(854)	(755)	(81)
Other Receipts (Payments)	13	6	11	3	1	1
Net Cash Provided (Used) by Operating Activities	<u>(8,668)</u>	<u>185</u>	<u>394</u>	<u>224</u>	<u>(535)</u>	<u>36</u>
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(690)	(78)	(579)	(38)	
Sales of Capital Assets			32		16	
Payments on Capital Lease Obligations		(676)	(125)			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>(1,366)</u>	<u>(171)</u>	<u>(579)</u>	<u>(22)</u>	<u>0</u>
Cash Flows From Noncapital Financing Activities:						
Transfers In				635		
Transfers Out			(76)			
Other Noncapital Financing Activities						
Net Cash Provided (Used) From Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>(76)</u>	<u>635</u>	<u>0</u>	<u>0</u>
Cash Flows From Investing Activities						
Investment Income (Expense)	361	56	19	33	2	10
Net Cash Provided (Used) by Investing Activities	<u>361</u>	<u>56</u>	<u>19</u>	<u>33</u>	<u>2</u>	<u>10</u>
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(8,307)	(1,125)	166	313	(555)	46
Cash and Cash Equivalents at Beginning of Year	23,402	4,049	1,430	1,710	645	643
Cash and Cash Equivalents at End of Year	<u>\$ 15,095</u>	<u>\$ 2,924</u>	<u>\$ 1,596</u>	<u>\$ 2,023</u>	<u>\$ 90</u>	<u>\$ 689</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (9,525)	\$ (1,154)	\$ 149	\$ (25)	\$ (280)	\$ (71)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		1,228	259	205	22	10
Interest Expense		48	10			
Miscellaneous Nonoperating Items	1					
Decrease/(Increase) in Assets:						
Accounts Receivable	(759)		(2)			
Due From Other Funds		93	(8)	87	(344)	16
Due From Component Units		(1)	(7)	1		
Inventory		3	17		5	79
Deferred Fiscal Charges and Other Assets	38	(195)	(115)	(41)	(1)	
Increase/(Decrease) in Liabilities:						
Accounts Payable	114	(48)	92	(4)		4
Accrued Liabilities	(9)	28	(19)	1	(3)	(2)
Compensated Absences Payable	(22)	169	(30)	19	12	(1)
Due To Other Funds	(7)	14	49	(19)	11	
Due To Component Units						
Due To Other Governments			(1)		43	1
Deferred Revenue	(71)					
Policy Claim Liabilities	1,572					
Net Cash Provided (Used) by Operating Activities	<u>\$ (8,668)</u>	<u>\$ 185</u>	<u>\$ 394</u>	<u>\$ 224</u>	<u>\$ (535)</u>	<u>\$ 36</u>
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets	\$	\$	\$ 32	\$	\$ 13	\$
Capital Lease Obligations Entered Into		546				
Transfers In (Out) of Fixed Assets		47				

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 303	\$ 1,190	\$ 2,896	\$ 44	\$ 1,262	\$ 2,130	\$ 81,105
229	2,707	12,229	3,507	3,251	8,689	117,622
(187)	(1,680)	(11,257)	(271)	(3,434)	(3,098)	(162,473)
(322)	(299)	(613)	(3,070)	(175)	(5,465)	(31,975)
(110)	(184)	(1,449)	(437)	(28)	(1,783)	(8,102)
	13	18			104	169
(87)	1,747	1,824	(227)	876	577	(3,654)
(164)		(1,388)			(112)	(3,049)
		1,126				1,174
		(1,973)			(48)	(2,822)
(164)	0	(2,235)	0	0	(160)	(4,697)
			240		470	1,345
					(345)	(421)
					(1)	(1)
0	0	0	240	0	124	923
10	148	(8)	17	136	66	850
10	148	(8)	17	136	66	850
(241)	1,895	(419)	30	1,012	607	(6,578)
715	8,676	583	869	6,531	3,457	52,710
\$ 474	\$ 10,571	\$ 164	\$ 899	\$ 7,543	\$ 4,064	\$ 46,132
\$ (76)	\$ 2,010	\$ (1,330)	\$ (241)	\$ (190)	\$ 115	\$ (10,618)
159		3,429			354	5,666
		91			14	163
						1
2		(6)	(5)	2	(14)	(782)
(95)		(187)	10		18	(410)
(95)		(49)			46	(105)
(9)					43	138
		5		(38)	(12)	(359)
4	21	(21)	(6)	(302)	3	(143)
9	(31)	1	(6)	(4)	15	(20)
1	(5)	4	19	1	45	212
4	1	(63)	2		(39)	(47)
		(50)				(50)
					1	44
9					(12)	(74)
	(249)			1,407		2,730
\$ (87)	\$ 1,747	\$ 1,824	\$ (227)	\$ 876	\$ 577	\$ (3,654)
\$	\$	\$ 612	\$	\$	\$ (4)	\$ 653
		4,280				4,826

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2012
(Expressed in Thousands)

	South Dakota Retirement System	Cement Plant Retirement System	Total
Assets			
Cash and Cash Equivalents	\$ 4,335	\$ 1,888	\$ 6,223
Receivables:			
Employer	2,100		2,100
Employee	2,818		2,818
Benefits	196		196
Unsettled Investment Sales	2,159	46	2,205
Investment Income	17,535	104	17,639
Total Receivables	<u>24,808</u>	<u>150</u>	<u>24,958</u>
Investments, at Fair Value:			
Fixed Income	1,936,331	10,125	1,946,456
Equities	3,942,768	22,419	3,965,187
Real Estate	1,131,602	7,325	1,138,927
Private Equity	858,031	5,775	863,806
Commodities		121	121
Total Investments	<u>7,868,732</u>	<u>45,765</u>	<u>7,914,497</u>
Properties, at Cost	16		16
Accumulated Depreciation	(9)		(9)
Other Assets	<u>16</u>		<u>16</u>
Total Assets	<u>7,897,898</u>	<u>47,803</u>	<u>7,945,701</u>
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,082	3	2,085
Due to Other Funds	48		48
Compensated Absences Payable	270		270
Securities Sold, But Not Yet Purchased, at Fair Value	46,263		46,263
Unsettled Investment Purchases	6,711	180	6,891
Total Liabilities	<u>55,374</u>	<u>183</u>	<u>55,557</u>
Net Assets Held In Trust For Pension and Other Employee Benefits	<u>\$ 7,842,524</u>	<u>\$ 47,620</u>	<u>\$ 7,890,144</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	South Dakota Retirement System	Cement Plant Retirement System	Total
Additions			
Contributions:			
Employee	\$ 100,484	\$	\$ 100,484
Employer	98,867		98,867
Total Contributions	<u>199,351</u>	<u>0</u>	<u>199,351</u>
Investment Income:			
<i>From Investing Activities</i>			
Net Increase (Decrease) in Fair Value of Investments	(68,699)	(211)	(68,910)
Interest	87,228	544	87,772
Dividends	116,220	655	116,875
Real Estate	7,217	46	7,263
Securities Lending, Net	717	6	723
Investment Activity Income	142,683	1,040	143,723
Less Investment Activity Expenses	(35,142)	(224)	(35,366)
Net Investment Income (Loss)	<u>107,541</u>	<u>816</u>	<u>108,357</u>
Transfers From Other Funds		1,000	1,000
Total Additions	<u>306,892</u>	<u>1,816</u>	<u>308,708</u>
Deductions			
Benefits	371,417	3,700	375,117
Refunds of Contributions	25,942		25,942
Administrative Expenses	3,278	30	3,308
Total Deductions	<u>400,637</u>	<u>3,730</u>	<u>404,367</u>
Net Increase (Decrease)	(93,745)	(1,914)	(95,659)
Net Assets Held In Trust For Pension and Other Employee Benefits, Beginning of Year	<u>7,936,269</u>	<u>49,534</u>	<u>7,985,803</u>
End of Year	<u>\$ 7,842,524</u>	<u>\$ 47,620</u>	<u>\$ 7,890,144</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2012
(Expressed in Thousands)**

	<u>Common School</u>	<u>Child's Own</u>	<u>Corrections</u>	<u>Other</u>	<u>Total</u>
Assets					
Cash and Cash Equivalents	\$ 3,115	\$ 286	\$ 2,246	\$ 677	\$ 6,324
Receivables:					
Due from Other Funds			87		87
Investment Income	542	1		1	544
Other	6	14			20
Total Receivables	<u>548</u>	<u>15</u>	<u>87</u>	<u>1</u>	<u>651</u>
Investments, at Fair Value:					
Pooled Investment Funds	152,255				152,255
Total Investments	<u>152,255</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>152,255</u>
Properties, at Cost	13,868			15	13,883
Other Assets				5	5
Total Assets	<u>169,786</u>	<u>301</u>	<u>2,333</u>	<u>698</u>	<u>173,118</u>
Liabilities					
Payables:					
Accounts Payable and Other Liabilities	22	154		2	178
Due To Other Funds			201	22	223
Total Liabilities	<u>22</u>	<u>154</u>	<u>201</u>	<u>24</u>	<u>401</u>
Net Assets Held In Trust For Others	<u>\$ 169,764</u>	<u>\$ 147</u>	<u>\$ 2,132</u>	<u>\$ 674</u>	<u>\$ 172,717</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	<u>Common School</u>	<u>Child's Own</u>	<u>Corrections</u>	<u>Other</u>	<u>Total</u>
Additions					
Contributions:					
From Clients and Inmates	\$	\$	\$ 6,960	\$ 1,099	\$ 8,059
Other	7,243				7,243
Total Contributions	<u>7,243</u>	<u>0</u>	<u>6,960</u>	<u>1,099</u>	<u>15,302</u>
Investment Income:					
<i>From Investing Activities</i>					
Net Increase (Decrease) in Fair Value of Investments	(251)				(251)
Pooled Interest and Dividends	4,085	3		7	4,095
Securities Lending, Net	16				16
Net Investment Income (Loss)	<u>3,850</u>	<u>3</u>	<u>0</u>	<u>7</u>	<u>3,860</u>
Escheated Property					0
Miscellaneous Income		807		18	825
Total Additions	<u>11,093</u>	<u>810</u>	<u>6,960</u>	<u>1,124</u>	<u>19,987</u>
Deductions					
Distribution to School Districts	7,433				7,433
Escheat Distributions	12				12
Payments made for Trust Purposes		772	6,735	1,094	8,601
Administrative Expenses				1	1
Total Deductions	<u>7,445</u>	<u>772</u>	<u>6,735</u>	<u>1,095</u>	<u>16,047</u>
Net Increase (Decrease)	3,648	38	225	29	3,940
Net Assets Held In Trust For Others					
Beginning of Year	<u>166,116</u>	<u>109</u>	<u>1,907</u>	<u>645</u>	<u>168,777</u>
End of Year	<u>\$ 169,764</u>	<u>\$ 147</u>	<u>\$ 2,132</u>	<u>\$ 674</u>	<u>\$ 172,717</u>



**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2012
(Expressed in Thousands)**

Assets	Department of Revenue - Tax Collections	Social Services - Child Support	State Auditor - Payroll Withholding	State Clerk of Courts	Other	Total
Cash and Cash Equivalents	\$ 46,173	\$ 1,933	\$ 5,643	\$ 6,047	\$ 1,438	\$ 61,234
Receivables:						
Taxes Receivable (net)	38,252					38,252
Due From Other Governments	332					332
Interest and Dividends Receivable	37				1	38
Other	1,165				60	1,225
Total Receivables	<u>39,786</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>61</u>	<u>39,847</u>
Total Assets	<u>\$ 85,959</u>	<u>\$ 1,933</u>	<u>\$ 5,643</u>	<u>\$ 6,047</u>	<u>\$ 1,499</u>	<u>\$ 101,081</u>
Liabilities						
Payables:						
Accounts Payable and Other Liabilities	\$ 2,277	\$ 1,933	\$ 28	\$ 6,047	\$ 648	\$ 10,933
Refunds - Contractors Excise Tax	33,785					33,785
Due To Other Governments	49,897		5,615		851	56,363
Total Liabilities	<u>\$ 85,959</u>	<u>\$ 1,933</u>	<u>\$ 5,643</u>	<u>\$ 6,047</u>	<u>\$ 1,499</u>	<u>\$ 101,081</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)**

Department of Revenue - Tax Collections	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Assets:				
Cash and Cash Equivalents	\$ 75,341	\$ 331,127	\$ 360,295	\$ 46,173
Accounts Receivable	342	1,165	342	1,165
Taxes Receivable (Net)	35,988	38,271	36,007	38,252
Interest and Dividends Receivable	48	37	48	37
Due From Other Governments	467	332	467	332
Total Assets	\$ 112,186	\$ 370,932	\$ 397,159	\$ 85,959
Liabilities:				
Accounts Payable and Other Liabilities	\$ 2,469	\$ 1,755	\$ 1,947	\$ 2,277
Refunds - Contractors Excise Tax	59,693	1,492	27,400	33,785
Due To Other Governments	50,024	367,685	367,812	49,897
Total Liabilities	\$ 112,186	\$ 370,932	\$ 397,159	\$ 85,959
Social Services - Child Support				
Assets:				
Cash and Cash Equivalents	\$ 1,462	\$ 108,424	\$ 107,953	\$ 1,933
Total Assets	\$ 1,462	\$ 108,424	\$ 107,953	\$ 1,933
Liabilities:				
Accounts Payable and Other Liabilities	\$ 1,462	\$ 108,424	\$ 107,953	\$ 1,933
Total Liabilities	\$ 1,462	\$ 108,424	\$ 107,953	\$ 1,933
State Auditor - Payroll Withholding				
Assets:				
Cash and Cash Equivalents	\$ 5,269	\$ 187,238	\$ 186,864	\$ 5,643
Total Assets	\$ 5,269	\$ 187,238	\$ 186,864	\$ 5,643
Liabilities:				
Accounts Payable and Other Liabilities	\$ 28	\$ 2,154	\$ 2,154	\$ 28
Due To Other Governments	5,241	185,084	184,710	5,615
Total Liabilities	\$ 5,269	\$ 187,238	\$ 186,864	\$ 5,643
State Clerk of Courts				
Assets:				
Cash and Cash Equivalents	\$ 3,375	\$ 14,320	\$ 11,648	\$ 6,047
Total Assets	\$ 3,375	\$ 14,320	\$ 11,648	\$ 6,047
Liabilities:				
Accounts Payable and Other Liabilities	\$ 3,375	\$ 14,320	\$ 11,648	\$ 6,047
Total Liabilities	\$ 3,375	\$ 14,320	\$ 11,648	\$ 6,047

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS (continued)
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)**

Other Agency Funds	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Assets:				
Cash and Cash Equivalents	\$ 1,211	\$ 42,903	\$ 42,676	\$ 1,438
Accounts Receivable	32	60	32	60
Interest and Dividends Receivable	1	1	1	1
Due From Other Governments	0	0	0	0
Total Assets	\$ 1,244	\$ 42,964	\$ 42,709	\$ 1,499
Liabilities:				
Accounts Payable and Other Liabilities	\$ 453	\$ 42,000	\$ 41,805	\$ 648
Due To Other Governments	791	964	904	851
Total Liabilities	\$ 1,244	\$ 42,964	\$ 42,709	\$ 1,499
 Total All Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 86,658	\$ 684,012	\$ 709,436	\$ 61,234
Accounts Receivable	374	1,225	374	1,225
Taxes Receivable (Net)	35,988	38,271	36,007	38,252
Interest and Dividends Receivable	49	38	49	38
Due From Other Governments	467	332	467	332
Total Assets	\$ 123,536	\$ 723,878	\$ 746,333	\$ 101,081
Liabilities:				
Accounts Payable and Other Liabilities	\$ 7,787	\$ 168,653	\$ 165,507	\$ 10,933
Refunds - Contractors Excise Tax	59,693	1,492	27,400	33,785
Due To Other Governments	56,056	553,733	553,426	56,363
Total Liabilities	\$ 123,536	\$ 723,878	\$ 746,333	\$ 101,081

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2012
(Expressed in Thousands)

	Business-type Activities				
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 153,167	\$ 25,150	\$ 199,374	\$ 3,787	\$ 381,478
Receivables:					
Interest and Dividends	10,383	102	1,180	116	11,781
Primary Government		239	1,490		1,729
Other Governments			21,401		21,401
Loans and Notes (Net)	78,730		5,195	1,610	85,535
Other (Net)		2,145	16,902	108	19,155
Investments	25,821		11,537	2,056	39,414
Inventory	2,063	2,994	7,615		12,672
Deferred Swap Outflow	36,993				36,993
Deferred Fiscal Charges and Other Assets		983	5,525	66	6,574
Total Current Assets	<u>307,157</u>	<u>31,613</u>	<u>270,219</u>	<u>7,743</u>	<u>616,732</u>
Investments	484,227		310,584	1,427	796,238
Assets Held for Resale				7,707	7,707
Restricted Assets:					
Cash and Cash Equivalents			24,450	22	24,472
Investments			29,375	6,303	35,678
Other			12,112		12,112
Capital Assets:					
Land and Other Non-depreciable Assets	220	18,313	36,233		54,766
Property, Plant and Equipment	9,716	41,294	1,212,935		1,263,945
Accumulated Depreciation	(3,427)	(4,117)	(471,541)		(479,085)
Construction in Progress	9,673	9,673	49,307		58,980
Total Capital Assets	<u>6,509</u>	<u>65,163</u>	<u>826,934</u>	<u>0</u>	<u>898,606</u>
Other Noncurrent Assets (net)	1,377,943		77,788	20,016	1,475,747
Total Assets	<u>2,175,836</u>	<u>96,776</u>	<u>1,551,462</u>	<u>43,218</u>	<u>3,867,292</u>
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	949	1,853	39,770	250	42,822
Payable To:					
Primary Government	12	2	991		1,005
Escrow Payable	17,222			240	17,462
Bonds, Notes and Leases Payable	49,442		20,524	1,551	71,517
Claims, Judgments and Compensated Absences		264	11,722		11,986
Accrued Interest Payable	10,258		4,067	299	14,624
Deferred Revenue			7,973		7,973
Fair Value of Interest Rate Swap Agreements	36,992				36,992
Other Current Liabilities			17,076	117	17,193
Total Current Liabilities	<u>114,875</u>	<u>2,119</u>	<u>102,123</u>	<u>2,457</u>	<u>221,574</u>
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable	1,583,124		435,856	24,156	2,043,136
Claims, Judgments and Compensated Absences	527	264	24,350		25,141
Federal Capital Contribution Refundable Advance			37,796		37,796
Other Noncurrent Liabilities	997		22,438	1,089	24,524
Total Noncurrent Liabilities	<u>1,584,648</u>	<u>264</u>	<u>520,440</u>	<u>25,245</u>	<u>2,130,597</u>
Total Liabilities	<u>1,699,523</u>	<u>2,383</u>	<u>622,563</u>	<u>27,702</u>	<u>2,352,171</u>
Net Assets					
Invested In Capital Assets, Net of Related Debt	(91)	65,163	448,098		513,170
Restricted For:					
Debt Service	416,099		7,083	5,000	428,182
HOME and NSP Program	60,305				60,305
Higher Education - Expendable			107,032		107,032
Higher Education - Nonexpendable			314,881		314,881
Interim Lab		7,481			7,481
Sanford Center for Science Education		5,000			5,000
Indemnification		10,000			10,000
Other		1,517			1,517
Unrestricted		5,232	51,805	10,516	67,553
Total Net Assets	<u>\$ 476,313</u>	<u>\$ 94,393</u>	<u>\$ 928,899</u>	<u>\$ 15,516</u>	<u>\$ 1,515,121</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	Business-type Activities				Total
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	
Operating Revenue:					
Tuition and Fees (net of discounts and allowances for scholarships of \$34,047)	\$	\$	\$ 209,483	\$	\$ 209,483
Use of Money and Property	95,036			1,282	96,318
Sales and Services (net of discounts and allowances for scholarships of Higher Education of \$9,518)		422	96,421	83	96,926
Administering Programs	36,755	14,890	148,508	5,379	205,532
Other Revenue	4,784	164	36,671		41,619
Total Operating Revenue	<u>136,575</u>	<u>15,476</u>	<u>491,083</u>	<u>6,744</u>	<u>649,878</u>
Operating Expenses:					
Personal Services and Benefits	3,506	10,126	366,228	247	380,107
Travel	134	128	16,714	13	16,989
Contractual Services	5,257	3,847	98,379	493	107,976
Supplies and Materials	170	1,384	64,922	10	66,486
Grants and Subsidies	32,630		54,387	600	87,617
Other	2,126		4,164		6,290
Interest	67,804		81	1,215	69,100
Depreciation/Amortization	2,790	1,254	38,947		42,991
Total Operating Expenses	<u>114,417</u>	<u>16,739</u>	<u>643,822</u>	<u>2,578</u>	<u>777,556</u>
Operating Income (Loss)	22,158	(1,263)	(152,739)	4,166	(127,678)
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets			(2,316)		(2,316)
Interest Income		372	6,400	91	6,863
Interest Expense			(20,206)	(13)	(20,219)
Other Expense			(12,212)	(400)	(12,612)
State Aid from Primary Government			171,701		171,701
Federal Appropriation			9,364		9,364
Grant and Other Income			3,687	27	3,714
Total Nonoperating Revenue (Expenses)	<u>0</u>	<u>372</u>	<u>156,418</u>	<u>(295)</u>	<u>156,495</u>
Income (Loss) Before Capital Grants and Additions to Endowments	22,158	(891)	3,679	3,871	28,817
Capital Grants		221	9,126		9,347
Additions to Endowments			11,563		11,563
Change in Net Assets	22,158	(670)	24,368	3,871	49,727
Net Assets At Beginning of Year, as restated	454,155	95,063	904,531	11,645	1,465,394
Net Assets at End of Year	<u>\$ 476,313</u>	<u>\$ 94,393</u>	<u>\$ 928,899</u>	<u>\$ 15,516</u>	<u>\$ 1,515,121</u>

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
HIGHER EDUCATION
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	Higher Education
Cash Flows from Operating Activities:	
Tuition and Fees	\$ 208,867
Auxiliaries	56,263
Sales & Services - General	39,331
Federal Contracts & Grants	133,033
State Contracts & Grants	9,790
Private Contracts & Grants	15,813
Other Revenue and Additions	68
Loans Issued to Students	(4,637)
Perkins Loans Collected from Students	4,469
Student Loan Interest	570
Payments for Personal Services Expenditures	(360,113)
Payments for Travel Expenditures	(15,717)
Payments for Contractual Expenditures	(92,474)
Payments for Supply Expenditures and Non-Capitalized Equipment	(60,497)
Payments for Grant and Subsidy Expenditures	(52,855)
Payments for Other Expenditures	(282)
Foundation Activity	1,833
Net Cash Provided (Used) by Operating Activities	<u>(116,538)</u>
Cash Flows from Noncapital Financing Activities:	
General Fund Appropriations	167,362
School & Public Lands	1,693
Federal Fund Appropriations	12,035
Higher Education Facilities Fund	
Endo/Ecto Tax	779
Federal loan Disbursements	(178,846)
Federal Loan Receipts	178,846
Federal Capital Contribution - Student Loan	88
Other Revenues & Additions	2,046
Payments for Other Expenditures	(92)
Foundation Activity	25,686
Net Cash Provided (Used) by Noncapital Financing Activities	<u>209,597</u>
Cash Flows from Capital and Related Financing Activities:	
Capital Appropriations (State)	
Higher Education Facilities Fund	
Capital Grants & Contracts	9,007
Build America Bond Subsidy	1,724
South Dakota Building Authority Funding	14,920
Proceeds from Capital Debt (Leases)	86,422
Revenue Bond Discounts and Related Costs	(1,667)
Principal Paid on Capital Debt and Leases	(23,383)
Interest Paid on Capital Debt and Leases	(19,884)
Purchase of Capital Assets	(93,286)
Foundation Activity	(771)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(26,918)</u>
Cash Flows from Investing Activities:	
Investment Income	2,075
Sale of Investment	2
Foundation Activity	(6,297)
Net Cash Provided (Used) by Investing Activities	<u>(4,220)</u>

Continued on next page

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
HIGHER EDUCATION
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	<u>Higher Education</u>
Net Increase (Decrease) in Cash and Cash Equivalents during the Fiscal Year	61,921
Cash and Cash Equivalents at Beginning of Year	<u>161,903</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 223,824</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (152,739)
Adjustments to Reconcile Operating Income (Loss):	
Depreciation Expense	38,458
Bad Debt Expense	195
Loan Cancellation Expense	916
Foundation Activity	(20,093)
Decrease/(Increase) in Assets:	
Accounts Receivable Students	(903)
Accounts Receivable - Dept	2,223
Interest Receivable	(54)
Notes Receivable	(910)
Due From Federal Sources	7,951
Due From Primary Govt	1,473
Prepaid Expense and Deferred Charges	(413)
Inventory	574
Intangible Assets	307
Other Assets	45
Increase/(Decrease) in Liabilities:	
Accounts Payable	4,969
Accrued Wages & Benefits	165
Due to Federal Sources	101
Due to Primary Government	42
Student Deposits	108
Compensated Absences	(587)
Deferred Revenue	359
Agency Funds Held for Others	(65)
Other Non-Current Liabilities	1,340
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (116,538)</u></u>
Noncash Investing, Capital and Financing Activities:	
Transfers In (Out) of Fixed Assets	\$ 186

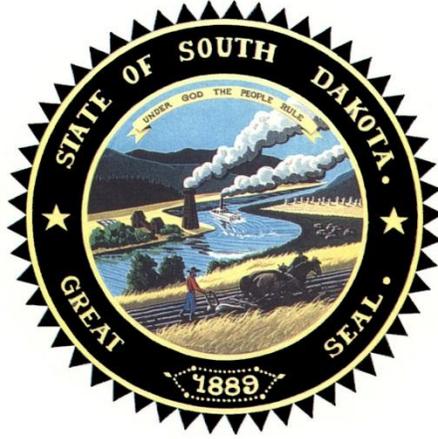
STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR COMPONENT UNITS
June 30, 2012
(Expressed in Thousands)

	Business-type Activities				Total
	Finance Authority	CREP Program	Value Added Finance Authority	S.D. Ellsworth Development Authority	
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 2,198	\$ 37	\$ 1,401	\$ 151	\$ 3,787
Receivables:					
Interest and Dividends	114	1	1		116
Loans and Notes (Net)	1,467	29	114		1,610
Other (Net)		2		106	108
Investments	2,056				2,056
Deferred Fiscal Charges and Other Assets	49			17	66
Total Current Assets	5,884	69	1,516	274	7,743
Investments	1,427				1,427
Assets Held for Resale				7,707	7,707
Restricted Assets:					
Cash and Cash Equivalents	22				22
Investments	6,303				6,303
Other Noncurrent Assets (net)	19,688	7	313	8	20,016
Total Assets	33,324	76	1,829	7,989	43,218
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	30	1		219	250
Escrow Payable	240				240
Bonds, Notes and Leases Payable	1,499		52		1,551
Accrued Interest Payable	290		9		299
Other Current Liabilities	117				117
Total Current Liabilities	2,176	1	61	219	2,457
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable	21,183		1,241	1,732	24,156
Other Noncurrent Liabilities	1,089				1,089
Total Noncurrent Liabilities	22,272	0	1,241	1,732	25,245
Total Liabilities	24,448	1	1,302	1,951	27,702
Net Assets					
Invested in Capital Assets, Net of Related Debt					
Restricted For:					
Debt Service	5,000				5,000
Unrestricted	3,876	75	527	6,038	10,516
Total Net Assets	\$ 8,876	\$ 75	\$ 527	\$ 6,038	\$ 15,516

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
NONMAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	Business-type Activities				Total
	Finance Authority	CREP Program	Value Added Finance Authority	S.D. Ellsworth Development Authority	
Operating Revenue:					
Use of Money and Property Sales and Services	\$ 1,258	\$ 3	\$ 21	\$ 83	\$ 1,282
Administering Programs				5,379	5,379
Total Operating Revenue	<u>1,258</u>	<u>3</u>	<u>21</u>	<u>5,462</u>	<u>6,744</u>
Operating Expenses:					
Personal Services and Benefits				247	247
Travel				13	13
Contractual Services	277	11		205	493
Supplies and Materials				10	10
Grant and Subsidies				600	600
Other					0
Interest	1,215				1,215
Depreciation/Amortization					0
Total Operating Expenses	<u>1,492</u>	<u>11</u>	<u>0</u>	<u>1,075</u>	<u>2,578</u>
Operating Income (Loss)	(234)	(8)	21	4,387	4,166
Nonoperating Revenue (Expenses):					
Interest Income	91				91
Interest Expense			(13)		(13)
Other Expense		(400)			(400)
Grant and Other Income			27		27
Total Nonoperating Revenue (Expenses)	<u>91</u>	<u>(400)</u>	<u>14</u>	<u>0</u>	<u>(295)</u>
Change in Net Assets	(143)	(408)	35	4,387	3,871
Net Assets At Beginning of Year, as restated	<u>9,019</u>	<u>483</u>	<u>492</u>	<u>1,651</u>	<u>11,645</u>
Net Assets at End of Year	<u>\$ 8,876</u>	<u>\$ 75</u>	<u>\$ 527</u>	<u>\$ 6,038</u>	<u>\$ 15,516</u>





STATISTICAL SECTION

South Dakota



GREAT FACES. GREAT PLACES. ©

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

(accrual basis of accounting, dollars in thousands)

	Fiscal Year				
	2012	2011	2010	2009	2008
Governmental activities:					
Invested in capital assets, net of related debt	\$ 3,480,152	\$ 3,300,829	\$ 3,211,673	\$ 3,101,101	\$ 3,053,427
Restricted	1,114,366	1,144,456	1,004,704	897,491	1,032,035
Unrestricted	158,316	95,317	79,854	67,523	67,587
Total governmental activities net assets	\$ 4,752,834	\$ 4,540,602	\$ 4,296,231	\$ 4,066,115	\$ 4,153,049
Business-type activities					
Invested in capital assets, net of related debt	\$ 3,893	\$ 4,360	\$ 4,863	\$ 2,299	\$ 2,565
Restricted	891	1,931	2,138	302,713	284,272
Unrestricted	520,208	498,567	445,444	102,607	122,595
Total business-type activities net assets	\$ 524,992	\$ 504,858	\$ 452,445	\$ 407,619	\$ 409,432
Primary government					
Invested in capital assets, net of related debt	\$ 3,484,045	\$ 3,305,189	\$ 3,216,536	\$ 3,103,400	\$ 3,055,992
Restricted	1,115,257	1,146,387	1,006,842	1,200,204	1,316,307
Unrestricted	678,524	593,884	525,298	170,130	190,182
Total primary government net assets	\$ 5,277,826	\$ 5,045,460	\$ 4,748,676	\$ 4,473,734	\$ 4,562,481

	Fiscal Year				
	2007	2006	2005	2004	2003
Governmental activities:					
Invested in capital assets, net of related debt	\$ 2,947,980	\$ 2,829,173	\$ 2,690,656	\$ 2,572,130	\$ 2,520,503
Restricted	1,091,917	1,012,357	280,219	253,780	248,126
Unrestricted	70,308	85,670	821,458	804,023	701,701
Total governmental activities net assets	\$ 4,110,205	\$ 3,927,200	\$ 3,792,333	\$ 3,629,933	\$ 3,470,330
Business-type activities					
Invested in capital assets, net of related debt	\$ 2,829	\$ 3,184	\$ 2,817	\$ 2,737	\$ 2,615
Restricted	284,322	262,293	227,167	215,957	197,892
Unrestricted	94,300	89,879	95,195	95,578	92,168
Total business-type activities net assets	\$ 381,451	\$ 355,356	\$ 325,179	\$ 314,272	\$ 292,675
Primary government					
Invested in capital assets, net of related debt	\$ 2,950,809	\$ 2,832,357	\$ 2,693,473	\$ 2,574,867	\$ 2,523,118
Restricted	1,376,239	1,274,650	507,386	469,737	446,018
Unrestricted	164,608	175,549	916,653	899,601	793,869
Total primary government net assets	\$ 4,491,656	\$ 4,282,556	\$ 4,117,512	\$ 3,944,205	\$ 3,763,005

Source: South Dakota Comprehensive Annual Financial Reports (FY 2003-2012).

Note: (a) 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 Ten Fiscal Years
(accrual basis of accounting, dollars in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental Activities:										
General Government	\$ 164,005	\$ 157,405	\$ 146,193	\$ 170,900	\$ 175,272	\$ 194,266	\$ 175,826	\$ 131,411	\$ 131,737	\$ 140,681
Education - Elementary, Secondary and Vocational Schools	211,413	218,959	212,919	195,534	200,226	186,599	191,460	176,700	156,652	143,229
Education - State Support to Higher Education	171,701	185,757	182,681	196,007	170,348	160,725	149,040	143,358	137,028	133,337
Health, Human and Social Services	1,354,764	1,354,829	1,337,922	1,200,436	1,127,618	1,043,771	1,012,533	978,950	903,644	876,202
Law, Justice, Public Protection and Regulation	286,127	286,824	241,217	243,805	233,676	232,526	212,600	200,024	180,802	169,792
Agriculture and Natural Resources	130,279	151,116	130,943	118,686	114,783	123,135	109,904	100,275	96,077	101,497
Commerce and Regulation	-	-	-	-	-	-	-	-	-	-
Economic Resources	40,865	51,157	52,966	45,006	47,226	39,371	58,235	42,419	37,260	36,763
Transportation	482,400	508,548	457,081	408,482	316,113	362,680	316,125	320,379	336,259	290,739
Intergovernmental - Payments to School Districts	375,008	412,310	405,947	400,162	376,843	346,582	338,008	337,507	326,559	312,665
Intergovernmental - Revenue Sharing	122,320	100,493	103,425	99,064	103,633	101,669	99,171	87,105	82,878	83,945
Unallocated Interest Expense	17,393	18,711	19,820	21,514	22,805	23,191	23,998	24,599	25,410	22,281
Unallocated Depreciation	53	58	58	58	58	58	58	53	53	70
Total Governmental activities expenses	3,356,328	3,446,167	3,291,172	3,099,654	2,888,601	2,814,573	2,686,958	2,542,780	2,414,359	2,311,201
Business-type activities:										
Lottery	39,877	36,775	35,411	32,767	33,419	31,404	32,409	27,516	28,034	23,873
Clean Water State Revolving	16,406	11,109	4,455	4,777	4,486	3,996	3,286	1,114	1,616	1,500
Drinking Water State Revolving	10,936	11,964	5,066	3,253	2,855	2,720	2,574	1,976	1,253	899
Other	92,096	100,406	125,993	89,451	54,688	56,247	60,613	63,057	61,464	59,853
Total business-type activities expenses	159,315	160,254	170,925	130,248	95,448	94,367	98,882	93,663	92,367	86,125
Total primary government expenses	\$ 3,515,643	\$ 3,606,421	\$ 3,462,097	\$ 3,229,902	\$ 2,984,049	\$ 2,908,940	\$ 2,785,840	\$ 2,636,443	\$ 2,506,726	\$ 2,397,326
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 194,439	\$ 170,598	\$ 166,457	\$ 158,248	\$ 147,597	\$ 142,225	\$ 137,188	\$ 130,213	\$ 124,877	\$ 119,522
Education - Elementary, Secondary and Vocational Schools	6,147	5,843	6,204	2,489	3,451	4,137	4,055	2,024	1,776	2,209
Education - State Support to Higher Education	-	-	-	-	-	-	-	-	-	-
Health, Human and Social Services	33,030	36,256	36,758	25,865	25,858	25,506	30,665	25,589	25,104	24,125
Law, Justice, Public Protection and Regulation	66,235	60,555	57,213	50,888	50,335	49,435	44,624	42,534	38,491	39,610
Agriculture and Natural Resources	69,331	67,815	64,940	61,572	65,783	54,403	52,962	48,436	53,609	47,313
Commerce and Regulation	-	-	-	-	-	-	-	-	-	-
Economic Resources	3,268	1,332	1,796	2,379	2,011	1,788	2,183	1,752	1,806	1,660
Transportation	7,514	7,776	6,301	6,052	6,815	6,007	13,718	8,510	9,177	5,742
Operating grants and contributions	1,670,046	1,838,312	1,768,957	1,447,753	1,246,925	1,258,548	1,205,317	1,197,637	1,134,512	1,108,871
Capital grants and contributions	1,608	3,945	2,275	2,519	25,395	1,000	6,570	6,564	922	2,734
Total governmental activities program revenues	2,051,618	2,192,432	2,110,901	1,757,765	1,574,170	1,543,049	1,497,282	1,463,259	1,390,274	1,351,786
Business-type activities:										
Charges for Services:										
Lottery	143,078	144,460	154,669	152,590	156,241	152,697	151,647	143,976	144,091	135,989
Clean Water State Revolving	5,677	6,014	5,781	4,954	4,826	4,479	3,659	3,441	3,152	3,166
Drinking Water State Revolving	4,922	4,807	3,997	3,696	3,582	3,460	2,773	2,102	1,585	1,009
Other	94,455	112,210	119,048	60,925	59,152	54,166	57,684	50,952	45,577	43,295
Operating grants and contributions	30,910	52,926	50,927	26,272	21,879	26,262	30,098	22,606	31,995	19,846
Total business-type activities program revenues	279,042	320,417	334,422	248,437	245,680	241,064	245,861	223,077	226,400	203,305
Total primary government program revenues	\$ 2,330,660	\$ 2,512,849	\$ 2,445,323	\$ 2,006,202	\$ 1,819,850	\$ 1,784,113	\$ 1,743,143	\$ 1,686,336	\$ 1,616,674	\$ 1,555,091
Net (Expense)/Revenue										
Governmental activities	\$ (1,304,710)	\$ (1,253,735)	\$ (1,180,271)	\$ (1,341,889)	\$ (1,314,431)	\$ (1,271,524)	\$ (1,189,676)	\$ (1,079,521)	\$ (1,024,085)	\$ (959,415)
Business-type activities	119,727	160,163	163,497	118,189	150,232	146,697	146,979	129,414	134,033	117,180
Total primary government net (expense)/revenue	\$ (1,184,983)	\$ (1,093,572)	\$ (1,016,774)	\$ (1,223,700)	\$ (1,164,199)	\$ (1,124,827)	\$ (1,042,697)	\$ (950,107)	\$ (890,052)	\$ (842,235)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Sales taxes	\$ 779,002	\$ 741,455	\$ 663,146	\$ 675,652	\$ 668,123	\$ 625,133	\$ 597,230	\$ 554,647	\$ 524,705	\$ 488,742
Motor fuel taxes	130,864	130,542	127,807	124,442	125,005	146,851	145,415	153,846	156,212	156,029
Contractors excise taxes	90,636	66,518	85,973	71,533	79,137	81,069	76,979	66,555	60,322	56,852
Bank card and franchise taxes	32,941	16,954	16,674	55,260	62,036	76,497	65,187	51,281	47,458	46,847
Other taxes	297,750	266,415	273,535	261,176	264,944	211,452	183,236	184,452	179,866	181,509
Investment Earnings	29,925	143,106	101,246	(91,586)	(18,946)	137,568	60,956	81,543	54,190	74,953
Gain on sale of capital assets	3,915	819	526	919	1,135	1,305	42,344	1,747	398	877
Miscellaneous	51,652	41,519	36,625	52,288	41,805	39,667	35,493	32,526	33,854	32,245
Transfers	100,257	107,750	118,671	120,002	122,251	120,065	117,703	118,507	112,762	111,906
Total governmental activities	1,516,942	1,515,078	1,424,203	1,269,686	1,345,490	1,439,607	1,324,543	1,245,104	1,169,767	1,149,960
Business-type activities:										
Transfers	(100,257)	(107,750)	(118,671)	(120,002)	(122,251)	(120,065)	(117,703)	(118,507)	(112,762)	(111,906)
Total business-type activities	(100,257)	(107,750)	(118,671)	(120,002)	(122,251)	(120,065)	(117,703)	(118,507)	(112,762)	(111,906)
Total primary government	\$ 1,416,685	\$ 1,407,328	\$ 1,305,532	\$ 1,149,684	\$ 1,223,239	\$ 1,319,542	\$ 1,206,840	\$ 1,126,597	\$ 1,057,005	\$ 1,038,054
Change in Net Assets										
Governmental activities	\$ 212,232	\$ 261,343	\$ 243,932	\$ (72,203)	\$ 31,059	\$ 168,083	\$ 134,867	\$ 165,583	\$ 145,682	\$ 190,545
Business-type activities	19,470	52,413	44,826	(1,813)	27,981	26,632	29,276	10,907	21,271	5,274
Total primary government	\$ 231,702	\$ 313,756	\$ 288,758	\$ (74,016)	\$ 59,040	\$ 194,715	\$ 164,143	\$ 176,490	\$ 166,953	\$ 195,819

Source South Dakota Comprehensive Annual Financial Reports (FY 2003-2012).

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

(modified accrual basis of accounting, dollars in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund (Per GASB 54):										
Non-Spendable	\$ 2,916	\$ 3,148								
Restricted										
Committed										
Assigned	140,706	148,137								
Unassigned	147,445	136,018								
Total General Fund	\$ 291,067	\$ 287,303								
Other Governmental Funds (Per GASB 54):										
Non-Spendable	\$ 706,054	\$ 683,786								
Restricted	460,450	493,638								
Committed	38,930	36,844								
Assigned	43,815	34,684								
Unassigned	(2,931)	(18,859)								
Total Other Governmental Funds	\$ 1,246,318	\$ 1,230,093								
General Fund (Prior to GASB 54):										
Reserved			\$ 21,104	\$ 21,215	\$ 31,139	\$ 32,581	\$ 22,993	\$ 23,326	\$ 18,771	\$ 19,202
Unreserved			133,962	131,363	138,883	142,809	142,505	128,781	118,800	120,297
Total General Fund			\$ 155,066	\$ 152,578	\$ 170,022	\$ 175,390	\$ 165,498	\$ 152,107	\$ 137,571	\$ 139,499
Other Governmental Funds (Prior to GASB 54):										
Reserved			\$ 873,931	\$ 872,653	\$ 886,761	\$ 848,892	\$ 836,770	\$ 190,036	\$ 203,256	\$ 181,359
Unreserved, Reported in:										
Special Revenue Funds			332,270	232,200	342,384	446,152	394,636	1,070,412	1,056,614	1,005,812
Capital Projects Funds			148	2,484	2,460	7,084	10,068	3,140	420	492
Total Other Governmental Funds			\$ 1,206,349	\$ 1,107,337	\$ 1,231,605	\$ 1,302,128	\$ 1,241,474	\$ 1,263,588	\$ 1,260,290	\$ 1,187,663

Note: The State of South Dakota implemented GASB Statement 54 in Fiscal Year 2011, which significantly changed the fund balance classifications. Fiscal Year 2012 fund balance classifications are not comparable to classifications to years prior to 2011.

Source: South Dakota Comprehensive Annual Financial Reports (FY 2003-2012).

State of South Dakota
Changes in Fund Balances, All Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting, dollars in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Taxes										
Sales & Use	\$ 779,002	\$ 741,455	\$ 663,146	\$ 675,652	\$ 668,123	\$ 625,133	\$ 597,230	\$ 554,647	\$ 524,706	\$ 488,742
Insurance Company	66,679	61,799	62,499	61,669	60,930	55,900	55,810	56,295	52,623	48,545
Liquor	14,519	14,953	14,247	14,782	13,044	13,138	12,602	12,349	12,281	10,899
Cigarette	50,704	46,700	62,918	56,607	57,160	43,998	26,689	26,246	26,270	20,336
Bank Franchise	32,941	16,954	16,674	55,260	62,036	76,497	65,187	51,281	47,458	46,847
Contractor's Excise	90,636	66,518	85,973	71,533	79,137	81,069	76,980	66,555	60,322	56,853
Severance	15,153	9,748	9,229	7,972	6,847	5,160	4,422	3,060	1,989	2,027
Other Tobacco	6,495	6,075	4,912	6,273	5,368	2,230	1,460	1,456	1,341	1,330
Motor Fuel & Vehicle	206,259	192,198	184,953	179,125	187,654	176,788	171,095	179,424	181,935	177,828
Other	68,807	65,482	62,584	59,190	59,005	61,088	56,573	59,462	59,639	76,573
Licenses, Permits & Fees	225,803	202,449	197,006	180,337	175,989	166,133	159,597	150,695	144,392	139,700
Fines, Forfeits & Penalties	13,490	12,142	11,306	11,327	11,141	8,637	7,397	8,601	7,549	6,723
Use of Money & Property	42,881	162,577	123,020	(77,407)	(2,123)	160,057	86,306	96,156	66,892	92,569
Sales & Services	34,290	32,499	32,659	35,114	33,885	31,764	27,204	26,645	26,267	24,843
Admin. Programs	1,657,602	1,820,205	1,745,559	1,434,664	1,222,191	1,232,755	1,195,842	1,185,536	1,125,402	1,093,374
Tobacco Settlement	24,135	23,673	25,175	29,986	27,616	21,369	20,415	22,239	21,911	25,603
Other Revenue	42,676	40,008	33,437	27,858	26,215	27,864	32,442	24,409	24,817	21,348
Total Revenues	3,372,072	3,515,435	3,335,297	2,829,942	2,694,218	2,789,580	2,597,251	2,525,056	2,385,794	2,334,140
Expenditures										
General Government	73,714	70,493	71,532	76,533	76,431	79,349	76,734	71,221	63,634	62,544
Education	778,707	832,936	816,454	787,670	743,024	690,874	675,100	653,690	616,440	586,041
Health, Human & Social Services	1,351,100	1,350,402	1,364,846	1,222,021	1,124,311	1,038,035	1,010,287	976,328	903,694	874,339
Law, Justice, Public Protection & Regulation	303,237	311,583	263,499	240,601	231,559	224,404	232,803	211,421	195,300	175,346
Agriculture & Natural Resources	138,598	155,064	132,683	125,640	123,257	123,367	109,781	100,920	97,095	107,985
Economic Resources	40,553	50,986	52,872	44,940	46,893	39,124	57,981	42,436	37,354	36,831
Transportation	625,661	576,777	495,796	448,159	400,200	492,073	477,845	440,681	390,903	390,628
State Shared Revenue	122,320	100,493	103,425	99,064	103,633	101,669	99,171	87,105	82,878	83,945
Capital Outlay	4,773	4,381	2,336	2,172	4,622	8,982			1	36
Debt Service:										
Principal	25,622	22,225	22,958	26,951	24,582	21,419	15,704	16,955	16,528	18,653
Interest	16,219	17,504	18,550	20,174	21,542	21,832	22,980	23,501	24,426	19,778
Bond Issuance Costs										1,618
Total Expenditures	3,480,504	3,492,844	3,344,951	3,093,925	2,900,054	2,841,128	2,778,386	2,624,258	2,428,253	2,357,744
Excess of Revenues Over (Under) Expenditures	(108,432)	22,591	(9,654)	(263,983)	(205,836)	(51,548)	(181,135)	(99,202)	(42,459)	(23,604)
Other Financing Sources (Uses):										
Capital Leases	23,770	19,465								935
Insurance Proceeds	222		809							
Bonds Issued		9,505		2,175		5,950	10,000	12,635		278,045
Premiums on Bond Issuance		154		44		15	280			
Discount on Bond Issuances								(80)		(5,472)
Proceeds of Refunding Bonds		801				25,855	2,864			1,263
Premiums on Refunding Bonds		24				1,165	149	10		60
Proceeds from Sale of Capital Assets	6,096	1,588	4,963	3,296	2,757	2,707	10,799			
Payments on Advance Refundings		(741)				(26,715)	(2,932)			(1,274)
Transfers In	270,315	237,968	413,897	383,285	436,670	370,854	415,783	361,842	295,628	575,562
Transfers Out	(171,982)	(135,374)	(294,699)	(265,348)	(311,538)	(257,737)	(298,868)	(244,727)	(183,247)	(464,079)
Net Other Financing Sources (Uses)	128,421	133,390	124,970	123,452	127,889	122,094	138,075	129,680	112,381	385,040
Special Item										
Sale of Railroad Infrastructure							34,337			
Total Special Items	0	0	0	0	0	0	34,337	0	0	0
Net Change in Fund Balances	\$ 19,989	\$ 155,981	\$ 115,316	\$ (140,531)	\$ (77,947)	\$ 70,546	\$ (8,723)	\$ 30,478	\$ 69,922	\$ 361,436
Debt Service as a Percentage of Noncapital Expenditures	1.31%	1.21%	1.32%	1.60%	1.71%	1.64%	1.53%	1.68%	1.79%	1.83%

Source: South Dakota Comprehensive Annual Financial Reports (FY 2003-2012).

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

	Fiscal Year				
	2012	2011	2010	2009	2008
Taxable Sales by Industry					
Agriculture, Forestry, and Fishing	\$ 241,819	\$ 224,548	\$ 206,139	\$ 206,927	\$ 199,715
Mining	112,925	95,566	62,308	106,421	87,996
Construction	23,842	19,479	20,345	38,652	34,042
Manufacturing	788,163	944,070	592,309	642,782	658,846
Transportation and Public Utilities	2,422,870	2,920,135	2,536,794	2,464,786	2,324,638
Wholesale Trade	1,460,278	1,300,644	1,131,812	1,262,986	1,253,201
Retail Trade	9,764,051	8,930,620	8,588,168	8,654,677	8,572,397
Finance, Insurance, and Real Estate	308,237	291,692	307,204	301,474	320,208
Services	3,090,080	2,980,187	2,773,413	2,784,114	2,721,315
Public Administration	1,799	2,082	1,584	1,629	1,456
Nonclassifiable Establishments		-	6	8	36
Totals	\$ 18,214,064	\$ 17,709,023	\$ 16,220,082	\$ 16,464,456	\$ 16,173,850
Direct Sales Tax Rate	4.00%	4.00%	4.00%	4.00%	4.00%

	Fiscal Year				
	2007	2006	2005	2004	2003
Taxable Sales by Industry					
Agriculture, Forestry, and Fishing	\$ 178,366	\$ 170,983	\$ 157,489	\$ 149,210	\$ 130,298
Mining	79,841	73,130	48,785	36,058	33,672
Construction	18,338	20,626	16,761	16,041	25,046
Manufacturing	675,156	611,195	482,265	400,590	380,073
Transportation and Public Utilities	2,010,946	1,853,628	1,743,112	1,756,328	1,527,025
Wholesale Trade	1,151,922	1,115,834	998,408	1,434,049	1,262,450
Retail Trade	8,080,893	7,870,890	7,510,802	6,506,744	6,145,005
Finance, Insurance, and Real Estate	318,811	317,054	289,072	265,752	261,591
Services	2,561,395	2,346,888	2,219,300	2,134,617	2,053,825
Public Administration	1,337	1,307	1,219	560	549
Nonclassifiable Establishments	8	9	5	117	5
Totals	\$ 15,077,013	\$ 14,381,544	\$ 13,467,218	\$ 12,700,066	\$ 11,819,539
Direct Sales Tax Rate	4.00%	3.98%	3.97%	3.97%	3.98%

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 of tangible personal property, services and products transferred electronically which are subject to state tax or reservation tax. No Contractors Excise taxes are included.
- (c) Prior to 2007, whenever there was less than 3 licenses in any one classification, the information was combined into the 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 that were due in prior periods.

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

	Fiscal Year 2012			
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	3,274	4.05%	\$ 241,819	1.33%
Mining	218	0.27%	112,925	0.62%
Construction	469	0.58%	23,842	0.13%
Manufacturing	3,399	4.20%	788,163	4.33%
Transportation and Public Utilities	3,034	3.75%	2,422,870	13.30%
Wholesale Trade	7,186	8.88%	1,460,278	8.02%
Retail Trade	29,963	37.02%	9,764,051	53.61%
Finance, Insurance, and Real Estate	2,116	2.62%	308,237	1.69%
Services	31,216	38.57%	3,090,080	16.97%
Public Administration	56	0.07%	1,799	0.01%
Nonclassifiable Establishments		0.00%		0.00%
Total	80,931	100.00%	\$ 18,214,064	100.00%

	Fiscal Year 2009			
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	2,933	3.54%	\$ 206,927	1.26%
Mining	218	0.26%	106,421	0.65%
Construction	547	0.66%	38,652	0.24%
Manufacturing	3,397	4.10%	642,782	3.90%
Transportation and Public Utilities	3,817	4.61%	2,464,786	14.97%
Wholesale Trade	7,318	8.83%	1,262,986	7.67%
Retail Trade	32,538	39.26%	8,654,677	52.57%
Finance, Insurance, and Real Estate	2,196	2.65%	301,474	1.83%
Services	29,880	36.05%	2,784,114	16.91%
Public Administration	38	0.05%	1,629	0.01%
Nonclassifiable Establishments	3	0.00%	8	0.00%
Total	82,885	100.00%	\$ 16,464,456	100.00%

	Fiscal Year 2006			
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	2,711	4.21%	\$ 170,983	1.19%
Mining	153	0.24%	73,130	0.51%
Construction	502	0.78%	20,626	0.14%
Manufacturing	2,120	3.29%	611,195	4.25%
Transportation and Public Utilities	2,722	4.23%	1,853,628	12.89%
Wholesale Trade	3,932	6.11%	1,115,834	7.76%
Retail Trade	23,505	36.50%	7,870,890	54.73%
Finance, Insurance, and Real Estate	1,678	2.61%	317,054	2.21%
Services	27,037	41.98%	2,346,888	16.32%
Public Administration	34	0.05%	1,307	0.01%
Nonclassifiable Establishments	1	0.00%	9	0.00%
Total	64,395	100.00%	\$ 14,381,544	100.00%

	Fiscal Year 2003			
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	2,329	3.86%	\$ 130,298	1.03%
Mining	138	0.23%	33,672	0.27%
Construction	576	0.96%	25,046	0.20%
Manufacturing	1,671	2.77%	380,073	2.99%
Transportation and Public Utilities	3,656	6.05%	1,527,025	12.02%
Wholesale Trade	4,821	7.98%	1,262,450	9.94%
Retail Trade	21,316	35.30%	6,145,005	48.39%
Finance, Insurance, and Real Estate	1,515	2.51%	261,591	2.06%
Services	24,338	40.30%	2,053,825	16.17%
Public Administration	26	0.04%	549	0.00%
Nonclassifiable Establishments	3	0.00%	5	0.00%
Total	60,389	100.00%	\$ 11,819,539	93.07%

Fiscal Year 2011			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
3,165	3.99%	\$ 224,548	1.27%
223	0.28%	95,566	0.54%
447	0.56%	19,479	0.11%
3,306	4.17%	944,070	5.33%
3,297	4.16%	2,920,135	16.49%
6,741	8.50%	1,300,644	7.35%
29,017	36.59%	8,930,620	50.43%
2,121	2.67%	291,692	1.65%
30,934	39.01%	2,980,187	16.83%
55	0.07%	2,082	0.01%
-	0.00%	-	0.00%
79,306	100.00%	\$ 17,709,023	100.00%

Fiscal Year 2010			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,975	3.97%	\$ 206,139	1.27%
218	0.29%	62,308	0.38%
462	0.62%	20,345	0.13%
3,084	4.11%	592,309	3.65%
3,093	4.13%	2,536,794	15.64%
6,237	8.32%	1,131,812	6.98%
28,214	37.63%	8,588,168	52.95%
2,058	2.75%	307,204	1.89%
28,589	38.13%	2,773,413	17.10%
44	0.06%	1,584	0.01%
1	0.00%	6	0.00%
74,975	100.00%	\$ 16,220,082	100.00%

Fiscal Year 2008			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,856	3.84%	\$ 199,715	1.24%
185	0.25%	87,996	0.54%
514	0.69%	34,042	0.21%
2,882	3.87%	658,846	4.07%
3,137	4.22%	2,324,638	14.37%
5,780	7.77%	1,253,201	7.75%
28,216	37.92%	8,572,397	53.00%
1,994	2.68%	320,208	1.98%
28,817	38.72%	2,721,315	16.83%
33	0.04%	1,456	0.01%
4	0.01%	36	0.00%
74,418	100.00%	\$ 16,173,850	100.00%

Fiscal Year 2007			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,665	3.87%	\$ 178,366	1.18%
170	0.25%	79,841	0.53%
461	0.67%	18,338	0.12%
2,778	4.04%	675,156	4.48%
3,077	4.47%	2,010,946	13.34%
5,444	7.91%	1,151,922	7.64%
25,655	37.27%	8,080,893	53.60%
1,846	2.68%	318,811	2.12%
26,711	38.80%	2,561,395	16.99%
35	0.05%	1,337	0.01%
1	0.00%	8	0.00%
68,843	100.00%	\$ 15,077,013	100.00%

Fiscal Year 2005			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,599	3.95%	\$ 157,489	1.169%
140	0.21%	48,785	0.362%
482	0.73%	16,761	0.124%
1,973	3.00%	482,265	3.58%
3,564	5.41%	1,743,112	12.943%
4,769	7.24%	998,408	7.414%
23,974	36.42%	7,510,802	55.771%
1,623	2.47%	289,072	2.146%
26,675	40.52%	2,219,300	16.48%
30	0.05%	1,219	0.009%
2	0.00%	5	0.000%
65,831	100.00%	\$ 13,467,218	100.00%

Fiscal Year 2004			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,409	3.92%	\$ 149,210	1.18%
136	0.22%	36,058	0.28%
495	0.81%	16,041	0.13%
1,769	2.88%	400,590	3.15%
3,568	5.81%	1,756,328	13.83%
4,820	7.85%	1,434,049	11.29%
21,780	35.48%	6,506,744	51.24%
1,516	2.47%	265,752	2.09%
24,864	40.51%	2,134,617	16.81%
23	0.04%	560	0.00%
4	0.01%	117	0.00%
61,384	100.00%	\$ 12,700,066	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 of tangible personal property, services and products transferred electronically which are subject to state tax or reservation tax. No Contractors Excise taxes are included.
- (c) Prior to 2007, whenever there was less than 3 licenses in any one classification, the information was 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 that were due in prior periods.

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

(dollars in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities:										
Revenue Bonds	\$ 227,586	\$ 250,376	\$ 260,168	\$ 280,501	\$ 302,663	\$ 324,250	\$ 336,976	\$ 339,676	\$ 341,468	\$ 352,540
Trust Certificates	16,490	19,250	21,895	24,435	26,870	29,730	32,465	35,080	37,575	39,955
Capital Leases	64,279	40,187	25,480	29,632	30,971	30,992	30,925	34,413	34,729	34,255
Loans										
Total Governmental Activities	308,355	309,813	307,543	334,568	360,504	384,972	400,366	409,169	413,772	426,750
Business-type Activities:										
Revenue Bonds	222,705	174,218	126,510	131,097	135,525	99,798	102,322	52,272	28,853	30,284
Capital Leases							4	13	21	29
Total Business-type Activities	222,705	174,218	126,510	131,097	135,525	99,798	102,326	52,285	28,874	30,313
Total Primary Government	\$ 531,060	\$ 484,031	\$ 434,053	\$ 465,665	\$ 496,029	\$ 484,770	\$ 502,692	\$ 461,454	\$ 442,646	\$ 457,063
South Dakota Total Personal Income	\$ 36,782,250	\$ 34,569,500	\$ 31,218,250	\$ 31,274,250	\$ 31,090,547	\$ 29,034,171	\$ 26,587,390	\$ 25,834,413	\$ 24,888,315	\$ 23,339,768
Debt as a Percentage of Personal Income	1.4%	1.4%	1.4%	1.5%	1.6%	1.7%	1.9%	1.8%	1.8%	2.0%
South Dakota Population (in thousands)	833	824	816	812	804	796	787	779	774	766
Long-Term Debt per Capita	\$ 637.53	\$ 587.42	\$ 531.93	\$ 573.48	\$ 616.95	\$ 609.01	\$ 638.74	\$ 592.37	\$ 571.89	\$ 596.69

Source: Debt information obtained from the South Dakota Comprehensive Annual Financial Reports (FY 2003-2012)
Total Personal Income and Population data: US Bureau of Economic Analysis

- Note:**
- (a) South Dakota Total Personal Income figure for 2012 is preliminary.
 - (b) Data for Total Personal Income for 2011 has been revised.
 - (c) Detail about the State's debt can be found in Note 14 of the financial statements.
 - (d) Generally, the State Constitution prohibits the State from having general obligation indebtedness in excess of \$100,000.
 - (e) 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.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenue Bonds and Trust Certificates										
- Building Authority										
Revenue - lease payments	\$ 14,646	\$ 15,052	\$ 15,276	\$ 15,940	\$ 17,003	\$ 16,778	\$ 16,989	\$ 17,182	\$ 17,811	\$ 18,425
Less: Operating expenses										
Net available revenue	<u>\$ 14,646</u>	<u>\$ 15,052</u>	<u>\$ 15,276</u>	<u>\$ 15,940</u>	<u>\$ 17,003</u>	<u>\$ 16,778</u>	<u>\$ 16,989</u>	<u>\$ 17,182</u>	<u>\$ 17,811</u>	<u>\$ 18,425</u>
Debt service										
Principal	\$ 11,243	\$ 11,240	\$ 11,218	\$ 11,196	\$ 11,791	\$ 11,479	\$ 11,196	\$ 11,255	\$ 11,265	\$ 11,288
Interest	3,355	3,731	3,989	4,558	5,071	4,003	5,844	5,985	6,121	7,125
Total	<u>\$ 14,598</u>	<u>\$ 14,971</u>	<u>\$ 15,207</u>	<u>\$ 15,754</u>	<u>\$ 16,862</u>	<u>\$ 15,482</u>	<u>\$ 17,040</u>	<u>\$ 17,240</u>	<u>\$ 17,386</u>	<u>\$ 18,413</u>
Coverage	1.00	1.01	1.00	1.01	1.01	1.08	1.00	1.00	1.02	1.00
Revenue Bonds										
-Educational Enhancement Funding Corp.										
Revenue -										
Tobacco settlement	\$ 24,359	\$ 22,908	\$ 22,751	\$ 31,161	\$ 27,679	\$ 25,071	\$ 19,471	\$ 22,324	\$ 22,056	\$ 25,603
Investment Earnings	1,202	1,098	1,126	1,204	1,437	1,401	1,509	1,258	1,113	943
Less: Operating expenses	152	152	149	161	149	158	148	176	179	145
Net available revenue	<u>\$ 25,409</u>	<u>\$ 23,854</u>	<u>\$ 23,728</u>	<u>\$ 32,204</u>	<u>\$ 28,967</u>	<u>\$ 26,314</u>	<u>\$ 20,832</u>	<u>\$ 23,406</u>	<u>\$ 22,990</u>	<u>\$ 26,401</u>
Debt service										
Principal										\$ 2,205
Interest	12,975	13,799	14,583	15,615	16,480	16,841	17,134	17,522	17,868	12,624
Total	<u>\$ 12,975</u>	<u>\$ 13,799</u>	<u>\$ 14,583</u>	<u>\$ 15,615</u>	<u>\$ 16,480</u>	<u>\$ 16,841</u>	<u>\$ 17,134</u>	<u>\$ 17,522</u>	<u>\$ 17,868</u>	<u>\$ 14,829</u>
Coverage	1.96	1.73	1.63	2.06	1.76	1.56	1.22	1.34	1.29	1.78
Revenue Bonds										
-Clean Water State Revolving Fund										
Revenue:										
Loan Repayments	\$ 29,078	\$ 43,202	\$ 16,789	\$ 16,089	\$ 14,689	\$ 10,780	\$ 9,702	\$ 11,593	\$ 9,460	\$ 11,105
Investment Income	3,494	3,259	2,722	2,600	2,258	3,104	4,046	3,048	2,972	2,930
Other Income	1,243	1,320	1,301	1,242	1,212	1,122	866	793	694	690
Less: Operating expenses	1,304	982	948	779	1,710	1,448	1,219	485	471	286
Net available revenue	<u>\$ 32,511</u>	<u>\$ 46,799</u>	<u>\$ 19,864</u>	<u>\$ 19,152</u>	<u>\$ 16,449</u>	<u>\$ 13,558</u>	<u>\$ 13,395</u>	<u>\$ 14,949</u>	<u>\$ 12,655</u>	<u>\$ 14,439</u>
Debt service										
Principal	\$ 4,320	\$ 3,665	\$ 2,820	\$ 2,730	\$ 2,635	\$ 1,210	\$ 1,165	\$ 150	\$ 1,125	\$ 945
Interest	4,063	3,188	2,872	2,562	2,477	2,376	1,709	260	1,007	1,061
Total	<u>\$ 8,383</u>	<u>\$ 6,853</u>	<u>\$ 5,692</u>	<u>\$ 5,292</u>	<u>\$ 5,112</u>	<u>\$ 3,586</u>	<u>\$ 2,874</u>	<u>\$ 410</u>	<u>\$ 2,132</u>	<u>\$ 2,006</u>
Coverage	3.88	6.83	3.49	3.62	3.22	3.78	4.66	36.46	5.94	7.20
Revenue Bonds										
-Drinking Water State Revolving Fund										
Revenue:										
Loan Repayments	\$ 34,599	\$ 31,338	\$ 13,987	\$ 12,824	\$ 10,599	\$ 9,230	\$ 5,322	\$ 4,348	\$ 5,816	\$ 4,297
Investment Income	2,351	1,987	1,681	1,780	1,641	1,828	2,055	1,995	520	594
Other Income	1,064	1,034	886	897	868	835	678	511	388	217
Less: Operating expenses	137	164	213	57	70	50	-	-	-	-
Net available revenue	<u>\$ 37,877</u>	<u>\$ 34,195</u>	<u>\$ 16,341</u>	<u>\$ 15,444</u>	<u>\$ 13,038</u>	<u>\$ 11,843</u>	<u>\$ 8,055</u>	<u>\$ 6,854</u>	<u>\$ 6,724</u>	<u>\$ 5,108</u>
Debt service										
Principal	\$ 2,845	\$ 2,495	\$ 1,815	\$ 1,745	\$ 1,685	\$ 1,360	\$ 440	\$ 415	\$ 400	\$ 225
Interest	2,676	2,517	2,281	2,223	2,142	2,074	2,147	1,732	511	527
Total	<u>\$ 5,521</u>	<u>\$ 5,012</u>	<u>\$ 4,096</u>	<u>\$ 3,968</u>	<u>\$ 3,827</u>	<u>\$ 3,434</u>	<u>\$ 2,587</u>	<u>\$ 2,147</u>	<u>\$ 911</u>	<u>\$ 752</u>
Coverage	6.86	6.82	3.99	3.89	3.41	3.45	3.11	3.19	7.38	6.79

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:**
- 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.
 - For the Educational Enhancement Funding Corp: Based upon the adjusted mandatory principal payments. Not in the calculation, \$77,245,000 in principal has been turbo redeemed from June 1, 2003 through June 30, 2012.
 - 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.
 - The Educational Enhancement Funding Corporation was created in FY 2003.
 - All funds are presented on a accrual basis except for the Building Authority Fund which is presented on a cash basis.

POPULATION (THOUSANDS)

YEAR	UNITED STATES	PERCENT CHANGE	WEST N. CENTRAL*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2012	313,914	0.7%	20,750	0.5%	833	1.1%
2011	311,592	0.7%	20,640	0.5%	824	1.2%
2010	309,350	0.8%	20,537	0.7%	814	0.2%
2009	306,772	0.9%	20,392	0.7%	812	0.9%
2008	304,094	1.0%	20,249	0.7%	805	1.0%
2007	301,231	1.0%	20,106	0.7%	797	1.0%
2006	298,380	1.0%	19,957	0.8%	789	1.2%
2005	295,517	0.9%	19,803	0.6%	780	0.8%
2004	292,805	0.9%	19,688	0.6%	774	0.9%
2003	290,108	1.0%	19,569	0.5%	767	0.4%

Note: Midyear (July 1) population estimates. Revised estimates for 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012. 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

TOTAL PERSONAL INCOME (MILLIONS)

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2011	12,949,905	5.2%	856,767	6.7%	36,439	12.8%
2010r	12,308,496	3.8%	803,023	3.4%	32,303	4.9%
2009r	11,852,715	-4.8%	776,295	-4.5%	30,787	-4.4%
2008r	12,451,600	4.6%	812,501	7.1%	32,215	10.0%
2007	11,900,562	5.7%	758,810	6.2%	29,285	10.2%
2006	11,256,516	7.4%	714,501	6.1%	26,582	2.9%
2005	10,476,669	5.5%	673,520	3.4%	25,829	3.8%
2004	9,928,790	6.0%	651,446	5.3%	24,879	6.7%
2003	9,369,072	3.5%	618,856	4.3%	23,313	9.1%
2002	9,054,702	5.4%	593,412	6.1%	21,359	8.7%

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, Bureau of Economic Analysis, Last Updated September 2012

UNEMPLOYMENT RATE **(Seasonally Adjusted)**

YEAR	SOUTH DAKOTA	UNITED STATES
*2012	4.4%	8.1%
2011r	4.7%	8.9%
2010r	5.0%	9.6%
2009r	5.1%	9.3%
2008r	3.0%	5.8%
2007	2.9%	4.6%
2006	3.1%	4.6%
2005	3.6%	5.1%
2004	3.7%	5.5%
2003	3.5%	6.0%

* Preliminary. r = Revised Estimates
Estimates for 2003 through 2012 have been recently updated.

Source: U.S. Bureau of Labor Statistics and Labor Market Information Center

PER CAPITA PERSONAL INCOME

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2011	\$ 41,560	4.4%	\$ 41,511	6.2%	\$ 44,217	11.8%
2010r	39,791	3.0%	39,101	2.7%	39,558	3.7%
2009r	38,637	-5.6%	38,068	-5.1%	38,147	-5.4%
2008r	40,947	3.6%	40,126	6.3%	40,313	9.0%
2007r	39,506	4.7%	37,741	5.4%	36,993	9.0%
2006r	37,725	6.4%	35,802	5.3%	33,948	1.9%
2005r	35,452	4.6%	34,011	2.8%	33,306	3.1%
2004r	33,909	5.0%	33,089	4.6%	32,294	5.8%
2003r	32,295	2.6%	31,624	3.7%	30,526	8.6%
2002r	31,481	0.8%	30,481	2.0%	28,103	0.4%

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 Estimates

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

Source: U.S. Department of Commerce, September 2012

**State of South Dakota
Top Ten Employers
2012 as Compared to 2003**

2012 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	South Dakota State Government*	14,434	3.5%
2	Federal Government (Statewide)	11,529	2.8%
3	Sanford System-Wide (SD)	10,200	2.5%
4	Sioux Falls MSA Local Government**	9,262	2.2%
5	Avera System-Wide (SD)	7,500	1.8%
6	Rapid City MSA Local Government**	5,944	1.4%
7	Regional Health, Inc. System Wide	4,335	1.1%
8	Ellsworth AFB	3,890	0.9%
9	Daktronics, Inc.	3,551	0.9%
10	John Morrell & Company (Sioux Falls)	3,300	0.8%
	Total Top Ten Employers	73,945	17.9%
	Total SD Employment 2012	412,746	

* 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 Areas (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).

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.

2003 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	South Dakota State Government*	13,439	3.7%
2	Federal Government (Statewide)	11,334	3.1%
3	Sioux Falls MSA Local Government**	7,486	2.1%
4	Sioux Valley Hospital (Sioux Falls)	5,400	1.5%
5	Rapid City MSA Local Government**	5,379	1.5%
6	Avera McKennan Hospital (Sioux Falls)	3,230	0.9%
7	Citibank South Dakota NA (Sioux Falls)	3,200	0.9%
8	John Morrell & Company (Sioux Falls)	3,000	0.8%
9	Gateway, Inc. (Statewide)	2,800	0.8%
10	Regional City Regional Hospital (Rapid City)	2,300	0.6%
	Total Top Ten Employers	57,568	15.8%
	Total SD Employment 2003	364,256	

* 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 Areas (MSA). Other cities are not available.

Sources: Governor's Office of Economic Development, October 2003; Development Corporations and Individual companies. Compiled by SD State Data Center, USD Business Research Bureau, and Labor Market Information Center (LMIC).

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.

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

	2012p	2011r	2010r	2009	2008	2007	2006	2005	2004	2003
Natural Resources/Mining/Construction*	20.3	20.9	21.0	21.8	23.3	23.1	22.8	21.9	20.7	20.2
Manufacturing	40.0	38.9	36.9	37.7	42.7	42.0	41.6	39.8	38.9	37.7
Trade/Transportation/Utilities	82.8	82.2	80.6	80.7	82.2	81.6	80.1	78.9	77.2	76.4
<i>Wholesale Trade</i>	19.5	19.1	18.6	18.3	18.7	18.5	18.2	17.6	17.1	16.7
<i>Retail Trade</i>	50.8	50.5	49.5	49.6	50.2	50.2	49.2	49.3	48.5	48.2
<i>Trans/Warehsing/Util</i>	12.5	12.6	12.5	12.8	13.2	12.9	12.7	12.1	11.5	11.5
Information	6.1	6.4	6.5	6.7	6.9	7.2	6.9	6.8	6.7	6.8
Financial Activities	28.2	28.0	28.9	30.4	31.0	30.8	29.5	28.5	27.8	27.7
Professional/Business Svcs.	29.3	28.5	27.5	26.9	28.0	27.6	25.7	24.5	24.2	24.3
Educational/Health Services	67.0	65.4	64.5	63.2	62.0	60.0	58.5	57.4	56.5	55.4
Leisure and Hospitality	42.1	42.4	43.0	42.9	43.2	42.8	42.5	41.7	40.7	39.7
Other Services (Except Public Administration)	15.4	15.5	15.6	15.7	15.9	15.8	15.6	15.5	15.9	15.7
Government	77.4	78.0	78.7	77.8	76.2	75.6	75.3	75.3	75.0	74.6
TOTAL	408.6	406.2	403.2	403.7	411.4	406.4	398.6	390.1	383.7	378.4
% Change in Nonfarm Employment	0.6%	0.7%	-0.1%	-1.9%	1.2%	2.0%	2.2%	1.7%	1.4%	0.2%

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 North American Industry Classification System (NAICS)

* Effective January 1, 2008, the construction category is no longer separated out for nonfarm wage and salaried workers. It is now combined with Natural Resources and Mining.

p = Preliminary Data

r = Revised Data

Source: Labor Market Information Center (LMIC) in cooperation with the U.S. Bureau of Labor Statistics

EXPANDED AND NEW INDUSTRIES (Dollars Expressed in Millions)

	EXPANSIONS		NEW		TOTAL	
	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT
2012	347	\$281.6	3	\$0.0	350	\$281.6
2011	367	\$296.1	4	\$0.9	371	\$297.0
2010	324	\$117.7	12	\$0.3	336	\$118.0
2009	399	\$217.0	9	\$0.0	408	\$217.0
2008	522	\$342.3	13	\$59.5	535	\$401.8
2007	528	\$733.4	8	\$2.7	536	\$736.1
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

Note: Only manufacturing and processing companies are included in the above totals.

Source: Governor's Office of Economic Development

**State of South Dakota
Capital Asset Statistics by Function
as of June 30, 2012**

	Fiscal Year						
	2012	2011	2010	2009	2008	2007	2006
General Government							
Vehicles	2,852	2,949	2,743	2,683	2,879	2,711	2,636
Land (Acres)	760,828	760,828	760,828	760,828	760,832	760,832	761,295
Equipment	1,406	1,296	1,275	1,291	1,416	1,477	1,970
Buildings	17	17	16	15	13	13	21*
Infrastructure	0	0	0	0	0	0	0
Health, Human, and Social Services							
Vehicles	8	8	7	7	12	6	5
Land (Acres)	710	710	710	906	901	901	901
Equipment	590	554	539	479	510	566	540
Buildings	47	47	46	46	46	46	46
Infrastructure	0	0	0	0	0	0	0
Law, Justice, Public Protection, and Regulation							
Vehicles	324	320	312	281	314	313	323
Land (Acres)	1,387	2,066	2,067	2,313	2,313	2,313	2,313
Equipment	826	762	682	596	607	627	599
Buildings	74	74	76	68	67	70	54*
Infrastructure	0	0	0	0	0	0	0
Agriculture and Natural Resources							
Vehicles	377	365	340	309	326	326	300
Land (Acres)	360,039	360,039	352,128	350,245	348,552	297,796	293,775
Equipment	1,457	1,357	1,292	1,208	1,173	1,123	1,095
Buildings	52	52	53	48	48	35	34
Infrastructure	0	0	0	0	0	0	0
Transportation							
Vehicles	1,206	1,268	1,241	1,149	1,607	1,259	1,194
Land (Acres)	3,498	3,618	3,747	3,891	3,875	3,883	3,950
Land, ROW Roads	\$ 89,954,671	\$ 86,389,686	\$ 84,159,719	\$ 76,597,880	\$ 73,884,865	\$ 69,080,371	\$ 48,033,462
Land Improvements, Roads	\$ 512,129,195	\$ 512,410,674	\$ 512,410,674	\$ 512,410,674	\$ 512,410,674	\$ 512,498,327	\$ 512,216,849
Equipment	3,081	3,043	2,828	2,603	2,511	2,402	2,258
Buildings	109	104	102	98	96	96	88
Infrastructure							
-Roads: Lane Miles	8,858	8,858	8,858	8,862	8,862	8,864	8,886
-Bridges: Number of	1,799	1,805	1,803	1,809	1,805	1,800	1,805
-Railroads: Track Miles	513	513	513	513	513	513	328
Education							
Vehicles	0	0	0	0	0	0	0
Land (Acres)	77	45	45	33	33	33	33
Equipment	11	15	24	30	32	47	53
Buildings	22	22	22	22	22	22	25
Infrastructure	0	0	0	0	0	0	0
Economic Resources							
Vehicles	2	2	2	1	1	3	2
Land (Acres)	0	0	0	0	0	0	0
Equipment	42	48	49	36	37	39	41
Buildings	0	0	0	0	0	0	0
Infrastructure	0	0	0	0	0	0	0

* Restated balances

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

Note: Because of the complicated nature of retrieving this data, only FY 2006, FY 2007, FY 2008, FY 2009, FY 2010, FY 2011 & FY 2012 will be shown.
Data will be added to future CAFR reports until the data shown reaches ten years.

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

Function of State Government:	Fiscal Year				
	2012	2011	2010	2009	2008
General Government	967	1,003	1,020	1,019	1,000
Health, Human, and Social Services	3,004	3,040	3,121	3,064	3,051
Law, Justice, Public Protection, and Regulation	2,142	2,160	2,130	2,119	2,131
Agriculture and Natural Resources	925	938	942	918	908
Transportation	965	987	1,004	1,000	1,015
Education	132	133	135	130	134
Economic Resources	170	264	257	199	180
State Total	<u><u>8,305</u></u>	<u><u>8,525</u></u>	<u><u>8,609</u></u>	<u><u>8,449</u></u>	<u><u>8,419</u></u>

Function of State Government:	Fiscal Year				
	2007	2006	2005	2004	2003
General Government	993	990	979	964	974
Health, Human, and Social Services	3,054	3,113	3,083	2,995	2,992
Law, Justice, Public Protection, and Regulation	2,110	2,081	2,012	1,969	1,950
Agriculture and Natural Resources	899	907	911	891	884
Transportation	1,012	1,024	1,020	1,007	1,027
Education	139	136	130	122	128
Economic Resources	168	170	168	164	162
State Total	<u><u>8,375</u></u>	<u><u>8,421</u></u>	<u><u>8,303</u></u>	<u><u>8,112</u></u>	<u><u>8,117</u></u>

Source: State's Budget System RB12

Note:

(a) A full-time equivalent employee, or FTE, represents one full-time position, or a number of part-time or seasonal positions.

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

General Government	Fiscal Year		
	2012	2011	2010
Executive Management			
Bureau of Finance and Management			
Complete Governors Budget Book	Annual	Annual	Annual
Finalize State Operating Budget	Annual	Annual	Annual
Bureau of Information and Telecommunications			
Data Storage (GB)	N/A	N/A	N/A
SDPB Local Production (Hours)	2,056	2,456	1,528
Radio Calls through Digital Network	26,052,239	24,122,503	22,188,596
Bureau of Personnel			
Health: Employees, COBRA, Retirees/Dependents	13,152 / 12,825	13,372 / 12,488	13,427 / 11,876
Bureau of Administration			
Pieces of Mail Handled/Year	8,631,113	8,991,825	9,274,640
Total Miles Driven	38,755,956	37,663,512	37,506,764
Revenue			
Total Active Business Licenses	80,130	78,399	78,919
Vehicles Registered	1,081,516	1,156,109	1,137,621
Misc. Special Tax Licenses	5,333	5,332	5,346
Lottery			
Licensed Lottery Retailers--Instant	12	13	14
Licensed Lottery Retailers--On-line	591	584	579
Legislature			
Legislative Research Council	N/A	N/A	N/A
Auditor General			
Audits Performed	73	59	58
Audits Reviewed (IPA reports)	327	356	349
School and Public Lands			
Apportion common school interest fund and income to school districts (in Thousands)	\$ 7,433	\$ 8,274	\$ 8,672
Apportion endowed income and interest fund to ten endowed institutions (in Thousands)	\$ 1,957	\$ 1,629	\$ 1,905
Secretary of State			
Business and Secured Transaction Filings	92,608	90,291	91,288
State Treasurer			
Cash Receipts (Thousands)	\$ 4,667,076	\$ 4,435,684	\$ 4,196,085
Unclaimed Property - Claims Paid	3,018	4,619	7,390
State Auditor			
Vouchers Audited	291,219	293,522	288,997
Warrants Written	400,307	433,121	451,581
Health, Human, and Social Services			
Social Services			
Medicaid Enrolled/Month	115,731	114,405	111,005
Long Term Care Services - Clients Served	4,138	4,276	4,346
Health			
Immunization Rate, Children 19-35 months 4:3:1:3:3 shot series	N/A	N/A	N/A
Public Health Investigations	10,386	10,379	15,292
Labor			
State Labor Force	446,910	444,980	442,940
Unemployment Rate	4.40%	4.90%	5.00%
South Dakota Retirement System			
Budget Compared to Assets	4.200%	5.300%	0.057%
Budget Compared to Benefits	0.900%	1.120%	1.140%
Veterans Benefits and Services			
South Dakota Veteran Population	72,000	72,000	72,400
State Veterans' Home			
Average Daily Census	130	129	132
Human Services			
People with Developmental disabilities served	2,970	2,899	2,837
People with mental illness served	15,572	14,915	13,998
People with substance abuse issues served	14,307	14,893	15,131
People receiving vocational rehabilitation services	6,477	6,224	5,710

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual
N/A 1,480 21,468,474	N/A 736 21,885,767	10,347 740 22,584,630	6,273 719 18,719,091	1,732 615 14,377,144	822 533 13,200,000	624 381 7,200,000
13,316 / 11,568	13,171 / 11,696	13,133 / 11,846	13,105 / 11,713	12,853 / 11,093	12,535 / 10,856	12,344 / 10,625
9,687,084 37,136,509	9,909,143 38,788,928	11,638,363 38,180,716	9,977,094 39,406,852	10,286,652 39,017,332	10,381,413 37,488,578	10,053,075 37,197,089
76,367 1,113,254 5,298	73,456 1,168,616 5,580	72,315 1,129,972 5,672	70,685 1,135,960 8,030	68,691 1,102,710 7,977	67,219 1,081,123 7,532	64,839 1,052,766 7,319
129 480	620 476	615 447	609 407	597 365	589 353	567 345
N/A	N/A	N/A	N/A	N/A	N/A	N/A
59 286	56 285	81 322	69 293	73 271	83 308	97 275
\$ 10,997	\$ 8,771	\$ 8,453	\$ 8,265	\$ 4,297	\$ 6,649	\$ 9,219
\$ 1,990	\$ 1,967	\$ 2,026	\$ 1,753	\$ 1,464	\$ 1,275	\$ 1,820
97,572	100,959	101,215	95,518	102,162	90,387	73,792
\$ 3,812,475 6,113	\$ 3,843,830 6,505	\$ 3,705,226 5,084	\$ 3,625,844 6,138	\$ 3,402,620 8,398	\$ 3,300,787 13,410	\$ 3,091,868 4,376
283,596 473,409	287,358 507,447	287,076 595,412	309,479 634,882	310,579 737,425	292,110 899,687	290,140 936,117
104,520 4,347	102,310 4,359	100,393 4,419	100,274 4,452	97,810 4,642	95,043 4,634	91,123 4,792
N/A 12,365	N/A 13,014	N/A 12,922	N/A 15,416	87% 16,711	86% 13,080	81% 11,716
447,275 4.10%	443,765 2.80%	440,030 3.00%	432,442 3.50%	427,374 3.80%	426,196 3.50%	421,980 3.00%
0.063% 1.180%	0.045% 1.110%	0.044% 1.220%	0.044% 1.260%	0.049% 1.300%	0.049% 1.400%	0.059% 1.500%
73,500	74,273	73,325	74,224	75,104	75,966	78,000
129	124	119	119	122	121	123
2,814 13,261 15,338 5,606	2,776 12,901 15,146 5,714	2,762 12,246 15,069 6,508	2,727 11,591 14,180 6,819	2,668 10,389 16,394 6,717	2,521 9,665 16,524 6,401	2,457 9,288 17,190 6,140

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

	Fiscal Year		
	2012	2011	2010
Law, Justice, Public Protection, and Regulation			
Corrections			
Adult System ADP (Average Daily Population)	3,565	3,479	3,490
Avg. Daily Population on Supervision	2,418	2,452	2,385
Juvenile Institutional and Placement ADP	526	459	446
Unified Judicial System			
Felony Offenses Filings/Pending	7,669 / N/A	6,456 / N/A	6,126 / N/A
Class one Misdemeanor Filings/Pending	22,845 / N/A	19,929 / N/A	20,141 / N/A
Class two Misdemeanor Filings/Pending	133,323 / N/A	112,853 / N/A	124,965 / N/A
Attorney General			
New Cases Opened/Closed/Pending (thousands)	.85/2.1/1.5	1.0 / 1.3 / 2.5	.8 / 1.3 / 2.3
Investigations Conducted by DCI	1,012	902	867
Public Safety			
Patrol of Public Highways (Percentage)	46%	45%	N/A
Patrol of Public Highways (Hours)	N/A	131,508	130,700
Driver Licenses Issued	201,766	198,871	176,153
Military and Veterans Affairs			
Assigned Strength of the Army Guard	3,266	3,420	3,441
Assigned Strength of the Air Guard	1,038	1,057	1,103
Appraiser Program			
New / Renewed licenses	15 / 383	11 / 381	18 / 354
Revenue Financial Services			
Banking Institutions Examined	563	562	538
Dealer, Broker & Investment Advisor Agents Licensed	79,886	77,038	62,262
Renewed & Issued Insurance Appointments/Licenses	243,465	270,412	269,361
Revenue Boards and Commissions			
New & Renewed Licenses Issued	7,517	6,853	8,191
Public Utilities Commission			
Dockets Opened	238	143	178
Agriculture and Natural Resources			
Agriculture			
Wildfires Suppressed: (Fires/Acres)	1,267 / 123,484	468 / 7,100	398 / 10,335
Dairy Inspections	831	956	1,078
Marketing Consultations	N/A	375	385
Insect & Disease Individual Assists	354	307	333
Game, Fish and Parks			
Total Park Visitations	7,682,751	7,469,331	7,785,508
Acres of Walk-In Areas	1,271,743	1,300,000	1,250,000
Environment and Natural Resources			
Dollars Awarded/Number of Grants and Loans (added water quality grants in FY05 & FY06)	96.4M / 129	119.1M / 155	80.6M / 109
Total number of Regulated Facilities	27,331	26,679	26,365
Petroleum Release Compensation			
Petroleum Release Cases Initiated	95	62	64
Abandoned Tank site Cases Initiated	45	36	45
Transportation			
Transportation			
Percent of Non-interstate State Highway system main lane pavement mileage rated good or better on condition index	93	88	85
Percent of interstate pavement in excellent condition based on condition index	53	33	31
Education			
Student K-12 public school fall enrollment	125,152	123,629	122,055
Economic Resources			
Tourism and State Development			
Capital Investment Reported (Millions)	\$ 297.00	\$ 118.00	\$ 217.00
New Jobs Created (calendar year)	3,488	4,462	3,298
Tourism's Impact on South Dakota Economy (billions)	\$ 1.80	\$ 1.76	\$ 2.42

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

N/A= Not Applicable

Fiscal Year							
2009	2008	2007	2006	2005	2004	2003	
3,428	3,373	3,412	3,466	3,177	3,059	2,954	
2,311	2,379	2,312	2,011	2,243	1,945	1,667	
497	461	489	510	512	520	514	
5,745 / 7,249	5,797 / 7,104	5,660 / 7,388	6,970 / 7,462	7,032 / 7,970	6,895 / 6,936	6,277 / 5,978	
21,896 / 23,039	22,611 / 22,924	23,464 / 22,296	24,064 / 22,570	22,094 / 20,330	20,542 / 18,144	20,107 / 16,948	
134,617 / 44,143	139,262 / 46,389	139,933 / 43,043	141,405 / 43,614	142,605 / 40,449	142,025 / 36,983	141,508 / 39,580	
.8 / 1.1 / 2.1	1.1 / .9 / 2.0	1.1 / 1.0 / 1.9	1.2 / 1.2 / 1.9	1.3 / 1.2 / 1.9	1.5 / 1.4 / 1.8	1.2 / 1.2 / 1.6	
772	759	534	599	580	683	622	
N/A							
130,503	124,763	139,828	136,428	125,844	129,575	123,880	
150,056	195,900	205,260	198,755	189,727	134,282	199,115	
3,391	3,368	3,360	3,425	3,425	3,425	3,410	
1,108	1,012	1,008	1,015	1,030	1,025	1,035	
17 / 372	22 / 354	17 / 360	33 / 361	30 / 360	33 / 331	38 / 316	
538	553	376	609	606	618	632	
61,995	63,004	60,015	54,396	51,146	47,593	44,937	
254,327	223,240	210,739	211,904	196,873	218,679	206,237	
7,425	8,387	7,351	7,759	6,577	7,861	6,492	
199	227	306	258	306	435	327	
337 / 5,803	595 / 55,731	904 / 288,616	762 / 47,860	412 / 7,309	622 / 73,585	455 / 116,933	
1,444	1,300	1,350	1,549	1,532	1,691	N/A	
360	396	300	220	240	280	265	
400	500	792	390	373	430	777	
7,638,828	7,371,201	7,326,503	7,202,975	7,148,102	7,413,106	7,256,419	
1,201,430	1,152,653	1,000,000	1,080,000	935,163	903,000	883,827	
100M / 129	99.3M / 113	34.8M / 102	91.4M / 135	108.2M / 150	34.5M / 117	47.1M / 113	
26,328	25,677	24,445	23,123	20,711	20,525	20,328	
70	45	22	29	27	21	29	
53	33	45	38	53	69	171	
84	83	83	78	77	75	71	
45	40	41	35	24	34	30	
121,015	121,089	120,278	120,682	121,327	123,058	124,470	
\$ 401.80	\$ 736.10	\$ 407.50	\$ 275.10	\$ 241.80	\$ 397.50	\$ 165.90	
3,952	4,083	3,044	3,202	3,046	2,190	2,398	
\$ 2.74	\$ 2.42	\$ 2.35	\$ 2.16	\$ 2.02	\$ 1.75	\$ 1.66	

